

Questions for chapters 9 and 10, due Tuesday 11/26/13

Chapter 9

1. What does the present value of a payoff in five years depend on, aside from the dollar amount of the payoff?
2. What are some determinants of the decision to attend college?
3. Describe an empirical test that could estimate the average ‘overtaking age’.
4. Why do the age/earning profiles of people with different levels of education ‘fan out’ from each other as age increases? Why are they typically concave in age?
5. Suppose that, at a particular job, the productivity of a low-ability worker is $\pi_L = 100$, and the productivity of a high-ability earner is $\pi_H = 370$. Suppose that the cost of education for a low-ability person is $c_L(e) = 3e$, and the cost of education for a high-ability person is $c_H(e) = 2e$, where e represents educational attainment. What values of e^* could firms require that would allow them to effectively distinguish the high-ability workers from the low-ability workers?

Chapter 10

1. What personal characteristics are movers more likely to possess than non-movers?
2. How do immigrants to the US from countries with more-equal income distributions tend to differ from immigrants to the US from countries with less-equal income distributions? Why?
3. Describe two diametrically opposed ‘naïve views’ of immigration, and explain why neither is consistent with economic theory.
4. Who would be made worse-off by a change toward less-restrictive immigration policy? Who would be made better off? All in all, do the gainers gain more than the losers lose, or vice versa? Construct a clear argument in response to this question.