It's amazing how Will Hutton misses the point again [1]

Written by **Tim Worstall** [2] | Monday 14 October 2013

It's entirely astonishing to find that Will Hutton has missed the point again. Here he's talking about education, the costs and returns to it. And he manages to use as examples the very facts that prove his argument wrong [3].

> Although the proposition was that there would be a range of fees, few universities charge less than £9,000 a year. Indeed, average fees are about £8,400. Accommodation and living costs have to be paid for on top, so that almost whatever university a student attends or whatever the degree taken, he or she will end up with about £45,000 of debt.

OK, £45k of debt. It's a lot I agree. But is it worth it?

> There are insufficient jobs that pay enough to allow even a fraction of each year's 340,000 students to escape the trap. The average salary is £26,500. Only about 10% of the population earn more than £41,000. Even allowing for the fact that wages usually rise faster than prices (though they have not since 2006), it follows that many, perhaps even the majority of, students will struggle to fully pay back their debt.

Will doesn't think that the extra earnings of those graduates, for most of them at least, make up for the debt costs they've got to pay back.

OK, let's agree so far. What is therefore the solution?

For Hutton it is that everyone should be taxed more so as to pay those fees on behalf of the students rather than making them borrow to pay them themselves.

Unfortunately, those facts that he's using lead us to entirely the opposite conclusion. If we've got a cost that is higher than the benefit then this is a signal that we should stop doing this thing. Hutton is indeed arguing that the cost of a university education is higher, for many to most people, than the benefit that comes from having one. This is true whoever is paying the bills. Therefore we would rather like to have fewer people going to university.

But that leaves us with another problem. For some people university is definitely worth it. For others not. So how do we select those for whom it is and those for whom it is not?

Well, actually, that's one of the things that a price structure does for us. We make clear the costs of something and people will decide themselves whether they're willing to pay that price. That is, whether it is worth it for them. Whether Media Studies from an ex-technical college is worth £45,000 isn't something that you, I or Hutton should be deciding. It's something that people considering doing Media Studies at an ex-tech should be deciding. So too with English at Cambridge or physics at King's.

Do also note that once we have prices clear we don't have to assume that people will then decide purely on the financial return: Everyone will ascribe some value to the 3 years of uni, some might even ascribe value to the intellectual stimulation, whatever the degree.

But the important point here is the basic one. Hutton is arguing that university does not make sense in terms of value added for most students. He therefore proposes subsidy for those students. Which is ridiculous. If the activity is not value adding we don't want more of it, we want less of it.

blog comments powered by Disqus [5]

Source URL: http://www.adamsmith.org/blog/education/its-amazing-how-will-hutton-misses-the-point-again

Links:
[1] http://www.adamsmith.org/blog/education/its-amazing-how-will-hutton-misses-the-point-again
[2] http://www.adamsmith.org/taxonomy/term/5778
[3] http://www.theguardian.com/commentisfree/2013/oct/13/england-leave-funding-universities-students
[4] http://disqus.com/?ref_noscript
[5] http://disqus.com