

BOOK REVIEWS

The Economics of Education: Human Capital, Family Background and Inequality by Daniele Checchi, Cambridge University Press, Cambridge, 2006, pp. xi + 278, n/p.

Daniele Checchi presents some very practical issues in the economics of education and provides some impressive outcome in this book. The book provides invaluable solutions for research in the field of human capital, family background and income inequality. It provides an important overview to most of the significant key areas of the economics of education, and it highlights some meticulous aspects that play an important role to understand the complex relationships between current income inequality, access to education and future inequality. The material in the book covers important policy relevant areas like the demand and supply of education, education financing, the economic returns to education and the extent of intergenerational transmission. Checchi provides an extensive survey of the literature on human capital and social capital formation. He compiles the individual data on intergenerational transmission of income and education for the USA, Germany and Italy, as well as the aggregate data on income and educational inequality for a much wider range of countries. Checchi explores whether resources spent in education are effective in raising students' achievement, as well as analyzing alternative ways of financing education.

The book consists of seven chapters, beginning with an introductory chapter entitled, "The Relevance of Education". This chapter points out some basic questions relevant to the topic, for example: Why do people demand for education, and what are the causes of rapid growth in educational access? Why are more educated people more likely to enter the labour market? Why education and incomes are positively related? What prevents full access to education? There follows a succession of chapters that examine related issues in some detail: the demand for education; liquidity constraints and access to education; the supply of education; education financing; the return to education; intergenerational persistence.

Chapter 2 deals with the demand for education. In this chapter examine the reasons why people go to school. At first, the author discusses the education as creation of minimal capabilities then he analyze a model of education as an invest-

ment in human capital, where individuals choose their optimal education by equalizing marginal cost and marginal benefit in an effort to maximize utility. The chapter derives the role of individual talent having different family backgrounds for example with respect to their income or wealth. It further concludes that imperfect financial markets could be responsible for persistent inequality, both in education and income.

Chapter 3 provides an empirical analysis of the determinants of school enrolment rates at different stages of education in an unbalanced panel of 108 countries for 36 annual observations during 1960–1995. The main finding of this chapter is that income inequality is associated with limiting the access to secondary education and female participation in education is more strongly conditioned by family income. The demand for skilled workers play positive roll, which tends to raise enrolment in post-primary education. Other factors that tend to capture various aspects of social development at primary and secondary education are fertility rats and mortality rates. The author argues that there is “clear evidence in favour of a borrowing constraint interpretation as opposed to a talent transmission reading” (p. 76). The author further found that, differential effects from income inequality on male and female enrolment rates, and second he found that public resources affect secondary enrolment when interacted with income inequality. Author takes this as evidence of public expenditure on education alleviating family liquidity constraints.

Chapter 4 discusses about 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 devoted to schooling, resources used per students, family background, and peers (the effect of the average quality of classmates on student performance). It discusses problems in optimal class formation: the selection of students according to their ability, the class composition (i.e. mixing students of different ability in the same class) and the class size. It further discusses class-size effects, resource effectiveness, and efficiency of resource used in schooling. In the last section the chapter ends up with a discussion of the efficiency and equity trade-off in the provision of education.

Chapter 5 deals with issues of the education financing. It analyzes the demand for education when agents differ in abilities, family income, and liquidity constraints by employing an overlapping generation model. The conclusion of this analysis is that children from high-income families are over-represented in higher-levels of education. It further discusses an application to the choice between private and public universities in Italy. Next, the chapter presents models of the collective choice over public or private schooling and of growth and inequality under public and private schooling, as well as school stratification by different extent – comprehensive versus stratified, public versus private, and centrally versus locally financed. This chapter closes with a discussion of the alternative strategies for providing a public subsidy to education, including school vouchers and income-contingent loans.

Chapter 6 deals with the return on education. It covers evidence on the productivity of human capital and productivity-enhancing effect of education, by employing different models. It explains a model of education as a signaling or screening device. Next, the chapter discusses the agents and the options of on-job-training with respect to technological change, competitiveness and the employed labour force is required to learn quickly how to operate advanced equipments. At the end, it presents the return on education, which may presents in the beginning of the chapter.

Finally, chapter 7 presents several models to disentangle the different channels through which the educational choices of one generation affect those of future generations. It also provides some cross country comparative analysis on intergenerational persistence in educational attainments with perfect and imperfect information on student's talent. It analyses the relationship between income inequality, intergenerational mobility and growth.

However, the book is good attempt of original analysis on this topic. It is a very useful book for researchers, teachers and students that have interested in the economics of education. The modeling techniques, and the empirical analysis in the chapters are some what similar and related to each other, but the general flow of the argument across the chapters and the link between the different chapters is not always apparent. The book provides the mixture of basic concepts in an attractive way and presents some specific applications. But it has minor weakness in some parts of the book; the organization of the sections in some chapters is rather confusing, while in other parts, it has prolonged discussions of relatively specific models and empirical applications. The reviewer feels that there is no concluding chapter that sums up the findings and draws together some lesson that we have learned from several analysis in the different chapters. On the whole, it is a coherent contribution that should not be missed by anybody interested in the economics of education, and it is recommended as a text book for economics of education course. It is a distinctive contribution to the literature, related to the role of economics in education with respect to family background and socio-economic inequality.

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