

ECONOMICS OF EDUCATION

Sponsored by a Grant TÁMOP-4.1.2-08/2/A/KMR-2009-0041

Course Material Developed by Department of Economics,
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June 2011



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Syllabus

Course objectives

The purpose of this course is to give an introduction to the economic analysis of education. In addition to the discussion of the theoretical problems of education economics students will learn about empirical analysis of policy issues. We will cover six broad areas 1. we will begin with an introduction to the economic theories about the economic value of education: the human capital theory, the screening/signalling models and the manpower requirement approach. 2. We will then discuss how the quantity and quality of education may contribute to economic growth, 3. methods for cost-benefit analysis of education; 4. theoretical problems of financing education; 5. methods for cost-effectiveness analysis of education and 6. teacher labour market.

Outline

1. *Theories about the economic value of education* I. Human capital theory. The value of human capital. Non-monetary benefits of education. Individual human capital investment decisions.
2. Human capital investment decisions by firms. General and firm specific training.
3. Government's human capital investment decisions. External benefits of education, market imperfections, the information problem.
4. *Cost-benefit analysis of education* 1. Costs of education. Benefits of education. Internal rate of return analysis. Net present value analysis. Empirical results.
5. *Cost-benefit analysis* 2. Earnings function. Measurement problems.

6. *Education and economic growth*. The sources of economic growth. In what ways could education effect growth? Empirical estimates. Early estimates the aggregate production function. Recent advances in growth accounting
7. *Theories about the economic value of education II*. Screening, signalling models. Cost and benefits of screening /signalling. Empirical tests.
8. *Theories about the economic value of education III*. Manpower requirement approach, educational planning.
9. *Financing education*. Public and private sources. Allocating resources to different levels and types of education. Financing public education. The effect of the different forms of distributing government funding. The voucher system.
10. *Financing higher education*. Loans versus grants. Institutional versus student support.
11. *Teacher labour market, teacher wages*
12. *Cost-efficiency analysis of education*. Education production functions. Education cost functions. Efficient schools.
13. *Education in Hungary*.

Readings

Core:

VARGA, JÚLIA (1998): Oktatás-gazdaságtan. Közgazdasági Szemle Alapítvány
http://www.kszemle.hu/kiadvany/Varga_-_Oktatas-gazdasagtan

Kézdi, Gábor: Education and Earnings. In: The Hungarian Labour Market. Review and Analysis. 2005. Infocus IEHA-OFA <http://econ.core.hu/doc/mt/2005/en/infocus.pdf>

VARGA, JÚLIA (1998): Oktatás-gazdaságtan. Közgazdasági Szemle Alapítvány
http://www.kszemle.hu/kiadvany/Varga_-_Oktatas-gazdasagtan/

Kézdi, Gábor: Education and Earnings. In: The Hungarian Labour Market. Review and Analysis. 2005. Infocus IEHA-OFA <http://econ.core.hu/doc/mt/2005/en/infocus.pdf>

Links to useful websites:

http://www.eenee.de/portal/page/portal/EENEEView/010_Economics_of_Education/040_References

http://www.oecd.org/topic/0,3699,en_2649_37455_1_1_1_1_37455,00.html

http://www.econ.core.hu/kutatas/edu_desc.html