

ECON0056 – Economics of Education

Course Outline

Lecturer: Pedro Carneiro

Aims: To develop an understanding of the application of economics to the analysis of education policy, and to provide empirical evidence on the returns to different types of investments in human capital, and discuss the implications of this evidence for policy.

In this module we will analyze education policy through the lens of economics. There will be discussions of rigorous economic arguments for or against different types of policies. We will also examine the best empirical evidence on these arguments.

Suitable for: 2nd / final year Economics (L100, L101 and L102) and final year Econ/Geog (LL17), Phil/Econ (VL51) and PPE (4V86) students.

Prerequisites: ECON0002: Economics, ECON0004: Applied Economics, ECON0005: Statistical Methods in Economics and ECON0006/ECON0010: Maths for Economists (or equivalents). Students should also have taken (or be concurrently taking) ECON0013: Microeconomics and ECON0019: Quantitative Economics and Econometrics (or equivalents).

Assumed knowledge: Students coming into the module should be able to solve basic consumer maximization problems (e.g., maximize utility subject to a budget constraint), understand supply and demand, and solve for market equilibria in simple economies. They should also have an understanding of basic concepts in public economics such as externalities, public goods, taxation. Finally, they should have a working knowledge of essential tools in applied econometrics (e.g., regression, least squares, instrumental variables, difference in differences, regression discontinuity).

Typical Assessment

30% - midterm exam (usually week 7)

70% - final exam (term 3)

Course Content

This course discusses different aspects of education policy through the lenses of economics. We will examine rigorous economic arguments and careful empirical evidence for different types of human capital policies.

1. The Economic Return to Education
 - a. Education as an Investment
 - b. Estimating the Economic Return to Education
 - c. Monetary and Non-Monetary Benefits of Education
 - d. Externalities
 - e. Education and Economic Growth
2. Skill Formation over the Life Cycle
 - a. Human Capital Accumulation over the Life-Cycle
 - b. Families, Schools, Firms
 - c. Intergenerational Transmission
 - d. Nature and Nurture

- e. Multiple Skills
 - f. The Technology of Skill Formation
 - g. Example: Financial Resources and University Access
3. Economic Arguments for Public Intervention in Education
 - a. Market Failures
 - b. Redistribution
 - c. The Role of Skills in the Modern Economy
 - d. Public Spending in Education
 4. Early Childhood Interventions
 - a. Economic Rational
 - b. Empirical Evidence
 5. School Quality
 - a. Input Based Policies and Education Progress
 - b. Class Size
 - c. Teacher Quality
 - d. Accountability
 - e. Teacher and Student Incentives
 - f. Private and Selective Schools
 - g. School Choice and Competition
 - h. School Autonomy
 - i. Peer Effects
 6. Higher Education
 - a. Borrowing Constraints and Funding – Theory and Evidence
 7. Job Training Programs
 - a. Economics of Job Training and Learning by Doing
 - b. Public Job Training Programs
 8. Taxes and Human Capital