The economic organization of education has changed markedly over the past century and a half. Long gone are the miserable, gloomy schools captured so vividly in the novels of Charles Dickens and Charlotte Brontë and the detached, impractical education of the upper classes in the Victorian era. In all advanced industrialized countries today, education is widely recognized as a key to material well-being, both personal and communal, that the state is responsible for supplying in reasonable quality to all school-age children. It is expected to ensure that the young acquire the skills they need to lead an economically productive life and that the national economy is able to compete with other national economies in the global marketplace. Individuals or nations that fail to acquire the education they need must fall behind; in the words of H. G. Wells, "Human history becomes more and more a race between education and catastrophe."

The dominant role that the state plays today in the financing, regulation, and provision of education implies that many of the issues that shape education are resolved through political mechanisms interacting with the individual decisions of households. Parents retain some degree of choice—between public and private education, between different schooling options within the public system—but it is invariably the public sector that plays the leading role in education. This role must be constantly reassessed in light of changing circumstances and changing mores. Changing views on income inequality and social mobility bear on the extent of local involvement in school funding and administration, as well as on public support of private schools. Views on minority rights and the relative advantages of diversity versus homogeneity affect the degree of multiculturalism and religious education that the public education system will accommodate, both internally and in funding private alternatives to public schooling. The relative success
and failure of different types of schools give rise to new initiatives aimed at applying successful methods to less successful schools.

These issues require conceptual tools if their implications are to be fully understood, and much progress has been achieved in recent years in developing such tools. This volume offers an overview of these conceptual underpinnings, showing how analytical models can be applied to shed light on central policy issues. It reflects our preference for simpler models that highlight general principles, offering a toolbox of analytical methods for modeling education policy that can then be applied to analyze a wide spectrum of specific applications. Combining analytical rigor and policy relevance, it is aimed at graduate students and senior undergraduates studying the economics of education and education policy, as well as professional analysts and practitioners of education policy with a taste for theory. Of course, much remains beyond the scope of this book, offering rich scope for further research.

The authors gratefully acknowledge the support of CESifo—the international platform of the University of Munich’s Center for Economic Studies (CES) and the Ifo Institute for Economic Research—and of Hans-Werner Sinn, who first suggested the project to us. Mark Gradstein and Moshe Justman developed the plan of the book and are jointly responsible for its contents. Volker Meier joined the project midway and contributed to chapters 2 and 6. Parts of this book were presented, as work in progress, at various workshops and seminars, including graduate workshops at Ben Gurion University and at CESifo seminars in Munich. The comments and suggestions we received there were instrumental for the book’s evolution, as were the very useful comments of two anonymous reviewers and of Ludger Woessmann, to all of whom we are grateful. Mark Gradstein acknowledges the hospitality of the Research Department at the World Bank during the time the manuscript was finalized.