

BRANDEIS UNIVERSITY
Department of Economics

Economics 59b
Economics of Education

Mr. Coiner
Fall, 2009

Syllabus

This course is an introduction to what economists and economic theory have to say about education in general and the educational system in the U.S. in particular. Education is a huge sector of the U.S. economy. Approximately 50 million children attend elementary or secondary schools, and another 15 million or so are enrolled in institutions of higher education. Expenditures (both public and private) on education amount to approximately 7.5% of U.S. GDP. We rely on the educational system to accomplish two objectives: to provide a skilled and productive work force for the economy, and to move us toward the goal of equal opportunity for all children, regardless of family background or income. This is a very tall order. We will examine a number of issues in this course. A brief description of some of them follows.

Ordinarily, economists argue that the market system provides goods and services efficiently. Yet, in the case of education, virtually every nation subsidizes or finances education from public funds. Why? For what reasons is it felt that we cannot rely solely on the market system to provide education? In addition, in the U.S. (as in many other nations), education is not only financed by the government, but is provided (produced) by the government. Even if we agree that public financing of education is desirable, it does not necessarily follow that public provision of education is desirable. For example, education could be provided by private schools with the government footing the bill. But we don't do it that way. For what reasons are elementary, secondary, and even higher education publicly provided in the U.S.?

Since the end of World War II, the achievements of the U.S. educational system in increasing the quantity of education have been impressive. A much larger percentage of Americans complete high school and college today than was the case 55 years ago. This additional educational attainment has contributed significantly to American economic growth in the post-war period. However, the quality of American education at the elementary and secondary level is suspect. Despite significant increases in spending per pupil (even after adjusting for inflation), the performance of American students on standardized tests has not shown improvement in the last several decades. Furthermore, in tests administered internationally, American students have not scored well in comparison with the students of other nations. What steps can be taken to increase the quality of U.S. elementary and secondary education?

Specifically, there are many people who believe that increasing the amount of competition in elementary and secondary education is the key to raising quality. In many localities, charter schools compete with "regular" public schools, and in a handful of cities, vouchers allow children from families with low incomes to attend schools other than the public school in their area. What are the advantages and disadvantages of charter schools or of voucher programs in theory? What evidence exists as to the effects, both positive and negative, of these innovations?

Another idea, embodied in the No Child Left Behind Act, is that school quality can be improved if schools are more accountable—that is, if students are regularly tested, the test results are made public, and if schools that score poorly are subject to some sort of sanction or punishment. The idea is that this increases the incentive for schools (and thus principals and teachers) to perform well. What are the pros and cons of holding schools accountable through standardized testing? What does the evidence show about the effects of increased accountability on academic achievement?

American higher education faces a different problem. Here, costs have been rising rapidly, causing tuition to rise and diminishing the affordability of higher education, especially private higher education. What is the cause of this rapid increase in costs, and what can be done to make it possible for every able student, regardless of family income, to attend the college of her choice?

Course Requirements

Specific readings will be assigned for each class. You are expected to come to class having read the assigned material. Where appropriate, we will have class discussions based on this material. There will also be a number of problem sets based on the readings and on class lectures and discussion. The problem sets will constitute 15% of your grade. There will be two midterms and a final exam. Each exam will cover about 1/3 of the course. The higher score on the two midterms will count for 30% of your grade; the lower score on the midterms will count for 25% of your grade. The final will count for 30% of your grade. The midterms will be given in class, while the final will be given at the end of the term at a

time and place designated by the registrar. The dates for the midterms are: Thursday, October 1st and Thursday, November 5th

Office Hours

My office is Sachar 4. My extension is 6-2239. My Brandeis email address is coiner@brandeis.edu. It is OK to contact me through my home email, which is m.coiner@verizon.net, and you may call me at home at 1-508-485-7732.

Special Accommodations

If you are a student with a documented disability at Brandeis University and if you wish to request a reasonable accommodation for this class, please see me immediately. Please keep in mind that reasonable accommodations are not provided retroactively.

Academic Honesty

You are expected to be honest in your academic work. The University policy on academic honesty is distributed annually as section 5 of the Rights and Responsibilities handbook. Instances of alleged dishonesty will be forwarded to the Office of Campus Life for possible referral to the Student Judicial System. Potential sanctions include failure in the course and suspension from the University. If you have any questions about my expectations, please ask. Academic Dishonesty will not be tolerated and will be rigorously prosecuted.

Text

Making Schools Work: Improving Performance and Controlling Costs, by Eric A. Hanushek with others (Washington, D.C.: Brookings, 1994). Hereafter referred to as "Hanushek."

Course Outline

- I. Education as Investment in Human Capital
 - A. Introduction to the Issues
 - J. Gruber, "Why Should the Government be Involved in Education?" (from Public Finance and Public Policy, 2nd edition, pages 287-289)
 - Hanushek, Summary and Chapter 1
 - D.W. Jorgenson, "Introduction" (from Improving America's Schools)
 - B. Investment in Human Capital
 - Hanushek, Chapter 2
 - McConnell et al., "Labor Quality: Investing in Human Capital" (from Contemporary Labor Economics, 7th edition, pages 84-103)
 - E. Cohn & T. Geske, "Problems in the Measurement of Educational Benefits" (from The Economics of Education, 3rd edition, pages 47-51)
 - E. Cohn & T. Geske, "The Benefits of Education" (from The Economics of Education, 3rd edition, pages 34-40)
 - C. Criticisms of the Human Capital Model
 - McConnell et al., "Criticisms of Human Capital Theory" (from Contemporary Labor Economics, 7th edition, pages 117-122)
 - R. Ehrenberg & R. Smith, "Is Education a Good Social Investment?" (from Modern Labor Economics, 7th edition, pages 318-327)
 - J. Gruber, "Measuring the Returns to Education," (from Public Finance and Public Policy, 2nd edition, pp. 302-305)
 - C.R. Belfield, "Evidence for Sorting versus Human Capital Models" (from Economic Principles for Education, pages 43-46)
 - E. Cohn & T. Geske, "Some Critiques of the Concept of Human Capital" (from The Economics of Education, 3rd edition, pages 57-64)
 - L. Thurow, "Education and Economic Equality" (The Public Interest, Summer, 1972)

- D. Effect of Education by Race & Gender
 - R. Ehrenberg & R. Smith, "Education, Earnings, and Postschooling Investments in Human Capital" (from Modern Labor Economics, 7th edition, pages 303-313)
 - J. O'Neill, "The Role of Human Capital in Earnings Differences between White and Black Men" (Journal of Economic Perspectives, Fall, 1990)
 - E. Education and the Distribution of Income
 - McConnell et al., "Human Capital Investment and the Distribution of Earnings" (from Contemporary Labor Economics, 7th edition, pages 103-110)
 - G. Borjas, "Changes in the Wage Structure: Basic Facts" (from Labor Economics, 2nd edition, pages 278-293)
 - B. Pierce & F. Welch, "Changes in the Structure of Wages" (from Improving America's Schools)
- II. The Economics of Primary & Secondary Education
- A. J. Guthrie et al., "Public Values and School Policy" (from School Finance and Education Policy, 2nd edition)
 - J. Stiglitz, "How Should Public Educational Funds be Allocated?" (from Economics of the Public Sector, 2nd edition, pages 373-376)
 - J., Guthrie et al., "The Role of Government in Financing Education" (from School Finance and Education Policy, 2nd edition)
 - Hanushek, Chapter 3
 - L. Hedges & R. Greenwald, "Have Times Changed? The Relation between School Resources and Student Performance" (from Does Money Matter?)
 - P.E. Peterson & D. E. Campbell, "Introduction: A New Direction in Public Education?" from Charters, Vouchers & Public Education, pages 1-5)
 - B. Financing of Public Education
 - J. Guthrie et al., "Paying for Public Education" (from School Finance and Education Policy, 2nd edition)
 - J. Guthrie et al., "Distributing State Education Dollars" (from School Finance and Education Policy, 2nd edition)
 - H.S. Rosen & T. Gayer, "Why do People Hate the Property Tax so Much?" (from Public Finance, 8th edition, pages 527-528)
 - C. Tiebout, "A pure theory of local expenditure" (Journal of Political Economy, October, 1956)
 - C. Educational Production
 - Hanushek, Chapters 4 and 5
 - G. Burtless, "Introduction and Summary" (from Does Money Matter?)
 - L. Fine & M.R. Levenson, "Research on Class Size"
 - D. Monk, "Educational Productivity" (from Educational Finance: An Economic Approach)
 - D. Monk, "Research on Class Size" (from Educational Finance: An Economic Approach)
 - D. Increasing Competition in Schooling
 - Hanushek, Chapter 6
 - J. Guthrie et al., "Enhancing Educational Efficiency", pages 327-331 only (from School Finance and Education Policy, 2nd edition)
 - J. Gruber, "Vouchers" (from Public Finance & Public Policy, 2nd edition, pages 294-299)
 - H.S. Rosen & T. Gayer, "Charter Schools and Vouchers" (from Public Finance, 8th edition, pages 144-146)
 - H.M. Levin, "Studying Privatization in Education" (from Privatizing Education)
 - P.E. Peterson & D.E. Campbell, "Introduction: A New Direction in Public Education?" (from Charters, Vouchers & Public Education, pages 5-11)
 - C.E. Finn, Jr., B.V. Manno & G. Vanourek, "Charter Schools: Taking Stock" (from Charters, Vouchers & Public Education, Chapter 2)

A.S. Wells & J. Scott, "Privatization and Charter School Reform: Economic, Political and Social Dimensions" (from Privatizing Education)
 P.R. Kane & C.J. Lauricella, "Assessing the Growth and Potential of Charter Schools" (from Privatizing Education)
 H.M. Levin, "Educational Vouchers and School Policy"
 Swanson & King, "Family Choice of Schooling: Consumer Sovereignty" (from School Finance: Economics and Politics, pages 414-418)
 J.P. Greene, "The Hidden Research Consensus for School Choice" (from Charters, Vouchers & Public Education, Chapter 5)
 W. G. Howell & P.E. Peterson, "Preface to the Paperback Edition" and "Preface to the First Edition" (from The Education Gap: Vouchers and Urban Schools, Revised Edition)
 W.G. Howell & P.E. Peterson, "Social Consequences", pages 126-132 only (from The Education Gap: Vouchers and Urban Schools, Revised Edition)
 D. Ravitch, "What Is to Be Done?" (from Charters, Vouchers & Public Education, Chapter 14)

- E. Increasing Accountability in Schooling
 Hanushek, Chapter 7
 J. Gruber, "Experience with Public School Incentives" (from Public Finance and Public Policy, 2nd edition, pages 301-302)
 H.S. Rosen & T. Gayer, "School Accountability" (from Public Finance, 8th edition, pages 146-147)
 P.E. Peterson & M.R. West, "The Politics and Practice of Accountability" (from No Child Left Behind?)
 D. Koretz, "Using Student Assessments for Educational Accountability" (from Improving America's Schools)
 Hanushek & Raymond, "Lessons about the Design of State Accountability Systems" (from No Child Left Behind?)
- F. Inadequate Schooling: Consequences and a Possible Cure
 C.R. Belfield & H.M. Levin, "The Education Attainment Gap: Who's Affected, How Much, and Why it Matters" (from The Price we Pay: Economic and Social Consequences of Inadequate Education, pages 1-12)
 H.M. Levin & C.R. Belfield, "Educational Interventions to Raise High School Graduation Rates" (from The Price we Pay: Economics and Social Consequences of Inadequate Education, pages 177-199)
 C.R. Belfield, "The Promise of Early Childhood Education Interventions" (from The Price we Pay: Economic and Social Consequences of Inadequate Education, pp. 200-224)

III. The Economics of Higher Education

- A. Introduction
 M. McPherson & M. Schapiro, The Student Aid Game, Chapter 1
 M. Mumper, "Why College Affordability Matters" (from Removing College Price Barriers)
- B. The Rising Cost of Higher Education and Its Implications
 M. Mumper, "Understanding College Prices" (from Removing College Price Barriers)
 M. Mumper, "The Future of College Access: The Declining Role of Public Higher Education in Promoting Equal Opportunity," (from The Annals of the American Academy of Political and Social Science, January 2003)
 M. McPherson & M. Schapiro, The Student Aid Game, Chapters 2-6
- C. Increasing Access to Higher Education for Able Students of All Income Levels
 M. Mumper, "Options to Improve College Affordability" pages 233-236 only (from Removing College Price Barriers)
 M. Mumper, "A Plan to Remove College Price Barriers" pages 249-252 only (from Removing College Price Barriers)
 M. McPherson & M. Schapiro, The Student Aid Game, Chapter 14