Questions 1-7 are based on the article Andrew Seltzer and David Merrett, “Personnel Practices at the Union Bank of Australia: Panel Evidence from the 1887-1893 Entry Cohorts.”

1. Describe the hierarchy of the Union Bank of Australia.

2. Is the evidence on wages consistent with the deferred compensation model? Explain.

3. Why do you think the returns on tenure are much greater than the returns on outside experience?

4. Is the evidence on the relationship between pay and level consistent with the tournament model? Explain.

5. Is the evidence on the rewards for promotion consistent with the tournament model? Explain.

6. Is the evidence on the distribution of wages at lower hierarchical levels consistent with the tournament model? Explain.

7. Why do you think the Union Bank of Australia adopted these practices?

Questions 8-11 are drawn from the article George Baker, Michael Gibbs, and Bengt Holmstrom, “The Wage Policy of a Firm”

8. How do the author’s identify level in this study? Why don’t they use the average wage of a position to identify its level?

9. What is the return to promotion from different levels? Is the structure of the returns to promotion consistent with the tournament model?

10. How do the authors test whether ability matters in wage determination? What do they find?

11. What is a “cohort effect”? What do the authors’ findings on cohort effects imply about the consequences of graduating from University during a recession?