

The Effect of College as a Signal on Students' Activity *

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Abstract

It is considered as a useful signal to the labor market to enter the college that has a good reputation. On the other hand, this system may have some effects on students' study effort or activities after entering a college. In this paper, we focus on students' behavior after exam and uncover effects of students' using college as a signal on their study effort or activity after exam. We show that in our setup there exists such an equilibrium that all students in high level college don't perform the activity while many students in low college do it. Moreover students' motivation for signaling generates discontinuity between bottom students of high college and those of low college, which gives us new empirical implication. We also show that the total amount of activities is less in the case when college is useful as signal than in the case when college is useless as signal. This suggests that if we want to increase the students' activity in college, then we must weaken the effect of college as signal.

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