

ECONOMIC ANALYSIS OF EDUCATION POLICIES*

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The papers in this panel apply economic theory and/or econometric methods to the analysis of the provision of educational services. The first paper, by Pedro Carneiro provides a summary of recent work on the importance of heterogeneous treatment effects and the theoretical and empirical advances in estimating them. Keeping track of the heterogeneity of treatment effects is key since public policy has wrongly centered on homogeneous treatment effects; on questions such as what is *the* rate of return of education? This does not take into account the possibility that the treated population and the untreated population may be different, a fact that is key for public policy conclusions. The second paper, by Claudio Sapelli, applies these concepts to the Chilean educational system, both by discussing the literature that takes into account the possibility of different treatment effects, and by analyzing empirically the peer effect, that centers on the existence of heterogeneous peers and the effect one peer may have on the other. Finally, Harald Beyer uses the conclusions of the literature on production functions and his analysis of the Chilean data, to discuss possible future policy steps in improving the design of the Chilean education system, all framed in a plea for prudence in educational policy. Heterogeneity and endogeneity are issues that make inference in the educational sector difficult. Hence, the plea for modesty by Beyer is called for. But there is the possibility of progress through applying economic theory and empirical methods to education, as hopefully the first two papers show. Education is an area in which there are still many things to learn from the “relentless and unflinching” use of economic theory (to paraphrase Becker).

Keywords: Vouchers, Peer Effect, Treatment Effects, Program Evaluation, Education.

JEL Classification: I21, I28

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