WAGNER GRADUATE SCHOOL OF PUBLIC SERVICE, NEW YORK UNIVERSITY
PADM.2441 Economics of Education Policy and Finance, Spring 2017

Wednesdays: 4:55 to 6:35
Waverly, Room 370

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

Leanna Stiefel, Professor of Economics, leanna.stiefel@nyu.edu
Office Hours: Wednesdays, 2:00-3:00; 3098 Puck Building

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.


  Textbook on Economics of Education, by Sarah Turner and Michael Lovenhein, chapters 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/GOERTZ book chapters.)

These should be written for a busy, but knowledgeable and informed, boss who wants the points in very readable form.

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):

- **Help lead the discussion** of readings in a particular week. When 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 leader per class): Classes 3, 4, 5, 7, 8, 11, 13

and

- **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): **Midterm (possibly take-home)**, Class 10.
(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.

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, March 1

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, March 29

What changes will and will not improve teacher quality? Consider salaries, unions, incentives, recruiting, and working conditions.
PAPER THREE, CLASS TWELVE, April 19

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, May 3 – 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 and aim for one page of notes.)

(Remember that these are written for a busy boss who is informed, took economics of education already, and needs to read them in an accessible format, such as with bullets.)

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

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 and if so, what kind? Economic theory? Both? Do you believe, based on the methods and theory, that the study showed causality and why?)

4. What are the main findings of the study? (Brief sentences or bullet points.)

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

Class One: Introduction
January 25

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, October 2015, IBO, NYC. (www.ibo.nyc.ny.us)

THE DEMAND FOR EDUCATION – PRIVATE AND PUBLIC

Class Two: Private Demand by Individuals and Families
February 1

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:

Required Discussion Readings:


Optional Readings:


Class Three: Public Demand
February 8

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
February 15

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/GOERTZ: 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
February 22

Required Discussion Readings:


Optional Readings:

LADD/GOERTZ: Chapter 6, McEwan, Patrick J., “Quantitative Research Methods in Education Finance and Policy”


Class Six: Education Production Functions and Subgroup Analyses: Income, Race and Nativity Test Score Gaps
March 1

PAPER ONE DUE AT BEGINNING OF CLASS

Required Background Readings:

LADD/GOERTZ: Chapter 28, Reardon, Sean F., Joseph P. Robinson-Cimpian, and Erica S. Weathers, “Patterns and Trends in Racial/Ethnic and Socioeconomic Academic Achievement Gaps”

Required Discussion Readings:


Optional Readings:

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


Teacher Inputs and Teacher Markets

Class Seven: Teacher Markets
March 8

Some basic economics of teacher markets, supply and institutions.

**Required Background Readings:**

LADD/GOERTZ: Chapter 10, Goldhaber, Dan, “Teachers Clearly Matter, but Finding Effective Teacher Policies has Proven Elusive”

**Required Discussion Readings:**


**Optional Readings:**


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


**SPRING BREAK: March 15**
Class Eight: Teacher Salaries and Recruitment
March 22

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
March 29

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/GOERTZ: Chapter 16, Duncombe, William D., Phuong Nguyen-Hoang, and John Yinger, “Measurement of Cost Differentials”

Required Discussion Readings:


Optional Readings:


Class Ten: Midterm
April 5
FINANCING EDUCATION

Class Eleven: Basics of K-12 Education Finance
April 12

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/GOERTZ:

Chapter 14, Baker, Bruce D. and Preston C. Green, “Conceptions of Equity and Adequacy in School Finance”

Chapter 15, Downes, Thomas A. and Leanna Stiefel, “Measuring Equity and Adequacy in School Finance”

Chapter 17, Picus, Lawrence. O., Margaret Goertz and Allan Odden, “Intergovernmental Aid Formulas and Case Studies”

TURNER: Chapter 8


Optional Readings:

LADD/FISKE:


Chapter 22, McGuire, Therese J. and Leslie E. Papke, “Local Funding of Schools: The Property Tax and Its Alternatives”

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

Chapter 32, Rumberger, Russell W. and Patricia Gandara, “Resource Needs for Educating Linguistic Minority Students”
Class Twelve: Evaluation and Consequences of School Finance Systems
April 19

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/GOERTZ: Chapter 21, 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
April 26

Theory; Measuring Performance; Incentives; Evidence

Required Discussion Readings:


Optional Readings:

LADD/GOERTZ: Chapter 12, Figlio, David and Helen F. Ladd, “School Accountability and Student Achievement”

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


Class Fourteen: Education Markets: School Choice, Vouchers, Charters, Magnet Schools
May 3

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/GOERTZ:

Chapter 25, Bifulco, Robert and Katrina Buckley, “Charter Schools”

Chapter 26, Zimmer, Ron and Eric P. Bettinger, “Beyond the Rhetoric: Surveying the Evidence on Vouchers and Tax Credits,”

TURNER: Chapter 9


Optional Readings:


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


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/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
Education Commission of the States. www.ecs.org
The Fordham Foundation www.edexcellence.net
WestEd Policy Program www.wested.org/policy
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
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 for Research on Higher Education (U-Penn) www.irhe.upenn.edu/irhe/irhe-main.html
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
Independent Budget Office of New York City: www.ibo.nyc.ny.us
Gotham schools: 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?