THE "NEW" ECONOMICS OF EDUCATION: TOWARDS A "UNIFIED" MACRO/MICRO-EDUCATIONAL PLANNING POLICY

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Abstract — What has become the “classical” theory of the economics of education, first systematically laid down in the 1960s, is based on analysis of measurable variables. The concept of investment in human capital supposes that higher funding for education will increase productivity and income. Estimates of cost-effectiveness and returns to investment based on notional income foregone, have been features of this approach. Now, with a growing realization of the failure of the classical theory to deal with “realities” in the education market and to offer effective policy recommendations, other ideologies have again become more visible. The lack of attention given to the labor demand side of the education-earnings equation, and the inability of theoretical models to capture all complex variables in all sectors of the labor market, have been criticized. Also, it has again been recognized that education has a socialization role. The phenomena of undereducation and over-education have been investigated, and attention has been given to the implications of social conflicts and structural changes in the labor market. If human competences are to be developed, it is necessary to look beyond the classical model of the economics of education to microeconomic analysis and to economic and social conditions which will act as incentives.


Résumé — Ce qui est devenu la théorie “classique” de l’économie de l’éducation, dont les premières bases ont été jetées méthodiquement dans les années 60, se fonde sur l’analyse de variables identifiables. Le concept d’investissement en capital humain suppose que des ressources importantes allouées à l’enseignement accroissent productivité et revenus. L’estimation du rapport coût-efficacité et le rendement...
The economics of education involves an array of factors and aspects in determining how educational resources are allocated to achieve intended goals and outcomes. Because such educational resources, like any other resource, are scarce, their allocation is crucial not only to achieving intended goals but also to activity in other sectors of the economy. "Wasted" or "misused" resources might have serious implications for the social and economic wellbeing of individuals and society as a whole. Because economics is a social science that studies scarcity and its emphasis on an "efficient" allocation, it plays a vital role in educational planning.

The economics of education is not a new science, but has evolved since the work of Adam Smith in "classical economics" in the eighteenth century. Theodore Schultz (1961) first laid down a systematic and broad study that gave birth to the so-called "economics of education". Schultz, as well as other prominent economists, took on the task of applying conventional neoclassical economic analysis to many aspects of education and developed, most notably, the human capital theory. The thrust of their theories is based on scientific positive analysis of measurable variables, with a rigorous set of assumptions concerning the marketplace. Pareto efficiency, which requires making at least one individual better off without making anyone else worse off, is at the core of such analysis. It is the criterion used in conducting economic evaluation techniques. Other methods of "social demand" that involve political decisions and "manpower planning" are discounted by neoclassical economics.

Although neoclassical economics had dominated in the educational planning arena, there have been other ideologies and methodologies applied to the economics of education. It is the growing realization of the failure of neoclassical economic theory to deal with "realities" in the education market and to offer effective policy recommendations that made those ideologies more visible. The theories of radical and institutional economists, who question the tenets of the neoclassical theory and its rigidity, seem to provide a more practical and maybe realistic view of the...