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FROM QUANTITY TO QUALITY: SPENDING ON EDUCATION FOR KNOWLEDGE PRODUCTION

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Abstract. In an era of expanding state intervention and financial scarcity, the strategic allocation of educational spending is critical. The central debate revolves around whether education should primarily fuel knowledge production for a knowledge society or serve as a direct supplier for the labor market. This study investigates the shift required in educational expenditure from a quantitative to a qualitative focus. It aims to analyse the dual role of education as both consumption good and an investment, and to explore how strategic spending can bridge the divide between knowledge production and labor market demands to achieve development. The research concludes that this dichotomy is false; quality-oriented spending synergizes these objectives. It demonstrates that rationalized investment in education- prioritizing outcomes over inputs- is fundamental for building knowledge assets and human capital. Such spending drives long-term economic returns, innovation, and social progress, making it the cornerstone for constructing a competitive knowledge society and achieving balanced development.

Keywords: Educational Spending; Knowledge Production; Human Capital; Knowledge Society

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ОТ КОЛИЧЕСТВА К КАЧЕСТВУ: РАСХОДЫ НА ОБРАЗОВАНИЕ РАДИ ПРОИЗВОДСТВА ЗНАНИЙ

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Абстракт. В условиях расширяющегося государственного вмешательства и финансового дефицита стратегическое распределение расходов на образование приобретает решающее значение. Основная дискуссия заключается в том, должно ли образование служить прежде всего инструментом производства знаний для общества знаний или же выступать прямым поставщиком рабочей силы для рынка труда.Исследование рассматривает необходимость перехода от количественного подхода к качественному при финансировании образования. Его цель – проанализировать двойственную природу образования как потребительского блага и инвестиции, а также показать, как стратегические расходы могут соединить производство знаний с потребностями рынка труда в целях устойчивого развития. Результаты исследования показывают, что данная дихотомия является ложной: ориентированные на качество расходы синергетически объединяют обе цели. Рациональные инвестиции в образование, основанные на приоритете результатов над входами, являются фундаментом формирования человеческого капитала и интеллектуальных активов. Такие расходы обеспечивают долгосрочную экономическую отдачу, стимулируют инновации и социальный прогресс, превращаясь в краеугольный камень построения конкурентоспособного общества знаний и сбалансированного развития.

Ключевые слова: расходы на образование; производство знаний; человеческий капитал; общество знаний

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KƏMİYYƏTİNDƏN KEYFİYYƏTƏ: BİLİK İSTEHSALI ÜÇÜN TƏHSİLƏ YÖNƏLDİLƏN XƏRCLƏR

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Abstrakt. Dövlət müdaxiləsinin genişləndiyi və maliyyə mənbələrinin məhdud olduğu bir dövrdə, təhsil xərclərinin strateji bölgüsü xüsusi əhəmiyyət kəsb edir. Mərkəzi mübahisə, təhsilin əsasən bilik cəmiyyətinin formalaşması üçün bilik istehsalına xidmət etməli, yoxsa əmək bazarının tələbatlarını birbaşa təmin edən mexanizmə çevrilməli olduğu sualı üzərində qurulmuşdur. Bu tədqiqat, təhsil xərclərinin kəmiyyət yönümlü yanaşmadan keyfiyyət yönümlü istiqamətə keçidini araşdırır. Məqsəd, təhsilin həm istehlak dəyəri, həm də investisiya aləti kimi ikili rolunu təhlil etmək, eləcə də strateji xərcləmənin bilik istehsalı ilə əmək bazarı tələbləri arasında körpü rolunu necə oynaya biləcəyini müəyyənləşdirməkdir. Araşdırma nəticəsində belə qənaətə gəlinir ki, bu iki məqsəd bir-birinə zidd deyil. Əksinə, keyfiyyət yönümlü xərclər onların sinerjisini təmin edir. Təhsilə rasional investisiya- girdilərdən çox nəticələrə üstünlük verilməsi- bilik aktivləri və insan kapitalının formalaşmasında əsas amildir. Belə xərcləmələr uzunmüddətli iqtisadi gəlirləri, innovasiyanı və sosial tərəqqini stimullaşdırır, nəticədə rəqabətədavamlı bilik cəmiyyətinin qurulmasının və balanslı inkişafın təməl daşına çevrilir.

Açar sözlər: Təhsil xərcləri; Bilik istehsalı; İnsan kapitalı; Bilik cəmiyyəti

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1.Introduction

Recent years have witnessed a significant expansion in the role of the state and its intervention in economic and social life, primarily through public spending aimed at achieving stated policy goals. Education is a sector that has received considerable attention from numerous countries. The educational system, particularly higher education and scientific research institutions, provides a critical environment for developing human capital by equipping individuals with academic and professional knowledge and skills. These institutions supply the managers and supervisors at all levels who are essential for fostering a competitive advantage.

The significance of educational spending and human capital formation is further heightened by current conditions of financial scarcity. States are increasingly compelled to pursue methods for reducing expenditures while still achieving their primary objectives in this field- a challenge known as rationalizing educational spending. Moreover, the importance of these expenditures extends beyond their role as a tool for direct economic returns, such as increasing gross domestic product or spurring developmental growth. They are also fundamental to building knowledge assets, which drive long-term, balanced societal progress through sustainable knowledge production, a process influenced by political, economic, social, and cognitive factors.

Consequently, spending on education is indispensable for preparing a qualified workforce for production, research, and development, and for raising the general intellectual and cultural level of society. This is achieved through a societal commitment to knowledge production and balanced development. Therefore, educational expenditure and financing represent a cornerstone for cultivating advanced segments of the population. These groups bear the primary responsibility for disseminating thought, producing knowledge, driving research and innovation, promoting continuous education, creating leaders, and developing innovative technologies to achieve sustainable knowledge-based development.

In balancing the scope of this presentation, this research integrates several variables essential to the study, including spending on education, its various quantitative measures, and practical educational outcomes. These elements are crucial for building knowledge assets and laying the foundation for a knowledge society. The paper will conclude by examining the study's findings and presenting necessary changes, recommendations, and proposals.

2.The Cost of Achieving Educational Objectives

From an economic perspective, education can be viewed as a service that produces intangible assets, namely knowledge and technical know-how. Providing this service requires inputs such as institutions, facilities, labor, and

materials like books and paper. In this sense, the education system can be compared to a factory that produces goods.

The material and human resources allocated to education are highly quantifiable, making the concept of cost directly applicable. The primary production units are schools, which are largely funded by the state. However, local authorities, parents, and the private sector also contribute financially.

Before discussing educational costs specifically, it is important to note that cost is fundamentally defined as the sacrifice of an economic value to obtain a good or service, whether in the present or the future (Nour, 1996). It is also known as a measure of monetary expenditure that is made in order to achieve a specific benefit (Abdul Salam, 1970). In general, the cost is the equivalent of what is given up in order to obtain goods or benefits. As for the concept of the cost of education in particular, it is the value of what is spent on the necessary elements of the educational process, i.e. the total amount spent on education in general from the state budget during a year (Metwally Ghaybah).

Thus, educational costs can be viewed as the primary driver for achieving educational objectives. These costs serve multiple purposes, fulfilling both consumer and investment roles. The perception of educational costs has evolved alongside the perception of education itself. Initially, education was viewed as a consumer service cost that the state must provide to achieve immediate societal satisfaction. This perspective later evolved to conceptualize educational costs as an investment that generates a measurable economic return. The consumer benefits of education are primarily the non-monetary returns that an individual accrues throughout their lifetime (Mc Mohon., 1982). That is, the individual benefits from his social status linked to his educational level, and achieves intellectual satisfaction: general culture, a stock of various assets that are not of negligible value in the labor market, all of which are benefits that the individual exploits throughout his life or during his professional career. From an economic perspective, Keynes believes that educational spending, whether undertaken by the family or the government, is consumption spending. Therefore, the national income account treats educational spending as final consumption.

In contrast, the view of education as an investment is based on several key justifications:

- **Education as a Consumption Good:** The first justification acknowledges that education can be valued as a commodity in itself, as individuals often attend school for the inherent enjoyment of acquiring new knowledge.
- **Foregone Earnings:** Education can be framed as an investment decision when individuals sacrifice current income opportunities (by studying instead of working) to secure better expected future earnings (checchi, 2005).

- **Impact on Productivity:** A further justification lies in the demonstrated impact of education on worker productivity. Seminal studies by Griliches (1964-1968) and Welch (1970-1973) showed that education plays a crucial role in both shaping and facilitating adaptation to technological change (Lazear, 1975).
- **Human Capital Theory:** More broadly, research has demonstrated that investment in human capital (e.g., through learning) enhances individual productivity and improves the quality and efficiency of work performed.

3.Education between the Labor Market and Knowledge Production

Contemporary views on the purpose of university education are divided into two camps, centering on the following question: Should university education primarily aim to produce knowledge, or should it prepare a technical workforce for the labor market? The first camp argues that an education centered on knowledge production focuses on cognitive and research-based problem-solving, exploring the unknown, and fostering behavioral changes in learners for the purposes of personal development and critical evaluation. This approach aims to cultivate researchers who are highly proficient in their methodologies, as well as to prepare engaged citizens. This philosophy is fundamentally aligned with the ideals of a knowledge society. The second camp contends that the primary objective of education is to prepare a technical workforce for the labor market. This involves developing and training cadres to meet the specific needs of economic development and labor market demands. A key goal of this view is to mitigate graduate unemployment and to provide equitable job opportunities for all.

A.Education and the Knowledge Society

The concept of the "knowledge society" has been widely discussed in recent years. Despite its prevalence, the term remains somewhat ambiguous, with a variety of competing definitions and interpretations. The concept first emerged in the mid-1960s, and since then, numerous researchers have developed theories concerning its characteristics, dimensions, and components.

The 2005 Arab Human Development Report provided a clear definition, describing a knowledge society as one "that is primarily based on the dissemination, production, and efficient use of knowledge in all spheres of social activity- including the economy, civil society, politics, and private life. Its goal is the steady advancement of the human condition, which is synonymous with establishing human development (United Nations, 2003)."

It is also a society that is based on a qualitative ability to organize and create advanced and rational mechanisms in the field of facilitation, organizing life, controlling available resources, and investing and employing them well, especially giving human resources the appropriate position in achieving

economic growth. This concept also means developing patterns of behavior and controlling various capabilities (wannas, 2002).

Some believe that any society in which knowledge is the primary source of production, rather than capital or labor, is a society in which knowledge is a force for creativity and innovation (Hassan Turki , 2015). In other words, it is a society that is capable of producing, exploiting, and applying knowledge to achieve development. Based on the above, it can be concluded that there are several reliable indicators for defining a knowledge society. These can be summarized as follows:

1. Communication density:
2. Technological progress:
3. Technological achievement:
4. Network readiness:
5. Media use:
6. Information intelligence:

The knowledge society seeks to achieve prosperity, security, and stability by leveraging a qualified communications infrastructure and advanced information technology. This enables higher productivity through the analysis and modeling of information to support optimal decision-making. Such a capacity is essential for competing in the modern world, ultimately fostering a society characterized by growth, development, innovation, and good governance. These elements, in turn, promote comprehensive justice, thereby advancing the goals of a dynamic and ideal knowledge society.

The main features of a knowledge society can be summarized as follows (Khalifa Siddiq, 2015):

• Continuous, Radical Change: Change within a knowledge society is a continuous and radical revolution that encompasses all aspects of life at the local, national, and global levels.

• Human-Centric Foundation: A knowledge society relies primarily on the human element- a renewable and inexhaustible resource that grows and renews itself at an extremely rapid pace.

• Borderless Nature: A knowledge society is not confined to a specific geographic region. This is especially true with the rise of the global value chain approach, which emphasizes that no single country, regardless of its capacity, can manufacture all components of a complex product.

• Competitive Disparity: The significant disparity in contributions to global knowledge production widens the gap between nations. This reality places advanced countries in a state of permanent technological competition, as achieving a lead in this arena guarantees greater control over the global economy.

B. Education and Employment Market

For an extended period, development theory has focused on elucidating the connection between education and economic and social advancement; however, this relationship became distinctly apparent only when the economy ascended to the forefront of societal priorities during the first industrial revolution, which instigated significant transformations in economic and social frameworks. Subsequently, this friendship proceeded to broaden, intensify, and fortify. As the significance of the economic factor escalates in the advancement of human societies and the enhancement of living standards, particularly with the growing dependence on science and technology as a prerequisite for achieving comprehensive development and accelerating growth rates, the previously established notions regarding the relationship between education and various facets of societal life are beginning to evolve. To facilitate the emergence of new ideas, thoughts, and visions within coherent theoretical frameworks that seek to elucidate the relationship between education and community development, while also aligning it with economic and social growth and development initiatives.

This relationship can be scrutinised and its dimensions analysed through theories encompassing thought and practice, as well as the insights, methodologies, and hypotheses that facilitated the exploration of this relationship, irrespective of whether the focus is at the microeconomic or macroeconomic level, and whether the entry point pertains to the pure economic structure, the social structure, or the interplay between economic and social structures.

FIRST REQUIREMENT: Theories based on economic construction: These theories connect education to the economy, establishing it as a foundation for elucidating economic growth processes and enhancing growth rates, positing that heightened economic growth results in increased income for educated individuals, thereby facilitating social, political, and cultural transformations.

I. Education and human capital theory:

The origins of human capital theory can be traced to the Soviet economist Chromlin, who is recognised as the pioneer in conducting field studies on educational expenditure, economic growth, and education. His 1924 study underscored the influence on worker production, irrespective of whether the labour was physical or intellectual, as Schrumlin illustrated that the determinants of productivity include age, tenure, and education. Shrumlin's research indicated that the output of an uneducated worker rises by 30% following one year of elementary education, 320% after 13 years, and 600% after completing university studies. Shrumlin's analysis revealed that the economic return from basic education is 37 times the expenditure on education.

The state recuperates the invested capital and its interest within the initial eighteen months of the employee's tenure (Al-Rashdan, 2008).

The period 1960-1970 is the stage in which this field flourished and applied studies and research developed. There are those who call it the stage of enthusiasm.

Theodore Schultz theory: Schultz initiated his initial studies on human investment in agricultural productivity, particularly in the United States. He observed that sustained investment in individuals and their education via scholarships for farmers contributed to the increase in agricultural output, among other factors, like the fertility of arable land. The accessibility of irrigation water and the availability of agricultural techniques, among other factors. Schultz concentrated on the educational process as an essential investment for the advancement of human resources and as a type of capital. Thus, he referred to education as human capital, as it becomes an integral part of the individual who acquires it . (riwaya, 2005)

Schultz classified forms of investment in human capital into five major groups:

1/ Health.

2/ On-the-job training and training.

3/ Formal education.

4/ Adult education.

5/ Immigration and movement in order to benefit from better job opportunities.

Beeker's theory: Becker is regarded as a pivotal scholar who significantly advanced the development of human capital theory through his work. He aimed to concentrate on activities that influence both material and non-material income by enhancing resources in human capital. He was interested in examining the various modalities of human investment through education, migration, caregiving, and health, with a particular emphasis on private training (VatteVille, 1985).

Baker elucidated the economic dimension of training by differentiating between general and specialised training, examining the correlation between labour turnover rates and the costs associated with each training type. General training is a form of training that enables an individual to obtain transferable abilities that are advantageous to their organisation and can be applied in another organisation. The individual incurs the expense of this training; hence, the turnover rate is not significantly correlated with the expenses of general training.

Specialised training may not align with the nature and demands of work in other organisations. Consequently, the organisation is likely to realise a substantial return from this specialised training due to the elevated skills and qualifications of individuals. Given the significant expense associated with this type of training, the departure of a trained individual from their position is

regarded as a capital loss for the organisation. Therefore, The latter must offer elevated earnings and enhanced working conditions to safeguard its members. (Hamad Al-Saleh , 2014).

Mincer's contributions: Menser's efforts were manifested in the development of a model designed to alter the disparities in revenue distribution. Menser delineated three objectives to be accomplished through research in the domain of human investment. Ascertain the quantity of resources designated for training. Assess the return on investment in training and thereafter evaluate the impact of quantifying the costs and returns of training on elucidating certain aspects of individual behaviour. Menser's training paradigm encompassed formal training, informal training, and experiential education, in addition to the aforementioned elements (Shatra , 2002).

Menser has drawn several conclusions concerning the effects of investment in training on individuals' income and behaviour, including: - An individual's educational attainment correlates positively with the probability of pursuing additional training in their profession and the elevation of their wages.

- An elevated labour turnover rate and unemployment rate correspond to increased expenses associated with training investments.
- A higher investment in training, particularly specialised training, correlates with an increased likelihood of employee retention and workforce stability (riwaya, 2005, pp. 75-78).

Filter theory: The filter theory proposed by economist Kenneth Arrow in 1973 critiques the human capital theory, specifically challenging the assessment of the returns on education. The essence of the theory is encapsulated in the notion that education serves as a mechanism for categorising individuals according to their abilities. Education does not enhance production and thus does not influence income, contrary to the assertions of human capital theory (arrow, 1973). Those with degrees expect higher wages compared to those who do not have them (Leonard, 1996). Competent persons exhibit elevated productivity and possess a heightened capacity to generate substantial incomes; their pursuit of school or a certificate mostly serves to showcase their skills to potential employers. However, as Arrow asserts, this argument does not constitute a comprehensive rebuttal of the theory in question. From the individual's perspective, the refinery's function in education also serves to enhance production, while it is antithetical to This pertains to the societal productivity of education, specifically from the viewpoint of employers.

The residual factor theory- ED. Denson-: Economists Schultz and Denson independently demonstrated that education directly enhances national GDP by improving the efficiency and productivity of the labour force. Denson employed this concept to elucidate the factors influencing the growth of the

United States' national production during the specified period, revealing a substantial residual increase in national product that was attributable neither to an enhancement in human capital (the labour force) nor to an augmentation in non-human investment. Physical capital.

Denson later estimated that investment in education accounted for around 23% of the average growth rate in American national production during the specified period, by enhancing the educational attainment of the labour force. He calculated that the impact of education was approximately 15% throughout the period from 1950 to the 1960s, with variations across different industrialised and developing nations. (Farouk, 2012).

II. Education and labor market segmentation theory (P.B.Doeringer / M.Piore):

This theory, akin to its predecessors, originates from microeconomics to examine the correlation between education and individual income, predicated on the observation of the labour market and its mechanisms that dictate this relationship and govern the processes of influence, based on the premise that the most significant factors affecting job composition in the labour market and the allocation and distribution of workers. The professions are determined by the characteristics of industrial organisation, the conditions in the products market, the technological advancement of production, the administrative structures of producing firms, and the systems for managing and organising the labour market (Ali, 2001).

The labour market serves as an indicator of educational advancement and a domain for its outcomes; it comprises multiple distinct markets, each possessing unique attributes that differentiate them from one another. Furthermore, each market or economic sector is associated with a specific type and level of education. This approach facilitated the examination and interpretation of the correlation between education and production, hence legitimising investment in education. This develops a skilled workforce aligned with labour market demands and promotes educational planning to address the requirements of economic sectors, hence mitigating the risk of educated individuals facing unemployment.

Second requirement: Education and theories based on social construction:

If these theories were predicated on social construction as a foundation for altering development processes and methodologies, they utilised the socio-economic dimension as a strategy to attain the objective of social and cultural construction, positioning it as a cornerstone for holistic societal development. The relationship between education and development can be understood as a means to enhance the educational system, positioning it as a fundamental driver of societal advancement. The following theories are:

Education and modernity theory: W.Moore posits that modernisation denotes the metamorphosis of traditional societies and the shift towards the technological and social organisational frameworks characteristic of industrialised economies. This perception was founded on the notion that the overarching characteristics of both traditional and advanced cultures can be delineated, prompting his adherents to regard... To evolve as the shift from one style to another (Gharbi & Qira, 2001).

Lerner asserted that economic and social modernisation entails the eradication of illiteracy, enhancement of educational standards, and proliferation of media, which fosters a more expansive and tolerant perspective among individuals, encourages engagement in civic life, and stimulates political involvement, stemming from the varied influx of information and its accessibility. This concept, elaborated upon in his book "Transcending Traditional Society," is regarded as a cornerstone of modernisation theory embraced by numerous Arab intellectuals.

Education and dependency theory: This idea posits that the advancement of a certain metropolis does not foster the growth of surrounding regions; instead, it renders these regions internal dependencies, exacerbating their underdevelopment. The connection between the centre and the peripheries is characterised by the exploitation of the peripheries for the advantage of the capitalist centre. Frank posits that the most impoverished farmer resides in the most remote community. The communities of developing nations are intricately connected to the major capitalists in advanced industrialised countries (Frank, 1996).

Dependency theory posits that the relationship between education and development is characterised by education serving as a subordinate tool to the economic sector, which in turn is subordinate to the global capitalist system that imparts its momentum and operational mechanisms.

Third requirement: Theories based on economic and social structures:

These ideas, or more accurately the conceptual framework, elucidate the relationship between education and development, predicated on the intersection and complementarity of economic and social structures, asserting that each serves as both a cause and a consequence of the other. This trend encompasses multiple theoretical models with practical applications that reflect the perspectives of various thinkers, scientists, or international organisations, yet it is fundamentally integrated within the framework endorsed by the United Nations Development Programme, which facilitates its ongoing development and global dissemination.

The notion of human development has established that individuals, rather than physical capital, are the primary drivers of development, hence putting investment in human capital as a paramount priority over other forms of

investment. Education is regarded as the sole means to cultivate abilities and advance human understanding. The research on cognition and modern experiential practices concurs that the cultural and educational milieu exerts both direct and indirect influences on the developmental process, positively and negatively. The attainment of additional circumstances for the production of science and knowledge accelerates the rates of development (Ammar, 1999).

Conclusion

This research has navigated the complex interplay between educational spending, human capital formation, and the overarching goal of transitioning from quantitative expansion to qualitative, knowledge-driven development. The analysis confirms that viewing education expenditure merely as a public cost is a reductive perspective that overlooks its multifaceted role as both a critical consumption good and a strategic investment in a nation's future.

The investigation began by establishing a clear economic framework, demonstrating that the costs associated with education- covering institutions, resources, and human capital- are not merely expenses but fundamental investments. These investments yield a dual return: immediate non-monetary benefits for individuals (consumer role) and long-term, measurable economic gains through enhanced productivity, innovation, and adaptability to technological change (investment role), as underscored by human capital theorists from Schultz to Becker.

A central tension explored in this paper lies in the divided purpose of university education: whether it should primarily produce knowledge for a knowledge society or serve as a direct pipeline for the technical demands of the labor market. This research argues that this is a false dichotomy. In a 21st-century knowledge economy, these objectives are synergistic. A high-quality education system that prioritizes critical thinking, research, and innovation (knowledge production) is precisely what creates the agile, skilled, and creative workforce (labor market preparation) capable of driving sustainable development, mitigating unemployment, and maintaining global competitiveness.

The concept of the "knowledge society" emerges as the crucial nexus that resolves this tension. It is characterized by continuous change, a human-centric foundation, a borderless nature, and intense global competition. Achieving such a society is contingent upon strategic educational spending that moves beyond simply increasing budgets ("quantity") to optimizing for outcomes ("quality"). This means financing must be rationalized to efficiently build knowledge assets- the intangible yet invaluable resources of skills, innovation, and research capacity that ensure long-term, balanced progress.

Therefore, the conclusion of this study is that the most effective path toward sustainable development is through **quality-oriented spending on education**. This requires:

1. **Integrated Policy-Making:** Policymakers must integrate educational planning with economic and labor market strategies, ensuring that investments in human capital are directly aligned with the goals of building a knowledge society and meeting future economic needs.
2. **Rationalization and Efficiency:** In an era of financial scarcity, states must pursue rationalized spending- maximizing the impact of every dollar spent on education by focusing on outcomes like research output, skill acquisition, and innovation potential rather than mere input metrics.
3. **Balancing Dual Roles:** Funding must support education's dual function: fostering the pure knowledge and research that seeds future innovation (the foundation of a knowledge society) and providing the practical skills and training that ensure graduates are employable and can contribute immediately to economic productivity.

In final analysis, spending on education is the cornerstone of modern development. By shifting the focus from quantity to quality, nations can transform their educational systems into powerful engines for producing the knowledge, skills, and human capital necessary to secure prosperity, stability, and justice in an increasingly competitive and knowledge-dependent global landscape. The future of development is not just funded by education; it is fundamentally shaped by its quality.

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