

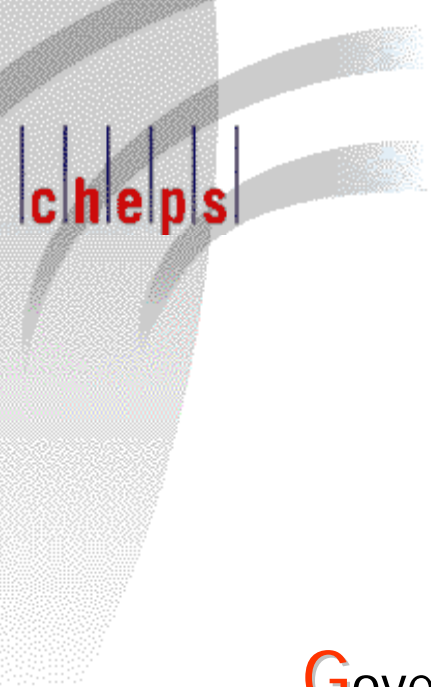
Universiteit Twente
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Dilemmas and tradeoffs: The economics of financing higher education

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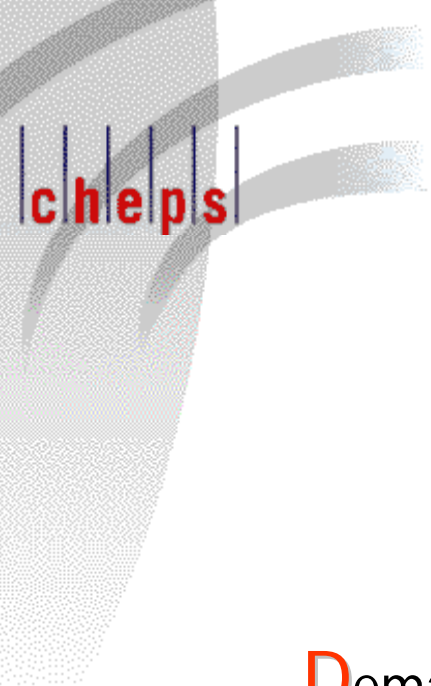
Council of Europe conference on public responsibility for education and research



Dilemma one

Government subsidies for education redress distributional inequities but...

They generate “government failures” by encouraging students to waste institutions’ resources and (usually) unfairly subsidizing students in more expensive programs.

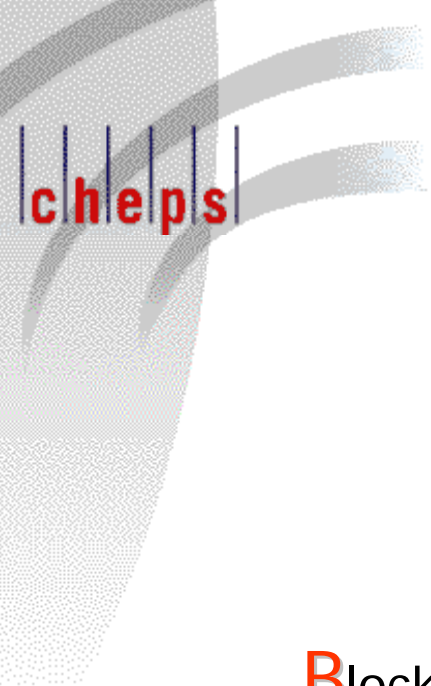


Dilemma two

Demand-driven systems offer students greater choice but...

We know that students do not make well-informed choices! Hence, the non-contractible quality problem persists. In fact, it shifts the problem to the producer.

Such a system also runs the risk of promoting macro-level inefficiency and forcing costly, yet perhaps culturally important programs to close.

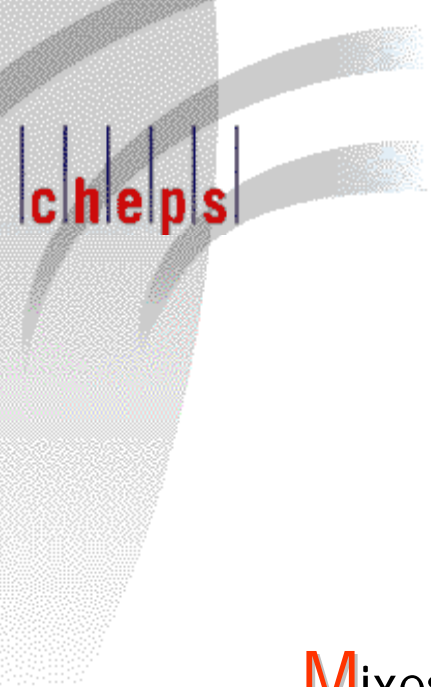


Dilemma three

Block-grant allocations (coupled with the use of performance-based funding) give institutions greater autonomy, which is supposed to enhance efficiency. But...

Institution managers are often not prepared to manage funding and generally not trained.

If institutions behave like physicians' cooperatives, then the difficulty in monitoring how funding is used may result in unwanted cross-subsidization.



Dilemma four

Mixes of public and private providers encourage competition as well as promote innovation and efficiency. But...

This market-oriented solution requires greater GOVERNMENT oversight in terms of recognition and quality control.