



The 2020 University of Chicago Undergraduate Research Symposium Proceedings: Abstract

Sentiments Towards the Free Market: How Social Position Determines Quality of Life in Developing Economies

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Mentor(s): Professor James Robinson, Harris School of Public Policy, The Pearson Institute

The use of traditional economic models to assess welfare in developing communities has often proven to be inadequate; they often trivialize the varied objectives and social norms that affect an individual's well-being. This project attempts to identify a more suitable manner of assessing satisfaction in developing communities. Information about social positions and sentiments towards free market outcomes are incorporated into traditional models to increase their accuracy. First, data from Sierra Leone and Vanuatu are used to find a relationship between social circumstances and the desirability of a free market. Factors such as communal land ownership and ritualistic needs for labour influence the manner of production and consumption in such societies, while social hierarchy and capital rights determine the acceptability of free market outcomes. Next, these data are used to measure an individual's ability to attain their needs and wants. The free market sentiments are used as weights to determine the relative importance and hence real value of variables such as income, labour, and capital. Thus, a more accurate expression of utility based on social circumstances is derived. Finally, this weighted model is tested against several quality of life indicators. The results indicate if a weighted utility model based on social factors is indeed more successful in measuring welfare in developing communities.



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Denmark vs. U.S.: Parental Investments and Social Interactions in the Child Development Process

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In recent years, policymakers in both the U.S. and abroad have pointed to Scandinavian countries as a model for promoting social mobility and reducing inequality. Previous literature has examined the differences in Scandinavian and American intergenerational mobility, with a focus on factors such as wealth redistribution and educational policies. Our prior research investigated the complementarity and substitutability between parental investments and social interactions in child development in the U.S. We extend our work by conducting similar analyses using Danish data. We use data from two longitudinal surveys: the Panel Study of Income Dynamics (PSID), which follows a representative cohort of American children born between 1984 and 1997 until age 30, and the Danish Longitudinal Survey of Children (DALSC), which follows a cohort of children born in 1995. We will use econometric techniques to analyze and compare several dimensions of parental investments and social interactions from both surveys, including factors such as financial investments and social learning. Given the size and scope of Denmark's welfare state, we are interested in comparing the magnitudes of the effects of parental investments and social interactions between both countries. Our research contributes to the existing literature by providing a deeper understanding of the role different inputs play in the child development process under very different policy contexts, and can inform the roles of childcare and education policies in mitigating inequality. Our research was undertaken as part of the Danish Inequality Project at the Center for the Economics of Human Development.



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An Analysis of the Economic Effects of Student Loan Cancellation

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Attaining a university degree is proven to increase future earnings potential. Yet, rising university tuition costs, as a result of college commercialization, decrease the accumulation of human capital. This has led to much debate over the effectiveness of proposed policies for handling student loan debt. For this study, I plan to examine the effects of universal student loan cancellation, which applies to all university students, regardless of socioeconomic background, income level, and degree level, with the goal of discerning if universal loan cancellation narrows the wealth gap between individuals from lower and higher-income backgrounds. Current studies present a positive perspective of universal student loan cancellation, and propose significant increases in income, boosts to real GDP, and reductions in unemployment. In this paper, I use data from the Panel Study of Income Dynamics (PSID) from 1968 to 2017 to study the effects of student loan cancellation by tracking university graduates with the same occupations living in different states over time. I aim to identify if there are significant changes in income, credit interest rates, and unemployment rates and determine what variables can be attributed to debt relief. Based on my findings, I will discern whether this policy is truly progressive or if it instead widens the wealth gap.



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Complementarity between Social Interactions and Parental Investments in the Child Development Process

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In recent decades, inequality has risen in the developed world and there remain large gaps in outcomes between children from different social strata. Previous literature has attempted to explain this heterogeneity by examining the dynamic complementarity of skill formation with respect to parental investments. Meanwhile, separate literature has focused on the role of social factors like peer influences and neighborhood characteristics in determining later-life outcomes. We aim to jointly analyze these factors by examining the degree of complementarity or substitutability between parental investments and social interactions with respect to their effects on child outcomes. We use data from the Panel Study of Income Dynamics (PSID), which surveys a representative cohort of children born between 1984 and 1997 and monitors them through childhood and until the age of 30. We analyze several dimensions of parental investment such as time spent with the child, financial resources and parenting style. For social interactions we examine aspects like peer pressure, social learning, social norms, and role models. We have conducted a preliminary analysis of these variables and will use econometric tools to analyze their relative effects on child outcomes within the life-cycle. We anticipate that our research will provide a deeper understanding of the interplay between social interactions and parental investments in the child development process. Our findings would potentially provide evidence-based policy recommendations within the area of childcare and educational policies, as well as effective parenting practices. Our research was undertaken as part of the Danish Inequality Project at the Center for the Economics of Human Development.