

An aspiring friend is a friend indeed: school peers and college aspirations in Brazil*

Jessica G. Miranda [†]

January 6, 2020

Abstract

Aspiration is a fundamental determinant of one's effort and investments. Due to its consequences for individuals' future outcomes, understanding the process of aspirations formation helps to inform public policies. This work asks whether peers play a role in such a process. I use novel data on Brazilian students' networks, matched with administrative data, and investigate whether students' college aspirations spills over to their friends. The employed methodology acknowledges that social cliques are formed endogenously and addresses this challenge by modeling friendship formation based on homophily in predetermined characteristics and on students' as-good-as-random chances of interaction. Using the predicted adjacency matrix, I explore network structures and use predicted friends of friends' characteristics as instruments for friends' aspirations. The results show evidence of positive, significant, and quite large peer effects on aspiration - an extra friend aspiring to go to college increases on average 9.9% the likelihood that a student will also aspire to it. Such an impact is driven mostly by boys. While peers' aspirations do not seem to influence students' proficiency, an extra aspiring friend decreases on average 36% the likelihood of dropping out from high school and increases 2.2% class attendance in reading. Compliance with social norms seems to play a role in explaining such an impact.

Keywords: Peer effects, Social Networks, Education, Aspiration, Human Capital Accumulation

JEL Codes: I24, I25, I29

*I am very grateful to Marcos A. Rangel, Paolo Pinotti, Eliana La Ferrara, and Massimo Anelli for their guidance over the course of this project. I also thank the valuable comments of Jane Cooley Fruehwirth, Matias Busso, Eric Bettinger, Armin Falk, and seminar participants at the Summer School on Socioeconomic Inequality, the 9th Alp-Pop Conference, the Workshop on Poverty and Inequality (X RIDGE Forum), the Empirics and Methods in Economics Conference, the APPAM Fall Research Conference, and seminars at Bocconi University, the Sanford School of Public Policy at Duke, and the Duke Network Analysis Center. The usual caveats apply.

[†]Bocconi University, Via Sarfatti, 25 Milano, 20136, Italy; jessica.gagete@phd.unibocconi.it.

1 Introduction

An important feature of human nature is the ability that people (some more than others) have to forego small luxuries in the present and to make costly investments for the future. Sociologists, psychologists, and economists have investigated for some time now what are the drivers of such behavior, especially among the poor, for whom investment costs are usually higher (Banerjee and Duflo, 2011). What motivates, for instance, a student to keep going to school even when many of her colleagues drop-out, may be working and contributing to their families' income? Although there are several answers to this question, many of them touch an important characteristic of people's personality: their capacity to aspire to a better standard of living (Appadurai, 2004). Indeed, as long as individuals do not perceive their aspirations as something unattainable, the more they aspire to, the harder they work and the more they invest in the present (Dalton et al., 2016; Genicot and Ray, 2017).

The contributions to the theoretical literature argue that individual aspirations emerge in social contexts, through individuals' comparisons with similar others (Appadurai, 2004; Falk and Knell, 2004; Ray, 1998, 2006; Genicot and Ray, 2017). This important social element of aspirations construction calls for investigations on how exactly peers influence an individual's level of aspiration. Some have found that peers' socioeconomic status is associated with individuals' aspirations (Stutzer, 2004; Macours and Vakis, 2009; Janzen et al., 2017; Tanguy et al., 2014). However, an important question still needs further investigation: do peers' aspirations influence one's own aspiration, over and above socioeconomic considerations? That is, after controlling for socioeconomic status, do peers still influence individuals' aspirations, through their own level of aspiration?

This work investigates peer effects on students' college aspirations - that is, students willingness to pursue a college degree. In order to do so, I rely on a unique social networks data collected from middle school students in Brazil to address the main challenges that emerge in the identification of peer effects. Differently from standard linear-in-mean models, this work does not assume that all individuals in a students' reference group are equally

connected or have the same influence on each other. Instead, it acknowledges that individuals in social networks are idiosyncratically connected to each other and that homophily - i.e., the tendency to form social clicks with similar others - plays an important role in friendship formation.

An advantage of my data is the possibility to link it with administrative data. I explore this to model friendship formation based on homophily in predetermined characteristics and on the as-good-as-random allocation of students into classes when first enrolling at middle school. Next, based on the model's predicted connections, the identification strategy uses friends of friends' characteristics as instrumental variables for friends' aspirations. It also uses network fixed effects and a broad set of controls to eliminate other possible correlated effects.

College aspiration is a quite relevant measure of aspiration in the educational scenario of developing countries. On one hand, these countries have high earnings premium of tertiary education, compared to other OECD and partner countries. On the other hand, they have low percentages of adults attaining such a level of education. Brazil is a good example: someone with a bachelor's degree in Brazil earns over 2.4 times what someone who only attained upper secondary education earns - the highest earning premium among OECD and partner countries. Still, only 15% of the adult population in the country has attained tertiary education - well below the OECD average of 37% (OECD, 2017). Hence, aspiring to a college degree in a developing country is a good indicator of aspirations towards a good living standard.

An important discussion is whether college aspirations lead to aspirations frustrations and consequently to aspirations failures. Genicot and Ray (2017) show in a theoretical model of how individuals' incentives to invest grow with their aspiration level, but only up to a certain point. If aspirations are too distant from one's current outcome, the anticipation that this aspiration will be frustrated makes investment insensitive to it. *Aspirations ratio* - the ratio of aspirations to starting wealth -, therefore, plays a central role in one's future-

oriented behavior, influencing her willingness to make costly investments in the present. This "inverse U-shape" relationship between aspirations and investment has been empirically demonstrated in some works (Pasquier-Doumer and Brandon, 2015; Ross, 2017; Janzen et al., 2017). Other works have shown how adjusting individuals' aspirations to their true potential might lead to better outcomes. For instance, decreasing low-achieving students' aspirations decrease their likelihood of dropping out of school (Kearney and Levine, 2014; Goux et al., 2014).

Interestingly, pursuing a college degree does not seem something unattainable in developing countries (Graham et al., 2018), especially under the disclosure of information about college funding and scholarships (Bonilla et al., 2016). The survey used in this study was collected in 2011. Since 2005, low-income students can apply for up to 100% scholarships to enroll in private universities in Brazil. Moreover, in 2010 the federal government expanded student loans for virtually all low-income students in the country¹.

I document that college aspiration at 9th grade is positively associated with students' future outcomes at school, such as the likelihood of finishing high school, and class attendance and performance during high school.

I find evidence of positive, significant, and quite large peer effects on aspiration: an extra friend aspiring to a college degree increases a students' likelihood of also aspiring to it from 3.3 p.p. (4.9%) to 13.5 p.p. (19.8%), depending on the number of nominated friends. Heterogeneous exercises show that boys are those more influenced by peers, while no different impact was verified regarding students' race or their parents' education. On a discussion about the possible mechanisms behind such an impact, I also show that compliance with social norms seems to explain at least part of these results.

I finally explore more tangible impacts of peers' aspiration, investigating whether it influences students' future outcomes in school, such as retention, dropout, class attendance, and performance. While there is no impact of peers' aspirations on students' performance, I do

¹More on the access to higher education in Brazil can be found at Silveira (2018).

find that peers' aspiration decreases the likelihood of dropping out of school by, on average, 5,9 p.p. (which translates into a decrease of 36% in the likelihood of dropping out for the average student). It also increases class attendance and students' likelihood of following a normal school path during high school.

This study adds to traditional works in the sociology literature (Sewell and Shah, 1968; Sewell and Hauser, 1975; Kao and Tienda, 1998). Sociologists have long verified the existence of a positive correlation between peers' aspiration and one's own aspiration (see, for instance, the work of Campbell and Alexander (1965); Duncan et al. (1968); Cohen (1983)). Identification issues, however, have prevented these works from establishing causal relationships. In the context of peer effects estimations, correlated effects - socioeconomic background, school quality, or homophily in friendship formation - might deliver high correlation between a student's outcomes and her peers' outcomes even in the absence of peers' influence². Moreover, the reflection problem - the simultaneity of outcomes that emerges in groups' interactions - will most likely overestimate any existing peer effects (Manski, 1993). Hence, correlational studies say little about the true impact that peers exert on one's aspiration.

This work also contributes to the literature on peer effects (see Sacerdote (2011) for a review). Most of the works on primary and secondary schools focus on peer effects in test scores and look at different sources of peer effects - such as ability, gender or racial composition, parental characteristics, or behavior (Hanushek et al., 2003; Hoxby, 2000; Lavy and Schlosser, 2011; Austen-Smith and Fryer Jr, 2005; Carrell and Hoekstra, 2010; Marotta, 2017; Fruehwirth and Miranda, 2019). Other studies focus on peer effects in students' attitudes and behavior, such as substance use, school dropout, and criminal activity (Case and Katz, 1991; Gavoria and Raphael, 2001). Fewer works, however, investigate peers' influence on students' aspirations or decisions about schooling investments. Three exceptions are the works of Jonsson and Mood (2008), Ballis (2019), and Norris (2017). The first uses data on Swedish students to show that having high-achieving peers might depress the average

²For a discussion about the challenges on the estimation of peer effects, see Angrist (2014).

students' desire to attend college, even after controlling for school fixed-effects and family characteristics. Ballis (2019) explores the introduction of the Deferred Action for Childhood Arrivals to investigate how increasing the motivation to finish high school for students directly affected by this policy impacts the schooling investments of their peers. Norris (2017) explores schools network structures to show how peers' attitudes about school influence one's own attitudes ³. These studies, however, focus on high school, when very low-aspiring students might have already dropped out.

2 Data and measure of aspiration

The data used in this work come from a survey conducted in 2011 on students from the final grade of 85 state-owned middle schools of Sao Paulo (Brazil). The students answered a comprehensive questionnaire about their personal profile, how happy or satisfied they were with their life, what were their study habits, and what were their expectations. One block of questions mapped students' social networks. They were asked to nominate their four best friends or classmates in their grade (which, in most schools, comprehends more than one classroom). Importantly, it is possible to link the nominated students to school rosters, and also to find their own answers to the questionnaire. As so, it is possible to map the network for all students of 9th grade in each school.

Another important block of questions was dedicated to understanding students' expectations towards their future. One specific question of this block asked until when students would like to keep studying if this choice was entirely up to them, and whether they would like to go to college and pursue a higher education degree or not. I use this question to build my measure of aspiration towards pursuing a college degree, which I call *college aspiration*. This is a binary variable that takes value equal one if students answered that they would like to keep studying until they get a college degree, and zero otherwise.

³Even though Norris (2017)'s measure of attitude about school has a component of desire to go to college, it also has other components, such as how much students' felt they are part of their current school. Hence, this is not a pure measure of students' aspirations.

The survey also approached other traits and beliefs that might be associated with college aspiration. First, it had a block of questions asking about students personality. From it, it is possible to identify students socio-emotional skills such as "locus of control" - the extent to which individuals attribute current experiences to decisions and attitudes they have taken in the past -, "self-efficacy" - individuals beliefs about their capacity to establish and achieve goals -, "ambition" - which proxies for long-run aspirations such as career success -, and "pro-social behavior" - the tendency to act in a cooperative and unselfish manner. Second, it asked students which probability they attributed for them to find a job in the future if they have a university degree. This question measures students perceptions about college returns, which might influence their aspiration towards pursuing a college degree. Finally, students were also asked about possible impediments for them to keep studying in the future. Two impediments, in particular, might also be related to students' willingness to go to college: (1) their concern about being stigmatized as "nerd" if they put too much effort into school - I call this variable "Fear of nerd stigma"; and (2) the fact that their friends pressure them to find a job and start earning their own money - I call this variable "Peer pressure to work". I will use students' perceived college returns and these two impediments - which proxy for students' willingness to comply with "bad" social norms in the school - to discuss the mechanism behind my results.

Table 1 brings some descriptive statistics coming from this survey and from administrative data, such as students' college aspiration, their demographic and socioeconomic characteristics, and their proficiency in Language and Math in a diagnostic exam - known as Sao Paulo School Performance Assessment System (SARESP, in the Portuguese abbreviation) - applied every year to all state-owned schools in Sao Paulo. The table brings the mean and standard error for all students and also for those who aspire and those who do not aspire to a college degree. Furthermore, it brings information about students' friends. First, looking at the sample composed of all students, we see that more than 30% of them does not aspire to a college degree. Second, comparing students who aspire to a college with students who

do not, it is possible to see that those who do want to go to college are better achieving and have on average better educated parents. Finally, looking at the average characteristics of students' friends, we see that the friends of students aspiring to a college are also more likely to aspire to it - which could be an indicator of peer effects - but are also more likely of being higher achieving students and of having more educated parents - which might exemplify the phenomenon of homophily, that is, people's tendency to befriend with similar others. Homophily is an important confounder in the estimation of peer effects. Section 3 explains how this work overcomes such an issue.

2.1 College aspiration, school effort, and future outcomes

This survey has two great features that allow for tests on the association of college aspirations with both students' current effort and future outcomes in school. First, students' had to indicate how long they studied Math on normal school days and during pre-test periods, and also whether they took part in Math study groups. These answers might be used as proxies for students' effort in school. Second, it is possible to link this survey with administrative data and to recover students' school path - which allows one to know whether these students dropped out from school at some point or were retained in some grade -, as well as their future performance in SARESP.

Associating college aspiration with the aforementioned outcomes is an important exercise to understand whether such a measure of aspiration goes in the expected direction. However, it is important to highlight that such an exercise does not allow any kind of causal interpretation. With this caveat in mind, I perform OLS estimations with each of those measures of students' effort and school outcomes as dependent variables, and college aspiration as independent variable, also controlling for students' performance, demographics, socioeconomic status, and school fixed effects. Figures 1 and 2 bring the point estimate and the 95% confidence interval of these estimations⁴.

⁴Besides parents' education and working status, I also use father working status, house ownership, internet, and the number of lavatories in the house as measures of the socioeconomic status. I omitted these

One can see in Figure 1 that college aspiration is an important predictor of all measures of students' effort in school. As described by Figure 2, college aspiration is also highly associated with the likelihood of having a normal school path during high school (that is, of being at the 12th grade - the last grade of HS - in 2014), with class attendance in reading and math during 11th grade (2013)⁵, and with students' performance in the last year of high school (2014). At the same time, college aspiration is negatively correlated with the likelihood of school dropout during high school.

These exercises show that such a measure of aspiration has a predictive power over several important school outcomes, which is an important indicator that it is indeed capturing students' true aspirations.

3 Identification of peer effects

There are several challenges that one faces when seeking to identify endogenous social effects through a linear-in-means model - that is, associating an individual's outcomes with the average outcome of her reference group on the attempt to infer whether the group behavior influences the behavior of individuals inside that group.

The first is the reflection problem (Manski, 1993), namely a simultaneity bias that emerges due to the fact that an individual might influence the behavior of her group and, at the same time, might be influenced by the group's behavior. In a friendship network, for instance, all friends potentially impact each other, so it is difficult to disentangle if one's behavior is the cause or the consequence of others' behavior.

The second are correlated effects, where people in the same reference group tend to behave alike not because they influence one another but because they share similar unobserved characteristics, such as institutional environments and/or common shocks. For instance, students within a school are influenced by school quality, or maybe by a very inspiring

variables from the figures for the sake of clarity.

⁵Unfortunately, it was not possible to recover the information on class attendance for the last year of high school, in 2014.

professor.

Finally, connections or friendship links do not happen at random, which makes reference groups themselves endogenous. Several works have shown the important role of homophily in friendship formation. That is, the likelihood that two people will interact with one another is higher if they share similar characteristics, like race or SES (McPherson et al., 2001; Moody, 2001; Currarini et al., 2009). An important implication of homophily and the endogenous formations of networks is that neither the connections nor the influence of individuals inside a reference group are equal for everyone. Even students enrolled at the same school and under the mentoring of the same teachers form different cliques to one another. This brings extra challenges to the estimation of peer effects, since individuals might have unobserved characteristics correlated to both their outcomes and their links formation.

Several works on the peer effects literature have tackled these identification problems, with different strategies. Some use natural experiments in order to solve correlated effects (Sacerdote, 2001; Zimmerman, 2003; Cipollone and Rosolia, 2007), other use theoretical models of social interactions (Brock and Durlauf, 2001) or network structures (Calvó-Armengol et al., 2009; Boucher et al., 2014; Liu et al., 2014; Bramoullé et al., 2009; De Giorgi et al., 2010) in order to address both correlated effects and the reflection problem.

To the best of my knowledge, however, few works so far have fully acknowledge the implications of endogenous formation of networks, and tackled this problem accordingly. Johnsson and Moon (2017) develop a semi-parametric control function approach to deal with this issue. Goldsmith-Pinkham and Imbens (2013) model link formation assuming that individuals with similar observed and unobserved characteristics are more likely to form links, and perform a sample selection correction where network formation and the outcome are determined jointly. König et al. (2018) and Santavirta and Sarzosa (2019) use a three stage least square (3SLS) strategy where, in the first stage, they model links formation based either on past network structures (König et al., 2018) or predetermined individual characteristics (Santavirta and Sarzosa, 2019) as exclusion restrictions that affect current link formation

but do not enter the outcome equation. The second and third stages are similar to the ones implemented by Bramoullé et al. (2009) and De Giorgi et al. (2010) where friends' outcomes are instrumented by friends' of friends characteristics. The main difference is that, when building the instruments, the endogenous sociometric matrix is replaced by the predicted one that comes from the link formation model. In this work, I follow this 3SLS approach. In what follows, I formalize my model of friends' influence, the identification issues, and the 3SLS estimation.

3.1 Model of friends' influence

Let a student's college aspiration be affected by the mean college aspiration of her friends, her own characteristics such as grades, gender, race, and family background, and by the mean characteristics of her friends. More formally, suppose there is a set of students i , $i = (1 \dots N)$, that belong to network l , $l = (1, \dots L)$ ⁶. Each student may have a group of friends F_i of size n_i , or may be isolated, where $F_i = \emptyset$. Assume that each student i is not included in her own group of friends, such that $i \notin F_i$. The model is given by⁷

$$y_{li} = \beta \frac{\sum_{j \in F_i} y_{lj}}{n_i} + \gamma x_{li} + \eta \frac{\sum_{j \in F_i} x_{lj}}{n_i} + \mu_l + v_{li} \quad (1)$$

$$E(v_{li} | \mathbf{X}_l, \mu_l) = 0$$

where y_{li} is the aspiration level of individual i in network l , which depends on the aspiration level of the friends directly connected to her - the endogenous social effect -, on x_{li} , her own characteristics⁸, on the characteristics of her friends - the exogenous social effects -, and on network unobserved fixed effects, μ_l . The only restriction imposed to parameters in this model is that $|\beta| < 1$.

⁶In this study, each network is formed by all students in 9th grade of each school.

⁷This model reassembles the one described in Bramoullé et al. (2009), and is a special case of the model described in Manski (1993), where an individual reference group are the friends linked to her.

⁸For the sake of notational clarity, there is only one exogenous characteristic exposed in equation 1. In the next equation, the model is generalized to more characteristics.

Let G be the adjacency matrix, where element $g_{i,j} = 1/n_i$ if individual i sends a friendship tie to individual j , and $g_{i,j} = 0$ otherwise. Assume that $g_{i,i} = 0$ so that each individual is not part of her own reference group. The above model can then be translated into:

$$\begin{aligned} \mathbf{y}_l &= \beta \mathbf{G} \mathbf{y}_l + \gamma \mathbf{X}_l + \eta \mathbf{G} \mathbf{X}_l + \mu_l + \mathbf{v}_l \\ E(\mathbf{v}_l | \mathbf{X}_l, \mu_l) &= 0 \end{aligned} \tag{2}$$

It is easy to see that the reflection problem emerges because the outcome variable y is present in both sides of the equation. To be more explicitly, if one assumes for a moment that \mathbf{G} is orthogonal to \mathbf{v}_l , it is possible to causally estimate the reduced form of equation 2⁹:

$$\mathbf{y}_l = (\mathbf{I} - \beta \mathbf{G})^{-1} (\gamma \mathbf{I} + \eta \mathbf{G}) \mathbf{X}_l + (\mathbf{I} - \beta \mathbf{G})^{-1} \mu_l + (\mathbf{I} - \beta \mathbf{G})^{-1} \mathbf{v} \tag{3}$$

However, such estimation will only yield unbiased estimates of $(\mathbf{I} - \beta \mathbf{G})^{-1} \eta$, which will not disentangle the endogenous social effect (β) from the exogenous social effect (η).

Correlated effects would emerge if μ_l was not observed by the modeler, since \mathbf{X}_l is only exogenous conditional on μ_l . School quality, for instance, is probably correlated with students' aspirations. Hence, students within the same school are more likely to have similar levels of college aspiration, which could bias estimations upwards. I address this problem by simply controlling the estimations by network fixed effects - in my case, the same as school fixed effects.

Nonetheless, this does not solve the endogeneity of link formation. That is, individuals do not befriend each other at random and homophily plays a great role on friendship formation, which yields $\mathbf{G} \not\perp \mathbf{v}_l$. Once again, such correlation would most likely bias estimates upwards, since more similar students have a greater probability of becoming friends and, at the same time, are more likely of have similar aspirations towards college.

⁹Given the restriction on β , $\mathbf{I} - \beta \mathbf{G}$ is invertible.

As in König et al. (2018) and Santavirta and Sarzosa (2019), I will tackle the reflection problem and the endogenous formation of friendship using a 3SLS estimation. The first stage models link formation based on homophily in predetermined characteristics. The second and third stages use the predicted friendship connections delivered by the first stage, and uses friends of friends characteristics as instrumental variables for friends aspirations (resembling Bramoullé et al. (2009)). In the remaining of this section, I describe this approach and explain how it overcomes the issues raised above. For the sake of clarity in exposition, I start by describing the last two stages of the implemented strategy, which address the reflection problem, and then I describe the first stage and show how it overcomes the the endogenous formation of networks.

3.2 The reflection problem

Through a series expansion of equation 3 and assuming $\beta\gamma + \eta \neq 0$, Bramoullé et al. (2009) show that if \mathbf{I} , \mathbf{G} , \mathbf{G}^2 , and \mathbf{G}^3 are linear independent, it is possible to use $(\mathbf{G}^2 \mathbf{X}_l, \mathbf{G}^3 \mathbf{X}_l, \dots)$ as excluded instruments for $\mathbf{G}\mathbf{y}$ and, as so, to identify all the parameters of the model ² ¹⁰. The authors prove that if the diameter¹¹ of the network is greater than or equal to 3, then the linear independence between \mathbf{I} , \mathbf{G} , \mathbf{G}^2 , and \mathbf{G}^3 is guaranteed and the model is identified¹².

Therefore, in order to identify the parameters $\varphi = (\beta, \eta, \gamma)$, it is possible to follow a 2SLS estimation, where the matrix of explanatory variables $\tilde{\mathbf{X}} = [\mathbf{G}\mathbf{y}_l \ \mathbf{X}_l \ \mathbf{G}\mathbf{X}_l]$ is instrumented in the second stage by $\mathbf{S} = [\mathbf{X}_l \ \mathbf{G}\mathbf{X}_l \ \mathbf{G}^2\mathbf{X}_l \ \mathbf{G}^3\mathbf{X}_l]$, such that the final estimates are given by $\hat{\varphi}^{2SLS} = (\tilde{\mathbf{X}}' \mathbf{P} \tilde{\mathbf{X}})^{-1} \tilde{\mathbf{X}}' \mathbf{P} \mathbf{y}_l$, where $\mathbf{P} = \mathbf{S}(\mathbf{S}'\mathbf{S})^{-1}\mathbf{S}$.

¹⁰If correlated effects were not an issue and μ_l could be excluded from the model, this condition would be less restrictive. As a matter of fact, one would need only \mathbf{I} , \mathbf{G} , \mathbf{G}^2 to be linear independent in order for the model to be identified.

¹¹As in Bramoullé et al. (2009)[pg 47], "define the distance between two students i and j in the network as the number of friendship links connecting i and j in the shortest chain of students $i_1 \dots i_l$ such that i_1 is a friend of i , i_2 is a friend of i_1 , ...and j is a friend of i_l .(...) Define the *diameter* of the network as the maximal friendship distance between any two students in the network (see Wasserman and Faust (1994))."

¹²The counterpart for the diameter size in a model where correlated effects are absent is the presence of *intransitive triads* - that is, when we have a set of three individual i , j , and k such that i is connected to j and j is connected to k but i is not connected to k - in at least some networks

The intuition behind this strategy is that, unless the network is fully connected, there will always be an individual A in the network whose characteristics will directly affect the outcome of another individual B, but will affect the outcome of a third individual C only indirectly, through the friendship tie between B and C. Therefore, A’s characteristics are good instruments for B’s outcomes.

3.3 Endogenous link formation

The aforementioned 2SLS strategy would ensure unbiased estimates of the endogenous and exogenous social effects if friendship links were formed at random - that is, if $\mathbf{G} \perp v_l$. However, as stated before, social networks are not formed at random and homophily plays a role in cliques formation. König et al. (2018) and Santavirta and Sarzosa (2019) deal with such an issue including a stage before the 2SLS, where they use predicted networks based on predetermined characteristics to build the IVs that identify the social effects.

The work of Graham (2017) explicitly models network formation based on homophily. The main idea of this model is that the friendship connection $D_{i,j}$ between two agents i and j , depends on the distance between these two agents regarding several agent-level attributes $Z_i = \{z_{1i}, \dots, z_{Ki}\}$. If we consider $W_{ij} = \sum_{k=1}^K (|z_{ki} - z_{kj}|)$ as a measure of the total distance between i and j , then agent i will send a friendship tie to agent j if the total surplus of doing so is positive:

$$D_{i,j} = \mathbf{1}(W'_{ij}\varphi + \theta_i + \theta_j + U_{ij} \geq 0) \tag{4}$$

where $\mathbf{1}(\cdot)$ is an indicator function, $\theta_{i(j)}$ is agent $i(j)$ ’s fixed effect, and U_{ij} is an idiosyncratic component ($U_{ij} = U_{ji}$ if the network is undirected and $U_{ij} \neq U_{ji}$ if the network is directed). Hence, if we assume that U_{ij} is a standard logistic random variable that is independently and identically distributed across dyads, the conditional likelihood of observing network $\mathbf{D} = \mathbf{d}$ is

$$Pr(\mathbf{D} = \mathbf{d} | \mathbf{Z}, \boldsymbol{\theta}) = \prod_{i \neq j} Pr(D_{ij} = d | Z_i, Z_j, \theta_i, \theta_j)$$

with

$$Pr(D_{ij=d} | \mathbf{Z}, \boldsymbol{\theta}) = \left[\frac{1}{1 + \exp((W'_{ij}\varphi + \theta_i + \theta_j))} \right]^{1-d} \left[\frac{\exp((W'_{ij}\varphi + \theta_i + \theta_j))}{1 + \exp(W'_{ij}\varphi + \theta_i + \theta_j)} \right]^d$$

for all $i \neq j$.

I model such a probability using the following conditional logistic regression function:

$$Pr(D_{ij=d} | \mathbf{Z}, \boldsymbol{\theta}) = \frac{\exp((W'_{ij}\varphi + \theta_i + \theta_j))}{1 + \exp((W'_{ij}\varphi + \theta_i + \theta_j))} \quad (5)$$

where W_{ij} is the distance in predetermined dyadic characteristics. More specifically, I use individuals similarities on gender and race. I also include binary variables indicating whether individuals i and j were enrolled at the same class when they first enrolled at the state-school in the 6th grade - before 6th grade students were enrolled in municipality schools and their first allocation into classes when arriving at state-schools in the 6th is as good as random. The intuition behind the inclusion of this variable is that, conditional on individuals' own characteristics, sharing the same class when they first arrive at their new school should increase their likelihood of being friends while not *directly* impacting their outcomes (in this case, their aspiration levels). Therefore, this variable can be used as excluded instruments for this first stage of my estimation.

Table A.1 brings the results of such estimation. As it is possible to see, sharing the same class in the first year of middle school (class in 2008) are highly correlated with the likelihood of forming friendship ties.

Using the predicted links coming from this model, I replace the original adjacency matrix by the predicted adjacency matrix when building the instruments used to identify model 2.

Therefore, in the final estimation of the parameters $\varphi = (\beta, \eta, \gamma)$, the matrix of explanatory variables $\tilde{\mathbf{X}} = [\mathbf{G}\mathbf{y}_l \ \mathbf{X}_l \ \mathbf{G}\mathbf{X}_l]$ is instrumented in the second stage by $\hat{\mathbf{S}} = [\mathbf{X}_l \ \mathbf{G}\mathbf{X}_l \ \hat{\mathbf{G}}(\mathbf{W})^2 \mathbf{X}_l \ \hat{\mathbf{G}}(\mathbf{W})^3 \mathbf{X}_l]$, where $\hat{\mathbf{G}}(\mathbf{W})$ is the predicted adjacency matrix from equation 5, $\hat{\mathbf{D}}(\mathbf{W})$, row normalized so that each row sums to one. The final estimates are, therefore, given by $\hat{\varphi}^{3SLS} = (\tilde{\mathbf{X}}' \hat{\mathbf{P}} \tilde{\mathbf{X}})^{-1} \tilde{\mathbf{X}}' \hat{\mathbf{P}} \mathbf{y}_l$, where $\hat{\mathbf{P}} = \hat{\mathbf{S}}(\hat{\mathbf{S}}' \hat{\mathbf{S}})^{-1} \hat{\mathbf{S}}$.

3.4 Potential threats to identification

This section discusses some of the identifying assumptions of the implemented methodology and potential threats that might emerge due to how students networks were mapped in my data.

As specified in Bramoullé et al. (2009) the identification of peer effects using friends of friends as instrumental variables is only possible if there are intransitive triads in the network - that is, students within a network cannot be all friends among themselves. This would invalidate the exclusion restriction of the instruments since all the friends of my friends would also be my friends. This is why one needs I , G , G^2 , and G^3 to be linear independent. As shown in the previous section, Bramoullé et al. (2009) proofs that a sufficient condition to guarantee such linear independence is that the diameter of a network is greater than or equal to 3. The average size of the diameters in my networks is 14.3, with a minimum size of 4 and a maximum size of 22, so the linear independence between I , G , G^2 , and G^3 is secured for all schools in my sample.

A second important assumption of Bramoullé et al. (2009) is that networks are fully mapped. That is, we should be able to identify all connections made by all individuals within a network. One needs this assumption to guarantee that intransitive triads in the network are indeed intransitive. In other words, if we observe that A is connected to B, and B is connected to C, but C is not connected to A, we need to be sure that the absence of connection between A and C is not due to missing or censored data. Such an assumption is also important for the model of friendship formation proposed by Graham (2017), since one

should be able to identify all connections in a network in order to fully model them.

In that sense, my data might suffer from a ceiling effect, since students were only able to nominate four of their friends. If a student had a fifth or sixth friend in that grade, these connections do not show up in my data. Figure A.1 brings the out-degree distribution, that is, the distribution of the number of friends that each student nominated. Looking at the figure it is possible to see that around 20% of students might be suffering from this ceiling effect since they nominated four friends and it is not possible to know whether there were more friends they would like to nominate. However, it is reassuring to see that this is not the majority of students - around 60% of students nominated either one, two or three friends so they were not censored in any way¹³. Moreover, the work of Griffith (2019) - who uses data from Add Health and other smaller survey to investigate the direction of the bias when censoring network data - show that, if anything, censoring the number of friends bias the results *downwards*. Still, in section 4.1 I present some robustness checks to address potential issues with censored networks.

4 Results

Table 2 brings results of the main estimations. I use different instruments for friends' aspiration to test for the robustness of the results. In columns (1) and (2), friends' aspiration is instrumented by $\hat{G}(W)^2X$, that is, by predicted friends of friends characteristics. Columns (3) and (4) use $\hat{G}(W)^3X$ - that is, third order connections¹⁴ - as instruments. Finally, columns (5) and (6) bring both $\hat{G}(W)^2X$ and $\hat{G}(W)^3X$ as IVs. For comparative purposes, columns (2), (4) and (6) include controls for both students' and friends' socio-emotional skills. If homophily was the factor driving such results, the inclusion of socio-emotional skills would decrease the coefficient of peers' aspiration, since homophily in personality also drives friend-

¹³Figure A.1 also shows that around 20% of students did not nominate any friend. This proportion is at the same order of the one in Add-Health data (?). Exercises - not shown - either controlling for isolated students or excluding them from the estimation show very similar results.

¹⁴Third order connections are the friends of friends of friends.

ship formation. However, the impact remains quite stable, even after the inclusion of such controls.

Looking at the estimations, it is possible to see that peer effects on aspiration are positive, significant, and quite sizable. Column (1), for instance, has a coefficient of 0.135, which means that if a student passes from having no nominated friends who aspire to a college degree to having all nominated friends who aspire to it, her probability of aspiring to a college degree increases by 13.5 p.p..

Perhaps passing from having no nominated friends aspiring to go to college to having all friends aspiring to it is a too extreme way of interpreting the results. A better way of interpreting them is to think about the marginal impact of having an extra *aspiring friend* - that is, an extra friend aspiring to go to college. Such an impact will depend on the number of nominated friends. As described in section 2, each student could be nominated up to four best friends or colleagues. If a student nominates all four friends, the marginal impact of an extra aspiring friend is about 3.3 p.p.¹⁵. If a student nominates three friends, the marginal impact of an extra aspiring friend is 4.5 p.p.. If a student nominates two friends, the marginal impact is 6.75 p.p.. Finally, if a student nominates only one friend, the marginal impact will be 13.5 p.p. - naturally, the same as passing from having no friend aspiring to college to have all friends aspiring to it.

As shown in Table 1, the average number of nominated friends is about 2, so the impact of an extra aspiring friend for the average student is of a 6.75 p.p. increase in her likelihood of aspiring to go to college, which translates into an increase of 9.9% on the average aspiration.

4.1 Robustness check

As discussed in section 3.4, the main threat for identification is the fact that some students in the data did not nominate all of their friends. If this is the case, the model of network

¹⁵If a student has four friends, the average of peers' aspiration increases by 0.25 every time an extra friend aspires to go to college. If we multiply this increase by the coefficient of peers' aspiration - which is 0.135 - we get to the marginal effect of 0.033, or 3.3 p.p..

formation might not be correctly estimated and some excluded instruments used in the estimation of peer effects might actually be endogenous. In particular, if a friend of a friend is my friend, we should be worried about homophily being driving part of the results shown in Table 2. I've already shown that this is not the case for the majority of my sample since only 20% of students nominated the maximum allowed number of friends. I have also shown that the estimations do not change when controlling for socio-emotional skills, which are potential drivers of homophily in friendship formation.

Yet, Tables A.2 and A.3 bring another two exercises that ensure the robustness of the results. Table A.2 brings some falsification exercises where I investigate the existence of peer effects (the endogenous social effects) in students' socioeconomic status, where the impact of peers should not exist. Columns (1) and (2) investigate whether peers impact students' parents' education, that is, whether the fact that peers' mother or father have more than high school influences students' mother or father to also have more than high school. Columns (3) and (4) analyze whether the fact that peers live in their own house - in opposition of living in a rented or borrowed house - or have internet at home influence students to also live in their own house or have internet at home. These variables are clearly either pre-determined, as in the case of parental education, or very unlikely to be influenced by school peers - as in the case of having your own house or internet at home. Therefore, the presence of peer effects in these variables would indicate that the employed methodology is not completely ruling out the presence of homophily or other correlated effects. However, as shown in the table, this is not the case: none of these exercises delivered significant results of peer effects. Column (5) of Table A.2 brings again the estimation of peer effects on college aspiration without controlling for the variables analyzed in column (1) to (4), in order to check whether the main results were not being driven only by the inclusion of these controls.

Table A.3 brings another robustness check, where I re-analyzed my results in the subsample of students who were not censored by the limit in friendship nomination - that is, students who nominated only three friends or less. In this restricted sample, it is possible

to map all students' connections with more precision, without incurring the risk of having missing links. The results are remarkably similar to the ones of Table 2.

4.2 Heterogeneous impacts

Table 3 brings estimations considering heterogeneous characteristics of students regarding some of their demographics and socio-economic status. Each of the variables in the columns of the table is interacted with friends' aspiration. Hence, column (1) brings heterogeneous exercises for boys and girls, column (2) brings these exercises for non-white and white students, and columns (3) and (4) bring the results for students with less/more educated parents (mother in column (3) and father in column (4)).

As shown in the table, boys seem to be more susceptible to peer effects. This might be because girls have higher levels of aspiration, as shown in Table 2, so the marginal impact of a friend who aspires to go to college is likely to be smaller for them. However, the impact of friends' aspirations seems to be quite homogeneous across race and parents' educational status.

5 Discussion about possible mechanisms

Information diffusion and conformity to social norms may play an important role in friends' influence in college aspiration. On one hand, students might exchange facts and impressions about college returns (both pecuniary and non-pecuniary), as well as about how to get into college - such as application process, fellowships, etc. On the other hand, students might either be influenced by their friends to comply with social norms that hinder their aspiration or see college aspiration itself as a social norm to which they decide to comply. As shown in (Bursztyn and Jensen, 2017), there is a burgeoning literature on how the presence of social norms and social pressure change individuals' behavior.

Unfortunately, I cannot access all kinds of information that students have about college

returns or about how to get into college. However, it is possible to get a sense of whether they are exchanging information using their perceived college returns. If students consider such returns when forming their aspirations and, at the same time, inform each other about these returns, then information diffusion might be a mechanism in place. It is also possible to investigate whether "bad" social norms - such as the fear of being stigmatized as a nerd or peer pressure to work - are diffused among friends. If students decide to comply with such norms, they will most likely lower their aspirations, so the spread of such norms could be a mechanism for peer effects on aspiration.

In order to test that, Table 4 brings exercises that estimate peer effects on perceived college returns, on the fear of nerd stigma, and on peer pressure to work. The methodology implemented in these estimations is the same as the one described in section 3. The difference is that now the dependent variable and the endogenous social effect are not college aspiration and peers' college aspiration, respectively, but each variable in the columns of the table.

The table shows that, while friends do not seem to impact perceived college returns, they do seem to have an influence on students willingness to comply to social norms: for the average student with two friends, an extra friend who sees the fear of a nerd stigma as an impediment to keep studying increases the likelihood of that student feeling the same way in about 48%. The impact of an extra friend who sees peers pressure to work as an impediment to keep studying is of about 40%. Therefore, school friends seem to impact more the spread of social norms than of information - or at least information about pecuniary college returns.

I also use the information on the fear of nerd stigma and on peer pressure to work to test whether college aspiration might be itself a social norm that students want to comply with. That is, students might start aspiring to a college degree in order to be part of, or be accepted by, a group of friends that already aspires to it. If this is true, one should observe larger peer effects for students who are more responsive to the presence of social norms. In order to test for that, I test for peer effects in college aspiration in two different groups of students - one that does not seem to conform easily to social norms, and other that seems to

be more responsive to it. Table 5 brings such estimation for the two measures of "conformity to social norms" that I have. Even though peer effects on college aspiration are positive and significant for all estimations, it is much larger for the group of students willing to comply with social norms. This is an indicator that college aspiration might as well be a social norm these students are responding to.

6 Peers' aspirations and future outcomes

Once the impact of peers on students' aspiration is verified, it is valid to investigate whether such influence spillovers to students' outcomes in school.

I have shown in section 2.1 how students' aspiration is associated with school outcomes such as the likelihood of dropping out of school and of having a normal school path. As highlighted before, such associations cannot have a causal interpretation. However, it is possible to use the previous methodology in order to infer the causal impact that friends' aspirations have on students' outcomes in school. There are several reasons for such an impact. First, as shown in the main exercises, friends' aspiration influences students' own aspiration, which might change their future outcomes. Second, even after considering students' own aspiration, having aspiring friends might help the studying environment and increase students' performance - since these friends are more invested themselves in school activities -, and might decrease the presence of social norms which curb the willingness to keep studying. Moreover, if aspiring friends tend to go further in their studies, this might prevent students from dropping out or being retained, simply because they now want to be with their friends.

Table 6 brings the results of six estimations that measure how peers' aspiration might influence students' future outcomes in school. Column (1) brings estimations on students' dropout during high school; column (2) brings estimations on their likelihood of having a normal school path (that is, being at the 12th grade in 2014); columns (3) and (4) bring class attendance in reading and math during the second year of high school; and columns

(5) and (6) bring estimations on students performance in reading and math tests that they took in the last year of high school. One can see that even though peers' aspiration does not have an impact on students' future performance, it does decrease their likelihood of dropping out of school, increase their likelihood of having a normal school path, and also increase class attendance in reading. The most striking of these results is the impact of friends' aspiration on school dropout: for the average student with two friends, an extra aspiring friend decreases the likelihood of dropping out of school by 36.8%.

7 Conclusion

This work overcomes important challenges concerning the estimation of peer effects and investigates the influence that friends' aspiration has on one's own aspiration and future school outcomes. I explore the as-good-as-random allocation of students when first enrolling at middle school to model friendship formation based on homophily on pre-determined characteristics and on students' exogenous chances of interacting. Then, based on the predicted friendship links coming from the model, I use predicted friends of friends' characteristics as instrumental variables for friends' aspirations. This identification strategy overcomes both the problem of endogenous formation of friendships and the reflection problem, largely discussed in the literature of peer effects estimation.

Results show that an extra friend aspiring to go to college not only increases students' own aspirations towards going to college, but also decreases students' likelihood of dropping out of school and increases class attendance and students' likelihood of following a normal school path during high school. This brings valuable insights for educational policymaking in developing countries. First, peer effects on aspiration might be a mechanism explaining peer effects on school dropout, result shown by Evans et al. (1992) and Cipollone and Rosolia (2007), for instance. Aspiring students are less likely to drop out of school. At the same time, as shown here, they also decrease their friends' likelihood of dropping out. Hence,

part of the results of peer effects on school dropout could be coming through peer effects on aspiration.

Second, I find that diffusion of information does not seem to be the mechanism of peer effects on students' aspirations. What does seem to matter as a mechanism here are the existence of social norms and the need students feel to conform to them. Increasing the number of students who aspire to a college degree might lead to a change in certain harmful social norms, such as the stigmatization of students who study hard, which in turn will allow for the realization of students' true educational potential.

Finally, several works show how some educational interventions increase students' aspiration (Carlana et al., 2015; Ross, 2017; Chiapa et al., 2012). My results highlight that any impact coming from these interventions spills over to peers, which should be considered in cost-benefit analysis.

Future works should focus on peer effects in aspiration for contexts different from education attainment. Opportunities in the labor market, for instance, has been shown to increase career aspirations, especially for women (Jensen, 2012). However, peer effects in such a setting might be different from the one found in this work since now one should also consider the presence of competitions for jobs and work hierarchical relations.

References

- Angrist, J. D. (2014). The perils of peer effects. *Labour Economics*, 30:98–108.
- Appadurai, A. (2004). The capacity to aspire: Culture and the terms of recognition in vijayendra rao and michael walton (eds), culture and public action.
- Austen-Smith, D. and Fryer Jr, R. G. (2005). An economic analysis of "acting white". *The Quarterly Journal of Economics*, 120(2):551–583.
- Ballis, B. (2019). Does peer motivation impact schooling investments? Evidence from DACA. *Mimeo*.
- Banerjee, A. V. and Duflo, E. (2011). *Poor economics: A radical rethinking of the way to fight global poverty*. Public Affairs.
- Bonilla, L., Bottan, N. L., and Ham, A. (2016). Information policies and higher education choices experimental evidence from colombia.
- Boucher, V., Bramoullé, Y., Djebbari, H., and Fortin, B. (2014). Do peers affect student achievement? evidence from canada using group size variation. *Journal of Applied Econometrics*, 29(1):91–109.
- Bramoullé, Y., Djebbari, H., and Fortin, B. (2009). Identification of peer effects through social networks. *Journal of econometrics*, 150(1):41–55.
- Brock, W. A. and Durlauf, S. N. (2001). Discrete choice with social interactions. *The Review of Economic Studies*, 68(2):235–260.
- Burszтын, L. and Jensen, R. (2017). Social image and economic behavior in the field: Identifying, understanding, and shaping social pressure. *Annual Review of Economics*, 9:131–153.
- Calvó-Armengol, A., Patacchini, E., and Zenou, Y. (2009). Peer effects and social networks in education. *The Review of Economic Studies*, 76(4):1239–1267.

- Campbell, E. Q. and Alexander, C. N. (1965). Structural effects and interpersonal relationships. *American Journal of Sociology*, 71(3):284–289.
- Carlana, M., La Ferrara, E., and Pinotti, I. P. (2015). Shaping educational careers of immigrant children: Motivation, cognitive skills and teachersâ beliefs.
- Carrell, S. E. and Hoekstra, M. L. (2010). Externalities in the classroom: How children exposed to domestic violence affect everyone’s kids. *American Economic Journal: Applied Economics*, 2(1):211–28.
- Case, A. C. and Katz, L. F. (1991). The company you keep: The effects of family and neighborhood on disadvantaged youths. Technical report, National Bureau of Economic Research.
- Chiapa, C., Garrido, J. L., and Prina, S. (2012). The effect of social programs and exposure to professionals on the educational aspirations of the poor. *Economics of Education Review*, 31(5):778–798.
- Cipollone, P. and Rosolia, A. (2007). Social interactions in high school: Lessons from an earthquake. *American Economic Review*, 97(3):948–965.
- Cohen, J. (1983). Peer influence on college aspirations with initial aspirations controlled. *American Sociological Review*, pages 728–734.
- Currarini, S., Jackson, M. O., and Pin, P. (2009). An economic model of friendship: Homophily, minorities, and segregation. *Econometrica*, 77(4):1003–1045.
- Dalton, P. S., Ghosal, S., and Mani, A. (2016). Poverty and aspirations failure. *The Economic Journal*, 126(590):165–188.
- De Giorgi, G., Pellizzari, M., and Redaelli, S. (2010). Identification of social interactions through partially overlapping peer groups. *American Economic Journal: Applied Economics*, 2(2):241–75.

- Duncan, O. D., Haller, A. O., and Portes, A. (1968). Peer influences on aspirations: A reinterpretation. *American Journal of Sociology*, 74(2):119–137.
- Evans, W. N., Oates, W. E., and Schwab, R. M. (1992). Measuring peer group effects: A study of teenage behavior. *Journal of Political Economy*, 100(5):966–991.
- Falk, A. and Knell, M. (2004). Choosing the joneses: endogenous goals and reference standards. *The Scandinavian Journal of Economics*, 106(3):417–435.
- Fruehwirth, J. C. and Miranda, J. G. (2019). Your peers’ parents: Spillovers from parental education. *Economics of Education review*.
- Gaviria, A. and Raphael, S. (2001). School-based peer effects and juvenile behavior. *Review of Economics and Statistics*, 83(2):257–268.
- Genicot, G. and Ray, D. (2017). Aspirations and inequality. *Econometrica*, 85(2):489–519.
- Goldsmith-Pinkham, P. and Imbens, G. W. (2013). Social networks and the identification of peer effects. *Journal of Business & Economic Statistics*, 31(3):253–264.
- Goux, D., Gurgand, M., and Maurin, E. (2014). Adjusting your dreams? the effect of school and peers on dropout behaviour.
- Graham, B. S. (2017). An econometric model of network formation with degree heterogeneity. *Econometrica*, 85(4):1033–1063.
- Graham, C., Pozuelo, J. R., et al. (2018). Does hope lead to better futures? evidence from a survey of the life choices of young adults in peru. Technical report.
- Griffith, A. (2019). Name your friends, but only five? the importance of censoring in peer effects estimates using social network data. *Working paper*.
- Hanushek, E. A., Kain, J. F., Markman, J. M., and Rivkin, S. G. (2003). Does peer ability affect student achievement? *Journal of applied econometrics*, 18(5):527–544.

- Hoxby, C. (2000). Peer effects in the classroom: Learning from gender and race variation. Technical report, National Bureau of Economic Research.
- Janzen, S. A., Magnan, N., Sharma, S., and Thompson, W. M. (2017). Aspirations failure and formation in rural nepal. *Journal of Economic Behavior & Organization*, 139:1–25.
- Jensen, R. (2012). Do labor market opportunities affect young women’s work and family decisions? experimental evidence from india. *The Quarterly Journal of Economics*, 127(2):753–792.
- Johnsson, I. and Moon, H. R. (2017). Estimation of peer effects in endogenous social networks: control function approach. *USC-INET Research Paper*, (17-25).
- Jonsson, J. O. and Mood, C. (2008). Choice by contrast in swedish schools: How peers’ achievement affects educational choice. *Social forces*, 87(2):741–765.
- Kao, G. and Tienda, M. (1998). Educational aspirations of minority youth. *American journal of education*, 106(3):349–384.
- Kearney, M. S. and Levine, P. B. (2014). Income inequality, social mobility, and the decision to drop out of high school. Technical report, National Bureau of Economic Research.
- König, M. D., Liu, X., and Zenou, Y. (2018). R&d networks: Theory, empirics and policy implications. *Review of Economics and Statistics*.
- Lavy, V. and Schlosser, A. (2011). Mechanisms and impacts of gender peer effects at school. *American Economic Journal: Applied Economics*, 3(2):1–33.
- Liu, X., Patacchini, E., and Zenou, Y. (2014). Endogenous peer effects: local aggregate or local average? *Journal of Economic Behavior & Organization*, 103:39–59.
- Macours, K. and Vakis, R. (2009). *Changing households’ investments and aspirations through social interactions: evidence from a randomized transfer program*. The World Bank.

- Manski, C. F. (1993). Identification of endogenous social effects: The reflection problem. *The review of economic studies*, 60(3):531–542.
- Marotta, L. (2017). Peer effects in early schooling: Evidence from brazilian primary schools. *International Journal of Educational Research*, 82:110–123.
- McPherson, M., Smith-Lovin, L., and Cook, J. M. (2001). Birds of a feather: Homophily in social networks. *Annual review of sociology*, 27(1):415–444.
- Moody, J. (2001). Race, school integration, and friendship segregation in america. *American journal of Sociology*, 107(3):679–716.
- Norris, J. (2017). Family and peer effects on schooling attitudes, performance, and attainment. *Working Paper*.
- OECD (2017). *Education at a Glance 2017: OECD Indicators*. OECD Publishing, Paris.
- Pasquier-Doumer, L. and Brandon, F. R. (2015). Aspiration failure: a poverty trap for indigenous children in peru? *World Development*, 72:208–223.
- Ray, D. (1998). *Development economics*. Princeton University Press.
- Ray, D. (2006). Aspirations, poverty, and economic change. *Understanding poverty*, 409421.
- Ross, P. H. (2017). The aspirations gap and human capital investment: Evidence from indian adolescents. Technical report, mimeo, Boston University.
- Sacerdote, B. (2001). Peer effects with random assignment: Results for dartmouth room-mates. *The Quarterly journal of economics*, 116(2):681–704.
- Sacerdote, B. (2011). Peer effects in education: How might they work, how big are they and how much do we know thus far? In *Handbook of the Economics of Education*, volume 3, pages 249–277. Elsevier.

- Santavirta, T. and Sarzosa, M. (2019). Effects of disruptive peers in endogenous social networks. *Working paper*.
- Sewell, W. H. and Hauser, R. M. (1975). Education, occupation, and earnings. achievement in the early career.
- Sewell, W. H. and Shah, V. P. (1968). Social class, parental encouragement, and educational aspirations. *American journal of Sociology*, 73(5):559–572.
- Silveira, L. C. T. d. (2018). Widening access to higher education for low-income students: a brazilian case study (1990s-2016). *Revista Brasileira de Educação*, 23.
- Stutzer, A. (2004). The role of income aspirations in individual happiness. *Journal of Economic Behavior & Organization*, 54(1):89–109.
- Tanguy, B., Dercon, S., Orkin, K., and Taffesse, A. (2014). The future in mind: Aspirations and forward-looking behaviour in rural ethiopia.
- Wasserman, S. and Faust, K. (1994). *Social network analysis: Methods and applications*, volume 8. Cambridge university press.
- Zimmerman, D. J. (2003). Peer effects in academic outcomes: Evidence from a natural experiment. *Review of Economics and statistics*, 85(1):9–23.

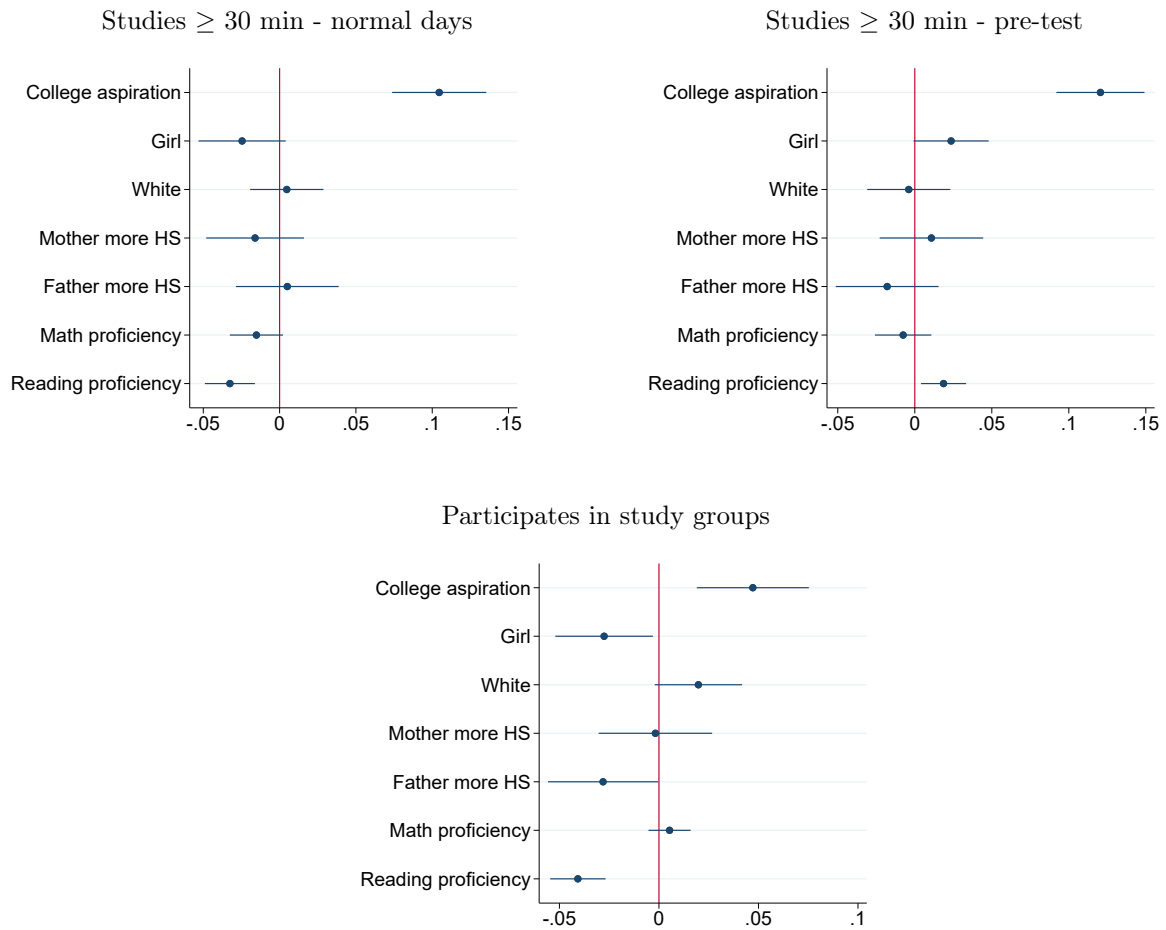
8 Tables & Figures

Table 1: Descriptive Statistics

	All		Coll. aspiration=1		Coll. aspiration=0	
	Mean	Std. Error	Mean	Std. Error	Mean	Std. Error
Own characteristics						
College aspiration	0.68	0.46	1.00	0.00	0.00	0.00
Girl	0.49	0.50	0.55	0.50	0.35	0.48
White	0.33	0.47	0.35	0.48	0.30	0.46
Mother education: more than HS	0.24	0.43	0.26	0.44	0.21	0.41
Father education: more than HS	0.22	0.41	0.24	0.43	0.18	0.38
Math proficiency	0.00	1.00	0.10	1.00	-0.21	0.96
Reading proficiency	0.00	1.00	0.15	1.00	-0.34	0.92
Nominated friends	2.02	1.41	2.16	1.38	1.72	1.42
Friends' characteristics						
College aspiration	0.59	0.42	0.64	0.40	0.47	0.43
Girl	0.42	0.45	0.48	0.45	0.31	0.42
White	0.27	0.34	0.30	0.34	0.22	0.32
Mother education: more than HS	0.21	0.30	0.22	0.31	0.17	0.29
Father education: more than HS	0.19	0.29	0.21	0.30	0.15	0.27
Math proficiency	0.08	0.67	0.11	0.68	0.01	0.63
Reading proficiency	0.11	0.68	0.17	0.69	-0.00	0.66
Nominated friends	1.93	1.35	2.07	1.31	1.63	1.38
Observations	6076		4157		1919	
Number of schools	85					

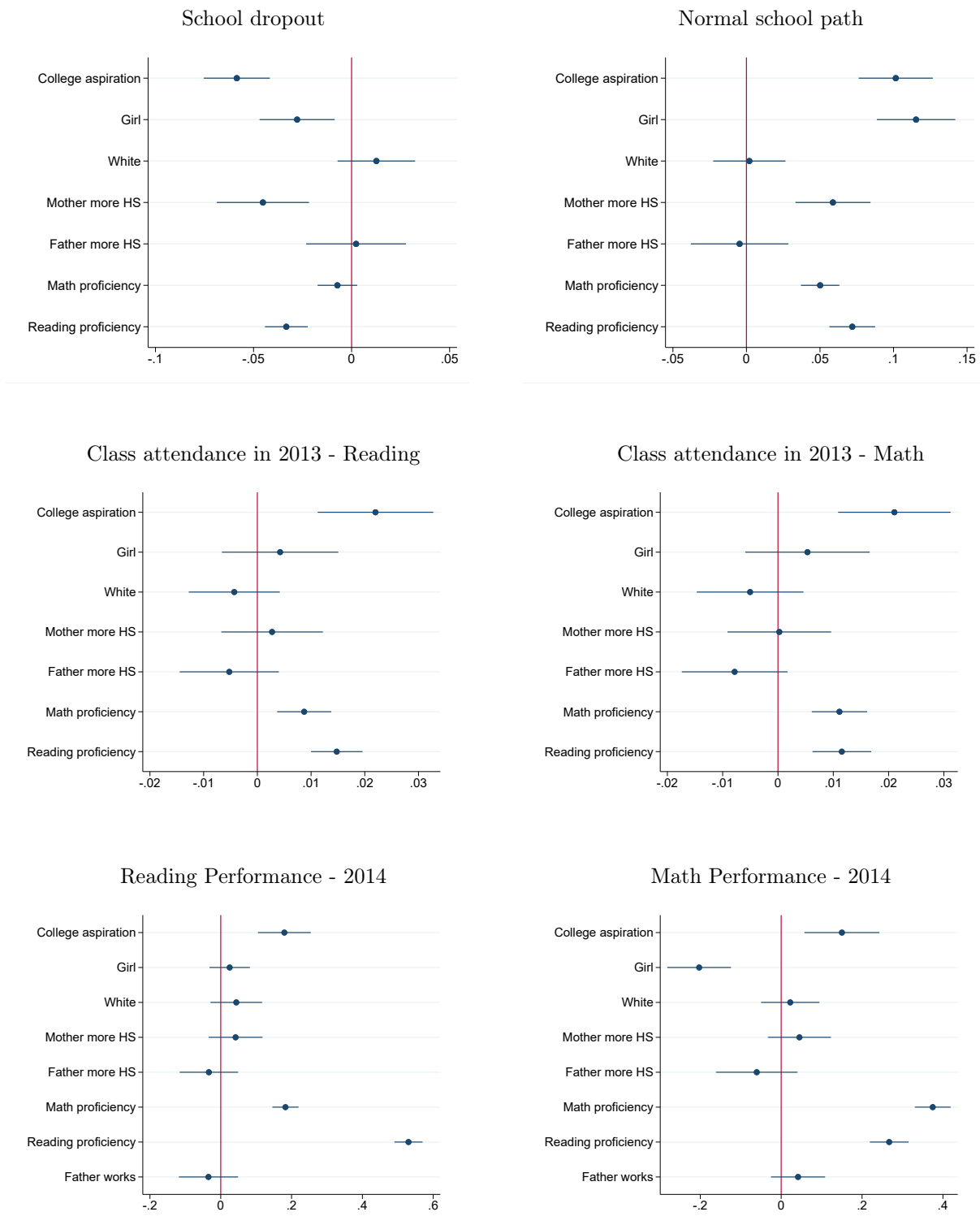
Note: "College aspiration" is a binary variable that takes value equal 1 if the student indicates that he/she wants to keep studying up to college; Math and Language proficiency are normalized with Mean=0 and SD=1.

Figure 1: College aspiration and effort in Math



Note: results from OLS estimations with school fixed effects and clustered at school level. All estimations also control for: father working status, home ownership, internet at home, and number of lavatories at home.

Figure 2: College aspiration and future outcomes in school



Note: results from OLS estimations with school fixed effects and clustered at school level. All estimations also control for: father working status, home ownership, internet at home, and number of lavatories at home.

Table 2: Peer effects on Aspiration (N=6,076)

	(1)	(2)	(3)	(4)	(5)	(6)
Endogenous Social Effects						
Peers' aspiration	0.135*** (0.048)	0.136*** (0.047)	0.146** (0.056)	0.144** (0.055)	0.131*** (0.046)	0.128*** (0.045)
Own characteristics						
Girl	0.121*** (0.016)	0.117*** (0.015)	0.122*** (0.016)	0.117*** (0.015)	0.121*** (0.016)	0.117*** (0.015)
White	0.007 (0.012)	0.002 (0.012)	0.007 (0.012)	0.003 (0.012)	0.007 (0.012)	0.002 (0.012)
Mother education: more than HS	-0.017 (0.016)	-0.017 (0.016)	-0.017 (0.016)	-0.017 (0.016)	-0.017 (0.016)	-0.017 (0.016)
Father education: more than HS	0.044*** (0.011)	0.041*** (0.011)	0.044*** (0.011)	0.041*** (0.011)	0.044*** (0.011)	0.041*** (0.011)
Math proficiency	0.018** (0.007)	0.016** (0.007)	0.018** (0.007)	0.016** (0.007)	0.018*** (0.007)	0.016** (0.007)
Reading proficiency	0.070*** (0.007)	0.061*** (0.007)	0.070*** (0.007)	0.061*** (0.007)	0.070*** (0.007)	0.061*** (0.007)
Exogenous Social Effects						
Girl	-0.006 (0.020)	-0.006 (0.019)	-0.008 (0.021)	-0.008 (0.020)	-0.005 (0.020)	-0.004 (0.019)
White	0.033 (0.020)	0.031 (0.021)	0.032 (0.020)	0.030 (0.021)	0.033 (0.021)	0.032 (0.021)
Mother education: more than HS	-0.021 (0.018)	-0.017 (0.019)	-0.021 (0.018)	-0.017 (0.019)	-0.021 (0.019)	-0.017 (0.019)
Father education: more than HS	0.038* (0.020)	0.038* (0.020)	0.037* (0.020)	0.038* (0.020)	0.039* (0.020)	0.039* (0.020)
Math proficiency	0.015 (0.010)	0.010 (0.009)	0.015 (0.010)	0.010 (0.009)	0.015 (0.010)	0.010 (0.009)
Reading proficiency	0.009 (0.011)	0.008 (0.011)	0.008 (0.011)	0.008 (0.011)	0.009 (0.011)	0.009 (0.011)
Model	\hat{G}^2X	\hat{G}^2X	\hat{G}^3X	\hat{G}^3X	\hat{G}^2X, \hat{G}^3X	\hat{G}^2X, \hat{G}^3X
IVs' joint significance	38.950	32.200	31.931	25.711	26.892	20.802
Control for Socio-Emot. Skills	No	Yes	No	Yes	No	Yes

Note: (i) Standard errors clustered at school level; (ii) * $p < 0.10$, ** $p < 0.05$, *** $p < 0.001$; (iii) Math and Reading proficiency are normalized with mean zero and standard-deviation one; (iv) All regressions include school FE and the following SES indicators (for both students and their friends): father working status, home ownership, internet at home, and number of lavatories at home.

Table 3: Heterogeneous impacts - (N=6,076)

Dependent variable: college aspiration				
	Boys	Non-white	Mother less HS	Father less HS
	(1)	(2)	(3)	(4)
Peers' aspiration	0.087	0.091	0.109**	0.088
	(0.062)	(0.056)	(0.049)	(0.058)
Peers' aspiration x Variable in column	0.082*	0.061	0.035	0.062
	(0.043)	(0.038)	(0.054)	(0.048)
Joint significance of Peers' Aspiration				
P-value	0.001	0.006	0.014	0.012
Model				
	$\hat{G}^2 X$	$\hat{G}^2 X$	$\hat{G}^2 X$	$\hat{G}^2 X$
IVs' joint significance	25.436	22.607	25.115	22.838

Note: (i) Standard errors clustered at school level; (ii) * $p < 0.10$, ** $p < 0.05$, *** $p < 0.001$; (iii) All regressions include school FE and following controls (for both students and their friends): gender, race, math and reading proficiency, father working status, home ownership, internet at home, and number of lavatories at home.

Table 4: Peer effects on college return & compliance to social norms (N=6,076)

	Perceived coll. returns (1)	Fear of nerd stigma (2)	Peer pressure to work (3)
Endogenous Social Effects	-0.015 (0.033)	0.248*** (0.086)	0.240*** (0.075)
Model	$\hat{G}^2 X$	$\hat{G}^2 X$	$\hat{G}^2 X$
Mean Dep. Var.	0.612	0.256	0.298
IVs' joint significance	121.009	21.338	20.433

Note: (i) Standard errors clustered at school level; (ii) * $p < 0.10$, ** $p < 0.05$, *** $p < 0.001$; (iii) All regressions include school FE and the following controls (for both students and their friends): gender, race, math and reading proficiency, father working status, home ownership, internet at home, and number of lavatories at home; (iv) "Perceived college returns" is students' perceived likelihood of finding a job in case they go to college; "Fear of nerd stigma" is a binary variable that takes value equal one if students indicate the fear of being stigmatized as "nerd" as a possible impediment for them to keep studying; "Peer pressure to work" is a binary variable that takes value equal one if students indicate peer pressure to find a job as a possible impediment for them to keep studying.

Table 5: Peer effects on college aspiration - heterogeneity by social norms

Dependent variable: college aspiration				
	Fear of nerd stigma		Peer pressure to work	
	No	Yes	No	Yes
	(1)	(2)	(3)	(4)
Peers' aspiration	0.137**	0.206**	0.095*	0.271**
	(0.054)	(0.091)	(0.052)	(0.107)
Model	$\hat{G}^2 X$	$\hat{G}^2 X$	$\hat{G}^2 X$	$\hat{G}^2 X$
N	4521	1552	4263	1811
Mean Dep. Var.	0.721	0.578	0.733	0.570
IVs' joint significance	36.188	23.572	29.325	33.197

Note: (i) Standard errors clustered at school level; (ii) * $p < 0.10$, ** $p < 0.05$, *** $p < 0.001$; (iii) All regressions include school FE and the following controls (for both students and their friends): gender, race, math and reading proficiency, father working status, home ownership, internet at home, and number of lavatories at home; (iv) "Fear of nerd stigma" is a binary variable that takes value equal one if students indicate the fear of being stigmatized as "nerd" as a possible impediment for them to keep studying; "Peer pressure to work" is a binary variable that takes value equal one if students indicate peer pressure to find a job as a possible impediment for them to keep studying.

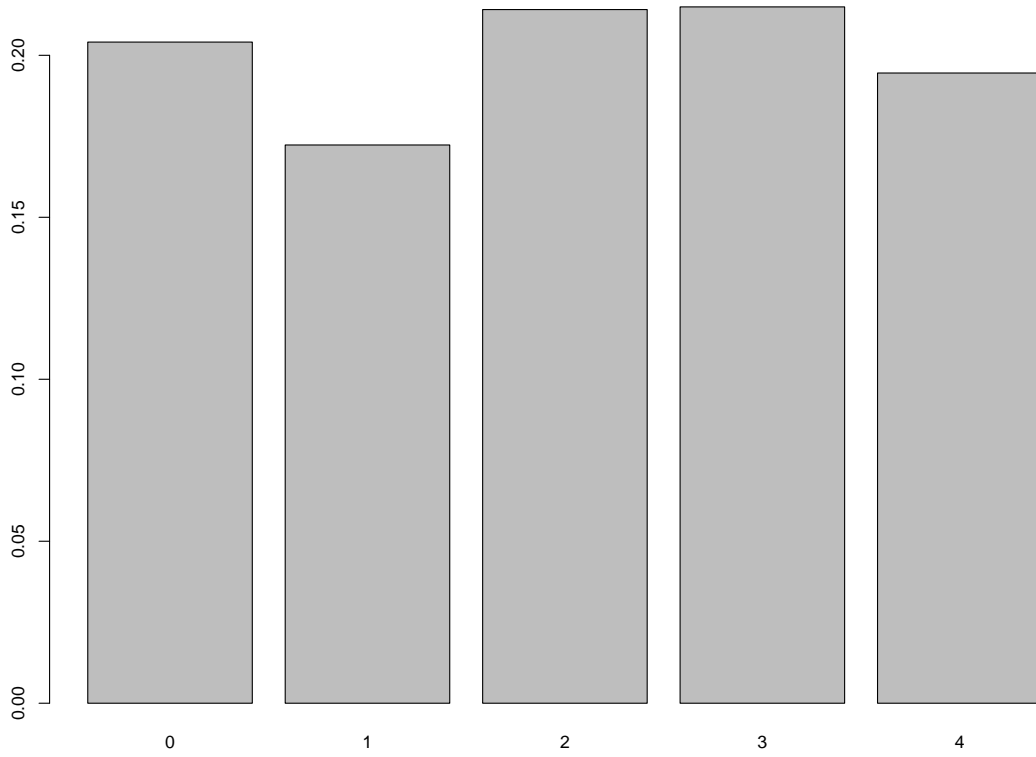
Table 6: Friends' aspiration and students' future outcomes (N=6,076)

	School dropout (1)	Normal school path (2)	Class Attendance 2013 Reading (3)	Math (4)	Proficiency 2014 Reading (5)	Math (6)
College aspiration	-0.118*** (0.043)	0.102* (0.059)	0.039** (0.019)	0.028 (0.022)	-0.124 (0.148)	-0.041 (0.178)
Model	$\tilde{G}^2 X$	$\tilde{G}^2 X$	$\tilde{G}^2 X$	$\tilde{G}^2 X$	$\tilde{G}^2 X$	$\tilde{G}^2 X$
N	6076	6076	3380	3380	2124	2124
Mean Dep. Var.	0.160	0.632	0.852	0.846	0.000	-0.000
IVs' joint significance	38.950	38.950	31.367	31.367	27.963	27.963
Control for Socio-Emot. Skills	No	No	No	No	No	No
Control for SES	Yes	Yes	Yes	Yes	Yes	Yes
Control for nw FE						

Note: (i) Standard errors clustered at school level; (ii) * $p < 0.10$, ** $p < 0.05$, *** $p < 0.001$; (iii) Math and Reading proficiency are normalized with mean zero and standard-deviation one; (iv) All regressions include school FE and the following controls (for both students and their friends): gender, race, math and reading proficiency, father working status, home ownership, internet at home, and number of laboratories at home.

A Appendix

Figure A.1: Out degree distribution



Note: Each student was asked to nominate at most four of their best friends or colleagues at school. This graph shows the distribution of the number of nominated friends by each student.

Table A.1: Probability of Forming a Friendship Link

	Raw	OR
$\mathbf{1}[\mathbf{x}_i = \mathbf{x}_j]$		
Gender	1.490*** (0.023)	4.437*** (0.104)
Race-white	0.130*** (0.021)	1.139*** (0.024)
Race-black	0.162*** (0.039)	1.176*** (0.046)
Class in 2008	1.347*** (0.023)	3.846*** (0.090)
x_j characteristics		
Girl	0.155*** (0.023)	1.167*** (0.027)
Race-White	0.053** (0.021)	1.055** (0.023)
Race-Black	0.120*** (0.040)	1.127*** (0.045)
N (potential links)	524,724	524,724

Note: (i) * $p < 0.10$, ** $p < 0.05$, *** $p < 0.001$; (ii) Class in 2008 is the class where students were allocated when enrolling in the first grade of middle school, when they switch from municipal to state-owned school. The allocation into these first classes is made at random; (iii) estimates control for sender fixed effects.

Table A.2: Falsification exercise

	(1) Mother more than HS	(2) Father more than HS	(3) House ownership	(4) College Aspiration
Endogenous Social Effects	0.275 (0.181)	0.183 (0.264)	0.248 (0.191)	0.140*** (0.049)
Model	$\hat{G}^2 X$	$\hat{G}^2 X$	$\hat{G}^2 X$	$\hat{G}^2 X$
IVs' joint significance	3.776	1.727	2.788	45.703

Note: (i) Standard errors clustered at school level; (ii) * $p < 0.10$, ** $p < 0.05$, *** $p < 0.001$; (iii) Math and Reading proficiency are normalized with mean zero and standard-deviation one; (iv) All regressions include school FE and the following controls: gender, race, math and reading proficiency, parents' education, father working status, internet at home, and number of lavatories at home.

Table A.3: Maximum out-degree=3

	(1)	(2)
Peers' aspiration	0.135** (0.054)	0.130** (0.051)
Model	$\hat{G}^2 X$	$\hat{G}^2 X$
IVs' joint significance	32.693	27.145
Control for Socio-Emot. Skills	No	Yes

Note: (i) Standard errors clustered at school level; (ii) * $p < 0.10$, ** $p < 0.05$, *** $p < 0.001$; (iii) Math and Reading proficiency are normalized with mean zero and standard-deviation one; (iv) All regressions include school FE and the following controls: gender, race, math and reading proficiency, father working status, home ownership, internet at home, and number of lavatories at home.