

Dawkins Tertiary Funding Proposals

John Hyde

As good a definition of a statesman as any is: the politician who can resist special pleading. For the past three weeks a small, privileged section of Australian society, to wit, university students and academics, has demonstrated how hard it is for statesmen to ensure the special breaks go to those who are actually underprivileged.

Without a blush for the traditions of scholarship, these learned people assaulted us with balderdash wrapped in ill-understood jargon. A horticulturist told us a graduate tax would adversely affect the balance of payments---why do experts in the physical sciences feel free to rewrite the social sciences without reading them? An associate professor of education asserted, without offering evidence, that a graduate tax will be hard to administer---he would be wise to consult his colleagues in economics and commerce. Guild presidents, no doubt playing to their electorates, told us that asking the wealthiest 37% of society to pay for a mere 20% of its education is inequitable. Philosophers, sociologists, economists and political scientists have destroyed forests writing about "equity", but not sufficient, it appears, to concern student politicians. Philosophers, chemists and pathologists told us that education is a "public good" but deigned not to ask the economists what the term meant. Students did what they do best---held rowdy and illiberal protests.

That bastion of privilege, the ACTU, also told us that it wants to fund education by soaking the rich, but they have in mind a richer rich than Mr Dawkins' rich and they intend to extract payment from those who do not have a tertiary education. Perhaps its staff noticed that, unlike themselves, several of BRW's list of the 100 wealthiest people had not had their entrepreneurial instincts blunted in universities.

The Opposition, which since the last election has been showing signs of becoming a bastion of reaction and opportunism, has not offered the graduate tax its support on the ground that it is an inferior policy to its own---which at the last election was scholarships and fees with optional

income-g geared loans. The Libs are right to worry about market signals for students and faculty and they are right to want individual institutions to have their own money with which to be entrepreneurial, but the Dawkins proposal does offer slightly better incentives than the present arrangements. The principal fault with the graduate tax is that it is minuscule: a 20% fee deferred for, say, 10 years, interest free, has a present value equivalent to an 8% fee. The Libs might promise to charge interest on the deferred tax liabilities.

It is particularly important that new tertiary institutions are able to develop without the straightjacket of centralised funding and control. Any change, however small, which will allow privately funded institutions to compete for students on more equal terms should be welcomed. The Green Paper proposal for an arbitrary increase in student intake will make the public sector even less attractive to serious academics and students.

The graduate tax will not be unfair to students. Knowledge is a valuable private good. It is intellectual capital. Compare a farmer, me, with a school friend. I am among the 47.6% of the community which the Wran Committee identified as having "below year twelve equivalent" education. However, my farm, (some of which I inherited but most of which I bought) became an alternative to education allowing me to earn more than a labourer. The difference between my actual income over the years and what I could have earned without the farm was the return on my capital. The value of my first farm to me, and its market price, is its expected future earnings discounted at the expected real interest rate---in sum, about 300,000 of today's dollars.

My school friend, instead of buying a farm, stayed at school, went to university and acquired further intellectual capital. He also earns more than a labourer. At the time he undertook his education its value to him was the discounted value of its future earnings. The value of his capital to other people is the same figure, that is, what they pay him for it. (In today's dollars, say, \$20,000 per year for 40 years discounted at the real interest rate of 3% per annum: \$462,000.) However, unlike my farm, the cost of my friend's intellectual capital to him is almost totally unrelated to it worth. It cost him four years' income (\$60,000 according to the Wran Committee). He was able to purchase something worth over \$400,000 for \$60,000. Yet, his children, who are similarly placed, are running about pretending they will be hard done by if asked to pay just a little more.

A disinterested and kindly Martian might be favourably impressed that our governments often restrain the strong in order to aid the weak. But he would marvel that the same governments, which, for instance, maintain independent courts and provide legal aid, also tax relatively poor people to subsidise the education of people who will have higher than average lifetime earnings. If he were observant, he would notice that many government services---police security, roads, lighting, recreational facilities, "cultural" activity---are

provided more lavishly for the rich than the poor. If he were moral, he would deplore the recent practice of governments bailing the rich out of commercial adversity. If he were clear-sighted, he would see that tertiary education is merely an extreme example of the tendency for governments to help their mates and placate those who threaten them. Those who can offer the greatest favours and pose the greatest threats to politicians are the educated, the cultured, the articulate and the well-heeled.

Democratic governments too often sell favours, such as free education and tax-free gold, to concentrated, and therefore organised, vested interests. However, there is a recent world-wide tendency for governments to undo some of the privileges their predecessors have given the favoured few. The Wran Committee proposals are not very courageous. But by correctly describing the nature of education they expose the economic rents involved and go a little way to righting a considerable inequity.

ENDS