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Intergenerational conflict reconsidered: county demographic structure and the demand for public education

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Abstract

The observation that the elderly may be less willing to support K-12 education than other voters raises the specter of decreasing support for schools as the US population ages. In this article, we examine that support using a national panel of counties over time. Building on earlier models estimated for state level data, we conclude that the direct differential effect within each county of the presence of elderly households is not distinguishable from zero but that the elderly have the potential to affect spending on education indirectly through where they live. To the extent that the elderly live in counties with low proportions of children, the tax price of education in other counties is higher which could in turn reduce financial support for education in those counties. Thus one cannot predict the impact of an increasing share of the elderly on education spending without paying attention to how the elderly are likely to be distributed among counties relative to children. © 2001 Elsevier Science Ltd. All rights reserved.

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1. Introduction

The aging of the baby boom population in the US and elsewhere raises the spectre of increasing intergenerational conflict over the disposition of limited resources. To the extent that older people vote in their narrowly defined self interest they may secure a share of public resources that rises even faster than their increasing share of the population. Policymakers and researchers have devoted significant attention to the impact of the increasing numbers of elderly on the solvency of federal programs such as Social Security and Medicare. However, the changing demographics are also an important con-

cern for state and local governments. One potential implication of the shift in political power from the working population to the elderly is the possibility that disproportionately fewer public resources will be available for services for children, including elementary and secondary education.

A long literature suggests that the elderly tend to vote in their narrowly defined self-interest. Various researchers have documented that, compared to younger groups, the elderly appear to have weaker preferences for K-12 education (Vinovskis, 1993; Rubinfeld, 1977); that they were less willing to vote favorably on certain school bond referenda (Button, 1992) or more willing to support tax property tax limitations (Ladd & Wilson, 1983); and that, other factors held constant, school districts in New York with larger shares of the elderly spent less per pupil on education than other districts (Inman, 1978).

Most recently James Poterba, has considered the

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experiences of all states between 1961 and 1991 to examine how the changing share of the elderly affects the willingness of states to support elementary and secondary education (Poterba, 1997). His preferred empirical findings indicate that, other factors held constant, the higher the proportion of people over 65 in a state, the lower the amount the state spends (including both state and local spending) per child on K-12 education. In addition the greater the difference between the share of the elderly who are white in the state and the share of the youth who are minority, the lower is the support for education.

One limitation of viewing the intergenerational conflict at the state level is that it ignores differences across communities within states that affect both the location decisions of the elderly and educational spending. This article builds on Poterba's approach and extends it in two interrelated directions. First, it provides a richer, more disaggregated analysis by shifting the unit of observation away from states to local counties. In contrast to Poterba's findings our analysis of local jurisdictions suggests that rising shares of the elderly exert no direct downward pressure on K-12 education spending. However, like Poterba, we do find a reduction in per-child education spending when the adults and the school-age population are members of different racial groups. Second, this article provides new insight into the implications of funding education at the state or at the local level. With extensive local funding of education, older households are able to avoid some of the financing burden by sequestering themselves in local communities with few children. With extensive state funding, their opportunities for avoiding the burden are more constrained. By improving our understanding of both the local spending decision and the residential location patterns of the elderly, this article sheds new light on these differing funding arrangements.

In Section 2, we specify the data used for this analysis and describe how the elderly are distributed across counties and how those patterns have been changing over time. In Section 3, we provide the conceptual foundation for our analysis of the impact of rising elderly share on the willingness to support K-12 education. We present our county-level results in Section 4 and attempt to reconcile them with the state-level results in Section 5. The article ends with a brief conclusion.

2. Trends in the within-state distribution of elderly, youths and education spending

Throughout this article, we use the county as the unit of observation. County boundaries are coterminous with school districts in 16 states serving 27 percent of the nation's students. In some cases school districts cross county lines and in others multiple school districts or parts of schools districts are found within individual

counties. We chose to focus on counties rather than school districts because data are available for consistently defined county units over an extended period of time.¹ In addition, use of county data avoids some of the problems that would arise with the use of district level data such as the fact that districts vary in the grades of schooling that they offer and include some with extremely high per pupil spending.² Included in the measure of county spending on education is spending by all local governmental units within the county that have responsibility for K-12 education. These units include not only independent school districts but also cities or towns that have responsibility for education.

Data on the age distribution of the population and related demographics are available for over 3000 counties from the 1970, 1980 and 1990 Census Of Population And Housing Summary Tape File and the 1970 Extract Data File. From these files we determined the fractions of the population aged 65 years and older, under the age of 18, and non-white; median household income; and the fraction of households that are homeowners or in poverty. From the school district summaries of the Census of Population and Housing, we determined the share of school-aged children that are non-white by taking a weighted average of school district shares in each county.³ We obtained data on education spending (defined as revenue for education) for all K-12 regular school districts from the US Census Bureau's Census of Government Local School System Finance (F33) File. To match the available education resources to the years closest to the demographic data we used the 1972, 1982 and 1992 files.⁴ Because the 1972 file did not include

¹ Only a handful of the country's 3000 counties have changed their boundaries during the period 1970–90.

² While the use of districts would in one sense be "cleaner" than the use of county data, the fact that districts themselves have differing fiscal relationships to their overlying municipalities or counties complicates the analysis of district data. Another limitation is that data are not available for districts with fewer than 1000 students.

³ The district summaries for the 1970 Census were taken from the Special Fifth Count Summary that are available from the National Center for Education Statistics. The 1980 data were taken from the Bureau of the Census's Summary Tape File 3F, School Districts; and the 1990 data were from National Center for Education School District Data Book.

⁴ The data are collected for the school year. Thus, 1972 refers to enrollment and resources for the 1971–72 school year. The Census Bureau collects data from all school districts in years that end in a "2" or a "7". In the inter-census years a sample of school districts is surveyed. We aggregated the district revenues from local, state and federal sources to the county level. In determining revenues from federal and state sources in 1972 we were limited to the categorization on the data tape. In that year, federal aid that was passed through the states was attributed to federal sources. Direct federal aid such as Title I,

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