

Economics 400: Seminar on the Economics of Higher Education – Spring 2017

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Course Description – The higher education sector in the United States is an extremely complex mix of for-profit and non-profit enterprises. The industry is heavily subsidized by governments (federal and state) and by private philanthropy. The higher education sector has developed over centuries, so a rich economic history has shaped today's institutions. This history also conditions today's policy options. That's just in the US. Our model of higher education shares many features with higher education systems elsewhere, but also is marked by some profound differences.

In addition, this industry is embedded in an economy that is not static. The income distribution in the US has changed substantially over the past forty years. Rising income inequality influences the demand for higher education and the pricing model than many institutions use. Rising inequality also affects how buying an education is financed. Demographic changes in the past have exerted powerful effects on colleges and universities, and the demographic forecast for the next thirty years will have a significant impact on the trajectory of the American higher education system over the next generation. Changing technology has constantly forced higher education institutions to react and adapt. Many commentators today predict that digital learning will cause the imminent demise of a substantial portion of the bricks-and-mortar segment of the industry. The degree itself will become a relic of the past. This is part of the language of crisis that currently characterizes much of the public discourse about higher education.

This seminar is a brief introduction to the complex stew of economic, political, and social forces I laid out in the paragraphs above. I have picked a set of topics for us to consider and I have compiled a set of approachable readings as background information on each of them. My list of topics is far from exhaustive, and you may choose to research issues for your major paper that we do not explicitly cover in the syllabus.

As the title also indicates, this class is a seminar. An ideal seminar is a sharing of ideas, and a format for sharing research. To share ideas and questions, you must come to class prepared to discuss the readings for that day. If you don't, the class will not work for you or for your peers. The seminar format is also about research and presentation. You will have a variety of assignments, and most of them will necessitate diving deeper than the daily readings I have written into the syllabus. Use

the readings as a springboard into the voluminous literature out there on each of the substantive topics we take up.

By the end of the semester, you will be doing research on the economics of higher education, and class meetings will be devoted to sharing research results. Students will also present the results of two short research assignments during the first portion of the course. In addition, during the first part of the course students will develop a research proposal that will lead to the course term paper. Students are required to submit a written research proposal describing the hypothesis, data sources, and bibliography. After the research proposals are approved, students will conduct the research and report the results to the seminar during the last few meetings.

Assignments – You will have four types of graded assignment in this class. In all cases, your work will be double spaced, 12 pt. font, and have reasonable margins. Do not exceed my limits or your work may not be read. The word or page limit does not include the reference section, if that assignment needs one.

Responses – First, you will have regular responses I will ask you to write describing the readings for a particular class or answering a particular question based on those readings. These are one-pagers, and you will be evaluated for writing style as well as content. Work must be turned in at the beginning of the class during which the reading is discussed. I'll give you a simple numerical score 1-10. Getting a 7 should be fairly easy. A ten? Not so easy.

First Paper – The first formal assignment is a four-page essay on the higher education system of a country other than the US. I will post more information about how to execute this project.

Op-Ed – The next assignment is an op-ed. I believe in making students write op-eds because it's the best vehicle for teaching the dark art of persuasive writing. In this assignment you are limited to 750 words of text. Period. I will post more information about this assignment, and offer examples of how it's done.

Major Research Paper – Each student will choose a manageable research question for his or her major work of the term. I must approve topics in advance and you must give me a formal written proposal before spring break. Your proposal should contain a real social science question that requires some economic structure in order to evaluate it. Some topics may be amenable to econometric analysis and formal hypothesis testing, though that is not mandated. Evidence of some sort, however, is essential. This paper should not exceed 12 pages (including graphs, tables, and charts).

Grading – Response papers are collectively worth 15%. The First paper is worth 20%. The op-ed is worth another 20%. The term paper is worth 40%. Participation (which includes attendance) is worth the remaining 5%.

Texts: We will be using selected chapters so there is no need to buy a copy. On the other hand, used copies are very cheap at Amazon, and you may prefer holding a printed book instead or reading off of a screen.

1. Archibald, Robert B., and David H. Feldman (2011). *Why Does College Cost so Much?* Oxford: Oxford University Press. Henceforth *WDCCSM*.
2. Archibald, Robert B., and David H. Feldman (2017). *The Road Ahead for America's Colleges and Universities*. Oxford: Oxford University Press. Hereafter, called *The Road Ahead*. *This book comes out in July. I have posted relevant chapters from it in draft form. You are not quite beta testing it, but you are an important focus group. And you get to see it first! 😊*

January 19 **Introduction to the Seminar**

- [The Budget of the College of William & Mary.](#)
- “Sources for Research in the Economics of Higher Education”
- WDCCSM, chapter 1. “The Landscape of the College Cost Debate.”

January 24 **Overview of American Higher Education –**

Baum, Sandy, Charles Kurose, and Michael McPherson, “An Overview of American Higher Education,” *The Future of Children*, Vol. 23, No. 1, Spring 2013, pages 17-39.

Ehrenberg, Ronald G., “American Higher Education in Transition,” *Journal of Economic Perspectives*, 26 (1), Winter 2012, 193-216.

[Topic Choice for Assignment One - Country Reports]

January 26 **The Higher Education System in Crisis: The Onset of Disruption?**

Christensen, Clayton, and Henry Eyring, “The Innovative University: Changing the DNA of Higher Education.” This is a summary of a much larger volume that some of you may choose to read.

A&F “The Rhetoric of Higher Education in Crisis,” Chapter 1 in *The Road Ahead*.

January 31 **Why are Colleges so Different and so Similar at the Same Time?**

A&F “The Diverse US Higher Education System,” Chapter 2 of *The Road Ahead*.

A&F “The College Bundle,” Chapter 3 of *The Road Ahead*.

A&F “The Enduring Bundle,” Chapter 9 of *The Road Ahead*. **Ignore the part on athletics. We’ll do that later.**

February 2 **Costs I – The Tripod**

A&F, “Is Higher Education All That Unusual,” Chapter 2 of *WDCCSM*.
A&F, “The Bottom Line.” Chapter 6 of *WDCCSM*.

Further Reading:

Archibald and Feldman, (2008). [Explaining Increases in Higher Education Costs](#), *Journal of Higher Education*, 79 (3) 268-295.

February 7 **Cost II – Dysfunction, Prestige, Mission Creep, and Spa**

A&F, “Is Higher Education Increasingly Dysfunctional?” Chapter 7 in *WDCCSM*

Vedder, Richard K. (2004). *Going Broke by Degree*, chapters 1 (“The Cost Explosion”) and 2 (“Why are Universities Inefficient and Costly?”).

Ehrenberg, Ronald. (2005). “Going Broke by Degree: A Review Essay. **Just read the first 9 pages. He detonates Vedder. Examine how.**

Robert B. Archibald and David H. Feldman, “Are Plush Dorms and Fancy Food Plans *Important Drivers of College Cost?* *Change: The Magazine of Higher Learning*, Vol . 43, (January/February 2011) pages 31-37.

February 9 **Subsidies and Hierarchy: Competition Among Non-Profits**

Winston, Gordon C., “Subsidies, Hierarchy and Peers: The Awkward Economics of Higher Education,” *Journal of Economic Perspectives*, Vol . 13, No. 1 (1999) pages 13-36.

Further Reading:

Rothschild, Michael and Lawrence J. White. 1995. “The Analytics of Pricing in Higher Education and Other Services in Which Customers are Inputs.” *Journal of Political Economy*. June (103): 573–86. **This is a lot of mathematical modeling.**

February 14 **Subsidies and Prices: Tuition Setting and Some History**

A&F “Subsidies and Tuition Setting.” Chapter 9 of *WDCCSM*.
A&F “List Price Tuition and Institutional Grants.” Ch. 10 of *WDCCSM*.

A&F, "Outside Aid," Chapter 11 of *WDCCSM*.

Look through Trends in Student Aid (College Board).

February 16 **Does Federal Aid Cause Tuition Inflation? Bennett Hypothesis.**

Robert B. Archibald and David H. Feldman, (2016). "Does Federal Aid Drive College Tuition?" *Regulation*, Cato Institute, 39 (2).

Comment by Andrew Gillen and Reply by Archibald and Feldman.

Cellini, Stephanie R., and Claudia Goldin, "Does Federal Student Aid Raise Tuition? New Evidence on For-Profit Colleges." (2014). *AEJ: Economic Policy*. 6 (November): 174-206. **Just read the juicy bits and skim the rest (lots of econometrics).**

February 21 **Merit Aid versus Need-based Aid**

McPherson, Michael S. and Morton Owen Schapiro. "Watch What We Do Not What We Say: How Student Aid Awards Vary with Financial Need and Academic Merit," in *College Access: Opportunity or Privilege*, Michael S. McPherson and Morton Owen Schapiro (ed), College Board, 2006, pages 49-73.

February 23 **Who Goes to College? Changing Patterns of Attendance.**

Goldin, Claudia Lawrence F. Katz, and Ilyana Kuziemko, "The Homecoming of American College Women: The Reversal of the College Gender Gap," *Journal of Economic Perspectives*, Vol. 20, No. 4, (Fall 2006) pages 133-156.

Archibald, Robert B., David H. Feldman, and Peter McHenry, "A Quality-Preserving Increase in Four-Year College Attendance," *Journal of Human Capital*, 9 (3): 265-297. **Skim the econometrics. Get the big picture.**

February 28 **Assignment 1 Open Discussion (Country Reports Due in Class)**

March 2 **How Much do Students Work?**

Philip Babcock and Mindy Marks, "The Falling Time Cost of College: Evidence from Half a Century of Time Use Data," *Review of Economics and Statistics*, Vol. 93, (2011), pages 468-479.

Something from Arum & Roksa

Critique of Arum & Roksa

Proposals for Term Papers due

SPRING BREAK

- March 14 **The Distribution of Income and What it Means for Higher Ed**
- Goldin, Claudia and Lawrence Katz, "The Race Between Education and Technology ..." (2008). NBER Working Paper no. 12984.
- A&F "Stagnating Family Income," Ch. 6 of *The Road Ahead*.
- March 16 **College as an Investment: The Returns to Education**
- Christopher Avery and Sarah Turner, "Student Loans: Do College Students Borrow Too Much – Or Too Little," *Journal of Economic Perspectives*, Vol. 26, (Winter 2012), pages 165-192.
- Something from Sandy Baum.
- A&F "Will Students Keep Coming." Chapter 5 of *The Road Ahead*.
- March 21 **College Selectivity**
- Hoxby, Caroline M., "The Changing Selectivity of American Colleges," *Journal of Economic Perspectives*, 23 (4): 95-118.
- March 23 **Grades**
- Achen, Alexandra C. and Paul N Courant. "What are Grades Made Of?" *Journal of Economic Perspectives*, (Summer 2009), pages 77-92.
- March 28 **Under-matching**
- Hoxby, Caroline M., and Sarah Turner, 2013. "Informing Students About their College Options ..." The Hamilton Project. Discussion paper 2013-03, June.
- Something from Crossing the Finish Line
- March 30 **Open Discussion of Op-Ed Topics. Come prepared to discuss yours.**

Op-Ed is Due on Monday, April 3rd at 5:00 P.M.

April 4

Rankings and Accountability

Ehrenberg, Ronald G. "Method or Madness: Inside the U.S. News & World Report Rankings," Cornell ILR School (10-1-2005).

Deming, David J., and David Figlio (2016). Accountability in US Education: Applying K-12 Experience to Higher Education, *Journal of Economic Perspectives* 30 (3): 33-56.

April 6

Research and Tenure

"The Kept University," by Eyal Press and Jennifer Washburn, Chapter 26 in *AAAS Science and Technology Policy Yearbook 2001*, pages 293-318.

Bhagwati, Jagdish and Brendan O'Flaherty, "Professors Who Defend Tenure: Are They Hypocrites?" *Chronicle of Higher Education*, October 5, 2001, pp B24.

April 11

Online Education: Threat or Savior?

McPherson, Michael S., and Lawrence S. Bacow, (2015). "Online Education: Beyond the Hype Cycle," *Journal of Economic Perspectives*, 29 (4), 135-154.

Archibald, R.B., and D.H. Feldman, "The Online Revolution," Chapter 8 of *The Road Ahead?*

Banerjee, Abhijit V., and Esther Duflo (2014). "(Dis)Organization and Success in an Economics MOOC," *American Economic Review: Papers & Proceedings*, 104 (5): 514-518.

April 13

For Profit Higher Education: Threat of Savior?

Deming, David J., Claudia Goldin, and Lawrence Katz (2012). The For-Profit Postsecondary Sector: Nimble Critters or Agile Predators? *Journal of Economic Perspectives*, 26 (1): 139-164.

Bennett, D. L., Lucchesi, A. R., & Vedder, R. K. (2010). *For profit higher education: Growth, innovation, and regulation* (Policy Paper). Washington, DC: Center for College Affordability and Productivity.

April 18

Athletics

Shulman, James L. and William G. Bowen *The Game of Life: College Sports and Educational Values* by (Princeton University Press, 2001) Chapter 2 and Chapter 11.

Alan R. Sanderson and John J. Siegfried, (2015). "The Case for Paying College Athletes," *Journal of Economic Perspectives*, 29 (1).

A&F "The Enduring Bundle," Ch. 8 of *The Road Ahead* (final section on athletics).

April 20 **RESEARCH PRESENTATIONS**

April 25 **RESEARCH PRESENTATIONS**

April 27 **RESEARCH PRESENTATIONS**