Economics 390: Contemporary Economic Issues  
Economics of Education  
Ingraham 114  
TR 9:30-10:45 AM

Contact Information:
Office: 7430 Social Sciences  
Email: jcooley@ssc.wisc.edu  
Telephone: 262-9891  
Office Hours: Tues., 2:30-3:30pm, Thurs., 11am-12noon or by appointment

Course Description:
This course applies the theoretical and empirical methods of economics to the analysis of elementary and secondary education in the United States. We begin by examining the theoretical bases for private (individual) and public (government) investments in education and how economists use data to test these theories and other hypotheses concerning education. Then, we discuss a conceptual framework for understanding how schools “produce” skill and empirical evidence linking school “inputs” (such as teachers and financial resources) and various measures of student achievement. Finally, we study the market for elementary and secondary education, focusing on financing, school choice and the labor market for teachers. The analytical tools we develop throughout the course will be applied to analyze issues of current interest to education policy makers, such as charter schools, private school vouchers and the racial achievement gap.

By the end of the course, I hope that you will have come to share my keen interest in the economics of education. Even more generally, I hope that you will have learned how economic thinking can be applied to inform policy making in the “real world.”

Prerequisites:
Students must have taken Intermediate Microeconomics (Econ 301) and Statistics (Econ 310, Stats 301 or Gen Bus 303).

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:

There is no required text for this course. All readings can be downloaded 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:


Grading:

Distribution of points:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Reading Summaries</td>
<td>9%</td>
</tr>
<tr>
<td>Homeworks</td>
<td>6%</td>
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<tr>
<td>Midterm 1</td>
<td>30%</td>
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<tr>
<td>Midterm 2</td>
<td>30%</td>
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<tr>
<td>Group Presentation</td>
<td>25%</td>
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Reading Summaries:

For the articles designated by a “*”, you will be required to write a reading summary. You will be expected to make a good faith effort to answer the following questions for each article prior to class:

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?
6. Are you convinced by the author’s results/arguments? Do you believe they found a causal relationship? Why or why not?

Each summary should fit easily into 1 typed page. The summaries will be collected at the beginning of class. They will be graded at random for effort and completeness. I encourage you to make a copy to keep for yourself to use as a reference during class. The 2 lowest grades will be dropped.
**Homework:**

All homework assignments must be turned in at the beginning of class on the due dates (no exceptions). You will have at least a week to complete each assignment. You may work together, but you are required to turn in separate assignments.

**Midterms:**

There will be 2 midterms on Oct 17 and Dec. 14. 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.

**Group Presentation:**

During the last few weeks of the course, you will be required to present a critical analysis of an education policy issue to the class. More details will be provided in the upcoming weeks. However, I encourage you to start familiarizing yourself with current issues in education policy by reading the newspaper or other forms of popular press. Links to some useful websites can be found on the course webpage.

**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.

**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.

**Preliminary Course Outline**
(Subject to Change)

1. Introduction
2. Investment in Education
   a. Private Investment
      i. Human Capital Theory
      ii. Signaling
   b. Estimating the return to education
      i. Overview of Empirical Methods
      ii. “Natural” Experiments
   c. Public Investment
      i. Public goods and externalities
   d. Earnings Inequality
3. Production of Educational Achievement
   a. Does money matter?
   b. Class Size
   c. Teachers
   d. Peers
   e. Historical Perspective: Racial Segregation
   f. Racial Achievement Gap
   g. Accountability
4. Market for elementary and secondary education
   a. Financing Education
      i. Public finance in a federal system
   b. School Choice
      i. “Traditional” models (local public school vs. private school)
      ii. Capitalization of School Quality
      iii. Can competition improve productivity?
      iv. Emerging models
         1. Vouchers
         2. Charter Schools
         3. Controlled choice plans
5. Market for Teachers
   a. Teacher unions
   b. Increasing opportunities for women and teacher supply