

MARKET INFORMATION AND STUDENT ESTIMATION OF RELATIVE WAGES

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ABSTRACT

Student wage expectations have been an area of interest for a number of years. Betts [2] and Dominitz and Manski [4] queried U.S. students while Branello [3] focused on those attending European universities. This study considers the relative accuracy of student estimations, moderated by the cost or ease of acquiring labor market information. The model proposed by Alchian [1] suggested that individuals determine the amount of information based upon its cost and the net value it yields. His approach argues that collecting and analyzing information reduces wage estimating error and that this process is limited only by the increasing cost and decreasing benefit of each addition to one's knowledge base. This study considers student estimates of earnings for new graduates in business, engineering, nursing, education and liberal arts. These estimates were then compared to actual market rates. The sample consists of about 750 students drawn fairly evenly from 1991, 1999 and 2005. The underlying assumption is that the Internet acts as a source of bountiful and inexpensive information which will add precision to relative wage estimate generation. The findings indicate that more readily available information does have an impact, although there was no meaningful difference between 1991 and 1999. A gender effect also appears to exist.