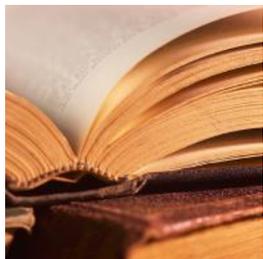


[University funding déjà vu](#)^[1]

Written by [Jan Boucek](#) ^[2] | Tuesday 19 October 2010



Back in the early 1970s, Canada's universities were in turmoil from plans to sharply increase tuition fees due surging demand for places and escalating costs to taxpayers.

It all sounds so familiar today. Much of the argument then was similar to that of the UK today ? who should attend university, who should pay, what should universities charge, what is the role of the state?

Following Lord Browne's report last week, there's some indication that part of the debate may be near a settlement. Although nothing is yet formalised, it seems that UK universities will be able to offer whatever courses they choose at near market-clearing prices. Debate has shifted from the public funding of universities themselves to funding the students directly. No doubt the UK government will remain a big partner to the universities, but the overall structure of academia has moved closer to the Canadian model, if not the full American one.

Back in the 1970s, the fundamental economics of a university education were the same as now ? is a university education a consumption good or an investment good?

If the former, then there's little justification for taxpayer assistance to the consumers of a university education. If a pure consumption good, taxpayers may just as well fund tickets for Premier league football matches. If, on the other hand, a university education is a pure investment good whereby the student increases his or her future income, then again there's little justification for taxpayer funding.

However, the debate isn't being framed like that. Instead, positive externalities ? social justice, fairness, national productivity and the like - are cited for continued taxpayer funding. Of course, positive externalities are in the eye of the beholder: the Sky Sports subscriber may prefer the externalities of Wayne Rooney scoring a goal for England (if only!) to those of an archaeologist deciphering the writing on a Babylonian vase.

In 1973, an academic study tried to measure the investment component of students' decision-making process. It found very little evidence that students took any notice of their future earnings when selecting their course of studies. As a denizen then of the various student lounges and bars, I can't recall any discussion about education as an investment decision. We were too busy having fun, with taxpayers footing the bill.

The study concluded that educational decisions taken by students were driven more by non-investment factors ? parental and peer pressure, postponing the dreaded time of actually working for a living, the pleasures of a student lifestyle. As long as the money rained freely from above, there was no need to

consider payback time.

UK students currently don't pay anywhere close to the full cost of their education. As the burden of funding shifts ever more to the student, expect their decisions to become more investment based.

That 1973 undergraduate thesis was under the tutelage of the late Edwin West, an old friend of the ASI, and its author was ? me. *Plus ça change*

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