

When Peers Buy In or Stay Out: Evidence on Social Learning and Utility in Parental Investment Decisions from a Field Experiment in China

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Abstract

How do parents respond to their peers' choices when deciding whether and how much to invest in their children's extracurricular education? Using a field experiment, we identify distinct mechanisms through which peer information shapes investment decisions: positive and negative social learning, as well as social utility. Consistent with positive social learning, we find that peers' willingness to purchase a course increases both parents' willingness to purchase and their level of investment. Negative social learning effects, however, depend on the nature of the signal. Explicit peer criticism significantly reduces both willingness to invest and spending, whereas peer non-purchase without negative evaluation has no effect. Social utility effects also vary by peer purchase price: high-price peer purchases increase spending, whereas low-price peer purchases raise a parent's willingness to invest but do not lead to higher expenditures. We further document heterogeneity in responses to negative peer signals across socioeconomic and residential contexts. Using an enhanced causal forest approach to complement our regression analyses, we find that peer non-purchase without explicit criticism increases purchase preference among parents in less central areas with smaller socioeconomic gaps, but reduces it among parents in central areas with larger gaps.

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