

Forming Wage Expectations through Learning: Evidence from College Major Choice (in English)

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Venue: WYL314, Dorothy Wong YL Building

Biography:

Professor Xia is an Assistant Professor in Decision Science and Managerial Economics Department in Business School of the Chinese university of Hong Kong. Before joining the CUHK, she received her PhD in Economics from University of California, Berkeley. Her research interests span the fields of labor economics and behavioral economics. Her current projects address people's education and occupation choices.

Abstract:

How do college students learn about the earning opportunities associated with different majors? I use data from two major longitudinal surveys to develop and estimate a learning model in which students update their expectations based on the contemporaneous earning realizations of older siblings and parents. Reduced-form models show that the probability of choosing a major that corresponds to the occupation of an older sibling or parent is strongly affected by whether the family member is experiencing a positive or negative earnings change at the time the major choice is made. Building on this finding, I estimate a model of major choice that incorporates learning from family-based information sources. The results imply that students overestimate the predictive power of family members' earnings: the decision weight placed on family wage realizations is much larger than can be justified by the empirical correlation between their own earnings and their family members' earnings.

All Are Welcome

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