

Among other changes in the current education system, there is a law that postulates prolongation of general school education from present 11 years to 12 years. This change affects the children that enroll to general school starting academic year 2002.

The major reason for the new law, as noted by the Minister of Education is the desire of Russia to adopt Western standards in different areas, in this case in the area of education. This reason is important, since similarities between Russia and Western countries would lead to better understanding and cooperation. However, the decision on such a major change that would effect a large fraction of the population and the economy as a whole should account for all possible economic implications as well. What has been ignored is whether the transition to a 12-year schooling system is economically justified for Russia, that is, whether the internal rate of return on the project is higher than the interest rate in the economy. It might be argued that education is not an issue of primary concern in Russia at present, since much more important problems are currently at stake. But investing in education can provide an increase in economic growth of the nation as well as numerous qualitative benefits.

Nevertheless, in a country such as Russia, where a considerable lack of financing is encountered, special attention should be devoted to estimating whether the projects undertaken by the government are beneficial or not. Since at present education is the area in which additional investment by the government would be made in order to finance the additional year of schooling, it should be estimated whether those expenses really pay off. Since public schools are non-profit organizations, the usual profit-maximizing approach is not valid. The analysis is based on the consideration of costs and benefits of the proposed change to the society. Using the approaches and techniques developed in the framework of human capital theory makes it possible to obtain reliable and useful results. The goal of the essay is to estimate whether the transition of Russia from 11-year to the 12-year school

education is economically justified. To reach this goal the following tasks should be solved:

- Identification and estimation of the benefits of the transition from 11-year general school education to 12-year;
- Identification and estimation of the costs of the transition from 11-years general school education to 12-year;
- Calculation of the internal rate of return of the project and its probability distribution;
- Analysis of the obtained result, its robustness to the assumptions, implications, and dependence upon the economic parameters.