

## Berlin Applied Micro Seminar

### The Value of a Peer

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*Abstract:*

This paper introduces a new approach to peer effects: Peer value-added isolates the total contribution of an individual to the performance of others without relying on observable peer characteristics as measures of peer quality. Using data from a setting with repeated random assignment of students to peer groups we show that there is significant variation in peers' value-added. Peer observable characteristics, most notably previous performance, are poor predictors of individual spillovers. We validate our peer value-added measures in out-of-sample social interactions and show that peer value-added captures performance and earnings spillovers among randomly re-assigned peers. We establish that the ability to raise others' performance is a malleable trait. Students interacting with peers generating positive spillovers become more valuable peers themselves.