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Econ 496/895

**HW #3** (*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. How is investing in education like buying a consol? How is it different?
2. Name a plausible selfish benefit of education that Caplan ignores – and argue that it's important.
3. What are the main selfish benefits that you personally expect to capture from your education? Are they bigger or smaller than Caplan's calculations assume?
4. Use Caplan's archetypes and variants (returns by major, by selectivity, etc.) to guesstimate your selfish return to education. Carefully explain your reasoning.
5. To what extent have you followed my "Practical Guidance for Prudent Students"? How has your path worked out for you compared to what Caplan would predict?
6. Discuss (a) one selfish benefit of education from a social point of view, and (b) one purely social benefit of education. Be specific.
7. How much of the apparent connection between education and crime can be accounted for by (a) human capital, (b) ability bias, and (c) signaling?
8. What estimate of signaling's share do *you* think is most reasonable? Where does Caplan go wrong?
9. What are the main social benefits that you expect society to capture from *your* education? Are they bigger or smaller than Caplan's calculations assume?
10. When would more education be a good social investment? Build on everything you've learned.

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

Review Caplan's underlying spreadsheets for *one* topic in Chapter 5 or 6 that interests you. Carefully explain what the original spreadsheets mean. Then change one important assumption and analyze how the results change. Include printouts of 2-4 relevant spreadsheets.