Consider Spence's model of signalling presented in class with the following changes: worker types can either be $\theta = 1$ or $\theta = 1.5$ and the probability that a worker's type is $\theta = 1.5$ equals $\lambda$.

1. Calculate the set of all possible separating equilibria. Which of these separating equilibria is most efficient? Why?

2. Calculate the set of all possible pooling equilibria. Which of these pooling equilibria is the most efficient? Why?

3. Compare your answers to (1) and (2) to the results from the model analyzed in class. Explain how a change in the difference between the productivity of the high and low productivity workers affects the incentives to invest in education and how it affects the Pareto ranking of the efficient separating equilibrium and the efficient pooling equilibrium.