

ECO 330: The Economics of Education

Princeton University
Department of Economics

Spring 2011

Instructor

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Preceptor

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Course webpage: <http://blackboard.princeton.edu>

Class Time: Monday and Wednesday 11am-12.20pm ; Classroom: McCosh 62
Precepts: Thursday 9am-9.50am; 3.30pm-4.20pm; venues TBA

Course description and objectives:

This course will use economic concepts to analyze the relationship between education and economic performance, at both the individual and aggregate level. It will also use economic and statistical tools to evaluate various education policy options. These range from long-standing debates about class size to the controversy surrounding the No Child Left Behind legislation. To that end, the course will familiarize students with contemporary education institutions, enable students to apply economic and statistical tools to questions arising from these institutions (e.g. are private schools "better" than public schools?) and enable students to apply microeconomic and statistical principles to the evaluation of education policy options (e.g. should states use "vouchers" to subsidize private school fees?).

Prerequisites:

It will be assumed that you are familiar and comfortable with the vocabulary, concepts, mathematics, and graphical representations presented in basic and intermediate microeconomics. Knowledge of basic econometric techniques (i.e., multiple regression) will also be needed, although I will review these techniques in class.

Textbook & Readings:

Required: I will assign several papers that you will need to read in detail for the course. These are listed below. They are all available online. Some will require you to go through the University's JSTOR facility. I may assign additional papers during the semester.

Unfortunately (or not, depending on your perspective), there are no textbooks for the Economics of Education (yet). This adds to the importance of the required readings.

Evaluation:

Your grade in this course will be determined by your performance on weekly problem sets (15%), a midterm exam (25%), a comprehensive final exam (35%), and a written project which I describe as a “policy brief” (25%, more details below). The due dates for the problem sets will be specified when those problem sets are handed out. You are unlikely to succeed in these aspects of the course if you do not attend lecture regularly.

Course Outline:

The course will consist of the following sequence of topics. The midterm will cover the lecture material and all of the associated articles. I will regularly announce the reading assignments in class; articles should be read prior to my lecture. Article references are listed on the next page.

<i>Topic</i>	<i>Readings</i>
1. Introduction to the Economics of Education	
2. Crash course in program evaluation	#1
<i>Education and Society</i>	
3. Educational investment decisions	#2, #3
4. Education and labor market signaling	#4
5. The social returns to education	
<i>The education production function</i>	
6. Resources (including class size)	
7. Teachers	#5
8. Peer effects	#6
<i>Perspectives on reform</i>	
9. Is there a problem with US public education?	#7a, #7b
10. Competition-based solutions: theory and practice	#8, #9a, #9b
11. Autonomy	#10
12. Incentive-based solutions: theory and practice	

Readings

#1) Angrist, J (2004), “American Education Research Changes Tack”, Oxford Review of Economic Policy, vol 20, no. 2., 198-212.

- #2) Angrist, J and A Krueger (1991), "Does Compulsory Schooling Attendance Affect Education and Earnings?", *The Quarterly Journal of Economics* 106(4), 979-1014
- #3) Oreopoulos, P (2006), "'Estimating Average and Local Average Treatment Effects of Education when Compulsory Schooling Laws Really Matter," *American Economic Review*, 96(1), 152-175
- #4) Martorell, P and D Clark (2010), "The Signaling Value of a High School Diploma", IRS Working paper August 2010. (<http://irs.princeton.edu/pubs/pdfs/557.pdf>)
- #5) Raj Chetty & John N. Friedman & Nathaniel Hilger & Emmanuel Saez & Diane Whitmore Schanzenbach & Danny Yagan, 2010. "How Does Your Kindergarten Classroom Affect Your Earnings? Evidence From Project STAR," NBER Working Paper 16381.
- #6) Bruce Sacerdote, 2001. "Peer Effects With Random Assignment: Results For Dartmouth Roommates," *The Quarterly Journal of Economics*, vol 116(2), pages 681-704, May.
- #7a) Alan Krueger (1998), "Reassessing the view that American Schools are Broken", Federal Reserve Bank of New York Economic Policy Review, March 1998.
<http://www.newyorkfed.org/research/epr/98v04n1/9803krue.pdf>
- #7b) Eric Hanushek (2004), "The Toughest Battleground: Schools", Published in "The Legacy of Milton and Rose Freeman's Free to Choose: Economic Liberalism at the Turn of the Twentieth Century".
<http://edpro.stanford.edu/Hanushek/admin/pages/files/uploads/toughest.battleground.pdf>
- #8) Hoxby, C (2000), "Does Competition among Public Schools Benefit Students and Taxpayers?," *American Economic Review*, vol. 90(5), pages 1209-1238
- #9a) Rothstein, J (2007), "Does Competition Among Public Schools Benefit Students and Taxpayers? A Comment on Hoxby (2000)." *American Economic Review* 97(5), 2026-2037.
- #9b) Hoxby, C (2007), "Does Competition among Public Schools Benefit Students and Taxpayers? Reply," *American Economic Review*, vol. 97(5), pages 2038-2055
- #10) Josh Angrist, Susan Dynarski, Thomas Kane, Parag Pathak, and Chris Walters," Accountability and Flexibility in Public Schools: Evidence from Boston's Charters and Pilots," NBER Working Paper 15549, November 2009.

Calendar of Important Dates:

Assignments and projects must be turned in at the beginning of class on the date they are due. Late submissions will be penalized. Anything submitted more than 2 days late will not be accepted for credit.

	<i>Monday</i>	<i>Wednesday</i>
<i>February</i>	(Jan 31) First Day	2
	7 NO CLASS (PROF AWAY)	9
	14	16
	21	23
	28	2
<i>March</i>	7	9 MIDTERM
	<i>Spring break</i>	
	21	23 NO CLASS (PROF AWAY)
	28	30
<i>April</i>	4	6
	11	13
	18	20 POLICY BRIEF DUE
	25	27
<i>May</i>	2	4 ADDITIONAL CLASS

Policy brief:

Your written project, a policy brief, will give you a chance to look more deeply into a particular area of education that is of interest to you. You can choose from several briefs that I design, or you can create your own. If you would like to choose your own, you must discuss with me in advance. You can also have more flexibility in the format/style of the brief that you write, as long as we have talked about it ahead of time. The standard format will be a maximum of 2000 words, not including tables, charts, and bibliography. In most cases, between 1000 and 1500 words is sufficient for a high quality policy brief.

See the separate policy brief document on the course website.