

Learning Objectives

Chapter 19

In this chapter you will

- Examine the main determinants of equilibrium wages
- Examine how wages can compensate for differences in job characteristics
- Learn and compare the human capital and signalling theories of education
- Examine why in some occupations a few superstars earn tremendous incomes
- Learn about the main reasons why wages can rise above the level that balances supply and demand
- Be presented with an outline of Becker's employer taste model
- Consider why it is difficult to measure the impact of discrimination on wages
- See when market forces can and cannot provide a natural remedy for discrimination

You should be able to

- Explain why an economics lecturer earns less than a corporate economist of similar age, background, and training
- Explain the differing impact of policies aimed at increasing the educational attainment of all workers under the signalling and the human capital view of education
- List the characteristics of a market where superstars can arise
- List three reasons why a wage can rise above the equilibrium wage
- Explain why differences in wages among groups does not by itself say anything about how much discrimination there is in the labour market
- Explain why competitive employers are unlikely to discriminate against groups of employees unless the customers or the government demands it