Asymmetrical Information in Education and Employment
Nina Wren

Asymmetrical information can create a blind spot for people, causing countless market failures.

Many problems are caused within our economy due to a lack of information. Some of the largest market failures concern the loss of money or of the most efficient employees. The problem lies within the fact that employers and administrators cannot always make correct assumptions about the futures of potential students and employees. It is against the law to ask discriminatory questions, so administrators and employers think they have few ways of knowing vital information. However, these obstacles can be recognized and sometimes addressed to avoid problematic situations and maximize efficiency.

One example pertaining to asymmetrical information is the Hope Scholarships, initially proposed by Bill Clinton in 1992. College administrators made individual loans based on estimated guesses of what each student’s income would be post graduation. They wrongly assumed which potential students would participate. In the end the program was only appealing to low earners. The result led to the program never regaining its costs.

The Hope Scholarships reflect just one example of the negative impact asymmetrical information can have on an economy. Employers continuously face problems of legality when assessing someone’s potential for a company. Illegal questions include those concerning religion, nationality, citizenship, health, marital and parental status, future family plans, and use of legal products, such as alcohol and cigarettes.

These questions have non-discriminatory alternatives that can provide enough information for an employer. For example, questions concerning nationality can be avoided by asking whether someone is authorized to work in the United States. Someone’s religion can be addressed by asking about the available days someone can work or involvement with any professional groups that are relevant to the company. Marital and parental status can cause several problems because of the commitment a company might require of its employees. Instead, an employer can ask about someone’s career goals, or if they’re available to travel or work overtime. Questions that concern
legal products can be addressed by asking if someone has been disciplined for their usage of these products.

"What we don’t know can hurt us," and it would be counter productive to continue to make decisions based on assumptions unless we are able to at least recognize the problem in these situations. Asymmetrical information can create a blind spot for people, causing countless of market failures. Though it is currently an inevitable problem, it needs to continuously be addressed in order to maximize our economy’s efficiency.
In the eye of an economist, everything has a price, even sex. When some teenagers are determining the “price” of sexual intercourse they might consider the possibility of contracting a disease or getting pregnant. Adults have always been encouraging their children that this price is too high; so why do teenagers continue to disobey their parents? The simple answer is that in many adolescents’ minds, the benefits outweigh the risks. When they decide to have sex, they have come to the conclusion that the act of sexual intercourse will be worth it.

Parents will never be able to find a big enough disincentive until they start to think like teenagers. What adults think is rational and what teens think is rational can be severely different. Some experts say that they have found a way to discourage teens from engaging in sexual activities. John B. Jemmott III, a professor at the University of Pennsylvania who led a federally funded study, found two surprising statistics. The first is that only about a third of sixth- and seventh-graders who completed an abstinence-focused program started having sex within the next two years. The other is that nearly half of the students who attended other classes including ones that combined information about abstinence and contraception, became sexually active. John Jemmott takes these numbers to mean that when kids are taught only abstinence based learning, they wait longer to have sex.

While Jemmott might think he has the system figured out, Richard Caldwell believes that these numbers are imperfect. Caldwell sees that these numbers could be flawed mostly because the numbers rely on the truthfulness of the tested teenagers. Folks like Caldwell allow the possibility that some adolescents might not get the message, and, in this case, they want teens to be prepared to protect themselves.

The one thing that everyone agrees on is that at any door you come up to, a teenager is probably making an irrational decision behind it. Whether or not they can be taught rationality remains to be seen, but with almost half of our teenagers sexually active, there is an increased need for preventative education.