

Syllabus (Version 2)
ECN 395: THE ECONOMICS OF EDUCATION

OBJECTIVES OF THE COURSE: This course provides a survey of some of the most important economic aspects of education. Education becomes increasingly important as the “Information Economy” replaces the old industrial economy which had, in its time, displaced the agricultural economy. The Economics of Education asks questions that are important to both the world at large and to you personally: Is better education the solution to poverty? Is investment in human capital the key to a nation’s development? Are public schools just one more example of a bloated and inefficient state monopoly? Is a Grinnell education a better investment than, say, putting those thousands of tuition dollars into the stock market? Should you go to law school?

This is an *economics* class. Its main purpose is to show how economists view educational issues and look at the kinds of solutions they propose. For better or worse, mainstream economists are increasingly influential in formulating economic policy.

COURSE STRUCTURE: This is a *seminar*. The advantage of a seminar, compared to a regular class, is its focus not just on the subject to be learned but on the *process* of learning it. You have heard your professors say time and again, to be educated is more than just to know lots of stuff (so to speak); it is to think critically about lots of stuff, and be able to articulate, both orally and in writing, your ideas about lots of stuff. Recent graduates report that Grinnell’s emphasis on the real world value of oral and written communication skills is certainly not misplaced.

With these concepts in mind, the value of this seminar will drive mainly from your *active* participation in the learning process. Said participation will take at least three forms: a) presenting to the class of one of the articles we are all reading, b) discussing in class the articles we read, and c) presenting your own research paper to the class. Attendance is mandatory. If you are unable to attend class for some reason, please let me know in advance.

COURSE REQUIEMENTS: Student performance will be evaluated on the basis of the following:

1. In-class presentation of one of our readings (10%)
2. A midterm exam (20%),
3. A 15 page research paper (25%),
4. A class presentation on the subject of said research paper (20%),
5. Class participation (10%).
6. A comprehensive final exam (15%)

COURSE OUTLINE AND READING

(NOTE: This schedule is almost certainly optimistic. All dates are approximate.)

Read By: INTRO AND REVIEW OF REGRESSION CONCEPTS

The articles we read will have lots of regression results. We need to review a few concepts from ECN 211 or ECN 288

BACKGROUND: THE RISE OF UNIVERSAL EDUCATION

In the West, the concept of universal secular education is not much older than the Industrial Revolution

Jan 25 “The Great Learning,” *The Economist* (Dec 23rd 1999) On Blackboard

Jan 25 “Who’s Top?” *The Economist* (March 27, 1997) On Blackboard

Jan 27 Chapter 2 “Historical and Institutional Perspectives” in Gradstein, Mark, Moshe Juistman and Volker Meier, *The Political Economy of Education* (MIT Press, 2005) On Electronic Reserve

WHAT EXACTLY DOES SCHOOL DO FOR YOU, ANYWAY?

At 50 the average college graduate earns twice as much as the average high school graduate. Why? Does four years of college really make them that much more productive?

Jan 27 “Labour Pains,” *The Economist* (Sept. 21, 2000) On Blackboard

Jan 27 Chapter 9 “Investments in Human Capital: Education and Training,” in Ronald G. Ehrenberg and Robert Smith *Modern Labor Economics* 8th edition (2003) On Reserve.

Feb 1 Weiss, Andrew (1995) “Human Capital vs Signaling Explanation of Wages” *Journal of Economic Perspectives* Vol, 9, No. 4 (Fall 1995) pp. 133-154 On Blackboard.

Remnd. Spence, Michael. (1973) "Job Market Signaling," *The Quarterly Journal of Economics*, 87(3), pp. 355-374. On Blackboard.

Feb 3 No Class, I will be in Washington, DC at NSF.

THE EDUCATIONAL PRODUCTION FUNCTION

Production functions for, say, pizza are pretty straightforward: inputs labor (chefs), capital, (ovens) and materials (cheese, sauce, dough) produce

output (pizzas). To get “extra cheesy” pizza, just add cheese. But what is the “output” of a high school? And if you add more of an input (teachers, expenditures for buildings) do you get “more” of whatever product you are producing? These critical questions are surprisingly difficult to answer empirically.

- Feb 8 Hanushek, Eric, “School Resources and Student Performance,” in Gary Burtless (ed) *Does Money Matter?* (Brookings Institution Press, 1999) pp. 43-73. On Reserve.
- Feb 8 Hall, Robert “The Value of Education, Evidence from Around the Globe,” in Edward P. Lazear (ed) *Education in the Twenty First Century* (Stanford University Press, 2002). On Reserve.
- Feb 8 Card, David and Alan B. Krueger, “School Resources and Student Outcomes: A Survey of the Literature and New Evidence from North and South Carolina,” *Journal of Economic Perspectives*, Vol 10, no 4 (Autumn 1996). On Blackboard.
- Feb 10 Meyer, Robert H. “The Effect of Math-Related Courses in High School,” in Susan E. Mayer and Paul E. Peterson (eds) *Earning and Learning* (Brookings Institution Press/ Russell Sage Foundation, 1999). On Reserve.
- Feb 10 Girotto, James R. and Paul E. Peterson, “Do Hard Courses and Good Grades Enhance Cognitive Skills? in *Earning and Learning*. On Reserve.

WHY DO GOVERNMENTS PROVIDE (REQUIRE!) UNIVERSAL EDUCATION? Education is extremely useful for people, but so are shoes. The government does not take it upon itself to require and provide free shoes for people, so why education?

- Feb 15 “A little learning,” *The Economist* (Dec 11th 1997)
- Feb 15 “The Education Shibboleth,” *The Economist* (June 6th, 2002)
- Feb 15 Chapter 6, “What’s Wrong with Our Schools? In Milton and Rose Friedman, *Free to Choose* (1980). On Reserve.
- Feb 15 Lisa M. Lynch, “Trends in and Consequences of Investing in Children,” in Sheldon Danziger and Jane Waldfogel (eds) *Securing the Future* (2000). On Electronic Reserve. On Reserve.
- Feb 15 Heckman, James J. and Lance Lochner, “Rethinking Education and Training Policy: Understanding the Source of Skill Formation in a Modern

Economy,” in Danziger and Waldfogel (above). On Reserve

THE GREAT “SCHOOL CHOICE” DEBATE

More than 40 years ago, free-market economist Milton Friedman proposed a wacky alternative to public education: don’t build schools for children; give them tuition vouchers and let them choose their own schools. There is increasing pressure all over America to turn Friedman’s idea into reality.

- Feb 22 Blacks v Teachers, *The Economist* (Mar 8th 2001)
- Feb 22 Paul Peterson, et al, “School Vouchers: Results from Randomized Experiments, in Caroline Hoxby (ed) *The Economics of School Choice* (University of Chicago Press, 2003) On Reserve.
- Feb 22 Hoxby, Caroline “School Choice and School Productivity: Could School Choice be a Tide that Lifts All Boats?” in *The Economics of School Choice*.
- Feb 24 Fine Michelle, “Democratizing Choice: Reinventing, Not Retreating from, Public Education,” (and comments by Walberg and Alverado) in Edith Rasell and Richard Rothstein (eds) *School Choice: Examining the Evidence* (Economic Policy Institute, 1993) On Reserve.
- Feb 24 Aoki, Masato and Susan Feiner, “The Economics of Market Choice and At-Risk Students,” in W.E. Backer and William Baumol (eds) *Assessing Educational Practices*, (MIT Press, 1996) On Electronic Reserve.
- Feb 24 “A Conversation on School Vouchers: A Conference Sponsored by the Economic Policy Institute, June 12, 2003,” transcript. On Blackboard.

IS EDUCATION THE KEY TO THIRD WORLD DEVELOPMENT?

- March 3 Foster, P. “The Contribution of Education to Development,” in George Psacharopolous (ed) *Economics of Education: Research and Studies*, Pergamon Press, 1987) pp 93-100
- March 3 “Banking on Education to Propel a New Spurt of Growth” *The Economist* (Dec 11, 2003)
- March 3 “No School, No Future,” *The Economist* (March 11, 1999)
- March 3 “Start at the Beginning,” *The Economist* (Feb 20, 2003)
- March 3 Hicks, N.L. “Education and Economic Growth,” in Psacharopolous, pp.

101-106

- March 8 McMahon, Walter H. *Education and Development*:
- Chapter 3 “Education and Growth in East Asia,” pp 34-48
 - Chapter 4 “Education and Growth in Latin America” pp. 52-67
 - Chapter 5 “Africa’s Population Growth and Dilution of Human Capital” pp 68-76

DOES UNEQUAL EDUCATION EXPLAIN INEQUALITY?

- March 10 “We Don’t Need No Education,” *The Economist*, (January 10, 2002)
- March 10 Green, Robert L and Louis J. Hofmann, “A Case Study of the Effects of Educational Deprivation on Southern Rural Negro Children” *Journal of Negro Education* Vol 34, No 3, Summer 1965) pp. 327-341. On Blackboard.
- March 10 Hoxby, Caroline, “How Much Does School Spending Depend Upon Family Income: The Historical Origins of the Current School Financing Dilemma,” *Papers and Proceedings of the American Economic Association*, Vol. 88, No. 2, (May 1998) pp. 309-314. On Blackboard.
- March 10 Lazear, Edward P (ed) *Education in the 21st Century*, (Hoover Institution Press, 2002)
- Romer, Paul M. “Redistributional Consequences of Educational Reform,” pp. 41-78
 - Sowell, Thomas “The Education of Minority Children” pp. 79-92
 - Steele, Shelby “Educating Black Students,” pp. 93-104

March 15 is a Buffer Day: To Review or to Catch Up

March 17 is the midterm exam.

- April 5 First Student Research Presentations

HIGHER EDUCATION: WHY DOES IT COST SO MUCH?

- April 7 Who Pays to Study? *The Economist* (Jan 22, 2004)
- April 7 McPherson, Michael and Morton Shapiro, *The Student Aid Game* (Princeton University Press, 1998). On Reserve.
- Chapter 3, “Prices and Aid: The Growing Burden on Families,”

- Chapter 4 “Access: Student Responses to Higher Prices—And Higher Returns”
- Chapter 5 “Choice: How Ability to Pay Affects College Options”

April 12 Student Research Presentations

HIGHER EDUCATION (continued)

April 14 Avery, Christopher et al “A Revealed Preference Ranking of US Colleges and Universities, NBER Working Paper 10803. On Blackboard

April 19 Student Research Presentations

AFFIRMATIVE ACTION IN HIGHER EDUCATION

April 21 “Anyone for a Bit of Legal Fudge?” *The Economist*, June, 23 2003) On Blackboard.

April 21 “Passed,” *The Economist*, (April 6, 2000) On Blackboard.

April 21 Bowen, William G. and Derek Bok, *The Shape of the River* (Princeton University Press, 1998) On Reserve

- Chapter 2 “The Admissions Process and Race Neutrality”
- Chapter 3 “Academic Outcomes”
- Chapter 5 “Employment, Earnings and Job Satisfaction”

April 26 Student Research Presentations

April 28 AFFIRMATIVE ACTION (continued)

May 3 Student Research Presentations

MARKET FOR TEACHERS

May 5 Lankford, Hamilton, Susanna Loeb and James Wyckoff, “Teacher Sorting and the Plight of Urban Schools: A descriptive Analysis,” *Educational Evaluation and Planning*, Vol. 24, No. 1 (Spring 2002) pp. 37-62. Handout.

May 10 Student Research Presentations

May 12 Buffer Day: Student Presentations or Review

