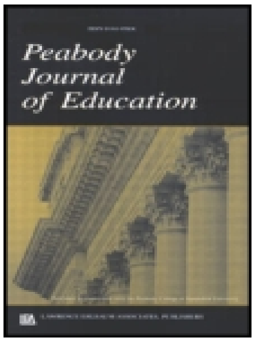

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Part II Why Invest in Education? What Organizational Roles Are Appropriate?

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Part II
Why Invest in Education? What Organizational Roles Are Appropriate?

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Section Three: Human Capital and Social Cohesion

Education, Earnings, and Inequality in Brazil, 1982–1998: Implications for Education Policy

For four decades, the theory has been that educational investments lead to improvements in marginal productivity and, hence, to economic growth (Schultz, 1981). However, early propositions have today been considerably refined, and the three articles in this section provide a good illustration of current debates.

In their contribution on economic rates of return to education in Brazil, Blom, Holm-Nielson, and Verner identify a particularly important trend. In developing countries, the returns on investments in primary education are often assumed to be higher than the returns on investments in secondary and higher education (Psacharopoulos, 1984). The education policies of the World Bank and other international agencies are heavily influenced by that observation (World Bank, 1995). This recent

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evidence from the Brazilian labor market suggest that the rates of return to higher education have increased substantially, and that the rates of return to primary and secondary education have declined substantially. In fact, the returns to higher education in Brazil (19%) are today higher than either primary (8.1%) or lower secondary education (7.1%). Why that is the case and the degree to which these results from Brazil might reflect a more general trend in other developing countries is one of this article's principal contributions.

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Effects of Learning on Economic and Social Development: A Comparative Analysis

Does the economic impact of education early in one's life depend on later educational investment? If so, what educational purposes and motives lead to higher economic returns? Desjardins focuses his attention on the question of whether education undertaken for reasons related to one's job is more closely associated with gains in earning than learning undertaken for reasons of personal interest. To answer this question, he uses a sample of adults from Canada, the United States, Denmark, The Netherlands, Norway, and the United Kingdom drawn from the International Adult Literacy Survey. His findings are unusual. He concludes that the effect of initial schooling on well-being is significantly mediated by subsequent adult learning. People who devote more time to learning for job-related reasons experience higher economic well-being, and those who devote more time to learning for personal interest reasons tend to experience higher levels of social well-being. This plays out differently in various countries, leading the author to suggest that job-related learning may enhance social well-being and mediate the effect of initial learning.

Education and Social Cohesion: Recentering the Debate

Human capital models have traditionally used skills as the instrument by which education is assumed to contribute to economic development. Recent work has pointed out that this is only one part of the model necessary to understand this relationship (Heyneman, 1995). The original rationale for public schooling and public investment in education had less to do with knowledge and skills and more to do with the necessary experience, attitudes, and social behavior underpinning a nation's social cohesion (Heyneman, 2000). How might one measure a nation's social cohesion, and to what extent might educational investments lead to better social cohesion?

This is the focus of the discussion by Green and Preston. They describe the historical origins of education and social cohesion and the theory of human capital, then return to the question of the differences between social capital and social cohesion. They posit a definition for social cohesion, measure how different countries reflect higher or lower elements, and relate that measure to different levels of education investment. They find that the relationship—at least at the macro level—is at best tenuous.

Then they enter into the equation a measure of educational inequality. They find that educational inequality does correlate with social cohesion. Nations with higher degrees of inequality are associated with lower degrees of social cohesion. It is not clear whether the impact of educational inequality is through that of the inequality in incomes. What is evident is that when aggregated to the national level without taking educational equality into account, the level of education investment is unassociated with social cohesion. It is likely that this article will set the stage for a new round of research on the mechanisms by which education influences social cohesion at the community level. It may also precipitate interest in the degree to which one might differentiate schools and school systems that were performing their social cohesion functions well from those that were not. Today it is common to differentiate institutions and systems on academic achievement measures. In the future, it might be common to differentiate the performance of institutions and systems on the basis of social cohesion measures.

Section Four: Multilateral Development Banks and Religious Organizations

Paying for Education: How the World Bank and the IMF Influence Education in Developing Countries

Ask a Zambian why there are potholes in the streets, and the answer may involve the World Bank. Whether it is accurate or not, the World Bank has acquired a reputation for being responsible for many ills. Official policy announcements provide a counterview, and the truth remains a matter of individual judgment and perspective. Some perspectives are clearly better informed and more carefully balanced.

In her article on the World Bank in education, Nancy Alexander presents the readers of the *Peabody Journal of Education* with the results of her long and careful work to disentangle fact from rumor. Her article is designed for those who need an introduction to the World Bank. What is it? How is it managed? Who owns it? How are loans made and under what

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conditions? She carefully explains the important distinctions between project lending (in which authorities are reimbursed as they invest in development projects) and adjustment lending (in which injections of capital are advanced in exchange for changes in policy). She describes the nature of adjustment operations. She explains the rationales for World Bank education policies—decentralization, private tuition, cost recovery, a shift in financing from higher to primary education, academic rather than vocational education—including the pros and cons of those policies. Readers will judge for themselves the degree to which the World Bank education operations have had a net benefit on developing countries, but those who read her contribution carefully will be far better informed about the nature of the international financial institutions and their importance to education around the world.

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Development and Religion: A Different Lens on Development Debates

The debates over political and economic policy often concern wider questions of what is right, not in terms of costs and benefits but in terms of moral principles. Is it moral that people should pay for education and health? What degree of inequality is morally acceptable? What moral principles should be considered in assessing government corruption? When leaders are corrupt and when local democratic institutions do not exist, what institution genuinely represents the people? One might look to religions and to religious organizations for guidance on these issues. However, their influence has often been ignored. Although it is self-evident to point out that people are motivated by nonmonetary incentives, development economics has not been able to incorporate those incentives in any systematic manner into economic development models. Without common agreement on measurement, the power and effects of nonmonetary incentives have been ignored.

It is this blindness to religious motivation in debates over development to which Katherine Marshall turns in her article. She begins with a parable. There is a minister of agriculture in a country that values cattle, camels, and sheep. She sees donkeys out the window of her car and inquires about them. There are no donkeys in our country, replies the minister of agriculture. But there they are she says. There are no donkeys, is the reply.

Appointed by the president of the World Bank to lead an initiative on the role of religion and charged with the responsibility of helping incorporate the development views of nine major religions around the world, Marshall uses this story of the donkey to illustrate how blind development economics has been generally to this important but invisible side of human experience. One would think, perhaps, that development policy could be improved immeasurably by systematically incorporating the views of religious organizations. Marshall is charged with the responsibility of doing just that, and her article describes the meetings and their results. It seems to be easier to call for the incorporation of religious views than it is to reach consensus on what those views actually are. The range is considerable, from the most extreme form of blame and calls for a return to an earlier mythical era, to the highly specific "tunnel concerns" over individual issues, to a set of general principles over equality of opportunity and reallocation of resources not so divergent from many of the views well known in development economics. Although we can all agree that the absence of religion in development debates has been a tragedy, from Marshall's report, it cannot be easily concluded that the result would be to systematically lead those debates in a unique direction.

Summary

The articles offered in the second half of this double issue of the *Peabody Journal of Education* will not easily settle many issues. However, it is hoped that they will lead many readers to inquire about these issues again, follow the subsequent discussions and debates, and incorporate them into much of what is normally assumed to be part of the education profession.

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