

Economics 525
Economics of Education

Ingraham 224
TR 1-2:15 pm

Contact Information:

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Office Hours: Wed. 1-2pm, Tues. 2:30-3:30pm, or by appointment

Course Goals:

1) Apply theoretical and empirical methods of economics to education policy.

Economics is a powerful framework for thinking about education policy. Economics focuses us on the incentives created by a policy, allowing us to predict its intended and unintended consequences.

2) Distinguish good empirical research from bad.

There are thousands of empirical education studies. This course helps you separate the wheat from the chaff by teaching you to read closely and critically. We will discuss the key challenges in education research and learn the best-practice methods that overcome them.

3.) Improve your written communication skills. This is a writing-intensive course.

Prerequisites:

Students must have taken Intermediate Microeconomics (Econ 301 or 311) and Econ 410 (or concurrent enrollment).

Course Website:

Course material can be accessed through Learn@UW (<https://learnuw.wisc.edu>). Please check the course website frequently for required readings, announcements, and other course materials.

Readings:

All readings can be downloaded on-line or from the course website. Many of the readings are taken from academic journals, and while challenging, were chosen to be accessible to undergraduate economics majors. Please do not despair if you are not able to understand every aspect of the paper. The reading summaries, described below, are intended to help focus your reading of these articles. We will also be drawing material from the following texts:

- Borjas, G. J. (2000) *Labor Economics*, 2nd Ed., Irwin Mcgraw-Hill.

- Rosen, H.S. (2005) *Public Finance*, 7th Ed., McGraw-Hill Irwin.
- Gruber, J. (2005) *Public Finance and Public Policy*, Worth Publishers.
- Belfield, C. R. (2000) *Economic Principles for Education: Theory and Evidence*, Edward Elgar Publishing, Inc.
- Ladd, H. F. and E. B. Fiske, eds. (2007) *Handbook of Research in Education Finance and Policy*, Lawrence Erlbaum Associates.
- Schneider, B., et al (2007) [Estimating Causal Effects Using Experimental and Observational Designs](#), American Educational Research Association (www.aera.net).

Grading:

Distribution of points:

Reaction Papers	10%
Homework	5%
Midterm 1	20%
Midterm 2	20%
Term Paper	30%
Oral Presentation	15%

Reaction Papers:

You will be asked to write reaction papers to articles denoted by * on the reading list. These will be due at the beginning of class and will be assigned at least 1 week prior. The papers are to be typed, preferably 1 page but no more than 1.5 pages double-spaced.

The first half should be a concise summary of the research described in the reading. It should answer the following questions:

1. What is the primary question/issue/hypothesis that the author wanted to address?
2. Why is the question interesting or important?
3. What data does the author use (if empirical paper)?
4. Give an intuitive description of the author's test or model.
5. What are the author's findings or conclusions?

The second half should be a critique of the paper. It may consider one or two of the following questions:

6. Are you convinced by the author's results/arguments? Why or why not?
7. Do you believe they found a causal relationship? Why or why not?
8. Did the results obtained justify the interpretation and conclusions?
9. Were appropriate controls used or did the approach adequately test the hypothesis?
10. Do you think the results could be biased in some way? Explain.

The above questions are also intended to help guide your reading of some of the more challenging articles in the syllabus. Though you will only be graded on the assigned reaction papers, you are encouraged to answer these questions for the other assigned readings, as they will provide a useful study guide for the exams and will help enable you

to contribute to class discussions. They will also help you develop an understanding of the key elements of research papers in economics, provide models for your own economic writing and help you to synthesize the literature for your term paper.

Midterms:

There will be 2 midterms on **March 3** and **May 5**. Please reserve these dates now. As a general rule, I do not give make up exams. However, if you have *documented*, exceptional circumstances that make it impossible for you to take an exam at the scheduled time, you should contact me **before** the exam.

Term Paper:

Students will write a paper (10-12 pages, double-spaced, 12 point font) that analyzes a topic in the economics of education. These deadlines must be met to receive full credit for the paper:

Thurs, Feb. 3 proposal due

Mon., Feb 7- Fri., Feb 11 Meet with instructor to discuss proposal

Thurs, Feb. 24 Detailed outline and bibliography due

Thurs., Mar. 31 Draft due

Mon., May 14 Paper due

More details will be provided in the upcoming weeks. However, I encourage you to start reading about current issues in education policy. Links to some useful websites can be found on the course webpage.

Oral Presentation:

You will present your term paper to the class during the last two weeks of April.

Class Participation:

While you will not be given an explicit class participation grade, I *strongly* encourage class participation, and it can make a difference in borderline cases. Students are expected to attend class and read the assigned material prior to class. The quality of the class will greatly improve with student preparation.

Preliminary Course Outline
(Subject to Change)

I. Introduction

Brewer, D. J., et al “The Role of Economics in Education Policy Research,” in *Handbook of Research in Education Finance and Policy*. (download from Learn@UW)

Howell, W. G., M.R. West and P.E. Peterson (2011) “Meeting of the Minds”, *Education Next 11(1)*. (<http://educationnext.org/meeting-of-the-minds/>)

PART I: Educational Production

II. Educational Production

Hanushek, E. A. (1986) “The Economics of Schooling: Production and Efficiency in Public Schools,” *Journal of Economic Literature*, 24(3):1147-77.

Rice, J. K and A. E. Schwartz “Toward an Understanding of Productivity in Education,” in *Handbook of Research in Education Finance and Policy*, chp 8.

Krueger, A. (1998) “Reassessing the View that American Schools Are Broken,” *Federal Reserve Bank of New York Economic Policy Review*, 4(1). (<http://www.ny.frb.org/research/epr/98v04n1/9803krue.pdf>)

III. Finding What Works in Education

Schneider, B., et al. (2007), chp 2.

Cook, Thomas (2001). “Sciencephobia.” *Education Next* (Fall): 63-68. (<http://educationnext.org/sciencephobia/>)

Angrist, Joshua (2004). “American Education Research Changes Tack.” *Oxford Review of Economic Policy* 20(2): 198-212.

Sparks, Sarah (2010) “What Works’ Broadens Its Research Standards: Clearinghouse Moving Past ‘Gold Standard’” *Education Week*, October 19, 2010. (<http://www.edweek.org/ew/articles/2010/10/20/08wwc.h30.html>)

IV. Class Size: Experimental Evidence

Krueger, Alan (1999). “Experimental Estimates of Education Production Functions.” *Quarterly Journal of Economics* 114(2): 497-532.

Ritter, Gary W. and Boruch, Robert F. (1999). "The Political and Institutional Origins of a Randomized Controlled Trial on Elementary School Class Size: Tennessee's Project STAR." *Educational Evaluation and Policy Analysis* 21(2): 111-125.

V. Class Size: Observational Evidence

Schneider, et al (2007), chp 3.

Boozer, M. and Rouse, C. (2001) "Intraschool Variation in Class Size: Patterns and Implications" *Journal of Urban Economics*, 50:163-189. ([Sciencedirect](#))

Hanushek, Eric (1997). "Assessing the Effects of School Resources on Student Performance: An Update." *Educational Evaluation and Policy Analysis* 19(2): 141-164.

Krueger, Alan (2003). "Economic Considerations and Class Size." *The Economic Journal*, 113(485): 34-63.

Hattie, J. (2005) "The paradox of reducing class size and improving learning outcomes," *International Journal of Educational Research*, 43(6): 387-425. (<http://www.sciencedirect.com/science/article/B6VDF-4KSD5C2-1/2/1fa19b1a9a5a4308d48b031fdc2eb409>)

VI. Teachers

Goldhaber, D. and D. Brewer (1997) "Why Don't Schools and Teachers Seem to Matter? Assessing the Impact of Unobservables in Educational Productivity." *Journal of Human Resources*, 32(3): 505-523. ([JSTOR](#))

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

VII. Market for Teachers

Hoxby, C.M. (1996) "How Teachers' Unions Affect Education Production," *The Quarterly Journal of Economics*, 111(3): 671-718. ([JSTOR](#))

Corcoran, S.; W. Evans, and R. Schwab (2004). "Changing Labor Market Opportunities for Women and the Quality of Teachers, 1957-2000." *American Economic Review* 94(2): 230-35. ([JSTOR](#))

Angrist, Joshua and Jonathan Guryan (2004). "Teacher Testing, Teacher Education, and Teacher Characteristics." *American Economic Review* 94(2): 241-246.

Hoxby, C. M. and A. Leigh (2004) "Pulled Away or Pushed Out? Explaining the Decline of Teacher Aptitude in the United States," *AEA Papers and Proceedings*, 94(2): 236-240. (<http://econrsss.anu.edu.au/~aleigh/pdf/Teacher%20Quality.pdf>)

VIII. Peers

Lazear, Edward (2001). "Educational Production." *Quarterly Journal of Economics*, 116:3, pp. 777-803.

Fryer, R. G. (2006) "Acting White," *Education Next*, 1 (Winter): 53-59. (<http://educationnext.org/actingwhite/>)

Figlio, D. N. (2007) "Boys Named Sue: Disruptive Children and their Peers," *Education Finance and Policy*, 2(4): 376-394.

Hattie, J., (2002) "Classroom composition and peer effects," *International Journal of Educational Research*, 37(5): 449-481. (<http://www.sciencedirect.com/science/article/B6VDF-49CRM6T-1/2/9a69a3ccbdf693fa1494ec0b44efe59e>)

Bishop, J. H. and M. M. Bishop "An Economic Theory of Academic Engagement Norms: The Struggle for Popularity and Normative Hegemony in Secondary Schools", working paper.

IX. Achievement Gaps

Reardon, S. F. and J. P. Robinson (2007) "Patterns and Trends in Racial/Ethnic and Socioeconomic Academic Achievement Gaps," in *Handbook of Research in Education Finance and Policy*.

Figlio, D. N. (2008) "School Reforms and Improved Life Outcomes for Disadvantaged Children", in *Pathways to Self-Sufficiency: Getting Ahead in an Era Beyond Welfare Reform*.

Fryer, R. G. and S. Levitt (2004) "Understanding the black-white test score gap in the first two years of school," *The Review of Economics and Statistics*, 86(2): 447-464. (http://www.economics.harvard.edu/faculty/fryer/papers/rest_vol86_2.pdf)

Article on No Child Left Behind:

(<http://www.ed.gov/nclb/accountability/achieve/nclb-aa.pdf>)

PART II: Investment in Education

X. Private Investment in Education—Theory

Borjas (2000), chp 7, pp 228-41.

Borjas (2000), chp 7, pp 249-55.

Goldin, C. (2003) “The Human Capital Century,” *Education Next*, 3(1).
(<http://educationnext.org/the-human-capital-century/>)

XI. Private Investment in Education—Empirical Evidence (Natural Experiments)

Angrist, J.D and A.B. Krueger (1991) “Does Compulsory School Attendance Affect Schooling and Earnings?” *The Quarterly Journal of Economics*, 106(4): 979-1014.
([JSTOR](#))

Ashenfelter, O. and A. Krueger (1994) “Estimates of the Economic Returns to Schooling from a New Sample of Twins,” *American Economic Review*, 84(5): 1157-73. ([JSTOR](#))

XII. Public Investment in Education

Rosen (2006), chp 4.

Taylor “Government's Role in Primary and Secondary Education” (1999) *Federal Reserve Bank of Dallas Economic Review*.
(<http://www.dallasfed.org/research/er/1999/er9901b.pdf>)

Corcoran, S. P. and W.N. Evans “Equity, Adequacy and the Evolving State Role in Education Finance,” in *Handbook of Research in Education Finance and Policy*.

XIII. Financing Education --- Public finance in a federal system

Rosen (2006), ch 20.

Black, S. (1999) “Do Better Schools Matter? Parental Valuation of Elementary Education,” *Quarterly Journal of Economics*, 114(2): 577-599. ([JSTOR](#))

Card, D. and A. Payne (2002) "School Finance Reform, the Distribution of School Spending, and the Distribution of Student Test Scores," *Journal of Public Economics*, 83(2002): 49-82. (Access through E-Journal Database at <http://www.library.wisc.edu/>)

Hoxby, Caroline (2001). “All School Finance Equalizations Are Not Created Equal,” *Quarterly Journal of Economics* 116 (4): 1189-1231.

PART III: Educational Reforms

XIV. Desegregation

National Academy of Education (2007) "Race-conscious policies for assigning students to schools: social science research and the Supreme Court Cases," R. L. Linn and K.G. Welner, eds. (http://www.naeducation.org/1Meredith_Report.pdf.)

XV. School Choice

Mayer, Daniel, Paul Peterson, David Myers, Christina Clark Tuttle and William Howell (2002). "School Choice in New York City After Three Years: An Evaluation of the School Choice Scholarships Program." Mathematica Policy Research report (113 pp).

Krueger, Alan and Pei Zhu (2004). "Another Look at the New York City School Voucher Experiment." *American Behavioral Scientist*. 47:5, pp. 658-98.

XVI. Accountability

Figlio, D. N. and H. F. Ladd "School Accountability and Student Achievement," in *Handbook of Research in Education Finance and Policy*.

Jacob, B. (2005) "Accountability, Incentives and Behavior: The Impact of High-Stakes Testing in the Chicago Public Schools," *Journal of Public Economics*, 89(5-6): 761-796

Ladd, H. F. (2004) "Lessons from North Carolina's School-Based Accountability System"
(<http://www.albany.edu/edfin/Ladd%20EFRC%20Symp%2004%20Single.pdf>)

Clotfelter, C., H.F. Ladd and J. Vigdor (2004) "Do School Accountability Systems Make It More Difficult for Low Performing Schools to Attract and Retain High Quality Teachers?" *Journal of Policy Analysis and Management* 23(2): 251-271.

Jacob, Brian and Steven Levitt (2003). "Rotten Apples: An Investigation of the Prevalence and Predictors of Teacher Cheating." *Quarterly Journal of Economics* 118(3): 843-878.

Grievance Procedure:

The Department of Economics at UW-Madison has developed a grievance procedure through which you may register comments or complaints about a course, an instructor, or a teaching assistant. The Department continues to provide a course evaluation each semester in every class. If you wish to make anonymous complaints to an instructor or teaching assistant, the appropriate vehicle is the course evaluation. If you have a disagreement with an instructor or a teaching assistant, we strongly encourage you to try to resolve the dispute with him or her directly. The grievance procedure is designed for situations where neither of these channels is appropriate.

If you wish to file a grievance go to room 7238 in the William H. Sewell Social Science Building at 1180 Observatory Drive and request a Course Comment Sheet. When completing the comment sheet, you will need to provide a detailed statement that describes what aspects of the course you find unsatisfactory. You will need to sign the sheet and provide your student identification number, your address, and a telephone number where you can be reached. The Department plans to investigate comments fully and will respond in writing to complaints.

Your name, address, telephone number and student ID number will not be revealed to the instructor or teaching assistant involved and will be treated as confidential. The Department needs this information because it may become necessary for a commenting student to have a meeting with the Department Chair in order to gather additional information. Your name and address are necessary for providing a written response.