
In a rapidly expanding field such as the economics of education, it helps to pause once in a while and consider what the overall state of our knowledge is. Daniele Checchi’s book on the economics of education, with a special emphasis on its relevance for societal inequality, is a most welcome case in point. It provides an eminent general introduction to most of the important topics of the economics of education, and it highlights specific aspects important for an understanding of the role that access to education plays in the transformation of current inequality into future inequality.

The book is structured in seven chapters, dealing in turn with the relevance of, demand for, access to, supply of, financing of, return on, and intergenerational persistence in education. The introductory chap. 1 points out the relevance of the topic by introducing some basic facts and questions, and then lays out the structure of the book.

Chapter 2 deals with the demand for education. Its core part is a Ben–Porath type model of education as an investment in human capital, where individuals choose their optimal education by equalizing marginal cost and marginal benefit in an effort to maximize utility. By dropping the assumption of perfect capital markets in a Galor–Zeira type overlapping generations model, the chapter derives the role of family wealth in the demand for education and shows how income inequality can persist in equilibrium.

Chapter 3 provides an empirical analysis of the determinants of school enrolment in an unbalanced quinquennial panel of up to 108 countries in 1960–1995. The main result is that the Gini index of income inequality is negatively associated with the enrolment rate in secondary education, in line with predictions derived when adding specific distributional assumptions to the model of education demand. However, the size of the effect is “not impressive” (p. 76), and it is not generally found in primary or tertiary education. While the author sees the results as “clear evidence in favour of a borrowing constraint interpretation as opposed to a talent transmission reading” (p. 76) of access to education, such a stark claim seems hard to swallow based on the indirect and rather weak evidence drawn from aggregate data. Some readers would find micro studies on the topic, whose discussion is strangely missing from this book, much more convincing. Heckman (2000, p. 7) concludes from this literature that, at least under the
current US system, the view that “many bright but poor students are being
denied a college education by the inadequate financial resources of their
families” is a “myth”. Differences in access to education by family
background seem to be mostly due to long-run family and environmental
factors shaping the ability and expectations of children, rather than due to
traditional credit constraints (or talent inheritance, for that matter).

Chapter 4 covers topics in the supply of education. It describes the
technology of human capital formation as an education production function,
where educational output is produced by a set of inputs including student
ability, time, resources, family background, and peers. It discusses class
formation given peer effects and applies a Bénabou-type model of
educational segregation to the formation of classes in order to analyze
school stratification and integration. It goes on to discuss class-size effects,
resource effectiveness, and technical inefficiency of resource use. The
chapter closes with a discussion of the trade-off between efficiency and
equity in the provision of education.

Chapter 5 discusses issues of the financing of education. Another
education demand model with differential ability, family income, and
liquidity constraints is developed to show that children from high-income
families tend to be over-represented in higher-level education. An application
to the choice between private and public universities in Italy follows. Next,
the chapter presents models of the collective choice over public versus
private schooling and of growth and inequality under public and private
schooling, as well as school stratification by different dimensions –
comprehensive/stratified, public/private, and centrally/locally financed. Gen-
eral discussions of school vouchers and of graduate taxes and income-
contingent loans to subsidize higher education follow.

Chapter 6 deals with the return on education. It covers evidence on the
productivity-enhancing effect of education, based on different methods to
account for unobserved ability differences, a model of non-cognitive abilities
viewed as effort-enhancing preferences, and a model of education as a
signalling and screening devise. Discussions of on-the-job training and of the
measurement and estimation of the return on education follow. The
organization of the sections in this chapter is somewhat confusing, with a
discussion of possible biases in the estimation of returns to education at the
end, the solutions to these problems at the beginning, and several other topics
in between.

The final chap. 7 discusses several models of the intergenerational
persistence in educational attainment, starting with a Becker–Tomes type
base model and going on to different extensions assuming perfect and