

1. Signaling model of education and earnings: introduction
  - Basic idea: Education may provide a signal to employers of an individual's productivity, when that productivity is difficult to observe. In this view, *an educated person earns more not because of what they have learned but because of what their schooling says about them.*
  - What does schooling signal? Cognitive ability, drive, attitude toward the future, attitude toward superiors, etc.
  - Education could have *both* signaling and human capital effects on earnings.
  - The signal is only valuable if, on average, the workers who choose to get more education are also the ones who are more productive. This requires that productivity and the costs of education tend to be *negatively correlated.*
  
2. Signaling vs. human capital explanations of the relationship between education and earnings
  - Three reasons schooling and earnings might be correlated
    - (1) Human capital model: education increases a worker's productivity (value to employer)
    - (2) Signaling model: being educated provides a signal of a worker's productivity
    - (3) Ability sorting: some underlying factor (ambition? intelligence?) is associated with both more education and greater productivity, so they are correlated, and thus people with more education tend to earn more.
  - If (1) or (2), investment in education by an individual increases earnings potential
  - Evidence: twins and sheepskins
  - Individual vs. social return to education: human capital, signaling, and sorting
  
3. Topic choices for remainder of quarter (vote for one):
  - Wage inequality trends in the United States and California: evidence and causes
  - Discrimination in the labor market: theory and evidence
  - Unemployment
  
4. Brief meetings on final project topics