INTRODUCTION

The role of education is extremely complex in modern society. The large involvement of the public sector raises issues of finance and accountability. Budgetary cuts are the order of the day. Voices on the existence of an educational crisis are heard the world over.¹ And more than once scientific investigations purport to have demonstrated that, after all, schools do not matter.²

In this paper I argue from different premises. It is my thesis that the present depressed budgetary condition of school systems in many countries is due to some major misconceptions on what education exactly does in our society. These misconceptions arise from an asymmetry between the costs and benefits of education, and also from the involvement of the public sector. In short, whereas educational costs are fully visible and tangible, educational benefits are extremely elusive, thus weakening the position of education vis-à-vis other ‘hard benefit’ sectors, such as steel or civil aviation. On the other hand, there exists a gap between research results pertaining to education and their assimilation by policy makers, who are as a rule, public administrators in a bureaucratic machine that has to rely on doubtful, slow-acting political or accountability incentives.³

In what follows I provide a review of the most often heard myths or slogans pertaining to the role of education in modern society along with the latest empirical facts on the issues at stake.
ON MYTHS AND FACTS

There exists a wide range of debated issues in the area of education which one could classify under efficiency, equity and finance head­ings. In what follows I have adopted a slightly expanded taxonomy within the same framework as to explicidy address the most often cited issues and concerns regarding the role of education in our society.

THE ECONOMIC PROFITABILITY OF EDUCATION

This issue is of cardinal importance in deciding (or ex post rational­ising, or evaluating) budgetary allocations to education. For if the so-called 'returns to education' are 'high', this is equivalent to a go­ahead signal for spending more on education. Conversely, if the returns are 'low', the evidence can be used as a rationale for financial cuts.

Unfortunately, actual decisions in education are not made this way, the governing criteria being bureaucratic inertia or political expedi­ency. But the recent financial squeeze witnessed by educational systems in many countries must be based on the tacit assumption or belief that the economic profitability of spending on education is low. As shown below, this is a myth. In the first place, it is possible to estimate the yield per pound, dollar or rupee spent on education using a similar methodology as that in computing the yield of any other asset like building a bridge or a motorway. (See Appendix.) There certainly exist conceptual differences between costs and benefits that form the ingredients of the yield calculation in the two types of pro­jects. However, by concentrating on the monetary benefits and re­wards, the rate of return to investment in human capital is likely to be underestimated bearing in mind the consumption and spill-over effects of education.

Next, it is essential to make a distinction between who bears the costs and who reaps the benefits of educational investment. From the private point of view the yield of investing in education must be well in excess of 20 per cent whereas the social yield is of the order of 15 per cent. These are world-wide averages pertaining to all countries with­out reference to a particular educational level. But there exist interest­ing differences in the returns to education by country type, as shown below: