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**Online Format vs. Live Mode of Instruction: Do Human Capital Differences or Differences in Returns to Human Capital Explain the Differences in Outcomes?**

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## **Abstract**

Our paper asks the question: Does mode of instruction format (live or online format) effect test scores in the principles of macroeconomics classes? Our data are from several sections of principles of macroeconomics, some in live format, some in online format, and all taught by the same instructor. We find that test scores for the online format, when corrected for sample selection bias, are four points higher than for the live format, and the difference is statistically significant. One possible explanation for this is that there was slightly higher human capital in the classes that had the online format. A Oaxaca decomposition of this difference in grades was conducted to see how much was due to human capital and how much was due to the differences in the rates of return to human capital. This analysis reveals that 25

**Journal of Economic Literature Classification:** A2

**Keywords:** economic education, distance education, online instruction, pedagogy

## **INTRODUCTION**

Our paper asks the question: Does mode of instruction format (live or online format) effect test scores in the principles of macroeconomics classes? Though the mode of instruction question has been much researched in other disciplines, it has only recently been of interest to economists. To our knowledge, there are only a handful of studies comparing outcomes of live and online classes in economics, and the more common finding is that the live format is more effective than the online format in promoting learning outcomes. Studies in other disciplines are far more common and the predominant finding is “no significant difference”. In studies that find a significant difference, the predominant finding is that the online format improved learning outcomes

Study of this issue is valuable for several reasons. The issue is of interest in part because of concerns for quality of instruction, as Internet courses proliferate some question whether learning is comparable to traditional format classes. Another concern is that college administrators are developing online education alternatives without an informed understanding of their effects on educational outcomes. Another is to provide information to students so they are better informed about the choices of selection an online or live format for their college credits. Another reason is that these studies help us better understand the education production function thus enabling instructors to better match their instruction to the characteristics of their students.

This study seeks to contribute to the developing literature on the issue of understanding how the different learning environments online and live format affects learning outcomes differently. Its principal contribution is to conduct a Oaxaca Decomposition and apportion the differences in learning outcomes between the proportion attributable to differences in human capital endowments, and the proportion attributable to differences in returns to human capital in the different instruction formats. The data are from several sections of principles of macroeconomics, some in live format, some in online format, and all taught by the same instructor. First we review the literature of comparisons of instructional format in principles of economics classes, then discuss our data, report our findings, and offer conclusions.

## **REVIEW OF THE LITERATURE**

Studies in other disciplines of the effect of instructional format on learning outcomes are far more common and the predominate finding is of “no significant difference”. The website by T.Russell (<http://nosignificantdifference.wcet.info>), a recognized authority in these studies (Dennis Coates, Brad R. Humphreys, John Kane, and Michelle A. Vachris 2004) shows as of 1/2006 shows that 131 studies report “no significant” difference” in outcomes between materials delivered online or live, 44 studies report outcomes improved when delivered online, 7 report mixed results, and 3 improved outcomes when delivered live.

Though the number of online principles of economics courses has been quickly growing since 1997 there are still only a relatively few. In fall 1997 (Kim Sosin, 1997) conducted a national survey of 986 economics departments at post secondary institutions. The survey response rate was 33%, and only 24 institutions offered a total of 40 online courses. (Dennis and Brad R. Humphreys Coates, 2003) conducted a similar survey just three years later in fall 2000, had a similar response rate, and reported 120 institutions (a 400% increase) offering 189 economics courses (a 373% increase) online. In a survey of the ongoing emergence of the online market (Peter Navarro, 2000) concluded that only a few percent of students of students learn economics in the online format.

On the one hand, numerous studies have demonstrated that Internet technology has a positive enhancement to the live format mode of instruction in economics classes, including (Rajshree Agarwal and A. Edward Day, 1998, Dennis and Brad R. Humphreys Coates, 2001, Kathleen A. Krentler and Laura A. Willis-Flurry, 2005, Diaz Sauers, and Robyn C. Walker, 2004) And the technology has becoming available to instructors. (Kim and William L. Goffe Sosin, 2005) report that online courses can be built in house using email, bulletin board discussion, and web platforms like WebCT, publisher materials and online resources listed at Geoff's site. However, (Michael and William E. Becker Watts, 2005) have documented the status quo of the "chalk and talk" format of economics classes during the decade since 1995 and have concluded that there is some evidence of a gradual introduction of technology into the instruction of economist.

However, on the other hand, factors explaining the slow introduction include the steep learning curve to develop the online format (Michelle Albert Vachris, 1997), the research requirements for tenure (Peter Navarro, 2000) , and a deep skepticism of "digital diploma mills" (Nobel 1997). The skepticism is supported by two recent published studies comparing outcomes of live and online classes<sup>1</sup>. These studies of principles of economics classes (Byron W. Brown and Carl E. Liedholm, 2004, Dennis Coates, Brad R. Humphreys, John Kane, and Michelle A. Vachris 2004, Peter Navarro, 2000) report the live format is more effective than the online format in promoting learning outcomes.

(Byron W. Brown and Carl E. Liedholm, 2004) compared test scores of live and online classes of principles of microeconomics at Michigan State University. The live format class was taught in two sections of about 180 students each, the online format class was taught in two sections of approximately 45 students each.<sup>2</sup> The students in both formats fit the profile of traditional college age living on campus and they have approximately the same human capital endowments.<sup>3</sup> They report that the test scores for the live format are approximately 6% percent higher than for the online format, when controlled for race, gender, and human capital differences. They attribute the difference to the benefit of in-person-contact with the instructor, and the online students devoting less time for study than live students and lacking the discipline needed to do well in online courses. They conclude that for traditional college students the live format a better matches their learning style.

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<sup>1</sup> A third similar study, **Anstine, Jeff and Mark, Skidmore.** "A Small Sample Study of Traditional and Online Courses with Sample Selection Adjustment." *Journal of Economic Education*, 2005, 36(2), pp. 107., is of introductory classes in an MBA program, reports similar results. study

<sup>2</sup> The online class had access to video of the live class lectures, PowerPoint lecture slides, and interactive online practice materials. The exams were multiple choice, it is not noted whether or not the exams for the online class were proctored.

<sup>3</sup> The differences in human capital endowments, measured by mean GPA, number of math courses taken, and course credits between the students in the two samples are not statistically significantly different. However for the human capital variable ACT score the mean is higher and statistically significant at the .05 level for the online class. No data is reported on the student characteristics of time of commute, age, job or family responsibilities.

(Dennis Coates, Brad R. Humphreys, John Kane, and Michelle A. Vachris 2004) compared test scores on the Test of Understanding College Economics (TUCE) administered at the end of the semester in three matched pairs (live and online) of classes of principles of economics taught at three different institutions.<sup>4</sup> The live and online classes were of similar size ranging from 24 to 37 students each. The students in both formats had similar human capital endowments<sup>5</sup>, and the students in the online format were older, and worked on average 15 more hours per week than the students in the live format. The authors report that the raw mean TUCE score does not differ significantly, but after correction for sample selection bias<sup>6</sup> the means for the live class is 16 points higher and the difference is statistically significant. They report that freshman and sophomores taking online format score lower than upperclassman. Another interest finding reported is that students who self select the online format do better than a randomly selected student of similar characteristics, a difference they attribute to an unobserved positive interaction of learning styles and instruction format.

How can the (Byron Brown, W. and Carl E. Liedholm, 2002) and the (Dennis Coates, Brad R. Humphreys, John Kane, and Michelle A. Vachris 2004) studies be reconciled with the finding of “no significant difference” in other disciplines? In (Byron Brown, W. and Carl E. Liedholm, 2002) the students in the two different learning formats have very similar characteristics, freshman and sophomores residing on campus, and as the authors remark, appear to have none of the usual reasons (job and family constraints) for selecting one format or the other. Thus, and the authors strongly hint at this, it can be speculated that those selecting the online format did so to avoid the attendance discipline imposed by the live format, and thus would not be expected to do well in the online format. In the (Dennis Coates, Brad R. Humphreys, John Kane, and Michelle A. Vachris 2004), however the students in the online format have the job/family constraints that are the expected reasons for selecting the online format. One factor contributing to the outcome could be the un-proctored format of the exams in the online class. (Oskar James Lambrinos Harmon, 2006) report that the un-proctored format may have the result of lowering test scores because students don't adequately prepare and instead rely on cheating to make up for the learning gap. Another factor is that with trial and error as the instructors and supporting technology staff become more experienced with the new online format the learning outcomes will improve. For example, (Michelle Albert Vachris, 1997) stresses a steep learning curve to the pedagogy of online instruction, (Jeff Anstine and Skidmore Mark, 2005) note that because the format is new, teacher inexperience with it may downwardly bias the online scores, and (Peter Navarro, 2000) warns that effective online pedagogy is expensive to develop and involves more than email and digitalizing the materials of the live format class

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<sup>4</sup> Christopher Newport University in Newport News Virginia, the State University of New York College of Oswego, and the University of Maryland Two of the matched pairs were principles of macroeconomics and the other principles of microeconomics. The class exams were multiple choice, the exams for the online class were not proctored.

<sup>5</sup> The differences in human capital endowments, measured by mean SAT, pre- test score, and self-evaluated skill in math between the students in the two samples are not statistically significantly different. However for the human capital variable of course credits, measured indirectly by dummy variables for if a student is a transfer student and if a student is a freshman or sophomore statistically significantly different. Variables for the student characteristics of time of commute though not statistically significantly different do not reflect a meaningful difference. 50% of the students in the live format live on campus, and the other 50% have a mean commute time to campus of 20 minutes. 20% of the students in the online format live on campus and the other 70% have a mean commute time to campus of 17 minutes.

<sup>6</sup> They employ a two-stage regression procedure, to adjust for sample selection bias and control for differences in demographic variables and human capital differences. Their probit model for probability of selection of online format includes variables representing the convenience of online format, which are commute time, age and weekly hours worked.

## **DATA**

The sample for our study of learning outcomes is an introductory principles of macroeconomics taught in two different learning environments one “live” and the other “online”. The same instructor taught the courses concurrently for 4 semesters. The content of the courses are identical. At the class website, which is in the WebCT course management software, for both classes, there are PowerPoint lectures with some audio enhancements, drill exercises in the form of Excel worksheets, graphical exercises in Flash applets, online quizzes, and weekly discussion boards for each chapter. Each had three hour long exams weighted 18% each (a total of 54%), required participation in a discussion bulletin board for each chapter also weighted 18%, and a cumulative final exam weighted 28%. The required readings consisted of chapters in the textbook Principles of Macroeconomics, PowerPoint presentations for each chapter, online exercises for each chapter, and readings from the online edition of the Wall Street Journal. The difference was that the instructor in a lecture format class led the “live” class through the PowerPoint lectures materials and in an hands on computer lab the instructor led the students through the online drill exercises. Whereas, the “online” class using the same learning materials had to read the lecture notes and complete the online drill exercises at their own pace. In addition, the online student corresponded with the instructor through private email and weekly discussion board postings. A time constrain was imposed that the weekly quiz and participation in the discussion board was to be completed during the week the chapter was assigned. Each class took an online exam every three weeks and a cumulative final at the end of the semester. In the “live” classes the exams were proctored, in the “online” class the in-semester exams are un-proctored and the cumulative final was proctored.

The live class is offered at a regional campus of the University of Connecticut located in a very busy high congestion business center. There is no on campus housing, students face significant commuting costs, and most work at work in part-time jobs with significant weekly hours.

The online class is offered through the University’s online division and it is oriented toward “returning adult students” with fulltime job and family responsibilities who are in enrolled in the Bachelor of General Studies (BGS) division of the University. At the beginning of the registration period 20 of the 25 seats are reserved for BGS students and the remaining 5 seats are open to all students. At the end of the registration period untaken seats are open to all students. In the first two semesters it was offered the online class was comprised of 50% returning adult learners from the BGS division, and 50% traditional students from the BGS students comprised about 50% of enrollees and 50% College of Liberal Arts and Sciences and the School of Business. In the last two offerings the returning adult learner proportion was 25% and the traditional student proportion was 75%. The online instructional materials were designed in collaboration with the course development staff at the University’s Institute of Teaching and Learning.

Descriptive statistics for the students in the courses are shown in Table 1, and the definition of the variables are shown in Table 2. The source of our data are exam scores in the course and University records.

Table 1					
Descriptive Statistics					
	Full Sample	Live Format	Online Format	t_test of difference between Live and Online Means	
Variable	Mean	Mean	Mean		
(1)	(2)	(3)	(4)	(5)	
	Mean	Mean	Mean		
Final Exam	72.48	70.21	74.74	-1.86	
	(13.26)	(14.30)	(11.83)		
GPA	2.93	2.90	2.97	-0.64	
	(0.59)	(0.65)	(0.52)		
Grade Level	1.97	1.40	2.55	-8.36	*
	(0.94)	(0.70)	(0.78)		
Econ_Major=1	41.00	0.53	0.17	4.37	*
	(0.48)	(0.50)	(0.38)		
Female=1	0.50	0.36	0.64	-3.14	*
	(0.50)	(0.48)	(0.48)		
Age	20.21	19.33	21.09	-3.42	*
	(2.89)	(1.59)	(3.58)		
Online Format =1	58.00				
	(0.50)				
Sample Size	116	58	58		
* denotes significant at the .05 level					

A comparison of the means on the final exam shows that though the mean score in the live format (70.21) is 4.53 points less 74.74 in the online format, the difference is statistically significant at the .10 level. Some human capital attributes are less in the live format class. In the live format the mean GPA is 2.90 and the mean age is 19, which is lower than the 2.97 mean GPA and 21-year mean age in the online class. These differences are statistically significant at the .05 level. However, the percent of majors is 53% in the live format and only 17% in the online format. The live format class was taught at a regional campus of the University and the students taking Principles courses are typically 18 to 19 years old, majors, and commuters because the regional campus doesn't have dormitories. After the first two years, approximately half the entering freshman class will transfer to the main campus to complete their program of studies. Thus the economic principles classes tend to be dominated by freshman majors. The online class is offered at the main campus and it tends to be populated by non-majors, upper classman fulfilling distribution requirements, and returning adult learners.

## **THE MODEL**



The empirical model used was selected by data availability and past research results.

The model is:

$$\text{Final Exam} = b_0 + b_1 \text{ GPA} + b_2 \text{ Grade Level} + b_3 \text{ Econ\_Major} + u_i$$

The variable *GPA* is expected to have a positive sign. *Grade level* (Freshman=1, Sophomore=2, etc.) is expected to have a positive sign as students tend to learn the ropes and become more focused the more credits they earn. *Econ\_Major* is expected to have a positive sign as majors in the discipline of the course tend to have greater motivation to perform well.

## RESULTS

Variable	Full Sample			Live Format			Online Format			t_test of difference between Live and Online Parameter Estimates	
	Parameter Estimate	Pr >  t		Parameter Estimate	Pr >  t		Parameter Estimate	Pr >  t			
Intercept	26.84 (4.99)	<.0001	**	23.27 (6.51)	0.0007	**	37.42 (8.24)	<.0001	**	-10.25	*
GPA	13.58 (1.64)	<.0001	**	13.91 (2.15)	<.0001	**	12.21 (2.52)	<.0001	**	3.93	*
Grade Level	1.9397 1.29	0.1369	*	4.57 (1.99)	0.0258	*	0.01 (1.66)	0.9941		13.37	*
Econ_Major=1	2.43 (2.17)	0.2653		0.44 (2.77)	0.8793		6.1 (3.49)	0.086		9.67	*
Online Format =1	2.21 (2.46)	0.3723									
R-Square	0.4436			R-Square	0.5037		R-Square	0.3834			
Adj R-Sq	0.4236			Adj R-Sq	0.4761		Adj R-Sq	0.3491			
N	116			N	58		N	58			
Standard errors are in parentheses below the parameter estimate.											
* denotes significant at the .05 level											
** denotes significant at the .01 level											

The OLS regression results are shown in Table 2.

The estimated coefficient for *GPA* is positive as expected and significant at the 99% level for the full sample and the sub-samples. *Grade level* is insignificant at the 5% level in the full sample and in the online format. However, it is significant in the live format that may reflect freshman distraction because

the live format has a predominately freshman/sophomore composition. *Econ\_Major* is positive but not statistically significant at the 95% level in any of the samples.

## SAMPLE SELECTION BIAS

The difference between the two class formats is likely to induce students to self-select based on learning styles and scheduling conflicts. The live format class is primarily a young commuter population. The online format class is a mix of predominately upper level students some that live on campus, and others that commute and more than likely have full time jobs and families. The self-selection bias is corrected using a two-stage procedure. In the first stage the (J. Heckman, 1979) lambda is estimated from a probit and the in the second stage the original model is estimated with the inclusion of Heckman's lambda as an additional independent variable.

Our probit model is:

$$D\_Online = + b_0 + b_1 \text{ Age} + b_2 \text{ Female} + u_i$$

It is expected that the coefficient for Age is positive as older students are more likely to have less flexibility in scheduling (due to work/family choices) and more inclined to enroll in an online course if the opportunity presents itself. It is unclear what sign to expect for Female, however, past research has shown that Females do less well in live format principles of economics classes than in online classes than males. Hence the hypothesis that because the learning styles of females may be more compatible with the live format for the Principles of Macroeconomics material they may be more likely to self select it. The results of the Probit estimation are shown in Table 3.

The sign for Age is negative and significant, which is contrary to our expectation. The sign for Female is positive and significant, which is consistent with prior studies.. The results for the second stage, OLS with the inclusion of the Heckman Lambda as an additional independent variable are reported in Table 4.

Table 3			
Probit Determinants Selection of Online Format			
Full Sample			
Variable	Parameter Estimate	Pr >  t	
Intercept	3.4 (1.26)	0.0069	**
Age	-0.19 (0.06)	0.0029	**
Female = 1	0.71 (0.25)	0.0042	*
Log Likelihood	-69.53		
N	116		
Standard errors are in parentheses below the parameter estimate.			
* denotes significant at the .05 level			
** denotes significant at the .01 level			

Table 4											
Hechman Corrected Determinants of Final Exam Grade											
Variable	Full Sample			Live Format			Online Format			t_test of difference between Live and Online Parameter Estimates	
	Parameter Estimate	Pr >  t		Parameter Estimate	Pr >  t		Parameter Estimate	Pr >  t			
Intercept	26.67 (5.02)	<.001	**	20.49 (7.03)	0.0007	**	37.33 (8.34)	<.0001	**	-11.76	*
GPA	13.63 (1.64)	<.0001	**	14.63 (2.26)	<.0001	**	12.2 (2.54)	<.0001	**	5.44	*
Grade Level	2.6 (1.11)	0.0209	*	6.52 (2.74)	0.0258	*	0.06 (1.71)	0.9941		15.23	*
Econ_Major=1	1.95 (2.13)	0.3618		-0.31 (2.86)	0.8793		6.22 (3.65)	0.086		-10.72	*
Lambda	0.00 (0.03)	0.971		-0.70 (0.68)	0.3043		0.00 (0.26)	0.9021		-7.32	*
R-Square	0.4396			R-Square	0.5037		R-Square	0.3836			
Adj R-Sq	0.4194			Adj R-Sq	0.4761		Adj R-Sq	0.3371			
N	116			N	58		N	58			
Standard errors are in parentheses below the parameter estimate.											
* denotes significant at the .05 level											
** denotes significant at the .01 level											

The coefficient for the independent variable Lambda is statistically insignificant in all three samples. Comparison with the uncorrected estimates in Table 2 shows that the coefficient for Grade level is significant after selection bias correction (Table 4) whereas, it was insignificant before correction (Table 2). The rest of the results in Table 2 are not significantly different from Table 4.

A comparison of the results for the sub samples shows that the R-squared in the live format is approximately 50 % whereas, in the online format approximately it is only 33%. Also, in the online format the coefficient of the intercept is approximately twice as large as for the live format meaning that for the online format unobserved characteristics are a far larger component of the explained variation.

## Oaxaca Decomposition

The Oaxaca Decomposition (Ronald Oaxaca, 1973) common in the labor literature on gender related wage differences can give us an understanding of the source of the differences in the variation of final exam scores between the live and the online format. The Oaxaca Decomposition can be written as:

$$\text{Exam}_{OL} - \text{Exam}_L = B_{OL} (X_{OL} - X_L) + (B_{OL} - B_L) X_L$$

where the subscript “OL” is the online, “L” is the live format, Exam is final exam score, B the vector of estimated coefficients, and X the vector of human capital endowments. The decomposition separates the proportion of the gap that is attributable to differences in human capital endowments  $B_{OL} (X_{OL} - X_L)$ , and the proportion that is attributable to differences in returns to human capital endowments  $(B_{OL} - B_L) X_L$ .

The results of the calculation of the Oaxaca Decomposition for the difference between the mean final exam score for the Summer 2005 and Summer 2004 courses, which requires using the estimation results in columns 8 and 4 of Table 3, are reported in Table 5.

Table 5		
Oaxaca Decomposition		
	Amount	Proportion
Difference in Final Exam Scores (Online less Live)	4.53	
Differences in Returns to Human Capital	3.42	75%
Differences in Human Capital	1.11	25%

Recall from the raw data that the online students had relatively higher human capital endowments as measured by grade point average, grade level, but a smaller percentage of economic/business majors. The decomposition shows that 25% of the gap in test scores between the online and the live students is explained by differences in human capital. The Oaxaca decomposition also shows that 75% of the gap in test scores is explained by differences in returns to human capital endowments. An interpretation is that this 75% is explained by returns related to unobserved factors.<sup>7</sup> That is it might be that online students save on commuting time and when they sit down to take the online class it is a time when they are rested, are in a distraction free environment. Whereas, perhaps students in the online format are distracted by fellow classmates, and are squeezing the class time in between other activities in a busy schedule after a relatively long commute.

## PREDICTED SCORES OF LIVE v ONLINE

<sup>7</sup> This vector representing the latter can be further decomposed into differences between the intercepts of the online format regression and the live format regression, which is positive in our data, and differences between the coefficients of the included human capital variables, which is negative in our data. Thus an explanation of the 3 point advantage of the students in the online format is because the positive differential representing to human capital endowment not included in the explanatory variables but captured in the intercept (attributes that are correlated with higher test scores in online learning) ) offset the negative differential representing choosing the online format have differentially smaller returns to included characteristics (such as learning style) in the online format relative to the live format.

The predicted scores in Table 6 below are calculated from the parameter estimates for the OLS regressions shown in Table 4.

Table 6			
Predicted sample means for format chosen and the alternative			
	<b>Chosen Format</b>		T-Test of coeffic diff
<b>Alternative Format</b>	Live	Online	
Live	70.21 (10.24)	74.50 (16.81)	-1.66
Online	76.08 (9.02)	74.74 (7.33)	-0.88
N	58	58	
T-Test of coeffic diff	--3.35*	0.10	
Standard errors are in parentheses below the parameter estimate.			
* denotes significant at the .05 level			

The data in Table 6 shows that the predicted final exam score after correction for sample selection bias is 74.74 for the online format exceeds the predicted score of 70.21 for the live format, and the difference is statistically significant at the 5% level.

Would the online students have done better if they had taken the alternative format instead of the one chosen? The answer shown in Table 6 is that for the students that chose the online format it would make no difference. Their predicted score is the same for both formats. Recall that the students in the online format have relatively higher human capital and the coefficients for human capital endowments is also larger for the live format regression, though the intercept is less. Thus the higher human capital of the online students works in tandem with the higher returns to these attributes conveyed by the coefficients for the live format, and this offsets the lower intercept coefficient in the live format. Thus on balance the effects are offsetting leaving the online students with a predicted outcome in the live format equal to their predicted outcome in the online format. The intuition is that though the live class would perhaps occur during a busy weekday of activities, and after a commuting trip, the larger human capital endowments of the live students are enough to offset these negative influences.

Whereas for the students choosing the live format it is a different matter altogether. These students would do better in the online format because the intercept for the online coefficients boosts their scores more than the lower coefficients on the human capital endowments brings them score down. We can speculate that their relatively fewer human capital endowments would translate into more productive outcomes if they were not burdened by the commuting time and potential distractions in the live classroom. But this assumes that the unobserved factors attributable to the online student coefficient for the intercept would transfer to the live student. This is questionable if these unobservable productivity enhancers are positively correlated with larger human capital endowments. Thus we believe our evidence should make one cautious about recommending the online format. For students with appropriate learning styles it makes no

difference in outcomes, but on the other hand it is not necessarily a panacea for students that don't do well in live format classes.

Further research perhaps from student survey data about learning styles might provide explanatory variables to reduce the 75% unexplained variation due to unobservable attributes shown in the Oaxaca Decomposition. This then would allow specification to discern whether the self-selected live format student could achieve the predicted outcome that the self-selected online student experiences.

## **CONCLUSION**

The data for this study are from several sections of principles of macroeconomics, some in live format, some in online format, and all taught by the same instructor. The test scores for the online format, when corrected for sample selection bias, are four points higher than for the live format, and the difference is statistically significant. Other differences are that the students in the online format are on average older, have higher grade point averages, and have a higher proportion of non-majors.

A Oaxaca Decomposition is conducted with the result and that 25% of the difference in test scores is due to differences in human capital endowments, and 75% is explained by differences in returns to human capital endowments. In other words, 1 point of the test score differential is attributable to the differentially higher human capital endowments of the online students and 3 points is attributable to the differentially higher returns in the online environment to the human capital endowments of the online students. The vector representing the latter can be decomposed into differences between the coefficients of the included human capital variables and differences between the intercepts of the online format regression and the live format regression. Meaning that for students choosing the online format there are relatively larger returns to unobserved characteristics (such as learning style) in the online format that exceed the relatively smaller returns to the observed characteristics (such as grade point average) in the online format.

The results of this study support the notion that the convenience of the online format makes education opportunities previous to the returning adult learner that family and job responsibilities had previously been unavailable. These results are consistent with the speculation that for the relatively older student with the appropriate online learning skill set, and with schedule constraints created by family and job, the online format gives them an alternative course opportunity without a penalty in test score points. This is not inconsistent with the work of prior studies in different institution settings that show for the traditional freshman and sophomore student is better served by the traditional format. Also we speculate that as instructors become more experienced in developing online pedagogy, and traditional students better adapt their learning style to the online environment, the gap in learning outcomes may be not significantly different for principles of economics classes.

We conclude that this is a matter for further research along the lines of developing data pertaining to why students choose one instruction format over the other. Our study is limited student characteristics drawn from the academic transcript. What we need to develop is data on learning style characteristics, and the constraints formed by family and job choices.

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