

## EAD 942: Economic Analysis in Education Policy Making, Spring 2011

Dr. Amita Chudgar (amitac@msu.edu)

### Class time and location

Thursdays, 4:10-7:00pm  
C310, Wells Hall

### Office hours and office location

Thursdays, 12-2pm (or by appointment)  
426, Erickson Hall

### Course description

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The course will begin with an introduction to some basic economic concepts and a discussion on how they may be applied in the analysis of educational issues. We will then discuss specific areas of education research and policy making which have been influenced by the use of economic concepts. For instance, consider the following (oversimplified) version of how economic theory and thinking may inform education debates. Economics views education as an *input* or *investment* in the future economic productivity of the individual and by extension the nation. Economics also views education as an *output*, a *consumption good*, in turn we think about the manner in which this output should be distributed to the consumers (role of market vs. state, accountability issues) and the manner in which the output is currently distributed (achievement and access gaps). Economic perspective also thinks about the *production* of education. This literature comments on the *cost* associated with and the role of different *inputs* in the production of education (school resources, teachers, family background etc). Finally, in the globalized economy and the interconnected world, the increased *export and import of services* have made education crucial in maintaining the *international competitiveness* of nations.

Through the semester we will read a variety of mainly journal articles to understand the contributions of economics to education policy literature. In addition, the course will also aim to develop a basic competence to work with quantitative research, and to produce simple quantitative analysis. Finally, through regular readings and additional material in class the course will aim to incorporate an international comparative perspective on most of these topics.

### Late assignment policy

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You are expected to turn in the assignments on time. Late submission will affect your grades. If you are unable to complete your work on time due to unavoidable circumstance, you must speak to the instructor at the earliest about this to ensure that your grades may not be affected.

### Absence policy

If you must remain absent from a class, you need to a) inform the instructor ahead of time b) within a week of missing class, you must submit a one page summary for each of the readings covered in class on the day you missed class c) more than one absence may negatively affect your grade.

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*Please note: MSU seeks to ensure that its programs are accessible to all persons. Students in need of special assistance or an accommodation regarding any of the course requirements as outlined in the syllabus and discussed in class are advised to notify me immediately. We will meet privately to discuss a resolution of your issue, which may or may not include an appropriate referral. Confidentiality will be maintained regarding your special needs.*

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## Course Assignments

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**1. Class participation:** Students are expected to participate fully in weekly discussions. It is essential that you come to class having read all the assigned articles and ready to engage with your classmates. From time to time I may also bring newspaper articles and other such materials to generate a discussion in class. Your engagement in these materials is crucial. Please remember that how well you do on this part of the assignment benefits not just you but also your classmates because we all learn from each other (15 percent).

**2. Generating and informing class discussion:** I will circulate a signup sheet during our second class meeting. Each student will select a week (excluding weeks 7,8,9 and 15) where they will be in-charge of generating discussion points and questions pertaining to that week's readings. Your discussion points, along with any brief accompanying material you want us to look at (like say a small video or a newspaper article, or a quote etc.) will be due to me on Tuesday before class by 12pm (15 percent).

**3. Cost-benefit analysis:** A short exercise using cost-benefit analysis. You can work in groups of no more than three for this assignment. This will require intermediate competency with Microsoft Excel or a similar software. The whole group will receive the same grade (20 percent).

**4. Quantitative analysis:** In groups of no more than three students, you will work on a small quantitative analysis project to conduct a 'production function' analysis. I am still debating between two different datasets and approaches for this assignment. I will share more details in class. The main idea behind this assignment is to a) create and enhance students' level of comfort with simple quantitative operations b) think about ways in which quantitative research may enrich our understanding of educational issues. The whole group will receive the same grade (20 percent).

**5. Final paper:** In groups of no more than three students a detailed analysis of an educational issue from an economic perspective. If you can link this back to assignment 4, that will be great- and if not, that is fine too. You will make a brief presentation on this paper in the last class and turn in a no longer than 15 page double spaced paper. Both the presentation and the paper will count towards your final grade. The whole group will receive the same grade. While it is not necessary, students with sufficient statistical background are welcome and encouraged to engage in a data analysis project. I will distribute more instructions on this final assignment in class (30 percent).

## Course material

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Most readings you will need for this class are available online through MSU library's online resources (<http://er.lib.msu.edu/>) or online. The remaining readings are available in a course pack at the Spartan Bookstore in the International Center for \$55.33. Course packs may be purchased online at [www.spartanbook.com](http://www.spartanbook.com), by phone at 877.267.4700, or in the store.

## **Course schedule and readings (subject to minor changes/additions)**

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### **Class 1, 1/13**

1. Chapter 4, The Elements of Demand and Supply (Samuelson 13th Edition)
2. Chapter 21, Theory of Production and Marginal Products (Samuelson 13th Edition)
3. Chapter 29, Labor Unions and Collective Bargaining (Samuelson 13th Edition)
4. Chapter 32, Economic Role of the Government (Samuelson 13th Edition)
5. Chapter 34, Poverty, Equality and Efficiency (Samuelson 13th Edition)
6. Reading statistical tables / quantitative research  
([http://www.era.net/uploadedFiles/Publications/Books/Estimating\\_Causal\\_Effects/ECE\\_Front-TOC.pdf](http://www.era.net/uploadedFiles/Publications/Books/Estimating_Causal_Effects/ECE_Front-TOC.pdf))
7. Dominic Brewer et.al. (2008), "The Role of Economics in Education Policy Research" in H.F. Ladd and Edward B. Fiske eds. *Handbook of Research in Education Finance and Policy*. Routledge, 2008.

#### *Additional reading*

1. Econometric Methods for Research in Education, [Costas Meghir](#), [Steven G. Rivkin](#) NBER Working Paper No. 16003, Issued in May 2010 <http://www.nber.org/papers/w16003>

<b>Education – an input, investment</b>
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### **Class 2, 1/20**

1. Theodore W. Schultz (1959), Investment in Man: An Economist's View, *The Social Service Review*, Vol. 33, No. 2 (Jun., 1959), pp. 109-117
2. Human Capital vs. Signaling Explanations of Wages, Andrew Weiss, *The Journal of Economic Perspectives*, Vol. 9, No. 4 (Autumn, 1995), pp. 133-154
3. S. Bowles and H. Gintis. Schooling in Capitalist America Revisited. *Sociology of Education*, 75(1):1–18, 2002.
4. Martin Carnoy. 1996. Race, Gender, and the Role of Education in Earnings Inequality: An Introduction. *Economics of Education Review*, **15**, 207-212.

#### *Additional readings*

1. M. Blaug. Where Are We Now in the Economics of Education? . *Economics of Education Review*, 4(1):17–28, 1985.
2. Martin Carnoy. 1996. Education and Racial Inequality: The Human Capital Explanation Revisited. *Economics of Education Review*, **15**, 259-272.
3. Overqualification: Major or minor mismatch? Malcolm Brynin, Simonetta Longhi *Economics of Education Review* 28 (2009) 114–121

### Class 3, 1/27

1 Returns to Education: A Further International Update and Implications, George Psacharopoulos, *The Journal of Human Resources*, Vol. 20, No. 4 (Autumn, 1985)

2. Hanushek, E.A., and D.D. Kimko. (2000). Schooling, Labor Force Quality, and the Growth of Nations. *American Economic Review* 90, no. 5: 1184-208.

3. Does learning to add up add up? : the returns to schooling in aggregate data, Lant Pritchett (From the Handbook of Economics of Education, Hanushek) (up to page 25)  
[http://www.isid.ac.in/~planning/seminar/papers/18\\_2\\_2005.pdf](http://www.isid.ac.in/~planning/seminar/papers/18_2_2005.pdf)

4. Thomas S. Dee, Are there Civic Returns to Education? <http://ers.princeton.edu/W9588.pdf>

#### *Additional reading*

1. Returns to investment in education: a further update G Psacharopoulos, HA Patrinos *Education Economics*, Volume 12, Number 2, August 2004 , pp. 111-134(24)

<b>Production of education, the role of different inputs</b>
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### Class 4, 2/3

1. Gary Burtless (1996). Introduction and summary. In G. Burtless, ed., *Does Money Matter?* Washington, DC: The Brookings Institution. Ch. 1, pp. 1-42

2. The Effect of School Resources on Student Achievement Rob Greenwald, Larry V. Hedges, Richard D. Laine, *Review of Educational Research*, Vol. 66, No. 3 (Autumn, 1996), pp. 361-396

3. School Resources, Eric A. Hanushek (From the Handbook of Economics of Education, Hanushek) <http://edpro.stanford.edu/hanushek/admin/pages/files/uploads/HESEDU2014-1.pdf>

4. Economic Considerations and Class Size, Krueger, Alan B., *The Economic Journal*, Volume 113, Number 485, February 2003 , pp. 34-63(30)

#### *Additional readings*

1. Fryer, R. G. (2006) "Acting White," *Education Next*, 1 (Winter): 53-59.

2. Review, <http://www.boldapproach.org/statement.html>, A Broader, Bolder Approach to Education

3. Dan Goldhaber and Dominic Brewer (1997) Why don't schools and teachers seem to matter? Assessing the impact of unobservables on educational productivity. *Journal of Human Resources* 32(3), 505-523.

4. David Cohen, Stephen Raudenbush , and Deborah Loewenberg Ball (2002). Resources, instruction, and research. *Education Evaluation and Policy Analysis* 25(2): 119-142.

5. School Resources and Student Outcomes: An Overview of the Literature and New Evidence from North and South Carolina David Card, Alan B. Krueger *The Journal of Economic Perspectives*, Vol. 10, No. 4 (Autumn, 1996), pp. 31-50

6. Lazear, Edward (2001). "Educational Production." *Quarterly Journal of Economics*, 116:3, pp. 777-803.

#### **Class 5, 2/10**

1. Hamilton Lankford, Susanna Loeb, and James Wyckoff (2002). Teacher sorting and the plight of urban schools: A descriptive analysis. *Educational Evaluation and Policy Analysis*, 24(1), Spring, pp. 37-62.

2. Dale Ballou and Michael Podgursky (1998). The case against teacher certification. *Public Interest*, Summer, 132, pp. 17-30.

3. Linda Darling-Hammond and Gary Sykes (2003). Wanted: A national teacher supply policy for education: The right way to meet the "Highly Qualified Teacher" challenge. *Education Policy Analysis Archives*, 11(33). <http://epaa.asu.edu/epaa/v11n33>.

4. Donald J. Boyd, Pamela L. Grossman, Hamilton Lankford, Susanna Loeb, and James Wyckoff, Teacher Preparation and Student Achievement, *Educational Evaluation and Policy Analysis*, 2009 31: 416-440

#### *Additional readings*

1. Richard Ingersoll (2001). Teacher turnover and teacher shortages: An organizational analysis. *American Educational Research Journal*, 38(3), Fall, pp. 499-534.

2. Understanding the level and causes of teacher turnover: A comparison with other professions *Economics of Education Review* Volume 26, Issue 3, June 2007, Pages 325-337

3. Geeta Kingdon and Francis Teal, "Does performance related pay for teachers improve student performance? Some evidence from India" *Economics of Education Review*, Volume 26, Issue 4, August 2007, Pages 473-486

4. Dan Goldhaber (2002). The mystery of good teaching: Surveying the evidence on student achievement and teachers' characteristics. *Education Next*, 2(1), Spring, pp. 50-55.

#### **Class 6, 2/17**

1. Chudgar, Amita & T. F. Luschei. 2009. "National Income, Income Inequality, and the Importance of Schools: A Hierarchical Cross-National Comparison." *American Educational Research Journal*, 46 (3), 626-658

2. Baker, D.P., Goesling, B., & Letendre, G.K. (2002). Socioeconomic status, school quality, and national economic development: A cross-national analysis of the "Heyneman-Loxley Effect" on mathematics and science achievement. *Comparative Education Review*, 46(3), 291-312.

3. Hanushek, Eric A, Interpreting recent research on schooling in developing countries [The World Bank Research Observer](http://proquest.umi.com.proxy2.cl.msu.edu:2047/pqdweb?index=2&did=6866259&SrchMode=3&sid=1&Fmt=3&VInst=PROD&VType=PQD&RQT=309&VName=PQD&TS=1182396863&clientId=3552&aid=1#fulltext), 10(2); pg. 227. Available here with MSU netid <http://proquest.umi.com.proxy2.cl.msu.edu:2047/pqdweb?index=2&did=6866259&SrchMode=3&sid=1&Fmt=3&VInst=PROD&VType=PQD&RQT=309&VName=PQD&TS=1182396863&clientId=3552&aid=1#fulltext>

## Cost-benefit analysis

### Class 7, 2/24

(Amita in DC for NAED/Spencer conference)

#### *Additional cost-benefit analysis readings*

1. Barnett, W. S., & Masse, L. N. (2007), "Early Childhood Program Design and Economic Returns: Comparative Benefit-Cost Analysis of the Abecedarian Program and Policy Implications", *Economics of Education Review*, 26, 113-125.
2. Belfield, C., Nores, M., Barnett, W.S., & Schweinhart, L. (2005) Updating the benefit-cost analysis of the High/Scope Perry Preschool Program through age 40. *Educational Evaluation and Policy Analysis*, 27(3), 245-262.

### Class 8, 3/3

1. Henry M. Levin, The Economic Payoff to Investing in Educational Justice  
*Educational Researcher* 2009 38: 5-20
2. Levin, H. and P. McEwan. "Cost Effectiveness as an evaluation Tool." *International Handbook of Educational Evaluation*
3. Cost-Effectiveness and Educational Policy Henry M. Levin, *Educational Evaluation and Policy Analysis*, Vol. 10, No. 1 (Spring, 1988), pp. 51-69
4. W. Steven Barnett, "Benefit-Cost Analysis of the Perry Preschool Program and Its Policy Implications" *Educational Evaluation and Policy Analysis*, Vol. 7, No. 4 (Winter, 1985), pp. 333-342

## SPRING BREAK

## Quantitative analysis and research methods

### Class 9, 3/17 (AEFA)

**ASSIGNMENT 3 DUE IN CLASS**

**ASSIGNMENT 4 DISTRIBUTED IN CLASS**

**ONE PAGE FINAL PAPER OUTLINE DUE**

Quantitative research session, PLEASE BRING YOUR LAPTOPS TO CLASS

PLEASE SPEND SOME TIME REVIEWING

<http://nces.ed.gov/nationsreportcard/nde/> AND

<http://lighthouse.air.org/timss/>

1. [http://ies.ed.gov/ncee/wwc/pdf/wwc\\_procedures\\_v2\\_standards\\_handbook.pdf](http://ies.ed.gov/ncee/wwc/pdf/wwc_procedures_v2_standards_handbook.pdf), read chapter 2 section D. and chapter 3.
2. <http://ies.ed.gov/ncee/wwc/publications/quickreviews/> (review any 3 studies, one consistent with WWC standard, one consistent with reservation, and one not consistent).
3. <http://econ-www.mit.edu/files/765> (read sections 1, 4 and 5)

**Education as an output or an economic good, the role of the market, gaps in distribution of education, accountability issues**

**Class 10, 3/24**

1. Sean Reardon and Joseph Robinson, "Patterns and Trends in Racial/Ethnic and Socioeconomic Academic Achievement Gaps" in H.F. Ladd and Edward B. Fiske eds. *Handbook of Research in Education Finance and Policy*. Routledge, 2008
2. Susanna Loeb and Daphna Bassok, "Early Childhood and the Achievement Gap" in H.F. Ladd and Edward B. Fiske eds. *Handbook of Research in Education Finance and Policy*. Routledge, 2008
3. Jean Drèze & Geeta Gandhi Kingdon, School Participation in Rural India, Review of Development Economics, Volume 5 Issue 1, Pages 1 – 24
4. The implications of changing educational and family circumstances for children's grade progression in rural Pakistan: 1997–2004, Cynthia B. Lloyd, Cem Mete, Monica J. Grant, *Economics of Education Review* 28 (2009) 152–160

**Class 11, 3/31**

1. National Center For the Study of Privatization in Education, <http://ncspe.org/readrel.php?set=pub&cat=83> read the FAQ section that talks about charter schools, home-schools, educational vouchers, for-profit schools, private schools and tuition-tax credits.
2. Review <http://www.friedmanfoundation.org/friedman/schoolchoice/> especially focus on, "Why School Choice, School Choice Programs, School Choice Myths"

3. Henry Levin (2008), "Issues in Educational Privatization" in H.F. Ladd and Edward B. Fiske eds. *Handbook of Research in Education Finance and Policy*. Routledge, 2008.
4. Helen Ladd (2001). School vouchers: A critical view. *Journal of Economic Perspectives*, 16(4), Fall, 3-24.
5. The impact of charter schools on the efficiency of traditional public schools: Evidence from Michigan, Yongmei Ni, *Economics of Education Review* 28 (2009) 571–584
6. [http://siteresources.worldbank.org/EDUCATION/Resources/278200-1099079877269/547664-1099079934475/547667-1135281523948/2065243-1239111225278/Role\\_Impact\\_PPP\\_Education.pdf](http://siteresources.worldbank.org/EDUCATION/Resources/278200-1099079877269/547664-1099079934475/547667-1135281523948/2065243-1239111225278/Role_Impact_PPP_Education.pdf) (Chapter 1, 3 and conclusion)

*Additional reading*

1. James Tooley, Pauline Dixon and James Stanfield, "Delivering Better Education: Market solutions for educational improvement"  
<http://www.adamsmith.org/images/uploads/publications/delivering-better-edu.pdf>

2. James Tooley and Pauline Dixon, "Private Schools for the Poor: A Case Study from India" <http://www.cfbt.com/PDF/91001.pdf>
3. National Voucher Plans in Chile and Sweden: Did Privatization Reforms Make for Better Education? Martin Carnoy, *Comparative Education Review*, Vol. 42, No. 3 (Aug., 1998), pp. 309-337

#### Class 12, 4/7

#### ASSIGNMENT 4 DUE IN CLASS

1. Would Accountability Based on Teacher Value Added Be Smart Policy? An Examination of the Statistical Properties and Policy Alternatives, [Douglas Harris](#), *Education Finance and Policy* Fall 2009, Vol. 4, No. 4: 319–350.
2. Carnoy and Loeb, "Does External Accountability Affect Student Outcomes? A Cross-State Analysis." *Educational Evaluation and Policy Analysis*, Vol 24 (4). Winter, 2003.
3. Helen F. Ladd and Arnaldo Zelli, *Educational Administration Quarterly*, Vol. 38, No. 4, 494-529 (2002) School-Based Accountability in North Carolina: The Responses of School Principals
4. Charles T. Clotfelter , et.al; Do School Accountability Systems Make It More Difficult for Low-Performing Schools to Attract and Retain High-Quality Teachers? *Journal of Policy Analysis and Management*, v23 n2 p251-271 Spr 2004

#### *Additional Readings*

1. Helen Ladd (2001). School-based educational accountability systems: The promise and the pitfalls. *National Tax Journal*, 54(2), June, pp. 385-400. Available through <http://ntanet.org>.
2. Thomas Kane, Douglas Staiger, and Jeffrey Geppert (2002). Randomly accountable. *Education Next*, 2(1), Summer, pp.57-61. Available at: <http://www.educationnext.org> 3/30
3. The Confusing World of Educational Accountability June 2001, Eric A. Hanushek and Margaret E. Raymond *National Tax Journal* 54(2)  
<http://edpro.stanford.edu/hanushek/admin/pages/files/uploads/accountability.ntj.pdf>

<b>Economics of higher education and the role of education in the global economy</b>
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#### Class 13, 4/14

1. Clotfelter, C. T. (1999). "The Familiar but Curious Economics of Higher Education: Introduction to a Symposium." *Journal of Economic Perspectives* 13 (1). pp. 3-12.
2. Does It Pay to Attend an Elite Private College? Cross-Cohort Evidence on the Effects of College Type on Earnings Dominic J. Brewer, Eric R. Eide, Ronald G. Ehrenberg *The Journal of Human Resources*, Vol. 34, No. 1 (Winter, 1999), pp. 104-123
3. Subsidies, Hierarchy and Peers: The Awkward Economics of Higher Education Gordon C. Winston *The Journal of Economic Perspectives*, Vol. 13, No. 1 (Winter, 1999), pp. 13-36



4. Community college student success: What institutional characteristics make a difference? Juan Carlos Calcagno, Thomas Bailey, Davis Jenkins, Gregory Kienzl, Timothy Leinbach, *Economics of Education Review* 27 (2008) 632–645

**Class 14, 4/21**

1. Richard B. Freeman, “Does Globalization of the Scientific/Engineering Workforce Threaten U.S. Economic Leadership?” NBER Working Paper No. 11457, June 2005

2. Gary Gereffi and Vivek Wadhwa “Framing the Engineering Outsourcing Debate: Placing the United States on a Level Playing Field with China and India”

[http://www.soc.duke.edu/resources/public\\_sociology/duke\\_outsourcing.pdf](http://www.soc.duke.edu/resources/public_sociology/duke_outsourcing.pdf)

3. Kurt Larsen , John P. Martin & Rosemary Morris, “Trade in Educational Services: Trends and Emerging Issues”, *World Economy*, Volume 25 Issue 6, Pages 849 – 868

4. The World Is Flat From WikiSummaries: Free Book Summaries

[http://www.wikisummaries.org/The\\_World\\_Is\\_Flat](http://www.wikisummaries.org/The_World_Is_Flat)

<b>Final presentation</b>
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**Class 15, 4/28**

**ASSIGNMENT 5 DUE IN CLASS**