Time
Fall 2020, Tuesdays
4:55 to 6:35

Prerequisites
CORE.1018, Microeconomics
CORE.1011, Statistics I

Faculty
Leanna Stiefel
of Economics

Faculty contact and office hours
Email at leanna.stiefel@nyu.edu
Office hours: 4-5 Monday, on Zoom

COURSE DESCRIPTION

Content:

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 is an introduction to the theoretical and empirical methods used in the modern economic analysis of education. We will apply microeconomic theory and econometric methods to a wide range of educational policy issues, including the demand for and returns to schooling, the production and supply of education, the equity and efficiency of school financing, teacher labor markets, school choice, school disruptions, accountability, and higher education. We will pay attention to the ability of economic methods and econometrics to make causal inferences about effects of education policies, and to make predictions about the likely impact of policy changes.

Process:

Each class we will first go over technical parts of the power point slides, which you should have reviewed in their entirety in advance of class. Then, we will discuss the assigned readings, with the Professor explaining technical parts of readings and the whole class discussing the importance, policy relevance, shortcomings, and other work needed to draw firm conclusions.
COURSE OBJECTIVES

- Apply basic theoretical concepts of microeconomics to the education sector.

- Specifically, understand how economic theory and empirical methods are applied to questions of human capital, public investment in education, production of education, school finance, school disruptions, labor markets for teachers, choice and accountability, and higher education.

- Read, interpret, and synthesize findings in the economics of education.

- Identify policy implications of findings and insights from economics of education.

COURSE MATERIALS

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

The two required textbooks are:


   Order on line only: https://store.macmillanlearning.com/us/product/Economics-of-Education/p/1319282202?searchText=Lovenheim%26%23x20%3band%26%23x20%3bTurner

   and


   Purchase from NYU Book Store or download from NYU library (at least some parts)

The required discussion readings and optional readings are available on NYU Brightspace, organized by class they are assigned.
COURSE REQUIREMENTS AND EVALUATION
(All written assignments should be uploaded to the NYU Brightspace site for the course before
the time due.)

1. **(10% of your grade):** Help lead one class with professor and class participaion. We
will meet to design the class you lead the week before.

2. **(20% of your grade):** Complete two problem sets (of five possible, your choice
which ones), due on dates noted on the syllabus. These two will be graded. (No late
assignments accepted. If you miss a due date, simply do two from the ones left!).

3. **(70% of your grade)** Write two papers (five-page double-spaced) that present
economic evidence on one of the topics listed in syllabus (due class 10 and class 14).

*More on: Problem Sets*

Note that these problem sets are designed to give you practice with the analytical tools
introduced in class, lectures, and the readings. You must submit original work. You can work
together to share ideas, but if you submit identical work, you will not receive credit.

*More on: Five Page Paper*

These papers should represent an unbiased reading of the economics of education literature on
the topic (as assigned for one or two of the classes in required and optional readings) 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 this final assignment is that you are asked to testify as an economist before
the New York City Council.

Each paper must be no more than five pages, double spaced, 12-point font, one inch margins.
Papers must be uploaded to the assignment tabs on the NYU Brightspace site by the due dates
((November 16 and December 14)

Remember, only the economic point of view on these topics and only one topic. Use all the class
readings, required and optional, on your topic (see eight choices of topics below).

1. Will more money improve student performance? Why do some economists say
money does not matter at the margin? What is the evidence? (Classes 5 and 6)

2. 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? (Classes 7 and 8)

3. How do school disruptions affect student learning? (Class 9)

4. Is on-line learning effective? (Class 9)

5. Will expanding the availability of school choice (vouchers to attend non-public
   schools, charter schools, magnet schools etc.) raise achievement in urban public
   schools? (Class 10)

6. What changes will and will not improve teacher quality? Consider salaries,
   unions, incentives, recruiting, and working conditions. (Classes 11 and 12)

7. How should we hold (schools or teachers or students – choose one) accountable,
   both in theory and practice? (Class 13)

8. Does attending an elite college matter? (Class 14)
SUMMARY OF COURSE GRADING
1. 10% Help lead one class and class participation
2. 20% Two of five problem sets, your choice of which (PS)
3. 70% Two five page papers (due November 16 and December 14)

COURSE SCHEDULE (LT = Economics of Education text; LG = Handbook; OT = papers; PS = problem set)

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<td>2</td>
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<td>Empirical tools of education economics</td>
<td>LT 3 and Appendix A; LG 6; OT</td>
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<td>9/21</td>
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<td>11/16</td>
<td>School choice</td>
<td>LT 10; OT</td>
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<td>Teacher labor markets I (measuring teacher quality)</td>
<td>LT 9 (210 to end); LG 10</td>
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<td>11/30</td>
<td>Teacher labor markets II (teacher supply and demand)</td>
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<td>School accountability</td>
<td>LT 11; OT</td>
<td>PS 5 (higher ed)</td>
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<td>12/14</td>
<td>The economics of higher education</td>
<td>LT 13, 14; OT</td>
<td>Second five page paper</td>
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READING LIST (All required reading unless listed as optional)

**CLASS 1 Introduction to the Economics of Education**

The economist’s approach to the study of education and education policy, the organization of educational markets in the U.S., and the economic rationale for government involvement in education. Applying theoretical concepts of microeconomics to the education sector. Types of education policies examined in the economics of education.

Lovenheim and Turner – Chapter 1 “Why do Economists Study Education Policy?”

Lovenheim and Turner – Chapter 2 “The Structure and History of Education Markets in the United States”

**Optional readings**

LADD/GOERTZ: Chapter 1, Springer, Houck, and Guthrie. -- “History and Scholarship Regarding United States Education Finance and Policy”


NYC Public School Indicators, October, IBO, NYC ([www.ibo.nyc.us](http://www.ibo.nyc.us))

**CLASS 2 Empirical Tools of Education Economics**

An introduction to empirical methods and research design in the economics of education: correlation versus causality, linear regression, selection and omitted variables bias, treatment effects, randomized experiments, observational designs, natural and quasi-experiments, internal and external validity.

Lovenheim and Turner – Chapter 3 “Empirical Tools of Education Economics”


LADD/GOERTZ: Chapter 6, McEwan, Patrick J., “Quantitative Research Methods in Education Finance and Policy”
CLASS 3 The Human Capital Model


Lovenheim and Turner – Chapter 4 “The Human Capital Model.”


Optional readings


CLASS 4 The Economic and Non-Economic Returns to Education

How economists measure the economic (and non-economic) returns to schooling, and the empirical challenges of doing so. Selection and “ability bias.” The returns to college quality, and 2- versus 4-year colleges.

Lovenheim and Turner – Chapter 6 “The Returns to Education Investment.”


Optional readings


**CLASS 5 The Education Production Function I – Theory**

Concepts of the production function in economics—inputs, outputs, input substitution, diminishing marginal returns. Efficient allocation of scarce resources in the production of education.

Lovenheim and Turner – Chapter 7 “How Knowledge is Produced: The Education Production Function.”


LADD/GOERTZ: Chapter 8, Rice and Schwartz.--“Toward an Understanding of Productivity in Education”

**CLASS 6 The Education Production Function II – Does Money Matter? Empirical Evidence**

The weak correlation between educational inputs and outcomes (the Hanushek critique). Evidence on returns to class size from the Tennessee STAR experiment and other sources. Methodological challenges associated with evaluating the effects of peers and other educational inputs.


**Optional readings**


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

**CLASS 7 Financing Schools I (overview, Tiebout model, funding formulas)**


Lovenheim and Turner – Chapter 8 “The Financing of Local Public Schools.” (to 183)


LADD/GOERTZ: Chapter 15, Downes and Stiefel. -- “Measuring Equity and Adequacy in School Finance”
Optional readings


LADD/GOERTZ:

Chapter 14, Baker and Green. -- “Conceptions of Equity and Adequacy in School Finance”

Chapter 17, Picus, Goertz, and Odden. -- “Intergovernmental Aid Formulas and Case Studies

**CLASS 8 Financing Schools II (evaluation and consequences of school finance reform)**

Lovenheim and Turner – Chapter 8 “The Financing of Local Public Schools.” (183 to end)


Optional readings


LADD/GOERTZ:

Chapter 16: Duncombe, Nguyen-Hoang, and Yinger -- “Measurement of Cost Differentials”

Chapter 21, Corcoran and Evans.-“Equity, Adequacy and the Evolving State Role in Education Finance”

**CLASS 9 Disruptions to learning; On-line learning**

How have disruptions due to natural disasters/summer affected learning; how effective is on-line learning?

Disruptions:


On-line:


**Optional reading**


CLASS 10 School Choice


Lovenheim and Turner – Chapter 10 “School Choice: A Market-Based Approach to Education Reform.”


**Optional reading**


LADD/GOERTZ:

Chapter 13, Gill and Booker —“School Competition and Student Outcomes,”

Chapter 25, Bifulco and Buckley -- “Charter Schools”

Chapter 26, Zimmer and Bettinger -- “Beyond the Rhetoric: Surveying the Evidence on Vouchers and Tax Credits,”

**CLASS 11 Teacher Labor Markets I – Measuring Teacher Quality**

Measuring teacher quality and teaching effectiveness, and which measurable attributes of teachers contribute most to student outcomes.

Lovenheim and Turner – Chapter 9 “Does Money Matter?” from p. 210 to the end

LADD/GOERTZ; Chapter 10, Goldhaber. -- “Teachers Clearly Matter, But Finding Effective Teacher Policies Has Proven Challenging.”

CLASS 12 Teacher Labor Markets II– Teacher Supply and Demand

Teacher compensation, factors that influence the demand for and supply of teachers, teachers unions, and the analysis of merit pay policies. Teacher labor markets in developing nations.

Lovenheim and Turner – Chapter 12 “Teacher Labor Markets.”


Optional reading


LADD/GOERTZ: ch. 30, Adnot and Wyckoff – “Increasing the Effectiveness of Teachers in Low-Performing Schools.”


**CLASS 13 School Accountability**

The use of test outcomes to evaluate school performance and to promote the efficient use of school resources. Difficulties in the measurement of school quality, and the unintended consequences of test-based accountability.

Lovenheim and Turner – Chapter 11 “Test-Based Accountability Programs.”


Other recommended readings:


**Optional reading**


**LADD/GOERTZ:**

Chapter 12, Figlio and Ladd -- “School Accountability and Student Achievement”

Chapter 31, Harris -- “Effects of Educational Policies on Disadvantaged Students: From Desegregation to Accountability” (part on accountability)

**CLASS 14 The Economics of Higher Education**

Applications of economics to the study of higher education. Differences in college access by race, ethnicity, gender, and socioeconomic status. The roles of primary and secondary schools, expectations and information, price, and financial aid in college access and success.


Lovenheim and Turner – Chapter 14 “Paying for College: Student Financial Aid Policies and Collegiate Enrollment.”


**Optional reading**

Lovenheim and Turner – Chapter 15 “The Economics of College Life: Admissions, Peer Effects, and Graduation.”


**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**

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)
Association for Education Finance and policy [https://aefpweb.org/](https://aefpweb.org/)
Harvard Program on Education Policy and Governance [data.fas.harvard.edu/pepg/papers.htm](http://data.fas.harvard.edu/pepg/papers.htm)
National Center for the Study of Privatization in Education - Teachers College, Columbia University [www.tc.edu/ncspe](http://www.tc.edu/ncspe)
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 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?

Do you have any concerns about the course that you would like to share?

Degree/School in which enrolled

Fulltime Part-time

Brief description of work experience (if any): _________________

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