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It's simple: Oversupply graduates and you'll get graduate unemployment [1]

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The Guardian reports that graduate unemployment is at its highest rate for the last seventeen years [3]. Is this a surprise to anyone? You don't need an economics degree to figure out what happens when you oversupply something without the demand for it.

One of the policies of the last government has been to squeeze as many people through university as possible, irrespective of the need for more university graduates, in the naïve believe that having more university graduates is an infinitely good thing.

As today?s report shows, this view was wrong. There is an oversupply of graduates caused by government subsidies for university education, just as there is an oversupply of farm produce caused by government subsidies for farming. This oversupply has depressed wages and, as today?s report shows, created mass unemployment for graduates.

Today?s report should be a wake-up call to the government, hammering home the damage that social engineering policies can cause. If some of the now-unemployed graduates had spent the last four years in the workforce, developing skills that were needed by employers, far fewer would be in their situation.

Top-down attempts to reshape society rarely work as their planners intend. The experiment with creating a ?knowledge economy? by creating a massive number of university graduates has failed, by creating a supply where there was little demand. Had the government not skewed market incentives for school-leavers by subsidizing university educations, the one in eleven graduates who are now unemployed might not be in this situation.

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