Higher Education Debate Notes

Government should withdraw from an active role in providing and subsidizing higher education.

Initial vote

10 minutes presentations

5 minute rebuttals

Question – Reply-Reply

Final vote

1. Honor debating Bryan / real economist/much smarter knowledgeable/ like and respect

2. Don’t disagree with everything. Degree of merit to much of it. Ironic that I am in position of defending, at least in part, a system of which I’ve been so critical.

Agree that a lot of students learn too little and forget a lot.

Agree that much of the value of degree to employers is that it signals something about intelligence, work ethic, persistence, social skills.

Agree that not everyone needs to go to four-year college, that many should not go at the age of 18 and that better use is made of cheaper and more effective means of vocational training.

Agree that some forms of government subsidies contribute to unnecessarily high costs and excess inflation.

Agree that there is validity to the signaling model – in fact, I teach it the first day of my introductory economics course.

Particularly agree that because higher education is in part a status good, it has engendered the kind of unhealthy competition that resembles an arms race.

3. But as often happens, Bryan has taken some valid observations, critiques and models and pushed them to their illogical, libertarian extreme.

--Observe that Bryan has obviously learned something at Berkeley and Princeton, as student and as teacher/I have/scientists and engineers obviously have/ most of the academics teaching at colleges and universities have. To say nothing is learned—that its all simply an elaborate signaling operation, that there is no increase in human capital-- is ludicrous and contrary to experience and observation.

Tendency of very bright people like Bryan, or Peter Thiel, to think they could have done it on their own. I tend to doubt it but even if they could have, idea that most people could is simply inconsistent with my experience and, I suspect, most of yours.

--Badly misconstrues the point of an undergraduate education. Much of his argument equates education with vocational training. Learn how to learn/think/make an argument/ write/read for different types of meaning/analyze/use logic/ meet deadlines and organize time and complete tasks/perspective. Develop curiosity through exposure to different subjects, ideas, viewpoints. Also general knowledge which, while forgotten, can more easily be revived. Reason employers value education is not just for its signaling of intelligence, perserverence, discipline, but because it provides better intellectual foundation for providing more specific on-job training. Talk to them.

--Fallacy that afflicts many economists which is that if you can’t measure it, it doesn’t exist. Many of desired outcomes of education are hard to define and measure.

--- Can find you similar studies showing nothing learned in K-12, maybe we should do away with public support of that as well. Flies in face of generally accepted view, including among economists and economic historians, that universal K-12 education key factor in US becoming richest nation in the world and that higher levels of education correlate with high productivity and higher incomes in countries with very different institutional structures and much less public support than ours. No reason to believe same conclusion wouldn’t apply to higher education.

4. Suggests a huge failure of free markets, not just public sector. Millions of students and parents paying hundreds of millions of private dollars every year into a system they’ve been hoodwinked into believing actually increases human capital when in fact it is simply a vastly overpriced sorting and signaling operation. Also stupid are millions of employers who are willing to pay a huge premium for a signal about intelligence, character, work ethic that could surely be determined at much lower cost. Add to that millions of taxpayers who as students and employers and parents interact with the system and consistently support higher education subsidies in the political marketplace. Libertarian self-delusion: this huge market failure is solely the fault of misguided policies concocted by self-interested politicians and bureaucrats and foisted on an unwitting public.

5. The reason government got into the higher education business in the first place was because people saw a market failure.

Harvard, Yale, Cornell, Princeton, Land Grant Univ., George Mason – all started as public enterprises. If market could have taken care of legitimate educational needs, why did people start them?

Same K-12 – go back far enough, it was a fee-for-service business here and in many countries and it only extended to elite. And in every country, the decision was made to go to a subsidized system, every country made what Bryan would consider the same mistake. To me, that’s a pretty convincing natural experiment.

Observe: Don’t see new purely private high quality universities that are started and survive solely on the basis of tuitions from paying customers. What you see occasionally are new schools that rely on generous patrons (who, by Bryan’s lights, are billionaire idiots) or you see low-quality for profits that rely exclusively on government subsidy

Reason why markets don’t produce? Barriers to entry include high upfront costs, lack of financing, high risk and huge reputational hurdles. These barriers will persist.

6. Market failure led to loan guarantees. Government got into it was because market would only provide at exhorbitant rates. Private markets won’t finance loans without guarantee because of traditional problem of imperfect, asymmetric information. No evidence market would provide reasonably priced loans to poor or middle class families without assets as collateral. Didn’t provide prior to loan program and won’t provide after.

7. Argument that even without subsidy, those who could benefit would invest in their own education. Evidence is quite the contrary – that most people don’t make good long term decisions such as how much to save or whether to invest in education. Nudge thesis. Subsidies are a nudge – perhaps too much of one, but not a terrible idea for society.

8. Another textbook justification: positive externalities / economic benefit for society not fully captured in market price.

\*More flexible labor markets in which employees can more easily change employers, jobs in response to changing demand and circumstances

\*Higher productivity not fully captured by student in pay

\*More innovation

\*Knowledge spillover to uneducated

\*Education correlates health, successful marriage, absence of social pathology

\*Educated voters/public policy. Perhaps Bryan prefers public policies of sub-Saharan Africa.

9. Non-economic externality: fairness and social and economic mobility. Data strongly supports notion that higher education key to upward mobility in today’s economy. Public subsidy gives poor and working class equal shot at competing in the marketplace and realizing potential, not only through knowledge but soft skills, confidence and networks. Nothing in theory or experience to suggest that markets would do that.

6. Public schools more efficient. Economies of scale. Less caught up in status arms race. Discipline of taxpayers has proven stronger than discipline of price competition. Part of market failure is that higher prices perceived to be signal of higher quality.

9. We are widely perceived by rest of world as having best system of higher education in world, that this system has been fundamental to our economic success and that nations all around the world are trying to recreate it. My worthy opponent now says he wants to blow it all up and hope—and that is all it is --hope that the free markets will do in the future what they failed to do in the past, and that the Kaplans and the Strayers and the Universities of Phoenix will step in to provide the next generation of Bryan Caplans the same education that Berkeley and Princeton provided him, and that Citigroup and Capital One will rush in to finance it. Good luck with that.

8. Yes, even best system in world is flawed. It now needs lots of reform to lower costs and improve educational outcomes. I’m prepared to be as radical as Bryan, cut that $500 billion by a quarter at least, insist on much more accountability. But Bryan has presented us with no convincing evidence that the current problems are solely the fault of government or that our democracy and our society lacks the capacity to reform it.

In fact, this extreme view will only give those who resist change the political ammunition to discredit reform, much as they have with other social programs.