

Economics 458: Seminar on the Economics of Higher Education – Fall 2018

David H Feldman
Hours: T, Th, 9-10, F, 2-3
Office – Tyler 266

Phone: 221-2372 Office
Email: dhfeld@wm.edu

Course Description – The higher education sector in the United States is an extremely complex mix of non-profit and for-profit enterprises. The industry is heavily subsidized by governments (both 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 is marked by some profound differences.

In addition, this industry is embedded in an economy that is not static. Economic growth has profoundly affected higher education delivery and demand. The income distribution in the US has changed substantially over the past forty years. Those changes are driven in part by the rising return to education. Rising income inequality also influences the demand for higher education and the pricing model that many institutions use. And rising inequality affects how buying an education is financed by students and their families.

Other winds are buffeting the US higher education system. 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 could become a relic of the past. These claims are 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 shared experience of ideas and research. This form of sharing only works if you 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. I will introduce you to some of the publicly available data sets commonly used in higher education research.

Now a word about **work load**. I understand that many of you have four other classes to manage. I really do. But this is a senior capstone. **There is a fair bit of reading to do, and a major piece of independent research to write up. For most class sessions, we will have digested one or two articles or chapters, totaling 20-60 pages.** Much of that reading is relatively non-technical (charts and graphs), but some of it will have econometric evidence and modeling (hence the Econ 308 prerequisite). We only meet twice per week, so I do not think this is too much to expect. If you do, **this class is not for you.**

As you look through the broad substantive issues laid out in this syllabus you should begin thinking about possible research questions right away. In the first two weeks of the class, you will develop a very preliminary research proposal that will lead to the course term paper. Throughout the semester you will hone your substantive research question, identify relevant data, and do all relevant analysis and testing. At the end of the semester, you will share your research results with the class in a formal setting. I'll say more about this paper in a moment.

Assignments

You will have five 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 – I will ask you to write a minimum of three responses to the daily readings or write-ups about a data set. These responses may require you to answer a particular question based on the day's readings, or to use a data set to come up with a novel fact. Responses are one-pagers, and you will be evaluated for writing style as well as content. Work must be turned in on the BB site before the class during which the reading is discussed. I'll give you a simple numerical score 1-10. Getting a 7 shouldn't be too hard. A 10? Not so easy. Don't worry, a 7 isn't a D+/C-. ☺ *Consistent scores in the 6s would be in the C range. Scores in the 6s usually reflect some combination of problematic writing and missing or misunderstanding main points in the readings. An occasional score in the 6s shouldn't make you come out of your skin. Consistent scores in the 7s are in the B range.*

First Presentation – The first presentation is a short description and analysis of several features of the higher education system of a country other than the US. I will post more information about how to execute this little project.

Hour Exam – We will have one traditional test in this class. It'll last an hour and you will take it in class. It will contain a mix of relatively simple problems in economic theory and short answers up to demonstrate that you have understood some basic jargon and ideas in the economics of higher education.

Op-Ed – You will submit an op-ed in the latter half of the term. I believe in making students write op-eds because I think this format is the best vehicle for teaching the dark art of persuasive writing. In this assignment you are limited to 750 words of text. I really mean that! I will post more information about this assignment, and offer examples of how it's done.

Major Research Paper – Each of you will choose a manageable research question for your major work of the term. The process of identifying your topic, thinking about it, researching and reading relevant literature, playing with data, begins from day 1. Srsly. I want a one-page proposal by I must approve topics in advance and you must give me a formal written proposal (one page with preliminary references) before spring break. The earlier I review your proposal, the earlier you can start the serious work. Your proposal should contain a real social science question that requires some economic structure (theory) in order to evaluate it. Your proposal should have a hypothesis, some data sources, and a bibliography of material you have already read and/or will need to read. Econometrics is a prerequisite for this class, so you should consider using some econometric modeling to evaluate a hypothesis. This paper should not exceed 12 pages (including graphs, tables, and charts). We will spend the fourth day of class talking about how one does research and how one writes it up. *You should begin thinking about your topic immediately, and read ahead to start forming a project idea and to begin digging in the data.*

Grading – Response papers are collectively worth 15%. The country report is worth 15%. The op-ed is worth 15%. The hour exam is worth 15%. The term paper (and presentation) is worth 35%. Participation (which includes attendance) is worth the remaining 5%.

Texts: We will be using selected chapters of my new book so there is no need to buy anything. On the other hand, it's pretty cheap at Amazon, and you may prefer holding a printed book instead of reading from a screen.

- Archibald, Robert B., and David H. Feldman (2017). *The Road Ahead for America's Colleges and Universities*. Oxford: Oxford University Press. Hereafter, called **TRA**. *I have posted relevant chapters from it in digital form.*

Class Schedule

Aug 29 **Introduction to the Seminar**

[The Budget of the College of William & Mary.](#)
[Some Facts About Higher Education in Virginia.](#)

Dynarski, Susan (2017). "For Better Learning in College Lectures ..."
(under Course Readings).

"Do Students Lose Depth in Digital Reading?" By Naomi Baron. From
The Conversation.

Look over all the sources on BB under "Useful Web Links and Data."

Come prepared to talk to your classmates about your interests in the
economics of higher education. Dig into at least one data set available
online, and be prepared to speculate about your major paper.

Sept 3 **Rhetoric of Crisis: An Overview of American Higher Education**

TRA, chapter 1. "The Rhetoric of Crisis"

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.

Lovenheim & Turner, "Economics of Education," selected pages from
Chapter 2. This is background reading.

[For Further Reading and Thinking:](#)

If you are interested in Christenson's "disruption" idea, you should take
a look at Jill Lepore's caustic critique of Christenson (and of the whole
B-School disruption jargon) in the **New Yorker** (Lepore's piece is
available on BB).

Baum, Kurose, & McPherson, "An Overview of American Higher
Education," **The Future of Children**, Vol. 23, No. 1, Spring 2013, pages
17-39. [This digs deeper into the big broad picture of how the whole
landscape of higher education has changed.](#)

Ehrenberg, Ronald G., "American Higher Education in Transition," *Journal of Economic Perspectives*, 26 (1), Winter 2012, 193-216. [This digs deeper into how colleges operate. It's a micro-view, from the level of the college itself.](#)

[Topic Choice for Assignment One - Country Reports]

Sept 5 **Writing Research in Economics, and Doing Research in Higher Education**

Lovenheim & Turner, *The Economics of Education*, chapter 3: "Empirical Tools of Education Economics."

Dudenhofer, Paul, (2009). "A Guide to Writing in Economics." *This piece is full of good advice on writing in general and writing in economics. It's an easy read.*

[Further Information and Ideas:](#)

Nikolov: Writing Tips for Economics Research Papers (Harvard). Available at this [LINK](#). *This piece is at a much higher level, especially in offering advice on how a student can design his or her own empirical research project.*

Sept 10 **Why are Colleges So Different and So Similar at the Same Time?**

Product differentiation, firm heterogeneity, and economies of scope.

TRA chapter 2. "The Diverse US Higher Education System."

TRA chapter 3. "The College Bundle."

Sept 12 **Costs I – List Price, Net Price, and The Cost Tripod**

TRA, chapter 4. "Rising Cost." Read pages 1-20 of this chapter.

WDCCSM, chapter 2. "Is Higher Education All That Unusual,"

[Further Reading:](#)

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

Sept 17 **Cost II – Dysfunction, Prestige, Mission Creep, and Spa**

TRA, chapter 4. “Rising Cost.” Read page 20 to the end.
WDCCSM, chapter 7. “Is Higher Education Increasingly Dysfunctional?”

For Further Reading and Thinking:

(This is a very different POV from mine). 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. Ehrenberg detonates Vedder. Examine how.

(This is some direct evidence about Room & Board costs). 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, (September/October 2011) pages 31-37.

Sept 19 **Demography & The Returns to Education: Will the Demand for a College Education Persist?**

TRA Chapter 5, “Will Students Keep Coming.”

Borjas, George. Chapter 6 on Human Capital.

Sept 24 **The Returns to Education, cont’d.**

Human capital and signaling. Selection bias and identification.

Sept 26 **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 in a premier hi-tech professional journal.

Oct 1 **The National Income Distribution, College Pricing, and the Facts About Student Debt**

TRA, chapter 6. “Stagnating Family Income.”
“Trends in Student Aid, 2017.” The College Board.

Background Reading (optional, if you need some more facts):

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*.

Oct 3 **Subsidies and Prices: Federal Aid and Tuition Inflation?**

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).**

Further Reading (there is much more literature out there, if this topic interests you):

Lucca, Nadauld & Shen, (2015). “Credit Supply and the Rise in College Tuition: Evidence from the Expansion of Federal Student Aid Programs” Federal Reserve Bank of New York Staff Reports, no. 733. **(I’m a critic of this paper).**

Lesley Turner, (2014). The Road to Pell is Paved with Good Intentions: The Economic Incidence of Federal Student Grant Aid. **(This is about “incidence” not list price, and grant aid not loans).**

Oct 8 **Assignment 1 Open Discussion (Country Reports Due in Class)**

Oct 10 **Assignment 1 Open Discussion (Country Reports Due in Class)**

Proposals for Term Papers due

FALL BREAK

Oct 17

Are the States Disinvesting in their Public Universities?

TRA, chapter 7. “Public Disinvestment?” (This chapter address state and federal policy. In this section, we’re most interested in state policy).

Webber, Doug (2017). State Divestment and Public University Tuition, *Economics of Education Review*, 60 (October 2017), 1-4.

Here’s a longish op-ed by Doug Webber that puts tuition increases in the context of state financing cuts. [Fancy Dorms Aren’t the Main Reason Tuition is Rising](#)

Oct 22

Academic Leadership (Guest: Katherine Rowe, W&M president)

What is the role of the college leadership? How does a president or a dean accomplish goals?

Bowen, William G., chapters 1-2 of *Lessons Learned: Reflections of a University President*.

Rosovsky, Henry, chapter 3 (“A Dean’s Day”) of “The University: An Owner’s Manual.”

Oct 24

College Selectivity

Hoxby, Caroline M., “The Changing Selectivity of American Colleges,” *Journal of Economic Perspectives*, 23 (4): 95-118.

Oct 28

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. Just skim the econometrics. Get the big picture.

Open Discussion of Op-Ed Topics. Come prepared to discuss yours. I will put this into the class schedule if time allows. We'll see.

Op-Ed is Due by Sunday, March 25 at 5:00 P.M.

Oct 31 **Under-matching**

Hoxby, Caroline M., and Sarah Turner, 2013. "Informing Students About their College Options ..." The Hamilton Project. Discussion paper 2013-03, June.

Nov 5 **Athletics**

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).

Further Reading:

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.

Nov 7 **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.

TRA chapter 8. "The Online Revolution,"

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

Nov 12 **For Profit Higher Education: Threat or Savior?**

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

Cellini, Stephanie R., and Nicholas Turner. (2016). Gainfully Employed? Assessing the Employment and Earnings of For-Profit College Students Using Administrative Data, *NBER Working Paper* no. 22287. **Skim the econometrics. Just get the big picture (unless this is your major paper topic!).**

A simple statement by Cellini: [Gainfully Employed ...](#)

Further Reading:

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. **A strongly ideological argument in favor of market-oriented for-profit education.**

Nov 14

Grades

Achen, Alexandra C. and Paul N. Courant. "What are Grades Made Of?" *Journal of Economic Perspectives*, (Summer 2009), pages 77-92.

Nov 19

The Road Ahead – and Policy Options

TRA chapters 10, 11.

Nov 26

RESEARCH PRESENTATIONS

Nov 28

RESEARCH PRESENTATIONS

Dec 3

RESEARCH PRESENTATIONS

Dec 5

RESEARCH PRESENTATIONS