

**Topics in Public Economics**  
**ECO 7938 – Spring 2024**

Instructors:

Dr. Diane Schanzenbach

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Class Schedule: The class meets Tuesday and Thursday in Matherly 224A periods 3 and 4 (9:35am – 11:30am). Dr. Schanzenbach will teach the first half of the course and Dr. Romano the second half.

Canvas Website: Readings are posted at the Canvas Website. The instructors will use the announcement function to communicate with students.

Course Description and Prerequisites: This is a second-year course in the Ph.D. program in economics and requires the first-year economics Ph.D. courses to have been completed. The course is on the economics of education. The first half of the course, taught by Dr. Schanzenbach, focuses on empirical research on the economics of education. Topics include school resources, school accountability policies, teacher effects, higher education and pre-k. The second half of the course, taught by Dr. Romano, focuses on theoretical research on the economics of education. Topics include Tiebout provision of public education, school choice, peer effects, and higher education.

Course Schedule<sup>1</sup>

Week of Jan. 9 (Schanzenbach): The Education Production Function; Class size

Hanushek, Eric A. (1986). "The Economics of Schooling: Production and Efficiency in Public Schools." *Journal of Economic Literature*, Vol. 24(3), pages 1141-1177.

Krueger, Alan B. "Experimental estimates of education production functions." *The quarterly journal of economics* 114, no. 2 (1999): 497-532.

Krueger, Alan B., and Diane M. Whitmore. "The effect of attending a small class in the early grades on college-test taking and middle school test results: Evidence from Project STAR." *The Economic Journal* 111, no. 468 (2001): 1-28.

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<sup>1</sup> The specific timing of coverage is tentative. The instructors will keep students updated on any adjustments.

Dynarski, Susan, Joshua Hyman, and Diane Whitmore Schanzenbach. "Experimental evidence on the effect of childhood investments on postsecondary attainment and degree completion." *Journal of policy Analysis and management* 32, no. 4 (2013): 692-717.

Week of Jan. 16 (Schanzenbach): Class size; school resources

Angrist, Joshua D., and Victor Lavy. "Using Maimonides' rule to estimate the effect of class size on scholastic achievement." *The Quarterly journal of economics* 114, no. 2 (1999): 533-575.

Angrist, Joshua D., Victor Lavy, Jetson Leder-Luis, and Adi Shany. "Maimonides rule redux." *American Economic Review: Insights* 1, no. 3 (2019): 309-324.

Card, David, and Alan B. Krueger. "Does school quality matter? Returns to education and the characteristics of public schools in the United States." *Journal of political Economy* 100, no. 1 (1992): 1-40.

Card, David, and Alan B. Krueger. "Does school quality matter? Returns to education and the characteristics of public schools in the United States." *Journal of political Economy* 100, no. 1 (1992): 1-40.

*Selected readings from Brookings volume on Canvas*

Week of Jan. 23 (Schanzenbach): School finance

Card, David, and A. Abigail Payne. "School finance reform, the distribution of school spending, and the distribution of student test scores." *Journal of public economics* 83, no. 1 (2002): 49-82.

Jackson, C. Kirabo, Rucker C. Johnson, and Claudia Persico. "The effects of school spending on educational and economic outcomes: Evidence from school finance reforms." *Quarterly Journal of Economics* 131, no. 1 (2016): 157-218.

Lafortune, Julien, Jesse Rothstein, and Diane Whitmore Schanzenbach. "School finance reform and the distribution of student achievement." *American Economic Journal: Applied Economics* 10, no. 2 (2018): 1-26.

Rothstein, Jesse, and Diane Whitmore Schanzenbach. "Does money still matter? Attainment and earnings effects of post-1990 school finance reforms." *Journal of Labor Economics* 40, no. S1 (2022): S141-S178.

Jackson, C. Kirabo, and Claire Mackevicius. *The distribution of school spending impacts*. No. w28517. National Bureau of Economic Research, 2021.

Week of Jan. 30 (Schanzenbach): School accountability

Jacob, Brian A. "Accountability, incentives and behavior: The impact of high-stakes testing in the Chicago Public Schools." *Journal of public Economics* 89, no. 5-6 (2005): 761-796.

Neal, Derek, and Diane Whitmore Schanzenbach. "Left behind by design: Proficiency counts and test-based accountability." *The Review of Economics and Statistics* 92, no. 2 (2010): 263-283.

Rouse, Cecilia Elena, Jane Hannaway, Dan Goldhaber, and David Figlio. "Feeling the Florida heat? How low-performing schools respond to voucher and accountability pressure." *American Economic Journal: Economic Policy* 5, no. 2 (2013): 251-281.

Jacob, Brian A., and Steven D. Levitt. "Rotten apples: An investigation of the prevalence and predictors of teacher cheating." *The Quarterly Journal of Economics* 118, no. 3 (2003): 843-877.

Dee, Thomas S., and Brian Jacob. "The impact of No Child Left Behind on student achievement." *Journal of Policy Analysis and management* 30, no. 3 (2011): 418-446.

#### Week of Feb. 6 (Schanzenbach): Teacher Effects

Chetty, Raj, John N. Friedman, Nathaniel Hilger, Emmanuel Saez, Diane Whitmore Schanzenbach, and Danny Yagan. "How does your kindergarten classroom affect your earnings? Evidence from Project STAR." *The Quarterly journal of economics* 126, no. 4 (2011): 1593-1660.

Chetty, Raj, John N. Friedman, and Jonah E. Rockoff. "Measuring the impacts of teachers I: Evaluating bias in teacher value-added estimates." *American economic review* 104, no. 9 (2014): 2593-2632.

Chetty, Raj, John N. Friedman, and Jonah E. Rockoff. "Measuring the impacts of teachers II: Teacher value-added and student outcomes in adulthood." *American economic review* 104, no. 9 (2014): 2633-2679.

Rothstein, Jesse. "Measuring the impacts of teachers: Comment." *American Economic Review* 107, no. 6 (2017): 1656-1684.

Rothstein, Jesse. "Teacher quality in educational production: Tracking, decay, and student achievement." *The Quarterly Journal of Economics* 125, no. 1 (2010): 175-214.

Rothstein, Jesse. "Teacher quality policy when supply matters." *American Economic Review* 105, no. 1 (2015): 100-130.

#### Week of Feb. 13 (Schanzenbach): Charters & choice

Abdulkadiroğlu, Atila, Joshua D. Angrist, Susan M. Dynarski, Thomas J. Kane, and Parag A. Pathak. "Accountability and flexibility in public schools: Evidence from Boston's charters and pilots." *The Quarterly Journal of Economics* 126, no. 2 (2011): 699-748.

Angrist, Joshua D., Parag A. Pathak, and Christopher R. Walters. "Explaining charter school effectiveness." *American Economic Journal: Applied Economics* 5, no. 4 (2013): 1-27.

Angrist, Joshua D., Sarah R. Cohodes, Susan M. Dynarski, Parag A. Pathak, and Christopher R. Walters. "Stand and deliver: Effects of Boston's charter high schools on college preparation, entry, and choice." *Journal of Labor Economics* 34, no. 2 (2016): 275-318.

Dobbie, Will and Roland G. Fryer Jr. (2011). "Are High-Quality Schools Enough to Increase Achievement Among the Poor? Evidence from the Harlem Children's Zone." *American Economic Journal: Applied Economics*, Vol. 3(3), pages 158-187.

Angrist, Joshua D., and Kevin Lang. "Does school integration generate peer effects? Evidence from Boston's Metco Program." *American Economic Review* 94, no. 5 (2004): 1613-1634.

Week of Feb. 20 (Schanzenbach): Higher education

Dale, Stacy Berg, and Alan B. Krueger. "Estimating the payoff to attending a more selective college: An application of selection on observables and unobservables." *The Quarterly Journal of Economics* 117, no. 4 (2002): 1491-1527.

Hoekstra, Mark. (2009). "The Effect of Attending the Flagship State University on Earnings: A Discontinuity-Based Approach." *Review of Economics and Statistics*, Vol. 91(4), pages 717-724.

Ost, Ben, Weixiang Pan, and Douglas Webber. (2018). "The Returns to College Persistence for Marginal Students: Regression Discontinuity Evidence from University Dismissal Policies." *Journal of Labor Economics*, Vol. 36(3), pages 779-805.

Deming, David J., Noam Yuchtman, Amira Abulafi, Claudia Goldin, and Lawrence F. Katz. (2016). "The value of postsecondary credentials in the labor market: An experimental study." *American Economic Review*, Vol. 106(3), pages 778-806.

Clark, Damon, David Gill, Victoria Prowse, and Mark Rush. "Using goals to motivate college students: Theory and evidence from field experiments." *Review of Economics and Statistics* 102, no. 4 (2020): 648-663.

Week of Feb. 27 (Schanzenbach, Feb. 27): Pre-K

Deming, David. "Early childhood intervention and life-cycle skill development: Evidence from Head Start." *American Economic Journal: Applied Economics* 1, no. 3 (2009): 111-134.

Walters, Christopher R. "Inputs in the production of early childhood human capital: Evidence from Head Start." *American Economic Journal: Applied Economics* 7, no. 4 (2015): 76-102.

Miller, Douglas L., Na'ama Shenhav, and Michel Grosz. "Selection into identification in fixed effects models, with application to Head Start." *Journal of Human Resources* 58, no. 5 (2023): 1523-1566.

Week of Feb. 27 (Romano, Feb. 29):

Topic: Tiebout Provision

Benabou, Roland, "Equity and Efficiency in Human Capital Investment: The Local Connection," *Review of Economic Studies*, 63 (1996), 237-264.

Week of March 5 (Romano):

Topic: Tiebout Provision Cont.

Calabrese, Steve, Epple, Dennis, and Romano, Richard, "Inefficiencies from Metropolitan Political and Fiscal Decentralization: Failures of Tiebout Competition," *Review of Economic Studies*, 79 (July 2012), 1081-1111

Nechyba, Thomas, "Mobility, Targeting, and Private School Vouchers," *American Economic Review*, 2000, v. 90, pp. 130-146.

Week of March 12: Spring Break

Week of March 19 (Romano):

Topic: School Finance

Epple, Dennis, and Romano, Richard, "Ends Against the Middle: Determining Public Service Provision when there are Private Alternatives," *Journal of Public Economics*, 1996, v. 62, pp. ...

Fernandez, Raquel and Rogerson, Richard, "Equity and Resources: An Analysis of Education Finance Systems," *Journal of Political Economy*, v. 111 (4), 2003, 858-897.

Week of March 26 (Romano):

Topic: School Finance Cont.

Calabrese, Stephen, Epple, Dennis, and Romano, Richard, "The Political Economy of School Finance Systems with Endogenous State and Local Tax Policies," working paper, 2022.

Week of April 2 (Romano):

Topic: School Choice

Epple, Dennis and Richard Romano, "Competition Between Private and Public Schools, Vouchers, and Peer Group Effects," *American Economic Review*, 88 (1), March 1998, 33-62.

\_\_\_\_\_, "Educational Vouchers and Cream Skimming," *International Economic Review*, 49, November 2008, 1395 – 1435.

McMillan, Robert, "Erratum to "Competition, incentives, and public-school productivity," *Journal of Public Economics* 89 (2005), 1133-1154.

Week of April 9 (Romano):

Topic: School Choice Cont.

Epple, Dennis and Romano, Richard, "Public School Choice and Finance Policies, Neighborhood Formation, and the Distribution of Educational Benefits," Chapter 7 in *The Economics of School Choice*, Caroline Hoxby, ed., National Bureau of Economic Research, University of Chicago Press, 2003, 227-286.

Avery, Christopher and Pathak, Parag, "The Distributional Consequences of Public-School Choice," *American Economic Review* 111(1), 2021, 129-152.

Abdulkadiroğlu, Atila, and Sönmez, Tayun, (2003): School Choice: A Mechanism Design Approach. *American Economic Review*, Vol. 93(4), pp. 729-747.

Week of April 16 (Romano):

Topic: Higher Education

Epple, Dennis, Romano, Richard, Sarpca, Sinan, and Sieg, Holger, "A General Equilibrium Analysis of State and Private Colleges and Access to Higher Education in the U.S." *Journal of Public Economics*, Vol. 155 (November 2017), pp. 164-178.

Epple, Dennis, Romano, Richard, Sarpca, Sinan, Sieg, Holger, and Zaber, Melanie, "Market Power and Price Discrimination in the U.S. Market for Higher Education," with D. Epple, S. Sarpca, H. Sieg, and M. Zaber, *Rand Journal of Economics*, Vol. 50 (Spring 2019), pp. 201-225.

Week of April 23 (Romano):

Topic: Charter Schools

Epple, Dennis, Martinez-Mora, Francisco, and Romano, Richard, "Charter School Practices and Student Selection: An Equilibrium Analysis, National Bureau of Economic Research Working Paper 29529, 2021.

Final Exam

Grading: The empirical and theoretical halves of the course are equally weighted. The grade for the course is based on a final exam.

Additional Theory Readings:

de Bartolome, Charles, "Equilibrium and Inefficiency in a Community with Peer Group Effects," *Journal of Political Economy*, 98 (1990), 110-133.

Nechyba, Thomas, "School Finance Induced Migration and Stratification Patterns: The Impact of Private School Vouchers, *Journal of Public Economic Theory*, 1999, v. 1, pp. 5-50.

Nechyba, Thomas, "Centralization, Fiscal Federalism, and Private School Attendance," *International Economic Review*, February 2003, 44(1), 179-204.

Epple, Dennis, Romano, and Richard, "On the Political Economy of Educational Vouchers," *Journal of Public Economics*, 2014, v. 120, pp. 62-73.

Epple, Dennis, Romano, Richard, and Sarpca, Sinan, "Majority Choice of an Income Targeted Educational Voucher," *American Economic Journal: Microeconomics*, Vol. 10 (November 2018), pp. 289-325.

Rothschild, Michael and Lawrence White, "The Analytics of Pricing of Higher Education and Other Services in Which Customers Are Inputs," *Journal of Political Economy* 103 (June 1995), 573-623.

Arnott, Richard and Rowse, John, "Peer Group Effects and Educational Attainment," *Journal of Public Economics* 32(1987), 287-305.

Lazear, Edward, "Educational Production," *Quarterly Journal of Economics* 116 (August 2001), 777-804.

Macleod, Bentley, and Urquiola, Miguel, "Reputation and School Competition," *American Economic Review*, 2015, v. 105, pp. 3471-3488.

Barlevy, Gadi and Neal, Derek, "Pay for Percentile," *American Economic Review*, 2021, v. 102, pp.

Epple, Dennis, Newlon, Elizabeth, and Romano, Richard, "Ability Tracking, School Competition, and the Distribution of Educational Benefits," *Journal of Public Economics*, 2002, v. 83, pp. 1-48.

#### Classroom Expectations:

- **Attendance is required with the exceptions summarized in the UF Attendance Policy. These exceptions include illness. Of course, do not attend if ill!** (Please see [UF Attendance Policy](#) for exceptions to attendance.) Students are expected to be punctual in class attendance and remain in the classroom for the entire class session, unless an urgent need arises or prior arrangements have been made with the instructor. (I also recognize that your job search might lead you to not attend, but please clear this with me in advance.)

Professionalism and Honor Code: Students are bound to not cheat or plagiarize, and are bound by The Honor Pledge which states, "We, the members of the University of Florida community, pledge to hold ourselves and our peers to the highest standards of honor and integrity by abiding by the Honor Code. On all work submitted for credit by students at the University of Florida, the following pledge is either required or implied: 'On my honor, I have neither given nor received unauthorized aid in doing this assignment.'" You should familiarize yourself with the [UF Student Honor Code](#). Cheating and plagiarism are not the only violations of this policy. Importantly, ignorance of a policy is not a valid reason for violating it.

Students Requiring Accommodations: Students with disabilities requesting accommodations should first register with the Disabilities Resource Center (392-8565; <https://disability.ufl.edu/>), providing appropriate documentation. Once registered, students will receive an accommodation letter that can be presented to the instructor when requesting accommodations. Please register at the beginning of the course if seeking accommodations.

Course Evaluation: Students are expected to provide professional and respectful feedback on the quality of instruction in this course by completing course evaluations online via GatorEvals. Students will be notified when the evaluation period opens, and can complete evaluations through the email they receive from GatorEvals, in their Canvas course menu under GatorEvals, or via [ufl.bluera.com/ufl/](http://ufl.bluera.com/ufl/).

Recording Lectures: (The language that follows is from university guidelines.) Students are allowed to record video or audio of class lectures. However, the purposes for which these recordings may be used are strictly controlled. The only allowable purposes are (1) for personal educational use, (2) in connection with a complaint to the university, or (3) as evidence in, or in preparation for, a criminal or civil proceeding. All other purposes are prohibited. Specifically, students may not publish recorded lectures without the written consent of the instructor.

A "class lecture" is an educational presentation intended to inform or teach enrolled students about a particular subject, including any instructor-led discussions that form part of the presentation, and delivered by any instructor hired or appointed by the University, or by a guest instructor, as part of a University of Florida course. A class lecture does not include lab sessions, student presentations, clinical presentations such as patient history, academic exercises involving solely student participation, assessments (quizzes, tests, exams), field trips, private conversations between students in the class or between a student and the faculty or lecturer during a class session.

Publication without permission of the instructor is prohibited. To "publish" means to share, transmit, circulate, distribute, or provide access to a recording, regardless of format or medium, to another person (or persons), including but not limited to another student within the same class section. Additionally, a recording, or transcript of a recording, is considered published if it is posted on or uploaded to, in whole or in part, any media platform, including but not limited to social media, book, magazine, newspaper, leaflet, or third party note/tutoring services. A student who publishes a recording without written consent may be subject to a civil cause of action instituted by a person injured by the publication and/or discipline under UF Regulation 4.040 Student Honor Code and Student Conduct Code.

#### **Health Counseling and Emergencies:**

**U Matter, We Care:**

If you or a friend is in distress, please contact [umatter@ufl.edu](mailto:umatter@ufl.edu) or 352 392-1575 so that a team member can reach out to the student.

**Counseling and Wellness Center:** <http://www.counseling.ufl.edu/cwc>, and 392-1575; and the University Police Department: 392-1111 or 9-1-1 for emergencies.

**Sexual Assault Recovery Services (SARS)**

Student Health Care Center, 392-1161.

**University Police Department** at 392-1111 (or 9-1-1 for emergencies), or