EDUC-768: Economics of Education
Fall 2022

Lecture: Monday 9:00 a.m. – 11:50 a.m.
Room: 4212 SEB
Instructor: Brian McCall (bpmccalll@umich.edu)

Office: 2108B SEB
Office Hours: Tuesday 1:00 p.m. - 2:00 p.m. or by appointment

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Home page: http://www-personal.umich.edu/~bpmccall/index.html

Policy on Accommodating Students with Special Needs:

In order to enable you to be successful in this course I encourage you to talk to
me as early in the semester as possible so that the necessary accommodations can
be made. See http://www.umich.edu/~sswd/ for more information about
services for students with disabilities.

Students Rights and Responsibilities:

I encourage you to read your rights and responsibilities as a student. Information
on these topics can be found at: http://www.umich.edu/~oscr/. I would also
encourage you to read the University’s General Catalogue, especially the sections
that detail your rights as a student and the section that discusses the University’s
expectations of you as a student. (See http://www.rackham.umich.edu/
StudentInfo/Publications.)

Policy on Diversity:

I intend to present materials and activities that are respectful of our diverse world
and I encourage you to provide suggestions on how we can incorporate new
materials to improve the course for all students. The University of Michigan has a
number of affirmative action policies and these policies can be found at http://
www.umich.edu/~hraa/oie/
Course Description

This course is an introduction to the economics of education. The central aim of the course is to assist students in viewing the education “industry” and its educational processes through the lens of economics. Several tools of economic analysis are used to address the links between education and consumption, investment, and employment. Students will be afforded an opportunity to examine an important issue related to the economics of education. This exercise will help students become more knowledgeable about the economics of education literature, and they will learn how to apply the tools of economic analysis to an important policy issue. The course is intended for post-baccalaureate students interested in education and there are no course prerequisites.

The course is organized as follows:

**Topical Areas**

1. Review of Economic Principles
2. Returns to Education: Human Capital Theory
3. Returns to Education: Job Signaling
4. Supply and Demand and the Role of Government in Higher Education
5. Educational Production Functions
6. The Market for Teachers
7. Teacher Incentives
8. School Choice
9. Market Dimensions of Higher Education
10. Student Aid Policy and Collegiate Outcomes
11. Financial Issues in Higher Education

LITERATURE REVIEW OR ISSUE PAPER DUE BY 4:00 p.m., December 12, 2022

COURSE CONDUCT

Students are expected to have read the required (marked with a *) materials at the time the topic is begun in class. Supplemental readings are provided if you’d like to explore a topic in more depth.
Textbooks

Optional:


Several chapters a book by Toutkousian and Paulsen, Economics of Higher Education: Background, Concepts and Applications (Springer 2016) will also be used in the course and are available on canvas. Other required and optional readings are also on canvas.

EVALUATION

Grades for the course will be based on class discussion (10%), bi-weekly essays (25%), an in-class presentation of a relevant academic paper (15%), and an issue paper or literature review (50%). Grading will be A/F only for three (3) semester credits. Incomplete grades are strongly discouraged; in any event, an incomplete must be arranged with the instructor before the end of the last class meeting (December 7th).

Class Discussion: Students should be prepared to offer comments, questions, or observations about each of the readings due for that class period. Each of you will be expected to contribute and 10% of your grade will depend on your class participation. I believe we can all learn from each other and I take participation in class very seriously.

Bi-weekly Essays: Every other week (approximately), each student will develop one written essay for the topic discussed in above. These essays are to be turned in the week after we discuss the relevant topic in class. For example, in the next two lectures we will discuss Economic Principles. You are expected to develop one essay related to this topical area and turn it in on September 19th. The due dates for these essays are Sept. 19, Oct 3, Oct. 24, Nov. 7, Nov. 21, and Dec. 5.

These essays should be your attempt to apply the concepts learned in the readings and class discussions. I expect these essays to be well-written (in an appropriate style and format) and no more than one page (single spaced) long. The quality of these questions will determine 25% of your grade. The written discussion questions are required so that we can get an early evaluation of your understanding of the concepts being discussed. This exercise is also designed to give you practice communicating your ideas in writing, a skill that is required to
be a successful higher education policy analyst. You will receive two grades on these papers, the first grade will indicate the quality of the paper with regard to grammar, clarity, and writing style; the second grade will be indicative of the quality of the content of your essay. Turning in these papers late will negatively affect your grade on the papers and in the course.

I encourage you to see me if you are having difficulty with the course materials. As is true of most economic-based courses, the concepts studied early in the semester are essential to understanding the concepts we will discuss later in the course. So if you need help, especially early in the semester, don’t hesitate to ask for it.

**Literature Review or Issue Essay Paper**: Each student will also be required to complete either a Literature Review or an Issue Essay paper (50% of the grade).

**Literature Review Paper Option**: If a student elects to conduct a literature review, it should be a paper on a topic of his or her own choosing, closely related to the content of the course, and approved by the instructor in advance. A useful way to proceed is to draft a one or two paragraph abstract of your topic and submit this abstract to the instructor for approval and helpful comments for sources prior to beginning work on your paper.

The paper should be a critical review of the literature on a particular topic relevant to the course content and should include the systematic integration of the relevant sources. In short, the paper should demonstrate a capacity to integrate literature in the field, the course readings, and the in-class presentations with thoughtful analysis on a relevant topic. For examples see the Review of Educational Research or Review of Economic Literature or any other field-related journals. For technical assistance see Harris M. Cooper, “Scientific Guidelines for Conducting Integrative Research Reviews,” Review of Educational Research, 52 (Summer 1982), 291-302; or Gregg B. Jackson, “Methods for Integrative Review,” Review of Educational Research, 50 (Fall 1980), 438-460.

As Cooper notes, “a literature review is more than a string of paragraphs that summarizes individual pieces of literature, all held by a common theme [although it is, indeed, partly that]. It is a form of research, and the database is the literature. The objective is not to develop new data, but to review existing data and combine it into a conceptual and analytic whole. While it is necessary to document the sources of information, the main concern is to review major events, methods, theories, philosophical positions, research findings, practices, programs, policies and the like, to analyze their importance, and to develop conclusions about their current and future impact. In other words, it is essential to convey the substance and meaning of what has been written.”
Although the student is not required or even expected to select his or her topic from the following list, the list is offered as an illustration of the type of topics that would be appropriate for such a literature paper:

- Education as an “economic industry” in (selected country)
- The economics of (various educational reforms) currently being discussed in the U.S (or another country)
- The use of educational production functions to examine public school efficiency and productivity issues (either by classroom, building, or district).
- Reward structures for teachers
- Rates of return in (selected forms or levels of education)
- Gender and salary differences in educational compensation
- The supply and demand for teachers in (selected regions or forms of education)
- The efficiency (i.e., benefit-cost or cost-effectiveness) of alternative (education-related) program delivery forms

The literature review paper will be evaluated using the following criteria:
1) It should reflect the course content.
2) It should focus on the literature of a topic relevant to the course, where the database is the literature.
3) It should be a critical synthesis and integration of the literature on the topic, where a critical review is given to either the methodology, design of questions, conceptual frameworks, etc.
4) It should be well-written throughout and in an appropriate formal style and format.

Although the writing of a cogent literature review may best serve most PhD students in their graduate programs (because they must eventually attend to the task for their theses), some students may have difficulty deciding on an appropriate topic for their review. Thus, an alternative paper focusing on an “Issue Essay” may be written in place of the literature review.

**Issue Essay Paper Option:** The purpose of the issue essay is to give students an opportunity to broaden their reading on an issue that is central to the content of this course and of public importance (most typically a public policy issue although it could be an issue of methodology or design), to develop skills in identifying and using literature relevant to a current issue, and to develop and demonstrate the ability to make a succinct summary and a thoughtful critique of an issue within the economics of education. For the purposes of this essay, an “issue” is defined as a question of importance in the context of the economics of education and to which informed and reasonable people could give different answers. Again, the topic must be approved in advance by the instructor.

The issue essay will be evaluated using the following criteria:
1) It should reflect the course content.
2) It should focus on an issue relevant to the course, and of some importance to society.
3) It should make appropriate use of supporting and opposing literature and evidence on the issue (drawing on at least 8-10 sources) and the student’s own scholarly reflection on the issue. This paper is not a regular research paper or literature review. Rather, your essay is more an argumentative essay wherein you use evidence to support your position. Although you are being asked to build and take a position on the issue, you should not forget to give some credence and outline to the opposing position. If there appears to be no “credible” opposing position, then your topic is not truly an issue about which reasonable people could disagree.
4) It should be well-written throughout and in an appropriate formal style and format.

Either paper should be typewritten or word processed in a formal style and should be no more than 15 double-spaced pages in length (excluding references). All references should follow the standard American Psychological Association (APA) and reference procedures. All papers are due by 4:00 p.m. on December 12, 2022.
**Reading List** (papers with a * will be discussed by me in class)

1. **Introductions/Discussion of Course/Review of Economic Principles**

*Toutkoushian and Paulsen, Chapters 1 & 2.


There is plenty of online material available that covers basic microeconomics. See for instance:


2. **Returns to Education: Human Capital Theory**

*Toutkoushian and Paulsen, Chapters 3 & 4.


3. Returns to Education: Job Signaling


**4. Supply and Demand and the Role of Government in Higher Education**

*Toutkoushian and Paulsen Chapters 5 and 6.

**5. Educational Production Functions**


**6. The Market for Teachers**


7. **Teacher Incentives**


**8. School Choice**


**9. Market Dimensions of Higher Education**

*Toutkoushian and Paulsen Chapters 7 and 8*


**10. Student Aid Policy and Collegiate Outcomes**


**11. Financial Issues in Higher Education**


