

The Political Economy of Education

The Political Economy of Education provides academically rigorous yet clear explanations of the economics and politics driving today's educational systems and how economists analyze them. The book covers a host of topics central to teaching about education and crucial to educational policy. These include how to use the tools of economic and political theory to take critical measure of education's role in social mobility and economic growth, whether good teachers can overcome social class and race achievement gaps, the effectiveness of early childhood and vocational education, and debates on school accountability and whether increasing spending on schooling improves quality. The book also explores worldwide changes in higher education, especially massification and increased stratification and privatization. Written for upper undergraduate and graduate students in economics, public policy, and education and packed with real-world examples, this is an essential text for anyone interested in gaining fresh and international perspectives on education.

Martin Carnoy is the Lemann Foundation Professor of Education and Economics at Stanford University. He began five decades in the economics of education field studying under Theodore Schultz at the University of Chicago in the early 1960s. Since then, he has been engaged in almost every major debate in the field, authoring over forty books and countless articles analyzing educational policy and systems on every continent and developing new frameworks and ways of measuring the process of education. International in outlook, Martin Carnoy has been awarded honorary doctorates around the world. Co-director of the Lemann Center at Stanford, and a former president of the Comparative and International Education Society, Carnoy is also a fellow of the National Academy of Education and of the International Academy of Education.

“Destined to be a milestone in economics, politics of education, and political economy studies, this powerful handbook provides a comprehensive overview of economic research on education and a profound insight into the political role that education plays in society.”

Patrizio Bianchi, University of Ferrara; chairholder of the UNESCO Chair in Education, Growth, and Equality

“Martin Carnoy has given us a first-rate overview of the key concepts in the economics of education with a thorough appreciation of the political and institutional contexts in which education policy decisions are implemented both in the U.S and around the world. What a service to graduate students and their instructors!”

Helen F. Ladd, Susan B. King Professor Emerita of Public Policy and Economics at Duke University’s Sanford School of Public Policy

“It is nearly impossible to understand education policy without paying attention to its politics. This wonderful book by a world-leading scholar reflects decades of research, teaching, and practice, and masterfully integrates the economics and politics of education. It should be essential reading for students of education.”

Karthik Muralidharan, Tata Chancellor’s Professor of Economics at the University of California San Diego

“A huge undertaking! Martin’s new book is great testament to the value of interdisciplinary work in helping us understand nuance. For those interested in better understanding the workings of educational systems around the world, or in trying to improve them, this book can help you succeed at both.”

Guilherme Lichand, Stanford Graduate School of Education

The Political Economy of Education

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Cambridge University Press is part of Cambridge University Press & Assessment, a department of the University of Cambridge.

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www.cambridge.org

Information on this title: www.cambridge.org/highereducation/isbn/9781009364478

DOI: 10.1017/9781009364461

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First published 2024

A catalogue record for this publication is available from the British Library

A Cataloging-in-Publication data record for this book is available from the Library of Congress

ISBN 978-1-009-36447-8 Hardback

ISBN 978-1-009-36444-7 Paperback

Additional resources for this publication at www.cambridge.org/carnoy

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PREFACE

Motivation for the Book

For all its innovative modeling of education's role in society and its increasingly sophisticated econometric approaches to education policy, the economics of education and the way it is taught has lacked an essential political dimension – a *political economy* of education that situates the economics of education in the highly politicized context of individual decisions about education and of educational policymaking. This book is a response to that need – a long overdue course correction, one could say. I wanted to write a text that both covered the rich, evolving economic analyses of education and provided the philosophical underpinnings for understanding the profound political role of education and how it influences those economic analyses. Including a political dimension also allows for more critical discussions of potential market failures and the inevitable political/ideological side of economics of education debates and decision-making.

Furthermore, the political economy of education has become much more international and comparative, and I felt that this, too, was largely missing and should be part of any systematic analysis of the field. My research and teaching on education has always been international, since my graduate days at the University of Chicago in the 1960s. I learned then that variation across different political and social contexts is especially useful in understanding educational production and the broader relation of education to economic outcomes. This has served me well, and it is how I use such comparisons throughout the book.

Main Features

Economics of education is now studied in varied academic contexts, from economics departments to business schools, from public policy schools to graduate schools of education. Moreover, those studying economics of education are increasingly multinational. The changed landscape of the economics of education is reason enough for a new textbook, but my approach offers instructors, students, researchers, and policymakers a text that is not merely an update of traditional coverage but something new, with unique strengths.

The Political Economy of Education features:

- All the standard economics of education methodology, including clear partial-equilibrium analyses and concise explanations of the most common statistical methods of causal inference, but with the addition of the political dimension so crucial to understanding the controversial debates in the field and how educational systems and educational policy develop in practice.
- In-depth treatment of education in the United States, but replete with examples and analyses of economics of education models and policies in other countries. This serves to engage non-US students and readers, but does much more. Comparative analysis is

an excellent teaching and learning tool. It is a way to understand contextual variation and to gain insights from the impact of educational policies in contexts that are very different socially and politically from the United States.

- Comprehensive and innovative coverage of many different subjects in this large and ever-growing field, from standard human capital and educational production functions to economic growth and income distribution, educational accountability, early childhood education, vocational education, teacher markets, and higher education. Each major subject is discussed in a distinct part of the book, with its own introduction, followed by a set of chapters focusing on a sub-topic of the major subject.

Who Is the Book For?

It would be helpful, but not absolutely necessary, for students using this book to have had introductory courses in microeconomics and regression analysis. Some students in my classes (in a graduate school of education) have had no economics and only basic statistics, but I have always had an economics graduate student teaching assistant who taught them basic economic tools and jargon in a separate tutorial. In addition, the book does include some introductory exposition of demand and supply, isoquants and iso-costs, etc., which helps such students.

At the other end of the prerequisite spectrum, for students in economics departments, the book is targeted at upper undergraduates and beginning graduate students. The math is relatively simple where it does appear and the partial equilibrium analysis is clear.

Because of the nature of many of the political arguments in this book, it would also be useful for students in any department using the book to have had some political theory. I realize this is a tall order, but no matter the department, those studying economics of education should understand something about the relationship between economics and politics. The book does provide an introduction to analyzing this relationship.

The Contents of the Book

The book is divided into nine inter-related parts.

Part I introduces the reader to the main concepts of the book. Chapter 1 presents the goals of the book, discusses the reasons for studying the economics and politics of education as a window into understanding modern societies, and defines the political economy approach of the book. Chapter 2 describes the main contribution economists have made to the way we view education and understand its role in society, including the methodological contributions to educational evaluation. Chapter 3 outlines the political theory used in the book to contextualize and enrich the economic analysis in the various parts of the book.

The concept of human capital is fundamental to the economics of education. In Part II, the chapters focus on the underlying concept of human capital theory (Chapter 4); age-earnings profiles (Chapter 5); and measuring the present value and the rate of returns to investment in human capital (Chapter 6).

Part III reviews alternative conceptions of the relationship between education, labor markets, and earnings, such as signaling theory and queuing theory (Chapter 7), and the divergent views of how economists see possible imperfections in the labor market, with a focus on race and gender discrimination (Chapter 8).

Part IV reviews the political economy of the relationship between education and economic growth (Chapter 9) and between education and income distribution (Chapter 10). These are both controversial areas in economic and social analysis, yet they also help us identify the contours of how political theory interacts with economic analysis.

Economists have become increasingly focused on educational production because of an explosion of data on student performance and other student information linked to classrooms and schools and school districts. Part V (Chapters 11–15) discusses the political economy of educational production, including joint production (Chapter 11), the role of teachers in educational production (Chapter 12), and cost-effectiveness and cost-benefit analysis (Chapter 13). Chapters 14 and 15 address two special topics in educational production, early childhood education and vocational education.

Teachers are the most important input into educational production, and Part VI (Chapters 16–19) analyzes the distinct nature of teacher labor markets (Chapter 16), the supply and demand for teachers (Chapter 17), teacher salaries and incentive pay (Chapter 18), and the politics of teacher markets, including the role of labor unions and strategies for increasing teacher quality (Chapter 19).

Part VII compares the political economy and measured effectiveness of different forms of accountability used in educational systems as part of society's attempts to monitor educational quality. Chapter 20 assesses the shift in public sector-driven accountability from input-based assessments to focusing on student outcomes – mainly cognitive test score gains. Chapter 21 discusses “market accountability” in the form of subsidizing private education to compete with public schooling and promote parent choice.

Part VIII (Chapters 22–24) discusses public financing of education internationally, including the factors influencing the extent of public and private financing (Chapter 22); sources of public revenues and how equally those revenues are spent (Chapter 23); and the controversial question of whether more spending results in more student learning and higher attainment (Chapter 24).

Part IX (Chapters 25–28) develops methodologies for studying the political economy of higher education systems – in which public sectors seek to finance and regulate higher education expansion in a variety of ways. Chapter 25 discusses approaches to understanding the massive worldwide expansion of higher education in recent decades. Chapter 26 analyzes the economics and politics of higher education stratification in terms of both selectivity and finance, and Chapter 27 discusses the economics of higher education as an industry that both transmits knowledge and produces it, including the labor market for faculty and student choice into and selection by higher education institutions (Chapter 28).

ACKNOWLEDGMENTS

Thanks to the thousand or so students in my course over the years who have used my materials, to colleagues who read chapters and gave such valuable feedback – Robert Verhine, Tom Luschei, Isak Froumin, Alejandra Mizala, Guilherme Lichand, Prashant Loyalka, Richard Shavelson, David Berliner, and the seven anonymous reviewers for Cambridge University Press and Assessment. Thanks to Daria and Alexei, of course. Also thanks to Sean Fabery, who was my original editor shepherding the book, and to my development editors Tineke Byrson and Lisa Pinto, content manager Rachel Norridge, and copyeditor Jan Baiton. Finally, eternal gratitude to my loving family: you tolerate these huge projects with beauty and grace.