Introduction

The economics of education is about understanding how and why people make decisions to invest in education, the effect of education on long-term social and economic outcomes, the behavior of institutions that “produce” education, and how best to design and implement public policies affecting the level and distribution of education resources and outcomes. The basic tools of economics – choice under scarcity – provide a powerful framework to evaluate education policies, such as individual decisions to invest in education, resource allocation in K-12 and higher education, the structure of student financial aid, the supply and quality of teachers, and market-based education policies such as school choice and teacher incentive pay. The course begins by considering individual decisions to invest in schooling and then turns to the examination of the K-12 and collegiate markets. Throughout the course, there is an emphasis on examining empirical tests of the economic theory and measuring the effects of policy initiatives on educational outcomes.

Requirements, Assignments, and Grading

Short Written Assignment: There will be short (1-2 page) written assignments most weeks in which you will respond critically to the readings. These are meant to help students engage the reading prior to class time, and there will be no more than one per week.

Exams: There will be one midterm and a final. The format of exams may include computation, short answer, and essay questions.

Midterm Date: March 23, in Class
Final Date: TBA

Education Policy Paper: Each student will write a 5-7 page paper on an educational policy topic of his or her choosing. The paper will describe the policy issue, discuss theoretical issues surrounding policy interventions (what is the economic justification for the policy), and provide a detailed and critical review of the literature in this area. The paper also will discuss what gaps in knowledge exist that are important for assessing the policy intervention; if appropriate you can briefly suggest a way to give us insight into one of these gaps as well. This topic can be something we cover in class or not, but if you choose one we cover I will expect you to go well beyond what we have already done. I urge you to consider potential topics throughout the course and to talk to me and/or Bhavya about topics earlier, rather than later, in the semester. Please
note that I reserve the right to run all papers submitted through an anti-plagiarism software engine, such as Turnitin.

**Due Date: May 11, 2016 (Last Day of Class).**

*Attendance and Class Participation:* This class requires students to do required readings prior to class and to come to class ready to discuss these readings. Class attendance therefore is mandatory. If you must miss class due to a university approved activity (religious, athletic participation, etc.) please notify me in writing during the first week of class. If you must miss an exam due to a personal tragedy, please contact Dean Bisogni (cab20@cornell.edu), who then will contact me and the rest of your professors to arrange for a make-up exam.

Grades will be computed as follows:

- Attendance and Participation: 5%
- Short Written Assignments: 5%
- Paper: 25%
- Midterm: 25%
- Final: 40%

Students are encouraged to come to office hours with questions about readings, course assignments, and research related to the economics of education.

**Prerequisites**

Students enrolled in this course already must have taken an econometrics course (PAM 3100 or Econ 3125) and intermediate microeconomics (PAM 2000 or Econ 3030). Some courses in other departments may be substituted, but they need to be cleared by me first.

**Cornell Code of Academic Integrity**

The University Faculty Senate has developed a Code of Academic Integrity that governs all student academic undertakings. Absolute integrity is expected of every Cornell student. A Cornell student's submission of work for academic credit indicates that the work is the student's own. For the specifics of this code of conduct, see [http://web.cornell.edu/UniversityFaculty/docs/AIC.pdf](http://web.cornell.edu/UniversityFaculty/docs/AIC.pdf)
Course Outline and Readings

There are two types of readings for this course. The first is a draft of a comprehensive textbook on the economics of education that I recently finished. Feedback on this textbook is welcome (it will be published in 2017). The draft chapters of this textbook can be downloaded from Blackboard but are not to be distributed to others electronically.

The textbook will be used in conjunction with original research papers. Some of the research articles assigned for this course contain technical material that is beyond the scope of this course, and students will not be expected to master techniques beyond those discussed in lecture. Students should do the reading with the aim of understanding the research question, the test employed, and the resulting policy implications.

I reserve the right to substitute, add, and delete articles through the course of the term. Please note that if you are concerned by the volume of readings, this course is not for you. All readings are available on the course Blackboard website, unless a web link is provided below.

I. Introduction – Why Study the Economics of Education?

Introduction to Education Economics

Textbook Chapter 1

Textbook Chapter 2

Education and Economic Growth


II. Investing in Education

The Human Capital Model

Textbook Chapter 4

The Signaling Model

Textbook Chapter 5

Econometrics Review

Textbook Chapter 3

Empirical Estimates of the Return to Education

Textbook Chapter 6.1-6.3 (Skip the Deep Dives but read toolbox 6-1)


Textbook Chapter 6.4 (Skip the Deep Dives)


**III. Primary and Secondary Education: Behavior, Market Structure, and Policy Questions**

*The Educational Production Function*

Textbook Chapter 7

*Does Money Matter?*

Textbook Chapter 9.1

*Do Measured Inputs Matter?: Class Size*

Textbook Chapter 9.2


*Do Measured Inputs Matter?: Teacher Quality*

Textbook Chapter 9.3

Teacher Labor Markets

Textbook Chapter 12.1-12.2


Teachers Unions

Textbook Chapter 12.2


Market-Based Interventions: Charter Schools, School Choice and Incentive Pay

Textbook Chapters 10.1-10.2


Textbook Chapter 12.3.


III. Higher Education: Economics and Public Policy
Financial Aid Policy

Textbook Chapter 14.1-14.2


Do College Resources Matter?


Information as a Means to Reduce Inequality