

Professor Nora Gordon
Email: use WebCT for all email
OH: Tues. 3:00-4:00, Economics 328

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ECONOMICS 147: ECONOMICS OF EDUCATION

Tues./Thurs. 8:00-9:20, Cognitive Science 002

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* one quarter of statistics (Econ 120A 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 ungraded problem sets, a midterm exam, and a cumulative final exam.

The ungraded **problem sets** will be posted on the website. I encourage you to pretend they are due on or before their suggested “due dates” (1/31, 2/23, 3/9). They will be available on the web at least one week before they are due. Solutions will be posted on the web after class on the suggested due dates. You are encouraged to work on problem sets in groups. The main technical concepts in the class will be covered in these problem sets, and they are the best preparation for the exams. I also encourage you to spend time closely reviewing the posted solutions and attending optional TA homework review sessions (dates/times to be announced) after each due date.

The **midterm exam** will be held in class on Tuesday, February 14. No make-up or early midterms will be given. If you miss the midterm with a documented medical or legal excuse, your final exam will be 100% of your course grade. If you miss the midterm without such an excuse, you will have a zero as your midterm grade. The **cumulative final exam** will be held Thursday, March 23, from 8:00-11:00 a.m. The midterm counts for 45% of the course grade and the final for 55%--if you do better on the final than the midterm, however, the midterm will count for 40% and the final for 60%.

READINGS:

There is no one 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, 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 weekly section for this course. Note: *there will be no class on Tuesday, January 17.*

Readings

1. Introduction

TUES. 1/10

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. 1/12

1.3 Overview of empirical methods

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

2. Investing in education

TUES. 1/17 – no class meeting

THURS. 1/19

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](#)

TUES. 1/24

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

THURS. 1/26

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

TUES. 1/31 (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

THURS. 2/2

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.

TUES. 2/7

Rosen, H. (2002). *Public Finance*, 6th edition, Chapter 20: Public Finance in a Federal System, pp. 471-506. [e-reserve](#)

THURS. 2/9

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>

TUES. 2/14 MIDTERM EXAM IN CLASS

4.3. School finance

THURS. 2/16

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. 2/21

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. 2/23 (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. 2/28

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. 3/2

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. 3/7

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. 3/9 (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 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

5.2 Private foundations and public schools

TUES. 3/14

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. 3/16 REVIEW FOR FINAL EXAM (in class)

THURS. 3/23 FINAL EXAM 8-11 a.m., Cognitive Science 002