# Debate Paper: Whether Higher (University) Education Should Be Free (Subsidised By A Government)

The famous debate whether higher education should be free (subsidised by a government) usually emerges because of high tuition fees, which is currently £9,250 in the UK for any Bachelor degree. After three year degree student loan will adds up to £50,000 including tuition fees and living costs [1]. In the context where higher education is becoming significantly expensive to the extent that students and their families have to take on high amounts of debt to be able to afford it which then becomes their burden, free-tuition public higher education seems like a perfect and simple solution. [1]

If university education is left to free market, it may end up being under state provision which isn't beneficial for everyone [1].This can be shown in a diagram below. If higher education would be free, there is only limited amount of spaces government can subsidize (Q*). It is well known that whenever supply increases (supply of free university spaces in this case), demand increases too. (Q1). This can lead to excessive demand as every single individual would be motivated to go to university especially when it is for free. Thus, the economy may suffer from lack of graduates as well as potential skilled workers in the future.

Price

S1

D1

P1=0 Q* Q1 Quantity.

Excess Demand

Furthermore, countries with higher rates of university education generally have higher levels of innovation, social capital that therefore leads to productivity growth. [1] There is more than enough of evidence that university graduates get higher wages after the graduation than non-graduates. Therefore, economic growth can be explained by stating that graduates have much more disposable income and as a result they are more likely to consume. Consumption is one of the components of Aggregate demand equation (C+I+G+(X-M)). If consumption increases, so will aggregate demand, which ultimately will shift AD curve to the right and by this, move closer to the YF (Full capacity of economy/Full employment/Economic growth) Thus, this is a reasonable justification for the government subsidising higher education as it will reflect on our economic growth.

Price Level

LRAS

PL2

PL1

AD1 AD2

Y1 Y2 YF Output

On the other hand, if we spend excessive amounts of money on free university education, there is an opportunity cost of higher taxes or less spending elsewhere such as on NHS or even infrastructure. [1] It can also be argued that, there is also a greater social benefit from providing vocational training rather than providing free higher education. There is often a real shortage of these skills in an economy. These skill shortages are significant in industries like building, health care and plumbing. “The problem is not a shortage of graduates with art degrees, but a shortage of lower level vocational skills which is emphasised” in BBC- skills shortage in UK [2]. Therefore there is a reason why students should be charged to study at university to allow government spending to tackle more basic skill shortages which require immediate attention. [2]

Another argument against free higher education could be the fact that we already have too many of graduates that don’t even use their degree in their jobs as it’s simply not needed. [1] A study by the ONS found that nearly 47% of workers who left university in the past five years are pursuing jobs which don’t require a degree which was stated in Telegraph by Jasper Copping [3]. Therefore, students should be charged for higher education as not many graduates are required, as debt may push some individuals to seek other alternatives to university such as apprenticeships that would have a better effect at minimising the shortage of vocational skills.

Some would argue that university should be free to attend to ensure equality of opportunity. [1] Working class individuals are disadvantaged in education due to lack of economic capital. Astronomical university fees will clearly deter working class students from even thinking about university and establish universities as a domain of middle/upper class, promoting the inequality. As a result, working class individuals would enter the job market with close to zero skills. An example of a job like that is a factory worker or a dog walker.

Free higher education can also increase specialisation of work. [1] The global economy ensured that countries such as UK to specialise in technology, mineral fuels, oil and many other high valued products. [4] Since there is rapid technological progress occurring there is a greater need for skilled graduates who can contribute to these high-tech industries which means degrees such as programming or technology engineering is much more valuable and demanded than any other degrees. [4] This signifies that degrees that have technology basis should be more accessible through offering full subsidy for it in order to encourage individuals to study it. [4]

However, this would encourage even more graduates which means that rapid increase in number of universities should take place too. “Since the government is struggling to increase real spending” (according to Pettinger in Economics Help), it is under a question whether all universities and research will be funded which would cause UK education to decrease in quality compared to other countries where students would get charged for attending university. [1]Their standards and quality of teaching would be outstanding compared to free education in the UK that would “lag behind” other competitive countries. This would significantly deteriorate the international competitiveness of the UK. [1]

It is also argued that higher education “acts as a signal to employers that graduates have greater capacity” and capability but the degree itself doesn’t increase productivity. As a consequence, individuals who gain a degree, end up with a relatively higher salary as their skills match with the careers they pursue.[1] Therefore, if they financially gain from studying at university, it is perhaps fair they pay part of the cost. However, it is important to note that education is a merit good, meaning that individuals underestimate benefits of higher education as a result of being myopic, this then means that higher education is under consumed. However, many degrees give mainly a private benefit of a higher salary to the worker as Spending 3 years on studying Film Studies gives little social benefit. Therefore, if the main benefit of a degree is a higher salary, it seems fair that the students should somehow pay for the personal benefit they receive. [1]

It is also important to note that in the UK, students leave with significant debts which becomes a financial strain for them which therefore causes them stress at such a young age. Student debts can become a problem as it forces students to find a part-time job whilst studying. Debts also can be disincentive to pursue a high-paying job and instead would work in low-paying job just to not pay debt back. However, top up fees enable more investment in UK universities. It will also help to attract and keep the best teachers and researchers. At the moment, the UK loses many top researchers to the US, where real income is mostly double the UK which again, depreciates the quality of teaching in UK which will be only worsening if higher education will be free. [1, 9]

There are many arguments for or against higher education being free but it is also important to consider, how exactly would government make higher education free? Where would government get the funds from? One way could be through raising taxes, this consequently will make the poor poorer and all the expenses and daily needs will be more expensive than before. [1] This is because government can raise variety of taxes such as Income Tax, VAT and even Corporation Tax. If Corporation Tax is increased, it essentially means less profit for businesses is available unless firms increase the prices of their final product to maintain their profit margins. This then will end up being a burden to whole of society as average price will increase as a result of inflation.

However, according to BBC article by the Reality Check team called “where can UK students study for free?” which indicates eleven countries where any students can study without paying any tuition fees, those include well progressed countries such as Norway and Iceland.[6] This opportunity looks much more attractive to students from working to middle class and can easily immigrate to one of those eleven countries, this means that UK might lose large amount of prospective and intelligent workers to other countries just because in UK the tuition fees were too expensive. Not only there are eleven countries that would offer higher education for free but most of other countries in EU charge very low tuition fees. France, for example, charges between €180 (£158) to €600 (£527) a year at its state-funded universities. In some of the countries, like Germany, many of the courses are in English. The top US universities also offer full scholarships to the best and the brightest students. [6] Similarly, universities in Australia offer top students from around the world different kinds of scholarships and free tuition. 2012 data from “world heritage body UNESCO on global movement of university students, which includes postgraduate and exchange students and full-time undergraduates, shows that, out of 33,000 UK students who studied abroad, around 13,000 studied in other EU countries”[6]. (UNESCO is a world heritage body on global movement of university students). This shows the scale of how much potential workers we are losing to other competitive countries.

In conclusion, the external benefits of university education are relatively low. [8] This is because most of the benefit from university education belongs to the individual rather than society as it is the individuals who gain higher salaries as a result of attending university. There is also an opportunity cost of spending on university education which is reduced spending on other key areas. It is argued that it would be better if government invested in vocational education rather than trying to provide free university education for every single individual. Furthermore, the idea of free education for all becomes more difficult to make a reality as government simply doesn't have enough of budget to fund university for absolutely everybody.[8] The government could increase tax to fund university education, but, it would be better to use tax increase to spend on public transport or health care. The increase of tax rates for free university education would be an undesirable burden on the taxpayer. On the other side, it is important to compromise, many talented individuals may be discouraged to go to university as a consequence of expensive burden they would need to face, government could think about offering scholarships to most bright individuals that wouldn't be able to afford to go to university. This way, government could avoid inequality to an extent.


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