WAGNER GRADUATE SCHOOL OF PUBLIC SERVICE, NEW YORK UNIVERSITY
PADM.2441 Economics of Education Policy and Finance, Fall 2014

Tuesdays: 4:55 to 6:35
25 West Fourth, C -13

Prequisites: (1) CORE.1018 Microeconomics; (2) CORE.1011 Statistics I; (3) PADM.2901
Regression and Introduction to Econometrics

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COURSE DESCRIPTION

Education affects the productivity of the labor force, the distribution of income, economic
growth, and individuals’ earnings and quality of life and, as such, plays a central role in the
economy. This course uses microeconomic principles to study the quantity, quality and
distribution of education services beginning with an examination of the demand for education,
both by the private sector (particularly individuals) and the public sector. Subsequently, we
consider the production, supply and cost of education before turning to the financing of K-12
education in the United States and finally to education markets and choice.

The class will be run as a seminar in which we discuss the content of the assigned readings and
draw out implications for policy and practice that are empirically and theoretically justified on
economic grounds for achieving high performance in elementary and secondary education.

COURSE MATERIALS

Each class has required background readings and required discussion readings plus a list of
optional readings.

- The required background readings are from the two books below.

  Handbook of Research in Education Finance and Policy, edited by Helen F. Ladd
  bookstore)

  Textbook on Economics of Education, by Sarah Turner and Michael Lovenhein,
  available on NYU Classes site, under class assigned.

- The required discussion readings and optional readings are available on nyu
  classes, organized by class they are assigned.

Class announcements will be distributed via the nyu classes’ e-mail list. Thus, it is important that
you actively use your NYU email account, or have appropriate forwarding set up.
COURSE EVALUATION

(10% of grade):
- Class attendance (required),
- Class participation
- Typed notes on all required discussion readings for five classes using the format on the page after next for each reading. (Note: these typed notes are not required on background reading from Turner and Lovenheim or from Ladd/Fiske book chapters.)

Three of these must be done by class six. No late notes will be accepted. Make a copy of your notes for the class discussion and hand in the typed notes at the beginning of class.

(10% of grade):

Either
- Help lead the discussion of readings in a particular week. 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 reviews for the class you co-lead as well.

Seven possible classes for discussion leaders (one or two leaders per class):
Classes 3, 4, 5, 7, 8, 11, 13

Or

- Present your paper to the class and have classmates pose questions 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.)

Four possible classes for paper presentations (everyone must write two of these, but only one or two people present. The rest of the class will be given roles to play when asking questions): Classes 6, 9, 12, 14

(20% of grade): Take home midterm, due Class 10 and to be discussed in class.

(60% of grade – i.e. 30% each): Two five page papers that present economic evidence on the topics listed below.
- Everyone must write Paper Four.
- Then choose one 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. (continued next page)
The papers must be 12 point font, one inch margins, double spaced, and no longer than five pages. Reference page does not count in five page total. No late papers will be accepted. Hand in a printed copy at the beginning of class.

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

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

PAPER ONE, CLASS SIX, October 7

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 4

What changes will and will not improve teacher quality? Consider salaries, unions, incentives, recruiting, and working conditions.

PAPER THREE, CLASS TWELVE, November 25

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.

PAPER FOUR, CLASS FOURTEEN, December 9 – required of everyone -- choose one option

Option One: How should we hold (schools or teachers or students – choose one) accountable, both in theory and practice?

Option Two: Will expanding the availability of school choice (vouchers to attend non-public schools, charter schools, magnet schools etc.) raise achievement in urban public schools?
POINTS TO ADDRESS IN NOTES FOR DISCUSSION READINGS
(Please use the following numbered headings in your responses)

1. What questions are addressed by the study? (Often posed in the introduction.)

2. What economic concepts or theories are used in the study?
   (Theory of the firm, competitive labor markets, individual utility maximization, cost functions? How do economic concepts inform the issue?)

3. What causal model is used, either explicitly or implicitly, as the basis for the study?
   (Statistical methods? Economic theory? Both? Do you believe the study showed causality?)

4. What are the main findings of the study? (Several brief sentences.)

5. How should the findings be interpreted? (Limitations? Implications for policy makers?)
INTRODUCTION

Class One: Introduction
September 2

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

Required Background Readings:


TURNER: Chapters 1 and 2

Required Assignment for class discussion: Find out how many schools there are in the U.S. Use a credible source and provide a citation to that source. Hand in your response in class.

Optional Readings:


NYC Public School Indicators, July 2014, IBO, NYC. (www.ibo.nyc.ny.us)
THE DEMAND FOR EDUCATION – PRIVATE AND PUBLIC

Class Two: Private Demand by Individuals and Families
September 9

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.

Required Background Readings:

LADD/FISKE: Chapter 38, Goldberg, Jessica and Jeffrey Smith, “The Effects of Education on Labor Market Outcomes”

Required Discussion Readings:


Optional Readings:


Class Three: Public Demand
September 16

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.

Required Background Readings:

TURNER, Chapter 3

Required Discussion Readings:


Optional Readings:


THE PRODUCTION OF EDUCATION

Education Production Functions

Class Four: Education Production Functions: Theory and Specifications
September 23

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.

Required Background Readings:
LADD/FISKE: Chapter 8, Rice, Jennifer K. and Amy Ellen Schwartz, “Toward an Understanding of Productivity in Education”

TURNER: Chapter 7

Required Discussion Readings:


Optional Readings:
Class Five: Education Production Functions: Empirical Evidence
September 30

Required Discussion Readings:


Optional Readings:


Class Six: Education Production Functions and Subgroup Analyses: Income, Race and Nativity Test Score Gaps
October 7

PAPER ONE DUE AT BEGINNING OF CLASS

Required Background Readings:

LADD/FISKE: Chapter 28, Reardon, Sean F. and Joseph P. Robinson, “Patterns and Trends in Racial/Ethnic and Socioeconomic Academic Achievement Gaps”

Required Discussion Readings:


Optional Readings:

LADD/FISKE: Chapter 31, Harris, Douglas N. “Educational Outcomes of Disadvantaged Students: From Desegregation to Accountability” (part on desegregation)


Fall Recess, NYU Holiday, No Class
October 14
Teacher Inputs and Teacher Markets

Class Seven: Teacher Markets
October 21

Some basic economics of teacher markets, supply and institutions.

Required Background Readings:

LADD/FISKE: Chapter 9, Goldhaber, Dan, “Teachers Matter, but Effective Teacher Quality Policies are Elusive”

Required Discussion Readings:


Optional Readings:


LADD/FISKE: Chapter 30, Boyd, Donald, Hamilton Lankford, and James Wyckoff (2008). “Increasing the Effectiveness of Teachers in Low-Performing Schools”


Class Eight: Teacher Salaries and Recruitment
October 28

Teacher compensation and recruitment.

**Required Background Readings:**

None

**Required Discussion Readings:**


**Optional Readings:**


THE SUPPLY AND COST OF EDUCATION

Class Nine: Theory, Measurement and Empirical Evidence
November 4

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.

Required Background Readings:

LADD/FISKE: Chapter 14, Duncombe, William D. and John Yinger, “Measurement of Cost Differentials”

Required Discussion Readings:


Optional Readings:


MIDTERM

Class Ten: Take home Midterm Due
November 11

Class Discussion of Answers to Midterm
FINANCING EDUCATION

Class Eleven: Basics of K-12 Education Finance
November 18

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.)

Required Discussion Readings:

LADD/FISKE:

Chapter 12, Baker, Bruce D. and Preston C. Green, “Conceptions of Equity and Adequacy in School Finance”

Chapter 13, Downes, Thomas A. and Leanna Stiefel, “Measuring Equity and Adequacy in School Finance”

Chapter 15, Picus, Lawrence. O., Margaret Goertz and Allan Odden, “Intergovernmental Aid Formulas and Case Studies”

TURNER: Chapter 8


Optional Readings:

LADD/FISKE:

Chapter 17, Gordon, Nora, “The Changing Federal Role in Education Finance and Governance,”

Chapter 20, McGuire, Therese J. and Leslie E. Papke, “Local Funding of Schools: The Property Tax and Its Alternatives”

Chapter 32, Harr, Jennifer J., Thomas Parrish and Jay G. Chambers, “Special Education”

Chapter 33, Rumberger, Russell W. and Patricia Gandara, “Resource Needs for Educating Linguistic Minority Students”
Class Twelve: Evaluation and Consequences of School Finance Systems
November 25

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)

Required Discussion Readings:


LADD/FISKE: Chapter 19, Corcoran, Sean P. and William N. Evans, “Equity, Adequacy and the Evolving State Role in Education Finance”

Optional Readings:


Class Thirteen: School, Student, and Teacher Accountability
December 2

Theory; Measuring Performance; Incentives; Evidence

**Required Discussion Readings:**


**Optional Readings:**

LADD/FISKE: Chapter 10, Figlio, David and Helen F. Ladd, “School Accountability and Student Achievement”

LADD/FISKE: Chapter 31, Harris, Douglas N. “Educational Outcomes of Disadvantaged Students: From Desegregation to Accountability” (part on accountability)


**Class Fourteen: Education Markets: School Choice, Vouchers, Charters, Magnet Schools December 9**

What are economic arguments for school choice? How do vouchers, charters and magnets foster choice? Who benefits and who loses from this choice? Empirical evidence – impact on performance; sorting

**PAPER FOUR DUE AT THE BEGINNING OF CLASS**

**Required Discussion Readings:**

**LADD/FISKE:**

Chapter 24, Bifulco, Robert and Katrina Buckley, “Charter Schools”

Chapter 25, Zimmer, Ron and Eric P. Bettinger, “Beyond the Rhetoric: Surveying the Evidence on Vouchers and Tax Credits,”

**TURNER:** Chapter 9

Optional Readings:


**Recommended Journals with Frequent Articles on Economics of Education**

- 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/isep](http://steinhardt.nyu.edu/isep)
- The Urban Institute: [www.urban.org](http://www.urban.org)
- RAND: [www.rand.org](http://www.rand.org)
- Mathematica Policy Research: [www.mathematica-mpr.com](http://www.mathematica-mpr.com)
- American Institutes for Research (AIR): [www.air.org](http://www.air.org)
- The Brookings Institute's Brown Center: [www.brook.edu/gs/brown/default.htm](http://www.brook.edu/gs/brown/default.htm)
- Economic Policy Institute: [epinet.org](http://epinet.org)
- Education Commission of the States: [www.ecs.org](http://www.ecs.org)
- The Fordham Foundation: [www.edexcellence.net](http://www.edexcellence.net)
- WestEd Policy Program: [www.wested.org/policy](http://www.wested.org/policy)
- Education Week: [www.edweek.org](http://www.edweek.org)
- State Higher Education Executive Officers: [www.sheeo.org/](http://www.sheeo.org/)
- Phi Delta Kappan: [www.pdkintl.org/kappan](http://www.pdkintl.org/kappan)
- American Education Finance Association: [www.aefa.cc](http://www.aefa.cc)
- Harvard Program on Education Policy and Governance: [data.fas.harvard.edu/pepg/papers.htm](http://data.fas.harvard.edu/pepg/papers.htm)
- Institute for Research on Higher Education (U-Penn): [www.irhe.upenn.edu/irhe/irhe-main.html](http://www.irhe.upenn.edu/irhe/irhe-main.html)
- Institute on Education and the Economy (Columbia University): [www.tc.columbia.edu/~iee](http://www.tc.columbia.edu/~iee)
- The National Education Association: [www.nea.org](http://www.nea.org)
- American Federation of Teachers: [www.aft.org](http://www.aft.org)
- What Works Website: [w-w-c.org](http://w-w-c.org)
- New York State Education Finance Research Consortium: [www.albany.edu/edfin](http://www.albany.edu/edfin)
- New York City Department of Education: [www.nycenet.edu](http://www.nycenet.edu)
- New York State Department of Education: [www.nysed.gov](http://www.nysed.gov)
- Independent Budget Office of New York City: [www.ibo.nyc.ny.us](http://www.ibo.nyc.ny.us)
- Gotham schools: [http://gotheamschools.org](http://gotheamschools.org)
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

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

Brief description of work experience (if any):

Anything else?