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## **EPS/PA 795: Economics of Education**

University of Wisconsin - Madison

Fall, 2011

Thursdays, 2:25-5:25 pm.

151 Education

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### **Instructor information**

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Office hours: Mondays, 1:30-4:30 (every second Monday of each month, I will be late and arrive no later than 3 p.m., due to a standing meeting); and others by appointment

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### **Course description and summary**

Educational policy is increasingly based on ideas, theories, and empirical research from economics. Accountability, school choice, charter schools, vouchers, privatization, merit pay for teachers, and school funding are just a few noteworthy examples. This course will explore how economists think about education in general as well as these specific policies. We will address the following questions:

- \* What concepts, theories, perspectives, and insights do economists bring to education? How do these compare with other disciplines such as sociology and psychology?
- \* How is economic thinking used to support and/or oppose specific educational policies? For example, is reducing class sizes efficient? To what extent and in what ways does school choice “increase competition” among schools? Is there a teacher shortage? If so, how might it be eliminated? How can schools attract high quality teachers? Do too many, or too few, students go to college?
- \* What are the most important research studies conducted by economists of education? What have these contributed to our understanding of education?

This year, I will also emphasize the ways in which economic forces—both macroeconomic trends and microeconomic theory—drive educational reform, policy, and practice. In education, it is typically believed that education is shaped by historical roots,

social change, and political forces. Part of the purpose is to add economics to these more standard explanations. The implications will likely surprise you.

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### **Prerequisites**

None. For those who have little background in economics, I will provide an intensive introduction/refresher over the first two class periods.

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### **Required texts and readings**

Hess, R.M. (2011). *The Same Thing Over and Over*. Cambridge, MA: Harvard University Press.

In addition to the above books, there is an electronic course pack that you can access through MyUW or Learn@UW. See the outline of readings below. There will be 2-3 required readings per week on average, e.g., two book chapters and a journal article. The class discussions will focus on the readings therefore it is important for you to read them in advance.

In some cases, the online system will not take you directly to the PDF of the article. In most cases, there is a “PDF” tab on the left side or in a box in the top/middle of the web page that you can click on to get the PDFs. I’ve included some other notes below to clarify how you gain access to some of the other articles.

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### **Office hours and other communication**

I encourage you to stop by during office hours to talk about your projects and other class-related questions. If you cannot make office hours due to conflicts with your other responsibilities, then contact me about setting up alternative times.

Email is generally the best way to contact me outside of class.

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### **Grading**

Project Paper	
Intro + Biblio. (Due: Oct.24)	10
Final draft (Due: Dec.20)	60
TOTAL	70
Class Participation	
In-Class	15
Discussion Board	15
TOTAL	30
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	100 percent

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## Details on Course Requirements and Evaluation Criteria

See end of syllabus for details on the main project. Class participation is based on class attendance and quality of participation in group discussions. I expect you to do the assigned readings in advance, ask questions, and make thoughtful observations relevant to the topics at hand.

I will generally send out a set of discussion questions in advance and will raise these again during the class. In some cases, I may have you discuss these and other questions in groups.

To ensure that everyone has an opportunity to participate, and that a handful of students cannot “carry” the class discussion, I will often call on people at random.

Please avoid leaving the class during lecture and discussion. If you have a medical reason for doing so, please let me know.

If you expect to miss class and give me notice in advance, I will arrange opportunities to make up for missed classes. These activities are reflected in the “class participation” score. A perfect score (10 points) is given to students who attend and productively participate in class and who, if they miss a class or two, carry out make-up activities for missed classes.

Discussion board posts: By Wednesday evening before each class, I expect you to post a question not longer than 35 words on the Discussion Board on the course web site. So, for example, before the September 15 class, you should make a question about the Harris “Outline” and the two readings about *A Nation at Risk*. I also expect you to *respond to someone else’s question or comment*. (This may require logging in Thursday morning so that you can see all the questions.) I will draw on these questions during the class discussion.

As with class participation, Discussion Board posts are graded based primarily on the quality of contributions—they should be creative, thoughtful, and insightful.

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## Course objectives

By the end of the course, you should:

- (1) Understand basic economic concepts and terms relevant to education
- (2) Understand how economists approach educational issues
- (3) Understand how the economic approach to education differs from that of sociologists and other education researchers.
- (4) Know the important researchers and research studies in this field.

(5) Understand the general ways in which economic forces affect education policy and practice

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**Calendar** (underline means no class; may be rescheduled)

September 8, 15, 22 [reschedule], 29  
October 6, 13, 20 [reschedule], 27  
November 3 [reschedule], 10, 17, 24 [Thanksgiving],  
December 1, 8, 15

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**Teaching philosophy**

As graduate students, I expect your work to display clarity and depth. I made my choices of readings and designed the course assignments with that in mind. For example, I have built in opportunities for regular feedback from me and your classmates, so that you can continue to refine your thinking.

It is likely that we will have a diverse group of students in the class, from education, public policy, sociology, and others. It is my view that everyone will be able to make a unique contribution to the class. I expect everyone to learn from everyone else.

I try to keep lecturing to a minimum, though there will be some. You will learn more from discussion, which I will help structure by providing proposed questions in advance. However, you are encouraged to raise your own questions. It is important that you become actively engaged in the topics and discussion.

## Topics and Required Course Readings

(Articles on each topic listed in recommended order of reading)

### **Sept. 8 – Course overview and introduction to concepts**

Course overview and review relevant economic concepts

Blank, R. (2002) “What do economists have to contribute to policy decision-making?” *Quarterly Review of Economics and Finance*, 42, pp.817-824.

Ehrenberg & Smith, “Chapter 1: Introduction” (Appendix 1A is strongly recommended for students lacking a background in statistics.)

### **Sept.15 – Intro to economic arguments and evidence pertaining to education**

Finish with economic concepts and discuss the following readings:

Harris, D. Outline of the Economic Forces Driving Education Reform

The National Commission on Excellence in Education (1983) *A Nation at Risk*.  
\*\* Click and read the 4<sup>th</sup> and 5<sup>th</sup> bullets, “A Nation at Risk” and “Findings” \*\*

Harris, D., Handel, M., & Mishel, L. (2004). “Education and the economy revisited: How schools matter,” *Peabody Journal of Education*, 19(1), 36-63.

### **Sept.22 – The evolution of education and reform**

Hess, R.M. (2011). *The Same Thing Over and Over*. Cambridge, MA: Harvard University Press.

### **Sept.29 – The demand for education: A labor market perspective**

Ehrenberg & Smith, “Chapter 9: Investments in Human Capital: Education and Training.”

Kane, T. & Rouse, C. (1995). “Labor-Market Returns to Two- and Four-Year College.” *The American Economic Review*, Vol. 85, No. 3, pp. 600-614.

Psacharopoulos, G. & Patrinos, H.A. (2004). “Human capital and rates of return,” In *International Handbook on the Economics of Education* (Eds) G. Johnes & J. Johnes, Edward Elgar Publishers, pp.1-21. [15-21 only].

Hanushek, E.A. & Woessman, L. (2010). *The High Cost of Low Educational Performance: The Long Run Impact of Improving PISA Outcomes*. Paris: Organization for Economic Development and Cooperation.

## **Oct.6 – Supply and demand continued: The credentialing problem**

Labaree, D. (1997) “Chapter 10: Schooling Consumers and Consuming the School,” in *How to succeed in school . . . without really trying*, Yale University Press, New Haven: CT, pp.250-262.

Weiss, A. (1995) “Human capital versus signaling theories of wages,” *Journal of Economic Perspectives*, 9(4), pp.133-154.

## **Oct.13 – Externalities and education as a “public good”**

Cutler, D.M. & Lleras-Muney, A. (2006) Education and Health: Evaluating Theories and Evidence, *NBER Working Paper 12352*. National Bureau of Economic Research: Cambridge, MA.

\*\* To gain access to the article, click the link and then type your UW email address into the box at the bottom and a link will be emailed to you. \*\*

Wolfe, B.L. & Haveman, R.H. (2002) “Social and Nonmarket benefits from education in an advanced economy,” Boston Federal Reserve Conference Series, June, pages 97-142.

Labaree, D. (1997) “Public good, private goods: The American struggle over education goals,” *American Education Research Journal*, 34(1), pp.39-81.

## **Oct.20 – The production of education (and connections to test-based accountability)**

Hanushek, E.A. (1979). Conceptual and empirical issues in the estimation of education production functions, *Journal of Human Resources*, 14(3), 351-388.

Heckman, J.J. & Masterov, D.V. (2007). “ The Productivity Argument for Investing in Young Children,” NBER Working Paper 13016, National Bureau of Economic Research: Cambridge, MA.

\*\* To gain access to the article, click the link and then type your UW email address into the box at the bottom and a link will be emailed to you. \*\*

Harris, D. (2010). *Value-Added Measures of Education Performance: Clearing Away the Smoke and Mirrors*. Palo Alto, CA: Policy Analysis for California Education. [www.stanford.edu/group/pace/cgi-bin/wordpress/1874](http://www.stanford.edu/group/pace/cgi-bin/wordpress/1874).

## **Oct.24 – Project Intro + Bibliography Due**

### **Oct.27 – Efficiency and the level and allocation of education resources**

Hanushek, E.A. & Rivkin, S. (1996) “Understanding the 20<sup>th</sup> century growth in school spending,” NBER Working Paper #5547. Cambridge, MA: National Bureau of Economic Research.

\*\* To gain access to the article, click the link and then type your UW email address into the box at the bottom and a link will be emailed to you. \*\*

Alonzo, J.D. & Rothstein, R. (2010). *Where has the money been going? A preliminary update*. Washington, DC: Economic Policy Institute.  
[www.epi.org/publications/entry/bp281/](http://www.epi.org/publications/entry/bp281/).

Delta Cost Project (2009). Trends in College Spending. Downloaded January 20, 2009 from: [http://www.deltacostproject.org/resources/pdf/trends\\_in\\_spending-report.pdf](http://www.deltacostproject.org/resources/pdf/trends_in_spending-report.pdf).

Harris, D. (2009). Toward policy-relevant benchmarks for interpreting effect sizes: Combining effects with costs. *Educational Evaluation and Policy Analysis*. 31(1), 3-29.

Harris, D. and Goldrick-Rab, S. (2010). The (Un)Productivity of American Higher Education: From “Cost Disease” to Cost-Effectiveness. Madison, WI: Wisconsin Center for the Advancement of Postsecondary Education.

\*\*\* Read first section only \*\*\*

<http://www.wiscap.wisc.edu/publications/Publication.aspx?ID=edb66862-29dc-4b99-82bc-36635da7f7da>

### **Nov.3 – Market versus government control (teach online)**

Figlio, D.N. & Lucas, M.E. (2004). “What's in a grade? School report cards and the housing market,” *American Economic Review*, 94(3), 591-604.

Glomm, G., Harris, D., & Lo, T. (2005). “Charter school location,” *Economics of Education Review*, 24(4), 451-457.

Poterba, J. (1995) “Government intervention in the markets for health care and education: How and why?” NBER Working Paper #4916. Cambridge, MA: National Bureau of Economic Research.

\*\* To gain access to the article, click the link and then type your UW email address into the box at the bottom and a link will be emailed to you. \*\*

### **Nov.10 – Contracting and privatizing the supply of education**

Hill, P. L. Pierce, J. Guthrie (1997) *Reinventing Public Education: How contracting can transform America's schools*. Chicago: University of Chicago Press. Chapters 2 and 3.

Sawicky, M. (1996) "Contracting and Economic Efficiency," in *Risky Business: Private Management of Public Schools*, (eds.) Richards, C.E., Shore, R., & Sawicky, M.B (pp.127-176). Washington, DC: Economic Policy Institute.

### **Nov.17 – Parental choice**

Harris, D. & Witte, J. (2011). The market for education. In D.E. Mitchell, R. Crowson, and D. Shipps (Ed.), *Shaping Education Policy: Power and Process*.

Friedman, M. (1962) "The role of government in education" in *Capitalism and Freedom*, Chicago: University of Chicago Press.

Hess, R. A Market for Knowledge? Competition in American Education.

Levin, H. (2000). "A Comprehensive Framework for Evaluating Educational Vouchers," *Educational Evaluation and Policy Analysis*, Vol. 24, No. 3, pp. 159-174.

### **Dec.1 – Supply of teachers**

Ehrenberg & Smith, pp. 203-215 (first part of Chapter 7 on labor supply).  
\*\* Do not worry about the graphs \*\*

Ehrenberg & Smith, pp. 231-237 (part of Chapter 8).

Ingersoll, R. (2001b). Teacher turnover and teacher shortages: An organizational analysis. *American Education Research Journal*, 38(3), 499–534.

Harris, D. & Adams, S. (2007). "Understanding the level and causes of teacher turnover: A comparison with other professions," *Economics of Education Review*.

Boyd, D., Lankford, H., Loeb, S., & Wyckoff, J. (2005). "The draw of home: How teacher preferences for proximity disadvantage urban schools," *Journal of Policy Analysis and Management*, Vol. 24, No. 1, 113–132.

### **Dec.8 – Teacher compensation**

Ehrenberg & Smith, "Chapter 11: Pay and Productivity."

Temin, P. (2003). "Low Pay, Low Quality," *Education Next*, p.8-13.

Vedder, R. (2003) "Comparable Worth," *Education Next*, p.14-19.

Podgursky, M.J. & Springer, M.G. (2007). Teacher Performance Pay: A Review, *Journal of Policy Analysis and Management*, 26(4), 909-949.

**Dec. 15 – Revisiting the forces driving education reform, policy, and practice**

Goldin, C. 2003 “American Leadership in the Human Capital Century: Have the Virtues of the Past Become the Vices of the Present?” *Education Next*.

Goldin, C. 1999 “Egalitarianism and the Returns to Education during the Great Transformation of American Education,” *Journal of Political Economy* 107 (December): S65-S94.

Lortie, D. “Career and work rewords” In *Schoolteacher* (pp.82-108). Chicago: University of Chicago Press.

**Dec.20 – Final Paper Due**

## Project Description

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### **General Description** (20-30 pages, plus references)

The purpose of the project is for you to show that you have learned a substantial portion of the course material and for you to engage with the economics of education in an application to a policy that you are interested in. In particular, the project involves explaining how economic forces explain changes and/or stagnancy in education policy and practice. This idea should become clear after reading the Harris “Outline” in the second week of class (see syllabus).

There are two ways to approach the project. One is to pick a policy/practice topic and try to explain the economic forces that affect it. The second approach is to pick an economic force and to discuss the one or more aspects of policy/practice that the force affects.

For example, in the Outline, I ask the question, “Why does each generation get more and more years of formal education?” One obvious answer is that the return to education has grown. In that case, you would describe how participation in high school and college has increased, along with the economic return to education.

You may choose one of the questions in the Outline. However, I strongly advise avoiding questions that have obvious answers. (The above is a good example; it is fairly obvious that people spend more time in school because they benefit financially.) That is to say, I encourage creative thinking.

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### **Writing**

As graduate students, I expect everyone you hand in to be well written. You may use any standard citation format (APA, etc.). All documents should be double-spaced with 12-point font. Single-space references and tables.

While most of the course is focused on U.S.-based K-12 examples, you are encouraged to consider policies related to other countries and higher education.

I recommend that you have a classmate or colleague read through the final draft prior to submission.

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### **Grading**

You will be graded on the following:

- \* Appropriate utilization of course readings and discussion
- \* Depth of discussion and analysis
- \* Originality of thinking
- \* Justification of arguments and statements
- \* Clarity and quality of writing