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OH: Tues. 3:00-4:00, Economics 328

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

Tues./Thurs. 8:00-9:20, Solis 104

<http://econ.ucsd.edu/faculty/negordon/econ147/econ147.html>

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* one quarter of statistics (Econ 120A or equivalent).

#### **COURSE REQUIREMENTS:**

There will be three problem sets, a midterm exam, and a cumulative final exam.

**Problem sets** are due at the beginning of class on their due dates (1/20, 2/17, 3/3). They will be available on the web one week before they are due. The problem sets will be graded out of five points, and solutions will be posted on the web immediately after class the day they are due. You are encouraged to work on problem sets in groups, but each student must turn in his own *handwritten* (see me if this is a problem) assignment, and must *list all names* of collaborators on each assignment. Late problem sets will not be accepted. Together, the problem sets count for 15% of the grade.

The **midterm exam**, in class on Tuesday, February 8, counts for 35% of the grade. The midterm will not be offered at other times or dates. The cumulative **final exam** will be Thursday, March 17, from 8:00-11:00 a.m., and counts for 50% of the grade.

#### **READINGS:**

There is no one book for this course. All of the readings are on electronic reserve, and there are direct links to many of them on the syllabus as well.

#### **ATTENDANCE AND CLASS NOTES:**

Attendance is not part of your grade in the course. Because there is no textbook for the course, however, the lectures are extremely important. The lectures draw on the required readings, but also include intuitive discussion of more technical pieces that are not assigned. I post the basic Power Point slides for each lecture on the course website the day before the lecture. Sometimes I show additional slides in class (for example, a formula may be missing in the posted slide). I also say things that are not written on the slides but for which you are responsible. In short, the posted slides are not a substitute for attending class and taking notes. If you miss a class, you are responsible for getting the full set of notes from another student. There is no section for this course.



## Readings

### 1. Introduction

**TUES. 1/4**

#### 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>

#### 1.2 The US educational system in perspective

Goldin, C. (2003). "The human capital century." *Education Next* 3(1), 73-78.  
<http://www.educationnext.org/20031/pdf/73.pdf>

**THURS. 1/6**

#### 1.3 Overview of empirical methods

Gruber, J. (in press) *Public Finance and Public Policy*, Chapter 3.  
This book is not yet published but the chapter is available as an e-reserve at the library.

### 2. Investing in education

**TUES. 1/11**

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

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

#### 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

**THURS. 1/13**

#### 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



### **3. Producing education**

**TUES. 1/18**

#### **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>

#### **3.2. Peer effects**

**THURS. 1/20 (PS 1 due)**

Hoxby, C. M. (2002) "The Power of Peers," *Education Next* 2(2), 56-63.  
<http://www.educationnext.org/20022/pdf/56.pdf>

#### **3.3. Accountability**

**TUES. 1/25**

Jacob, B. (2003) "High Stakes in Chicago," *Education Next* 3(1), 66-72.  
<http://www.educationnext.org/20031/pdf/66.pdf>

Kane, T., D. Staiger, and J. Geppert. (2002) "Randomly Accountable," *Education Next* 2(1), 56-61. <http://www.educationnext.org/20021/56.pdf>

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

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

**THURS. 1/27**

Rosen, H. (2002). *Public Finance*, 6<sup>th</sup> edition, Chapter 20: Public Finance in a Federal System, pp. 471-506. e-reserve

**TUES. 2/1**

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>

#### **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>



## **THURS. 2/3 MIDTERM REVIEW**

## **TUES. 2/8 MIDTERM EXAM IN CLASS**

### **4.3. School finance**

#### **THURS. 2/10**

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](#)

Odden, A. and L. Picus (2000). *School Finance: A Policy Perspective*. Chapter 4, School Finance Structures: Formula Options and Needs Adjustments, pp. 154-197. [e-reserve](#)

#### **TUES. 2/15**

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](#)

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

#### **THURS. 2/17 (PS 2 due)**

Howell, W., P. Wolf, et al. (2001) "Raising Black Achievement: Vouchers in New York, Dayton, and D.C." *Education Next* 1(2), 73-78.  
<http://www.educationnext.org/20012/46.pdf>

In the same issue, read a critique of this article by Dan Goldhaber.  
<http://www.educationnext.org/20012/46c.pdf>

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

#### **TUES. 2/22**

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>

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://www.educationnext.org/20051/pdf/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>

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

##### **THURS. 2/24**

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

##### **TUES. 3/1**

Hanushek, E. A., J. F. Kain, and S. G. Rivkin. (2004) "The Revolving Door: Why Teachers Leave," *Education Next* 1(2), 76-82.  
<http://www.educationnext.org/20041/pdf/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://www.educationnext.org/20051/pdf/60.pdf>

Raymond, M. and S. Fletcher. (2002) "Teach for America," *Education Next* 2(1), 62-68.  
<http://www.educationnext.org/20051/pdf/60.pdf>

#### **5. Current issues in California education**

##### **THURS. 3/3 (PS 3 due)**

##### **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/R\\_200JSR.pdf](http://www.ppic.org/content/pubs/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\\_200JBRB.pdf](http://www.ppic.org/content/pubs/RB_200JBRB.pdf)



## **5.2 Private foundations and public schools**

**TUES. 3/8**

Zimmer, R., C. Krop, *et al.* *Private Giving to Public Schools and Districts in Los Angeles County: A Pilot Study*, Chapter 2: What We Currently Know about Private Support of Public Education, pp. 7-23.  
<http://www.rand.org/publications/MR/MR1429/MR1429.ch2.pdf>

## **5.3 Class size reduction in California**

Reichardt, R. (2000). *The Cost of Class Size Reduction: Advice for Policy Makers*, Chapter 5: Teacher Qualifications, an Unintended Cost of CSR, pp. 88-138.  
<http://www.rand.org/publications/RGSD/RGSD156/RGSD156.ch5.pdf>

**THURS. 3/10 REVIEW FOR FINAL EXAM**