

Some general comments on the Principles briefing and critiques

I'm writing these comments after reading about two-thirds of your briefings (and then, after grading you, the critiques). Grades of 9+ on briefing and 5 on the critique are excellent. (The lowest grades so far are 6 and 2, respectively.) I'm writing quickly here, so I may have missed some good points (or counterpoints to my arguments).

You are advising the minister of education on government's role in the private and public provision of education from preschool (3 years) through university. Your task is to describe the pros and cons of government involvement in...

Many of you presented ideas or policies without discussion of the cons. Major mistake.

- *Financing the cost of education* occurs directly (students/parents) or via government loans or grants that come from taxpayers. Subsidies shift out supply and lower prices, thus increasing quantity demanded. It's good to discuss the overall cost/benefit of education as well as subsidies, but don't get caught on "subsidies lead to education leads to employment leads to taxes that pay for the subsidies" *unless* you also factor in quality and/or individual incentives.
- *Setting educational standards* by government (or private organizations) can help schools compete and parents choose. They can also serve government (e.g., propaganda) more than students. Low standards with subsidies are a recipe for low quality education.
- *Providing education at government schools, with government-employed teachers* is popular but there's not much economic theory to back it up. Gov't funding (grants) and reasonable standards can produce a competitive education market, even in rural areas. Government does not have a comparative advantage in either building schools or hiring teachers (both private goods). Some of you may have assumed "government" equals honest value for money, but THAT assumes good *governance*.
- *Licensing or regulating private "schools"* makes sense when subsidies are involved, but not necessarily in their absence. Many of you wrote about competition, differentiation, etc. in the private sector. Government can help that, but it can also prevent competition with public schools or set standards that serves its interest.

In your briefing, you may want to describe the costs and benefits of:

- *Payment from students savings, subsidies (to schools), and loans/scholarships to students.* Students pay more attention when it's their money, but grants are necessary if you want to help the poor.
- *Centralized versus decentralized educational topics and standards.* Centralization serves the bureaucrat more than the student or region, but it allows cross-comparisons of schools and students.
- *Goals of the government (taxpaying, obedient citizens), private sector (workers) and individuals (human development).* Some of you took "obedient citizens" as a pro, although I wouldn't (e.g., China v Hong Kong). An educated population will still pay taxes and obey, as long as the government policies appeal to common sense.

Hint: It may help to start with the assumption of zero government involvement, and then choose a first step that would create benefits in excess of costs. those of you who followed these steps were less likely to be tripped up by "conventional wisdom" and your own experience. These steps also helped clarify the order of government actions and their interactions.

Critiques: most of you wrote decent critiques. Some of you failed to follow the headings ("What I learned", "What I did not understand" and "How to improve"), which may have lowered your grade