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Econ 496/895

HW #2 (please **type**)

Undergraduates: Answer any FIVE questions.

Grad Students: Answer any FOUR questions, plus the Graduate-Level Question.

All-Level Questions (*answers should be 1 page, double-spaced*)

1. Discuss ONE *non-educational* example where human capital, signaling, and ability bias all play a role. Carefully explain the conceptual distinctions using your example, and speculate on the correct breakdown between the three explanations.

2. "Education is far too lucrative for the signaling model to matter much." How would Caplan respond? Is there *any* way to make sense of this argument?

3. How much do you expect graduation will increase your earnings? What is the human capital/signaling breakdown of the effect? Justify your answer.

4. Signaling aside, is there any way to explain why education would have a larger effect on income than skill?

5. What are the two main problems with estimating education's true effect by measuring and controlling for ability? Carefully explain your answer, using specific examples.

6. Is credentialism a creature of the state? Critically evaluate Caplan's position.

7. How much has the sheepskin effect influenced your educational decisions? Start early in your life, and include details.

8. "Malemployment is equally consistent with human capital and signaling." Assess this statement.

9. Consider your current (or most recent) workplace. What fraction of the workers would have been hired if your employer had perfectly foreseen their actual performance? Why haven't the underperformers been fired?

10. Can the low quality of most Third World education explain the evidence Caplan presents in "The Education Premium: Personal Versus National"?

Graduate-Level Question (*answer should be 2 pages, double-spaced*)

Pick one research literature Caplan builds upon in Chapter 3. Read any three of the papers Caplan cites in this area. Based on your reading, carefully assess the fairness and accuracy of Caplan's use of the evidence.