Sociology 230  
Reading Questions for class # 5

Answer the * questions for your reading notes. (1,4,7,9,12,14,16,17,19) We will discuss all the questions in class.

Ehrenberg & Smith, Modern Labor Economics, Ch. 9 “Investments in Human Capital: Education and Training” (p. 279-325)

*1. According to human capital theory, why does education result in higher earnings?

2. The sum of an infinite series \( \sum_{n=0}^{\infty} A \left[ \frac{1}{1 + r} \right]^n = A \frac{1 + r}{r} \) provided that \( r \) (the discount rate) >0. It can be shown that \( \sum_{n=0}^{r} A \left[ \frac{1}{1 + r} \right]^n = A \frac{1 + r}{r} - A \left[ \frac{1}{1 + r} \right]^{r+1} \frac{1 + r}{r} \).

If the average yearly pay difference between a college education and a high-school education was $10,000, find the present value of a $10,000 per year pay difference, assuming a working life of 40 years and \( r=0.05 \).

3. on p.288, what explanation do authors give for "where have all the science majors gone?"

*4. According to human capital theory, if workers were identical and markets were in equilibrium (i.e., supply equals demand), would there be any incentive to invest in education?

5. Why does human capital theory predict that women will invest less in education than men? (We will study this issue in more depth later in the course).

6. What are the sources of bias (according to this reading) in the estimation of the returns to human capital? I.e., explain the possibility of upward bias, downward bias, and selection effects.

*7. From Appendix 9b: What is signaling theory? What is the difference between individual returns and social (i.e. the society as a whole) returns to schooling? On page 312, what do you make of the author's response in "does the debate matter"?

Osberg, Economic Inequality in the United States

8. After reading Osberg’s section on equilibrium (p.133), answer question #4 again. In equilibrium, would there be any benefit to going to college?

*9. Osberg’s discussion of Figure 8.5 adds more realism to the human capital story by allowing for inequality of opportunity (8.2.6) and inequality of ability (8.2.8). Explain what is going on in Figure 8.5.

11. What does the Becker/Tomes model conclude about the possibility of equality of opportunity in a capitalist society?

*12. The structural perspective emphasizes constraints rather than choices. How would you summarize the structural critique of human capital theory (chapter 9)?

Granovetter, “Toward a Sociological Theory of Income Differences”

*14. How does Granovetter’s “sociological theory” of wages differ from the neoclassical economic model of wages?

15. What point is Granovetter trying to make in his discussion of temporary disequilibrium (p. 34-37) and how does this relate to the neoclassical argument that workers are paid their marginal product?

Blinder, The Economics of Brushing Teeth

*16. According to the article, what is the human capital theory prediction regarding teeth brushing? On what grounds does the article critique the “mother told me so” theory of teeth brushing? Overall, despite being tongue-in-cheek, why is this article instructive?

Ashenfelter & Krueger, Estimates of the Economic Return to Schooling from a New Sample of Twins (no need to read all of it, see the schedule page for pages).

*17. How did the authors collect data for this study? They are attempting to accurately estimate the causal effect of education on earnings. Have they succeeded?

Fussell, Chapter 9, “The X-way out”

18. Are you a member of the X-class?

*19. At the end of this chapter, Fussell (who, in the earlier reading seems to be celebrating status differences) sounds a note of cheery optimism by saying that “X people constitute something like a classless class” (p.186) and that “only as an X, detached from the constraints and anxieties of the whole class racket, that an American can enjoy something like the LIBERTY promised on the coinage…The society of Xs is not large at the moment. It could be larger, for many can join who’ve not yet understood that they have received an invitation.” Do you think the X-class is really a way out of the status-class racket? Does Fussell really believe it?