

Date Wednesday 6 May 2015, 13:00 to 14:00
Location Copenhagen Business School, Department of Economics, Porcelænshaven 16A,
2000 Copenhagen F, room 2.80 (2nd floor)
Presenter Fane Groes, Copenhagen Business School

Supply of University Education

ABSTRACT

In this paper, we analyze how changes in exogenously provided funding at the university faculty level affect the students' graduation rate and labor market performance. We use the Danish universities' institutional setup during the 1980's, which was classified by a very centralized decision process, and match the population of students to their universities and analyze the students' graduation rates and labor market outcomes. We model the faculties' decision to graduate students as a trade off between quantity and quality and we find that increases in the funding per student has a positive effect on graduation rate, but no effect of labor market outcomes. We show that this result can happen in a model where higher funding per student leads to more students graduating, which then leads to a lower average ability among the graduated students. The decreasing average student ability work in the opposite direction of the increase in student funding, which can result in a zero total average effect on labor market outcomes when increasing funding per student.