

Economics 3980

## **Economics of Education**

### **Instructor**

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### **Class**

Lecture Times: Monday, Wednesday, Friday: 2:00-2:50pm

Lecture Location: Tilton Memorial Hall 305

### **Course Objective**

ECON-3980 studies the role of economics in evaluating education and education policy. This course will study topics like Human Capital Theory, Education Production, Peer Effects, Externalities, Public vs Private schools and several others. This course will familiarize you with both the theory behind these topics and the empirical evidence and methods used by economists.

### **Program Objective**

1. Apply standard economic theories to understand how individuals make education choices.
2. Apply standard economic theories to explain and predict education markets and their inefficiencies.
3. Understand the role of economic theory and thinking in evaluating education policies.

### **Learning Outcomes**

Students should be able to:

1. Define and understand the differences between human capital and signaling model.
2. Understand methods used by economists to evaluate education policies.
3. Understand and Model the Education Production Function.
4. Define the return to education and understand its empirical estimates.
5. Understand and evaluate the debate regarding school accountability.
6. Define and understand externalities and peer effects in education.
7. Understand the various degrees of school choice and their effects.

8. Contribute to debates regarding many education policies using economic theory and evidence.

## Organization of the Class

*Prerequisite:* The prerequisite for this course is ECON 1010.

*Textbook:* There are currently no good textbooks for Economics of Education (though one is in the works). Because of this there will be no required textbook for this course. There will, however, be assigned articles to be read - links to these articles will be available on this course's *Blackboard* website as well as below.

*Web Page:* All information for this class including homework assignments and class notes can be accessed through [mytulane.blackboard.com](http://mytulane.blackboard.com)

*Grading:* Your grade will be determined as a combination of your participation, exam scores, and your homework scores. The breakdown is as follows:

Participation	5 %
Homeworks	15 %
Exam 1	20 %
Exam 2	20 %
Final Exam	40 %

*Participation:* Your participation grade will be based on a combination of attending class, participating in class discussions, and posting on the blackboard "discussion board." For posting on blackboard, each student should post at least **3** times during the course. These posts should be comments or questions about the reading *before* the class in which that paper will be discussed. If you post these 3 times and regularly attend class and are involved, you will receive full marks for this portion of your grade.

*Problem Sets:* There will be 5 problem sets due during the class, your lowest scoring homework grade will be dropped. These will be due ***in class*** on the day designated. Answer keys will be provided so ***no late problem sets will be accepted***. If you are unable to attend class that day, you either need to make arrangements to turn it in early or have a classmate hand it in for you.

You may collaborate with others on the concepts in the problem sets, however, each student must individually write up their own answers. In addition, you must write the names of all the people you worked with on top of your assignment. Problem sets that are simply duplicates of each other will receive a score of 0.

The assignments will be due the following days:

Feb 8<sup>th</sup>, March 4<sup>th</sup>, March 13<sup>th</sup>, April 15<sup>th</sup>, April 26<sup>th</sup>

Each assignment will be posted at least 1 week before it is due.

*Exams:* There will be 2 midterms and a final exam for this course. The dates are:

Midterm 1: Monday Feb 18<sup>th</sup>, during class

Midterm 2: Friday March 22<sup>nd</sup>, during class

Final Exam: Friday May 10<sup>th</sup>, 8:00am, same classroom

There will be no alternate dates provided for the exams. Exams are to be taken as scheduled except in the case of a *documented* illness or family emergency. Students are required to inform me before the exam date if this is the case, except when this is impossible. If you have an **excused** absence your final exam will be reweighed to include the weight of the missing midterm. Unexcused absences will result in an exam grade of zero.

The final exam must be taken in order to pass the class, so please make any summer plans for *after* the final exam date.

*Exam Re-grade Policy:* If an administrative error has been made in calculating your grade (such as an arithmetic error in adding up your score) no re-grade needs to be submitted. Merely bring the error to my attention so I can correct it. If you desire an exam re-grade, please do the following:

- Submit a written request for the re-grade within one week of the exam hand back date.
- In your written request, enumerate questions deserving special attention and an explanation of why the questions require more attention.
- Attach the original version of your exam to this written statement.

Note, that your whole exam may be re-graded upon submission of a re-grade.

## Class Policies

*Attendance:* Attendance for this class is mandatory. This is especially important for this course because there is no textbook, which means that all of the material for this class is given in in the class notes and readings.

*Academic Honesty:* I believe that everyone should pass this course on their own merits. It is unfair to yourself, your classmates, and your future employers if you cheat. All students are responsible for knowing and adhering to Tulane University's Honor Code, available at <http://www.tulane.edu/~jruscher/dept/Honor.Code.html>. Any violations of the Honor Code will be punished in accordance with University policy.

*Course Updates:* It is possible that I will need to contact you all with updated information regarding the course. This will either come through your university e-mail or via announcements on [mytulane.blackboard.com](http://mytulane.blackboard.com). It is your responsibility to regularly check your Tulane registered e-mail account and the course website. Note that grades may not be distributed by email.

## Course Outline

The following is an outline of the topics covered in this course. As the course progresses topics and other details may be added or removed from the outline.

### Week 1 (Jan 14<sup>th</sup>, 16<sup>th</sup>, 18<sup>th</sup>)

Introduction, Historic Trends in Education, Human Capital Theory  
Readings:

- Goldin, C. 2003. "The Human Capital Century." *Education Next* 3(1), 73-78.  
<http://educationnext.org/the-human-capital-century/>
- Borjas, G. J. 2010. *Labor Economics*, 5<sup>th</sup> Edition (New York: McGraw Hill/Irwin)  
Ch. 6, "Human Capital," pp.236-81  
Optional Supplemental Reading (Copy in Library)

### Week 2 (Jan 23<sup>rd</sup>, 25<sup>th</sup>)

(Monday - MLK Jr. Day)  
Human Capital Theory, Signaling Model  
Readings:

- Borjas, G. J. 2010. *Labor Economics*, 5<sup>th</sup> Edition (New York: McGraw Hill/Irwin)  
Ch. 6, "Human Capital," pp.236-81  
Optional Supplemental Reading (Copy in Library)
- Spence, M. 1973. "Job Market Signaling." *The Quarterly Journal of Economics*  
87(3), 355-374.  
<http://www.jstor.org/stable/10.2307/1882010>

### Week 3 (Jan 28<sup>th</sup>, 30<sup>th</sup>, Feb 1<sup>st</sup>)

HCT vs Signaling, Empirical Methods and Identification Strategies  
Readings:

- Weiss, A. 1995. "Human Capital vs. Signalling Explanations of Wages." *Journal of Economic Perspectives* 9(4), 133-154  
<http://www.jstor.org/stable/2138394>

### **Week 4 (Feb 4<sup>th</sup>, 6<sup>th</sup>, 8<sup>th</sup>)**

Estimating Returns to Education, Estimates of Signaling Readings:

- Ashenfelter, O and Rouse, C 1999. "Schooling, Intelligence, and Income in America: Cracks in the Bell Curve." NBER Working Paper 6902.  
<http://www.nber.org/papers/w6902>
- Jaeger, D and Page, M. 1996. "Degrees Matter: New Evidence on Sheepskin Effects in the Returns to Education." *The Review of Economics and Statistics* 78(4), 733-740.  
<http://www.jstor.org/stable/2109960>

### **Week 5 (Feb 13<sup>th</sup>, 15<sup>th</sup>)**

(Monday - Mardi Gras Break)

Education Production Function, School Resources

Readings:

- Hanushek, E. 1986. "The Economics of Schooling: Production and Efficiency in Public Schools," *Journal of Economic Literature* 24(3): 1141-59.  
<http://www.jstor.org/stable/2725865>
- Card, D and Krueger, A. 1996. "School Resources and Student Outcomes: An Overview of the Literature and New Evidence from North and South Carolina," *Journal of Economic Perspectives* 10(4), 31-42.  
<http://www.jstor.org/stable/1049605>

### **Week 6 (Feb 18<sup>th</sup>, 20<sup>th</sup>, 22<sup>th</sup>)**

**MIDTERM 1 - Monday Feb 18th**

Midterm, Class Size, Review Midterm

- Hanushek, E. 1999. "Some Findings from an Independent Investigation of the Tennessee STAR Experiment and from Other Investigations of Class Size Effects," *Educational Evaluation and Policy Analysis* 21(2), 143-163.  
<http://www.jstor.org/stable/1164297>

### **Week 7 (Feb 25<sup>th</sup>, 27<sup>th</sup>, March 1<sup>st</sup>)**

Teachers, Teacher Quality, Teachers in the Job Market, Teacher Pay

Readings:

- Goldhaber, D. 2002. "The Mystery of Good Teaching," *Education Next* 2: 50-55.  
<http://educationnext.org/the-mystery-of-good-teaching/>

- Corcoran, Sean P., Evans, William N., and Schwab, Robert M. 2004. "Changing Labor Market Opportunities for Women and the Quality of Teachers, 1957-2000," *American Economic Review* 94(2): 230-35.  
[https://files.nyu.edu/sc129/public/papers/aea\\_published\\_may\\_2004.pdf](https://files.nyu.edu/sc129/public/papers/aea_published_may_2004.pdf)
- Dee, Thomas S. and Keys, Benjamin J. 2005. "Dollars and Sense," *Education Next* 2(1): 62-68.  
<http://educationnext.org/dollars-and-sense/>

## **Week 8 (March 4<sup>th</sup>, 6<sup>th</sup>, 8<sup>th</sup>)**

Tiebout Model, School Choice, Vouchers and Charter Schools

Readings:

- Hoxby, C. 1998. "What Do America's 'Traditional' Forms of School Choice Tell Us about School Choice Reforms?" *Federal Reserve Bank of New York Economic Policy Review* 47-59.  
<http://www.ny.frb.org/research/epr/98v04n1/9803hoxb.pdf>
- Hoxby, Caroline M. and Murark, Sonali 2008. "Charter School Quality and Parental Decision Making with School Choice," *Education Next* 8(3).  
<http://educationnext.org/new-york-city-charter-schools/>
- Neal, D. 2002. "How Vouchers Could Change the Market for Education," *Journal of Economic Perspectives* 16(4), 25-32.  
<http://www.jstor.org/stable/3216913>

## **Week 9 (March 11<sup>th</sup>, 13<sup>th</sup>, 15<sup>th</sup>)**

School Accountability, Accountability and School/Teacher Quality

Readings:

- Kane, T. and Staiger, D. 2002. "The Promise and Pitfalls of Using Imprecise School Accountability Measures," *Journal of Economic Perspectives*, 16(4), 91-114.  
<http://www.dartmouth.edu/~dstaiger/Papers/kanestaigerjeparticle.pdf>
- Jacob, Brian A. 2003. "High Stakes in Chicago: Did Chicago's Rising Test Scores Reflect Genuine Academic Improvement?" *Education Next* (Winter) 66-72.  
<http://educationnext.org/highstakesinchicago/>
- Figlio, David N. and Winicki, J., (2005), "Food for Thought: The Effects of School Accountability Plans on School Nutrition," *Journal of Public Economics*, 89, 381-394.  
<http://www.sciencedirect.com/science/article/pii/S0047272704000209>

## **Week 10 (March 18<sup>th</sup>, 20<sup>th</sup>, 22<sup>nd</sup>)**

**MIDTERM 2 - Friday March 22nd**

Non-Cognitive Skills, Catch-Up and Review

Readings:

- Heckman, J. and Rubinstein, Y. (2001) "The Importance of Noncognitive Skills: Lessons from the GED Testing Program," *The American Economic Review*, 91(2), 145-149.  
[http://jenni.uchicago.edu/papers/Heckman\\_Rubinstein\\_AER\\_2001\\_91\\_2.pdf](http://jenni.uchicago.edu/papers/Heckman_Rubinstein_AER_2001_91_2.pdf)
- *This American Life*, Episode 474: Back to School.  
<http://www.thisamericanlife.org/radio-archives/episode/474/back-to-school>

## Week 11 (SPRING BREAK)

## Week 12 (April 3<sup>rd</sup>, 5<sup>th</sup>)

(Monday - Spring Break Cont.)

Peer Effects

Readings:

- Carrel, S., Fullerton, R., and West, J. (2009) "Does Your Cohort Matter? Measuring Peer Effects in College Achievement," *Journal of Labor Economics*, 27(3), 439-464.  
<http://www.econ.ucdavis.edu/faculty/scarrell/peer3.pdf>
- Hoxby, C. (2002) "The Power of Peers," *Education Next* 2(2) 56-63.  
<http://educationnext.org/the-power-of-peers/>

## Week 13 (April 8<sup>th</sup>, 10<sup>th</sup>, 12<sup>th</sup>)

Externalities of Education, Early Childhood Intervention

Readings:

- Lochner, L., (2011), "Non-Production Benefits of Education: Crime, Health, and Good Citizenship," NBER Working Paper No. 16722.  
(Select Sections TBA)  
<http://www.nber.org/papers/w16722>
- Currie, J. (2001) "Early Childhood Intervention Programs: What do we Know?," *Journal of Economic Perspectives*, 15(2), 213-238.  
[http://www.princeton.edu/~jcurrie/publications/Early\\_childhood\\_intervention](http://www.princeton.edu/~jcurrie/publications/Early_childhood_intervention)

## Week 14 (April 15<sup>th</sup>, 17<sup>th</sup>, 19<sup>th</sup>)

Student Aid Policies and their Effects

Readings:

- Dynarski, S. (2003) "Does Aid Matter? Measuring the Effect of Student Aid on College Attendance and Completion," *The American Economic Review*, 93(1), 279-288.  
<http://www.jstor.org/stable/3132174>

- Dynarski, S. (2007) “The New Merit Aid.” In Hoxby, Caroline M., editor *College Choices: The Economics of Where to Go, When to Go, and How to Pay for it.*  
<http://www.nber.org/chapters/c10098.pdf>

### **Week 15 (April 22<sup>nd</sup>, 24<sup>th</sup>, 26<sup>th</sup>)**

Misc. Higher Education Topics - Cheating, Drinking, Sleeping, etc.

Readings:

- Kremer, M. and Levy, D. (2008) “Peer Effects and Alcohol Use among College Students,” *Journal of Economic Perspectives*, 22(3), 189-206.  
<http://www.jstor.org/stable/27648267>
- Carrell, S., Maghakian, T., West, J. (2010) “A’s from Zzzz’s? The Causal Effect of School Start Time on the Academic Achievement of Adolescents.” Revisions Requested, *American Economic Journal: Economic Policy*.  
<http://www.econ.ucdavis.edu/faculty/scarrell/sleep.pdf>
- DeSimone, J. (2010) “Binge Drinking and Risky Sex among College Students” NBER Working Paper No 15953.  
<http://www.nber.org/papers/w15953>

### **Week 16 (April 29<sup>th</sup>)**

Final Review/Catch-Up

Readings: None