

Economics 458: Seminar on the Economics of Higher Education Fall 2019

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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 a research topic 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. 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 large literature

out there on each of the 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, a piece of independent research to write up, and a team presentation.** For most class sessions, we will read one to three articles or chapters, totaling 20-80 pages. Much of that reading is relatively non-technical (charts and graphs), but some of it will have econometric 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 normal margins. Do not exceed my limits or your work may not be read. The word or page limit does not include a reference section, if that particular kind of assignment needs one.

Responses/Op-Ed – I will ask you to write two *very short* papers. The first is a two-page response to a prompt for the third day of class. This “paper” is largely a writing sample, which I will helpfully red-pen. The second is a 600-word opinion essay that should help you think about your policy presentation. The op-ed is in the first third of the semester. I will helpfully red-pen that one too. 😊

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

Team Policy Brief & Presentation – We will discuss the policy landscape right at the beginning of the semester. This is to get you thinking immediately about the “problems” of the higher education system and about what “we” supposedly can or should do about these issues. Many of the class sessions throughout the semester will take up substantive issues in the economics of higher education that pertain to and inform policy ideas. You should form a group with a small number of other people right from the get go and start thinking about a policy question you want to explore in your policy brief. Groups can

be 2-4 people. One person doth not a group make. And five is right out.¹ Your group will give a formal twenty-minute presentation to the class. You will also submit a group-authored paper. The write-up should not exceed five pages of text plus supporting charts, figures, tables, and references.

Independent Research Paper – Each of you will choose a manageable research question for your research paper. This is very different than a policy brief. The process of identifying your topic, thinking about it, reading relevant literature, and playing with data begins from day 1. *Srsly*. This means you need to peruse the entire syllabus carefully so you can identify a topic or issue that interests you. Then you need to start reading, voraciously!

The grade for this paper will be built up from evaluations of preliminary components: a proposal, a literature review that contextualizes your question, and a methods section that lays out how you plan to attack the question. Notice how many times I use the term “your question.” You are expected to take existing knowledge and push the boundaries a bit, not just summarize other’s claims.

You then get a chance to put the whole paper together in response to my comments on the components. The final paper gets its own separate grade from the components. That will make the final grade for the project a bit less scary and much less make-or-break. I want a formal 2 page proposal by September 25th. Your proposal should contain a real social science question (hypothesis) that requires some economic structure (theory) in order to evaluate it, some data sources, and a bibliography of material you have already read and/or will need to read (the literature). Econometrics is a prerequisite for this class, so you should consider using some econometric modeling to evaluate your hypothesis. You should probably talk with me before writing up this proposal. Once I have returned the proposal, you will write a separate “literature review” that situates your question within this academic literature. Your review should situate your question within this literature’s themes, its existing questions, its evidence, and its disagreements. Finally, you will write up a methods section that lays out how you plan to explore your question. At this stage, you aren’t expected to complete the analysis, though preliminary data work might help your thinking.

The final version of the paper should not exceed 10 pages (including graphs, tables, and charts). We will spend some quality time in class talking about how one does research and how one writes it up. *You should begin thinking about your topic immediately. Read ahead to start forming a project idea, and begin digging in the data right away. Notice how I repeat myself! 😊*

Grading – The response paper and op-ed are collectively worth 10% (3% and 7%). The hour exam is worth 20%. Your team policy presentation and paper is worth 27% (7% and 20%). The research paper grade is built up from its parts. The separate parts (proposal, literature context, empirical idea/method) are worth a collective 15% (5,5,5), and the final product is worth another 20%. Participation, which includes attendance, is worth the remaining 8%.

¹ Monty Python and the Holy Grail (1975). Holy Hand Grenade speech. Oh, go look it up ...

Participation – I will periodically assign students to present certain key ideas from the readings. I may also ask students at random to outline some big points or to compare ideas across readings. You should be prepared for this. I also value spontaneous questions and ideas directed at me, at the literature we’re reading, and at the ideas your fellow students propose. This is what makes a seminar class come alive.

Texts – There are no required book purchases. All assigned readings are available on Bb under Course Readings. We will be using selected chapters of my new book but there is no need to buy anything. I have put pdfs of each chapter on Bb. On the other hand, it’s pretty cheap at Amazon, and you may prefer holding a printed book instead of reading from a screen. Your choice.

- Archibald, Robert B., and David H. Feldman (2017). *The Road Ahead for America’s Colleges and Universities*. Oxford: Oxford University Press. Hereafter, called *TRA*.

A Reminder about the Honor Code:

https://www.wm.edu/offices/deanofstudents/services/communityvalues/studenthandbook/honor_system/index.php

Background Reading for Doing Research in Economics, and for writing it up properly. These are available on Bb.

1. Dudenhofer, Paul, (2009). “A Guide to Writing in Economics.” (available on Bb). Read this, subject to the advice below in red.

This piece is full of good advice on writing in general and writing in economics. It’s an easy read. The “six principles” in Part I are worth knowing. It’s hard to write well without internalizing them. Part III is less important. Part IV is crucial for empirical work, and should be a review of what you know from writing an Econ 308 paper.

2. Dynarski, et al, (2017). “Descriptive Analysis in Education: A Guide for Researchers,” Institute of Education Sciences.

This piece explores the dos and don’ts of descriptive analysis. It pairs well with Dudenhofer’s article, and with chapter 3 of Lovenheim & Turner’s text which we will cover more formally.

Class Schedule

Aug 28 **Introduction to the Seminar, and to higher education economics**

My Pet Peeve: Two little op-eds on digital devices and learning ...

1. Dynarski, Susan (2017). “For Better Learning in College Lectures ...” Brookings.
2. Baron, Naomi (2016). “Do Students Lose Depth in Digital Reading?” From **The Conversation**.

How to Read a College Budget: [The Budget of the College of William & Mary.](#)

A bit of data about Virginia: (I'll explain this in class)
[Some Facts About Higher Education in Virginia.](#)

The Rhetoric of Crisis

TRA, chapter 1. "The Rhetoric of Crisis"

Finally, look over all the sources on Bb under "Useful Web Links and Data."

Come prepared to talk to your classmates about your interest in the economics of higher education. Dig into at least one data set available online, and be prepared to speculate about your potential research topic and your policy presentation.

Sept 2

The Policy Landscape

A set of op-eds and short articles advocating or criticizing various policy initiatives.

"Free College" and "No Debt."

Deming, David. "Tuition Free College Could Cost Less than you Think," *New York Times*, July 19, 2019. [On Bb under Sample Op-Eds.](#)

Feldman, David, and Chris Marsicano. "We Can Do Better than a Free College Bumper Sticker," *USA Today*, August 27, 2019. [On Bb under Sample Op-Eds.](#)

Baum, Sandy, and Sarah Turner, "Free Tuition is the Opposite of Progressive Policymaking, Washington Post, May 3, 2019. [On Bb under Sample Op-Eds.](#)

Accountability:

Webber, Douglas. "Colleges Should Share Risk of Student-Loan Default," *Chronicle of Higher Education*, June 8, 2015. [On Bb under Sample Op-Eds.](#)

Cellini, Stephanie, Adam Looney, David Deming, and Jordan Matsudaira, "Gainful Employment Regulations Will Protect Students and Taxpayers: Don't Change Them. *Brookings Institution*, August 4, 2017.

Pell Grant Simplification:

Alexander, Lamar, and Michael Bennet. "An Answer on a Post Card," *New York Times*, June 18, 2014. [On Bb under Sample Op-Eds.](#)

An Example of Policy Brainstorming by the National Association of Student Financial Aid Officers (NASFAA)

Reimagining Financial Aid to Improve Student Access and Outcomes, NASFAA, 2013. [On Bb under course readings.](#)

Sept 4

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.”

The Idea 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.

Further Reading:

If you are interested in Christenson’s “disruption” idea, you should take a look at Harvard historian Jill Lepore’s caustic critique of Christenson and of the whole disruption jargon in the **New Yorker** ([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.](#)

Sept 9

Doing Research in Higher Education

Lovenheim & Turner, **The Economics of Education**, chapter 3: “Empirical Tools of Education Economics.” *This chapter carefully reviews basic econometric tools, and it walks you through a wide set of tools economists use to identify causal processes.*

Feldman & Webber (2019). “Not All Studies are Created Equal: A Reader’s Guide,” from **Inside Higher Education**. [On Bb under Sample Op-eds.](#) *If an author admits that correlation doesn’t mean causality does that inoculate him or her from charges of committing bullshit?*

Be prepared in class to talk about

1. How economists think about causality.
2. What topic you might write about
3. What data set(s) you have explored.

Some Optional Background History of Higher Education

Lovenheim & Turner, "Economics of Education," some pages from Chapter 2.

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 11

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,"

Tabarrok, Alex, (2019). The Baumol Effect. [On Bb under course readings](#).
Tabarrok, Alex (2019). Special Features of the Baumol Effect. [Ditto](#).

Further Reading:

Jones, John B., and Fang Yang (2016). Skill-biased Technical Change and the Cost of Higher Education, *Journal of Labor Economics*, 34:3, 621-662. *This is a high-tech general equilibrium model that evaluates the rising cost of higher education over the past half century.*

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

Sept 16

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?"
Amy Scott for Marketplace (NPR). Climbing Walls and College Cost. [On Bb under course readings](#).

Goldwater Institute Policy Report, August 2010. Administrative Bloat: The Real Reason for High Costs in Higher Education.

Further Reading:

(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. **If you look at this, just read the first 9 pages. Ehrenberg eviscerates 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. 16th Turn in Preliminary Team Policy Brief Idea

Sept 18 **Demand for Seats: Demography & The Returns to Education**

TRA Chapter 5, “Will Students Keep Coming.”

Borjas, George. Chapter 6, on Human Capital.

Sept 23 **The Returns to Education, cont’d.**

Borjas, Chapter 6. Signaling. Selection bias and identification.

Further Reading:

Jaeger, D.J. and Marianne Page. Degrees Matter: New Evidence on Sheepskin Effects in the Returns to Education, *The Review of Economics and Statistics* 78:4, (Nov. 1996), 733-740. *An old classic. This paper and others are discussed in more detail in the chapter in TRA.*

Sept 25 **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.

Carrell, S., Fullerton, R., and J. West, “Does Your Cohort Matter? Measuring Peer Effects in College Achievement,” *Journal of Labor Economics*, 27 (3), 2009, 439-64. *Skim the main points and methods. Read more thoroughly if the topic of peer effects interests you.*

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. Winston mentions it in his article.*

Sept. 25th Turn in Preliminary Research Proposal (which can change and evolve)

Sept 30 **The Distribution of Income, College Pricing, and the Bennett Hypothesis**

TRA, chapter 6. “Stagnating Family Income.” *Read to page 121, up to but not including “Student debt”.*

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).*

Kelchen, Robert. “An Empirical Examination of the Bennett Hypothesis in Law School Prices,” *Economics of Education Review*, 73 (2019). Here is a blog post shorter version: <https://robertkelchen.com/tag/bennett-hypothesis/>

Further Reading:

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).*

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 2 **Student Debt**

TRA, chapter 6 “Stagnating Family Income,” *read from 121 to the end.*

Avery, C., and Sarah Turner, “Student Loans: Do College Students Borrow Too Much – or Not Enough? *Journal of Economic Perspectives*, 26 (1), 2012. Pp. 165-192.

Background Data: Trends in Student Aid, 2018. The College Board.

<https://trends.collegeboard.org/student-aid>

Further Reading:

Barr, A., Bird, K, and B. Castleman, "The Effect of Reduced Student Loan Borrowing on Academic Performance and Default: Evidence from a Loan Counseling Experiment, (EdWorkingPaper: 19-89). Retrieved from Annenberg Institute at Brown University: <http://www.edworkingpapers.com/ai19-89>

Looney, Adam and C. Yannellis, "A Crisis in Student Loans? How Changes in the Characteristics of Borrowers and in the Institutions They Attended Contributed to Rising Loan Defaults," *Brookings Papers on Economic Activity*, Fall 2015.

Oct. 2nd Turn in 600 word op-ed

Oct 7 **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 mostly interested in state policy.*

Webber, Doug (2017). State Divestment and Public University Tuition, *Economics of Education Review*, 60 (October 2017), 1-4. *A very brief four-page article.*

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](#)

Cole, J. "The Pillaging of America's State Universities," *The Atlantic*, April 10, 2016. *Easy reading Atlantic essay.*

Background Data:

Trends in College Pricing, The College Board.
<https://trends.collegeboard.org/college-pricing>

State Higher Education Finance (SHEEO).
<http://www.sheeo.org/projects/shef---state-higher-education-finance>

Oct 9 **Hour Exam.**

FALL BREAK

Oct 16 **College Selectivity and Resources per Student**

Hoxby, Caroline M., (2009). "The Changing Selectivity of American Colleges," *Journal of Economic Perspectives*, 23 (4): 95-118. *What do we mean by "college selectivity?" How has it evolved over time?*

Hoxby, Caroline M., "The Dramatic Economics of the US Market for Higher Education," NBER Reporter 2016:3. *The payoff to school spending on students.*

Oct 21 **Academic Leadership – Guest: Dr. Peggy Agouris, W&M Provost.**

What is "academic leadership?" What role does a "provost" play?

Oct. 21st Turn in preliminary Methods/Data section

Oct 23 **The College Admissions Process – Guest: Tim Wolfe, W&M Associate Vice President for Enrollment and Dean of Admission.**

Jaschik, Scott, "Wealth and Admissions," Inside Higher Ed, March 18, 2019. *This is a broad newspaper survey that covers a lot of territory. You may want to read some of the hyperlinked studies.*

Tough, P., "What College Admissions Offices Really Want," *The New York Times*, September 15, 2019.

Oct 28 **Under-matching**

Hoxby, Caroline M., and Sarah Turner, 2013. "Informing Students About their College Options ..." The Hamilton Project. Discussion paper 2013-03, June. *This is a prime example of how to run an RCT in economics.*

Further Reading:

Oct 30 **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.

Further Reading:

Nov 4

Gender and College Attendance over Time.

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): 133-156.

Further Reading:

Becker, Gary S., Hubbard, W., and K. Murphy, (2010). "Explaining the Worldwide Boom in Higher Education of Women," *Journal of Human Capital*, 4(3), 2010, 203-241.

Archibald, Robert B., David H. Feldman, and Peter McHenry, (2015). "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.*

Nov 6

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., "Gainfully Employed? New Evidence on the Earnings, Employment, and Debt of for-profit Certificate Students." *Brookings*, February 9, 2018. *A simple statement by Cellini on the performance of for-profit schools.*

Further Reading:

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. *This is the big paper by Cellini & Turner referred to above. If you want to examine it, just skim the econometrics. Get the big picture (unless this is your major paper topic!).*

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 11

Cui Bono? The Public (spillover) and Private (but non-pecuniary) Benefits of Higher Education

Oreopoulos, P., and K. Salvanes, (2011). "Priceless: The Non-Pecuniary Benefits of Schooling," *Journal of Economic Perspectives* 25 (1): 159-184.

Nov 13

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). *Ask yourself how easily US institutions could remove athletics from the service bundle they currently offer.*

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 18

Accountability

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

Nov 20

Grades as a market organizer ... really!

Achen, Alexandra C. and Paul N. Courant. "What are Grades Made Of?" *Journal of Economic Perspectives*, (Summer 2009), pages 77-92. This is a neat example of how to think about

Nov 25

Office Hours for Conferences on Policy Presentation or Independent Research Paper

Dec 2

Team Policy Brief presentations

Dec 4

Team Policy Brief presentations

Final Paper Due: Wednesday, December 11 by 5:00 P.M.