

Big Government, collectivism and command economy are merely loose terms which describe a society in which some people are controlled and taxed by some other people. Because it serves the decision makers well such a system tends to be self-perpetuating.

In such a society high incomes (whether paid in cash or in kind), and power tend to reward status instead of rewarding activities. Further, as pushing other people about is more pleasant than being pushed about, there is some incentive for those at the top to stay there. Life at the top of a dung heap is pleasant and if the dung heap is highly structured it is relatively easy for those who control the structures to stay on top, but if the structures were to break down little people might climb up.

In a structured dung heap influence shifts resources to those who have it from those who don't. The means are taxes, subsidies, tariffs, legal privileges and penalties, and public expenditure. That the transfers should often be from poor to rich, should surprise no one.

Rich men's toys like ballet, music, and film are much more heavily subsidised than poor men's toys like football. Poor men's vices like beer are much more heavily taxed than rich men's vices like wine. That road to influence, university education, is completely subsidised at greater expense than trade courses. The quip that public education is the means by which poor men subsidise their betters is nearer the mark than propaganda about its egalitarian nature.

Academics use their not inconsiderable persuasive powers to protect their positions. They are skilled in the art of sophistry as much as in logic.

In the Federal Parliament I once represented the densely populated housing commission area of Lockridge. It has lower incomes and more "problems" - single mums, broken homes, fights, pension and unemployment benefit eligibility queries - and more honest little battlers not making a very good fist of it, than any other square mile of my old electorate.

The justice of compelling these people to subsidise my daughter through university was never clear to me, but she never the less attended and they never the less paid their taxes.

I am absolutely sure that the most vociferous lobby I had to cope with did not live in Lockridge, those people were not expert complainers. Like most politicians I saw more of universities than just the budget lines. One of the more outrageously greedy mendicants was the academic staff association FAUSA. They were professional; their paper and their printing were good and they used the emotion, exaggeration and semi-truths of the slick advertiser well.

Students also were vocal in their own cause; they are nothing if not predictable. When I told a rally called to protest about student fees that, graduate, fail or pick up diplomas in peace studies, they would enjoy higher life time incomes than most of the people who were paying for their courses, they hissed made those peculiar noises which signify displeasure. Several interjected to ask me how I would like to live on TEAS.

The answers to that riposte are easy. To live on TEAS for the sake of living on TEAS: not at all. But to live on TEAS as an adjunct to acquiring knowledge and skill which both offer me a high future living standard and afford me pleasure: I'd like it a lot.

Not many children from families of low socio-economic status get to universities and the proportion has not appreciably increased since university fees were abolished. Almost no university undergraduate expects to earn less than average weekly earnings and his expectation appears to be justified. I suspect universities would feel that they had failed if their graduates earned less than average incomes.

The most common argument advanced for free tertiary education is that anyone who has the academic ability, however impecunious, should have access to it. So they should, but the lack of university fees is not improving the education of impecunious families; on the contrary it is burdening them with additional taxation. "Free" tertiary education is a massive regressive transfer.

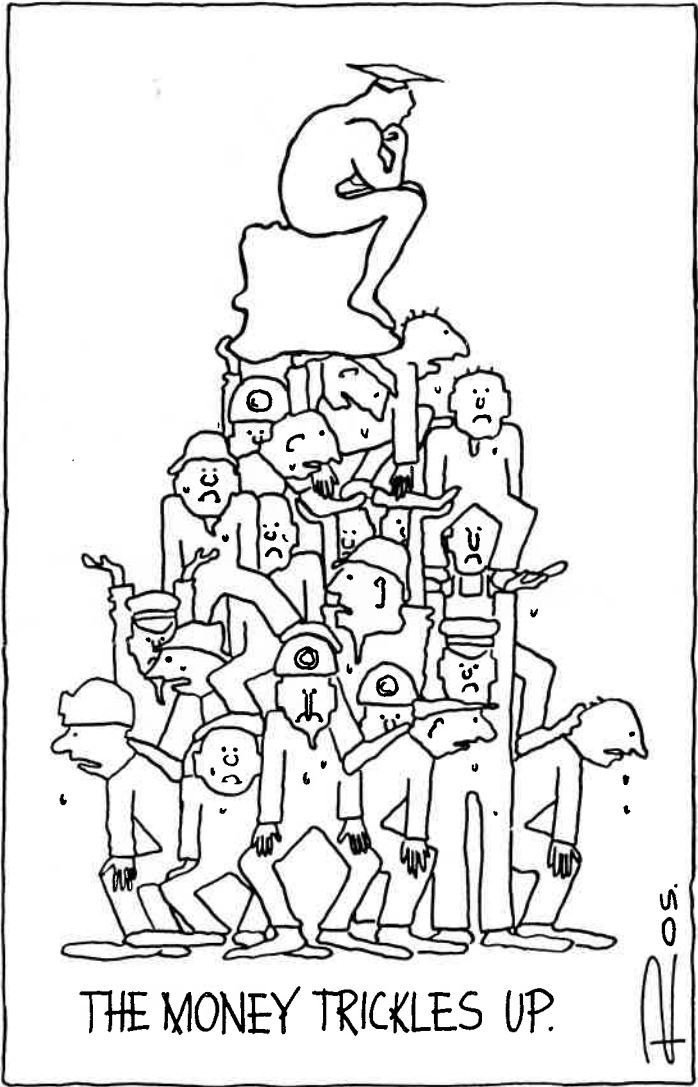
A medical, law, engineering or dental degree will enable its possessor to earn about \$40,000 a year more than he or she could earn without it. The \$40,000 margin between skilled and unskilled earnings is in effect indexed; it can be expected to maintain its REAL value. What then is the capital value of one of these saleable skills? If average REAL returns to investment over a lifetime 4%, it is one million dollars; if only 2%, it is two million. The cost of educating a medical doctor is only about \$100,000. At that sum in fees and five years effort a degree remains good buying.

Even if free universities were qualifying more people from Lockridge than fee charging universities could, it would remain unfair to tax Lockridge residents to subsidise people into Dalkeith, or Mosman or Toorak.

Intellectual capital, like physical capital, primarily benefits whoever owns it. Like physical capital it can be, and should be purchased. Even though it is not transferable collateral, like physical capital it is an asset against which loans are raised. Commercial loans are available now to students who's education looks like a good investment, and, were there a need for loans to cover fees, my guess is deregulated banks would fall over each other to lend to potential lifelong wealthy customers.

To make student fees more politically acceptable to those with no faith in a free market of commercial banks, a government backed student loan scheme, preferably administered by the banks, should be provided. Not to discourage divinity students and medical missionaries, or to deny the public their services, the loans should be income geared so that the ex-student who does not earn a higher than average income does not pay. Government backed loans could be serviced at commercial interest rates by simple adjustment to income tax collections.

Education is substantially a private good and there is no reason to believe that a fee paying public would not choose that amount of it that maximises community wellbeing. University fees should be reintroduced in fairness to Lockridge and other places like it. Next week we will look at the likely effect of fees at the top of the dung hill, on education itself.



THE MONEY TRICKLES UP.

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