



## **Inequality and the paradox of educational investment**

**Leonardo Garnier<sup>1</sup>**

### **An educational catastrophe**

Almost any person – and especially any educated person – would agree that in today’s world, a good quality education is essential for living a productive and fulfilling life. We know that a person who cannot read and understand a simple text, a person without basic numeracy skills, without a basic understanding of the relation between cause and effect, or without basic social skills, is a person lacking the capacities for leading a successful life in today’s world. And yet, as of today, we are told by the experts that the combination of longstanding poverty, increasing inequality, wrong policies, and the impact of the pandemic, are leaving a vast majority of children in less developed countries with so little education that only three out of ten would be able to read and understand a simple text by age ten.

This means that seven out of ten persons in less developed countries – but also in many regions and neighborhoods of rich countries – are being left out. Roughly, we are leaving out two-thirds of the world. Out, and yet, in. Out from the opportunities, yet too close to the malls and shops whose windows showcase the wildest array of goods that are in supply for anybody who is anybody to enjoy. But not for them. Consumption – and conspicuous consumption – has never been higher in human history but, left out of education, two-thirds of the persons living on this planet will struggle just to survive in low-pay jobs if they get a job at all. Whiskey caskets are being aged in the space station, Coldplay entertains at a rich guy’s daughter’s wedding, and the other three rich guys take their friends for a tour in space, while two-thirds of humanity doesn’t have the opportunity to even the basics.

We know. We also know how to fix it. It takes a teacher, it takes a school, and it takes some learning resources – from books and notebooks too, why not, a tablet or a PC and internet access. We could add school meals and a few other basic conveniences to facilitate learning. Not much to ask, just their right to learn

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## The right to learn

What should this right to learn imply? What must every person be able to learn? According to the Secretary General's Vision Statement at the Transforming Education Summit, this implies four key dimensions:

First, they must learn to learn. This starts with their ability to read and write, to identify, understand, and communicate clearly and effectively, and to develop numeracy, digital and scientific knowledge, and skills. Education must also instill in them curiosity, creativity, and the capacity for critical thinking and nurture social and emotional skills, empathy, and kindness. This is essential for developing their capacity to deal with complexity in an increasingly uncertain world.

Second, they must learn to do. As the world of work undergoes rapid and fundamental changes, so must education change to prepare every person for the challenges of the future – including the green, the digital, and the care economy – and offer them life-long learning opportunities both in formal and informal education.

Third, and this is a bigger challenge for educational systems, they must learn to live together. In a world of increasing inequality, rising tensions, fraying trust, weakened democratic culture, and a dramatic environmental crisis, education must help us to live better with each other and with nature. This has to do with ethics, equality, and justice; with civic responsibility, democracy, and human rights; with the respect, understanding, and enjoyment of our rich human diversity; and, of course, with our capacity and active commitment as global citizens with the goals of confronting poverty and inequality and promoting more sustainable development.

Of particular importance here is the unabashed respect for human rights and the pursuit of gender equality. This requires a gender-sensitive curriculum that promotes sex and affective education, addresses gender-based prejudice, norms, or stereotypes, empowers and equips learners to combat violence against women and sexually diverse persons, and ensures adequate sexual and reproductive health for all.

Finally, and this is something educational systems very often forget or underestimate, they must learn to be: The deepest purpose of education lies precisely in learning how to live well, instilling in learners the values and capacities to lead a meaningful life, to enjoy that life, and to live it fully. Education must expand every learner's potential for creativity and innovation; their capacity to enjoy and express themselves through the arts; their awareness of history and the diversity of cultures; and their disposition for leading a healthy life, practicing physical activities, games, and sports.

Summing up, education implies every person's right to be an active, productive, and significant member of society. Their right – and the responsibility – to contribute to society, to be active citizens, to be productive and creative workers, to be good friends, to be able to lead a meaningful life and to enjoy it. That is what education is supposed to produce: people capable of living together well.

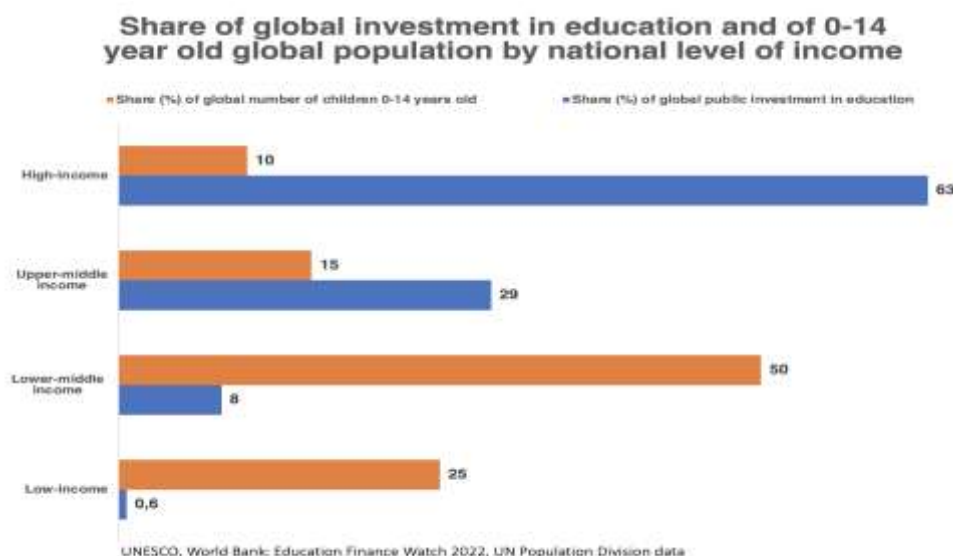
And yet, we are leaving two out of every three children out. How we can look these children in the eye and tell them, bluntly, that – either by action or inaction – we will deny them that right?

### Inequality and the educational paradox

“But there are too many of them” – we could think. Yes, they are about two-thirds of the world’s children: over one billion children – and one-quarter of them were completely out of school even before the pandemic. And they need good teachers, about 70 million new teachers, and training for over 85 million teachers working today. And they also need good infrastructure in their schools, with internet connectivity and learning resources for each one.

These numbers sound too big to tackle. “We don’t have the money to pay for that” – we could say. And yet, we would be wrong.

Today, we invest roughly US\$5 trillion in education in the world. That is about 6% of the global GDP. But even though most children live in low- and lower-middle-income countries, most of our educational investment is concentrated in high-income countries, which account for 63% of global investment in education but attend only 10% of the school-age population (using the 0–14-year-old population as a proxy). Next, we have upper-middle-income countries, with 29% of the global educational investment for attending 15% of the school-age population. Very different is the situation of lower-middle-income countries, which, with only 8% of global investment, must serve 50% of the world's school-age population. Finally, low-income countries try to educate 25% of the world's school-age population with only 0.6% of global investment in education, which represents merely 0.03% of the global GDP[1].



This unequal distribution of educational investment translates into a global reproduction of educational inequality, as the number of resources each country can invest in per school-age person greatly diverges. Roughly, by 2020, per capita spending on education was over \$.8000 per year in high-income countries, about \$1.000 in upper-middle-income countries, only \$300 in lower-middle-income countries, and merely \$50 per year in low-income countries[2]. On average, poor countries invest one dollar per week per school-age person. One dollar per week. You do not have to be an expert to understand what this means.

In low and lower-middle-income countries, the challenge of educational investment can only be solved if the national effort is substantially complemented by international cooperation. For countries that are investing from \$50 to \$300 a year per person, even doubling their national effort – as they should – would not be enough. The international community must step in and make a difference. In most countries, however, this investment should be financed with national resources, because it makes sense to do so.

Investing in education should be seen not only as a moral and political imperative – which it is – but it should also be understood as a sensible economic investment. There is plenty of evidence that “education pays”. The World Economic Forum summarizes much of such evidence and argues that a single dollar invested in education at the primary and secondary level yields an estimated \$2.50 in additional gross lifetime earnings in lower-middle-income countries, and as much as \$5.00 in lower-income countries – that is a 500% return on investment. And these are only the private returns. If we were to add the economic impact of indirect benefits of education, we would find, for example, that every \$1 spent on early childhood development interventions yields \$13 in economic returns[3].

So, yes, the figures that would need to be invested for everyone in the world to have access to a decent education are large, but they are not that large as to grant the assumption that we can’t do something about it. Yes, we could, that is if we really wanted to.

### **The danger of poverty traps**

Why is it, then, that countries do not invest more in education? Why don’t they invest a higher proportion of their GDP and their national budget? Why don’t they increase their investment per student and pre-school age person? Why is there such strong opposition to a progressive revamping of tax systems that could increase the tax-to-GDP ratio and open more fiscal space for the financing of education?

To answer these questions, we need to understand that there is a very strong relationship between the kind of development a country has and the kind of education that comes with it, and it is a relationship that goes both ways.

Putting it in very simple terms, when a country is highly unequal and has a large supply of very cheap labor, it can find itself in a low-level equilibrium or poverty trap. The type of investments most easily attracted by the abundance of cheap labor is typically unsophisticated investments, with low capital intensity, low productivity, and little need for human capital. But still, they can be very profitable, not because they contribute to increasing productivity, but because of their continued access to low-cost human and natural resources. With no need for an increasingly qualified labor force, there is little incentive in such an economy for raising taxes to finance education, which is perceived as a mere expenditure. The situation can be even more complicated when countries get entangled in the typical race to the bottom, where they deregulate the labor market, the exploitation of natural resources, devalue their currencies, and grant generous tax exemptions to further reduce costs and attract foreign investment.

As Acemoglu and Robinson[4] – and many others – have argued, in countries where these extractive or low-productivity economies prevail, the institutional framework tends to be weak and the balance of economic and political power is significantly skewed towards the upper echelons of income and wealth, which again tend to oppose the kind of progressive tax increases that would be necessary to finance universal quality education.

Education is the only way out of a poverty trap, but poverty traps curtail the capacity to invest in education, even though such an investment makes social and economic sense. Short-term profits will not allow it. It will take vision, it will take a movement capable of altering the balance of power for a country to break free from these poverty traps and embark on the virtuous cycle of sustainable development: increasing wages, increasing productivity, expanding, and improving education, making sustainable use of natural resources, and strengthening political institutions.

In order to achieve sustainable development, we must transform education, but in turn, in order to transform education, we must also break free from perverse poverty traps and race-to-the-bottom strategies.

### **About the Author**

Mr. Garnier is a Lecturer at the University of Costa Rica and has held a number of posts in the public sector in Costa Rica and in international organizations. He served as Costa Rica's Minister of Planning and Economic Policy from 1994 to 1998 and two terms as Minister for Education, from 2006 to 2014. Mr. Garnier has published books and articles on different economic and social topics linked to development and to education. United Nations Secretary-General António Guterres has appointed Leonardo Garnier from Costa Rica as his Special Adviser on the Transforming Education Summit, which will take place in September 2022.

1 UNESCO, World Bank: Education Finance Watch 2022

2 Ibid.

3 World Economic Forum (2022), Catalyzing Education 4.0 Investing in the Future of Learning for a Human-Centric Recovery

4 Acemoglu, Daron and Robinson, James (2012) Why Nations Fail: The Origins of Power, Prosperity, and Poverty, Random House