

Professor Nora Gordon  
Email: use WebCT for all email  
OH: Mon. 2:30-3:30, Economics 328  
or by appointment

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OH: Wed. 10:00-11:00, Sequoyah 227

### **ECONOMICS 147: ECONOMICS OF EDUCATION**

Mon./Wed./Fri. 9:00-9:50, Center Hall 105, Spring 2008

All materials available via WebCT: <http://webct.ucsd.edu>

This course uses theoretical and empirical approaches from economics to examine issues in elementary and secondary education. We first analyze decisions to invest in education. We then consider various market structures in education, including school choice and school finance programs. The course focuses on current applied research in the economics of education.

#### **PREREQUISITES:**

One quarter of introductory microeconomics (Econ 1A or equivalent) *and* a statistics or econometrics course using regression analysis (Econ 120B or equivalent). All prerequisite approvals, signing of add cards, and waitlist enrollments are handled by the Economics Undergraduate Office in Sequoyah Hall 245, <http://www.econ.ucsd.edu/ugradprog/contact.shtml>.

#### **COURSE REQUIREMENTS:**

There will be three problem sets, two midterm exams, and a cumulative final exam. The course grade will be determined as follows:

- 5% Problem set 1 (due at 9:00 Apr. 16)
- 5% Problem set 2 (due at 9:00 May 7)
- 5% Problem set 3 (due at 9:00 May 23)
- 35% Midterm (the higher *curved* score of the two midterms, Apr. 21 and May 19, will be used)
- 50% Final exam (June 11, 8-11 a.m.)

Problem sets are due at the beginning of class on their due dates. They will be available on WebCT one week before they are due. The problem sets will be graded 0, 1, or 2, and solutions will be posted on WebCT immediately after they are due. Late problem sets will not be accepted. You are encouraged to work on problem sets in groups, but each student must turn in his or her own handwritten assignment, and must list all names of collaborators on each assignment (these collaborators must also list you).

The two midterm exams will be given in class on Monday, April 21 and Monday, May 19. No make-up midterms will be given. The lower of the two *curved* grades will be dropped. If you miss both midterms, you will have zero for 35% of your grade. The *cumulative* final exam will be held in the registrar-assigned slot Wednesday, June 11, from 8:00-11:00 a.m. Please see the exam regrade policy posted on WebCT.

Note: there will be no class on Friday, April 11, or Friday, May 2.

#### **DEBATE:**

We will hold a mock Presidential candidates' debate on education policy in class on June 4. Participation in the debate is voluntary and not part of the course grade. I encourage students who anticipate asking me for a recommendation to participate in the debate. Topics discussed in the debate will be covered on the final exam, so all students should attend.

**READINGS:**

There is no one assigned book for this course. All of the readings are on electronic reserve or have direct links from the syllabus.

**ATTENDANCE AND CLASS NOTES:**

Attendance is not part of your grade in the course. Because there is no textbook for the course, I find that attendance is much more highly correlated with performance in this class than in other classes I teach. I therefore do not recommend that you take this class unless you plan on attending regularly. The lectures draw on the required readings, but also include intuitive discussion (including additional slides that may not be posted and/or work on the blackboard) of more technical pieces that are not assigned. I post the basic Power Point slides for each lecture on WebCT, and the audio is available at [podcast.ucsd.edu](http://podcast.ucsd.edu). There is no weekly section for this course, but there will be review sessions following the return of each problem set (dates to be announced).

**Readings**

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**1. Introduction**

**MON. 3/31**

**1.1 Why do economists care about education?**

Taylor, L. L. (1999). "Government's role in primary and secondary education." *Federal Reserve Bank of Dallas Economic Review* (1), 15-24.  
<http://www.dallasfed.org/research/er/1999/er9901b.pdf>

**WED. 4/2 – FRI. 4/4**

**1.2 The US educational system in perspective**

Goldin, C. (2003). "The human capital century." *Education Next* 3(1), 73-78.  
[http://media.hoover.org/documents/ednext20031\\_73.pdf](http://media.hoover.org/documents/ednext20031_73.pdf)

**1.3 Overview of empirical methods**

Gruber, J. *Public Finance and Public Policy*, Chapter 3. [e-reserve](#)

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**2. Investing in education**

**MON. 4/7**

**2.1. The theory of human capital investment**

Borjas, G. (1996) *Labor Economics*, pp. 220-241. [e-reserve](#)

**WED. 4/9**

## 2.2 Measuring the return to education

Mayer, S. (1999). "From Learning to Earning," pp. 3-14 in *Earning and Learning: How Schools Matter*, eds. S. Mayer and P. Peterson, Brookings Institution Press.  
[e-reserve](#)

**FRI. 4/11 NO CLASS MEETING**

**MON. 4/14**

## 2.3 Education as a signal

Spence, M. (1974) *Market Signaling*, pp. 1-30. [e-reserve](#)

Borjas, G. (1996) *Labor Economics*, pp. 241-47. [e-reserve](#)

**WED. 4/16 -- Problem Set 1 due in class at 9:00 a.m.**

Tyler, J., R. Murnane, and J. Willett. "Estimating the Labor Market Signaling Value of the GED." *Quarterly Journal of Economics* 115:2 (2000), 431-468.

Stable JSTOR URL: <http://links.jstor.org/sici?sici=0033-5533%28200005%29115%3A2%3C431%3AETLMSV%3E2.0.CO%3B2-C>

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## 3. Producing education

**FRI. 4/18**

### 3.1. Does money matter?

Hanushek, E. A. (1986) "The Economics of Schooling: Production and Efficiency in Public Schools." *Journal of Economic Literature* 24(3): 1141-77. [e-reserve](#)

Krueger, A. (1998) "Reassessing the View That American Schools are Broken," *FRBNY Economic Policy Review*. March 1998 pp 29-43.  
<http://www.ny.frb.org/research/epr/98v04n1/9803krue.pdf>

**MON. 4/21 1<sup>st</sup> Midterm Exam in class**

**WED. 4/23**

### 3.2 Class size

Krueger, A. and D. Whitmore. (2001) "The Effect of Attending a Small Class in the Early Grades on College Test-Taking and Middle School Test Results: Evidence from Project Star." *Economic Journal* 111(468), 1-28.

Stable JSTOR URL: <http://links.jstor.org/sici?sici=0013-0133%28200101%29111%3A468%3C1%3ATEOAAS%3E2.0.CO%3B2-6>

**FRI. 4/25**

### **3.3. Peer effects**

Hoxby, C. M. (2002) "The Power of Peers," *Education Next* 2(2), 56-63.  
[http://media.hoover.org/documents/ednext20022\\_56.pdf](http://media.hoover.org/documents/ednext20022_56.pdf)

**MON. 4/28**

### **3.4. Accountability**

Jacob, B. (2003) "High Stakes in Chicago," *Education Next* 3(1), 66-72.  
[http://media.hoover.org/documents/ednext20031\\_66.pdf](http://media.hoover.org/documents/ednext20031_66.pdf)

Kane, T., D. Staiger, and J. Geppert. (2002) "Randomly Accountable," *Education Next* 2(1), 56-61. [http://media.hoover.org/documents/ednext20021\\_56.pdf](http://media.hoover.org/documents/ednext20021_56.pdf)

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## **4. The market for elementary and secondary education**

### **4.1. Traditional school choice in the U.S.**

**WED. 4/30**

Rosen, H. (2002). *Public Finance*, 6<sup>th</sup> edition, part of Chapter 20: Public Finance in a Federal System, pp. 471-485. [e-reserve](#)

**FRI. 5/2 NO CLASS MEETING**

**MON. 5/5**

Hoxby, C. M. (1998). "What Do America's 'Traditional' Forms of Schools Choice Teach Us about School Choice Reforms?" *FRBNY Economic Policy Review*. March 1998 pp 47-59.  
<http://www.ny.frb.org/research/epr/98v04n1/9803hoxb.pdf>

**WED. 5/7 -- Problem Set 2 due in class at 9:00 a.m.**

### **4.2. Market valuations of school quality**

Black, S. E. (1998). "Measuring the Value of Better Schools," *FRBNY Economic Policy Review*. March 1998 pp 87-94.  
<http://www.ny.frb.org/research/epr/98v04n1/9803blac.pdf>

**FRI. 5/9**

### **4.3. School finance**

Rosen, H. (2002). *Public Finance*, 6<sup>th</sup> edition, part of Chapter 20: Public Finance in a Federal System, pp. 497-505. [e-reserve](#)

**MON. 5/12**

Guthrie, J. W. (2004). "Twenty-First Century Education Finance: Equity, Adequacy, and the Emerging Challenge of Linking Resources to Performance," pp. 1-15 in *Money, Politics, and Law: Intersections and Conflicts in the Provision of Educational Opportunity*, K. DeMoss & K. Wong, eds. American Education Finance Association. [e-reserve](#)

**WED. 5/14**

Evans, W. N., S. E. Murray, et al. (1999). "The Impact of Court-Mandated School Finance Reform." *Equity and adequacy in education finance: Issues and perspectives*. H. F. Ladd, R. Chalk and J. S. Hansen. Washington, D.C., National Academy Press: pp. 72-98. [e-reserve](#)

**FRI. 5/16**

### **4.4. Emerging models of choice: vouchers**

Rouse, C. (1998) "Private School Vouchers and Student Achievement: An Evaluation of the Milwaukee Parental Choice Program," *Quarterly Journal of Economics* 113(2): 553-602.

Stable JSTOR URL: [http://links.jstor.org/sici?sici=0033-5533\(199805\)113:2%3c553:PSVASA%3e2.0.CO;2-8](http://links.jstor.org/sici?sici=0033-5533(199805)113:2%3c553:PSVASA%3e2.0.CO;2-8)

**MON. 5/19** 2<sup>nd</sup> Midterm Exam in class

**WED. 5/21**

### **4.5. Emerging models of choice: the great charter school debate**

The AFT (teachers' union) released this analysis first:

Nelson, F. H., B. Rosenberg, and N. Van Meter. (2004) *Charter School Achievement on the 2003 National Assessment of Educational Progress*. <http://www.aft.org/pubs-reports/downloads/teachers/NAEPCharterSchoolReport.pdf> Read pp. 1-15.

This article fact-checks and critiques the original AFT study:

Howell, W., and M. West. (2005) "Gray Lady Wheezing." *Education Next* 5(1), 74-77. [http://media.hoover.org/documents/ednext20051\\_74.pdf](http://media.hoover.org/documents/ednext20051_74.pdf)

This is the federal Department of Education's analysis with newer data:  
*America's Charter Schools: Results from the NAEP 2003 Pilot Study*  
<http://nces.ed.gov/nationsreportcard/pdf/studies/2005456.pdf> Read pp. 1-10.

**FRI. 5/23 -- Problem Set 3 due in class at 9:00 a.m.**

#### **4.5. The market for teachers**

Murnane, R. J., J. D. Singer, *et al.* (1991). *Who Will Teach? Policies That Matter*. Cambridge, MA, Harvard University Press. Chapter 1, "The Teaching Profession at a Turning Point", pp. 1-15. [e-reserve](#)

Corcoran, S. P., W. N. Evans, and R. M. Schwab. (2004). "Changing Labor-Market Opportunities for Women and the Quality of Teachers, 1957-2000," *American Economic Review* 94(2), 230-235. [e-reserve](#)

**MON. 5/26**

Hanushek, E. A., J. F. Kain, and S. G. Rivkin. (2004) "The Revolving Door: Why Teachers Leave," *Education Next* 1(2), 76-82.  
[http://media.hoover.org/documents/ednext20041\\_76.pdf](http://media.hoover.org/documents/ednext20041_76.pdf)

Dee, T. S. and B. J. Keys. (2005) "Dollars and Sense: What a Tennessee Experiment Tells Us about Merit Pay," *Education Next* 5(1), 60-67.  
[http://media.hoover.org/documents/ednext20051\\_60.pdf](http://media.hoover.org/documents/ednext20051_60.pdf)

**WED. 5/28**

Raymond, M. and S. Fletcher. (2002) "Teach for America," *Education Next* 2(1), 62-68.  
[http://media.hoover.org/documents/ednext20021\\_62.pdf](http://media.hoover.org/documents/ednext20021_62.pdf)

Dee, T. (2006) "The Why Chromosome: How a Teacher's Gender Affects Boys and Girls," *Education Next* 6(4), 69-75.  
[http://media.hoover.org/documents/ednext20064\\_68.pdf](http://media.hoover.org/documents/ednext20064_68.pdf)

**FRI. 5/30**

### **5. Special topics: California and current events**

#### **5.1 School finance in California**

Sonstelie, J., E. Brunner, and K. Ardon. (2000). *For Better or for Worse? School Finance Reform in California*, Public Policy Institute of California.  
[http://www.ppic.org/content/pubs/report/R\\_200JSR.pdf](http://www.ppic.org/content/pubs/report/R_200JSR.pdf) Read Chapter 2, "Local Finance and the Origin of School Finance Reform" and Chapter 3, "From Local to

State Finance.” These are pp. 28-88 of the PDF version, equivalent to pp. 5-65 of the hard copy as listed in the table of contents.

“School Resources and Student Achievement in California.” Public Policy Institute of California Research Brief. February 2000.  
[http://www.ppic.org/content/pubs/rb/RB\\_200JBRB.pdf](http://www.ppic.org/content/pubs/rb/RB_200JBRB.pdf)

## **5.2 Current issues and the federal role**

**WED. 6/4 Presidential candidates’ debate (in class) – this material may be included on the final exam**

**FRI. 6/6 REVIEW FOR FINAL EXAM (in class)**

**WED. 6/11 FINAL EXAM 8-11 a.m.**