

ECON 28600 Econ Scholars: Education Finance

Spring 2025: 2/4/25 – 04/15/25

Tuesdays 6:00 – 7:30 PM

1 credit hour, CRN: 31709

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Econ Scholars Program

This program grew out of a desire for students to be able to delve deeper into an economic topic and experience how economic ideas from the 18th and 19th centuries are relevant today. Students from any major who have taken a principles of economics course are invited to apply. Selected students are designated as Econ Scholars, participate in this discussion course for a letter grade, and are given the books and other reading assignments at no cost. Participating students may also receive up to a \$750 scholarship applied in the next semester.

Course Description

This course explores the economics of human capital investment in K-12 and post-secondary education. You must complete the assigned readings before the scheduled discussion and come prepared to participate in the discussion. There are no lectures. Our class meetings will consist of a discussion of the ideas in the readings with grades based on your participation in addition to one writing assignment at the end of the semester. The instructor will suggest questions to get the discussion started and will maintain the queue that determines speaking order.

Learning Outcomes

By the end of the course, you are expected to be able to:

- Discuss how human capital investment theory applies to education policy today.
- Explain and evaluate the arguments concerning education finance.

Attendance and Participation

Attendance at each class meeting is required. Your grade will be based on attendance, class participation and an essay assignment. Contact the instructor if you have to miss class. [Excused absences](#) are only for grief/bereavement, military service, jury duty, parenting leave, hospitalization, and emergency department or urgent care visits. If you have a conflict due to an exam in another class, that instructor is required to give you an alternative exam time. You should request the alternative exam at least one week in advance. If you have contacted the instructor and have an excused absence you should still prepare as though you would be attending class. You will be asked to do a make-up assignment.

Course Schedule

Feb 25 – Adam Smith

Smith, Adam (1776) “The Wealth of Nations,”

- Book V, Chapter I, Part 3, Article II: Of the Expense of the Institutions for the Education of Youth, (pages 819-846).
- Book V, Chapter I, Part 3, Article III: Of the Expense of the Institutions for the Instruction of People of all Ages (pages 846-875).

Mar 4 – Frédéric Bastiat

Bastiat, Frédéric (1843-1850) “The Law, The State, and Other Political Writings 1843-1850,”

- Ch 5. Justice and Fraternity, (pages 60-81).
- Ch 11. Baccalaureate and Socialism, (pages 185-234).

Mar 11 – The Role of Government in Education

Friedman, Milton (1955) “The Role of Government in Education” in *Economics and the Public Interest*, ed. Robert A. Solo, Rutgers University Press (handout).

Mar 25 – Investment in Human Capital

Becker, Gary (1962) “Investment in Human Capital: A Theoretical Analysis” *Journal of Political Economy*, Vol 70, No. 5, part 2, pages 9-49 (handout).

Deming, David J. (2022) “Four Facts about Human Capital” *Journal of Economic Perspectives*, 36:3, 75-102 (handout).

Apr 1 – Does Money Matter in K-12 Education?

Hanushek, Eric A. (2003) “The Failure of Input-Based Schooling Policies” *The Economic Journal*, 113, 64-98 (handout).

Jackson, C. Kirabo, Rucker C. Johnson, and Claudia Persico (2016) “The Effects of School Spending on Educational and Economic Outcomes: Evidence from School Finance Reforms” *Quarterly Journal of Economics*, 131:1 157–218 (handout).

Apr 8 – School Choice

Chen, Feng and Douglas N. Harris (2023) “The Market-Level Effects of Charter Schools on Student Outcomes: A National Analysis of School Districts” *Journal of Public Economics*, 228: 105015, 1-15 (handout).

Deming, David J., Justine S. Hastings, Thomas J. Kane, and Douglas O. Staiger (2014) “School Choice, School Quality, and Postsecondary Attainment” *American Economic Review*, 104:3, 991-103 (handout).

Apr 15 – Student Loans

Dynarski, Susan (2021) “An Economist’s Perspective on Student Loans in the United States” in *Human Capital Policy*, ed. David Neumark, pages 84-102 (handout).

Looney, Adam and Constantine Yannelis (2022) “The Consequences of Student Loan Credit Expansions: Evidence from Three Decades of Default Cycles” *Journal of Financial Economics* 143, 771-793.

Apr 22 – Student Selection into an Income Share Agreement

Letter from Elizabeth Warren, Ayanna Pressley, and Katie Porter to Betsy DeVos (June 4, 2019).

Mumford, Kevin (2024) “Student Selection into an Income Share Agreement” Working Paper (handout).

Course Policies

Student Evaluation

Student evaluation will be based on participation in the 8 discussions and on the short essay assignment. The maximum letter grade you can earn depends directly on attendance:

No absences	A
1 absence	A-
2 absences	B
3 absences	B-
4 absences	C
5 absences	C-
6+ absences	D

\$750 Scholarship

Participation at each of the 8 discussions and submitting the short essay assignment are required in order to be awarded your scholarship. Not being prepared for the discussions, not participating in the discussions, and/or not submitting the short essay assignment will lead to your scholarship amount being reduced. The maximum scholarship amount depends directly on attendance:

No absences	\$750
1 absence	\$650
2 absences	\$550
3 absences	\$450
4 absences	\$350
5 absences	\$250
6+ absences	0

Short Essay Assignment (due April 23)

Each student is required to write a 700 to 1,000 word essay on the topic of education finance that would be suitable for publication as an op-ed. Each student will decide which specific topic to address. In your writing, get right to the point and explain why your thesis matters. Provide evidence that supports your argument. Explain the other side's argument (the real argument, not a straw man) and show why it is wrong. Avoid writing in a passive voice. Check each sentence to make sure that it is correct both grammatically and factually. Remember, the purpose of an op-ed is to provide information along with your opinion, it is not a comparison of competing views on the topic. Harry Truman once said that he wished he could hire a one-handed economist because "all my economists say 'on the one hand [and then] on the other.'" You should write your op-ed with only one-hand. This essay should be submitted to the instructor by April 23.

Student Code of Honor

The purpose of the Purdue University academic community is to discover and disseminate truth. In order to achieve these goals, the university commits itself towards maintaining a culture of academic integrity and honesty. For this to be possible, self-discipline and a strong desire to benefit others must be present within each individual. Therefore, we students must follow the Regulations Governing Student Conduct of Purdue University out of a sense of mutual respect, rather than out of fear of the consequences of their violation.

Academic Integrity

Academic integrity is one of the highest values that Purdue University holds. Cheating, plagiarism, or knowingly furnishing false information to the University are examples of academic dishonesty. If I find that a student cheated on an assignment, that student will receive no credit for the assignment and will be reported to university administrators. Students are encouraged to alert university officials to potential academic dishonesty by either emailing integrity@purdue.edu or by calling 765-494-8778. While information may be submitted anonymously, the more information that is submitted provides the greatest opportunity for the university to investigate the concern.

Diversity & Inclusion Statement

Purdue University is committed to maintaining a community which recognizes and values the inherent worth and dignity of every person; fosters tolerance, sensitivity, understanding, and mutual respect among its members; and encourages each individual to strive to reach his or her own potential. In pursuit of its goal of academic excellence, the University seeks to develop and nurture diversity. The University believes that diversity among its many members strengthens the institution, stimulates creativity, promotes the exchange of ideas, and enriches campus life. Purdue University prohibits discrimination against any member of the University community on the basis of race, religion, color, sex, age, national origin or ancestry, genetic information, marital status, parental status, sexual orientation, gender identity and expression, disability, or

status as a veteran. Any student who believes they have been discriminated against may visit www.purdue.edu/report-hate to submit a complaint to the Office of Institutional Equity. Information may be reported anonymously.

Accessibility and Accommodations

Purdue University strives to make learning experiences as accessible as possible. If you anticipate or experience physical or academic barriers based on disability, you are welcome to let me know so that we can discuss options. You are also encouraged to contact the Disability Resource Center at: drc@purdue.edu or by phone: 765-494-1247.

In Case of Emergency

In the event of a major emergency or other disruption, course requirements, deadlines and grading percentages are subject to changes that may be necessitated by a revised semester calendar or other circumstances. Relevant changes to this course will be posted onto the course website or can be obtained by contacting the instructors or teaching assistants via email. You are expected to read your @purdue.edu email on a frequent basis.