

# Understanding Socioeconomic Differences in College Outcomes

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This paper attempts to understand socioeconomic differences in the trajectory of students once they are *in* college. For this purpose, we combine evidence from a novel panel survey of incoming students' subjective expectations and anonymized transcript data at Arizona State University. We find that even after conditioning on demographic factors and measurable dimensions of college preparation, parental education remains a strong predictor of post-enrollment educational success. Survey evidence demonstrates systematic differences by parental education in students' knowledge about their ability and the greater institutional setting. We hypothesize this lack of subjective and institutional knowledge partially explains the documented educational attainment gap between first-generation (those without a college-educated parent) and continuing-generation students. Evidence from both survey and administrative data support this hypothesis and, in particular, highlight the role of early academic setbacks as key to understanding differential achievement. First-generation students are much more likely to drop out and less likely to switch majors after receiving poor grades in their introductory courses as compared to their continuing-generation peers. Survey evidence indicates that this differential reaction to academic setbacks occurs only among ex-ante less informed students, suggesting that information frictions are likely instrumental in explaining students' differential reaction to poor initial grades. Finally, leveraging a natural experiment that nudged some students to enroll in a curated first-year experience targeted at easing the transition to college for marginal students, we find evidence that relatively cheap tweaks to the first-year experience can improve retention and encourage early major switching, and thus may be useful policy levers with which to narrow post-enrollment achievement gaps.

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