

Estimating the Value and Distributional Effects of Free State Schooling

Sofia Andreou, Christos Koutsampelas and Panos Pashardes

Abstract

The effects of free of charge state schooling on income distribution are often studied by allocating government education outlays to households, assuming that these outlays equal the benefit which households attach to state education. This paper proposes a demand analysis approach to estimating the 'true' value of state education as perceived by consumers and uses the results to assess the inefficiency of public provision. Empirical analysis based on household data from Cyprus suggests that the cost of state schooling is twice the amount households are willing to pay for it. The implications of this finding for the equality and anti-poverty effects of state education are considered.