Education and society: an institutional approach

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Abstract. Mainstream arguments regarding education’s role in society are supported mainly through the theory of positive externalities. It is considered, almost axiomatically, that education represents the main means through which it is transmitted inter and intra generational the set of values that facilitate the ordered structuring of social interactions. Based on this reasoning, education has become a holistic concept and the management of the whole educational process is the sum of initiatives oriented towards the attainment of the “social good”. In practice, the functioning of public educational systems around the world widely confirms the failure of positive externality argument. The purpose of this paper is to offer a counterfactual perspective to the dominant holistic theory, and moreover, to offer a possible explanation, from an institutional view, for the failure of public educational systems.

Keywords: institutional arrangements, education, positive externalities, society.

JEL Classification: B25, B41, H52, I28.
Introduction

The meaning of education in our society represents a subject of great interest and is constantly present in the writings of philosophers and economists. The dominant characteristic of their interpretations is represented by the approach of education from a holistic point of view, dominated by the identification and concentration on the effects that they generate for society as a whole. According to these writings, education must serve the superior objective that the social good represents, neglecting somehow the individual one.

One of the most influent visions belongs to the French philosopher J.J. Rousseau. From his perspective, education is the one that allows the individual to claim his belonging to the state, saw as a great family. On this background, public education represents one of the great duties of the government through which the children must be educated not to fulfill their own desires, but „the things that society desires.” (Rousseau, 1994). For Rousseau, education makes sense only for the accomplishment of a much more important objective than the private interests. Evidence in this matter is his attitude towards the role of family in education. Rousseau completely ignores the liberty of the individual or family in what concerns education process (Pană, 2011: p. 42).

Another influent opinion with respect to the role of education in the social plan belongs to the American philosopher, John Dewey. He underlines the importance of education for democratic societies especially, given the specific nature of them determined by the repudiation of the actions of an external (dictatorial) authority and by its existence as a form of cohabitation and manifestation of individual experiences lived in common. The representatives of democratic governments cannot attain the political, social and economic objectives that they wish if their voters, to whom they are subjected, are not educated (Dewey, 1930: p. 101). For Dewey, education is the proper instrument for social homogeneity in the absence of a dictatorial authority. Unlike the societies dominated by social class separation, democratic society must make sure that education is available to all its members in order to offer them the intellectual abilities needed by the democratic process. If not, the members of society are overwhelmed with the changes caused by the diversification of social processes, becoming incapable of perceiving them and acting accordingly.

Apparently, Dewey’s opinion differs fundamentally from that of Rousseau’s. While the French philosopher clearly pleads for the training role of education in favor of the state, the American philosopher presents education as a way through which the democratic society can exist. The role of education is to transmit common values aimed at stimulating the belonging of individuals to a certain social construction. Nevertheless, the two visions have a common point: education is seen as a way of creating and maintaining a certain social structure\(^1\), and not from the perspective of following individual objectives. These, although accepted and seriously considered, including the case of educational initiatives, are of secondary relevance. In essence, Rousseau’s and Dewey’s
visions are complementary: while Rousseau pleaded for education as a means of making the transition from the authoritarian regime towards the democratic one, Dewey, in turn, pleads for using education as a means of preserving the democratic society.

The theoretical conceptualization of the positive externalities has allowed the integration of these approaches to the field of economic science, signaling at the same time, the abandonment of classical economists’ ideas. While the latter were preoccupied with solving the dilemma regarding choosing between private or public education, neoclassical economists consider this subject closed. Education generates positive external benefits and that’s why it must be public financed and supplied. Moreover, in order for the external effects to be as extended and concordant with the social purposes, a certain level of education must necessarily be attained. Since then, the intellectual preoccupations were mainly focus towards the identification of the most appropriate ways through which the benefits of “free and mandatory” public education can be stimulated and capitalized.

Friedman (1955, 1962), Friedman and Friedman (1998) bring some of the most influent contributions in this domain, by using the argument of preserving the values of a democratic society sustained by the theory of externalities to justify the extending of the supply of public education. Moreover, it is being tried the identification of ways through which the financing of educational services becomes more performing and, at the same time, closer to the interests of individuals and communities.

Other authors have focused especially on the contribution of education on the solid structuring of the democratic society. Lipset (1959), Barro (1999) Milligan et al (2003) argue in favor of the importance of education for the functioning of democratic processes, insisting on the powerful link that exists between the level of education and the exercise of the right to vote. Glaeser et al. (2004), Glaeser et al. (2007) go further, claiming that differences in the schooling level are reflected not only in what concerns democracy but affect even the political institutions. On the other hand, Acemoglu et al. (2005) emphasizes that there is no causal relationship between education and democracy. If it existed, then the increase in the schooling level should be reflected in an increased efficiency of the functioning of our democracies, which does not necessarily happen. Mueller (2007) proposes a serious analysis of the degree in which education generates positive externalities, by taking into account other factors, different from those mentioned by the mainstream theory such as the influence of political decisions and concentrating attention on the quality of educational services, not only on financing. In its writings, Finkel (2013) underlines the importance of civic education in forming a culture of democracy, starting from a series of studies made in some African states confronting with ethnical and political conflicts.
Positive externalities and education: a critique from the institutional economics perspective

Holistic theories regarding the prevalence of society over the individual find support in the economic science through the theory of externalities. According to this theory, education generates private benefits, but the extension of its supply and even the compulsory public education are the results of the social benefits it generates. Society as a whole gains when the citizens are better informed in the process of social cooperation, when they have to adopt decisions as voters. In this argumentative context, seeing society as an entity having its own objectives and values (superior to the individual ones), education exceeds the stage of private good, becoming a public good whose supply is indispensable to the functioning of society as a whole.

This vision is difficult to be challenged, not only because it is widespread, but especially because it is very difficult to separate the implications of formal education from those of the private education. Despite the theoretical and empirical efforts made in this direction, the results are far from conclusive. In fact, following a careful analysis, it couldn't be otherwise. The main inconvenient of this view, which represents the general critique that can be offered against it, is the approach that it uses. Methodological holism, as a means of aggregate expression of a supposed social benefit, suffers from the absence of aggregated benchmarks. Admitting that the aggregation of social benefits could ever be possible, this operation is impossible in the context of utilitarian, holistic prescriptions. Emphasizing society as a whole, individuals become simple instruments for the accomplishment of some objectives established as means of the object of aggregation and not of those who action. Another inadvertence is the use of the „purpose” or „objective” of society. This cannot exist in the absence of the individual who acts. That is why society’s objectives can express, at most, expectations of individuals or groups of individuals of the way in which the process of social cooperation should take place.

In essence, society means, the reflection of social cooperation processes through which individuals act in order to achieve their own purposes. Although these processes generate what we can call moral values, formal norms or certain regularities that facilitate them, the pretention of aggregating into the general, social objectives is exaggerated and putting into practice such an endeavor is useless. The main explanation is that regularities that result from social processes target certain contextual situations. The process of social cooperation is repetitive, no doubt, but it is dynamic. This evolution is determined by the change of individual preferences but also by the context, dominated by the rules in which individual actions take place. The holistic approach is not capable of observing such evolutions, be it only for the reason that aggregation is possible after individual manifestations have occurred. In the meantime, it is possible that, after the processes of continuous and uninterrupted social cooperation, the prevalent social values to have been invalidated or modified.

Based on these arguments, one can generally criticize the positive externalities theory. This critique mainly means that is impossible to claim the existence of beneficial effects
for a third party which is not directly involved in the social cooperation process. According to theory, when someone benefits from educational services, the advantages of being educated are not exclusively his. Following aggregate view, an increased number of years spent in school tend to multiply social benefits for third parties and, as a consequence, gains for entire society will increase too. This assumption, although it could be right, is not as simplistic as it seems and its implications are not so straightforward. The third party is an acting individual that follows certain goals. The “positive” characteristic of the external effects resulted from education will be evaluated differently based on their contribution to the achievement of individual’s goals. These effects will be useful as long as they serve for achieving of individuals’ goals, whatever these might be. If not, their “positive” evaluation by associating with a presumably beneficial social objective is only a mere speculation.

Those emphasized earlier don’t deny the importance of education in social cooperation processes, hence for the existence of a society, but is only suggesting the necessity of changing the way of perceiving its significance. Education represents, in fact, a way through which individuals can achieve certain goals within the social cooperation processes. Moreover, it is a result of social cooperation processes whatever the nature of education (formal or informal) is. Education is implicated and augmented in every social interaction. With every social interaction individuals are taking, they educate themselves. Therefore, they can identify certain behavioral regularities which allow them to achieve the pursued goals. Thus education assesses institutions (rules) which are, in fact, the result of social cooperation. As a dynamic process, social cooperation can change the rules that prevail at a given moment. As a consequence of these changes, individuals notice that the old rules are not serving anymore to achieve their goals and must adapt to the new institutional framework. Education embeds other social values which are replacing or improving the old ones.

In holistic approach, the assimilation process of the new rules and modified social values is much slower because of the aggregation obsession. Orientation to old rules that has been formed through time might be a partial explanation for the slowness in assimilating the new institutions (social values). Therefore, formal education as an expression of the holistic view will tend to promote social values from the past that might have been changed meanwhile. An additional reason for the institutional rigidity might be the influence of the existing rules (formal and informal) on educational organizations.

This is how takes shape the relation between educational environment and institutional arrangements that affect individuals and organizations’ behaviors. Before elaborating, some conceptual disentanglement may be useful. The concept of institution used earlier is referring to rules that facilitate the process of social cooperation being also a result of it (North, 2003: p. 11). The neoinstitutional economics literature uses also the concept of behavior regularities in social cooperation relations that emerge in specifically recurrent
situations (Schotter, 1981). By facilitating social cooperation, institutions become rules which increase the predictability of human actions initiated in certain recurrent situations.

Based on this conceptualization, institutions differ significantly from organizations. The latter are, in fact, groups of individuals which arise and act in order to achieve certain individual goals. Organization members use in common limited resources in order to achieve their own goals. Basically, organizations capitalize on favorable circumstances in order to achieve members’ goals. This suggests that organizations are influenced by the institutional framework. Moreover, organizations create their own rules or try to influence the already existing ones. Structuring members’ actions inside an organization would be impossible in absence of certain internal rules. Furthermore, organizations succeed frequently in influencing the external rules framework they act within for better achievement of members’ goals.

Reconsidering education’s significance for society is necessary by taking into account the crucial role of institutional framework which affects the individual behaviors of those who uses educational services and of educational organizations altogether. An intensive analysis based on institutional economics’ concepts may provide useful explanations concerning some of the main failures of public education. The fact that beneficiaries of educational services and providing organizations manifest themselves in a certain institutional framework doesn’t necessarily mean that it influences them in the same manner.

An expressive example is the early school leaving phenomenon. This arises as a consequence of institutional disparities between the set of rules that govern labor market and social relations, on the one side and those who influence educational organizations on the other. On this background some beneficiaries of public education services decide to drop the school despite the fact that education is virtually free. This is the case of the explicit early school leaving. Those who decide to give up schooling are seeking alternative ways to get the abilities that formal education aims to provide but fail to do so (at least in their opinion). Getting involved in social relations such as early employment might be a better solution. Institutional inadequacy creates another kind of early school leaving. Young people might decide not to abandon public schools preferring to simply get the graduation certificate or diploma. Therefore, they take advantage on the opportunities created by the formal institutions which regulate free compulsory education. Moreover, they benefit from the educational organizations’ incapacity to sanction such opportunistic behaviors as a consequence of the fact that these are trapped in their own formal rules. Thus, a vicious circle is created as an outcome of the frequent public compulsory education failures to provide the presumed proper abilities.

Under these circumstances, the theoretical outcomes of education’s positive externalities might not be confirmed in reality. This outcome is almost inevitable and has two main sources which are endorsing each other. The first is based on the already emphasized holistic approach that guides the main educational values that must be provided by public
education. Because of its slow adaptation to social environment’s developments this is a source of institutional disparities. The second is the formal institutional framework of the educational organizations which is created to favor the achievement of members’ individual goals. As in any other cases of public organizations, it reveals weak institutional constraints. Therefore, organizations’ members would rather preserve it than changing it. The holistically imposed public education’s goals tend to favor institutional rigidity by preserving certain institutional arrangements. This blocks institutional reform that might have a contribution to institutional disparities’ contraction.

One of the most important functions of public education resides on its contribution to the stability of a democratic society. As already has been emphasized by a series of studies, the importance of education in a democratic society is based on greater involvement of educated people in the election processes. Moreover, society’s members are better informed concerning the matters they have to validate or not. It considers also that informed citizens could sanction the errors of government policies due to their educated skills.

This approach based on the positive relation between the level of education and political involvement is more frequently criticized. Kam and Palmer (2008) question the mainstream theory suggesting an extended analysis based on other elements that have not been considered yet. According to them, familiar background and its influence in creating an adult personality might be at the origins of political involvement’s decisions. The conventional approach is incomplete and highlights the development of unintended consequences. Its incompletion resides not in considering the crucial role of political institutions and their influence on the behavior of political actors. Political organizations are different from the social ones only by referring to their specific goals and the institutional arrangements that guide their particular actions. The functioning of democratic processes frequently emphasizes the existence of principal-agent problem in the political field.

Therefore, voters could realize that their electoral options can’t influence the decisions of political agents. Moreover, voters could consider that a particular candidate could be elected even if they are not voting for him or against him. Hence, they could choose not to inform themselves concerning the electoral process. The phenomenon of rational ignorance emerges. It is commonly argued that in order to diminish these negative implications for democratic society, the level of education should be increased. Surprisingly, what seems to be the solution could extend the negative implications of the rational ignorance phenomenon (Pană, 2011: p. 82). It is very likely that educated persons would better understand the deficiencies behind the processes of political agency and, consequently, would refuse to involve in democratic electoral processes. However, admitting that educated persons would become more interested in democratic processes, it doesn’t mean they would be taking the right decisions in order to limit the opportunistic behavior of the political agents. Not any kind of education is appropriate for this to be happening.
There is an alternative approach of the above mentioned phenomenon which considers that the lack of involvement in electoral processes is, actually, a form of citizens’ political participation. By contrast with the previously stated approach, this one marks the possibility of citizens’ involvement even in absence of high level education which means, in fact, that not involving in electoral processes is not a direct consequence of a certain level of education. A high level of education is not absolutely necessary for citizens to realize that their expectations were overestimated and the electoral promises haven’t been fulfilled. On the contrary, a high level of education may prevent such overestimations. Therefore, correcting the outcomes of this phenomenon is not necessarily a consequence of a high level of education.

**Education and youth involvement in political processes**

In the mainstream theory, a higher level of education is beneficial because of its contribution to the development of a civic culture which is of an utmost importance for the institutional structuring of the society. In the final part of this paper some insights of this particular relation are analyzed in European Union’s case, based on the existing data.

The existing studies on this matter tend to confirm the above mentioned hypothesis: the principal-agent problem in the political field may induce an indifferent behavior of youth concerning the political and electoral process. Although the commonly offered explanation is that of a particular indolence of youth when it comes to take part in these matters, there are much more profound reasons to be considered. One of the most important explanations is the institutional arrangement that governs the democratic process.

One of the main findings based on the available statistical data is that of a lowering turnout rate in the European elections. As can be seen in the table below, the turnout has constantly lowered in every EU election since 1979. One can be seen an important fall in the last three EU elections. From the Lisbon Strategy’s educational benchmarks perspective this particular evolution, especially in 2004, 2009 and 2014 elections, doesn’t prove the highly optimistic expectations concerning education: during 1999-2014 the voter turnout fell more than during 1979-1994.

**Table 1. Turnout rate in the European elections, 1979-2014**

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<tbody>
<tr>
<td>Turnout rate (%)</td>
<td>61.99</td>
<td>58.98</td>
<td>56.41</td>
<td>56.67</td>
<td>49.51</td>
<td>45.47</td>
<td>43</td>
<td>42.54</td>
</tr>
<tr>
<td>EU configuration</td>
<td>EU 9</td>
<td>EU 10</td>
<td>EU 12</td>
<td>EU 12</td>
<td>EU 15</td>
<td>EU 25</td>
<td>EU 27</td>
<td>EU 28</td>
</tr>
</tbody>
</table>

Source: http://www.europarl.europa.eu

The low turnout in the EU elections can be explained mainly by the growing youth absenteeism. According to a study\(^6\) of London School of Economics and Political Science (LSE), youth are more susceptible not to vote comparing to the rest of the adult population. This finding has been confirmed for most of the EU countries, excepting
Hungary and Luxembourg. This particular evolution is also valid for countries like Finland or Denmark, two of the most performing EU countries in implementing educational objectives of the Lisbon Strategy.

Those emphasized earlier are endorsed by data from 2009 EU elections. Almost 71% of youth aged 18-24 didn’t vote in these elections. The highest youth absenteeism manifested in the case of students (72.4%). The rate of participation for youth unskilled workers, who are presumably lowered educated, has been higher meaning a lower absenteeism (70.4%). Data analysis reveals a surprising finding in case of Finland, a country who has a high performing educational system. Youth absenteeism in the 2009 EU elections was 69.7% which is considerably higher comparing to Sweden (41.1%) or Denmark (45.1%).

Another important finding is the negative relation between youth participation in the EU elections and graduating rates. As can be seen in the table below, whilst the graduation rates from upper secondary and tertiary education grew, youth participation rate in the EU elections decreased during 2004-2009. This suggests that although formal education must promote a high level of youth participation in the political processes of a democratic society, this isn’t necessarily happening. On the contrary, data shows that youth participation is growing with age and becomes higher when young people leave educational system.

Table 2. Level of education and youth absenteeism in the EU

<table>
<thead>
<tr>
<th>Year</th>
<th>Education rate (upper secondary or tertiary)</th>
<th>Absenteeism rate (%)</th>
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<tbody>
<tr>
<td>2002</td>
<td>76.8</td>
<td>67%</td>
</tr>
<tr>
<td>2003</td>
<td>77.2</td>
<td>67%</td>
</tr>
<tr>
<td>2004</td>
<td>77.4</td>
<td>67%</td>
</tr>
<tr>
<td>2005</td>
<td>77.6</td>
<td>67%</td>
</tr>
<tr>
<td>2006</td>
<td>78.1</td>
<td>67%</td>
</tr>
<tr>
<td>2007</td>
<td>78.3</td>
<td>67%</td>
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<tr>
<td>2008</td>
<td>78.7</td>
<td>67%</td>
</tr>
<tr>
<td>2009</td>
<td>78.8</td>
<td>71%</td>
</tr>
</tbody>
</table>


Conclusions

Education’s importance to society must be reconsidered with respect to the significance of society. For this to be happening we shall abandon the holistic approach of society which is seen as an abstract entity who’s main goal achievement is of an utmost importance comparing to the individual actions. Changing the way society is perceived and seeing it as the main outcome of social cooperation relations, transforms education in an important instrument for achieving individual goals. Therefore, education evolves from the limited perception as a simple outcome to a very important tool in the process of social cooperation.

This means also reconsidering the mainstream theories concerning the social role of education based on positive externalities it generates. The starting point is accepting that individual actions take place in an institutional framework. As a consequence, the arguments of education’s positive externalities seem to be more frequently contradicted.
Early school leaving phenomenon becomes more and more present across EU countries despite the large public support in financing and providing education.

Basically, public education failures are consequences of institutional disparities existing between formal and informal rules that guide public education organizations and rules formed through the social cooperation process. These are obvious deficiencies when it comes to validate the positive externalities of education.

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**Notes**

(1) Comparing the society with a living organism, Dewey (1930: pp. 2-4) shows that, as the physical existence is replicated, so the traditions, customs, beliefs, institutions are transmitted from one generation to another, facilitating the existence of society. So, society exists as a consequence of the process of intergenerational transmission of past accumulations, just as life sustains itself thanks to reproduction. The role of education is that of facilitating their transfer, so that society can “live”.

(2) Schools, universities and state’s agencies which regulate and finance public educational system are examples of organizations. Education laws, internal regulation policies, curriculum are examples of institutions. The regulations concerning methodology of studies, graduating courses, transfer credits are “rules of the game” in a university.


(4) It consists in the gap existent between decision makers (political agents) and voters (taxpayers). The existing institutional framework creates opportunistic behaviors of agents against principals’ interests. Sanctioning these behaviors is made possible by the election processes. However, as argued by Buchanan (1997: p. 219) “collective decisions are rarely taken by voters, by those persons who pay taxes and who supposedly benefit from the use of governmental goods and services.”

(5) Despite the last decades’ growing level of education the opportunistic behavior of principals intensified. Extending governmental spending and growing public budgets are the most obvious manifestations of this tendency. The outcomes are diverse and generate microeconomic effects as rent-seeking behavior and macroeconomic implications such as weak capacity to fight against economic crises due to accumulating deficits and public debt.

(6) EACEA 2010/3, Youth participation in democratic life, Final Report, 2013, LSE Enterprise. By subtracting youth’s turnout rate from the general turnout rate during 1990-2011, the authors found negative values for most of the analyzed data.
References


