

SACRAMENTO STATE UNIVERSITY  
DEPARTMENT OF ECONOMICS  
SPRING 2010

## ECON 152: ECONOMICS OF EDUCATION

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<b>PROFESSOR:</b>	Jessica Howell	<b>CLASS MEETINGS:</b>	MWF 10 – 11 am, Amador 217
<b>OFFICE:</b>	Tahoe 3013	<b>OFFICE HOURS:</b>	TWR 3:00 – 4:00 pm or email
<b>PHONE:</b>	(916) 278-5588		to arrange an appointment
<b>E-MAIL:</b>	jhowell@csus.edu	<b>WEBSITE:</b>	www.csus.edu/indiv/h/howellj

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<b>Course Description</b>	<p>This course will provide an introduction to the various aspects of the economics of education. It applies the tools of economic analysis to educational policy and problem solving. Topics include cost-benefit analysis of education, the signaling vs. human capital debate, race and gender issues in education, education production functions, and financing education at the elementary, secondary, and post-secondary levels. Emphasis is placed on individual and social choice in education.</p> <p>Prerequisite: ECON 1B or ECON 104. 3 units.</p>
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<b>Course Materials</b>	<p>There is no required text book because no text exists for a course in the Economics of Education. A text is currently being written by Sarah Turner, an economist at the University of Virginia, and we will be utilizing preliminary chapters from that text in this class. To supplement, we will also be reading journal articles, policy briefs, and popular press items. All text book chapters and reading material will be made available electronically via SacCT.</p>
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<b>Grading</b>	Participation	20%
	Homework	30%
	Midterm Exam (Wed. 3/24)	25%
	Final Exam (Mon. 5/17, 10:15-12:15)	25%

The actual letter grade you earn in this course will be based on a grading scale to be determined *after* the final exam. This scale may or may not resemble the 10-point scale that many of you are used to (*e.g.*, 90-100% is some sort of A, 80-89% is some sort of B, etc...) because I reserve the right to curve. I will provide feedback over the semester on how to interpret your raw homework and exam scores so that you know how you are progressing in the course.

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## **NOTE ON THE CONTENT OF THIS COURSE SYLLABUS**

I view the information on this syllabus as a contract between me and my students. I try to be very clear about my expectations and policies so that everyone knows the basic rules and we all go home happy every class and, ultimately, at the end of the semester. Please read the following carefully.

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### **Participation**

Attendance at lecture is left up to your discretion, although I obviously believe that spending 2½ hours with me each week will have a positive effect on how much you learn and your final grade. I will not take roll, but the level of interaction I expect in this class means that I will be well aware of your absence. If you miss classes or attend but never speak up or attend but are obviously unprepared, your participation grade will fall (and exert downward pressure on your homework and exam grades). If you routinely attend AND contribute to our discussions in ways that demonstrate you are prepared for class, your participation grade will rise (and exert upward pressure on your homework and exam grades).

### **Homework Assignments**

The homework assignments in this class will have a variety of components. Some of the course material lends itself to numerical problems that need “solving” while some material really requires a more substantial written answer. Economics is widely considered to be a hard major because the analytical skill set of economists includes graphical tools, mathematical solutions, and written responses, and frequently it is some combination of all of the above. The homework assignments are designed to exercise all of these skills.

### **Exams**

Exam format will generally follow the format of homework assignments. There are no make-up exams and very few acceptable excuses for missing one. Acceptable excuses include a death in the family, a University-sponsored event or excursion, or a serious illness documented by a doctor. Note that the midterm is scheduled for the Wednesday prior to Spring Break and going on a cruise is not one of the acceptable excuses.

### **Furloughs**

Faculty are required to take nine furlough days during the spring 2010 semester. One is campus-wide and designated by the President (February 15, 2010); the other eight will vary by individual faculty member. Furlough days will result in five of our class meetings being canceled, but I am also not permitted to hold office hours, return emails, or do any grading on furlough days, so you may be affected even on some non-instructional days. My furlough days are clearly marked in the class calendar in SacCT. The University has recommended that faculty make up for missed class meetings through additional assignments, which will be made available on SacCT.

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## ADDITIONAL REQUESTS

- If you choose to attend, I do request that you **be on time**. If you arrive late, please come in quietly, settle quickly, and at least muster an apologetic expression for me. It is your responsibility to get any material that you miss. I will not provide lecture notes or review what you missed in office hours. Announcements and course materials will be available on SacCT, so check there very frequently.
  - Please make sure that all cell phones and pagers are shut off during lecture. At a minimum, put these devices in silent mode and refrain from answering calls/pages/text messages during class.
  - If you have a physical or learning disability that requires accommodation, please let me know as soon as possible and contact Services to Students with Disabilities at (916) 278-6955 to get the proper documentation.
  - Don't cheat. Neither of us really wants to have to deal with this situation, but my job is to teach you economics and then give you a grade that reflects your knowledge of the subject. If you cheat or plagiarize, you force me to assume that you know zero, and that is precisely the grade you will get. Additionally, all instances of cheating and/or plagiarism will be reported to Judicial Affairs. All students are expected to adhere to the University Student Code of Conduct outlined in the *CSUS University Policy Manual*, available at [www.csus.edu/admbus/umannual/UMAN00150.htm](http://www.csus.edu/admbus/umannual/UMAN00150.htm).
  - It is useful to clarify the difference between acceptable group study and unacceptable sponging off of your unsuspecting neighbor. **I encourage you to work together on class preparation and homework assignments, although every student is responsible for submitting his/her own answers in order to receive credit.**
  - This is a very flexible class in terms of both content and pace. As such, we are able to spend more time on topics that generate interesting debates, delve deeper into issues that might have more policy relevance in California, and explore current events in education as they arise. I encourage you to be active in shaping your experience in this class by being informed and expressing your opinion.
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## PRELIMINARY OUTLINE OF TOPICS

### 1 **What is the role of economics in understanding education policy?**

*Overview: Open with definitions of both economics and education; introduce motivating questions in economics such as opportunity cost; turn to distinction of education from other goods and services and the potential for market failures in education; overview of the role of government policy in education.*

### 2 **Understanding markets in education**

*Overview: Outline of the nature of provision at various levels, distinguishing agents on the demand and supply side of the market; discuss production and provision by public and non-profit organizations; outline the tools of public policy including regulation and funding; turn to the historical evolution of educational attainment and the link to economic growth.*

### 3 **How economists answer questions about education policies**

*Overview: How do we know if education policies change student outcomes? Discuss the methods of the discipline of education and how they apply to the study of education policy. Start with the scientific method and the link between observation, theory and hypothesis testing; explain grounding of economics as a social science in objective analysis and inquiry; distinguish the mode of inquiry in economics from other disciplines where laboratory experiments are common; make clear the idea of causal inference in economics and present a basic overview of empirical techniques, including random assignment designs and non-experimental approaches like discontinuity designs and difference-in-differences designs.*

### 4 **Educational Attainment and Earnings**

*Overview: Makes connection between education market and labor market, emphasizing the role of the supply-demand for workers with different levels of education in determining wages; chart the change in the return to college from the period of the lows of the 1970s to recent highs; consideration of explanations (with examples from the research literature) of the role of changes in the supply of college-educated workers, changes in demand driven by technology, and other changes in the institutions. Research examples include analysis of how computers changed the return to education and how Vietnam draft deferments increased college-going.*

### 5 **The Decision to Acquire Education: The Human Capital Model**

*Overview: Motivating with the ideas of Smith and Becker, set up the model of investing in education in parallel to investing in physical capital; introduce present value calculations and show how variation in costs, benefits and other variables affect choice; introduce the wage-school locus and the Mincer model.*

**6 Selection into Education and Measuring the Benefits**

*Overview: Begin with the distinction between the private benefits to education and the social benefits, including those that may arise through externalities; ask whether it is necessarily the case that education increases productivity – if not, why do people go to school? Introduce basic signaling model in which educational attainment serves to provide information about skills that may be difficult for employers to observe; define pooling and separating equilibria; discuss social benefits and costs of signaling in comparison to human capital; discuss potential difficulty in measuring private and social return to education.*

**7 How School Resources Affect Achievement**

*Overview: Introduce education production function and ask how changing inputs affects outcomes; discuss productive efficiency and question of how changes in resources affect outcomes; consider evidence including overall trends of rising expenditures and stagnant achievement and micro evidence on class size.*

**8 Local Public Schools and School Finance**

*Overview: Overview the evolution of the provision of education at the local level (with comparisons to other countries); trace out developments from common schools to the growth of comprehensive local systems from pre-k to high schools; introduce Tiebout model and discuss the benefits and problems with purely local provision; discuss costs and benefits of move toward centralization; present economics of school desegregation. Outline link between tax policy and school finance; consider rationales including potential credit constraints and spillovers for some centralization of school finance; overview history of judicial intervention in school finance (including Serrano and San Antonio vs. Rodriguez); show have different tools for school finance policy affect outcomes; examples include school finance reforms in Michigan, Texas, and California.*

**9 School Choice**

*Overview: Motivate proposition that local school districts may be local monopolies; greater choice may serve to both better match students with schools (allocative efficiency) while increasing competition and the efficiency of local public schools; describe the economics of voucher programs and charter schools; compare to choice through housing markets. Introduce empirical evidence from recent voucher studies in Milwaukee/ New York as well as evidence on achievement of students in charter schools.*

**10 School Accountability Programs**

*Overview: Address question of how rewards and sanctions might be expected to change performance of students and schools; outline wave of state accountability programs culminating with No Child Left Behind; look at evidence of behavioral changes ranging from increased performance to gaming of system and cheating (Jacob and Levitt).*

**11 Teacher Training and the Labor Market for Teachers**

*Overview: Start with evidence that teachers have a big effect on student outcomes, yet teacher compensation is generally not aligned with productivity; model decision to become a teacher and discuss how requirements, compensation and outside options affect this choice; present evidence on how alternative teacher certification programs change who enters the teaching force.*

**12 Market Dimensions of Higher Education**

*Overview: Outline the nature of stratification and competition in the market for higher education with the mix of public and non-profit provision; introduce production function for higher education and discuss the importance of economies of scope, economies of scale and peer effects; consider when the market functions well and how credit constraints, information asymmetry, and externalities create motivation for public intervention.*

**13 Student Aid Policy and Collegiate Outcomes**

*Overview: Begin by explaining the economic rationale for student aid and then the nuts and bolts of the system including federal aid, institutional aid, and loans; turn to economic models of how aid affects behavior of students and institutions.*

**14 The Economics of College Admission and College Life**

*Overview: Present college admissions as an economic problem and consider impact of policies from affirmative action to early decision; consider how organization of college life including working and roommates affects outcomes.*