

Name: \_\_\_\_\_

**Economics 496/895 Final**  
**Prof. Bryan Caplan**  
**Fall 2017**

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**Instructions:**

- You have 50 minutes to complete this exam.
- Write all answers directly on the exam.
- You may use any books, notes, or other materials that you wish, but avoid spending too much time on any one question.
- Partial credit may be awarded on all questions.
- The maximum possible number of points is 100.
- **Undergraduates should answer ALL 5 of the All-Level Questions. They should NOT answer the Graduate-Level Question.**
- **Graduate students should answer 4 out of the 5 All-Level Questions, PLUS the Graduate-Level Question.**
- You should have 5 pages, counting this one.

**Part 1: All-Level Questions (20 points each for undergrads, 15 points each for graduate students)**

Answers should be 4-6 sentences long. Use diagrams if helpful.

1. How long can workers “fool the market” with misleading credentials? Discuss both empirical research on this topic and its limitations.

2. Compare and contrast ability bias for education’s apparent effect on (a) income, and (b) crime.

3. There is a large health gap between high school dropouts and college graduates. Discuss TWO problems with counting the full observed health gap as a *social* benefit of education.

4. Only 12% of *strong* Republicans support lower spending on education. How is this surprising? What explains it?

5. Forcefully argue that *vocational* education promotes vital but neglected merit goods. Clearly describe both (a) the specific merit goods you have in mind, and (b) how vocational education fosters them.

**Part 2: Graduate Level Question (40 points for graduate students)**

Answers should be one page long. Use diagrams if helpful.

1. Suppose you believe that, on balance, population has *positive* externalities. Using everything you've learned, what would this imply about the social return to education? Carefully explain your reasoning. (Hint: See pp.180-2 and pp.253-5 of *The Case Against Education*).