

**ECONOMICS OF EDUCATION
EDPL 615**

Fall 2006

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**Class Meeting Times: Mondays, 4:15-7:00 pm, EDU 2102
Office Hours: Mondays, 2:00-3:00 and by appt., Room 2110b**

Course Description

Increasingly, education policymakers, school administrators, researchers and others interested in education in the United States are being required to consider complex issues involving the economics of education. Controversial issues such as public investment in education, school reform for students at-risk of educational failure, educational choice, charter schools, privatization, faculty productivity and incentives, and the ever present need for accountability in public schools all share a common economic basis.

This course is designed to introduce students of education policy to economic theory and practice as it pertains to educational systems and their impact on economic growth. Course material applies general economic principles and theories (e.g., investment, labor, productivity, cost, efficiency, supply and demand) to the context of education. The course begins with a broad introduction to the economics of education. The emphasis during the first section of the course is on the profitability of investments in education at both the individual and societal levels. Key questions explored during this portion of the course include: Why invest in education? What is human capital theory? To what degree does education contribute to national economic growth? What is the relationship between what schools teach and the skills required in the labor market?

The focus then turns to the production of education including questions of how educational outcomes are produced by schools, and which school inputs are more or less effective in producing desired educational outcomes. These questions lead to the introduction of several societal goals -- efficiency, equity, and liberty -- that must be considered when making decisions about the allocation of education resources. Course material addresses how these interrelated goals are defined, prioritized, and balanced.

The final section of the course focuses on several policy issues that are readily studied from an economic perspective. The first is the application of market forces to education through school choice alternatives and privatization policies. The second is the issue of teacher supply and demand. The third is the issue of inequality in America and the implications for education policy.

Course Requirements

Requirements for the course include a number of activities, as described below.

1. **Participation in class** (10% of final grade): Students are expected to complete weekly reading assignments and are encouraged to actively participate in class discussions. On occasion, students will be assigned a set of questions pertaining to the material covered during that part of the course. The questions are intended to guide students as they process the theory and practice of key concepts presented in class. Students are expected to write answers to the questions and be prepared to discuss their responses at the beginning of class the following week.
2. **Short essay** (20% of grade): One assignment for the course will involve a short written response to an essay question distributed during class that invites students to unpack some of the complex issues covered in the course. This assignment will be due during week 5 of the course, and should not exceed 5 double-spaced pages.
3. **Debate about markets in public education** (20% of grade): Weeks 10 and 11 of the course will focus on the contentious debate over the role that market forces should play in the delivery of public education. During these sessions of the course, the class will prepare for and participate in an informed and structured debate over this topic. In addition to the class debate, small groups will be responsible for writing position papers on this debate that address the central arguments expressed by both sides. This paper will be due during week 11 of the course (3-5 double-spaced pages in length).
4. **Term paper** (50% of grade): Students are required to prepare a significant term paper on a topic of their own choosing. While students are encouraged to focus their efforts on an area that they find to be of personal interest, the topic should be appropriate for a course in the economics of education. Consultation with the instructor on the selection of a paper topic is welcomed. Students are required to submit a paragraph describing the proposed paper during week 7 of the course for comments and feedback from the instructor. The final product, due during week 14 of the course, should be a conceptually sophisticated and stylistically appropriate research paper (15-20 double-spaced pages).
5. **Paper presentation**: Students should be prepared to briefly present the results of their efforts during the last two weeks of the course (5-10 minutes).

Note on Writing Quality and Style

When preparing written assignments students are expected to express their thoughts in a clear and concise manner. Emphasis should be placed on clarity of expression, not the length or volume of what is written. Written assignments should be carefully proofread for grammatical and spelling errors and, when required, thoughts and quotes that are not your own should be properly cited. While APA (5th edition) format is preferred for citations, other formats may be used as long as they are consistently applied throughout the text.

University Policies

- **Religious Holidays:**

The University System of Maryland policy (Assignments and Attendance on Dates of Religious Observance) provides that students should not be penalized because of observances of their religious beliefs; students should be given an opportunity, whenever feasible, to make up within a reasonable time any academic assignment that is missed due to individual participation in religious observances. Additional information on this policy may be found at the following URL: <http://www.president.umd.edu/policies/iii510a.html>

Students will not be penalized because of observances of their religious beliefs. Whenever possible, students will be given reasonable time to make up academic assignments missed due to participation in a religious observance. It is the student's responsibility to inform the instructor as soon as possible of any intended absences for religious observances.

- **Code of Academic Integrity:**

All students are expected to abide by the code of academic integrity throughout this course. Academic dishonesty, including cheating, fabrication, and plagiarism will not be tolerated and will be reported to the Student Honor Council. The full text of the code is available at the following URL:
www.inform.umd.edu/CampusInfo/Departments/jpo/codeacinteg.html

- **Documented Disabilities:**

A student with a documented disability or any other special needs who wishes to discuss academic accommodations should contact the instructor as soon as possible.

Required Reading

A set of readings is provided for each week of the course. Each weekly reading list begins with several required readings. Books required for the course are available at the campus bookstore; full citations are provided below. Other required readings are available through the library on-line system; our course password is edpl615ric. The remaining readings are optional; students are encouraged to concentrate their supplemental reading on topics that they find to be of special interest.

Required:

Burtless, Gary. (1996). *Does money matter: The effect of school resources on student achievement and adult success*. Washington D.C.: Brookings. (ISBN: 0-8157-1275-8).

Cohn, Elchanan & Geske, Terry G. (1990). *The economics of education, third edition*. New York: Pergamon Press. (ISBN: 0-324-24387-1).

Hirschman, Albert O. (1970). *Exit, voice, and loyalty: Responses to decline in firms, organizations, and states*. Cambridge, MA: Harvard University Press. (ISBN: 0-674-27660-4).

Ladd, Helen F. (2002). *Market-based reforms in urban education*. Economic Policy Institute: Washington, D.C. (ISBN: 0-944826-98-9).

Murnane, Richard J. & Levy, Frank. (1996). *Teaching the new basic skills: Principles for education children to thrive in a changing economy* New York: The Free Press. (ISBN:0-684-82739-5).

Heckman, J.J. & Krueger, A.B. (2003). *Inequality in America: What role for human capital policies?* Cambridge, MA: MIT Press. (ISBN: 0-262-08328-0).

Recommended:

Friedman, Milton. (2002). *Capitalism and freedom, Fortieth anniversary edition*. Chicago, IL: University of Chicago Press (ISBN: 0-226-26421-1).

We will be reading chapters 1, 2, 6 and 7 from this book. You may purchase the book (\$13) or make copies of the selected chapters.

Economics of Education Course Outline

- I. Introduction to the Economics of Education (Week 1)

- II. Profitability of Investments in Education
 - A. Human Capital Theory (Week 2)
 - B. Costs and Benefits of Education (Week 3)
 - C. Education Labor, and Economic Growth (Week 4)

- III. The Production of Education
 - A. Understanding the Education Production Function (Week 5)
 - B. Estimating the Costs of Education Inputs (Week 6)

- IV. Societal Values and the Economics of Education
 - A. Efficiency (Week 7)
 - B. Equity (Week 8)
 - C. Liberty (Week 9)

- V. Special Topics in the Economics of Education
 - A. Applying Market Forces to Education (Weeks 10 and 11)
 - B. Public School Teachers: Issues of Supply and Demand (Week 12)
 - C. Inequality in America and Education Policy (Week 13)

- VI. Research Paper Presentations (Week 14)

Economics of Education (EDPA 615)
Weekly Course Schedule and Reading List

Week 1: Introduction to the Economics of Education (Sept. 11)

Required

Cohn & Geske, Chapter 1.

Levin, Henry M. (1989). Mapping the economics of education. *Educational Researcher*, 18(4), 13-16.

Recommended

Monk, David H. (1990). *Educational finance: An economic approach*. New York: McGraw Hill, Introduction.

Becker, Gary S. (1976). *The economic approach to human behavior*. Chicago: University of Chicago Press.

Cohn, Elchanan & Johns, G. (1994). *Recent developments in the economics of education*. Aldershot Hants, UK: Elgar Publishing.

Psacharopoulos, George. (1987). *Economics of education; Research and studies*. Oxford, UK: Pergamon Press.

Spring, Joel. (1990). The ideology and politics of the common school. In Joel Spring, *The American school 1642-1990*. New York: Longman.

Week 2: Human Capital Theory (Sept. 18)

Required

Cohn & Geske, Chapter 2.

Becker, Gary S. (1993). *Human capital: A theoretical and empirical analysis with special reference to education*, 3rd edition. Chicago: University of Chicago Press, Chapter 2, p. 15-25.*

Card, David & Krueger, Alan B. (1996). Labor market effects of school quality: Theory and evidence. In Burtless, G. (ed.) *Does money matter: The effect of school resources on student achievement and adult success*, 97-140. Washington, D.C.: Brookings.

Betts, Julian R. (1996). Is there a link between school inputs and earnings? Fresh scrutiny of an old literature. In Burtless, G. (ed.) *Does money matter: The effect of school resources on student achievement and adult success*, 141-188. Washington, D.C.: Brookings.

Recommended

Bishop, John H. (1991). Achievement, test scores, and relative wages. In Marvin Koster (ed.), *Workers and their wages: Changing patterns in the United States*. Washington D.C.: American Enterprise Institute Press.

Hanushek, Eric A. (1994). The economic returns from educational investment (chapter 2). In *Making schools work: Improving performance and controlling cost*. Washington, D.C.: Brookings Institute.

Mincer, Jacob (1989). Human capital and the labor market: A review of current research. *Educational Researcher*, 18(4), 27-34.

Murnane, Richard J, Willet, J.B., & Levy, Frank. (1994). The growing importance of cognitive skills in wage determination. Working paper. Cambridge, MA: Harvard University, Graduate School of Education.

Schultz, T.W. (1993). The economic importance of human capital modernization. *Education Economics*, 1(1), 13-19.

Week 3: Costs and Benefits of Education (Sept. 25)

Required

Cohn & Geske, Chapters 3-5

Week 4: Education, Labor, and Economic Growth (Oct. 2)

Required

Cohn & Geske, Chapter 6

Hanushek, E.A. (2002). The seeds of growth. *Education Next* 2(3), 10-17.*

Easterly, W. (2002). Barren land. *Education Next* 2(3), 18-23.*

Murnane & Levy, *Teaching the new basic skills*. Everyone reads chapters 1-3, and 9; class divides chapters 4-8.

Recommended

Barton, Paul. (1993) *Training to be competitive: Developing the skills and knowledge of the workforce*. Princeton, NJ: Educational Testing Service.

Decker, P. & Rice, J.K. (1995). *Education and economic productivity indicators, Draft*. Report prepared for the National Center on Education Statistics. Washington D.C.: Mathematica Policy Research.

Denison, E.F. (1985). *Trends in American economic growth, 1929-1982*. Washington, D.C.: Brookings Institute.

Levin, Henry M. (1987). Work and education. In G. Psacharopoulos (ed.), *Economics of education: Research and studies*, 146-157. Oxford: Pergamon Press.

Levin, Henry M. & Kelley, Carolyn. (1994). Can education do it alone? *Economics of Education Review*, 13(2), 97-108.

McNabb, R. (1987) Labour market theories and education. In G. Psacharopoulos (ed.), *Economics of education: Research and studies*, 157-163. Oxford: Pergamon Press.

Sheehan, J. (1973). Education and economic growth (chapter 6). In *The economics of education*. London: Allen and Unwin, 59-69.

Shields, N.G. (1987). Female labor and education. In G. Psacharopoulos (ed.), *Economics of education: Research and studies*, 121-129. Oxford: Pergamon Press.

Woodhall, W. (1987). Earnings and education. In G. Psacharopoulos (ed.), *Economics of education: Research and studies*, 209-217. Oxford: Pergamon Press.

Wycoff, James. (1992). To what extent is education a public good? In Eleanor Brown & Robert L. Moore (eds.), *Readings, issues and problems in public finance*. Homewood: Irwin.

Week 5: The Production of Education (Oct. 9)

DUE: SHORT ESSAYS

Required

Cohn & Geske, Chapter 7.

Burtless, Gary. (1996). *Does money matter: The effect of school resources on student achievement and adult success*, Washington D.C.: Brookings, Introduction, 1-41

Hanushek, Eric A. (1996). School resources and student performance. In Burtless, Gary (ed). *Does money matter: The effect of school resources on student achievement and adult success*, 43-73, Washington, D.C.: Brookings.

Hedges, Larry V. & Greenwald, Rob. (1996). Have times changed? The relation between school resources and student performance. In Burtless, Gary (ed.). *Does money matter: The effect of school resources on student achievement and adult success*, 74-92. Washington D.C.: Brookings

Recommended

Monk, David H. (1990). *Educational finance: An economic approach*. New York: McGraw Hill, chapters 11-13

Monk, David H. (1992). Educational productivity research: An update and assessment of its role in education finance reform. *Educational Evaluation and Policy Analysis*, 14(4), 307-332.

Corcoran, Thomas & Goertz, Margaret. (1995). Instructional capacity and high performance schools. *Educational Researcher*, 24 (9), 27-31.

Ferguson, Ronald F. (1991). Paying for public education: New evidence on how and why money matters. *Harvard Journal on Legislation*, 28, 465-498.

Hanushek, Eric A. (1981). Throwing money at schools. *Journal of Policy Analysis and Management*, 1(1) 19-41.

Laine, Richard D., Greenwald, Rob, & Hedges, Larry V. (1996). Money does matter: A research synthesis of a new universe of education production function studies. In Lawrence Picus & James Wattenbarger (eds), *Where does the money go? Resource allocation in elementary and secondary schools*. Thousand Oaks, CA: Corwin.

Murnane, Richard J. (1981). Interpreting the evidence on school effectiveness. *Teachers College Record*, 83(1), 19-35.

Summers, Anita A. & Wolfe, Barbara L. (1977). Do schools make a difference? *American Economic Review*, 67(4), 639-652.

Week 6: Understanding the Costs of Education Inputs (Oct. 16)

Required:

Brewer, Dominic, Krop, Cathy, Gill, Brian P., & Reichardt, Robert. (1999). Estimating the cost of national class size reductions under different policy alternatives. *Educational Evaluation and Policy Analysis*, 21(2), 179-192.*

King, J.A. (1994). Meeting the educational needs of at-risk students: A cost analysis of three models. *Educational Evaluation and Policy Analysis*, 16(1), 1-19.*

Rice, J.K & Cohen, C. (2005). The Costs of National Board Certification for Teachers. The Finance Project: Washington, D.C.*

Week 7: Efficiency and the Economics of Education (Oct. 23)

DUE: PAPER TOPICS

Required

Monk, David H. (1990). *Educational finance: An economic approach*. New York: McGraw Hill, Chapter 1, Efficiency and use of private markets to produce and distribute educational services, p. 3-34.*

Rolle, A. (2004). Out with the old – In with the new: Thoughts on the future of educational productivity research. *Peabody Journal of Education*, 79(3), 31-56.*

Recommended

Hanushek, Eric A. (1996). The quest for mediocrity: School finance reform without consideration of school performance. In Lawrence Picus & James Wattenbarger (eds), *Where does the money go? Resource allocation in elementary and secondary schools*. Thousand Oaks, CA: Corwin.

Hanushek, Eric A. (1986). The economics of schooling: Production and efficiency in public schools. *Journal of Economic Literature*, 24(3), 1141-1177.

King, Jennifer A. (1994). Meeting the Educational Needs of At-Risk Students: A Cost Analysis of Three Models. *Educational Evaluation and Policy Analysis*, 16(1), 1-19.

Odden, Allan & Clune, William. Improving educational productivity and school finance. *Educational Researcher*, 24(9), 6-10, 22.

Week 8: Equity and the Economics of Education (Oct. 30)

Required

Monk, David H. (1990). *Educational finance: An economic approach*. New York: McGraw Hill, Chapter 2, Equity and the distribution of educational resources.*

Hansen and Ladd*

Recommended

Rothstein, Richard. (2004). *Class and schools: Using social, economic, and educational reform to close the black-white achievement gap*. Economic Policy Institute and Teachers College Press: Washington, D.C.

Berne, Robert & Steifle, Leanna. (1994). Measuring equity at the school level: The finance perspective. *Educational Evaluation and Policy Analysis*, 16(4), 405-421.

Berne, Robert & Steifle, Leanna (1984). *The measurement of equity in school finance equity*. Baltimore: Johns Hopkins University Press.

Clune, William H. (1993). The shift from equity to adequacy in school finance. *The World and I*. 8(3), 389-405.

Clune, William H. (1995). Accelerated education as a remedy for high-poverty schools. *University of Michigan Journal of Law Reform*, 28(3) 655-680.

Clune, William H. (1994). Equity and adequacy in education: Issues for policy and finance. *Educational Policy*, 8(4).

Coleman, James S. (1968). The concept of equality of educational opportunity. *Harvard Education Review*, 38(1), 7-22.

Guiton, Gretchen & Oakes, Jeannie (1995). Opportunity to learn and conceptions of educational equity. *Educational Evaluation and Policy Analysis*, 17(3), 323-336.

Haberman, Martin. (1994). Visions of Equal Educational Opportunity: The top ten fantasies of school reformers. *Phi Delta Kappan*, 75(9), 685-692.

Levin, Henry M. (1994). The necessary and sufficient conditions for achieving educational equity. In Robert Berne & Lawrence O. Picus (eds.), *Outcome equity in education*. Thousand Oaks, CA: Corwin.

Levin, Henry M. (1989). Financing the education of at-risk students. *Educational Evaluation and Policy Analysis*, 11(1), 47-60.

Moynihan, Daniel P. (1968). Sources of resistance to the Coleman Report. *Harvard Educational Review*, 38(1), 23-36.

Pogrow, Stanley. (1994). A skeptical perspective on the adequacy concept. *Educational Policy* 8(4), 414-424.

Ward, James Gordon & Anthony, Patricia. (1992). *Who pays for student diversity? Population changes and educational policy*. Thousand Oaks, CA: Corwin.

Week 9: Liberty and the Economics of Education (Nov. 6)

Required

Hirschman, Albert O. (1970). *Exit, voice, and loyalty: Responses to decline in firms, organizations, and states*. Cambridge, MA: Harvard University Press.

Recommended

Brown, Byron W. (1992). Why governments run schools. *Economics of Education Review*, 11(4), 287-300

Clune, William H. & Witte, John F. (1990). *Choice and control in American education*. The Falmer Press.

Holloway, Susan D. & Fuller, Bruce. (1992). The great child care experiment: What are the lessons for school improvement? *Educational Researcher*, 21 (7), 12-19.

Odden, Allan R. & Kotowski, Nancy. (1992). Financing Public School Choice: Policy Issues and Options. In Allan R. Odden (ed.), *Rethinking school finance: An agenda for the 1990s* San Francisco: Jossey-Bass.

Week 10: Market Forces: School Choice in Theory (Nov. 13)

Required:

Friedman, Milton. (2002). *Capitalism and freedom, Fortieth anniversary edition*. University of Chicago Press: Chicago, IL, Chapters 1, 2, 6 and 7.

Chubb, John E. & Moe, Terry M. (1990). *Politics, markets, and America's schools*. Washington D.C.: Brookings, Chapters 1-2.*

Recommended

Bryk, Anthony S. & Lee, Valerie E. (1992). Is Politics the problem and markets the answer? An essay review of *Politics, Markets and America's Schools*. *Economics of Education Review*, 11(4),439-451.

Freidman, Milton. (1962). *Capitalism and freedom*. Chicago: University of Chicago Press.

Krashinsky, M. (1986). Why educational vouchers may be bad economics. *Educational Policy*, 8(2), 139-151.

Levin, Henry M. (1992). Market approaches to education: Vouchers and school choice. *Economics of Education Review*, 11(4), 279-285.

Witte, John F. (1992). Private school versus public school achievement: Are there findings that should affect the educational choice debate? *Economics of Education Review*, 11(4), 371-394.

Week 11: Market Forces: School Choice in Practice (Nov. 20)

CLASS DEBATE ON MARKET FORCES

DUE: POSITION PAPERS

Required

Ladd, Helen F. (2002). *Market-based reforms in urban education*. Economic Policy Institute: Washington, D.C.

Levin, Henry M. & West, E.G. (1991). The economics of educational choice. *Economics of Education Review*, 10 (2) 137-158.*

Recommended

Doyle, D.P. (1994). The role of private sector management in public education. *Phi Delta Kappan*, 76(2) 128-132.

Houston, (1994). Making watches or making music. *Phi Delta Kappan*. 76(2), 133-135.

Hunter, R. (1995). Privatization of instruction in public education. *Education and Urban Society*, 27, 168-195.

Hassel, B. (2003). Friendly competition. *Education Next*, 3(1), 8-15.

Week 12: Public School Teachers: Issues of Supply and Demand (Nov. 27)

Required

Temin, P. (2003). Low pay, low quality. *Education Next*, 3(3), 8-13.*

Vedder, R. (2003). Comparable worth. *Education Next*, 3(3), 14-19.*

Rice, J.K. (2003). Teacher quality vs. teacher quantity? Unpacking the economic trade-offs. Paper prepared for the annual meeting of the American Education Finance Association.

Week 13: Inequality and Education Policy (Dec. 4)

Required:

Heckman, J.J. & Krueger, A.B. (2003). *Inequality in America: What role for human capital policies?* Cambridge, MA: MIT Press.

Week 14: Paper Presentations (Dec. 11)

DUE: FINAL PAPERS

Journals related to the Economics of Education

American Economic Review
Eastern Economic Journal
Economics of Education Review
Educational Evaluation and Policy Analysis
Educational Policy
Harvard Education Review
Harvard Journal on Legislation
Journal of Economic Literature
Journal of Education and Economics
Journal of Education Finance
Journal of Human Resources
Journal of the Association of Public Policy and Management
Journal of Management Science Policy Analysis
Journal of Political Economy
National Tax Journal
Public Budgeting and Finance
Review of Economics and Statistics