

Questions 1 - 7 are based on Andrew Weiss, "Human Capital vs. Signalling Explanations of Wages"

1. According to the signalling model, what sort of characteristics do firms proxy with education?
2. Why do firms not hire directly on the basis of the characteristics you outlined in question 1?
3. Explain why using education as a signal might lead to better matching between workers and firms.
4. Do low ability individuals receive the same wage premium for higher education as high ability individuals? Explain how you would test this hypothesis.
5. Suppose the results outlined on p. 137-140 are true for Britain as well as for the United States. Now suppose a friend asked whether he should take A-level maths or A-level photography. What is your answer?
6. Outline some of the empirical approaches to controlling for ability when estimating the returns to schooling.
7. What are some of the objections given to the sorting/screening model?

Questions 8 - 11 are based on the article George Psacharopoulos, "Returns to Education: A Further International Update and Implications,"

8. What does the evidence indicate about the relative returns of primary, secondary, and tertiary education?
9. Which receives the largest public subsidies of the three?
10. Are returns to education higher for men or for women? What factors are likely to explain your answer?
11. What public policy implications does the author reach from his results?