The referee made two major comments in his report. First, he claimed that it is more likely to observe changes in the standard of at least 10-15%, and not in the range lower than 5%, as explored in the previous version of the paper. Second, he argued that, according to the comparative statics, it is possible to “minimize the chance of decreasing average productivity by raising standard examination consistently, because this way they shrink the range where Proposition 2 hold. And this is of course in contrast with their interpretations of the results”.

In order to address these two comments, we made changes in section “Exogenous wages”. First, we altered the numerical example and allowed changes in the standard up to 100%. We also allowed the term “r”, the ratio between the high and low levels of noncognitive skill to assume values up to 3, where it was restricted to up to 2 in the previous version. For almost half of the combinations presented, a fall in the productivity may occur even if the cognitive skill is relatively more important than the noncognitive skill in the production function, that is, even if γ<1/2.

Second, we explained in this new version that the relative change in the standard is bounded above (see p. 14). The reason is the following. We considered only changes in the standard where the economy moves from the equilibrium in which types “a”, “b”, and “c” pass to the one in which types “a” and “b” do. We focus only on those changes because this is the setting of Proposition 2 and this imposes some constraints in the relative change. As the referee noticed, some changes will not produce the fall considered in Proposition 2 – and we now make this clear in the discussion of Table 1 and its illustration of Proposition 2.

We also corrected the “minor points, typos etc…” mentioned in the referee report. In particular:

(i) With respect to the comment “p.5, line 10. What happens to the quality of male teacher?”, we mention in this new version that Stixrud (2008) in fact analyzes only what happens with the quality of the female teacher;

(ii) With respect to the comments on pages 23 and 24, we decided to “add month in point [5]”.
