

ECONOMIC FOUNDATIONS OF EDUCATION AND SOCIAL POLICY

Revised 1/2/19

Winter 2019

Class meets Mondays: 9:00-11:30 *NOTE: a few class sessions will have to be rescheduled owing to some early travel for me. More on this in class.*

There will be an optional Wednesday or Thursday problem session most weeks that will be arranged in class.

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The purpose of this course is to provide students with a grounding in how economists think about social and educational policy issues. We will cover economic models of household decision-making and stress how economists account for the costs and benefits of public (and private) programs and decisions. It is hoped that by the end of the course students will understand the theoretical frameworks economists bring to their analyses of public policy issues. Students need not be convinced that these frameworks are the only ones that could be applied to program analysis. But they should understand them sufficiently to be able to analyze a social or educational policy issue in the way that an economist would.

Mastering the material will require a careful reading of the course text as well as persistent attention to the problem sets that will be handed out each week. There is one formal class session each week -- on Mondays between 9:00 and 11:30. Problem sets are available on EEE and are due in my mailbox or sent electronically by 3pm on Friday of that week. I will also conduct an optional hour-long group problem-solving session on most Wednesdays.

I require a paper, to be handed in on the last day of class, in which a social or education policy issue is analyzed in the manner of an economist. The paper need not be long (e.g., 10 pages) but should focus on the analysis rather than the particular details of a current program or proposal. More on this later in the quarter.

There will be two exams, a midterm and a final, with the final stressing material covered since the midterm. The midterm exam will take place on February 11th.

The class grade will depend on the following criteria:

10% quality of contributions to class discussion; 15% quality of homework; 25% midterm exam; 25% final exam; 25% paper

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Required text: Edgar K. Browning and Mark A. Zupan (B&Z), *Microeconomics: Theory and Applications*, 11th Edition, John Wiley and Sons, McGraw-Hill, 2011. **You are encouraged to secure a used, discounted copy of this book.** I will also be using a set of draft chapters developed by Richard Murnane, a professor at the Harvard Graduate School of Education.

It is also recommended that you read a book that takes advantage of the parallels between the insights of economists for public finance and personal finance are too close to avoid assigning one more reading -- a short book called *The Index Card*. It takes three to four hours to read and offers insights that should save you tens of thousands of dollars over the next several decades. Helaine Olen and Harold Pollack (2016) *The Index Card: Why Personal Finance Doesn't Have to Be Complicated*, New York: Penguin Books.

Finally, Khan Academy has developed some nice videos on some of our content. Viewing them may help you master the material.

Week 1: Markets

- B&Z, Chapter 1-2
- Murnane, Chapters 1-2
- Listen to at least the first 30 minutes of the Econ Talk episode about how Adam Smith can change your life. It provides a nice perspective on the *homo economicus* assumptions we will be making throughout the quarter:
http://www.econtalk.org/archives/2014/10/russ_roberts_an.html
- Khan Academy [video](#) on an introduction to economics, [video](#) on the law of demand, [video](#) on market equilibrium, and [video](#) on changes in market equilibrium

Weeks 2 and 3: Demand and Supply Elasticity; Taxes and Subsidies

- Murnane, Chapter 3-4
- Khan Academy and [video](#) on elasticity.

Weeks 3 and 4: Consumer Behavior

- B&Z, Chapters 3-4
- Khan Academy videos [1](#), [2](#) and [3](#) on consumer and producer surplus and [video](#) on deadweight loss

Week 5: Consumer Behavior, continued

- B&Z, Chapter 5
- Barrow, L., & Rouse, C. E. (2008). School vouchers: Recent findings and unanswered questions. *Economic Perspectives*, 32(3), 2-16.

Week 6: Labor Market Behavior

- B&Z, Chapter 17, sections 17.1-17.6
- Ehrenberg and Smith, Chapter 6 "Supply of Labor to the Economy: The Decision to Work"

Week 7: Human Capital

- Ehrenberg and Smith, Chapter 9: "Investments in Human Capital: Education and Training"
- Murnane, Chapters 10-11
- Autor, D. (2014). Skills, education, and the rise of earning inequality among the “other 99 percent”, *Science* 344, 843-851.
- Recommended reading: Card, D. (1999). The causal effect of education on earnings. *Handbook of labor economics*, 3, 1801-1863.

Week 8: Benefit-Cost Analysis

- Gramlich, Chapter 9 "Human Investment" in *A Guide to Cost-Benefit Analysis*
- Barnett, Perry Preschool chapter
- Duncan and Magnuson article “Penny Wise and Effect Size Foolish”

Week 9: The Role of Government

- B&Z, Chapters 10 and 20
- Murnane, Chapters 14-15
- Listen the Econ Talk episode featuring Rick Hanushek
http://www.econtalk.org/archives/2006/07/hanushek_on_edu.html Winter, 2017
- Khan Academy [video](#) on negative externalities, [video](#) on taxes and negative externalities, [video](#) on the tragedy of the commons

Supplementary Readings for ECONOMIC FOUNDATIONS OF EDUCATION AND SOCIAL POLICY

(all of the following are available on EEE/Canvas)

Richard Murnane, various chapters of notes from his Harvard University class.

Barrow, L., & Rouse, C. E. (2008). School vouchers: Recent findings and unanswered questions. *Economic Perspectives*, 32(3), 2-16.

Ronald Ehrenberg and Robert Smith, *Modern Labor Economics*, New York: Scott, Foresman and Co.

Chapter 6: "The Supply of Labor to the Economy: The Decision to Work"
Chapter 9: "Investments in Human Capital: Education and Training"

Autor, D. (2014). Skills, education, and the rise of earning inequality among the “other 99 percent”, *Science* 344, 843-851.

Card, D. (1999). The causal effect of education on earnings. *Handbook of labor economics*, 3, 1801-1863.

Edward Gramlich, *Cost-Benefit Analysis*, New York: McGraw-Hill
Chapter 9: "Human Investment"

Steven Barnett, Chapter VII "Cost-Benefit Analysis" in Schweinhart, L., Barnes, H. and Weikart, D. *Significant Benefits: The High/Scope Perry Preschool Study Through Age 27*. Ypsilanti, MI: The High/Scope Press.

Duncan, G. J., & Magnuson, K. (2007). Penny wise and effect size foolish. *Child Development Perspectives*, 1(1), 46-51.