



Apr 12th, 10:00 AM - 11:00 AM

Economic Returns to Higher Education: Signaling V. Human Capital Theory

Jim Kjelland
Illinois Wesleyan University

Michael Seeborg, Faculty Advisor
Illinois Wesleyan University

Follow this and additional works at: <https://digitalcommons.iwu.edu/jwprc>

Kjelland, Jim and Seeborg, Faculty Advisor, Michael, "Economic Returns to Higher Education: Signaling V. Human Capital Theory" (2008). *John Wesley Powell Student Research Conference*. 2.

<https://digitalcommons.iwu.edu/jwprc/2008/oralpres/2>

This Event is protected by copyright and/or related rights. It has been brought to you by Digital Commons @ IWU with permission from the rights-holder(s). You are free to use this material in any way that is permitted by the copyright and related rights legislation that applies to your use. For other uses you need to obtain permission from the rights-holder(s) directly, unless additional rights are indicated by a Creative Commons license in the record and/ or on the work itself. This material has been accepted for inclusion by faculty at Illinois Wesleyan University. For more information, please contact digitalcommons@iwu.edu.

©Copyright is owned by the author of this document.

Oral Presentation O1.2

**ECONOMIC RETURNS TO HIGHER EDUCATION:
SIGNALING V. HUMAN CAPITAL THEORY**

Jim Kjelland and Michael Seeborg*
Economics Department, Illinois Wesleyan University

It is general knowledge that individuals with higher levels of education will, on average, earn higher wages in the labor market. And while this correlation has been established, the causal relationship behind those returns to education is less clear. Past research has been done in an attempt to determine the mechanism by which education increases earnings. Human Capital Theory argues intuitively that education endows an individual with productivity-enhancing human capital, which translates into higher wages in the labor market. Signaling Theory argues instead that education acts merely as a signal of inherent human capital, and that it is the inherent human capital, not acquired human capital, that determines a worker's wage. This study employs OLS regression and is an extension of a previous study carried out by Chevalier et al (2004). Using controls for inherent ability and motivation, it explores the effects of inherent human capital on productivity and wages, and applies that understanding to an assessment of the respective merits of both Signaling and Human Capital Theory.