



“Summary of article by Henry M. Levin: The Economics of Justice in Education” in Frontier Issues in Economic Thought, Volume 5: The Political Economy of Inequality. Island Press: Washington DC, 2000. pp. 228-231

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Many economists accept that there is a tradeoff between productivity and equity. This tradeoff extends to public policy debates about funding for education. The issue is whether or not it is productive to devote society’s resources to improving human capital (and therefore life chances) for the disadvantaged. The author of the article summarized here argues that proponents of the productivity-equity tradeoff ignore the social costs of inequality. This article develops a model for optimizing educational resources that factors in the costs of inequality.

Introduction

Education has two major roles. On one hand, education prepares the young for productive roles in society, imparting skills, attitudes and values essential for participating in economic activity. “On the other hand, schools are the major societal institution for addressing inequality, especially among persons born into different social circumstances. We expect schools to play an equalizing role so that differences in the social origins of children are not reproduced in adulthood.” [11] One could argue that economic growth is served by investing more in schooling the most advantaged groups because they will generate the largest return in productivity improvements. This will increase the total wealth of society by a larger amount than a more equitable allocation. However, equity requires attention to the initial unfairness visited upon children in poverty. They often suffer disadvantages in the education provided at home, as well as poor medical care, shelter and nutrition. Earlier in the 20th century John Dewey proclaimed the objective of a progressive education to be the correction, not perpetuation, of unfair privilege and unfair deprivation. “The most complete application of this principle is to create an educational system that intervenes in the social system so that there is no systematic relation between a person’s social origins or gender and his or her ultimate social attainments.” [12] The next section develops a model which represents the tension between maximizing productivity and redressing inequality.

Modeling Economic Justice

Both developing a more productive economy and equalizing access to productive positions within it are essential purposes of education. Schooling should compensate for any deficiencies in human capital of children from disadvantaged socio-economic circumstances. (Within both advantaged and compensated groups, however, individual differences will exist based on talent, ability and effort.)

For the purposes of simplicity, the following model is based on two sub-populations, one advantaged and one disadvantaged. For each group, human capital represents investment in nutrition, health, shelter, education, etc. Initial human capital, is on average, less for the disadvantaged group than for the advantaged group. A condition of equality would seem to exist when the average human capital endowment of the disadvantaged group is the same as that of the advantaged group. However, discrimination may also reduce the rate of return on human capital for the disadvantaged. In order to achieve real equality of opportunity, compensating for initial human capital deficits will not be enough - the effect of discrimination will need to be offset as well.

Social welfare can be defined as a utility function based on national income and the degree of equality in society. This utility function is defined in such a way that the society strives for equality, but the final outcome depends on the tradeoff between income and equality and the relative costs of increasing income or increasing equality. The production function for national output (income) is a function of the human capital endowment of each group and the stock of physical capital. Government intervenes through its budget allocations, represented in the model by per capita expenditures directed to each group. These expenditures will vary depending on the extent to which the society chooses to equalize human capital endowments for the disadvantaged subpopulation.

With parameter estimates for the variables in this model, potential combinations of income and equality can be determined. In one hypothetical illustration of this model, a clear income-equity tradeoff is assumed. Along the production possibilities frontier, a marginal increase in equality involves a decrease in income. This is so because additional human capital resources directed toward the disadvantaged group will increase income less than the same addition to the advantaged group because the disadvantaged start from a lower base level of human capital. However, the effect of additional resources for either group will be positive and overall income in society will increase.

Although the social welfare function cannot be measured directly, the existing pattern of investment in education can be used as a guide to society's priorities. Three possible combinations are presented to illustrate different policy choices. A laissez-faire society is based on the market and the principle role of government is to ensure efficiency. The marginal utility of additional equality is zero. An egalitarian society is assumed by many analysts and observers to be the preference in the U.S. The marginal utility of additional equality is positive. An elite society is one which prefers to enhance the position of the privileged. The marginal utility of additional equality is negative.

Even an egalitarian society may only tend toward reducing inequality by small increments. While there is a positive preference for equality, it may be weak compared to the preference for growth. Depending on the exact specification of the budget and utility functions, the benefits of human capital increases directed toward the disadvantaged may or may not be offset by the utility losses from a reduction in total income. It is counterintuitive, but entirely consistent with this model that even in an egalitarian society, less per capita will be spent on a disadvantaged group, for example the black population, than on an advantaged group like the white population. "The answer would seem to be that the preference for greater equality may be great....enough to

motivate us to try to move toward equality by investing more equitably than in the past, but not strong enough to invest more in absolute terms in the disadvantaged than in the advantaged.” [23]

A More Complete Model

The model presented above is compatible with even very slow progress toward equality because it lacks a quality of urgency. The following discussion will bring to bear a final element which can make the model more complete and also impart the necessary urgency to encourage effective policy changes. Redefine national income from a gross to a net income concept by subtracting the costs to society of inequality. Those costs include the criminal justice system, public assistance, health care, and remedial education at higher levels. That is, part of national income is diverted to repair damage done by inadequate investment in education.

When such costs are factored into the model detailed above, they can be reduced by greater investment in human capital. Studies of educational programs targeted at at-risk youth indicate large social benefits, in the range of \$6 to \$9 for every dollar spent. These educational interventions both contributed to greater national income by enhancing these individuals' productivity and reduced social costs.

The problem is that the message of these benefits has not been effectively communicated to policy makers. It should be made clear that many segments of society would benefit from educational programs that compensate for disadvantages: businesses, taxpayers, parents, teachers, families. Cities would become more attractive places to live. These constituencies are influential in shaping public policy. They should join forces in a social movement to improve the status of at-risk children and forge a truly egalitarian society.