"Disease or Utopia? Testing Baumol in Education"

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ABSTRACT:

Baumol’s Cost Disease offers a compelling hypothesis of rising unit costs in stagnant sectors, but increased productivity in progressive sectors may generate the same prediction through income effects. We examine quantity (rather than expenditure) data from the U.S. educational sector to distinguish between these explanations. Our results indicate significant negative impacts of manufacturing productivity on teacher-pupil ratios.