

CIFREM SEMINARS

Be as careful of the books you read as of the company you keep. Evidence on peer effects in educational choice

Michele Pellizzari
IGIER Bocconi

Thursday, January 10 2008

2 PM - DISA seminar room

Faculty of Economics- Via Inama, 5

In this paper we investigate whether peers' behavior influences the choice of college major. Using a unique dataset of students at Bocconi University and exploiting the organization of teaching at this institution, we are able to identify the endogenous effect of peers on such decision through a novel identification strategy which solves the common econometric problems of studies of social interactions. Results show that, indeed, one is more likely to choose a major when many of her peers make the same choice. We estimate that, when it diverts students from majors in which they seem to have a relative ability advantage, this effect leads to lower average grades and graduation mark, a penalty that could cost up to 1,117 USD a year in the labor market.