PRIVATE ENTERPRISE RESEARCH CENTER
TEXAS A&M UNIVERSITY

PERCspectives on
RESEARCH

The Impact of College Diversity on Behavior Toward Minorities

Colleges and the general public have been interested in the topic of racial diversity on American campuses for quite some time. More recently, this topic has been thrust into the national spotlight through high profile court cases and protests. The fact that minorities, particularly African Americans, are underrepresented at these institutions has been well documented. Colleges themselves have enacted targeted policy efforts to increase diversity for almost half a century.

Although there is a general agreement as to the current levels of minorities represented on these campuses, the debate is ongoing as to the benefits of such policies. Those in support of race-conscious admissions policies state that increased diversity benefits both majority and minority groups, increasing interactions and improving relations. Detractors argue that these policies are a form of discrimination in themselves and those that lower admissions standards diminish race relations.

Previous randomized studies were focused primarily in college dormitories and classroom settings, where increased proximity was shown to increase the frequency of inter-race contact (Baker, Meyer and Puller, *Economic Letters*. 2011). However, these results were limited to racial attitudes based on survey responses and did not measure behavior.

"Despite nearly half a century of targeted efforts to improve diversity...we still know surprisingly little about how diversity affects racial attitudes and behavior on college campuses."

In PERC Working Paper 1704, "The Impact of College Diversity on Behavior Toward Minorities," PERC's Rex Grey Professor Mark Hoekstra and co-authors Scott E. Carrell of University of California-Davis and James E. West of Baylor University assess empirically how students in the majority are affected by exposure to minority peers.

The paper focuses on whether diversity causes members of the majority to change their subsequent behavior toward minorities. Two dimensions of diversity are examined: the effect of more minority peers and the effect of minority peers of different ability. The authors exploit data in which freshman students at the United States Air Force Academy are randomly assigned to peer groups, called squadrons, with whom they live, eat, and train during freshman year. The question of whether exposure to black peers affects white students' preferences is answered when white students

decide whether or not to pair up with a black roommate from a new, and likely unknown, peer group for sophomore year at the Academy.

Results indicate that increased diversity has important effects on racial attitudes and behavior. A one standard deviation increase in black peer aptitude increases a white male's likelihood of rooming with a black male by 20 percent the following year.

Similarly, exposure to more African American peers changes subsequent behavior. Exposure to one additional black peer in a squadron of 30 increases the likelihood of choosing a future black roommate by 21 percent for white males from racially homogeneous states.

Although the effect of increased exposure is partially offset if increased enrollment of minorities is accomplished by lowering admissions standards, this data shows that the trade-off is such that the marginal black admit would need to be 2.4 standard deviations below the black mean to offset the positive benefits of increased exposure.

The positive marginal impact of additional diversity likely supersedes the negative effects of lowering admission thresholds to increase diversity.

These findings directly speak to the potential costs and benefits of increasing diversity at U.S. higher education institutions. Exposure to more and higher aptitude African American peers can lead to significant positive changes in behavior.

PERC Turns 40!

In 1977, the Private Enterprise Research Center was born. The Center, originally known as the Center for Education and Research in Free Enterprise was founded by a group of former students and faculty from Texas A&M University in response to the passage of Texas Senate Bill 1040. That bill required the teaching of the free enterprise economics in Texas high schools.

The founders saw an opportunity to instruct high school teachers in free enterprise economics and to establish a comprehensive research center that also supported the academic pursuits of Texas A&M faculty and students.

PERC's staff continues to pursue the Center's mission that began decades earlier – to provide in-depth economic analysis of public policy issues on the national level and support academic research in the field of economics.

During the 1980s, the Center's director, Steve Pejovich, expanded the Center's reach from training teachers and creating economic curricula to hosting a speaker series, sponsoring international conferences which included Nobel laureates, and supporting academics through endowed professorships and graduated student fellowships.

Beginning in 1991 under Director Thomas Saving, PERC's focus moved to national public policy issues like Social Security, Medicare, and health care reforms. With this shift in focus and a redoubling of efforts on research and analysis, PERC moved into the national policy arena. PERC supports academic research through its Research Fellows program, professorships, seminar support, and graduate student fellowships.

On September 29, 2017, PERC celebrated the past forty years and its future vision during a 40th Anniversary Dinner, held at the George Bush Presidential Library. At the event, Dr. Thomas Saving formally handed over the reins to the Center's new Director Dr. Dennis Jansen.

Dr. Jansen is a Professor of Economics at Texas A&M University, as well as serving as the Director of the Center, where he holds the Jordan Professorship in Public Policy.

Dr. Jansen received his Ph.D. in Economics from the University of North Carolina at Chapel Hill and his undergraduate degree in economics and mathematics from St. Louis University. His research has focused on macroeconomics, financial economics, economic forecasting, and the economics of education.

At Texas A&M University, Dr. Jansen has served as Department Head, Director of Graduate Programs, and Director of Undergraduate Programs. He also served as the editor of *Economic Inquiry* from 2002-2007. He has chaired the doctoral dissertations of over forty students and has published over seventy research papers in professional journals and books, two textbooks, and numerous other writings.

We look forward to the next chapter of PERC's story under Dr. Jansen's leadership.

How Do Peers Influence BMI?

Childhood obesity is a growing public health concern. It is found not only in the U.S., but also in other industrialized countries like those in the Organization for Economic Co-operation and Development (OECD).

According to the organization, the problem of overweight children in OECD countries has steadily risen over the past decade. For example, South Korea has one of the lowest obesity rates among OECD members, yet the percent of male children who are obese is actually higher than the OECD average.

To find the factors influencing this rise in childhood obesity, much research has looked to individual characteristics. However, among adolescents who are strongly influenced by their peers, social networks may also play a role.

In PERC Working Paper 1705, "How Do Peers Influence BMI?" PERC professor Jonathan Meer and co-author Jaegeum Lim from the Korean National Assembly study the role of school peers and their influence on body mass index (BMI).

Authors Meer and Lim exploit data from Korean seventh grade classrooms. Students are assigned to homeroom classes where they stay with the same classmates throughout the day for an entire year. This close proximity over an extended period of time forms the peer social network under examination.

Clear research on peer effects on obesity has previously been obscured by several issues including self-selection bias, contextual effects and the 'reflection problem,' where the direction of influence is unclear. Findings from earlier studies using height and weight data have come under scrutiny based on the validity of their identification strategy.

To address empirical challenges like self-selection bias, the authors use classroom data where peers are randomly assigned. Since BMI information uses self-reported height and weight data which can also be influenced by peer characteristics, the number of siblings is used as an instrumental variable for peers' average body mass index.

"Public policy that targets obesity can have spillover effects through social networks."

The peers' number of siblings variable is negatively correlated with peers' BMI, cannot directly affect a student's own health and is completely independent from a student's own BMI. This addresses possible reflection problems, measurement error, and contextual effects. To prove that the results are not driven by confounds, students were reassigned to artificial classrooms and a negative mechanical relationship was observed between peers' and own BMI.

Findings show that heavier peers increase the likelihood that a student is heavier. Estimates indicate that a one unit increase in average peers' BMI increases a student's BMI by 0.83 units and the likelihood of being overweight by 10.8 percentage points.

Peers' BMI still has an impact one year after exposure. Follow-up data indicates that seventh grade peers still have impact on a student's BMI in eighth grade, however the effects fade by almost a third. Seventh grade students who are at risk of being overweight are more likely to remain so. By ninth grade, effects are not significant. These results suggest that peer effects are transitory for most students, but continue for those who are at risk of being overweight.

These robust results on social network effects give strong evidence that social factors play a large role in the obesity epidemic, suggesting the importance of approaching obesity as both a public health concern and a clinical problem.

Also, policy intervention aimed to reduce obesity in adolescent children can have multiplier effects by targeting both overweight individual subjects and their peers.

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The Private Enterprise Research Center was founded in 1977 as a research organization at Texas A&M University. The mission of the Center is to raise economic understanding and to increase awareness of the importance of individual freedom to the strength and vitality of our economy. The Center supports academic research and produces newsletters and studies that address important public policy issues.

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