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Educational Debt Burden and Career Choice: Evidence from a Financial Aid Experiment at NYU Law School

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Abstract

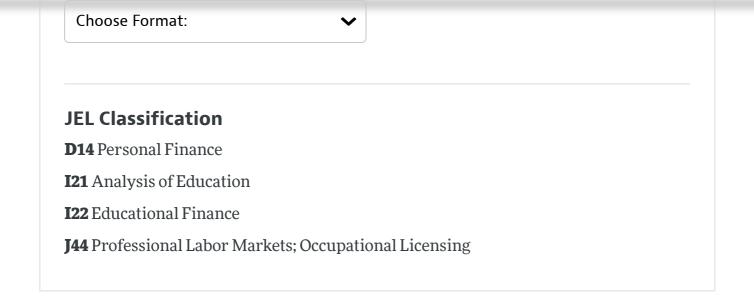
This paper examines the influence of psychological responses to debt on career choices from an experiment in which alternative financial aid packages were assigned by lottery to a set of law school admits. The packages had equivalent monetary value, but one required the student to take on a loan that would be paid for by the school if he worked in public interest law, while the other covered tuition as long as the student worked in public interest law. If he did not, the student would be required to reimburse the school. Tuition assistance recipients have a 36 to 45 percent higher public interest placement rate and, when lottery results were announced before enrollment, were twice as likely to enroll. (JEL I21, I22, J44, D14)

Citation

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