***EDUCATION ECONOMICS***

Proposed Syllabus 07October2013

**Course Introduction:**

Education Economics is a field within the subject of economics that draws upon many areas of economic specialization. This particular course is a survey course in which microeconomic theory will be applied to a variety of educational policy issues. The course will emphasize the development of analytical skills in using economic tools for educational policy. It will be useful for students interested in educational administration, educational planning and policy, and those with interest in pursuing further studies in the economics of education.

**Learning Goals:**

At the end of this course, student will be able to apply formal economic reasoning to important questions in the field of Education Economics. In particular students will be able to analyze, from an economic perspective

* The nature of education and its relation to personal and societal development
* The provision, regulation, and funding of educational services
* The arguments for and against the privatization of education
* The contribution of education to the economic development of nations.

Students will also be able to apply cost-benefit analysis and use economic reasoning to compare and contrast policies aimed at educational intervention and school financing.

In addition to the department’s overall Learning Goal’s, this course will specifically address:  
• What is the nature of education and its relation to personal and societal development from economic perspective?

• How should educational services be provided, financed and regulated?

• What is the association between educational inputs and student outcomes?

• What are benefits and costs of education intervention? How to develop and evaluate such policies based on cost- benefit/effectiveness analysis?

• How should schools be financed? What are different financing schemes in various countries?

• Does education contribute to economic development of nations?

• What are the reasons for and against privatization of education? How does it affect student development?

**Prerequisites:**

Econ 320 (Intermediate Micro) and Econ 322 (Econometrics)

**Readings:**

*Texts:*

Required:

Brewer, Dominic, J. & McEwan, Patrick J. (2010). Economics of Education. San Diego, CA: Elsevier. (ISBN: 978-0-08-096530-7).

*Readings:*

A compilation of readings from other sources will be made available through SAKAI, the library, or online links.

**Course Requirements:**

Students will be expected to attend all classes. Given class sizes in economics these will be mainly lectures, though students will be encouraged to partake in directed discussions. Students are especially encouraged to form small study groups to discuss reading and lecture material. Prior to each class a discussion question will be announced. Students should have prepared an answer to the discussion question before class and should be prepared to share that answer with the rest of their group.

There will be four assignments, a midterm and a final exam. Each assignment will be based upon a real-world, educational situation in which economic analysis is pertinent. Assignments will be graded for their clarity and proficiency in applying economic analysis.

**General Sources:**

There are two specialized journals in the economics of education. The older and more established one is the *Economics of Education Review*, which is edited in the U.S., but with many international articles as well as domestic ones. The newer one is *Education Economics*, which is edited in the UK, but with many U.S. and international articles. Regular articles on the Economics of Education are also found in *The Journal of Human Resources*.

Increasingly, articles on the economics of education are found in other economics journals. For example, most of the December 1996 issue of *Review of Economics and Statistics* is devoted to articles on statistical estimates of the returns to schooling. Also, journals such as *Educational Evaluation and Policy Analysis* and *Journal of Policy Analysis and Management* may have relevant articles on the economics of education.

**Course Structure:**

While the core of the course will be, well, core, topics will vary according to instructor and year/semester taught.

**Week 01--Organizational**

Instructor Introduction

Course Introduction

Discussion of Assignments and Requirements

**Week 02--Overview of Economics of Education**

Assignment One is handed out

Brewer, D.J., C.G. Hentschke, G.C. & Eide, E.R. (2010). Theoretical concepts in the economics of education. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 3-8). San Diego, CA: Elsevier.Henry M. Levin. 1989. Mapping the Economics of Education. *Educational Researcher* May 1989, pp13-16, 73.

National Commission on Excellence in Education. 1983. *Nation at Risk*. Washington, D.C., pp. 5-36.

Henry M. Levin and Carolyn Kelley. 1994. Can Education Do It Alone? *Economics of Education Review*, **13**, 97-108.

Eric Hanushek. 2003. “The Importance of School Quality.” In *Our Schools and Our Future… Are We Still at Risk?* ed. By Paul Peterson, pp. 141 – 173. Hoover Institution Press. URL: <http://www-hoover.stanford.edu/publications/books/osof.html>

Report of the US Department of Education Commission on the Future of Higher Education (Draft). August 2006. “The Promise: Higher Education has never been more important to our country”. pp. 1-5.URL: <http://insidehighered.com/index.php/content/download/78834/1073674/file/Report%20Master%20Draft%20--%208-3-06%20w%20watermark.pdf>

**Week 03-- Teacher Markets and the Basics of Supply and Demand**

Assignment One is due. Assignment Two is handed out

Lankford, H.& Wyckoff, J. (2010). Teacher labor markets: An overview. In Brewer, D.J. & McEwan, P.J.(Eds.), Economics of Education (pp. 235-242). San Diego, CA: Elsevier.

Loeb, S. & Myund, J. (2010). Economic approaches to teacher recruitment and retention. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 260-267). San Diego, CA: Elsevier.

Chambers, J. (2010). Compensating differentials in teacher labor markets. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 268-275). San Diego, CA: Elsevier.

Susanna Loeb and Michelle Reininger. 2004. Public Policy and Teacher Labor Markets. Sections 1-6. URL: <http://www.epc.msu.edu/publications/publications.htm>

Henry M. Levin. 1985. Solving the Shortage of Mathematics and Science Teachers. *Educational Evaluation and Policy Analysis*, **7**, 371-382.

Russell Rumberger. 1987. The Impact of Salary Differentials on Teacher Shortages and Turnover: The Case of Mathematics and Science Teachers. *Economics of Education Review*, **6**, 389-399.

Peter Temin. 2003. Low pay, low quality. *Education Next*, **3**, 8-13. URL: <http://www.educationnext.org/20033/pdf/8.pdf>

Recommended:

Murnane, Richard J. and Randy Olsen. “The effects of salaries and opportunity costs on length of stay in teaching.” *The Journal of Human Resources,* **25**, 106-124.

National Council on Teacher Quality. "The NCTQ Square Off: Are teachers underpaid?  Two economists tackle an intractable controversy." URL: <http://www.nctq.org/nctq/publications/debate.jsp>

**Week 04—Consumer Theory- school finance and tuition in higher education**

Michael S. McPherson, and Morton O. Schapiro. 1998. *The Student Aid Game* (Princeton, NJ: Princeton University Press) Chapters 4 and 5.

Donald E. Heller. 1997. Student Price Response in Higher Education, An Update to Leslie and Brinkman. *Journal of Higher Education*, **68**, 624-59.

Gladieux, Lawrence. 2004. “Low-income students and the affordability of higher education.” In *America’s Untapped Resource*, ed. by Richard Kahlenberg, pp. 17 – 57. The Century Foundation Press.

**Week 05--Production of Education**

Assignment Two is due.

Henry M. Levin. 1995. Raising Educational Productivity. In M. Carnoy, ed., *The International Encyclopedia of Economics of Education* (Oxford, U.K.: Pergamon) pp.283-291.

Harris, D.N. (2010). Education production function: Concepts. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 127-131). San Diego, CA: Elsevier.

Rothstein, R. (2010). Family environment in the production of schooling. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 148-155). San Diego, CA: Elsevier.

Vigdor, J. & Ludwig, J. (2010). Neighborhoods and peers in the production of schooling. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 163-169). San Diego, CA: Elsevier.

Pelayo, I. & Brewer, D.J. (2010). Teacher quality in education production. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 178-182). San Diego, CA: Elsevier.

**Week 06--Empirical Results on Production Functions**

Taylor, L.L. (2010). Economic approaches to school efficiency. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 208-213). San Diego, CA: Elsevier.

Rice, J.K., Monk, D.H, & Zhang, J. (2010). School finance: An overview. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 214-220). San Diego, CA: Elsevier.

Eric Hanushek. 1989. The Impact of Differential Expenditures on School Performance. *Educational Researcher*, 45-62.

Larry Hedges, Richard Laine, and Rob Greenwald. 1994. Does Money Matter? A Meta-Analysis of Studies of the Effects of Differential School Inputs on Student Outcomes. *Educational Researcher*, 5-14.

Henry M. Levin. 1988. Cost-Effectiveness and Educational Policy. *Educational Evaluation and Policy Analysis*, **10**, 51-69.

Michael R. Kremer, "Research on Schooling: What we Know and What We Don't Know: A Comment on Hanushek," *The World Bank Research Observer*, Vol. 10, No. 2, August 1995, 247-254.

**Week 07--The Derived Demand for Labor and Human Capital**

Midterm Exam

Assignment Three is handed out

Eide, E.R. & Showalter M.H. (2010). Human capital. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 27-32). San Diego, CA: Elsevier.

Page, M.E. (2010). Signaling in the labor market. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 33-36). San Diego, CA: Elsevier.

Gunderson, M. & Oreopoulos, P. (2010). Returns to education in developed countries. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 37-43). San Diego, CA: Elsevier.

Patrinos, H.A. & Psacharopoulos, G. (2010). Returns to education in developing countries. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 44-51). San Diego, CA: Elsevier.

T. W. Schultz. 1961. Investment in Human Capital. *The American Economic Review*, **51**, 1-17.

Martin Carnoy. 1995. Education and Productivity. In *The International Encyclopedia of Education*, Second Edition (Oxford, U.K.: Pergamon) 125-130.

**Week 08-- Benefits of Education**

Thomas Bailey. Implications of Educational Inequality for the Future Workforce. Paper prepared for the symposium on the Social Costs of Inadequate Education.URL: <http://devweb.tc.columbia.edu/manager/symposium/Files/70_Bailey_paper.ed.pdf>

Sandy Baum and Kathleen Payea. 2005. Education Pays: The Benefits of Higher Education for Individuals and Society. College Entrance Examination Board. URL: <http://www.sat.org/prod_downloads/press/cost04/EducationPays2004.pdf>

Barbara Wolfe and Samuel Zuvekas. 1997. Nonmarket Outcomes of Schooling: External Benefits of Education. *International Journal of Educational Research*, **27**, 491-502.

**Week 09--Costs of Education and Cost-Benefit Calculations**

Assignment Three is due

Assignment Four is handed out

Levin, H.M. & Belfield, C. (2010). Cost-benefit analysis and cost-effectiveness analysis. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 197-201). San Diego, CA: Elsevier.

Brewer, Dominic, Krop, Cathy, Gill, Brian P., & Reichardt, Robert. (1999). Estimating the cost of national class size reductions under different policy alternatives. Educational Evaluation and Policy Analysis, 21(2), 179-192.

Mun Tsang. 2002. “Comparing the costs of public and private schools in developing countries.” In *Cost-Effectiveness and Educational Policy*, ed. by Henry Levin and Patrick McEwan, pp. 111-136.

**Week 10-- Cost-Benefit Analysis, Rate of Return, and Net Present Value**

McMahon, W.W. (2010). The external benefits of education. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 68-79). San Diego, CA: Elsevier.

Muennig, P. (2010). Education and health. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 80-88). San Diego, CA: Elsevier.

Dee, T.S. (2010). Education and civic engagement. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 89-92). San Diego, CA: Elsevier.

Lochner, L. (2010). Education and crime. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 93-98). San Diego, CA: Elsevier.

Ehrenberg, R. (2010). The economics of tuition and fees in American higher education. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 227-232). San Diego, CA: Elsevier.Martin Carnoy. 1995. Rates of Return to Education. *The International Encyclopedia of Economics of Education*. Second Edition (Oxford, UK: Pergamon) pp.364-369.

George Psacharopoulos and Eduardo Velez. 1994. Education and the Labor Market in Uruguay. *Economics of Education Review*, **13**, 19-27.

George Psacharopoulos and Harry Anthony Patrinos. 2004. Returns to Investment in Education: A Further Update. Education Economics, 12, 111-134.

Ashenfelter, Orley and Cecilia Rouse. 2000. “Schooling, intelligence, and income in America.” In *Meritocracy and Economic Inequality,* edited by Kenneth Arrow, Samuel Bowles, and Steven Durlauf (New Delhi: Oxford University Press), pp. 89-117

**Week 11--Education and Economic Growth**

Assignment Four is due

Hanushek, E. & Wobman, L. (2010). Education and economic growth. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 60-67). San Diego, CA: Elsevier.

Carnoy, M. (2010). Race earnings differentials. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 109-118). San Diego, CA: Elsevier.Robert Barro. 2002. “Education as a determinant of economic growth.” In Education in the Twenty-first Century, ed. by Edward Lazear, pp. 9-24. Hoover Institution Press. URL: http://www-hoover.stanford.edu/publications/books/ed21st.html

Robert Hall. 2002. “The value of education: evidence from around the globe.” In Education in the Twenty-first Century, ed. by Edward Lazear, pp. 25-40. Hoover Institution Press. URL: http://www-hoover.stanford.edu/publications/books/ed21st.html

**Week 12--Race and Gender**

Marianne Ferber. 1995. Gender Differences in Earnings. *International Encyclopedia of the Economics of Education*, Second Edition (Oxford, UK: Pergamon) pp.242-248.

Francine Blau and Lawrence M. Kahn. 2000. Gender Differences in Pay. *Journal of Economic Perspectives*, **14**, 75-99.

Martin Carnoy. 1996. Race, Gender, and the Role of Education in Earnings Inequality: An Introduction. *Economics of Education Review*, **15**, 207-212.

Martin Carnoy. 1996. Education and Racial Inequality: The Human Capital Explanation Revisited. *Economics of Education Review*, **15**, 259-272.

**Week 13--Market Solutions to Educational Problems**

Plank, D. & Davis, T.E. (2010). The economic role of the state in education. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 299-305). San Diego, CA: Elsevier.

Ladd, Helen F. (2002). Market-based reforms in urban education. Economic Policy Institute: Washington, D.C.

Payne, A.A. (2010). Competition and student performance. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 323-328). San Diego, CA: Elsevier.

Zimmer, R. & Bettinger, E. (2010). The efficacy of educational vouchers. In Brewer, D.J. & McEwan, P.J. (Eds.), Economics of Education (pp. 343-350). San Diego, CA: Elsevier.Milton Friedman. 1962. The Role of Government in Education. *Capitalism and Freedom* (Chicago: University of Chicago Press). Chapter 6.

John Chubb and Terry Moe. 1990. Choice is a Panacea. *The Brookings Review*, pp.4-12.

Henry M. Levin. 1991. The Economics of Educational Choice. *Economics of Education* *Review*, **10**, 137-158.

**Week 14--Summary and Discussion, Catch-Up**

**Final Exam at University Scheduled Time**

**Sample Additonal Topics**

Economics Analysis of the University

Ronald G. Ehrenberg, Tuition Rising: Why College Costs So Much (paperback edition) (Harvard University Press, 2002) (henceforth Tuition Rising)

David L. Kirp, Shakespeare, Einstein, and the Bottom Line: The Marketing of Higher Education (paperback edition) (Harvard University Press, 2004) (henceforth Shakespeare/Einstein)

Burton A. Weisbrod, Jeffrey P. Ballou and Evelyn D. Asch Mission and Money (paperback edition)(Cambridge University Press, 2010)

Links between Education and Economic Development

Factors influencing primary and secondary school enrollment in developing countries

Role played by higher education in economic growth

Inequities in educational outcomes on the basis of income, gender rate and ethnicity in developing countries and their consequences for development

Alternative approaches to the public financing of education

Economics of Brain Drain/Gain

Labor market returns to education in developing countries

Intergenerational transmission of educational status