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## No Child Left Behind?

by Julian Betts, Professor of Economics, UCSD



Julian Betts, Professor  
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In January 2002, President Bush signed the controversial No Child Left Behind Act (NCLB) into law. NCLB requires states to test public school students annually, and to define “Proficient” levels of achievement. NCLB challenges states to raise all students to a Proficient or higher level of achievement by 2014.

No Child Left Behind provides a fascinating study of some of the central issues we discuss in our economics classes – market theory and the economics of incentives.

The law displays both strengths and flaws in both of these domains. NCLB provides money for school choice, so that students at “failing” schools can opt for other non-failing schools, as well as money to bring supplemental services (tutoring) into failing schools. Supporters argue that these provisions make economic sense: according to market theory increased choice and competition increases efficiency. Skeptics worry that these provisions do not go far enough to create truly competitive markets. In a recent paper Anne Danenberg of the Public Policy Institute of California and I point out that, in California, districts themselves have often provided the bulk of tutoring services, potentially limiting competition. The principal-agent problem is clear: districts are responsible for authorizing outside tutoring agencies at the same time that they are competing with these outside providers for federal tutoring dollars.

NCLB also provides a case study in the economics of incentives. In separate papers by Robert Costrell of the University of Massachusetts and myself, published in the *American Economic Review*, we show that merely increasing a pass-fail standard such as that required by NCLB can never make *all* students better off. One reason is that some students on the margin will give up, lowering their academic effort. To its credit, NCLB provides additional funds to help schools and students at risk of failing. This funding gives students at risk of failing a chance to improve.

In other dimensions, NCLB gets the incentives

wrong. For schools with high rates of student turnover, average achievement can fluctuate wildly from year to year, often leading schools to be mislabeled as ‘failing’, merely because they have newly enrolled a low-scoring cohort. Further, the number of targets a school must meet depends on the number of “numerically significant” groups of students at the school, as defined by various demographic variables. A school that enrolled only affluent white students would have only 4 hoops to jump through. A more diverse school might face up to 44 hoops. Economists Tom Kane (UCLA) and Doug Staiger (Dartmouth) have argued that more diverse schools are therefore more likely to be labeled as failing for purely random reasons. Similarly, due to larger sampling variation, small schools are particularly likely to be mislabeled as ‘failing’.

Anne Danenberg and I have also found that, in one district, transfers of students from “failing” to “non-failing” schools perversely threaten to throw the receiving schools into failing status. The reason: the arrival of the transfer students mechanically lowers average test scores at the receiving school!

Clearly, NCLB could benefit from some fine-tuning, but it has already helped to inform the American public about the huge variations in student achievement that have existed among schools for decades. That alone represents a big step forward in our thinking about public education.

## The UCSD Economics Roundtable

*The purpose of the Roundtable is to provide top business professionals and community leaders in the San Diego region with the opportunity to share the views and opinions of renowned experts in the fields of economics, finance, business and public policy. Members of the Roundtable will share insights with their counterparts in the business community and with members of the UCSD faculty.*

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*The UCSD Economics Roundtable is organized by the UCSD Department of Economics in coordination with UCSD Extended Studies and Public Programs.*

## Hoyt Bleakley: Using the Rigor of Economics

By Barry Jagoda,  
UCSD Communications



Hoyt Bleakley, Assistant Professor  
UCSD Economics Department

“I find economics very satisfying,” says Hoyt Bleakley, an assistant professor who specializes in developmental and labor economics. “There are many interesting questions about why the world functions this way instead of another way and the nice thing about economics is that we have a framework for asking, and even for finding answers,” elaborates the 32-year old scholar now in his second year at UCSD.

From an early interest in science and technology, to revelations about the human condition gained from immersion in the theatre to frustrations arising from political enthusiasms without solutions, Hoyt knew he was looking for a framework. Attracted by the opportunity MIT gave him to go deeper into empirical work as a college physics student he continued to look for the human dimension of research and scholarship. In his first two years of college he sought out courses in a variety of disciplines and came to realize that economics offered a good solution to multiple interests.

“I seemed to be having a bipolar existence. Being involved in the theatre, I was quite interested in human interactions. With an interest in physics I wanted to express things carefully and back it up with evidence. That, plus an interest in politics, led me to economics because it combines the human element with rigorous methodology. I had an interest in things that were of consequence to people.” Hoyt ended up majoring in economics and after college went to work at the Federal Reserve Bank in Boston for three years.

Upon coming back to MIT for graduate school Hoyt figured he would try to understand how labor markets functioned, an interest stimulated by his work at the Fed. “Labor economists have very wide parameters. You can think about it as focusing on what is going on at the personal level, how different things affect choices and productivity.” For example you might look at the economic benefits of acquiring a skill, and what are the determinants of that. Actually one of my major areas of interest has been language acquisition by immigrants and its implications. This fits the pattern of labor economics.”

Currently most of Hoyt’s work centers on what is going on in developing economies and emerging markets. “One of the goals of development economics is to understand these problems with an aim towards understanding how to alleviate them. A lot of what I work on is taking a specific topic to see its impact on the society and economy of underdeveloped countries and to try to understand what policies should be set to work on their many problems. I came to focus on this area, in part, because of personal travel and observation in Latin America and South

Africa. It occurred to me that the important questions might not be why the unemployment rate in the U.S. was 5% vs. 6%, but why some countries are so much poorer than others, particularly when we all have more or less the same access to the same know-how.”

Dissertation work on the implications of eradication of hookworm disease in the southern U.S. led Hoyt to a way of seeing social change that continues as a tool and an area of concentration for his current work. Hookworm, an intestinal parasite, caused epidemics of anemia in affected populations. By studying patterns of development among southern populations following the elimination of the disease in the early 20th century, Hoyt discovered a window not unlike that he uses today.

During the current academic year, working at the UCSD Center for U.S.-Mexico Studies, Hoyt will be examining the issue of malaria and approaches to its eradication in Latin America.

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“I’m interested both in the economic impact of malaria and also what are the institutional barriers to its elimination. Which areas get rid of the disease and why? This is related to the question of foreign aid. Some say you should see where the needs are and you should try to fill

them. Another view says you should work on institution building and everything else will fall into place. That’s because good governance pays lots of benefits and also that aid doesn’t work unless you have good governance.”

A framework for problem-solving without being restricted to a narrow zone of economic discipline seems just right for a man who has channeled his varied interests into a manageable perspective.

Hoyt is happy inside the UCSD Economics family, “The fact that our department is not gigantic means that people talk across field boundaries, which is terrific. I don’t like field boundaries. I like to think of myself as an economist first and the field boundaries come third or fourth.”

Another family for Professor Bleakley is his own, where he and his wife Miriam have just brought baby Sophia into the world, adding to ever expanding interests and passions.

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## Julie Cullen: The Shortest Distance May Be Via Guatemala

By Barry Jagoda,  
UCSD Communications



Julie Cullen, Assistant Professor  
UCSD Economics Department

Assistant Professor Julie Cullen has a reasonable and logical approach to life and career, even if her progress to becoming a highly respected young public economist has followed anything but an orderly straight line.

An excellent student in high school and college, she enjoyed competitive track (high jump) in part because it made her seem less, as she puts it, of a focused “nerd” and gave her life a more all-around quality. Athletic competition was

also a source of confidence-building for the future scholar.

At Stanford, where the native Californian matriculated, after school days in Connecticut where her family had moved for her Dad’s work, Julie became interested in English and ended up writing an honor’s thesis focused on Arthurian literature. She also started out in math but moved to economics as a second major. “Economics had a quantitative side and a logical side that appealed to me. I also felt that English was quantitative: I could map out stories and see the contents in a logical way. Both fields had complicated subject matter and for me it was easier to reduce complex issues to some minimal elements that are really important and then you really learn something from these basic elements.”

Then one day Julie went to interview for a job with a big consulting company. The firm’s interviewers failed to show up, but Peace Corps recruiters happened to be in a nearby booth. She could have gone to Zaire right away, since they needed someone to teach math and French—which she had also studied in college—but there was the problem of allergies to bee stings. Okay, how about Guatemala, where one could do farm extension work?

The Peace Corps, for three years, made a big difference in Julie’s life. First of all, she met Brian, later to be her husband and the father of Swift, four, and Billie, two. Second, she got really interested in the way government funding operations work and in the role of public sector institutions in people’s lives. Not exactly the shortest distance between two points, but it was a germ of Julie’s interest in public economics as a career.

Julie attended graduate school at MIT, one of the most competitive public economics training grounds. At MIT there turned out to be an emphasis on empirical work that tests theoretical predications about relationships between variables using experiments that occur naturally, such as surprise changes in policies, a logic that appealed to Julie given that her interest in public economics was sparked by having participated in the implementation of some of these “surprises” as a Peace Corps

Volunteer.

Another strand of professional definition for Julie is an interest in using her work to answer questions that come to her attention from everyday life. “I was really drawn to economics because it was a way of thinking about a lot of everyday issues, for example elementary and secondary education. I wanted to use my research work to focus on real world problems and in the Connecticut town where my parents were living there was a big discussion about special education for the disabled. I got interested in studying the relationship between fiscal incentives and the rate of persons characterized as disabled, and many related issues.”

Suddenly having defined herself as public economist (with a sub specialization in econometrics) and with a focus on education issues, among others, she had a Ph.D and got a job teaching at the University of Michigan. After two years of work in that distinguished department, Dr. Cullen was awarded a Robert Wood Johnson Foundation Health Policy Research

Fellowship. For the following two years she relinquished her teaching duties (except for working with a coterie of graduate students) and continued work on disability programs while beginning a new project on how

***“I wanted to use my research work to focus on real world problems...I got interested in studying the relationship between fiscal incentives and the rate of persons characterized as disabled, and many related issues.”***

“shocks” (sudden high prices in utilities, say, or being laid off from work) to income affected ability to acquire basics, including food, housing and medical care. She explains, “The hard thing to figure out is how changes in income affect specific use of what is left. For example, there may be a change in the food budget that could be related more to not going to work, if you are laid off, than to other reasons for altering your food spending.”

“I was happy at Michigan and was surprised when the opportunity came up at UCSD. I knew of this program and the Department was looking for someone in public economics. Here at UCSD there are more people with different backgrounds so I’m being challenged more and have many things to learn. This was the right time in my career to put myself in an environment that was a little less familiar. I’m learning a lot and enjoying it very much.”

*Barry Jagoda, UCSD Director of Communications for Social Sciences, Arts and Humanities and International Relations, is a reporter and writer with many years of experience in journalism and public affairs.*

## ALUMNI

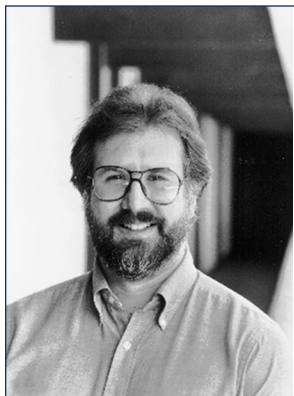
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## Chair's Corner

### UCSD Economics: From Strength to Strength



Richard Carson, Chair  
UCSD Economics Department

**T**his Fall we welcome four new faculty members:

**Melissa Famulari** (Ph.D. University of Washington) is a Lecturer and Vice-Chair for Undergraduate Studies. She comes to us from the University of Texas, Austin. Melissa's specialties are labor economics, applied microeconomics, and health economics.

**Nir Jaimovich** (Ph.D. Northwestern) comes as an assistant professor with concentrations in macroeconomics and monetary economics.

**Navin Kartik** (Ph.D. Stanford) is assistant professor specializing in game theory, microeconomic theory, and political economy.

**David A. Miller** (Ph.D. Stanford) is an assistant professor focusing on microeconomic theory. He's already receiving e-mail intended for the campus's other 'David Miller' (middle initial 'R'), UCSD's Acting Vice-Chancellor for Academic Affairs.

The **Undergraduate Program** is thriving. There are almost 2,000 students registered in the department's three undergraduate majors (Economics, Management Science, and Joint Mathematics/Economics), representing 9% of UCSD undergraduate students --- only Biology has more majors. In 2003 - 04, 483 students graduated with bachelor's degrees in these majors, almost 12% of UCSD undergraduate degrees awarded. They go on to careers in business, government, and to graduate study in business, law, and (a few in) economics. They're a great group --- UCSD and the Economics Department are proud of them.

UCSD's **faculty in Economics and in the School of International Relations/Pacific Studies (IR/PS)** now represent a major center for research and teaching in international economics, international finance, and economic development. IR/PS faculty in these specialties include Professors Stephan Haggard, Gordon Hanson (joint appointment with Economics), Barry Naughton, Krislert Samphantharak, Jeffrey Vincent, and Chris Woodruff. They are joined by Economics Professors Hoyt Bleakley, Graham Elliott, Marc Muendler, and James Rauch.

The Economics Department's **entering class of graduate students** pursuing Ph.D. degrees --- the next generation of teachers and researchers --- is among the largest and best prepared in recent years. They are comprised of 13 men and 10 women, with undergraduate degrees from all over: Berkeley, MIT, Yale, UCSD, Adelaide (Australia), Beijing, Nankai (China), Columbia, and Harvard.

**Recent outgoing Ph.D.'s** in Economics have taken positions at leading policy and research institutions throughout the world: UCLA, US Securities and Exchange Commission, Federal Reserve Bank of Philadelphia, University of Texas (Austin), Rice University, Colombian Central Bank, New University of Lisbon, Oxford University, Beijing University, University of Dublin, and University of Tokyo.

## Staff Updates

**Nan Daugherty**, who was the Department's Undergraduate Coordinator for the 1998/99 term, returns to the Department after a five-year stint as the Undergraduate Student Affairs Officer for the Department of Theatre and Dance. Nan earned her Masters in Public Administration from Texas Tech University, and has been with UCSD since 1996. She is the Academic Personnel Officer for permanent faculty and assistant to the Chair and MSO. In her spare time, Nan volunteers with her daughter at a local animal shelter and brings "pet therapy" animals to visit nursing home residents in the East County.

**Erin Hoge** joined the Department as an Undergraduate Student Affairs Officer this past August. She is a recent graduate of Columbia University where she majored in English and Comparative Literature. Erin is a California native and enjoys horseback riding. She replaces Meghann Rubino who relocated to Sacramento with her husband.

**Mary Jane Hubbard** returned to UCSD in June as our Librarian/Information Services Coordinator, and is now our Graduate Program Coordinator. From 1975 to 1988, she worked at UCSD in the Office of Continuing Medical Education, School of Medicine, and then in the California Space Institute at the Scripps Institution of Oceanography where she worked with astronaut Sally Ride. In 1991 Mary Jane left UCSD to pursue personal interests, do extensive volunteer work, start a small business, and travel with her husband in their 35 ft. motorhome.



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