

The Economics of Education

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Summer 2006

COURSE GOALS

1) *Build an analytical framework for thinking about education policy.*

Economics is a powerful framework for thinking about education policy. Economics forces us to pay attention to the incentives created by a policy and to thereby predict its (intended and unintended) consequences.

2) *Learn to distinguish good empirical research from bad.*

There are thousands of empirical education studies, many of them contradictory. This course helps you separate the wheat from the chaff by teaching you to read closely and critically. We will discuss the key challenges and pitfalls in education research and learn the best-practice methods that avoid them.

READINGS

Readings consist of a course packet of articles and book chapters. Students *must* read the assigned works closely and actively in order to absorb the material. Class participation is necessary and expected. In order to ready themselves for active participation, students will write ten one-page essays (one for each lecture) reacting to a question I pose about the readings. These graded essays are due at the beginning of each lecture.

PREREQUISITES

1) *Microeconomics* at the level of Social Analysis 10 or Economics 1010.

2) *Statistics* at the level of Statistics 100 (minimum) or Economics 1123 (ideal).

We will read many studies that make extensive use of topics in regression analysis, so you must be prepared:

- If you have taken Economics 1123, you have covered the topics we will use. Bring your copy of Stock and Watson to Venice for reference.
- If you have not taken Economics 1123, I strongly advise you to buy a copy of Stock, J. and Watson, M. (2003), *Introduction to Econometrics*, Addison-Wesley. Strategic reading of this text will help you with the more advanced techniques. I will introduce any required techniques not taught in Stat 100, but (necessarily) at a very rapid speed.

REQUIREMENTS AND GRADING

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|-------------------------|-----|
| 1) Ten One-Page Essays: | 30% |
| 2) Two Problem Sets: | 25% |
| 3) Take-Home Final: | 45% |

I. Human Capital Model & The Role of Government

OECD (2005). "[Education at a Glance 2005: Executive Summary](http://www.oecd.org/dataoecd/20/25/35345692.pdf)."

Borjas, George (2005). "Human Capital," Chapter 7 in *Labor Economics* (McGraw Hill), pp. 235-79

Becker, Gary. *Human Capital*. Chapter II.

Friedman, Milton (1962), "The Role of Government in Education," in *Capitalism and Freedom*, pp. 85-107.

Poterba, James (1996). "Government Intervention in the Markets for Education and Health Care," in *Individual and Social Responsibility* Victor Fuchs, editor (Cambridge, MA: National Bureau of Economic Research), pp. 277-307.

II. Returns to Education

Angrist Joshua and Alan Krueger (2001). "Instrumental Variables and the Search for Identification: From Supply and Demand to Natural Experiments." *The Journal of Economic Perspectives*, Vol. 15, No. 4, pp. 69-85.

Angrist, Joshua and Alan Krueger (1991). "Does Compulsory Schooling Attendance Affect Schooling and Earnings?" *Quarterly Journal of Economics* 106:4, pp. 979-1014.

Lleras-Muney, Adriana (2005). "The Relationship Between Education and Adult Mortality in the United States." *Review of Economic Studies* 72 (1), pp. 189-221.

Oreopoulos, Phillip (2005). "[Do Dropouts Drop Out Too Soon? Wealth, Health and Happiness from Compulsory Schooling](http://www.economics.utoronto.ca/oreo/research/dropouts/do%20dropouts%20drop%20out%20too%20soon.pdf)." University of Toronto working paper.

Note: Ch. 10 of Stock & Watson covers instrumental variables; read it for an introduction or review.

III. Standards of Evidence and Randomized Trials in Education

- Patterson, Kevin (2002). "What Doctors Don't Know (Almost Everything)" *New York Times Magazine*, May 5.
- Traub, James (2002). "Does It Work?" *New York Times Education Life*, November 10.
- Cook, T.D. (2002). "Randomized experiments in educational policy research: A critical examination of the reasons that the educational evaluation community has offered for not doing them." *Educational Evaluation and Policy Analysis*, 24(3), 175-199.
- Ritter, Gary W. and Boruch, Robert F. (1999). "The Political and Institutional Origins of a Randomized Controlled Trial on Elementary School Class Size: Tennessee's Project STAR." *Educational Evaluation and Policy Analysis* 21(2): 111-125.
- Krueger, Alan (1999). "Experimental Estimates of Education Production Functions." *Quarterly Journal of Economics* 114(2): 497-532.
- Duflo, Esther (2005). "[Field Experiments in Development Economics](http://econ-www.mit.edu/faculty/download_pdf.php?id=1265)." MIT working paper.
http://econ-www.mit.edu/faculty/download_pdf.php?id=1265

IV. Inputs and Outputs

- Hanushek, Eric (1997). "Assessing the Effects of School Resources on Student Performance: An Update." *Educational Evaluation and Policy Analysis* 19(2): 141-164.
- Krueger, Alan (2003). "Economic Considerations and Class Size." *The Economic Journal*, Volume 113, Number 485 (February), pp. 34-63(30).
- Lazear, Edward (2001). "Educational Production." *The Quarterly Journal of Economics*, Volume 116, Number 3, pp. 777-803.
- Glewwe, Paul, Michael Kremer, Sylvie Moulin, and Eric Zitzewitz (2004). "Retrospective vs. Prospective Analyses of School Inputs: The Case of Flip Charts in Kenya." *Journal of Development Economics* 74, pp. 251-78.
- Banerjee, Abhijit, Shawn Cole, Esther Duflo and Leigh Linden (2005). "[Remedying Education: Evidence from Two Randomized Experiments in India](http://econ-www.mit.edu/faculty/download_pdf.php?id=677)." MIT working paper.
http://econ-www.mit.edu/faculty/download_pdf.php?id=677

V. Teachers

- Corcoran, S.; W. Evans, and R. Schwab (2004). "Changing Labor Market Opportunities for Women and the Quality of Teachers, 1957-2000." *American Economic Review* 94(2): 230-35.
- Goldhaber, Dan (2002). "The Mystery of Good Teaching: Surveying the Evidence on Student Achievement and Teachers' Characteristics." *Education Next* 2(1):50-55.
- Jacob, Brian and Lars Lefgren (2004). "The Impact of Teacher Training on Student Achievement: Quasi- Experimental Evidence from School Reform Efforts in Chicago." *Journal of Human Resources* 39(1).
- Duflo, Esther (2005). "[Monitoring Works: Getting Teachers to Come to School](http://econ-www.mit.edu/faculty/download_pdf.php?id=1238)." MIT working paper.
http://econ-www.mit.edu/faculty/download_pdf.php?id=1238

VI. School Choice

- Tiebout, Charles (1956). "A Pure Theory of Local Expenditures." *Journal of Political Economy* 64:5, pp. 416-24.
- Black, Sandra (1999). "Do Better Schools Matter? Parental Valuation of Elementary Education." *Quarterly Journal of Economics*. 114:2, pp 577-99.
- Hoxby, Caroline (2003). "School Choice and School Productivity: Could School Choice Be a Tide that Lifts All Boats?" in Caroline Hoxby, ed., *The Economics of School Choice*, University of Chicago Press, pp. 287-341.
- Angrist, Joshua, Eric Bettinger and Michael Kremer (2005). "[Long-Term Educational Consequences of Secondary School Vouchers: Evidence from Administrative Records in Colombia](http://post.economics.harvard.edu/faculty/kremer/webpapers/ColombiaVouchers.pdf)." Harvard University working paper.
<http://post.economics.harvard.edu/faculty/kremer/webpapers/ColombiaVouchers.pdf>

VII. Standards and Accountability

- Various authors (2002). "Accountability Gains," forum in the Summer 2002 issue of *Education Next*, pp. 9-23.
- Kane, Thomas and Douglas Staiger (2002). "The Promise and Pitfalls of Using Imprecise School Accountability Measures." *The Journal of Economic Perspectives* 16:4., pp. 91-114.
- Jacob, Brian and Lars Lefgren (2004). "Remedial Education and Student Achievement: A Regression-Discontinuity Analysis." *Review of Economics and Statistics* LXXXVI(1).
- Dubner, Stephen and Steven Levitt (2005). "What Do Schoolteachers and Sumo Wrestlers Have in Common?" Ch. 1 in *Freakonomics*. William Morrow.
- Jacob, Brian and Steven Levitt (2003). "Rotten Apples: An Investigation of the Prevalence and Predictors of Teacher Cheating" *Quarterly Journal of Economics* 118(3).

VIII. Behavioral Perspectives and Post-Secondary Education

- Bertrand, Marianne, Sendhil Mullainathan, and Eldar Shafir (2004). "A Behavioral-Economics View of Poverty." *American Economic Review* 94(2), pp. 419-423.
- Mullainathan, Sendhil, and Richard H. Thaler (2000). "[Behavioral Economics](http://post.economics.harvard.edu/faculty/mullainathan/papers/Encyclopedia.pdf)." Harvard University working paper.
<http://post.economics.harvard.edu/faculty/mullainathan/papers/Encyclopedia.pdf>
- Dynarski, Susan (2002). "The Behavioral and Distributional Implications of Aid for College." *American Economic Review* (May).
- Dynarski, Susan (2003). "Does Aid Matter? Measuring the Effect of Student Aid on College Attendance and Completion." *American Economic Review* (March).
- Dynarski, Susan (2004). "The New Merit Aid," in Caroline Hoxby, ed., *College Choices: The Economics of Which College, When College, and How To Pay For It*. University of Chicago Press.
- Field, Erica (2005). "[Educational Debt Burden and Career Choice: Evidence from a Financial Aid Experiment at NYU Law School](http://post.economics.harvard.edu/faculty/field/papers/FieldIFAS.pdf)." Harvard University working paper.
<http://post.economics.harvard.edu/faculty/field/papers/FieldIFAS.pdf>

IX. Early Childhood Education

- Heckman, James and Dimitriy Masterov (2004). "[The Productivity Argument for Investing in Young Children](http://jenni.uchicago.edu/Invest/FILES/dugger_2004-12-02_dvm.pdf)." University of Chicago working paper.
http://jenni.uchicago.edu/Invest/FILES/dugger_2004-12-02_dvm.pdf
- Currie, Janet (2001). "Early Childhood Education Programs." *The Journal of Economic Perspectives* 15(2), pp. 213-238.
- Currie, Janet and Thomas, Duncan (1995). "Does Head Start Make a Difference?" *American Economic Review* 85(3): 341-364.
- US Department of Health and Human Services (2005). "[Head Start Impact Study, First Year Findings: Executive Summary](http://www.acf.hhs.gov/programs/opre/hs/impact_study/reports/first_yr_execsum/first_yr_execsum.pdf)."
http://www.acf.hhs.gov/programs/opre/hs/impact_study/reports/first_yr_execsum/first_yr_execsum.pdf

X. Incentives to Learn in Developing Countries

- Glewwe, Paul and Michael Kremer (2005). "[Schools, Teachers, and Education Outcomes in Developing Countries](http://post.economics.harvard.edu/faculty/kremer/webpapers/EconEducationHandbook.pdf)." Harvard University working paper.
<http://post.economics.harvard.edu/faculty/kremer/webpapers/EconEducationHandbook.pdf>
- Kremer, Michael, Edward Miguel and Rebecca Thornton (2004). "[Incentives to Learn](http://post.economics.harvard.edu/faculty/kremer/webpapers/IncentivesToLearn.pdf)." Harvard University working paper.
<http://post.economics.harvard.edu/faculty/kremer/webpapers/IncentivesToLearn.pdf>
- Schultz, Paul (2001). "[School Subsidies for the Poor: Evaluating the Mexican Progresa Poverty Program](http://www.econ.yale.edu/growth_pdf/cdp834.pdf)." Yale University working paper.
http://www.econ.yale.edu/growth_pdf/cdp834.pdf