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 REQUIREMENTS: 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**

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

- **Jan 27**

**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**

- **Jan 27**

- **Feb 1**

- **Remnd.**

- **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.


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  Heckman, James J. and Lance Lochner, “Rethinking Education and Training Policy: Understanding the Source of Skill Formation in a Modern
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  Hoxby, Caroline “School Choice and School Productivity: Could School Choice be a Tide that Lifts All Boats?” in *The Economics of School Choice*.


IS EDUCATION THE KEY TO THIRD WORLD DEVELOPMENT?


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 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)


- 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)

- 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 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.


• 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 10  Student Research Presentations

May 12  Buffer Day: Student Presentations or Review