

## Advances

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# Preferential Admission and MBA Outcomes: Mismatch Effects by Race and Gender

**Abstract:** We consider the “mismatch” hypothesis in the context of graduate management education. Both blacks and Hispanics, conditional on a rich set of human capital variables, prior earnings and work experience, and non-cognitive attributes, are favored in admission to top 50 Master of Business Administration (MBA) programs. To test for mismatch effects, we provide two comparisons: (1) comparable individuals (in terms of race, gender, and credentials) at different quality MBA programs and (2) individuals of differing race or gender (but with similar credentials) at comparable MBA programs. Despite admission preferences, blacks and Hispanics enjoy similar or even higher returns to selectivity than whites.

**Keywords:** higher education outcomes, race and gender, mismatch, MBA

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Affirmative action policies, especially regarding higher education, are among the great socioeconomic experiments of the last half century. Landmark Supreme Court decisions have, in 1978, legalized racial preferences in college and university admission and recently, in two 2003 decisions, have affirmed such preferences while prohibiting quotas. Simultaneously, voters in six states have mandated race-neutral admission policies.<sup>1</sup> The most damning criticism of affirmative action posits that favorable treatment of minorities actually harms rather than helps them due to the mismatch between the skills of preferentially

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<sup>1</sup> The Supreme Court decisions are *Regents of the University of California v. Bakke* (1978); *Grutter v. Bollinger* (2003) which upheld the law school at the University of Michigan’s affirmative action policies; and *Gratz v. Bollinger* (2003). State propositions passed in California in 1996, in Washington in 1998, Nebraska 2008, Michigan 2008, Arizona in 2010 and Oklahoma in 2012. For more details, see Fang and Moro (2010).

admitted students and what is expected of them in universities.<sup>2</sup> This “mismatch” hypothesis has been the focus of lively debates regarding undergraduate education in the 1990s (Loury and Garman 1995; Kane 1998; Bowen and Bok 1998; Alon and Tienda 2005) and recently regarding law school.<sup>3</sup> Sander (2004) sparked a flurry of scholarship with his findings that preferential admissions of minority students to law school probably “shrink[s] rather than expand[s] the total number of new black lawyers each year” (p. 479), because those students experience “higher attrition rates, lower pass rates on the bar, [and] problems in the job market” (p. 370).<sup>4</sup> The objective of this paper is to offer evidence addressing the “mismatch” hypothesis for another post-baccalaureate degree, the Master of Business Administration (MBA).<sup>5</sup>

Loury and Garman (1995) offered some of the first findings of negative mismatch effects of race and college selectivity in a study of colleges and universities with average SAT scores ranging between 900 and 1,000, with outcomes including college GPA, the probability of graduating and earnings some time after leaving college. They found that blacks whose SAT scores were substantially below the median were less likely to graduate and received lower earnings, though insignificantly so. Since the primary effects of preferential admission occur in the very top institutions (Kane 1998; Long 2004), rather than for a small segment in the middle of the selectivity distribution, Kane (1998), replicating Loury and Garman’s (1995) analysis for the entire range of college quality, overturned their conclusions.<sup>6</sup> In *The Shape of the River*, Bowen and Bok (1998) provide evidence that black students who attend more selective schools do better (in terms of graduation rates, attainment of advanced degrees, income, and satisfaction with college experience) than their academically equivalent peers who attend less selective schools (i.e. the school they would presumably have attended without the preferential treatment in the admission

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<sup>2</sup> This idea is attributed to Thomas Sowell (1972).

<sup>3</sup> The use of the Socratic method in law school as characterized in the movie, *The Paper Chase*, might cause embarrassment and self-doubt in front of one’s peers if a mismatch was clearly and publically displayed to an entire cohort of law school students.

<sup>4</sup> For the law school affirmative action literature, see Sander (2004), Rothstein and Yoon (2008; 2009), Ayres and Brooks (2005), Chambers et al. (2005), Ho (2005), and Williams (2010). All these studies utilize the BPS dataset, commissioned and conducted by the Law School Admission Council in the 1990s (Wrightman 1998).

<sup>5</sup> Using similar data to that used in this study, Montgomery and Powell (2003) investigate whether women who completed an MBA degree experience lower earnings than those who did not. However, their analysis does not address whether or not gender-related mismatch is the cause of observed earnings differentials.

<sup>6</sup> Kane (1998) also distinguishes between attending historically black schools versus schools of predominantly white students.

process due to affirmative action).<sup>7</sup> In their review of the literature, Holzer and Neumark (2006) conclude that “Affirmative Action in university admissions generates no harm, and probably some gains, in graduation rates and later earnings for minorities who attend more elite colleges and universities” (p. 479).<sup>8</sup> Backes’ (2012) recent analysis of statewide affirmative action bans finds lower black and Hispanic enrollment at top schools, but little evidence of diminished overall matriculation at public universities. The question we address here is whether minorities with degrees from the most selective institutions benefit differently from those at lower ranked schools.

We focus on preferential admission in MBA programs for three reasons. Preferential admission in undergraduate education has declined since the 1970s (Brewer, Eide, and Goldhaber 1999) and preferential admission of minorities appears to be more pronounced in graduate and professional education (Howell 2010). Third, with law schools the current focus of the efficacy of affirmative action policies in higher education, evaluations of mismatch in MBA programs offer a useful comparison. Sander (2004) and others who analyze mismatch in law schools consider outcomes that parallel the studies of undergraduates by Kane (1998) and Loury and Garman (1995), namely first-year grades, graduation and bar passage probabilities, and earnings of those who become lawyers at private firms.<sup>9</sup> The Bar Passage Study (BPS) provides individual information about undergraduate grades, LSAT scores, and performance in law school and, for the great majority of the sample, on the bar exam.<sup>10</sup>

Our analysis of the “mismatch” hypothesis in the context of graduate management education makes four primary contributions. First, little is known

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7 While the precise mechanisms for these favorable outcomes are not known, possibilities include better-prepared classmates or better teachers fostering student learning (Kane 1998) or schools with large endowments permitting smaller classes and more faculty mentoring. Carrell et al. (2009) find evidence for the role of study partnerships (p. 441). Light and Strayer (2000) observe that “racial preferences in college admission boost minorities’ chances of attending college and that retention programs directed at minority students subsequently enhance their chances of earning a degree.”

8 Arcidiacono et al. (2011) analyze Duke University’s use of private information regarding the desirable outcomes of preferentially admitted minorities.

9 Unlike other higher education settings, law schools provide what amounts to a common exit exam, the bar examination. However, the content and scoring of this exam vary by state. Unfortunately, the BPS does not identify the state in which the exam was taken.

10 The BPS tracked two-thirds of all students who started law school in 1991 through their law school careers and bar exam experiences. Twenty-seven thousand participants completed surveys when they started law school; data were collected regarding their undergraduate grades, LSAT scores, and law school performance; and for the great majority of them, information was gathered about taking the bar exam in the 3 years after graduation.

about affirmative action in the third most common higher education degree, the MBA. Second, since most mismatch analysis to date has focused on just blacks, we extend the evaluation to Hispanics, Asians, and women. Third, we use a much richer set of information about applicants with which to identify mismatch of the selectivity of the MBA program attended and evaluate its implications. Our data come from a national longitudinal dataset of individuals who registered to take the Graduate Management Admission Test (GMAT), some of whom went on to obtain MBAs. We have information about individual's college GPA and GMAT scores (akin to the BPS) but also the undergraduate area of study and college selectivity (unlike the BPS). We also have respondents' self-assessment of 16 non-cognitive attributes presumed to be important in the business world, from which we have created a non-cognitive attribute index, as well as confidence measures. Unlike undergraduate and law school studies where students typically applied from one educational program directly into another, MBA applicants in our sample had worked on average five and a half years when they registered to take the GMAT exam. Pre-MBA earnings convey otherwise unobservable information about an employer's valuation of an individual's contribution to the firm. With such pre- and post-MBA earnings, we are able to employ individual fixed effects to help control for selection on unobservables into programs of varying quality.<sup>11</sup> Finally, in this paper, we investigate a more comprehensive set of outcomes by race and gender than have other studies: (1) MBA experiences, namely grade point average, selection of areas of concentration, and degree completion and (2) multiple post-graduation labor market outcomes, both pecuniary (wages and salaries) and non-pecuniary (promotion prospects and general work quality).

To evaluate the mismatch hypothesis for MBA programs, we begin by investigating the admissions decisions of both highly ranked (either *U.S. News & World Report* top 50 or top 25) and lower ranked business schools, focusing on the role of race and gender. Then, in a methodology similar to Rothstein and Yoon (2009), we estimate mismatch effects by making two types of comparisons (each with simple, reduced-form estimates): (1) individuals of the same race and gender and comparable credentials at different quality MBA programs and (2) individuals of differing race or gender (but similar credentials) at MBA programs of comparable quality.

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<sup>11</sup> Fixed effects go beyond a selection-on-observables approach to dealing with individual differences across race, gender, and program quality, as it eliminates the effect of time-invariant unobserved heterogeneity from biasing our estimates of the returns to an MBA for various subgroups.

Several interesting findings emerged. First, both blacks and Hispanics, conditional on the wide variety of human capital, cognitive and non-cognitive variables available to us, are favored in admissions, especially at the most highly ranked institutions. Despite this, though, we find little evidence of negative mismatch effects. Blacks or Hispanics in our sample had insignificantly different GPAs at top ranked schools and, like whites, were substantially less likely to drop out top ranked schools. They were also as likely to concentrate their studies in the lucrative areas of finance or marketing at top ranked schools. In terms of labor market outcomes, these minorities enjoy as high or higher returns to school quality (or rank) as whites. Similarly, at either highly ranked or lower ranked schools, these minorities enjoy as high or a higher return to an MBA than did observably similar white students. Furthermore, indicators of non-pecuniary well-being suggest few differences across race or gender in labor market outcomes, though Hispanics graduating from highly ranked schools reported significantly lower job satisfaction than comparable non-Hispanic whites.

The remainder of the paper proceeds as follows. In Section 1, we describe the dataset in more detail, focusing in particular on the differences across race and gender in initial characteristics of the sample. In Section 2, we attempt to determine the extent to which certain groups are favored in admission to higher and lower ranked MBA programs. Reduced-form estimates of group differences in outcomes are presented in Section 3. Finally, Section 4 concludes.

## 1 Data

The primary data used in this study come from the GMAT Registrant Survey, a longitudinal survey sponsored by the Graduate Management Admission Council. The survey follows a sample of individuals who registered to take the GMAT. The GMAT, a requirement for admission into most MBA programs, is a standardized test designed to evaluate students' cognitive skills and likelihood of successful performance in business school. The first of four surveys was administered beginning in 1990 (shortly after test registration) and the final survey in 1998. Of the 7,006 individuals surveyed, 5,885 responded in wave I, 4,833 in wave II, 4,327 in wave III, and 3,771 in wave IV. The sample of individuals surveyed was independent of whether they ultimately attended an MBA program or whether they even chose to take to the GMAT. The survey data have been linked to GMAT registration and test records, giving us accurate information on GMAT scores and schools where individuals sent their scores, among other things. In addition

to being able to identify the MBA program attended, if any, the second survey asks individuals to identify their two top choices of business schools, whether or not they have applied, and whether or not they were admitted. Information on admission into these programs, as well as admission into the MBA program ultimately attended, allows us to investigate the extent to which racial and gender preferences affect admissions decisions. To control for particular characteristics of MBA programs, we use enrolled students' average GMAT scores, average undergraduate GPA, whether the school has an Ph.D. program, is AACSB accredited, and is public or private (see Barron's *Profiles of American Business Schools*, 1992).

The surveys provide detailed information about individuals' demographic and educational background, employment experience, and career and work expectations and attitudes at or before the time of MBA admission. Having such a rich set of control variables is important for our analysis since race, gender, and rank of MBA program attended are all likely to be correlated with other characteristics of the individual that are also related to academic and post-schooling outcomes. Respondents provided information about their undergraduate GPA, major area of study, and school. Using Barron's *Profiles of American Colleges*, we coded the alma mater with indicator variables of "least selective" (the omitted category), "moderately selective" and "more selective" in admissions.<sup>12</sup> We include a series of dummy variables representing differing years of full-time work experience at the time of the wave I survey (prior to MBA enrollment), variables representing five broad classes of industry of employment in wave I, and whether the individual obtained another post-graduate degree. We also include quadratics in time (since survey responses were obtained over a range of time, even for each wave), current job tenure (in years), and age.

Unlike law school or undergraduate schooling, where a majority of entering students go from one educational setting to another, MBA students predominantly enter their programs after spending time in the work force. This allows applicants to differentiate themselves (1) by their prior wage (as of wave I), a measure of unobserved individual ability as a proxy for contribution to the firm and quality of work experience, and (2) by years of total full-time (35 hours per week or more) work experience.

The survey data allow for the use of additional information not typically available to researchers. For example, we construct a "non-cognitive attributes" variable by aggregating survey responses to various questions regarding

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<sup>12</sup> We collapsed the more numerous admissions selectivity categories designated in Barron's guide into three categories: selective undergrad, middle undergrad, and the omitted category (representing both the least selective schools and those not included in the guide).

self-assessment of non-cognitive attributes (see Montgomery and Powell 2003). In particular, in wave I, respondents were asked to evaluate on a numerical scale the extent to which they possess 16 skills presumed to be useful in the business world: oral communication, written communication, ability to delegate tasks, ability to work as a team, and so forth. Each response ranges from 1 (Not at all possess the characteristic or skill) to 4 (Very much possess the characteristic or skill). The sum of these responses constitutes the non-cognitive attributes variable.<sup>13</sup> Similarly, we use a number of survey questions about aspects of their potential MBA application that plausibly reflects their own level confidence. For example, the respondents rate the expected strength of their letters of recommendation, the quality of their work experience, if they know the right people, and if their application will make good impression.

In addition to providing a relatively large set of control variables, the richness of the GMAT Registrant Survey allows us to consider multiple variables as outcomes, both monetary and non-monetary, as well as schooling- and job-related outcomes. The crux of the mismatch hypothesis is that admission preferences may affect both educational experiences and career outcomes. Among MBA enrollees, we analyze attrition; for MBA degree recipients, we evaluate individuals' choice of area of study concentration and the grade point average. Akin to the worry that preferentially admitted undergraduates blacks, for example, may be less likely to major in a STEM field, we investigate whether minorities or women are less likely to concentrate in finance or marketing, lucrative areas of MBA study (Grove and Hussey 2011).

For post-graduation job outcomes, we consider two measures of earnings and two measures of job satisfaction. Using reported earnings and typical hours worked on the current job, we calculate current hourly wages for up to four waves for each individual.<sup>14</sup> The logarithm of each of these earnings measures

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**13** The following is a complete listing of personal attributes included in the skill index: Initiative, High ethical standards, Communication skills, Ability to work with people from diverse backgrounds, Shrewdness, Ability to organize, Physical attractiveness, Assertiveness, Ability to capitalize on change, Ability to delegate tasks, Ability to adapt theory to practical situations, Understanding business in other cultures, Good intuition, Ability to motivate others, Being a team player, and Knowing the right people. Montgomery and Powell use a similar combination of these responses, referring to it as a “confidence index”.

**14** Earnings (including monetary bonuses but not one-time starting bonuses) were reported in the surveys in a number of possible ways (hourly, weekly, bi-weekly, monthly, or yearly). For those not reporting an hourly wage, we used individual reports of how many hours they work in a typical week to calculate a measure of hourly wage, assuming 50 weeks worked per year. A similar calculation was done for annual salary, also assuming 50 weeks worked per year, when earnings were not reported in annual terms.

are used as dependent variables in our analysis. In addition to the fact that earnings represent an obvious indicator of economic well-being, these outcome measures allow us to include individual fixed effects in the regressions, since earnings are observed both before and after obtaining an MBA for much of the sample. The inclusion of individual fixed effects goes beyond a selection-on-observables approach to dealing with individual differences across race, gender, and program quality, since it eliminates (at least some of) the effect of time-invariant unobserved heterogeneity from biasing our estimates of the returns to an MBA for various subgroups.<sup>15</sup> Beyond earnings, we also estimate how satisfied survey respondents are with two aspects of their jobs in wave IV: general work satisfaction and satisfaction regarding opportunities for promotion.

We restrict our sample to those who took the GMAT (5,602 respondents), as both verbal and quantitative scores provide important controls for one's incoming credentials. For our primary earnings regressions, we include only those who reported holding current, full-time jobs (i.e. of 35 hours per week or more) with corresponding earnings. After dropping those with missing control variables, we are left with a sample of up to 10,516 observations from 4,029 individuals, comprising an unbalanced panel of up to four observations per individual. Fuller regression specifications use somewhat smaller samples. For school-related outcomes (i.e. GPA, dropping out of program, and studying finance or marketing), we limit the sample to those who attended MBA programs sometime within the sample timeframe, also resulting in lower sample sizes.

Descriptive statistics of the wave I sample, presented in Table 1, suggest several significant differences across race and gender subgroups, for both those who eventually completed MBAs and those who did not. Sample means indicate lower actual verbal GMAT scores for minorities and women. Actual quantitative GMAT scores are also lower for blacks, Hispanics, and females than they are for whites or males, but Asians have higher average scores than whites. Blacks and Hispanics also report lower undergraduate GPA and lower undergraduate selectivity. On the other hand, they have higher self-reported skills (as represented in the non-cognitive attributes index) than whites. These same variables are often statistically significantly higher among the MBA group than the non-MBA group, reflecting either positive self-selection into MBA programs, admissions criteria, or both. With the exception of Asians, earnings (prior to MBA enrollment) were higher for the MBA groups than the non-MBA groups, most notably for the African-American subgroup. In terms of MBA completion rates, blacks and females are less likely to complete an MBA within the sample period than are

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<sup>15</sup> See Arcidiacono, Cooley, and Hussey (2008) for further discussion of the benefits and underlying assumptions of the use of fixed effects in a returns to MBA context.



Table 1: Descriptive statistics of wave I sample, by eventual MBA attainment

	MBA							No MBA						
	Full sample	White	Black	Hispanic	Asian	Female	Male	Full sample	White	Black	Hispanic	Asian	Female	Male
Verbal GMAT	30.42 (7.40)	31.94 (7.00)	25.47 <sup>†</sup> (6.71)	28.26 <sup>†</sup> (6.41)	29.76 (8.06)	29.82 (7.51)	30.72 (0.73)	27.51 (7.96)	29.75 (7.50)	22.98 <sup>†</sup> (7.30)	25.58 <sup>†</sup> (7.33)	25.69 <sup>†</sup> (8.01)	26.80 <sup>†</sup> (7.96)	28.05 (7.92)
Quantitative GMAT	31.45 (8.09)	32.03 (7.63)	25.26 <sup>†</sup> (7.89)	29.89 <sup>†</sup> (7.74)	35.00 <sup>†</sup> (7.45)	29.02 <sup>†</sup> (7.64)	32.77 (8.01)	27.85 (8.86)	29.36 (8.19)	21.30 <sup>†</sup> (7.55)	24.56 <sup>†</sup> (8.14)	32.54 <sup>†</sup> (8.46)	25.44 <sup>†</sup> (8.23)	29.69 (8.88)
Undergrad. GPA	3.078 (0.408)	3.095 (0.410)	2.931 <sup>†</sup> (0.396)	3.060 (0.392)	3.141 (0.417)	3.146 <sup>†</sup> (0.417)	3.040 (0.399)	2.982 (0.431)	3.052 (0.423)	2.783 <sup>†</sup> (0.401)	2.853 <sup>†</sup> (0.415)	3.076 <sup>†</sup> (0.412)	3.027 <sup>†</sup> (0.425)	2.947 (0.432)
Highly selective undergrad.	0.244	0.206	0.296	0.236	0.366 <sup>†</sup>	0.274	0.229	0.165	0.157	0.126	0.150	0.254 <sup>†</sup>	0.152	0.175
Selective undergrad.	0.269	0.293	0.163 <sup>†</sup>	0.244	0.290	0.248	0.280	0.257	0.291	0.228	0.199 <sup>†</sup>	0.213	0.270	0.246
Non-cognitive attributes	51.66 (5.10)	51.33 (4.87)	53.29 <sup>†</sup> (5.03)	52.12 (5.16)	51.52 (5.73)	52.23 <sup>†</sup> (4.88)	51.37 (5.18)	51.50 (5.27)	51.25 (4.85)	52.65 <sup>†</sup> (5.95)	52.40 <sup>†</sup> (5.65)	50.28 <sup>†</sup> (5.38)	51.76 (5.15)	51.300 (5.36)
Age	28.38 (5.86)	28.35 (5.80)	29.19 (5.77)	28.77 (6.28)	27.29 <sup>†</sup> (5.20)	27.66 <sup>†</sup> (5.47)	28.79 (6.03)	28.92 (5.96)	28.55 (5.76)	29.79 (6.52)	30.28 <sup>†</sup> (6.08)	27.95 <sup>†</sup> (5.62)	28.29 <sup>†</sup> (5.58)	29.40 (6.19)
Work experience: 1–3 years	0.295	0.272	0.234	0.309	0.420 <sup>†</sup>	0.327	0.278	0.253	0.246	0.241	0.170 <sup>†</sup>	0.368 <sup>†</sup>	0.289 <sup>†</sup>	0.227
Work experience: 3–5 years	0.222	0.232	0.204	0.203	0.206	0.223	0.220	0.219	0.221	0.189	0.221	0.237	0.220	0.217
Work experience: 5+ years	0.456	0.468	0.551	0.447	0.351	0.425	0.474	0.492	0.495	0.538	0.574	0.354	0.457	0.517
Tenure (years)	3.104 (3.567)	3.108 (3.684)	3.270 (3.200)	3.117 (3.547)	2.830 (3.271)	2.636 <sup>†</sup> (2.897)	3.368 (3.874)	3.058 (3.782)	2.904 (3.574)	3.346 (4.084)	3.894 <sup>†</sup> (4.657)	2.486 <sup>†</sup> (3.003)	2.574 <sup>†</sup> (3.058)	3.426 (4.210)
Industry: agricultural	0.053	0.061	0.020	0.041	0.061	0.038	0.062	0.062	0.066	0.068	0.062	0.046	0.054	0.068

(continued)

Table 1: (Continued)

	MBA										No MBA			
	Full sample	White	Black	Hispanic	Asian	Female	Male	Full sample	White	Black	Hispanic	Asian	Female	Male
Industry: manufacturing	0.285	0.310	0.296	0.228	0.237	0.286	0.283	0.219	0.229	0.165 <sup>†</sup>	0.204	0.254	0.190 <sup>†</sup>	0.241
Industry: services	0.216	0.210	0.184	0.228	0.252	0.255 <sup>†</sup>	0.195	0.235	0.234	0.228	0.226	0.254	0.283 <sup>†</sup>	0.198
Industry: finance	0.175	0.177	0.173	0.154	0.176	0.179	0.171	0.175	0.189	0.180	0.142	0.152	0.196	0.158
Industry: Public admin.	0.096	0.080	0.194 <sup>†</sup>	0.130	0.061	0.075	0.107	0.124	0.091	0.170 <sup>†</sup>	0.208 <sup>†</sup>	0.102	0.123	0.124
Other advanced degree	0.056	0.046	0.051	0.065	0.092	0.044	0.063	0.072	0.067	0.068	0.062	0.112 <sup>†</sup>	0.052 <sup>†</sup>	0.087
Hourly wage	15.39 (6.42)	15.36 (6.34)	15.82 (8.08)	15.07 (6.03)	15.46 (5.88)	14.29 <sup>†</sup> (5.11)	16.02 (7.00)	14.54 (6.89)	14.81 (7.76)	13.01 <sup>†</sup> (5.29)	14.14 (5.53)	15.61 <sup>†</sup> (6.02)	13.24 <sup>†</sup> (5.23)	15.54 (7.79)
Annual salary	35,001 (15,865)	35,156 (15,732)	36,094 (19,378)	34,053 (15,003)	34,383 (14,561)	31,415 <sup>†</sup> (12,313)	37,061 (17,266)	32,462 (16,149)	33,639 (17,937)	27,513 <sup>†</sup> (11,662)	31,634 (12,896)	34,131 (15,610)	28,630 <sup>†</sup> (11,523)	35,398 (18,419)
Earnings missing	0.048	0.044	0.071	0.024	0.061	0.035	0.055	0.045	0.048	0.073 <sup>†</sup>	0.013 <sup>†</sup>	0.046	0.041	0.049
Obtain top 25 MBA	0.095	0.074	0.102	0.122	0.153 <sup>†</sup>	0.085	0.100							
Obtain top 26–50 MBA	0.078	0.067	0.082	0.081	0.099	0.091	0.074							
N	888	526	98	123	131	318	570	1,844	962	286	289	291	768	1,076

Notes: Reported are sample means, with sample standard deviations in parentheses. Reported sample corresponds to non-missing observations from responses to wave 1 of the GMAT Registrant Survey. Sample sizes for *hourly wage* and *annual salary* are slightly smaller, according to the frequency of *earnings missing*. <sup>†</sup> indicates subsample mean that is statistically different (at the 5% level) from that of white (in the case of race) or Male (in the case of gender).

whites or males. Asians, on the other hand, have a higher frequency of obtaining top 50 MBAs and are less likely to drop out of school than whites.

## 2 Measuring group preferences in admissions

Mismatch effects require preferential admission, so we begin by estimating whether and the extent to which particular races or women may have received preferential admission to business school based on the data available to us. Race-based preferences in admissions have been found for undergraduate institutions,<sup>16</sup> Ph.D. programs (Attiyeh and Attiyeh 1997), medical school (Davidson and Lewis 1997), and law school (Sander 2004). In analyzing business school admission, we attempt to control for a number of individual characteristics (or their proxies) that are likely to be observed and considered by admission committees, and several of which were also found to differ by race and/or gender (as seen in Table 1). In order to measure group preferences in admission, we use information from wave II of the GMAT Registrant survey, which asks respondents to indicate their top two choices of MBA programs, as well as whether they have applied and whether they have been admitted or rejected. The school an individual ultimately attended, if any, may be different from either of the top two reported choices.<sup>17</sup>

Table 2 reports probit estimates over binary admission decisions at the combined sample of individuals' first and second choice schools. The regressions were separated by applications to top 50 schools and schools outside the top 50, according to 1992 *U.S. News & World Report* rankings, since preferential admission occur in the most highly ranked institutions (Kane 1998; Long 2004). As a robustness check, all analysis is replicated using top 25 MBA programs as our selectivity measure (see Appendix Table A1). For each group of schools, we report results from four specifications, successively adding more control variables; the first three specifications include controls at the individual level and then the fourth specification adds control variables at the level of the MBA program. The individual controls in columns (i) and (v) are race and gender, actual verbal GMAT score, actual quantitative GMAT score, and self-reported

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<sup>16</sup> See, for example, Bowen and Bok (1998), Kane (1998), Brewer, Eide, and Goldhaber (1999), and Arcidiacono (2005).

<sup>17</sup> Adding additional observations from inferring acceptance from attending an alternative school does not substantively change the results of our admission analysis.

Table 2: Probit estimates of admission decisions (attended and first and second choice schools)

	Outside top 50								Top 50	
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)		
Asian	-0.262** [-0.059] (0.092)	-0.267** [-0.059] (0.095)	-0.362** [-0.083] (0.117)	-0.236* [-0.038] (0.143)	-0.333** [-0.127] (0.107)	-0.299** [-0.114] (0.113)	-0.277** [-0.106] (0.130)	-0.125 [-0.047] (0.138)		
Black	0.043 [0.009] (0.099)	0.077 [0.015] (0.102)	-0.057 [-0.012] (0.135)	0.142 [0.019] (0.169)	0.464** [0.158] (0.151)	0.406** [0.140] (0.155)	0.532** [0.181] (0.183)	0.726** [0.230] (0.199)		
Hispanic	0.043 [0.009] (0.088)	0.054 [0.011] (0.090)	0.008 [0.002] (0.116)	0.219 [0.028] (0.144)	0.312** [0.111] (0.132)	0.337** [0.119] (0.137)	0.372** [0.132] (0.173)	0.575** [0.192] (0.185)		
Female	-0.029 [-0.026] (0.065)	-0.026 [-0.005] (0.067)	0.020 [0.004] (0.087)	-0.048 [-0.007] (0.103)	0.170* [0.063] (0.096)	0.160* [0.059] (0.100)	0.119 [0.044] (0.120)	0.103 [0.038] (0.123)		
Verbal GMAT	0.019** (0.005)	0.024** (0.005)	0.030** (0.007)	0.057** (0.009)	0.023** (0.008)	0.024** (0.008)	0.024** (0.010)	0.028** (0.010)		
Quantitative GMAT	0.017** (0.005)	0.017** (0.006)	0.011 (0.007)	0.032** (0.010)	0.022* (0.007)	0.020** (0.008)	0.028** (0.009)	0.041** (0.010)		
Undergrad. GPA	0.382** (0.078)	0.370** (0.082)	0.238** (0.100)	0.553** (0.126)	-0.102 (0.122)	-0.089 (0.132)	-0.134 (0.151)	-0.073 (0.161)		
Prior wage		0.005 (0.006)	0.007 (0.007)	0.012 (0.010)	0.007 (0.010)	0.024** (0.010)	0.006 (0.012)	0.010 (0.012)		
Selective undergrad.		-0.287** (0.093)	-0.376** (0.115)	-0.001 (0.146)	-0.376** (0.146)	0.010 (0.115)	-0.032 (0.135)	0.057 (0.143)		
Middle undergrad.		-0.145* (0.076)	-0.153 (0.097)	0.005 (0.116)	0.005 (0.116)	0.107 (0.115)	0.127 (0.135)	0.120 (0.140)		
1 < Experience < 3 years		0.052 (0.100)	0.021 (0.103)	-0.059 (0.125)	-0.059 (0.125)	0.104 (0.141)	0.057 (0.156)	0.155 (0.166)		
3 < Experience < 5 years		0.213* (0.109)	0.200* (0.114)	0.150 (0.137)	0.150 (0.137)	-0.045 (0.115)	-0.078 (0.162)	0.011 (0.169)		

Experience > 5 years	0.058 (0.096)	0.026 (0.102)	-0.047 (0.125)	-0.047 (0.157)	-0.116 (0.168)	-0.034 (0.174)
Non-cognitive attributes		-0.007 (0.008)	-0.003 (0.009)		0.007 (0.011)	0.009 (0.011)
Make impression on application		0.117** (0.051)	0.051 (0.064)		0.003 (0.075)	-0.026 (0.079)
Know people		0.067 (0.047)	0.055 (0.056)		0.083 (0.060)	0.105* (0.063)
Letters of recommendation		-0.059 (0.053)	-0.068 (0.063)		0.049 (0.080)	0.052 (0.084)
Visiting school		-0.040 (0.050)	-0.026 (0.059)		0.000 (0.059)	-0.044 (0.063)
Work experience quality		-0.007 (0.052)	0.027 (0.062)		0.028 (0.073)	0.064 (0.075)
Avg. GMAT			-0.010** (0.002)			-0.023** (0.003)
Avg. GPA			-0.083 (0.354)			0.534 (0.389)
Public			-0.183* (0.112)			0.026 (0.122)
AACSB accredited			-0.186 (0.132)			-
Ph.D. program			-0.241** (0.107)			-
Observations	2,845	2,739	1,697	852	621	621
Pseudo-R-squared	0.056	0.069	0.075	0.051	0.070	0.146

Notes: Sample includes respondents to wave II of the GMAT Registrant Survey who reported having applied to and either been accepted or denied acceptance into up to two of their top two preferred MBA programs, or who entered an alternative MBA program. Specifications (ii) – (iv) and (vi) – (viii) also include indicator variables for undergraduate major areas. Reported are coefficient estimates, the associated marginal effects computed at the mean of other variables (in brackets), and standard errors of the coefficient estimates (in parentheses). \*\* and \* indicate coefficient estimate that is statistically significantly different from zero at the 5 and 10% levels, respectively.

undergraduate cumulative GPA.<sup>18</sup> In the next specification we add a measure of undergraduate quality, college major areas of study (not displayed), and wave I earnings and years of work experience (coded in four ways<sup>19</sup>). To those control variables, we next add the non-cognitive attributes index and five indicators of individuals' confidence in MBA admission. Finally, we include attributes of the MBA programs namely the average GMAT and average undergraduate GPA of the student body, whether or not the school was accredited by the Association to Advance Collegiate Schools of Business (AACSB), and whether or not the business school had a Ph.D. program.

Table 2, column (viii) indicates that top 50 MBA program admission committees treated Asians no different from whites and women like men, but were 23% more likely to admit blacks and 19% more likely to admit Hispanics than comparable white applicants (the marginal effects of variables are shown in brackets). Note that for both blacks and Hispanics the estimated preferential admission rose with the addition of control variables, especially with MBA program characteristics. Non-top 50 schools were weakly (at the 10% level) 4% less likely to admit Asians (Table 2, column (iv)). The only variables that significantly predict admission to elite and other MBA programs are verbal and quantitative GMAT scores. "Knowing the right people" weakly predicted admission to elite programs. Undergraduate GPA strongly help getting into non-top, but not top programs. Average GMAT scores of the program applied to reduced the probability of admission to all programs, but whether public or had a Ph.D. program only negatively affected non-top 50 MBA applicants.

Note that the results in the first specification, which are akin to what is available in the BPS dataset used to evaluate law school mismatch effects, offer very different admission preferences, namely that Asians were discriminated against by 13%, women weakly preferentially admitted, and blacks and Hispanics much less likely to be preferentially admitted (by 16 vs 23% and 11 vs 19%, respectively). Adding additional individual human capital variables, non-cognitive attributes, and MBA program characteristics (the last three specifications in Table 2) increase threefold the amount of variation explained in admission to top 50 MBA programs. Overall, we include a rather complete set of standard human capital variables along with a variety of non-traditional measures that plausibly proxy for the types of personal characteristics and attributes that the admission committee would infer from the essay, letters of

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**18** This set of variables is most similar to studies of admission to law school (Sander 2004), which typically include only LSAT scores and undergraduate GPA.

**19** We exclude the less than 1 year of work experience category and include dummy variables for 1–3 years, 3–5 years and more than 5 years of work experience.

recommendation, and possibly a campus interview. Of the non-cognitive variables included, confidence in knowing the right people to help with MBA admission positively, although weakly, influences admission to selective schools (and for top 25 school, the non-cognitive attributes index is significant – see Appendix Table A1).

Because these data only include individuals' self-reported first and second choice schools, top ranked schools are likely overrepresented in the sample relative to the entire set of applications. Either because of admission selectivity or other factors like cost or geographical constraints, just over 17% of survey respondents who received an MBA within the sample period attended a top 50 institution. We also carried out each analysis in this paper by distinguishing between top 25 schools and schools outside the top 25, since others have defined selective as top 25 MBA programs (Arcidiacono, Cooley, and Hussey 2008; Grove and Hussey 2011). These results, found in Appendix Table A1, show that admissions regression results are robust to this alternative distinction between selective and non-selective institutions, namely in that top 25 programs strongly preferentially admitted blacks and Hispanics but not women. The most notable difference is that Asians are 10% less likely to be admitted to top 25 MBA programs, weakly so.

### 3 Investigating mismatch effects – empirical strategy

The foregoing evidence of significant admission preferences for African-American and Hispanic applicants only at higher ranked schools provides a setting in which mismatch effects may occur (whereas Asians' and women's admission preferences did not differ significantly from whites and men, respectively). Our empirical strategy mirrors that of Rothstein and Yoon (2009), in that we adopt a simple reduced-form approach to look for evidence indicative of mismatch effects. Intuitively, our regressions make two comparisons. First, we compare the outcomes of students who obtained MBAs from more versus less selective schools but who are of the same race or gender and have the same observable characteristics. Second, we compare the outcomes of students of differing race or gender who otherwise have the same observable characteristics and who attended MBA programs of similar rank. Rothstein and Yoon (2009) argue that these two approaches, while both subject to biases, sandwich the true effects due to the fact that the biases will operate in different directions. In particular, the first approach, which compares similar individuals (in terms of

race and credentials) who obtain MBAs from more versus less selective schools, is likely to overstate the effect of selectivity on outcomes, as those individuals who attend more selective schools are likely to be stronger in unobserved ways. This could be due to individual selection into more selective schools or due to admission committees observing more information about the applicants than is observed by the econometrician. This upward biased estimate of the selectivity effect would tend to diminish the likelihood of finding mismatch effects. Alternatively, prior studies that predict college and graduate school grades show that black students tend to perform worse than white students, conditioning on admissions credentials (Rothstein 2004; Young 2001). This suggests that the second approach, which compares individuals across race or gender among the same program selectivity category, is likely to understate the effect of selectivity on outcomes. Since the gap in predicted outcomes among minority graduates from more and less selective programs is smaller, this would tend to increase the likelihood of finding mismatch effects.

Thus, our strategy may be viewed as placing upper and lower bounds on the effects of race or gender on outcomes resulting from attending selective versus non-selective institutions. Furthermore, the rich nature of our survey data and, in the case of earnings outcomes, the use of individual fixed effects, should help to mitigate the effects of selection bias to a degree that has not been possible in law school or other studies.

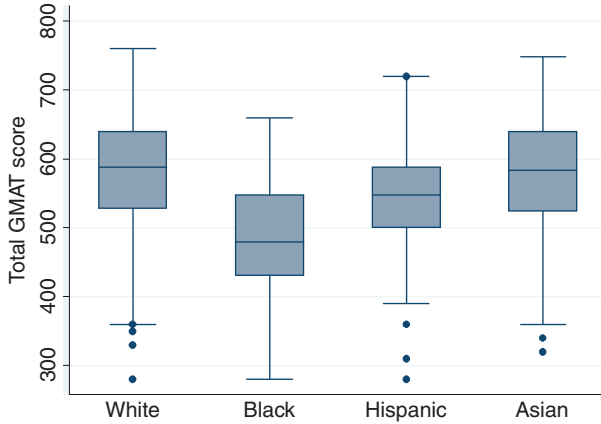
However, an additional potential problem is that these comparisons can only meaningfully occur if race or gender groups have substantial overlap in their observable credentials. An analysis involving linear regression that controls for credentials would thus amount to making out-of-sample predictions across race or gender. Indeed, several observable characteristics, including GMAT scores, differ across race and/or gender in our sample. However, a detailed analysis of our data suggests substantial overlap in the ranges of total GMAT scores across the race and gender groups (see Figures 1 and 2).

In particular, using the panel nature of the data, for each race (i.e. Asian, black, Hispanic, and white) or gender subgroup, we first run regressions of the form:

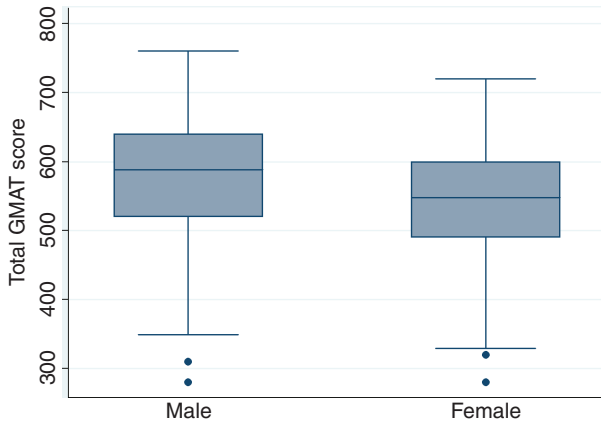
$$w_{it} = \alpha + X_{it}\beta + MBA_{it}^L\gamma_L + MBA_{it}^H\gamma_H + \varepsilon_{it} \quad [1]$$

where the dependent variable,  $w_{it}$ , represents an outcome, such as  $\log(\text{wage})$ , observed for individual  $i$  at time  $t$ .  $MBA_{it}^H$  is a dichotomous variable indicating whether or not the individual had obtained an MBA from a highly selective program (ranked within the top 50 or top 25) by time  $t$ .  $MBA_{it}^L$  is defined similarly for less selective programs (ranked outside the top 50 or top 25).  $X_i$  contains





**Figure 1:** Box plot of total GMAT score by race. The shaded boxes represent the 25th to 75th percentile for each group. The whiskers represent adjacent values, and dots represent values outside the adjacent values



**Figure 2:** Box plot of total GMAT score by gender. The shaded boxes represent the 25th to 75th percentile for each group. The whiskers represent adjacent values, and dots represent values outside the adjacent values

measures of individual characteristics, either observed by schools' admission committees or proxy for such variables, and  $\varepsilon_{it}$  is an error term. The primary coefficients of interest in these regressions are  $\gamma_H$  and  $\gamma_L$ . With log of earnings as the dependent variable, these coefficients represent the return to attending a highly selective school and a less selective school, respectively. Given the high returns to top ranked MBA programs found by previous researchers

(Arcidiacono, Cooley, and Hussey 2008; Grove and Hussey 2011), we generally expect  $\gamma_H > \gamma_L$ . However, given substantial preference in admission to highly selective schools we identified for blacks and Hispanics, the mismatch hypothesis predicts lower estimates of  $\gamma_H$  for those groups. If graduating from a top ranked institution is actually harmful to groups who have a higher likelihood of mismatch (compared to observably similar individuals who attend a lower ranked school), our estimate of  $\gamma_H$  for these groups may be lower than that of  $\gamma_L$ . On the other hand, if the relative premium of graduating from top ranked institutions is similar across subgroups, this would be evidence of no negative mismatch effects.

Use of this method to uncover selectivity effects requires a sufficiently rich  $X_i$ . If either admission decisions or enrollment decisions at selective schools are based on individual characteristics that are unobservable to the econometrician (and also correlated with  $w_i$ ), estimates of  $\gamma_H$  will be biased. We attempt to deal with this in two ways. First, we carry out regressions with smaller and larger sets of controls, in order to determine the robustness of our results to the omission of certain variables. Second, in the case of earnings as an outcome, we include individual fixed effects in order to control for selection into programs of varying selectivity on the basis of time-invariant unobserved heterogeneity.

Our second reduced-form method of investigating possible mismatch effects involves the comparison of outcomes across race or gender of observably similar students who attended MBA programs of similar rank. To do this, we run regressions of the form:

$$w_{it} = \alpha + X_{it}\beta + \text{race}_i\gamma_r + \text{female}_i\gamma_f + \text{race}_i^* \text{MBA}_{it}\gamma_{rm} + \text{female}_i^* \text{MBA}_{it}\gamma_{fm} + \varepsilon_{it} \quad [2]$$

where  $\text{race}_i$  indicates dummy variables for Asian, black, and Hispanic, and  $\text{female}_i$  is also a dummy variable.  $\gamma_{rm}$  and  $\gamma_{fm}$ , the coefficients on race and gender interactions with MBA, respectively, represent the returns to an MBA for the various subgroups. We run these regressions separately for those who graduated from a selective (top 50 or 25) institution, for those who graduated from a less selective (outside the top 50 or 25) institution, and for those in the sample who did not obtain an MBA (in which case the MBA interactions will not be present). Observing statistically different estimates of the  $\gamma_{rm}$  across racial groups would provide evidence suggestive of possible mismatch effects. If those given preferential treatment in admission to top 50 MBA programs, blacks and Hispanics, are observed to have as high or higher returns to an MBA than other subgroups, the results indicate a lack of mismatch effects on post-graduate outcomes.

Including both race and gender dummies as well as their interactions with MBA is made possible by the panel nature of our data and ensures that we are identifying differences in the returns to an MBA across groups, as opposed to the effect of being in a particular group. As before, we use specifications with both a smaller and a larger set of controls, and for earnings as an outcome we also include a specification with individual fixed effects.

## 4 Results

### 4.1 Labor market outcomes

Table 3 presents the results of separate OLS regressions comparing, for example, blacks at top 50 programs with blacks of similar characteristics at non-top 50 schools.<sup>20</sup> Each column and panel represents coefficients from two different regressions: one containing an indicator variable for MBA attainment and another containing indicator variables for MBA attainment from a top 50 ranked program and MBA attainment from a program outside the top 50. Columns (1)–(3) report estimates from  $\log(\text{wage})$  regressions and columns (4)–(6) report estimates from  $\log(\text{salary})$  regressions. Panel A includes the full sample, panel B whites only, followed in succession by blacks, Hispanics, Asians, females, and males. All told, Table 3 includes results from 140 regressions: two per column within each panel, 10 columns and 7 panels.

#### 4.1.1 Variation by MBA program quality with same race and gender

While the estimated returns for all MBAs vary from 6.5 to 5.5% for wages and from 10.1 to 8.2% for salary, our results suggest substantial heterogeneity in returns across program quality (Table 3, column 3, Panel A). The average graduate of a top 50 program (Table 3, column 3, Panel A) received a substantially higher and significant return on wages (16.5% in the fixed effects specification) and an even higher return on salary (23.9% in the fixed effects specification) compared to graduates of other programs (2.1 and 4.1%, respectively), reflecting the fact that MBA graduates – and especially those from top ranked programs – tend to work more hours.

To evaluate the mismatch effect, our main interest is the returns to blacks and Hispanics who received preferential admission, based on our analysis of the

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<sup>20</sup> As a test of the robustness of our findings, and in order to include more observations in the selective MBA category, we ran similar regressions comparing the returns to top 25 versus non-top 25 programs for each subgroup. These results can be found in Appendix Table A2.

Table 3: Top 50 versus non-top 50 comparisons by race and gender subsamples: labor market outcomes

Outcome:	Ln(wage)					Ln(salary)					Promotion index					Work index				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
<i>Panel A: Full sample</i>																				
MBA	0.065** (0.015)	0.057** (0.016)	0.055** (0.011)	0.101** (0.016)	0.094** (0.017)	0.082** (0.011)	0.912** (0.360)	0.926** (0.366)	0.821* (0.439)	0.672 (0.445)										
Top 50	0.185** (0.025)	0.153** (0.026)	0.165** (0.021)	0.280** (0.028)	0.239** (0.028)	0.214** (0.020)	2.41** (0.604)	2.33** (0.615)	0.072 (0.731)	-0.010 (0.741)										
Outside top 50	0.028* (0.017)	0.032* (0.017)	0.021 (0.013)	0.044** (0.017)	0.048** (0.018)	0.041** (0.013)	0.483 (0.385)	0.523 (0.392)	1.04** (0.472)	0.873* (0.480)										
Observations	10,516	10,179	13,103	10,516	10,179	13,103	2,525	2,445	2,484	2,410										
R-squared	0.364	0.378	0.510	0.399	0.419	0.568	0.079	0.098	0.014	0.036										
<i>Panel B: Whites only</i>																				
MBA	0.050** (0.020)	0.051** (0.020)	0.034** (0.015)	0.079** (0.048)	0.078** (0.021)	0.055** (0.015)	0.586 (0.478)	0.615 (0.463)	0.859 (0.558)	0.784 (0.562)										
Top 50	0.160** (0.039)	0.140** (0.039)	0.150** (0.029)	0.248** (0.044)	0.219** (0.043)	0.197** (0.029)	2.11** (0.83)	2.06** (0.85)	-0.237 (1.01)	-0.370 (1.02)										
Outside top 50	0.023 (0.021)	0.03 (0.021)	0.005 (0.016)	0.037* (0.022)	0.043** (0.022)	0.02 (0.016)	0.257 (0.481)	0.304 (0.487)	1.10* (0.489)	1.04* (0.591)										
Observations	5,895	5,743	7,132	5,895	5,743	7,132	1,447	1,411	1,422	1,389										
R-squared	0.382	0.403	0.528	0.419	0.436	0.583	0.086	0.093	0.018	0.049										

<i>Panel C: Blacks only</i>										
MBA	0.173** (0.040)	0.147** (0.039)	0.071** (0.033)	0.243** (0.044)	0.205** (0.044)	0.099** (0.032)	1.77 (1.150)	1.99 (1.24)	2.63* (1.46)	2.23 (1.58)
Top 50	0.351** (0.055)	0.302** (0.055)	0.297** (0.054)	0.503** (0.059)	0.436** (0.063)	0.312** (0.054)	2.83 (1.79)	2.82 (1.88)	1.98 (2.23)	1.79 (2.34)
Outside top 50	0.090** (0.043)	0.071 (0.043)	-0.02 (0.037)	0.122** (0.048)	0.093** (0.047)	0.014 (0.036)	1.32 (1.29)	1.63 (1.38)	2.92* (1.64)	2.44 (1.77)
Observations	1,341	1,265	1,777	1,341	1,265	1,777	304	287	290	276
R-squared	0.407	0.447	0.490	0.450	0.500	0.544	0.121	0.169	0.060	0.110
<i>Panel D: Hispanics only</i>										
MBA	0.091** (0.039)	0.089** (0.039)	0.099** (0.028)	0.127** (0.042)	0.127** (0.042)	0.140** (0.029)	0.838 (0.941)	0.967 (0.971)	-0.207 (1.10)	-0.419 (1.15)
Top 50	0.199** (0.057)	0.161** (0.059)	0.176** (0.049)	0.286** (0.062)	0.246** (0.063)	0.240** (0.050)	2.95* (1.55)	3.47** (1.60)	-1.54 (1.80)	-1.78 (1.88)
Outside top 50	0.05 (0.043)	0.06 (0.045)	0.070** (0.032)	0.067 (0.047)	0.080* (0.048)	0.103** (0.032)	0.165 (1.02)	0.166 (1.05)	0.243 (1.20)	0.046 (1.26)
Observations	1,702	1,638	2,169	1,702	1,638	2,169	419	400	417	398
R-squared	0.346	0.366	0.514	0.384	0.408	0.564	0.099	0.153	0.036	0.068

(continued)

Table 3: (Continued)

Outcome:	Ln(wage)			Ln(salary)			Promotion index			Work index	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<i>Panel E: Asians only</i>											
MBA	0.023 (0.046)	0.021 (0.046)	0.064** (0.033)	0.062 (0.047)	0.058 (0.046)	0.095** (0.032)	0.918 (1.00)	0.763 (1.04)	-0.365 (1.26)	-0.536 (1.30)	
Top 50	0.128** (0.059)	0.101* (0.060)	0.124** (0.051)	0.233** (0.062)	0.200** (0.061)	0.186** (0.049)	2.29 (1.47)	1.68 (1.52)	0.272 (1.82)	0.470 (1.88)	
Outside top 50	-0.023 (0.052)	-0.015 (0.053)	0.034 (0.038)	-0.014 (0.051)	-0.006 (0.052)	0.051 (0.037)	0.301 (1.11)	0.339 (1.16)	-0.672 (1.41)	-1.07 (1.46)	
Observations	1,503	1,462	1,917	1,503	1,462	1,917	341	333	341	333	
R-squared	0.278	0.300	0.471	0.330	0.357	0.553	0.112	0.145	0.049	0.071	
<i>Panel F: Females only</i>											
MBA	0.064** (0.025)	0.055** (0.026)	0.057** (0.017)	0.112** (0.026)	0.098** (0.027)	0.106** (0.017)	0.537 (0.587)	0.516 (0.607)	0.024 (0.717)	-0.371 (0.734)	
Top 50	0.146** (0.051)	0.107** (0.051)	0.124** (0.033)	0.281** (0.052)	0.233** (0.052)	0.222** (0.033)	1.83* (1.05)	1.73 (1.08)	-1.07 (1.27)	-1.37 (1.29)	
Outside top 50	0.042 (0.026)	0.04 (0.027)	0.039** (0.018)	0.067** (0.027)	0.060** (0.029)	0.076** (0.018)	0.226 (0.623)	0.231 (0.643)	0.300 (0.763)	-0.125 (0.780)	
Observations	4,293	4,141	5,496	4,293	4,141	5,496	1,026	989	1,003	971	
R-squared	0.338	0.353	0.520	0.376	0.396	0.582	0.082	0.100	0.016	0.043	

<i>Panel G: Males only</i>										
MBA	0.058** (0.019)	0.056** (0.020)	0.048** (0.015)	0.082** (0.021)	0.079** (0.021)	0.062** (0.015)	1.02** (0.455)	1.09** (0.461)	1.23** (0.559)	1.23** (0.563)
Top 50	0.196** (0.028)	0.166** (0.028)	0.175** (0.026)	0.267** (0.032)	0.227** (0.032)	0.200** (0.026)	2.65** (0.734)	2.61** (0.748)	0.650 (0.90)	0.750 (0.91)
Outside top 50	0.011 (0.021)	0.019 (0.022)	0.004 (0.017)	0.018 (0.022)	0.028 (0.022)	0.014 (0.017)	0.499 (0.490)	0.606 (0.497)	1.42** (0.604)	1.39** (0.609)
Observations	6,223	6,038	7,607	6,223	6,038	7,607	1,499	1,456	1,481	1,439
R-squared	0.371	0.389	0.508	0.402	0.428	0.564	0.090	0.112	0.018	0.045
Basic controls	Yes			Yes			Yes		Yes	
More controls		Yes			Yes			Yes		Yes
Individual fixed effects			Yes			Yes				Yes

Notes: Each column and panel contain results from two separate regressions. The first regression includes MBA and covariates, where MBA represents all MBA programs. The second regression divides the MBA variable into those ranked in the top 50 and those outside the top 50. R-squared corresponds to the second regression. Basic controls include: quadratics in time, tenure and age; indicator variables for between 1 and 3 years of work experience at the time of wave 1, between 3 and 5 years of experience, and more than 5 years; verbal and quantitative GMAT scores; undergraduate GPA; and an indicator variable for another advanced degree. More controls include the same, plus: indicator variables for industry of employment in wave 1, skill index, and undergraduate selectivity measures. \*\* and \* signify significance at the 5% and 10% levels, respectively.

variables available to us. Based on the fixed effects specification, whereas white MBAs from top programs earned salary premiums of 19.7%, blacks from those selective schools earned 31.2% more and Hispanics 24.0% more than whites (Table 3, column 6). Thus, rather than evidence of mismatch we find the reverse, especially for blacks. Whereas black MBAs from top programs earn very large premiums, blacks with comparable characteristics at non-selective schools earned no premium *vis-à-vis* blacks without an MBA. In contrast, Hispanics at non-top programs earned 10% higher salaries than those without an MBA. The earnings of MBA women and men were comparable to those of whites.

Selection differs across racial groups but especially by school rank regarding both observed credentials (e.g. undergraduate grades, area of study and school quality, verbal and quantitative GMAT scores, work experience and tenure, industry of prior employment, and self-assessed attributes) and unobserved credentials (as reflected in their pre-MBA earnings). All sub-populations positively select into top programs on the basis of observables and with the fixed effects specification, as evidenced by the declining estimates with the addition of more controls and substantially with individual fixed effects. Note how importantly blacks' selected on unobservables since the return on salary fell by a quarter with the fixed effects specification – a much larger change than for any other group.

Returns to non-top programs tend not to differ significantly from non-MBAs when observables are controlled for (in the OLS specifications) but do when unobservable are controlled for (in the fixed effects specifications). For lower ranked program, Hispanics and females appear to have negatively selected on unobservables since their returns to non-top 50 schools increase in magnitude and gain significance in the fixed effects specification. However, the return to lower ranked programs is insignificantly different from zero for whites, males, and blacks (in the fixed effects specification).<sup>21</sup>

Beyond earnings, we also analyze two measures of job satisfaction reported by respondents to wave IV of the GMAT Registrant Survey, based on questions from the Job Descriptive Index (JDI) survey, used especially by industrial organizational psychologists.<sup>22</sup> Each survey asks respondents to indicate whether particular words or phrases describe their current employment situation. We code the responses and include the resulting total points on the sections representing work

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<sup>21</sup> These findings related to those of Arcidiacono, Cooley, and Hussey (2008) who report evidence that individuals attending lower ranked programs may be less able than non-MBAs in certain difficult-to-measure dimensions like unobserved workplace skills.

<sup>22</sup> See Smith et al. (1987) and the JDI website: <http://showcase.bgsu.edu/IOPsych/jdi/index.html>. The GMAT Registrant Survey contains three of the five JDI surveys (excluded are the Supervision and the Coworkers surveys).



satisfaction and satisfaction regarding opportunities for promotion as two additional dependent variables.<sup>23</sup> We use the promotion index and work satisfaction index as the dependent variable and report the results in columns (7)–(8) and (9)–(10) of Table 3. Since these questions were asked only of respondents to the wave IV of the GMAT Registrant Survey, we conduct probit estimates of differences by race and gender in this cross-sectional data (and cannot use fixed effects estimation). Obtaining an MBA positively affects the degree to which individuals reported satisfaction regarding promotion opportunities on their job, but not general satisfaction with their work. As was generally the case for earnings, the magnitudes of the effects for graduates of highly ranked programs are larger than the effects of lower ranked programs. For whites, males, and Hispanics, the effect of top 50 programs is significant for self-reported satisfaction with promotion opportunities and work generally, while the effect of programs outside the top 50 is not. Undoubtedly in part due to smaller sample sizes, the estimated coefficients are statistically insignificant for all other races (for both selectivity groups), though the point estimates are almost all positive. Furthermore, the point estimates are markedly higher in magnitude for top 50 schools than for schools outside the top 50, suggesting no disadvantageous effect on attitudes toward promotion of attending a higher ranked program versus a less selective one.

Conversely, for the full sample the effect of an MBA on one's attitude toward their work in general is positive and significant for programs outside the top 50. Thus, while lower ranked MBAs offer very paltry financial returns (at least in the short run), they report higher job satisfaction than non-MBAs (or top ranked MBAs). Notably this positive effect appears to be driven entirely by males.

#### 4.1.2 Variation by race and gender with same MBA program quality

We now investigate possible mismatch effects of different race and gender subgroups, holding the schooling selectivity category constant. For log(wage) and log(salary) as dependent variables, we include both race and female dummies (in the OLS specifications) as well as those variables interacted with MBA (in OLS and fixed effects specifications), in order to control for general differences across groups and differences in the return to an MBA across groups. These results are found in the first two panels of Table 4. Because of the

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<sup>23</sup> If a “yes” response was indicated and the job attribute was positive, three points were given. If “can’t decide” was indicated, one point was given. If the job attribute was negative and “no” was indicated, zero points were given.

Table 4: Race and gender comparisons by MBA and top 50 subsamples: labor market outcomes

	No MBA			Outside top 50 MBA			Top 50 MBA	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Log(wage):								
Asian	0.051** (0.022)	0.052** (0.022)	0.060 (0.045)	0.063 (0.046)		0.066 (0.047)	0.041 (0.045)	
Black	-0.030 (0.021)	0.039* (0.021)	0.063 (0.040)	0.054 (0.042)		0.132* (0.073)	0.118 (0.075)	
Hispanic	-0.019 (0.020)	-0.015 (0.020)	-0.003 (0.031)	0.000 (0.031)		0.034 (0.051)	0.035 (0.049)	
Female	-0.056** (0.014)	-0.058** (0.015)	-0.064** (0.024)	-0.072** (0.023)		-0.021 (0.044)	-0.027 (0.043)	
MBA			0.003 (0.029)	0.010 (0.029)	0.000 (0.024)	0.107* (0.059)	0.100* (0.059)	0.087* (0.053)
Asian*MBA			-0.039 (0.047)	-0.037 (0.048)	-0.002 (0.033)	0.015 (0.068)	0.024 (0.068)	-0.074 (0.055)
Black*MBA			-0.082** (0.041)	-0.083** (0.042)	-0.065* (0.038)	0.047 (0.084)	0.048 (0.083)	0.112* (0.067)
Hispanic*MBA			-0.001 (0.040)	-0.005 (0.041)	0.036 (0.031)	-0.009 (0.068)	-0.007 (0.069)	-0.002 (0.058)
Female*MBA			0.000 (0.028)	0.004 (0.028)	-0.034 (0.022)	-0.135** (0.063)	-0.136** (0.062)	-0.143** (0.046)
N	6,700	6,446	2,810	2,745	3,273	868	851	1,008
R-squared	0.339	0.352	0.375	0.394	0.561	0.513	0.528	0.654

Log(salary):	Asian	0.031 (0.023)	0.032 (0.023)	0.040 (0.046)	0.040 (0.045)	0.040 (0.045)	0.040 (0.047)	0.053 (0.048)	0.024 (0.047)
	Black	-0.086** (0.022)	-0.098** (0.022)	0.037 (0.044)	0.027 (0.045)	0.192** (0.074)	0.176** (0.078)		
	Hispanic	-0.031 (0.021)	-0.029 (0.021)	-0.014 (0.034)	-0.013 (0.033)	0.017 (0.051)	0.021 (0.049)		
	Female	-0.101** (0.015)	-0.099** (0.015)	-0.105** (0.025)	-0.114** (0.024)	-0.072 (0.047)	-0.075 (0.047)		
	MBA			0.013 (0.030)	0.021 (0.029)	0.128** (0.041)	0.124** (0.063)	0.128** (0.054)	0.128** (0.054)
	Asian*MBA			-0.037 (0.043)	-0.035 (0.043)	0.041 (0.068)	0.044 (0.068)	-0.021 (0.057)	-0.021 (0.057)
	Black*MBA			-0.091** (0.046)	-0.094** (0.046)	-0.004 (0.038)	-0.015 (0.082)	-0.004 (0.084)	-0.015 (0.070)
	Hispanic*MBA			0.013 (0.042)	0.005 (0.041)	0.035 (0.069)	0.004 (0.069)	0.009 (0.069)	0.004 (0.060)
	Female*MBA			0.007 (0.028)	0.015 (0.028)	0.001 (0.023)	-0.075 (0.062)	-0.079 (0.064)	-0.053 (0.047)
	N	6,700	6,446	2,810	2,745	868	851	1,008	1,008
	R-squared	0.374	0.392	0.415	0.443	0.536	0.563	0.692	0.692
Promotion index:	Asian	-0.661 (0.755)	-0.780 (0.757)	-0.556 (1.010)	-0.523 (1.040)	0.09 (1.30)	0.450 (1.36)		
	Black	-1.37* (0.739)	-1.46* (0.774)	-0.360 (1.26)	-0.216 (1.24)	-0.86 (1.65)	-0.35 (1.70)		
	Hispanic	0.979 (0.670)	0.692 (0.681)	0.63 (0.891)	0.856 (0.916)	1.59 (1.39)	1.88 (1.44)		

(continued)

Table 4: (Continued)

	No MBA			Outside top 50 MBA			Top 50 MBA	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Female	-1.04** (0.486)	-0.836* (0.499)	-1.16* (0.690)	-1.19* (0.698)		-1.58 (1.13)	-1.75 (1.19)	
N	1,459	1,401	797	780		269	264	
R-squared	0.089	0.111	0.064	0.093		0.071	0.086	
Work index:								
Asian	-1.48* (0.890)	-1.19 (0.889)	-3.39** (1.31)	-3.06** (1.34)		-0.968 (1.68)	-0.588 (1.71)	
Black	-0.805 (0.964)	-0.879 (0.994)	0.831 (1.46)	1.330 (1.43)		-0.35 (1.71)	0.24 (1.82)	
Hispanic	1.23 (0.812)	1.19 (0.841)	0.076 (1.070)	0.368 (1.110)		-0.921 (1.51)	-0.611 (1.57)	
Female	-0.264 (0.610)	-0.211 (0.617)	-1.260 (0.805)	-1.050 (0.809)		-2.91** (1.21)	-3.13** (1.32)	
N	1,430	1,377	783	767		271	266	
R-squared	0.018	0.048	0.040	0.078		0.051	0.087	
Basic controls	Yes		Yes			Yes		
More controls		Yes		Yes			Yes	
Individual fixed effects					Yes			Yes

Notes: Each panel and column correspond to separate regressions. Basic controls include: quadratics in time, tenure and age; indicator variables for between 1 and 3 years of work experience at the time of wave 1, between 3 and 5 years of experience, and more than 5 years; verbal and quantitative GMAT scores; undergraduate GPA; and an indicator variable for another advanced degree. More controls include the same, plus: indicator variables for industry of employment in wave 1, skill index, and undergraduate selectivity measures. \*\* and \* signify significance at the 5% and 10% levels, respectively.

interactions included in columns (3)–(8), the coefficient on MBA represents the return among the omitted category, white males. The coefficients on the interaction terms should be interpreted relative to this (i.e. the coefficients should be added together in order to find the total return for a particular group).

Our fixed effects specification estimates suggest strong returns for top 50 MBAs of all racial groups of 13% for salaries, but no premiums for non-top programs (Table 4, column 8). Again, the reduced-form evidence from labor market outcomes provides relatively little support of negative mismatch effects. Blacks and Hispanics, those who we found received preferential treatment in admissions, earned as high or higher returns from obtaining top ranked MBAs as did whites. Furthermore, there is a large drop-off in returns beyond the top 50 programs, such that programs outside the top 50 do not offer a reasonable alternative to those seeking higher earnings (at least during the relatively post-MBA period we evaluate).<sup>24</sup> Surprisingly, blacks with non-elite MBAs actually experienced 9% lower salaries than blacks without that degree.

Some interesting results are found when considering promotion index and work index as dependent variables. Neither blacks nor Hispanics from top programs are estimated to have lower satisfaction with promotion opportunities or work generally than whites. Female MBAs from top 50 schools exhibit less satisfaction with work (although not the case with top 25 programs). Subjective attitudes toward employment do not generate results indicative of negative mismatch effects.

## 4.2 Academic outcomes

Despite the general finding of no adverse labor market outcomes associated with blacks and Hispanics who we found to have been preferentially admitted to top ranked programs, the possibility of negative mismatch effects remains if individuals are less likely to complete their degrees after enrolling at top programs. Columns (1) and (2) of Table 5 display estimates of marginal effects from probit regressions on a binary variable indicating whether or not an individual, after enrolling in an MBA program, dropped out within the sample period prior to finishing the degree. The regressions in Table 5 compare the likelihood of dropping out of top 50 programs versus programs outside the top 50. Similar to Table 3, in addition to using the full sample, regressions are run separately by

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<sup>24</sup> Similar results exist for more selective and less selective programs when we define these groups based on within and outside the top 50 ranked programs. These results can be found in Appendix Table A3.

**Table 5:** Top 50 versus non-top 50 comparisons by race and gender subsamples: academic outcomes

Outcome:	Drop out		GPA		Study finance		Study marketing	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Panel A: Full sample</i>								
Top 50	-0.183** (0.021)	-0.167** (0.022)	-0.070** (0.019)	-0.077** (0.020)	0.082** (0.029)	0.076** (0.031)	0.050** (0.024)	0.055** (0.025)
Observations	1,822	1,770	1,200	1,170	1,508	1,471	1,508	1,471
R-squared	0.054	0.083	0.136	0.150	0.027	0.062	0.027	0.044
<i>Panel B: Whites only</i>								
Top 50	-0.135** (0.031)	-0.120** (0.033)	-0.077** (0.026)	-0.078** (0.027)	0.031 (0.040)	0.025 (0.041)	0.043 (0.035)	0.044 (0.035)
Observations	1,078	1,052	723	707	883	865	883	865
R-squared	0.035	0.052	0.144	0.160	0.014	0.048	0.013	0.028
<i>Panel C: Blacks only</i>								
Top 50	-	-	-0.068 (0.057)	-0.104* (0.063)	0.103 (0.087)	0.016 (0.089)	0.064 (0.073)	0.132 (0.092)
Observations	147	140	114	111	152	147	152	147
R-squared	0.049	0.187	0.212	0.301	0.089	0.184	0.099	0.145
<i>Panel D: Hispanics only</i>								
Top 50	-0.206** (0.058)	-0.163** (0.066)	-0.041 (0.046)	-0.067 (0.040)	0.174** (0.079)	0.174** (0.089)	-0.036 (0.049)	-0.027 (0.058)
Observations	287	275	179	174	233	226	224	197
R-squared	0.114	0.160	0.116	0.176	0.061	0.117	0.125	0.126
<i>Panel E: Asians only</i>								
Top 50	-0.205** (0.045)	-0.191** (0.048)	-0.007 (0.050)	-0.001 (0.057)	0.142* (0.081)	0.123 (0.092)	0.071 (0.049)	0.062 (0.058)
Observations	251	244	170	164	218	211	218	171
R-squared	0.116	0.165	0.139	0.214	0.080	0.145	0.124	0.246
<i>Panel F: Females only</i>								
Top 50	-0.189** (0.038)	-0.178** (0.039)	-0.116** (0.031)	-0.114** (0.033)	0.082* (0.045)	0.040 (0.044)	0.085* (0.045)	0.081* (0.049)
Observations	725	702	447	433	565	548	565	515
R-squared	0.055	0.099	0.188	0.215	0.024	0.082	0.042	0.071
<i>Panel G: Males only</i>								
Top 50	-0.181** (0.024)	-0.156** (0.027)	-0.047** (0.024)	-0.063** (0.025)	0.091 (0.039)	0.101** (0.041)	0.029 (0.028)	0.040 (0.029)
Observations	1,097	1,068	753	737	943	923	943	923
R-squared	0.063	0.079	0.126	0.158	0.031	0.065	0.023	0.034

(continued)

Table 5: (Continued)

Outcome:	Drop out		GPA		Study finance		Study marketing	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Basic controls	Yes		Yes		Yes		Yes	
More controls		Yes		Yes		Yes		Yes

Notes: Each panel and column correspond to different regressions. Marginal effects are reported for columns (1), (2), and (5)–(8). Sample in columns (1) and (2) includes individuals who enrolled in an MBA program during the survey period and were not enrolled at the time of wave IV. Columns (3)–(8) include individuals who completed MBAs in the sample period. Columns (5)–(8) include individuals who were still enrolled at the time of wave IV. Basic controls include: quadratics in time, tenure and age; indicator variables for between 1 and 3 years of work experience at the time of wave I, between 3 and 5 years of experience, and more than 5 years; verbal and quantitative GMAT scores; undergraduate GPA; and an indicator variable for another advanced degree. More controls include the same, plus: indicator variables for industry of employment in wave I, skill index, and undergraduate selectivity measures. \*\* and \* signify significance at the 5% and 10% levels, respectively.

race or gender subgroup. As can be seen, the average top 50 MBA enrollees in the sample are about 17% less likely to fail to complete their degree than those enrolling in programs outside the top 50. This finding does not differ substantially across subgroups, with one exception, though the decline in dropping out behavior at top ranked schools is the smallest for the white subgroup. None of the blacks in the sample who attended top ranked programs dropped out prior to completing their MBAs.

Investigating performance within MBA programs, as reflected in one's cumulative grade point average, yields similar conclusions (Table 5, columns 3 and 4). Graduates from top 50 programs tend to receive lower grades, such that their GPAs are on average about 8% lower than that of comparable graduates from less selective schools. Hispanics and Asians experienced no significantly lower grades at top programs than those in lower ranked programs and blacks lower grades were only weakly significantly so (at 10%). The negative impact of grades is about twice as large for females as for males.

Finally, using probit regressions, we looked at the decision to concentrate one's studies in either finance or marketing, two of the more popular and lucrative fields typically offered as concentrations within business programs. As seen in columns (5)–(8) of Table 5, individuals graduating from more selective institutions were about 8% more likely to report concentrating in finance and 6% to study marketing. Both of those results appear to have gendered

dimensions for students at top ranked programs compared to those at other MBA schools: males were significantly more likely to concentrate in finance (and Hispanics) and females were weakly more likely to study marketing.<sup>25</sup>

Table 6 offers an alternative framework for investigating differences in academic outcomes, by considering variation across race and gender subgroups but holding the MBA selectivity category constant. In the first panel, marginal effects derived from probit regressions on attrition or drop out behavior are shown for separate samples of individuals who enrolled in any MBA program, enrolled in a top 50 program, and enrolled in program outside the top 50. Regarding possible mismatch effects for blacks and Hispanics who had been preferentially admitted to top 50 programs, our results indicate that their outcomes do not differ from whites in terms of attrition, grades, or the likelihood of concentrating in either finance or marketing. The most notable findings are that women relative to

**Table 6:** Race and gender comparisons by MBA and top 50 subsamples: academic outcomes

		Full MBA sample		Outside top 50		Top 50	
		(1)	(2)	(3)	(4)	(5)	(6)
Drop out:	Asian	-0.148 [-0.045] (0.107)	-0.117 [-0.035] (0.111)	-0.043 [-0.014] (0.117)	-0.020 [-0.007] (0.121)	-0.777** [-0.062] (0.392)	-0.637 [-0.045] (0.418)
	Black	-0.229** [-0.067] (0.116)	-0.170 [-0.049] (0.121)	0.032 [0.011] (0.125)	0.073 [0.025] (0.131)	-	-
	Hispanic	-0.028 [-0.009] (0.093)	-0.020 [-0.006] (0.098)	0.101 [0.035] (0.101)	0.101 [0.034] (0.107)	-0.503 [-0.044] (0.322)	-0.432 [-0.033] (0.337)
	Female	0.214** [0.068] (0.070)	0.272** [0.084] (0.073)	0.189** [0.065] (0.075)	0.239** [0.081] (0.078)	0.433* [0.055] (0.322)	0.441* [0.049] (0.266)
	<i>N</i>	1,822	1,770	1,473	1,427	309	303
	Pseudo- <i>R</i> -squared	0.040	0.071	0.024	0.052	0.181	0.246
	<hr/>						
GPA:	Asian	-0.075** (0.023)	-0.081** (0.023)	-0.087** (0.026)	-0.097** (0.027)	-0.015 (0.046)	-0.024 (0.048)
	Black	-0.108** (0.027)	-0.113** (0.028)	-0.093** (0.031)	-0.093** (0.032)	-0.072 (0.061)	-0.071 (0.062)
	Hispanic	-0.040* (0.022)	-0.040* (0.022)	-0.044* (0.024)	-0.037 (0.025)	0.014 (0.048)	0.011 (0.050)
	Female	0.010 (0.016)	0.010 (0.016)	0.020 (0.017)	0.021 (0.018)	-0.041 (0.041)	-0.051 (0.043)

(continued)

<sup>25</sup> Note that these “gendered” differences in concentrations disappear when using top 25 programs as the indicator of selectivity.



Table 6: (Continued)

		Full MBA sample		Outside top 50		Top 50		
		(1)	(2)	(3)	(4)	(5)	(6)	
<i>N</i>		1,200	1,170	946	921	254	249	
<i>R</i> -squared		0.143	0.157	0.151	0.173	0.182	0.209	
Study finance:	Asian	0.322** [0.109] (0.105)	0.340** [0.114] (0.109)	0.258* [0.078] (0.128)	0.290** [0.091] (0.132)	0.454** [0.173] (0.193)	0.450** [0.170] (0.203)	
	Black	0.198 [0.066] (0.129)	-0.218 [-0.072] (0.135)	0.032 [0.009] (0.158)	0.089 [0.027] (0.165)	0.389 [0.148] (0.252)	0.405 [0.154] (0.262)	
	Hispanic	-0.027 [-0.009] (0.107)	0.036 [0.011] (0.110)	-0.136 [-0.039] (0.129)	-0.099 [-0.028] (0.134)	0.126 [0.047] (0.204)	0.239 [0.089] (0.213)	
	Female	-0.372** [-0.113] (0.080)	-0.382** [-0.114] (0.083)	-0.357** [-0.102] (0.092)	-0.352** [-0.099] (0.095)	-0.428** [-0.151] (0.169)	-0.422** [-0.147] (0.178)	
	<i>N</i>	1,508	1,471	1,161	1,132	347	339	
	Pseudo- <i>R</i> -squared	0.040	0.076	0.031	0.069	0.058	0.104	
	Study marketing:	Asian	-0.167 [0.034] (0.130)	-0.173 [-0.034] (0.134)	0.352** [-0.061] (0.173)	0.372** [-0.061] (0.178)	-0.011 [-0.002] (0.217)	0.087 [0.023] (0.231)
		Black	0.058 [0.013] (0.141)	0.039 [0.008] (0.147)	0.062 [0.013] (0.172)	-0.030 [-0.006] (0.182)	-0.233 [-0.056] (0.278)	-0.184 [-0.043] (0.292)
		Hispanic	0.009 [0.002] (0.119)	-0.035 [-0.007] (0.124)	0.078 [0.016] (0.138)	-0.002 [-0.000] (0.146)	-0.039 [-0.073] (0.246)	-0.316 [-0.072] (0.257)
		Female	0.191** [0.043] (0.087)	0.196** [0.043] (0.089)	0.138 [0.028] (0.101)	0.155 [0.031] (0.104)	0.350* [0.095] (0.181)	0.332* [0.087] (0.190)
<i>N</i>		1,508	1,471	1,161	1,132	347	339	
Pseudo- <i>R</i> -squared		0.029	0.045	0.035	0.049	0.041	0.090	
Basic controls		Yes		Yes		Yes		
More controls		Yes		Yes		Yes		

Notes: Each panel and column correspond to separate regressions. Marginal effects from probit regressions (calculated at the mean of other variables) are reported in brackets for binary outcomes. Basic controls include: quadratics in time, tenure and age; indicator variables for between 1 and 3 years of work experience at the time of wave I, between 3 and 5 years of experience, and more than 5 years; verbal and quantitative GMAT scores; undergraduate GPA; and an indicator variable for another advanced degree. More controls include the same, plus: indicator variables for industry of employment in wave I, skill index, and undergraduate selectivity measures. In a few cases another advanced degree or an industry variable were omitted due to perfectly predicting outcomes. \*\* and \* signify significance at the 5% and 10% levels, respectively.

comparable men enrolled in top MBA programs were 5% more likely to drop out (only weakly so and less likely than at non-elite programs), 15 less likely to study finance (an observation that has been noted in previous research, Grove and Hussey 2011), and 9% more liable to concentrate in marketing (only weakly so). In addition, Asians studied finance 17% more than similar whites. In sum, then, academic outcomes offer no evidence of negative mismatch effects.

### 4.3 Subjective attitudes and reasons for attrition

Despite the general lack of evidence suggesting negative mismatch effects on specific academic or labor market outcomes due to preferential consideration given to blacks and Hispanics in admission to top ranked MBA programs, the GMAT Registrant Survey provides about subjective attitudes regarding their expectations of or actual experience in an MBA program that might shed light on the possible mismatch effects. In wave I (prior to possibly enrolling in an MBA program), all respondents were asked to indicate the degree to which they agreed or disagreed with statements describing expectations of their MBA experience.

In waves III and IV of the survey, individuals who attended MBA programs were asked to indicate the extent to which they agreed or disagreed with a number of statements regarding their MBA experience.

The top panel of Table 7 reports mean responses to the statements regarding prospective attitudes or expectations regarding potentially getting an MBA. Some substantial differences in responses are found across race. For example, blacks are more likely to indicate that their graduate management education will “require more energy than I am willing to invest”, and “damage my self-esteem if I cannot meet my personal standards in required class work.” However, in each of these cases, the reported agreement with the post-enrollment actualization of each of these statements (among MBA attendees) is actually lower than that observed from whites (bottom panel of Table 7). Similarly, blacks are more likely than whites to report in wave I that obtaining an MBA would “prove too intimidating if I am unable to compete with other students,” but there is no statistically significant difference in the mean responses to the similar statement regarding one’s actual experience in an MBA program. Hispanics are also more likely to indicate that their education will “prove too intimidating if I am unable to compete with other students”, but their agreement with the similar follow-up statement in wave III was no different from that of whites. Interestingly, Asians’ expectations regarding the degree of difficulty of MBA programs were generally lower than that of any of the other races. However, those who actually attended

**Table 7:** Subjective attitudes of MBA experience or expectations

	Obs.	Full	White	Black	Hispanic	Asian	Female	Male
		sample						
<b>Wave I Respondents: “A graduate management education will...” [-3 (false)... 3 (true)]</b>								
Require more energy than I am willing to invest	5,824	1.74	1.83	2.07 <sup>†</sup>	1.94 <sup>†</sup>	1.05 <sup>†</sup>	1.74	1.73
Damage my self-esteem if I cannot meet my personal standards in class work	5,825	0.82	0.78	1.17 <sup>†</sup>	1.01 <sup>†</sup>	0.51 <sup>†</sup>	0.88 <sup>†</sup>	0.78
Be too stressful	5,816	0.55	0.64	0.81 <sup>†</sup>	0.53	0.11 <sup>†</sup>	0.41 <sup>†</sup>	0.65
Prove too intimidating if I am unable to compete with other students	5,821	1.29	1.38	1.52 <sup>†</sup>	1.39	0.82 <sup>†</sup>	1.26	1.32
Exceed my mathematical abilities	5,822	0.73	0.90	0.48 <sup>†</sup>	0.65 <sup>†</sup>	0.53 <sup>†</sup>	0.38 <sup>†</sup>	1.00
Exceed my writing abilities	5,819	0.67	0.97	0.53 <sup>†</sup>	0.57 <sup>†</sup>	0.02 <sup>†</sup>	0.52 <sup>†</sup>	0.78
<b>Wave III MBA attenders: “A graduate management education has...” [-3 (false)... 3 (true)]</b>								
Required more energy than I wanted to invest.	2,141	-1.17	-1.18	-1.55 <sup>†</sup>	-1.24	-0.73 <sup>†</sup>	-1.15	-1.18
Damaged my self-esteem because I could not meet my personal standards in class work	2,140	-2.15	-2.19	-2.27	-2.14	-1.92 <sup>†</sup>	-2.12	-2.17
Been too stressful	2,139	-0.37	-0.45	-0.58	-0.27	-0.02 <sup>†</sup>	-0.12 <sup>†</sup>	-0.54
Proven too intimidating because I was unable to compete with other students	2,142	-2.36	-2.42	-2.37	-2.29	-2.17 <sup>†</sup>	-2.31	-2.39
Exceeded my mathematical abilities	2,138	-1.55	-1.66	-1.44	-1.32 <sup>†</sup>	-1.41 <sup>†</sup>	-1.34 <sup>†</sup>	-1.69
Exceeded my writing abilities	2,138	-1.62	-1.78	-1.61	-1.53 <sup>†</sup>	-1.11 <sup>†</sup>	-1.64	-1.60

Notes: Reported are mean responses where responses ranged in whole numbers between -3 and 3. † indicates subsample mean that is statistically different (at the 5% level) from that of white (in the case of race) or male (in the case of gender).

MBA programs were more likely to report concerns with the difficulty of their actual MBA experience in wave III.

In waves III and IV, individuals who attended but left their programs were asked to indicate the degree to which several possible reasons for leaving were

important in their own decision to leave. Reported mean responses are shown in Table 8. As seen in the table, very few statistically significant differences in mean responses exist across race or gender subgroups. Asians in general report higher dissatisfaction with their MBA experience. Blacks and Hispanics were more likely to report that “financial costs of the school [were] too great.” However, especially for those reasons which might indicate mismatch effects (“Academic requirements too rigorous”; “Demands on my time and energy were excessive”; etc.), no significant differences are found across race subgroups. Females who didn’t complete their MBA studies were more likely than males to indicate that changes in employment or marital status, or family responsibilities, were a reason for discontinuing.

**Table 8:** Reported reasons for leaving MBA program

	Obs.	Full	White	Black	Hispanic	Asian	Female	Male
	sample							
<b>Wave III MBA attendees: [1 (very important)...</b>								
<b>4 (not at all important)]</b>								
My career plans changed	282	2.54	2.56	2.55	2.93	1.91 <sup>†</sup>	2.44	2.65
My education plans changed	282	2.66	2.60	2.46	3.15 <sup>†</sup>	2.52	2.54	2.78
Academic requirements too rigorous	278	3.38	3.41	3.32	3.32	3.38	3.31	3.45
Demands on time and energy excessive	278	2.41	2.38	2.59	2.30	2.44	2.17 <sup>†</sup>	2.65
Decided to transfer to another program	277	3.58	3.63	3.36	3.51	3.66	3.60	3.57
Did not fit in	275	3.70	3.72	3.53	3.78	3.66	3.70	3.70
Financial costs too great	278	3.15	3.21	2.97	3.07	3.19	3.01	3.28
Left because of personal illness or injury	280	3.78	3.84	3.62	3.76	3.78	3.79	3.78
Marital status changed	277	3.75	3.76	3.70	3.88	3.55	3.62 <sup>†</sup>	3.88
Family responsibilities took precedence	280	2.96	2.93	2.84	3.20	2.94	2.81 <sup>†</sup>	3.11
Employment situation changed	280	2.63	2.54	2.81	2.88	2.56	2.83 <sup>†</sup>	2.43
<b>Wave IV, MBA Attendees: [1 (very important)...</b>								
<b>4 (not at all important)]</b>								
Dissatisfied with the curriculum	370	3.21	3.22	3.46	3.28	2.74 <sup>†</sup>	3.21	3.21
Dissatisfied with the faculty	367	3.26	3.31	3.27	3.28	2.89 <sup>†</sup>	3.28	3.24
Academic requirements too rigorous	367	3.40	3.46	3.48	3.33	3.11 <sup>†</sup>	3.34	3.46
Demands on my time and energy excessive	370	2.35	2.29	2.63	2.45	2.18	2.30	2.39
My career plans changed	367	2.63	2.53	2.88	2.82	2.55	2.53	2.72

(continued)

Table 8: (Continued)

	Obs.	Full	White	Black	Hispanic	Asian	Female	Male
		sample						
My GPA was too low to continue	366	3.66	3.71	3.73	3.47 <sup>†</sup>	3.58	3.69	3.63
Did not fit in with others in the program	368	3.68	3.73	3.86	3.58	3.39	3.68	3.69
Financial costs of the school too great	368	3.31	3.44	3.07 <sup>†</sup>	3.08 <sup>†</sup>	3.13	3.25	3.36
My employer would no longer pay for program	367	3.65	3.64	3.68	3.69	3.68	3.66	3.65
Funding through school not renewed	367	3.88	3.92	3.88	3.78 <sup>†</sup>	3.82	3.90	3.86
Personal reasons (moved, illness, family)	369	2.40	2.38	2.05	2.48	2.67	2.32	2.46

Notes: Reported are mean responses where responses ranged in whole numbers between 1 and 4. <sup>†</sup> indicates subsample mean that is statistically different (at the 5% level) from that of white (in the case of race) or male (in the case of gender).

## 5 Conclusions

We consider the “mismatch hypothesis” in the context of graduate management education, using a nationally representative, longitudinal dataset of individuals who registered to take the GMAT. First, we investigate the admissions decisions of both highly ranked (either *U.S. News & World Report* top 50 or top 25) and other business schools, focusing on race and gender. Then, to uncover evidence of potential mismatch effects, we estimate simple, reduced-form monetary and non-monetary returns to an MBA and make two types of comparisons: (1) comparable individuals in terms of race, gender, and credentials but who attended different quality MBA programs and (2) individuals of different races or genders but with similar credentials at MBA programs of broadly comparable quality. Several interesting findings emerged. First, both blacks and Hispanics, conditional on an especially rich set of human capital variables, pre-MBA earnings and experience, and a variety of measures of non-cognitive attributes, are favored in admissions at selective institutions, by 23 and 19%, respectively. Second, in spite of that preferential admission, we find no evidence of negative mismatch effects either regarding the MBA educational experience or subjective evaluations of it or post-MBA earnings or other measures of employment satisfaction. In particular, blacks and Hispanics in our sample are no less likely to

complete MBA programs and, conditional on completing them, enjoy similar or even higher returns to selectivity than whites.

In light of the considerable empirical analysis of affirmative action policies or preferential admission outcomes in undergraduate and in law school education, our analysis is unique in several ways. First, to our knowledge, this paper offers the first in-depth, national study of the racial and gender determinants of admission into the MBA programs – the third most common higher education degree. Second, it offers the first examination of the “mismatch hypothesis” in the context of the MBA. Third, our dataset includes a richer set of measures than is contained in the BPS dataset (that has been the focus of recent empirical assessments of affirmative action in higher education), namely many more demographic controls, the undergraduate area of study, the selectivity of the undergraduate institution, and various non-cognitive attribute measures. In addition, unlike undergraduate and law school studies where students typically applied from one degree program directly into another, MBA applicants had on average five and half years of work experience when they applied to take the GMAT exam. Along with work experience, applicants’ *ex ante* wages convey otherwise unobservable information about an individual’s ability and ambition, at least as rewarded in the labor market, which allow fixed effects estimates of individual earnings gains from an MBA. Finally, in this paper, we test the “mismatch hypothesis” for the impact of admissions preferences for: (1) various academic outcomes, namely grade point average, selection of areas of concentration (either finance or marketing), and degree completion and (2) multiple post-graduation labor market outcomes, namely wages, salaries, promotion prospects, and general work quality. In doing so, this study has substantially extended the body of research on the returns to an MBA degree, especially as it pertains to heterogeneous returns across gender or race.<sup>26</sup> More broadly, our findings contribute to an evolving body of research about racial inequality.

Not only do we find no evidence of negative mismatch effects but we find evidence against the claim of the mismatch hypothesis that asserts that minorities have a greater chance of achieving success if they attend lower ranked schools where peers better match their credentials. Whereas blacks and Hispanics gain the same or greater earnings premiums from attending top 50 (or 25) MBA programs, lower ranked programs yield them (and in fact all racial and gender groups) no gains in earnings over non-MBAs. Backes’ (2012) recent analysis of statewide affirmative action bans finds lower black and Hispanic enrollment at top schools, but little evidence of diminished overall matriculation

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<sup>26</sup> Grove, Hussey, and Jetter (2011) analyze the role of non-cognitive attributes and labor market preferences in accounting for the gender pay gap.

at public universities. Such an outcome for MBA programs during our period of study, according to our results, would amount to much diminished earnings opportunities for the preferentially admitted blacks and Hispanics.

So, why do we find no mismatch effects, especially in contrast to some evidence from law school studies which provide some evidence that preferentially admitted minorities are harmed (Sander 2004)? Aside from the much richer information about individual heterogeneity provided by our dataset compared with, for example, the BPS dataset, both supply-side and demand-side factors may account for the lack of mismatch effects in our results. On the supply-side, the MBA is often characterized as more about networking than knowledge acquisition; if so, might preferential admission grant less able blacks and Hispanics access to a set of peers, professors, alums, and professional managers much more likely to advance their career ambitions? In addition, three factors make legal education especially well-suited to evaluate mismatch effect (see Sander 2004). First, most law school graduates take the bar exam, a standardized (by state) exit exam which means that knowledge acquisition during law school strongly influences whether or not law school graduates become lawyers (rather than measuring academic success with grades). Second, the law school curriculum is more standardized whereas MBA programs contain fewer required courses and more electives (which blunts the ability to compare the scholastic standing of MBA students). Finally, and ironically, the law school academic performance is more competitive than MBA programs, since grades in the core courses matter for prestigious opportunities like membership on a law review journal.

On the demand-side, the data in our sample were collected from 1990 to 1998, during a time when both the public and the private sectors in the United States were implementing affirmative action and diversity policies, which emanated from the Civil Rights Act. Kalev, Dobbins, and Kelly (2006), for example, document the sharp rise during the 1990s in private sector affirmative action plans, diversity committees, and diversity training and small increases in a variety of related programs (see Figure 2, 599).<sup>27</sup> Federal regulation prompted employers to establish affirmative action plans and Title VII lawsuits and affirmative action compliance reviews led to increases in minorities' share of managerial jobs (p. 612). Thus, MBA programs might have preferentially admitted blacks and Hispanics, because their recruiters demanded such minority MBAs.

Our results also suggest that blacks select into MBA programs differently than whites. In particular, even with preferential admission, blacks who attend top

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<sup>27</sup> The additional programs include mentoring for women and minorities, full-time EO/AA staff, diversity efforts in managers' evaluations, and networking for women and minorities.

ranked programs are significantly more able than those who attend lower ranked programs or do not attend any program, both in terms of observable characteristics and unobservable characteristics (to the extent these are picked up by fixed effects). Further, blacks who complete MBAs at lower ranked programs are also substantially better qualified than those who do not complete an MBA. On the other hand, other minorities and whites who attend lower ranked MBA programs are no better qualified, and often less qualified, than those who do not attend any program. These differences are also reflected in subjective expectations of an MBA and attitudes upon attendance or completion. Prior to MBA enrollment, relative to whites, blacks tend to indicate being more leery of their ability to do well in an MBA program or that it is worth their effort. Among those who actually enroll, however, blacks report fewer concerns about their ability to perform well. Thus, admission policies, combined with self-selection, tend to result in the selection of black students, especially at top programs, who both complete the MBA and benefit substantially from what the degree has to offer.

A limit of the general analysis of mismatch effects is that scholars and policy makers have only observational data to use: we cannot run experiments randomly assigning a pool of applicants to experimental and control MBA programs. Additional limitations of our analysis relate to the sample size and post-MBA time frame. Our nationally representative dataset contains relatively few students at top 50 programs because of their relatively small share of the total MBA market. While post-MBA career outcomes appear to differ little across race and gender, lifetime returns may differ substantially. Our panel is unable to uncover potential longer run effects.

Analyses of possible inefficiencies of affirmative action policies matter because of the 2003 Supreme Court ruling of *Gratz v. Bollinger*, which affirms the constitutionality of using race in higher education admission decisions, even though voters and courts have moved away from a quota or automatic use of race in admission decisions (see Fang and Moro 2010, 49–50). In fact, the Supreme Court ruled on June 20, 2013 to send the case back to the Fifth Circuit Court of Appeals to verify that the University of Texas's affirmative action policy meets the test of "strict scrutiny," namely proving a lack of alternative policies to ensure a diverse study body. The most obvious direction for future research is to explore the robustness of our findings using other MBA program samples and samples of undergraduates and other post-baccalaureate degree programs, such as medical and medical-related programs. Of particular interest will be long run career outcomes. Finally, institution's strategy regarding affirmative action decisions remains to be understood (see Arcidiacono et al. 2011) as well as the social and pedagogical mechanisms that aid preferentially admitted students' success.



# Appendix

Table A1: Logit estimates of admission decisions (first and second choice schools), by top 25

	Outside top 25								Top 25
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	
Asian	-0.200** [-0.046]	-0.200** [-0.045]	-0.241** [-0.055]	-0.101 [-0.017]	-0.286** [-0.114]	-0.259** [-0.102]	-0.211 [-0.083]	-0.025* [-0.098]	
Black	0.093 [0.111]	0.111 [0.022]	0.107 [0.021]	0.222** [0.032]	0.624** [0.229]	0.648** [0.231]	0.680** [0.239]	0.713** [0.248]	
Hispanic	0.093 [0.019]	0.097 [0.017]	0.140 [0.027]	0.345** [0.047]	0.469** [0.174]	0.515** [0.190]	0.473** [0.175]	0.595** [0.214]	
Female	-0.033 [-0.023]	-0.023 [-0.005]	-0.005 [-0.001]	-0.069 [-0.011]	0.226* [0.088]	0.152 [0.059]	0.160 [0.062]	0.143 [0.055]	
Verbal GMAT	0.019** (0.005)	0.023** (0.005)	0.024** (0.005)	0.044** (0.006)	0.022** (0.009)	0.022** (0.010)	0.022** (0.010)	0.032** (0.011)	
Quantitative GMAT	0.016** (0.005)	0.017** (0.005)	0.018** (0.006)	0.040** (0.007)	0.036** (0.009)	0.032** (0.010)	0.035** (0.011)	0.037** (0.011)	
Undergrad. GPA	0.364** (0.072)	0.352** (0.076)	0.357** (0.078)	0.638** (0.096)	-0.270* (0.144)	-0.251 (0.159)	-0.035* (0.164)	-0.304* (0.170)	
Prior wage		0.010* (0.006)	0.012* (0.006)	0.018** (0.008)		0.019 (0.012)	0.018 (0.013)	0.156 (0.013)	

(continued)

Table A1: (Continued)

	Top 25							
	Outside top 25				Top 25			
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)
Selective undergrad.	-0.294**		-0.300**	0.022		0.187	0.207	0.172
	(0.084)		(0.087)	(0.106)		(0.139)	(0.146)	(0.151)
Middle undergrad.	-0.134*		-0.128*	-0.020		0.236	0.278*	0.129
	(0.070)		(0.073)	(0.087)		(0.145)	(0.150)	(0.155)
Experience < 1 years	0.103		0.082	0.002		0.185	0.085	0.122
	(0.091)		(0.094)	(0.110)		(0.175)	(0.189)	(0.207)
1 < Experience < 3 years	0.191*		0.163	0.121		0.091	0.031	0.062
	(0.098)		(0.103)	(0.121)		(0.186)	(0.200)	(0.209)
3 < Experience < 5 years	0.099		0.054	-0.009		-0.063	-0.179	-0.144
	(0.088)		(0.094)	(0.115)		(0.191)	(0.203)	(0.212)
Non-cognitive attributes			-0.002	0.005			0.021*	0.024**
			(0.006)	(0.007)			(0.011)	(0.012)
Make impression on application			0.195**	0.124			-0.023	-0.070
			(0.065)	(0.078)			(0.114)	(0.118)
Know people			0.062	0.015			0.073	0.108
			(0.066)	(0.080)			(0.124)	(0.127)
Letters of recommendation			-0.156*	-0.187*			-0.021	-0.058
			(0.082)	(0.101)			(0.136)	(0.140)
Visiting school			-0.011	0.047			-0.115	-0.174
			(0.065)	(0.076)			(0.115)	(0.117)
Work experience quality			0.054	0.090			0.142	0.149
			(0.072)	(0.084)			(0.137)	(0.141)

Avg. GMAT	-0.010**	-0.028**
	(0.001)	(0.005)
Avg. GPA	0.006	1.57**
	(0.232)	(0.570)
Public	-0.165*	-0.048
	(0.085)	(0.120)
AACSB accredited	-0.233**	-
	(0.104)	-
Ph.D. program	-0.183**	0.067
	(0.082)	0.341

Observations	31,222	3,002	2,844	2,425	626	589	565	565
Pseudo-R-squared	0.050	0.064	0.074	0.219	0.074	0.084	0.094	0.136

Notes: Sample includes respondents to wave II of the GMAT Registrant Survey who reported having applied to and either been accepted or denied acceptance into up to two of their top two preferred MBA programs, or who entered an alternative MBA program. Specifications (ii)–(iv) and (vi)–(viii) also include indicator variables for undergraduate major areas. Reported are coefficient estimates, the associated marginal effects computed at the mean of other variables (in brackets), and standard errors of the coefficient estimates (in parentheses). \*\* and \* indicate coefficient estimate is statistically significantly different from zero at the 5 and 10% levels, respectively.

Table A2: Top 25 versus non-top 25 comparisons by race and gender subsamples: labor market outcomes

Outcome:	Ln(wage)			Ln(salary)			Promotion index			Work index	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<i>Panel A: Full sample</i>											
MBA	0.065** (0.015)	0.057** (0.016)	0.055** (0.011)	0.101** (0.016)	0.094** (0.017)	0.082** (0.011)	0.912** (0.360)	0.926** (0.366)	0.821* (0.439)	0.672 (0.445)	
Top 25	0.264** (0.027)	0.227** (0.028)	0.187** (0.024)	0.387** (0.031)	0.342** (0.031)	0.252** (0.024)	2.44** (0.720)	2.44** (0.738)	-0.166 (0.871)	-0.051 (0.889)	
Outside top 25	0.029* (0.016)	0.031* (0.017)	0.029** (0.012)	0.049** (0.017)	0.048** (0.017)	0.049** (0.012)	0.658* (0.374)	0.676* (0.381)	0.989** (0.457)	0.794* (0.430)	
Observations	10,516	10,179	13,103	10,516	10,179	13,103	2,525	2,445	2,484	2,410	
R-squared	0.366	0.380	0.509	0.402	0.422	0.568	0.078	0.097	0.014	0.035	
<i>Panel B: Whites only</i>											
MBA	0.050** (0.020)	0.051** (0.020)	0.034** (0.015)	0.079** (0.048)	0.078** (0.021)	0.055** (0.015)	0.586 (0.478)	0.615 (0.463)	0.859 (0.558)	0.784 (0.562)	
Top 25	0.309** (0.041)	0.282** (0.041)	0.208** (0.035)	0.438** (0.048)	0.403** (0.047)	0.287** (0.035)	3.09** (1.05)	3.11** (1.07)	0.258 (1.27)	0.440 (1.29)	
Outside top 25	0.018 (0.021)	0.023 (0.021)	0.008 (0.016)	0.035 (0.022)	0.038* (0.022)	0.021 (0.016)	0.310 (0.468)	0.341 (0.474)	0.928 (0.573)	0.823 (0.577)	
Observations	5,895	5,743	7,132	5,895	5,743	7,132	1,447	1,411	1,422	1,389	
R-squared	0.397	0.406	0.528	0.424	0.440	0.638	0.087	0.110	0.017	0.048	
<i>Panel C: Blacks only</i>											
MBA	0.173** (0.040)	0.147** (0.039)	0.071** (0.033)	0.243** (0.044)	0.205** (0.044)	0.099** (0.032)	1.77 (1.150)	1.99 (1.24)	2.63* (1.46)	2.23 (1.58)	
Top 25	0.391** (0.061)	0.347** (0.063)	0.271** (0.063)	0.448** (0.064)	0.493** (0.070)	0.280** (0.063)	2.27 (2.00)	2.21 (2.09)	2.98 (2.50)	2.63 (2.61)	

Outside top 25	0.108** (0.042)	0.086** (0.041)	0.018 (0.035)	0.150** (0.046)	0.118** (0.045)	0.052 (0.035)	1.62 (1.25)	1.93 (1.33)	2.53 (1.58)	2.12 (1.70)
Observations	1,341	1,265	1,777	1,341	1,265	1,777	304	287	290	276
R-squared	0.407	0.447	0.484	0.449	0.497	0.539	0.119	0.168	0.060	0.110
<i>Panel D: Hispanics only</i>										
MBA	0.091** (0.039)	0.089** (0.039)	0.099** (0.028)	0.127** (0.042)	0.127** (0.042)	0.140** (0.029)	0.838 (0.941)	0.967 (0.971)	-0.207 (1.10)	-0.419 (1.15)
Top 25	0.203 (0.063)	0.161** (0.066)	0.223** (0.055)	0.312** (0.069)	0.266** (0.071)	0.300** (0.056)	1.79 (1.75)	2.19 (1.81)	-1.88 (2.05)	-2.41 (2.14)
Outside top 25	0.062 (0.042)	0.070* (0.043)	0.066** (0.031)	0.080* (0.045)	0.090* (0.046)	0.099** (0.031)	0.633 (0.99)	0.703 (1.03)	0.162 (1.17)	0.018 (1.21)
Observations	1,702	1,638	2,169	1,702	1,638	2,169	419	400	417	398
R-squared	0.345	0.365	0.515	0.384	0.407	0.565	0.093	0.091	0.036	0.069
<i>Panel E: Asians only</i>										
MBA	0.023 (0.046)	0.021 (0.046)	0.064** (0.033)	0.062 (0.047)	0.058 (0.046)	0.095** (0.032)	0.918 (1.00)	0.763 (1.04)	-0.365 (1.26)	-0.536 (1.30)
Top 25	0.147** (0.067)	0.116* (0.069)	0.065 (0.058)	0.267** (0.071)	0.233** (0.070)	0.125** (0.056)	1.57 (1.69)	0.801 (1.74)	-1.92 (2.07)	-1.40 (2.13)
Outside top 25	-0.014 (0.050)	-0.009 (0.051)	0.063* (0.036)	-0.001 (0.049)	0.003 (0.049)	0.086** (0.035)	0.743 (1.07)	0.752 (1.12)	0.090 (1.34)	-0.278 (1.40)
Observations	1,503	1,462	1,917	1,503	1,462	1,917	341	333	341	333
R-squared	0.278	0.300	0.469	0.330	0.357	0.550	0.108	0.143	0.051	0.070
<i>Panel F: Females only</i>										
MBA	0.064** (0.025)	0.055** (0.026)	0.057** (0.017)	0.112** (0.026)	0.098** (0.027)	0.106** (0.017)	0.537 (0.587)	0.516 (0.607)	0.024 (0.717)	-0.371 (0.734)
Top 25	0.229** (0.052)	0.181** (0.052)	0.064 (0.042)	0.394** (0.054)	0.336** (0.053)	0.186** (0.042)	2.16* (1.30)	2.16 (1.35)	-0.389 (1.57)	-0.367 (1.61)

(continued)

Table A2: (Continued)

Outcome:	Ln(wage)			Ln(salary)			Promotion index			Work index	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Outside top 25	0.042 (0.026)	0.037 (0.027)	0.056** (0.018)	0.074** (0.027)	0.065** (0.028)	0.095** (0.018)	0.322 (0.606)	0.307 (0.626)	0.081 (0.742)	-0.371 (0.758)	
Observations	4,293	4,141	5,496	4,293	4,141	5,496	1,026	989	1,003	971	
R-squared	0.339	0.354	0.519	0.378	0.397	0.580	0.082	0.100	0.015	0.042	
<i>Panel G: Males only</i>											
MBA	0.058** (0.019)	0.056** (0.020)	0.048** (0.015)	0.082** (0.021)	0.079** (0.021)	0.062** (0.015)	1.02** (0.455)	1.09** (0.461)	1.23** (0.559)	1.23** (0.563)	
Top 25	0.270** (0.032)	0.235** (0.033)	0.220** (0.030)	0.372** (0.037)	0.328** (0.037)	0.263** (0.030)	2.57** (0.865)	2.60** (0.885)	-0.079 (1.05)	0.186 (1.07)	
Outside top 25	0.133 (0.020)	0.019 (0.021)	0.008 (0.017)	0.02 (0.021)	0.027 (0.021)	0.015 (0.016)	0.721 (0.476)	0.803* (0.483)	1.49** (0.585)	1.43** (0.590)	
Observations	6,223	6,038	7,607	6,223	6,038	7,607	1,499	1,456	1,481	1,439	
R-squared	0.373	0.391	0.509	0.405	0.431	0.565	0.087	0.111	0.019	0.045	
Basic controls	Yes			Yes			Yes		Yes		
More controls		Yes			Yes			Yes		Yes	
Individual fixed effects			Yes			Yes				Yes	

Notes: Each column and panel contain results from two separate regressions. The first regression includes MBA and covariates, where MBA represents all MBA programs. The second regression divides the MBA variable into those ranked in the top 25 and those outside the top 25. R-squared corresponds to the second regression. Basic controls include: quadratics in time, tenure and age; indicator variables for between 1 and 3 years of work experience at the time of wave 1, between 3 and 5 years of experience, and more than 5 years; verbal and quantitative GMAT scores; undergraduate GPA; and an indicator variable for another advanced degree. More controls include the same, plus: indicator variables for industry of employment in wave 1, skill index, and undergraduate selectivity measures. \*\* and \* signify significance at the 5% and 10% levels, respectively.

Table A3: Race and gender comparisons by MBA and top 25 subsamples: labor market outcomes

	No MBA			Outside top 25 MBA			Top 25 MBA		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
Log(wage):									
Asian	0.051** (0.022)	0.052** (0.022)	0.050 (0.041)	0.047 (0.041)		0.048 (0.049)	0.029 (0.048)		
Black	-0.030 (0.021)	-0.039* (0.021)	0.077* (0.040)	0.067 (0.042)		0.042 (0.068)	0.035 (0.071)		
Hispanic	-0.019 (0.020)	-0.015 (0.020)	0.003 (0.030)	0.003 (0.029)		-0.044 (0.058)	-0.058 (0.058)		
Female	-0.056** (0.014)	-0.058** (0.015)	-0.075** (0.023)	-0.081* (0.022)		0.086* (0.046)	0.095** (0.047)		
MBA			-0.003 (0.028)	0.000 (0.028)	-0.006 (0.023)	0.240** (0.069)	0.231** (0.069)	0.097 (0.063)	
Asian*MBA			-0.014 (0.044)	-0.009 (0.044)	0.018 (0.032)	-0.097 (0.078)	-0.087 (0.079)	-0.123* (0.065)	
Black*MBA			-0.071* (0.042)	-0.074* (0.043)	-0.035 (0.036)	0.004 (0.080)	0.009 (0.081)	0.066 (0.078)	
Hispanic*MBA			0.008 (0.039)	0.006 (0.039)	0.031 (0.030)	-0.090 (0.076)	-0.093 (0.078)	-0.012 (0.066)	
Female*MBA			0.006 (0.028)	0.010 (0.028)	-0.026 (0.022)	-0.202** (0.066)	-0.212** (0.068)	-0.220** (0.057)	
N	6,700	6,446	3,108	3,041	3,605	570	555	676	
R-squared	0.339	0.352	0.384	0.405	0.563	0.558	0.567	0.691	
Log(salary):									
Asian	0.031 (0.023)	0.032 (0.023)	0.029 (0.041)	0.023 (0.041)		0.043 (0.049)	0.017 (0.048)		
Black	-0.086** (0.022)	-0.098** (0.022)	0.056 (0.044)	0.045 (0.046)		0.128** (0.062)	0.105 (0.067)		

(continued)

Table A3: (Continued)

	No MBA				Outside top 25 MBA				Top 25 MBA			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)				
Hispanic	-0.031 (0.021)	-0.029 (0.021)	-0.009 (0.032)	-0.009 (0.031)	-0.009 (0.023)	-0.063 (0.059)	-0.084 (0.061)					
Female	-0.101** (0.015)	-0.099** (0.015)	-0.115** (0.024)	-0.122** (0.023)		0.045 (0.049)	0.046 (0.049)					
MBA			0.004 (0.029)	0.009 (0.028)	-0.015 (0.023)	0.316** (0.075)	0.301** (0.074)	0.216** (0.065)				
Asian*MBA			-0.009 (0.041)	-0.003 (0.041)	0.054* (0.032)	-0.101 (0.079)	-0.093 (0.080)	-0.140** (0.067)				
Black*MBA			-0.081* (0.046)	-0.086* (0.046)	-0.061* (0.037)	-0.070 (0.081)	-0.076 (0.082)	-0.066 (0.081)				
Hispanic*MBA			0.020 (0.040)	0.015 (0.040)	0.027 (0.031)	-0.082 (0.078)	-0.090 (0.079)	-0.031 (0.069)				
Female*MBA			0.021 (0.028)	0.027 (0.028)	0.017 (0.022)	-0.143** (0.067)	-0.143** (0.068)	-0.125** (0.059)				
N	6,700	6,446	3,108	3,041	3,605	570	555	676				
R-squared	0.374	0.392	0.422	0.451	0.609	0.599	0.626	0.727				
Promotion index:	-0.661 (0.755)	-0.780 (0.757)	-0.084 (0.911)	-0.111 (0.930)		-1.62 (1.72)	-1.790 (1.66)					
Black	-1.37* (0.739)	-1.46* (0.774)	0.070 (1.15)	0.223 (1.12)		-2.41 (2.02)	-1.15 (2.09)					
Hispanic	0.979 (0.670)	0.692 (0.681)	1.12 (0.859)	1.430 (0.880)		-0.19 (1.63)	-0.08 (1.74)					
Female	-1.04** (0.486)	-0.836* (0.499)	-1.34** (0.646)	-1.36** (0.651)		-0.63 (1.52)	-1.41 (1.55)					



<i>N</i>	1,459	1,401	889	872	177	172
<i>R</i> -squared	0.089	0.111	0.070	0.096	0.045	0.149
Work index:						
Asian	-1.48* (0.890)	-1.19 (0.889)	-2.29** (1.17)	-2.03* (1.19)	-3.070 (2.17)	-2.800 (2.23)
Black	-0.805 (0.964)	-0.879 (0.994)	0.310 (1.33)	0.609 (1.32)	0.88 (2.23)	2.42 (2.40)
Hispanic	1.23 (0.812)	1.19 (0.841)	0.088 (1.020)	0.374 (1.050)	-1.510 (1.68)	-1.220 (1.78)
Female	-0.264 (0.610)	-0.211 (0.617)	-1.67** (0.757)	-1.51** (0.767)	-1.41 (1.61)	-1.91 (1.76)
<i>N</i>	1,430	1,377	876	860	178	173
<i>R</i> -squared	0.018	0.048	0.030	0.064	0.081	0.156
Basic controls	Yes	Yes	Yes	Yes	Yes	Yes
More controls						
Individual fixed effects						

Notes: Each panel and column correspond to separate regressions. Basic controls include: quadratics in time, tenure and age; indicator variables for between 1 and 3 years of work experience at the time of wave 1, between 3 and 5 years of experience, and more than 5 years; verbal and quantitative GMAT scores; undergraduate GPA; and an indicator variable for another advanced degree. More controls include the same, plus: indicator variables for industry of employment in wave 1, skill index, and undergraduate selectivity measures. \*\* and \* signify significance at the 5% and 10% levels, respectively.

**Table A4:** Top 25 versus non-top 25 comparisons by race and gender subsamples: academic outcomes

Outcome:	Drop out		GPA		Study finance		Study marketing	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Panel A: Full sample</i>								
Top 25	-0.185** (0.023)	-0.166** (0.025)	-0.147** (0.022)	-0.162** (0.023)	0.133** (0.036)	0.141** (0.039)	0.023 (0.027)	0.028 (0.029)
Observations	1,822	1,770	1,200	1,170	1,508	1,471	1,508	1,471
R-squared	0.047	0.077	0.157	0.174	0.031	0.066	0.024	0.040
<i>Panel B: Whites only</i>								
Top 25	-0.144** (0.037)	-0.124** (0.040)	-0.143** (0.031)	-0.152** (0.033)	0.086* (0.052)	0.088* (0.054)	0.005 (0.040)	0.006 (0.041)
Observations	1,078	1,052	723	707	883	865	883	865
R-squared	0.032	0.047	0.158	0.176	0.016	0.050	0.011	0.026
<i>Panel C: Blacks only</i>								
Top 25	-	-	-0.145** (0.064)	-0.173** (0.068)	0.227** (0.110)	0.212* (0.117)	-0.011 (0.075)	0.014 (0.082)
Observations	158	151	114	111	152	147	152	147
R-squared	0.059	0.182	0.238	0.328	0.110	0.209	0.093	0.125
<i>Panel D: Hispanics only</i>								
Top 25	-0.216** (0.060)	-0.180** (0.066)	-0.123** (0.052)	-0.169** (0.056)	0.179* (0.094)	0.201* (0.107)	-0.012 (0.058)	0.007 (0.071)
Observations	287	275	179	174	233	226	224	197
R-squared	0.110	0.161	0.140	0.214	0.055	0.116	0.123	0.129

<i>Panel E: Asians only</i>									
Top 25	-0.193** (0.046)	-0.167** (0.053)	-0.125** (0.055)	-0.113* (0.063)	0.168* (0.090)	0.150 (0.103)	0.036 (0.048)	0.017 (0.048)	0.017
Observations	251	244	170	164	218	211	218	171	171
R-squared	0.101	0.149	0.166	0.231	0.082	0.147	0.110	0.235	0.235
<i>Panel F: Females only</i>									
Top 25	-0.210** (0.042)	-0.186** (0.045)	-0.201** (0.038)	-0.212** (0.039)	0.165** (0.062)	0.133** (0.064)	0.071 (0.056)	0.068 (0.060)	0.068
Observations	725	702	447	433	565	548	565	515	515
R-squared	0.051	0.094	0.215	0.246	0.034	0.090	0.038	0.067	0.067
<i>Panel G: Males only</i>									
Top 25	-0.176** (0.026)	-0.149** (0.030)	-0.123** (0.028)	-0.147** (0.029)	0.117** (0.046)	0.139** (0.049)	0.004 (0.030)	0.016 (0.032)	0.016
Observations	1,097	1,068	753	737	943	923	943	923	923
R-squared	0.054	0.072	0.145	0.180	0.032	0.067	0.022	0.031	0.031
Basic controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
More controls									

Notes: Each panel and column correspond to different regressions. Marginal effects are reported for columns (1), (2), and (5)–(8). Sample in columns (1) and (2) includes individuals who enrolled in an MBA program during the survey period and were not enrolled at the time of wave IV. Columns (3)–(8) include individuals who completed MBAs in the sample period. Columns (5)–(8) include individuals who were still enrolled at the time of wave IV. Basic controls include: quadratics in time, tenure and age; indicator variables for between 1 and 3 years of work experience at the time of wave I, between 3 and 5 years of experience, and more than 5 years; verbal and quantitative GMAT scores; undergraduate GPA; and an indicator variable for another advanced degree. More controls include the same, plus: indicator variables for industry of employment in wave I, skill index, and undergraduate selectivity measures. \*\* and \* signify significance at the 5% and 10% levels, respectively.

Table A5: Race and gender comparisons by MBA and top 25 subsamples: academic outcomes

	Full MBA sample			Outside top 25			Top 25		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Drop out:									
Asian	-0.148 [-0.045]	-0.117 [-0.035]	-0.061 [-0.020]	-0.040 [-0.013]	-0.703 [0.043]	-0.708 [-0.012]			
Black	(0.107)	(0.111)	(0.113)	(0.117)	(0.482)	(0.585)			
	-0.229**	-0.170	-0.038	0.000	-	-			
	[-0.067]	[-0.049]	[-0.012]	[0.000]	-	-			
	(0.116)	(0.121)	(0.122)	(0.127)	-	-			
Hispanic	-0.028	-0.020	0.073	0.071	-0.700	-0.957*			
	[-0.009]	[-0.006]	[0.025]	[0.023]	[-0.042]	[-0.014]			
	(0.093)	(0.098)	(0.098)	(0.104)	(0.447)	(0.515)			
Female	0.214**	0.272**	0.194**	0.245**	0.299	0.890*			
	[0.068]	[0.084]	[0.065]	[0.081]	[0.028]	[0.037]			
	(0.070)	(0.073)	(0.072)	(0.076)	(0.372)	(0.494)			
N	1,822	1,770	1,598	1,551	195	190			
Pseudo-R-squared	0.040	0.071	0.027	0.056	0.226	0.397			
GPA:									
Asian	-0.075**	-0.081**	-0.065**	-0.074**	-0.035	-0.065			
	(0.023)	(0.023)	(0.025)	(0.025)	(0.055)	(0.058)			
Black	-0.108**	-0.113**	-0.093**	-0.097**	0.012	0.018			
	(0.027)	(0.028)	(0.029)	(0.029)	(0.075)	(0.078)			
Hispanic	-0.040*	-0.040*	-0.037	-0.032	0.034	0.020			
	(0.022)	(0.022)	(0.023)	(0.023)	(0.056)	(0.061)			
Female	0.010	0.010	0.013	0.014	-0.023	-0.049			
	(0.016)	(0.016)	(0.017)	(0.017)	(0.051)	(0.054)			
N	1,200	1,170	1,036	1,010	164	160			
R-squared	0.143	0.157	0.145	0.168	0.327	0.370			

Study finance:	Asian	0.322** [0.109]	0.340** [0.114]	0.255** [0.081]	0.283** [0.090]	0.419* [0.164]	0.530** [0.208]	
	Black	0.198 [0.066]	-0.218 [-0.072]	0.009 [0.003]	0.034 [0.010]	0.453 [0.178]	0.501 [0.197]	
	Hispanic	-0.027 [-0.009]	0.036 [0.011]	-0.101 [-0.029]	-0.049 [0.035]	-0.020 [-0.008]	0.183 [0.072]	
	Female	0.107 [-0.372**]	0.110 [-0.382**]	0.122 [-0.373**]	0.125 [-0.372**]	0.248 [-0.365*]	0.268 [-0.348]	
	N	1,508 [0.080]	1,471 [0.083]	1,288 [0.088]	1,257 [0.024]	220 [0.216]	214 [0.233]	
	Pseudo-R-squared	0.040	0.076	0.033	0.066	0.059	0.129	
	Study marketing:	Asian	-0.167 [0.034]	-0.173 [-0.034]	-0.279* [-0.052]	-0.291** [-0.053]	-0.023 [-0.005]	0.079 [0.019]
		Black	0.058 [0.013]	0.039 [0.008]	0.140 [0.031]	0.086 [0.018]	-0.805** [-0.135]	-0.839* [-0.140]
		Hispanic	0.009 [0.002]	-0.035 [-0.007]	0.046 [0.010]	-0.024 [-0.005]	-0.291 [-0.062]	-0.260 [-0.057]
			0.119 [0.119]	0.124 [0.124]	0.132 [0.132]	0.138 [0.138]	0.309 [0.309]	0.337 [0.337]

(continued)

Table A5: (Continued)

	Full MBA sample		Outside top 25			Top 25
	(1)	(2)	(3)	(4)	(5)	(6)
Female	0.191** [0.043] (0.087)	0.196** [0.043] (0.089)	0.154 [0.033] (0.095)	0.171* [0.036] (0.097)	0.326 [0.081] (0.240)	0.281 [0.070] (0.260)
N	1,508	1,471	1,288	1,257	220	198
Pseudo-R-squared	0.029	0.045	0.033	0.046	0.089	0.137
Basic controls	Yes		Yes		Yes	Yes
More controls		Yes		Yes		

Notes: Each panel and column correspond to separate regressions. Marginal effects from probit regressions (calculated at the mean of other variables) are reported in brackets for binary outcomes. Basic controls include: quadratics in time, tenure and age; indicator variables for between 1 and 3 years of work experience at the time of wave 1, between 3 and 5 years of experience, and more than 5 years; verbal and quantitative GMAT scores; undergraduate GPA; and an indicator variable for another advanced degree. More controls include the same, plus: indicator variables for industry of employment in wave 1, skill index, and undergraduate selectivity measures. In a few cases, another advanced degree or an industry variable was omitted due to perfectly predicting outcomes. \*\* and \* signify significance at the 5% and 10% levels, respectively.

**Acknowledgments:** For helpful comments and suggestions, the authors thank Richard Sander, Marc Luppino and Jane Yakowitz and the conference participants of the Society of Labor Economist's annual meeting in 2012. Also, we express our gratitude to Richard Sander for financial support from Project SEAPHE. All opinions expressed herein are those of the authors exclusively.

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