



# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## Ethics and Economics of Education

**Mohan Kumar Gupta,**

Assistant Professor

Department of Economics,

Yogoda Satsanga Palpara Mahavidyalaya, Palpara, Purba Medinipur, West Bengal, India

**Abstract:** Economics of Education is the interdisciplinary field which tries to apply the economic principles, concepts, laws to the process of education. Economics of education deals with all the issues related to education such as Demand, Investment, Finance and provision and allocation of resources. Investment in education is vital not only from the individual point of view but also from the community and nation as a whole. But it is necessary to deal with commercialization of education with tight policies without affecting the poor and deserving sections of the society. Public funding of education largely characterise it as a public good. The notion of education as a public good underlines the primary responsibility of the State in ensuring the right to education for all, social cohesion and equity. It is important that the State provide the quality education for all and at the same time assures the principles of equity, equality of opportunities, social justice that inspire all education policies. The role of education is very crucial for the development of nation and the values and ethics in education policies is necessary to promote sustainability

**Keywords:** Economics of Education, Public Good, Demand, Investment, Finance, Social Justice.

### 1. INTRODUCTION

Economics of Education is the interdisciplinary field which tries to apply the economic principles, concepts, laws to the process of education. In its global sense, economics of education could be regarded as that branch of economics to education with the aim of ensuring efficiency in the allocation and utilisation of resources in education. Traditionally, development meant achieving sustain rates of growth of income per capita. But many developing countries in 1950s and 1960s realised that their living standard remained unchanged even after achieving growth targets, signalled something was wrong with the narrow definition of development. Development must therefore be conceived as a multidimensional process involving major objectives of development like increasing the availability of food, shelter, health, education, attention to culture and expansion of social services. It is therefore necessary to include ethical or normative value premises about what ought to be in the economic discipline. For overall development and in understanding socio-economic problems, it is always better to analyse the role the moral values and attitudes plays in the process.

In 1960s, Professor Theodore Schultz introduces the term “human capital” to refer to the idea that all activities that promote individual productivity can be analysed as a form of investment. In 1990, UNDP introduced the concept of HDI – an index measuring socioeconomic development, based on combining measure of education, health and per capita income. Human capital is the term economists often use for education, health and other human capacities that can raise productivity when increased. After an initial investment is made a stream of higher future incomes can be generated from both expansion of education and health. The future income gains from education must be compared with the total cost incurred to understand the value of human capital as an investment. There are good reasons to believe that the causality runs in both directions. With higher income people and governments can afford to spend more on education and health; and with greater health and education income rises. Because of these relationships development policy needs to focus on income, health and education simultaneously. The accumulation of knowledge and its transmission to new generations represents an increasingly the important part of economic activity. The role of education is very crucial for the development of a nation; the values and ethics in education is necessary to promote sustainability.

The rising cost of education in the last few years is among the most important factors or forces that stimulated new interest in relation between economics and education. It has been shown that for every US \$1 spent on education, as much as US \$10 to US \$15 can be generated in economic growth. The future income gains from education must be compared with the total cost (direct and indirect costs) incurred to understand the value of human capital as an investment. Therefore we can say that - the amount of education received by an individual can be regarded as largely determined by demand and supply like any other commodity or service. Thus, the field of economics of education has grown rapidly to cover virtually all areas with linkages to education.

## **2. Objectives of the Study:**

In this paper an attempt has been made to understand the role of ethics in provisioning of education by different stakeholders. The objectives of the present paper are as follows:-

- i. What is the importance of studying Economics of Education in the present time.
- ii. Why ethics is important in the study of Economics of Education.

## **3. Validation for the study of Economics of Education**

Economics of Education as a discipline was born with a speech by Professor Theodore Schultz at the annual meeting of the American Economic Association in 1960s. He talked about the concept of “HUMAN CAPITAL”. Knowledge and skills that one get from the education is termed as the capital. Capital is the source of productivity which helps in the development and well- being. Developing and low income countries spend a good proportion of their income on education as it creates human capital and human input for production. During 1950s, the attention was mainly devoted to the relation between education and growth. Economists, in present, pay great attention to the relation between unlimited wants for education,

training, skill and development. Investment is productive and sustainable as long as we invest in both tangible and intangible forms of capital.

The importance of Economics of Education in recent time has developed rapidly as a subject matter due to number of reasons such as demand for quality education, increasing cost of education, return of investment in education, financing education, increasing provision of skills for the economy, scarcity of human resource / shortage of skills concept of Justice and Human decency, etc. Cost-benefit analysis is important in the investment of education as it generates and promises a stream of benefits for individual and society in the future. As individuals become richer the proportion of income on health and education rises. To raise levels of living, in addition to higher incomes the provision of more jobs, better education and greater attention to culture and human values are necessary. All social benefits of education are immeasurable and are important from ethical perception.

According to Sustainable Development Goals Report 2025 – “Education is vital for sustainable development, yet progress remains off track. Learning outcomes are declining in many countries. Although literacy has improved modestly, hundreds of millions of people remain illiterate, with women disproportionately affected. Deep inequalities persist due to gender, wealth and geography. To accelerate Goal 4 (Quality Education), countries must prioritize inclusive policies and financing that simultaneously addresses access, learning and equity. This includes scaling up quality early childhood education, enforcing legal guarantees for free and compulsory education, closing digital and infrastructure gaps – especially in LDCs – and expanding lifelong learning opportunities for adults and marginalized populations”.

Learning poverty is an early signal that children are failing to develop critical foundational skills. This is a global challenge, and a collective effort is needed to raise awareness. Policymakers, teachers, families and other stakeholders all need to work together to provide additional financing and support to accelerate learning, especially for poor and marginalized section of the society. Universal foundational skills are essential for the development of individuals and societies, because learning poverty threatens the future of today’s children and the economic prospects of their countries. Poor learning makes it harder for children to acquire the technical skills that are necessary for present labor markets, and for countries to develop the human capital required for inclusive economic development. To overcome the problem of poor learning, children must be healthy and should enjoy basic services such as nutrition, counseling, water, sanitation and hygiene services. Children’s welfare is of great value and children learn best when they experience joy and a sense of belonging at school. Children from rich families with facilities such as internet connectivity, availability of books and better home environment, are able to maintain a reasonable level of education.

Thus in order to reach the SDG 4, target of universal quality education for all by 2030, all government grant budgets must cover educational operational costs, reducing the burden on students' finances. Free tuition is offered by the majority of public schools or charges a nominal fee. Various government schemes help poor children by providing subsidization of meals, books and other expenses.

Hence, the economics of education is vital to understand the relation between quality of education and schools, teachers, parents, governments and all other stakeholders. Apart from the nominal cost, there are real cost involved in order to provide education which could be much higher and it is necessary to consider these costs and other factors which can significantly impact the total cost. Cost-benefit analysis helps policy makers, educators and researchers to make informed decisions about resource allocation, funding and policy interventions to improve educational outcomes. By applying economic principles and methods to education, economics of education enable to understand the relationship between education, skills and labor market outcomes to promote economic development.

## **4. Ethics in Economics of Education**

### **a. Education as Public Good**

In most countries education is referred as an important public good. Public funding of education largely characterise it as a public good. A public good have two features - Non-rival in consumption and Non-excludable. Non-rival in consumption implies one individual's consumption of a good does not affect another's opportunity to consume the good. Similarly, non-excludable means individuals cannot deny each other the opportunity to consume a good. But education does not follow the definition of pure public good, i.e. a good that bears both characteristics of non-excludability and non-rivalry. The size of the class can affect the quality of education that one receives: thus it is rivalrous. Education plays a crucial role in the process of development and produces external benefits, which are also known as positive externalities. These are the benefits enjoyed by the consumers who are not directly involved in the consumption of the good. This characteristic of education give rise to the problem of free riders as consumers understate their preference and avoid paying the price for their use. This is a case of market failure and public provision of education is required on ethical ground. The notion of education as a public good underlines the primary responsibility of the State in ensuring the right to education for all, social cohesion and equity. States are therefore expected to provide or finance education in almost all the countries at least at elementary level. According to UNESCO, the concept of common good represents a promising alternative to public good. Common good highlights the purposes of education as a collective societal endeavor (UNESCO, 2015). Common good suggests the transformation of public institutions through the greater participation of citizens and communities. It favours the holistic and humanistic approach to education which places the people and society at the center and has a huge potential to serve the national development needs with cultural and ethical dimensions. Since it is based on participation of different stakeholders in the society, it requires minimum social and economic equality. A number of reports of the UN Special Rapporteur on the Right to Education since 2000 have referred to education as public good in order to justify the need to safeguard the public interest. It can create new education system that can improve quality and efficiency. This is necessary to safeguard the principles of equality of opportunity and social justice. Indeed, given the technical possibility to exclude someone from school attendance, private actors are likely to provide education only for the children whose parents can pay school fees. Therefore, there is a need for state intervention to ensure equity. Education is considered as public good on ethical grounds. The collective benefits of education fall

within this category and provide a rationale for compulsory education. In this situation, it is important that the State provide the quality education for all and at the same time assures the principles of equity, equality of opportunities, social justice that inspire all education policies.

## **b. Investment in Education**

Investment in education is vital not only from the individual point of view but also from the community and nation as a whole. Education is essential because it has the power to transform human into productive human resources. Education creates human capital through knowledge and acquiring skills which generates a real return on investment. For individuals, education promotes employment, earnings and health. For societies, it drives sustainable economic growth, reduces misery and poverty, encourage innovation, support social cohesion etc. Poor and Developing countries invest a good proportion of their budget on education because education improves the quality of human input in production. The provision of skills for the economy at all levels becomes more dependent upon formal arrangements for education and training. There are empirical evidence that, where the economy is growing fastest, one of the crucial limitations on further growth is limited by the availability and the supply of skilled people. In the process of development, economies moves from primary sector to secondary and from secondary to tertiary. As individuals become richer the proportion of income on health and education rises. All social benefits of education are immeasurable and are important from ethical perception. An educated woman produces quality goods and services for the members of her family. Increasing women's education brings the wider social benefits of better nutrition, hygiene, lower fertility and improved child health and nutrition. Studies from around the developing world show that the expansion of basic education of girls earns highest rate of return than most public infrastructure projects. One estimate is that the global cost of failing to educate girls is about \$92 billion a year. A study commissioned by the NGO, Population Foundation of India, found out that every additional year of education in India increases a person's average income by about 6.7 per cent. The study also noted that the rate of return is higher for girls than boys.

Studies by the United Nations, the World Bank and Other Agencies have concluded that the social benefits of girls education is more than sufficient to cover its costs much before she starts earning. Education contributes to the alleviation of poverty, equal distribution of incomes and an improved social environment. So it is not only the question of equity but educated women lead to multiplier effects on the quality of a nation's human resources and can have important impact on breaking the vicious circle of poverty. According to UNESCO, public investment in education is important because: 1) Education is a global common good; it has direct and indirect benefits for individuals, their families, economies, societies and the planet. Moreover, the benefits of lifelong learning are inter-generational– they reach the present generation without jeopardizing future generations. 2) Education and learning are associated with other human rights and freedoms. From a human rights-based approach, States have the obligation and responsibility to guarantee the realization of the right to education. Free education reduces the cost of school and removes barriers to further education and a prosperous youth and adult life. Improvement in the quality of life of an individual is going far beyond the quantifiable benefits that education provides. Education is not only to

fulfill the economic purposes but also induces changes in beliefs and values and in attitudes towards work and society.

### c. Financing Education

We have already seen that the responsibility of provisioning the public good such as education lies with the government because of presence of positive externalities and market failure. The distribution of resources from state to different areas and groups intensely affects the equality of educational opportunities. In developed countries, the government spends almost 5 to 6% of GDP in education sector. Whereas around 2.5 to 3% of GDP is spend in developing countries. In India, the NEP 2020 has clearly recommended that there is need to allocate 6% of GDP for overall development of education sector. It was first recommended in the NEP 1968, reiterated in the policy of 1986, and which was reaffirmed in the 1992 review of the policy. The policies recommended raising the educational investment as there is no better investment than human resource. Financing of education need to be clearly examined and proper sharing of responsibilities in funding must be there among different stakeholders. The resources for funding must flow from state (tax, non-tax revenues) local governments, society, philanthropic donations, alumni and corporate sector through Corporate Social Responsibility. Adequate funding equip students with skills and knowledge necessary for attaining the goal of education. Financial support should be provided to various elements of education such as learning resources, nutritional support, teachers and staff and all other supports vital for equitable high-quality education for underprivileged and socially disadvantaged groups. The principle of education as a public good has also been used as a reference when advocating for adequate public funding for quality education (GPE, 2016), and when reaffirming the role of the State as the main duty bearer in ensuring the right to education. Indeed, several UN human rights treaty bodies and civil society organizations have referred to this notion in order to “reject calls for increased privatization or commercialization in education” (UNESCO and CCNGO, 2017, p. 5).

Profit-seeking private spending on education has increased considerably in recent years. But it is necessary to deal with commercialization of education with tight policies without affecting the poor and deserving sections of the society. It's a moral duty of any government to provide quality education to all at affordable cost. Increasing cost requires that the state makes the funding to protect the character of education and ensures common interest of all with equitable expansion. This is also important for achieving the high-quality education system with economic, social, cultural, intellectual and technological progress. Even if the education is free, there is opportunity cost of labour to poor families. Children are needed to work at the same time that they are required to be at school. If poor children are denied access to schooling due to financial reasons, then it can increase inequality in developing countries as there is positive correlation between education and earnings. It does not matter how much funds are pumped in, if people responsible don't work then everything is meaningless. Every nation has to work towards promoting skills and knowledge that can lead to behavioural change necessary for social well-being. To ensure equal and social access, every member of society must engage more towards the process. New education policies have to envision values and ethical principle of learning to live together. It is necessary to established right

institutions that facilitate the different goals of education in vastly diverse, cultural, linguistic and socio-economic context. Education system needs to be adequately funded. If we fail to make the required investment, we may find an entire generation loses their educational opportunities. It is widely accepted that education must be rooted to national culture; it has to be “man-making education”. The effort by different participants from society is viewed to find a common public space of education in a mutually supportive manner. The state has to play a crucial role to coordinate the forces that may not be sensitive to the goal of sustainable development.

## 5. Conclusion

Robert Penn Warren writes “education is the business of teaching you how to live not just how to make a living”. Indeed, without quality education no nation can develop or become self-sufficient. Education in society is a basic right that increases socio-economic opportunities and helps to transfer values, ideas and customs from one generation to future generation. To meet the Sustainable Development Goal 4 by 2030 “to provide inclusive and equitable education for all”, it is important to raise the public funding in education. A well-funded education can bridge the gap between the have and have-nots and encourage critical thinking and creativity for overall development. There is need to efficiently use the allocated funds and build capacity to monitor and evaluate education spending with accountability. Nations committed to education have made greater strides in both intellectual and economic growth. It is an established fact that education plays a crucial role in shaping our lives and life styles. Education has great bearing on societal structures, behaviour, thoughts and personality of an individual. Education is an important tool to meet the emerging needs and challenges of sustainable development with moral values.

## References-

1. Daviet, B. (2016). Revisiting the Principle of Education as a Public Good. Education Research and Foresight Series, No. 17. Paris: UNESCO. Available at:<http://www.unesco.org/new/en/education/themes/leading-the-international-agenda/rethinking-education/erf-papers/>
2. Locatelli, R. 2018. Education as a public and common good: Reframing the governance of education in a changing context. Education Research and Foresight Working Papers Series, No. 22. Paris, UNESCO. <https://en.unesco.org/node/268820>
3. Tilak, J.B.G (2016). Financing Education. Yojana, January 2016. Ministry of Information and Broadcasting.
4. Ray, R (2009). One Good Example is Worth a Thousand Theories. Yojana, September 2009. Ministry of Information and Broadcasting.
5. Singh and Agrawal (2002). Role of Education for Economic Development & Social Transformation. Employment News. 19-25 January 2002.
6. Todaro and Smith. (2008). Economic Development. Pearson Education, Ltd.
7. Retrieved from <https://www.unesco.org/en/educationpolicies/financing#:~:text=The%20financing%20of%20education%20is,that%20contribute%20to%20improving%20equity.>
8. Retrieved from <https://unesdoc.unesco.org/ark:/48223/pf0000261614>
9. Retrieved from <https://unesdoc.unesco.org/ark:/48223/pf0000245306>