

Discussion Questions/Exercises

1. Under the traditional public school system, parents must send their children to the neighborhood school. In recent years, many people have suggested that parents be able to send their children to the public school of their choice, not necessarily the neighborhood school. Suppose this change is implemented. Discuss the effects on the Tiebout shopping and sorting process. Would there be more or less income segregation?
2. Use the median-voter model to predict the effects of desegregation on per-pupil spending in public schools. Will spending increase or decrease?
3. One of the criticisms of a standard voucher program for education (a standard amount per child) is that it would increase spending inequalities and achievement inequalities. Design a voucher plan that would narrow—rather than widen—spending and achievement differences across schools.
4. Consider Creditland, a state that recently implemented a system of income tax credits for private schools. The characteristics of the state and the program are as follows:
 - i) Each family has only one child in school.
 - ii) The government spends \$8000 on each child in the public schools.
 - iii) Tuition in private schools is \$7000.
 - iv) The tuition tax credit is 50 percent of private-school tuition.
 - a. What additional two pieces of information do you need to compute the fiscal effects of the tax-credit program?
 - b. True or false: The net budgetary cost of the tax-credit plan increases as the price elasticity of demand increases in absolute value.