Reforming education policy and finance are at the center of intense debates at all levels of government, driven in part by the recognition of the central role that education plays in the economy. Education affects the productivity of the labor force, the distribution of income, economic growth, and individuals’ earnings and quality of life. This course uses economic principles to analyze K-12 education. The course begins with an examination of the demand for education, both by the private sector (particularly individuals) and the public sector. Next, we consider the production (including teachers as an input) and supply and cost of education. Finally, we turn to the financing of K-12 education in the United States.

The class will be run as a seminar in which we will discuss the content of the assigned readings and try to make recommendations that are empirically and theoretically justified on economic grounds for achieving high performance in elementary and secondary education.

COURSE MATERIALS

Readings are listed under each class and are all available to download from the Blackboard site for this course.

In addition, there is one optional book:


This relatively inexpensive book (around $89) contains 40 chapters that are highly accessible on a wide variety of topics in the economics and finance of education. The chapters are assigned as optional for many of the weeks and will help put the material in context. The book is available at the NYU professional bookstore.
You will need to have access to the class Blackboard site, found under “academics” on your NYU home location (home.nyu.edu/) or at classes.nyu.edu/. All announcements and class related documents (including the assigned readings) will be posted here. If you have not activated your NYU net account or have forgotten your password, you can activate or change your password at start.nyu.edu. You must activate your account in order to access course materials and announcements on Blackboard.

Once you have accessed Blackboard, please change your e-mail address to whatever you use most often by going to “Tools” and then “Personal Information.” Some class announcements may be distributed via Blackboard’s e-mail list, thus it is important that you have an active e-mail account.

If you do not already have Adobe Acrobat Reader installed on your computer, go to www.adobe.com/products/acrobat/ and follow the download instructions. You will need this (free) software in order to read and print some of the materials on Blackboard.

**COURSE EVALUATION**

(15% of grade): Class attendance, participation, and typed notes for five classes using *the eleven point format on the page after next* for each reading, but with only points 1, 3, 6 and 8 required to hand in. **Three of these must be done by class six.** While it may be helpful to address all eleven points, again, only points 1, 3, 6, and 8 are required for the assignments. The class discussion will begin from these notes. You must hand in a copy of your notes to me at the beginning of class. No late notes will be accepted; instead you should choose five convenient classes for which to prepare these, including three from class two through six. Make a copy of your notes for the class discussion.

(10% of grade): You have a choice to either help lead the discussion of the readings in a particular week or to present your paper to the class and have classmates pose questions based on your presentation and based on roles assigned to them, such as “president of the teachers’ union” or “Governor’s education policy advisor”. (I will then answer the technical questions that arise.) If you help lead a discussion, you will meet with me before the class to make sure you understand the material well and to plan the class. You should write one of your five eleven-point reviews for the class you co-lead as well.

Eight possible classes for discussion leaders (one or two leaders per class): Classes 3, 4, 5, 7, 8, 10, 12, 13

Four classes for paper presentations (everyone must write three of these, but only two people present. The rest of the class will be given roles to play when asking questions): Classes 6, 9, 11, 14
(75% of grade or 25% each): Three 5 page papers that present economic evidence on the topics listed below. Everyone must write Paper Four. Then choose two from Papers One, Two and Three. These papers should represent an unbiased reading of the economics of education literature on the topic (as assigned for classes) and they should be written as if they were a brief for a commission that is charged with deciding policies and programs that will result in high performance for New York City public school students. Assume the commission is interested only in what economists have to say on the topics.

One way to imagine these assignments is that you are asked to testify as an economist before the New York City Council. (How should it spend the money? How should it recommend that the state fund schools etc.)

Each paper should be only five pages, double spaced, 12 point font, one inch margins. Hard copies must be handed in at the beginning of the class when they are due. No late papers will be accepted.

REMEMBER, ONLY THE ECONOMIC POINT OF VIEW ON THESE TOPICS!

PAPER ONE, CLASS SIX, October 13
Will more money improve student performance? Why do some economists say money does not matter at the margin? What is the evidence?

PAPER TWO, CLASS NINE, November 3
What changes will and will not improve teacher quality? Consider salaries, unions, incentives, recruiting, and working conditions.

PAPER THREE, CLASS ELEVEN, November 17
What kind of school finance design will achieve adequate financing for each district in New York State? Address the basic formula for operating aid, any adjustments needed for cross-district differences through indexes and/or special funding, and how the state and local shares should be set. Finally, how should the state obtain the resources to fund the significantly extra money that will go to city districts?

PAPER FOUR, CLASS FOURTEEN, December 8—choose one option

A. How should we hold schools accountable for educating students, both in theory and practice? Is the use of value-added measurement a solution?

B. Will expanding the availability of school choice (vouchers to attend non-public schools, charters, magnet schools) raise achievement in New York City? Should more choice be made available?
ELEVEN POINTS TO ADDRESS
ECONOMICS OF EDUCATION
Points 1, 3, 6, and 8 required for five classes

A. CONTEXT FOR THE STUDY

1. What questions are addressed by the study?
   ♦ These questions are often posed in the introduction.

2. Is there a policy issue addressed and if so, what is it?
   ♦ This question is also often answered in the introduction and again addressed in the conclusions.

3. What economic concepts or theories are used in the study?
   For example: theory of the firm, competitive labor markets, individual utility maximization, cost functions. Write about how the theoretical framework informs the issue. What does the framework illuminate that otherwise might remain obscured?

4. What research has been done on the topic?
   ♦ What important gaps exist with respect to our knowledge about the topic? How does the present study help to fill these gaps? This is often answered in the literature review.

B. DATA/MODELS/METHODS USED

5. How is the study sample drawn and how are its data obtained?
   ♦ What population does the study sample represent (in space, in time, in terms of types of people and types of situations)?
   ♦ Do the evaluators obtain their data through survey research, retrieval of administrative records, direct observation, or in other ways?
   ♦ Does the sample allow the authors to generalize – to what and why?

6. What causal model is used, either explicitly or implicitly, as the basis for the study?
   ♦ Does the study rely on statistical methods, economic theory, or a combination?
   ♦ Do you believe that the study showed causality and why?
7. **What measures are used by the study?**
   - What are the key outcome variables and how are they measured?
   - What are the key independent variables and how are they measured?
   - Do the measures used match the concepts as the authors intended?
   - Do the authors correctly interpret their measures?

C. **KEY FINDINGS**

8. **What are the main findings of the study?**
   - How could you express them in several brief sentences?

D. **INTERPRETATION OF THE FINDINGS**

9. **How do the findings of the study add to, reinforce, or contradict findings from previous related research?**

10. **What are the main limitations of the study and how do they affect your interpretation of its findings?**

11. **What are the implications of the study's findings for policy-makers and researchers?**
Recommended Journals with Frequent Articles on Economics of Education (and their nicknames)

- Economics of Education Review (EER)
- Education Finance and Policy (EFP)
- Journal of Education Finance (JEF)
- Educational Evaluation and Policy Analysis (EEPA)
- Journal of Policy Analysis and Management (JPAM)
- Journal of Human Resources (JHR)
- Journal of Labor Economics (JOLE)
- Journal of Public Economics (JPUB)

Some Websites Useful in Economics of Education

- Institute for Education and Social Policy, New York University: http://steinhardt.nyu.edu/iesp
- The Urban Institute: www.urban.org
- RAND: www.rand.org
- Mathematica Policy Research: www.mathematica-mpr.com
- American Institutes for Research (AIR): www.air.org
- The Brookings Institute's Brown Center: www.brook.edu/gs/brown/default.htm
- Economic Policy Institute: epinet.org
- The World Bank: www.worldbank.org
- The UNESCO: www.unesco.org
- Education Commission of the States: www.ecs.org
- The Fordham Foundation: www.edexcellence.net
- WestEd Policy Program: www.wested.org/policy
- North Central Regional Educational Laboratory: www.ncrel.org/sdrs
- Education Week: www.edweek.org
- State Higher Education Executive Officers: www.sheeo.org
- Phi Delta Kappan: www.pdkintl.org/kappan
- American Education Finance Association: www.aefa.cc
- Association for Public Policy Analysis and Management (APPAM): www.appam.org
- Harvard Program on Education Policy and Governance: data.fas.harvard.edu/pepg/papers.htm
- National Center for the Study of Privatization in Education - Teachers College, Columbia University: www.tc.edu/ncspe
- Institute on Education and the Economy (Columbia University): www.tc.columbia.edu/~iee
- The National Education Association: www.nea.org
- American Federation of Teachers: www.aft.org
- What Works Website: w-w-c.org
- New York State Education Finance Research Consortium: www.albany.edu/edfin
- New York City Department of Education: www.nycenet.edu
- New York State Department of Education: www.nysed.gov
INTRODUCTION

Class One: Introduction
September 8

This class provides an introduction to the demand, supply, financing, and market structure of education. How is K-12 organized in the US? How much do we spend on education and how has it changed over time?

Readings:


Optional:


THE DEMAND FOR EDUCATION – PRIVATE AND PUBLIC

Class Two: Private Demand by Individuals and Families
September 15

Why do people want education? What determines how much they want and what they are willing to pay for it? This class considers the answers to these questions including both theory and empirical evidence on individual and family choice, the impact of education on labor market outcomes and quality of life, human capital vs. signaling as explanations for the private value of education, and the impact of public policies (such as tuition assistance) on the demand for education. The demand for both K-12 and higher education will be considered.

Readings:


Class Three: Public Demand
September 22

Why should the public sector intervene in the market for education? What determines the public demand for education, and how and why does it vary across communities in the United States? This class explores the rationale for government intervention in the market for education, and the determinants of community demand. Focusing on K-12 education, we will discuss the politics of community decision-making (esp. the median voter model) and examine the relationship between local demand for education, the socioeconomic characteristics of the population, the ‘price’ of education and the resources available.

Readings:


Optional (Class Three):


THE PRODUCTION OF EDUCATION

*Education Production Functions*

Class Four: Education Production Functions: Theory and Specifications
September 29

How is achievement produced by a single school? Review of the firm’s production function, including marginal and average productivity and assumptions, and application to education. Measuring outputs (scores, graduation/attainment, incomes, earnings, employment); measuring school inputs (teachers, non-teacher resources, quality vs. quantity, expenditures, class size, grade span); measuring home inputs (mother and father’s education, resources, environment, income); private resources; peer effects and the reflection problem.

Readings:


Optional:

Class Five: Education Production Functions: Empirical Evidence
October 6

Readings:


Optional:


Class Six: Education Production Functions and Subgroup Analyses: Racial and Nativity Test Score Gaps
October 13

PAPER ONE DUE AT BEGINNING OF CLASS


Optional:


Teacher Inputs and Teacher Markets

Class Seven: Teacher Markets
October 20

Some basic economics of teacher markets, supply and institutions.

Readings:


Optional:


Note: A full volume of readable articles about teachers, mostly by economists, can be found in: The Future of Children (Spring 2007). 17 (1): 3-232.


Teacher compensation and recruitment.

Readings:


Optional:


THE SUPPLY AND COST OF EDUCATION

Class Nine: Theory, Measurement and Empirical Evidence
November 3

PAPER TWO DUE AT THE BEGINNING OF CLASS

Why does education cost so much? Why does it seem to get more and more expensive? And, what can be done about it? This class explores the conceptual and empirical challenges to measuring the cost of education, the theoretical underpinnings of alternative measures and reviews available measures.

Readings:


Optional:

FINANCING EDUCATION

Class Ten: Basics of K-12 Education Finance
November 10

Sources and trends of state, local and federal financing; objectives of school finance systems (equity, adequacy, efficiency); state intergovernmental aid alternatives (foundation, matching – power equalizing and guaranteed tax base; special needs funding – LEP, special education, low achievement); federal funding objectives (Title I and NCLB); role of courts – state, federal, overall results, cases (Serrano, Texas supreme court, Kentucky or New Jersey etc.)

Readings:


Optional:


Class Eleven: Evaluation and Consequences of School Finance Systems
November 17

PAPER THREE DUE AT THE BEGINNING OF CLASS

Evaluating the equity, adequacy and efficiency of state aid systems. Implications for Behavior and education (responses to major changes in state aid systems –California and Michigan; classification incentives--English Language, special education, intergenerational conflicts)

Readings:


Optional:


Class Twelve: Building Accountability into Finance Systems
November 23

Theory; Measuring Performance; Incentives; Evidence

Readings:


Optional:


Web site on references to value-added assessments: [http://www.cgp.upenn.edu/ope_techreports.html](http://www.cgp.upenn.edu/ope_techreports.html)
Class Thirteen: Vouchers and Private Schooling  
December 1

What are vouchers and how do they work? Who benefits? Who loses? What are the issues? Empirical evidence – impact on performance; sorting

Readings:


Optional:


(June 2009). “Multiple Choice: Charter School Performance in 16 States,” CREDO, Stanford University. credo.standford.edu

Class Fourteen: Putting It All Together
December 8

PAPER FOUR DUE AT THE BEGINNING OF CLASS

Optional Reading:

Yet More References


GRADING CRITERIA

Grades will be assigned according to the following criteria:

**A  Excellent:** Exceptional work for a graduate student. Work at this level is unusually thorough, well reasoned, creative, methodologically sophisticated, and well written. Work is of exceptional, professional quality.

**A-  Very Good:** Very strong work for a graduate student. Work at this level shows signs of creativity, is thorough and well-reasoned, indicates strong understanding of appropriate methodological or analytical approaches, and meets professional standards. Work is inadequately developed or flawed by numerous errors and misunderstanding of important issues. Methodological or analytical work performed is weak and fails to demonstrate knowledge or technical competence expected of graduate students.

**B+  Good:** Sound work for a graduate student; well-reasoned and thorough, methodologically sound. This is the graduate student grade that indicates the student has fully accomplished the basic objectives of the course.

**B  Adequate:** Competent work for a graduate student even though some weaknesses are evident. Demonstrates competency in the key course objectives but shows some indication that understanding of some important issues is less than complete. Methodological or analytical approaches used are adequate but student has not been thorough or has shown other weaknesses or limitations.

**B-  Borderline:** Weak work for a graduate student; meets the minimal expectations for a graduate student in the course. Understanding of salient issues is somewhat incomplete. Methodological or analytical work performed in the course is minimally adequate. Overall performance, if consistent in graduate courses, would not suffice to sustain graduate status in “good standing.”

**C-/+-Deficient:** Inadequate work for a graduate student; does not meet the minimal

**F  Fail:** Work fails to meet even minimal expectations for course credit for a graduate student. Performance has been consistently weak in methodology and understanding, with serious limits in many areas. Weaknesses or limits are pervasive.
STUDENT INFORMATION SHEET

Name ______________________________________________________

What areas or issues interest you about education economics and finance?

What do you hope to learn or gain from taking this course?

What kind of job do you wish to obtain after graduation?

Program (circle one) Public and Nonprofit          Urban Planning         Health       Other

Expected specialization (circle)  Finance       Policy        Management           Other

Fulltime                                   Part-time

Brief description of work experience (if any):

Other information of interest, especially to help us get to know you faster.