1) Discuss in detail how to add signalling into Heckman's model of human capital. Show where the model changes and where the results change.

2) Rosen and Willis argue that there are important selection issues associated with estimating the return to education, and others (e.g., Griliches) argue that omitted variables such as ability cause biases as well. Discuss how to add these concepts into Heckman's model. Show where the model changes and where the results change.

3) What happens in Spence's model if there are three types of people? What happens if there is a continuum of people types? Be as precise as possible (i.e., reconstruct the model).