

# Economics 228

## EDUCATIONAL ECONOMICS

Fall 2005

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**Lectures:** Tues/Thurs 10.00-11.20am  
**Room:** P1007  
**Office Hours:** Mon/Wed 11.00am-12.30pm

### Course Objective:

The purpose of this course is to introduce students to the economic analysis of issues related to education. We will begin with an introduction to the economic theories that have been used to explain individuals' schooling decisions, and progress to the question of how and why governments are involved in education. We will then discuss particular issues in the design of policies related to primary and secondary education, post-secondary education, and (much less comprehensively) pre-school education. In the process, students will learn about the application of microeconomic theory and empirical analysis (econometrics) to the analysis of policy issues.

### Assessment:

The assessment in this course will be as follows:

	<b>Due Date</b>	<b>Marks Assigned</b>
Mid-semester exam	8 February (in class)	20
Assignment 1	27 February	10
Assignment 2	22 March	25
End of semester exam	Exam period	45

The exams will be cumulative – that is, they may cover any material taught in the course up to the date of the examination. There will be no deferred mid-semester examination. Students who are unable to write their exam must provide documented evidence of illness, family emergency, or other sufficient reason. In that case, the mid-semester exam's weight will be transferred to the final exam.

Full details of the assignments will be provided by the second class. They will be short pieces of writing, no longer than 5 pages in length. The first will be a review of a journal article, selected from a list I will hand out, and the second an analysis of a policy issue.

Regrade requests on any item of assessment will only be considered if submitted within one week of receipt of the mark for that item, and accompanied by a written statement of the substantive grounds for the request.

**Special Needs:**

Students with disabilities or special needs are advised to contact Laurier's Special Needs Office for information regarding its services and resources. Students are encouraged to review the Calendar for information regarding all services available on campus.

**Academic Integrity:**

You are reminded that the University will levy sanctions on students who are found to have committed, or have attempted to commit, acts of academic or research misconduct. You are expected to know what constitutes an academic offense, to avoid committing such offenses, and to take responsibility for your academic actions. For information on categories of offenses and types of penalty, please consult the relevant section of the Undergraduate Academic Calendar. If you need clarification of aspects of University policy on Academic and Research Misconduct, please consult your instructor.

*Wilfrid Laurier University uses software that can check for plagiarism. Students may be required to submit their written work in electronic form and have it checked for plagiarism.*

# Course Outline and Readings

## Reading:

Sadly, there is no appropriate textbook for this course. The readings listed below will be put on reserve at the library. Many of these will also be available to WLU students over the internet. Required readings are indicated with a star. I have also listed on the outline some optional readings. Parts of these may be covered in lectures, but I will not expect students to have read them thoroughly.

Some of the readings may cover aspects of economic theory, mathematics or econometrics that you have not covered in the pre-requisite courses. We will go through any of these cases carefully, and will be focusing on understanding the intuition rather than the technical detail.

Much of the first half of the course relies on the relevant chapters of Rosen, Dahlby, Smith and Boothe (2002) and Benjamin, Gunderson and Riddell (2002), which are the textbooks for the WLU courses in public economics and labour economics respectively. If you plan on taking these courses, it may be worthwhile buying a copy.

## Outline:

### 1. Overview of the Economics of Education

- \* Hanushek, E. (2002), "Publicly Provided Education," in A. Auerbach and M. Feldstein (ed.s), **Handbook of Public Economics**, Elsevier Science: 2045-2141

### 2. Why Study?

#### a. *Human capital models*

- \* Benjamin, D., M. Gunderson and C. Riddell (2002), **Labour Market Economics, 5<sup>th</sup> edition**. McGraw Hill, Toronto: pp. 244-253 (*BGR*)

#### b. *Signalling models*

- \* *BGR*, pp. 254-257

Spence, Michael (1973), "Job Market Signaling," **Quarterly Journal of Economics**, 87(2): 355-374

#### c. *Estimating the private returns to education*

- \* *BGR*, pp. 257-270

- \* Oreopoulos, P. (2003), "Canadian Compulsory Schooling Laws and Their Impact on Educational Attainment and Future Earnings," **Analytical Studies Branch Research Paper Series**. Statistics Canada: Ottawa

Angrist, J. and A. Krueger (1991), "Does Compulsory School Attendance Affect Education and Earnings?" **Quarterly Journal of Economics**, 106(4): 979-1014

### 3. Why and how is government involved in education?

#### a. Overview of government involvement in Canadian education

- \* Rosen, H., B. Dahlby, R. Smith and P. Boothe (2003), **Public Finance in Canada**. McGraw Hill, Toronto: pp 264-267 (RDSB)

#### b. General theory on government interventions, and relation to education

- \* RDSB, Chapter 3 and Chapter 14.

- \* Hanushek, pp 2064-2068

Haveman, Robert H. and Barbara L. Wolfe (1984), "Schooling and Economic Well-being: The Role of Nonmarket Effects," **Journal of Human Resources**, 19(3): 377-407

### 4. Compulsory Education

- \* RDSB, Chapter 3 and Chapter 14.

#### a. Education production functions – class size

- \* Hanushek, pp. 2068-2078

- \* Krueger, Alan (1999), "Experimental Estimates of Education Production Functions," **Quarterly Journal of Economics**, 114(2): 497-532

Hanushek, E. (1996), "Measuring Investment in Education," **Journal of Economic Perspectives**, 10(4): 9-30

#### b. Education production functions – peer effects

- \* Henderson, V., P. Mieszkowski and Y. Sauvageau (1978), "Peer Group Effects and Educational Production Functions," **Journal of Public Economics**, 10(August): 97-106

- \* Hoxby, Caroline Minter (2000), "Peer Effects in the Classroom: Learning from Gender and Race Variation," NBER Working Paper No. 7867

#### c. Accountability/Testing

- \* Kane, T. and D. Staiger (2002), "The Promise and Pitfalls of Using Imprecise School Accountability Measures," **Journal of Economic Perspectives**, 16(4): 91-114

Jacob, Brian (2005), "Accountability, Incentives and Behavior: The Impact of High Stakes Testing in the Chicago Public Schools," **Journal of Public Economics**, 89(5-6): 761-96

**d. Competition/Vouchers/Choice**

- \* Rouse, Cecilia Elena (1998), "Private School Vouchers and Student Achievement: An Evaluation of the Milwaukee Parental Choice Program," **Quarterly Journal of Economics**, 113(2): 553-602

Ladd, Helen F. (2002), "School Vouchers: A Critical View," **Journal of Economic Perspectives**, 16(4): 3-24

**e. School finance**

- \* Card, David, and A. Abigail Payne (2002), "School Finance Reform, the Distribution of School Spending, and Distribution of Student Test Scores," **Journal of Public Economics**, 81(1): 51-72

Hoxby, Caroline Minter (1996), "Are Efficiency and Equity in School Finance Substitutes or Complements?" **Journal of Economic Perspectives**, 10(4): 51-72

**5. Post-compulsory education**

**a. Inequality in post-compulsory education**

- \* Frenette, Marc (2005), "Is Post-Secondary Access More Equitable in Canada or the United States?" **Analytical Studies Branch Research Paper Series**, Statistics Canada Cat. No. 11F0019MIE: 244. Statistics Canada: Ottawa

Corak, Miles, Garth Lipps and John Zhao (2003), "Family income and participation in post-secondary education," **Analytical Studies Branch Research Paper Series**, Statistics Canada Cat. No. 11F0019MIE: 210. Statistics Canada: Ottawa

Jacob, Brian (2002), "Where the Boys Aren't: The Gender Gap in Higher Education," **Economics of Education Review**, 21: 589-598

**b. Tuition fees, student loan programs, and credit constraints**

- \* Kane, T. (1994), "College Entry by Blacks since 1970: The Role of College Costs, Family Background and the Returns to Education," **Journal of Political Economy**, 102(5): 878-911

**6. Pre-compulsory education/Early childhood**

- \* Currie, Janet (2004), "Viewpoint: Child research comes of age," **Canadian Journal of Economics**, 37(3): 509-527

- \* Statistics Canada (1999), "National Longitudinal Survey of Children and Youth: School Component," The Daily.