

# Education and Equity



## NEWS UPDATE

- The Supreme Court has announced it will decide on a challenge to affirmative action college admissions in October 2022. This has the potential to upset the previous Supreme Court ruling in favor of the University of Michigan’s standard of using an applicant’s race or ethnicity as one of their criteria for admission.
- America’s elite colleges are rethinking their decades-old tradition of admitting students on a legacy basis. Yale, Harvard, and hundreds of students and alumni of 30 colleges oppose using a parent’s alumnus status and/or financial contributions to the college as one criterion for admission. Critics of the policy believe it is racist and unfair (Collin Binkley, Associated Press, February 13, 2022).

## PURPOSE

This chapter is the first of four chapters that focus on U.S. social issues and government social services, including education, housing, healthcare, and social security. We look at both K–12 and higher education, which should be interesting topics to our students (they’ve been there, done that, and are doing it). We particularly pay attention to issues of financing and equal opportunity in K–12 education, and the access of low-income and minority students to higher education. Matters are more complex than students might think. We also address the positive externalities of education, and we use the tools of the production possibilities curve, demand and supply model, and cost-benefit analysis to address these topics. We end with an analysis of the approaches to education by the economic left and right, and we include populist demands about racial content in school curriculum.

## WHAT’S NEW?

1. As our students and population in general are bombarded with social media, right- and left-wing news sources, a great deal of falsehood, and the adamant opinions of people everywhere, we recognize the need for a K–12 curriculum that teaches media literacy and civic education and fosters analytical and critical thinking.
2. Similarly, as our nation comes to grips with the reality of racism, we need a K–12 curriculum that incorporates racial and cultural diversity perspectives. These include a realistic version of U.S. history that incorporates the slavery of Africans and the oppression of Indigenous people (“woke education”) and the impact of these on continued inequities today.
3. As noted previously, the Supreme Court has agreed to settle two affirmative action cases in higher education in October 2022. You may want to watch for the decision and talk about it with your students.
4. We expand on a few topics from former President Trump’s educational policy, including the use of vouchers, “color-blind” admissions policy, the 1776 Commission for patriotic education, and conservative harassment of transgender girls. Many of these continue in the context of policies of state legislatures and local school boards.

5. The educational policy of President Joe Biden is new to the text, and it includes his proposals for greater funding of education and for an investment in human capital in the form of an offer of two years of tuition-free pre-Kindergarten education for all children and two years of tuition-free community college education for all adults. Pre-K education is especially cost-effective and has never been adequately funded in our country.
6. We continue to discuss how free community college, student loan forgiveness, and Pell Grants are well-intended but may not reach low-income and minority students if they received a poor-quality education at lower levels of education that failed to prepare them for college admission and success.
7. The discussion of college admission scandals is new (and interesting to students), but it is really just a continuation of the topic of white privilege in college admissions. In this respect, it raises the important issue of affirmative action.
8. One other new feature is the discussion of school violence, including mass school shootings. Students will have opinions on these.

---

## TEACHING SUGGESTIONS

### ➤ *Student Interest*

- Anything you can do to make the textbook issues personal to your students will get their attention. Begin by asking them, “Why are you in college?” Steer the conversation to the concept of an investment in human capital.
- Ask students why they chose a public or private college over the alternative.
- Ask your students about any negative experiences they wish to share about their experience receiving reduced-price school lunches in K–12 education. Many students are ridiculed for this.
- Many of my students are education majors. They are especially aware of government policies toward public K–12 education and pre-K education. You can ask your education students about these.

### ➤ *Controversy*

- If issues of racism cause discomfort among students, you may wish to focus on the institutional aspects of racism rather than personal aspects. Do not permit any racist or derogatory language from your students.
- Studies have found that poverty in itself reduces the likelihood of academic success and educational attainment, even if schools are of identical quality. Obviously, the real solution is the alleviation of poverty.
- Woke education is controversial! So is critical race theory, affirmative action, media literacy, vouchers, transgender bathrooms, masking and vaccination policy, and oh so much more!
- Some people argue that college-educated people are less likely to commit crimes. Do you agree? Does it matter whether they are property crimes? Violent crimes? Drug crimes? White-collar crimes?

➤ *Economic Theory and Models*

- The role of positive externalities is addressed with a demand and supply model in the text, along with a discussion of the inequity and inefficiency that occur when externalities are present and not appropriately addressed by government. Positive externalities are especially important in the context of K–12 education in the United States and the education of both girls and boys in poor developing countries. Your students may wish to discuss these externalities. Ask if they think they will have more to offer to society due to their higher education. Do they intend to provide social benefits?
- Cost-benefit analysis of a college education is discussed within the text and is presented in the form of a graphical and numerical model in Appendix 5–1. Students should be encouraged to consider the non-monetary benefits of their education, as well as the monetary ones. (They may be unaware of many non-monetary benefits until later in life.) Warn students that those who eventually drop out of college or fail to find a job will not experience the benefits we describe. In other words, we should include some discussion of risk.
- Your students will likely find the discussion of differential college tuition interesting. Graphs are presented in Appendix 5–2.

➤ *Data and Terminology*

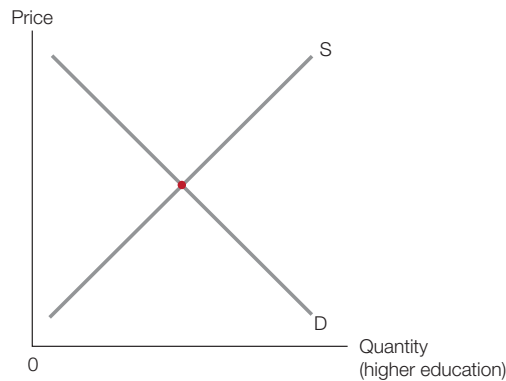
- Statistics are updated for global comparisons of inputs into education (spending and pupil-to-teacher ratios) and outcomes of education (literacy rates and new material on student proficiency in standardized tests). Students will find the discussion of standardized tests interesting, as they probably have strong opinions about their own experiences.
- As always, the terminology in the updated data tables is precise and important. Without too much detail, make sure students understand the meaning of unemployment rates, as well as earnings, educational attainment, and high school dropout rates. Statistics are also updated for the sources of financing for education.

➤ *Fundamentals*

- The fundamental problem of inequality is displayed when different school districts have vastly different property values, and low-income students in low property-value school districts receive a poorer quality education than those in higher property value school districts. Poverty is thereby repeated over generations.
- The fundamental problem of racism is also related to property tax funding of public education (since Blacks and other minorities have lower median incomes and higher poverty rates than whites), as well as discrimination in private education, the use of school vouchers, and “color-blind” admissions.
- Middle-class students sometimes feel they are treated unfairly in higher education. “The rich can afford it, and the poor get the grants.” Remind them that many poor families still cannot afford a college education because of the opportunity cost of foregone full-time income while in school.
- Ask your students what they think about President Biden’s proposal to make two-year community college tuition free. What do they think about student loan forgiveness? Who benefits from these?

## CLASSROOM EXERCISES

- The supply and demand graph below is for a college education in a free market (without government intervention), and we assume a college education has spillover benefits for society. The demand curve D is the private market demand. Label the equilibrium point E within the graph, and label the equilibrium price and quantity along their respective axes. Now draw the social demand curve and explain how the presence of spillover benefits means there is an under-allocation of society's resources toward higher education. How can this problem be addressed? [Government support for higher education would enable a higher social demand curve to intersect with supply at a higher quantity of higher education. There would be an increase in the allocation of resources to higher education.]



- Inner City has a property tax base of \$40,000 per student, while Suburb has a property tax base of \$200,000 per student.
  - Show how the amount of money allocated per student will differ if the property tax rate is 4% for both schools. [The amount per Inner City student =  $0.04 \times \$40,000 = \$1,600$ ; whereas the amount per Suburb student =  $0.04 \times \$200,000 = \$8,000$ .]
  - Show how the tax rate of Inner City must increase to 20% to provide the same level of funding per student as Suburb. [ $0.20 \times \$40,000 = \$8,000$ . Note that low-income residents of a low-property value school district must pay a very high property tax.]

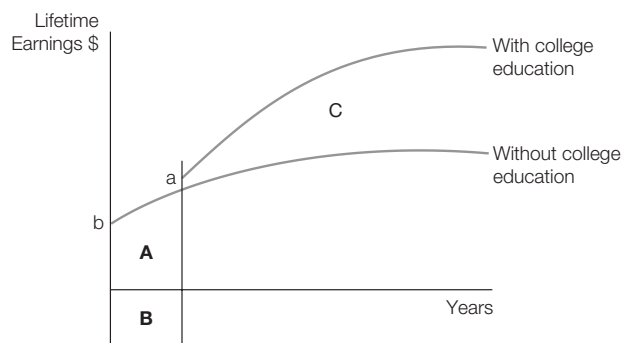
## SAMPLE TEST QUESTIONS

### *Multiple Choice Questions*

- What is the best example of the indirect (opportunity) costs of a college education?
  - tuition
  - room and board
  - forgone earnings from attending school instead of working**
  - books, lab fees, and other such items

2. State government spending on public universities:
  - a. benefits mainly low-income students.
  - b. benefits students of all income levels equally.
  - c. benefits mainly middle- and high-income students.**
  - d. has been increasing dramatically as a percentage of state budgets.
3. A major source of financing for public K–12 education is:
  - a. the federal property tax.
  - b. the federal income tax.
  - c. the local property tax.**
  - d. the local income tax.

The next three questions refer to the following graph (*Appendix 5–1*):



4. What is true about the curves showing lifetime earnings with a college education (top curve) and lifetime earnings without a college education (bottom curve)?
  - a. Earnings are higher with a college education.
  - b. Earnings rise more quickly with a college education.
  - c. Earnings occur in the first four years for a student without a college education.
  - d. All of the above**
5. Area A represents:
  - a. The indirect (opportunity) cost of a student attending college.**
  - b. The indirect (opportunity) cost of a student not attending college.
  - c. The direct cost of a student attending college.
  - d. The direct cost of a student not attending college.
6. What area represents the excess of lifetime earnings for the college student compared to the lifetime earnings of the non-college student?
  - a. Area A
  - b. Area B
  - c. Area C**
  - d. Area A+B+C

7. Because education has spillover benefits, the private market by itself will:
- underallocate resources to education.**
  - overallocate resources to education.
  - produce too much education.
  - produce the socially optimum amount of education.
8. John lives at home and is a freshman in junior college. He quit a job that would have paid him \$9,000 per year so he could attend school full time. His tuition and fees were \$2,000 per year, and his books cost \$200 per year. What was the full cost of his first year of school?
- \$2,700
  - \$11,200**
  - \$2,500
  - none of the above
9. Proposals to charge higher tuition for more popular college majors are based on the argument that:
- the higher tuition would enable the school to hire more teachers and offer more sections of courses in those majors.
  - some students would switch to other, less popular, majors rather than paying higher tuition.
  - the school's resource allocation would improve.
  - all of the above**
10. Which country in the Western industrialized world spends the largest share of GDP on education?
- The United States
  - Norway**
  - Denmark
  - Israel
11. Many of the African countries have:
- relatively low literacy rates.
  - lower literacy rates for women than for men.
  - the need for education for women in order to achieve economic development.
  - all of the above**
12. What do private schools, magnet schools, and charter schools have in common?
- They all increase competition in K–12 education.**
  - They all involve transferring finances from private to public K–12 schools.
  - They are all supported by economic liberals.
  - They are all opposed by economic conservatives.
13. The principal problem with financing K–12 education by means of the local property tax is that:
- it causes wasted resources.
  - educational quality is not equal throughout the state or country.**
  - the tax base is adequate, but the tax rate is not.
  - low-income children cannot attend school.

14. Which of the following countries does not have relatively high literacy rates?
  - a. The United States
  - b. Cuba
  - c. Russia
  - d. Chad**
  
15. The federal government finances approximately what share of public K–12 education?
  - a. 1%
  - b. 9%**
  - c. 40%
  - d. 60%
  
16. Theoretically, state contributions to public K–12 education are intended to:
  - a. take control over hiring decisions in public schools.
  - b. take control over curriculum in public schools.
  - c. assure more equal funding among public schools.**
  - d. reduce the authority of local school boards.
  
17. Unless there is government intervention, the existence of positive externalities means there is:
  - a. inefficiency.
  - b. inequity.
  - c. misallocation of resources.
  - d. all of the above**
  
18. The classic example of a negative externality is:
  - a. education.
  - b. vaccinations.
  - c. pollution.**
  - d. a public good or service.
  
19. The largest share of 15-year-old students achieving proficiency on standardized math tests is in:
  - a. the United States
  - b. Norway.
  - c. Denmark.
  - d. Costa Rica.**
  
20. Economic conservatives generally support:
  - a. competition among different kinds of schools.
  - b. tuition vouchers for private education.
  - c. deregulation (of government control of education)
  - d. all of the above**

### ***True / False Questions***

1. Data reveal that earnings increase as the level of educational attainment increases. **(T)**
2. Most American college students attend private schools. **(F)**
3. The average U.S. high school dropout rate is close to 6%. **(T)**

4. The United States spends the largest share of GDP on public education among the Western industrialized countries. (F)
5. Some developing countries, such as Costa Rica and Cuba, have lower (better) pupil-to-teacher ratios than the United States. (T)
6. A major reason that inner-city schools are under-financed is that they do not have an adequate property tax base. (T)
7. Property tax financing of K–12 education results in relatively equal spending per public school student throughout the United States. (F)
8. Public K–12 education has substantial spillover benefits. (T)
9. Magnet schools increase the choices for students and their families. (T)
10. The use of private school tuition vouchers can harm the quality of our public schools. (T)
11. There is a positive relationship between income and years of education for both men and women. (T)
12. The federal government provides over 25% of the funding for our public K–12 schools. (F)
13. Government support for public education can be justified by education's spillover benefits to society. (T)
14. The private market overallocates resources to products with substantial spillover benefits. (F)
15. An important opportunity cost of higher education is the forgone earnings from employment while in school. (T)
16. State spending on public university systems mainly benefits low-income students. (F)
17. Because of U.S. law, racial and ethnic minority students receive the same quality of education as nonminority students. (F)
18. Both men and women receive approximately equal earnings for equal levels of education. (F)
19. All forms of affirmative action in higher education admissions have been ruled unconstitutional by the courts. (F)
20. Non-Hispanic white people have the highest attainment of bachelor's and Ph.D. degrees among all U.S. races and ethnicities. (F)
21. African Americans have the highest high school dropout rates among all U.S. races and ethnicities. (F)
22. Donald Trump proposed large increases in educational spending on public schools. (F)
23. President Joe Biden proposed large increases in educational spending on public schools. (T)
24. Donald Trump opposed school vouchers. (F)
25. President Joe Biden supports affirmative action. (T)
26. The 1776 Commission was created by Donald Trump to foster patriotic education. (T)
27. In the quote that opens this chapter, President Joe Biden speaks of leaving our children a nation and a world that is better than the ones we inherited. (T)
28. The Supreme Court ruled in the University of Michigan case that a diverse student body has its own benefits. (T)
29. Investment in human capital theory concludes that high school graduates should go to college if the increased lifetime earnings from a college education are greater than the sum of the direct and indirect costs of college education. (T)
30. Malala Yousafzai was shot by the Taliban in northwest Pakistan for her vocal support of girls' education; and after recovering, she became a global advocate for girls' education and received the Nobel Peace Prize. (T)



### ***Critical Thinking Questions***

1. We often talk of U.S. public education as a means of achieving equal opportunity for all. Do you think this is true? Why or why not? What do you think is the impact of our educational system on income distribution? On systemic racism?
2. Why is the education of girls and mothers important in the developing countries of the world?
3. How do you feel about affirmative action? Do you believe it amounts to quotas? (It does not.) Do you believe it is reverse discrimination? Do you believe that a diverse student body and faculty has benefits in itself?
4. What do you think about discrimination by private schools on the basis of race and ethnicity? On the basis of gender? On the basis of LGBTQ status? Keep in mind that most private schools are religious ones. What about vouchers that transfer funding away from public to private schools. What about the separation of church and state?
5. What do you think about “woke education” and critical race theory? Are you aware that this text includes aspects of critical race theory? What government policies institutionalize racism in our educational system?