RESOURCE REALLOCATION IN HIGHER EDUCATION IN BRITAIN*

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ABSTRACT

During recent years the Higher Education (HE) sector in Britain has come under government pressure to reduce the scale of its operations and change the nature of its product. Much of the justification for this change has been provided by "new right" economists [1] who have concluded, on economic grounds, firstly that state supply of HE should be limited to investment in human capital and secondly that additional state finance is justified only to the extent of the value of the external benefits bestowed upon society.

It is the purpose of this article to review the conventional economic assessment of HE and examine the policy implications of the economists' analysis. In particular it is suggested that resource redirection within HE is difficult because of the bureaucratic properties of educational institutions. The article concludes that what is required is a methodology to evaluate quality of output and a uniform method of calculating course costs within and between institutions.

The Objectives of Education

The resources claimed by education in Britain are considerable. The share of the GNP going to education rose from 3.6 per cent in 1960/61 to a peak of 6.3 per cent in 1975/76. The annual growth rate of education expenditure between these years was 5.7 per cent compared with a growth rate of GNP of about 3 per cent. The virtual zero growth of GNP in the late 1970s and early 1980s has meant that increased education expenditure in real terms can only come at the expense of real reductions elsewhere.

Probably for the first time in the post-Robbins period, HE is being forced to consider the economic problem of resource allocation. In this context, the objectives of education need to be clear. They are however, neither clear nor

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consistent. First, many educationalists take the view that the purpose of education is to enrich the individual; that education is ipso facto "a good thing"; that educationalists are the best judges of what constitutes "good education" and that education should be supplied free by the state. Educationalists' perspectives on educational philosophy and objectives seem to rule out cost constraints. An economic assessment of education must necessarily be in sharp contrast to this approach.

A second view of education put forward by social scientists like Williams (1965), Daly (1982) and more recently by Weiner (1981) has articulated the connections between culture, education, resource allocation and the economy. In Weiner's thesis, the historical development of education, reinforces (as Williams also explains), the elite culture which for Britain, results in too many educational resources being directed towards "individual enrichment" and too few towards vocational training.

A third interpretation of the objectives of education would be that as classified by Marxists. Marxists see the purpose of education in capitalist economies as largely functionalist. It supports not only the status quo class division by passing on its culture and values (see Kiker and Condon, 1981) but also the capitalist economic system. In this context the role of HE is to provide adequate supplies of qualified manpower for the needs of industry.

A fourth view of HE which has found considerable political sympathy sees the education system as the provider of high incomes for the middle classes. An analysis of welfare services by Gould (1981) suggested that the salaried middle classes are consumers and producers of welfare and concludes "that the benefits to them are so great that we ought to consider the possibility that they constitute an independent class capable of pursuing and realising their own interests in competition or in collaboration with capital or labour".

In the case of education, Gould argues that thirty years of post-war expansion have left unchanged the social inequalities faced by working class children. Education has resulted in qualification inflation and the diploma disease (see R. Dore, 1976; Robbins Report, 1963) which has benefited neither labour nor capital but mainly administrative, professional and technical workers [3,4].

Finally, what are the objectives of HE as economists see them? Before discussing the conventional economic approach, it is appropriate to bear in mind three fundamental postulates upon which much economic analysis is based. First, the competitive demand price for a given unit measures the value of that unit to the demander; second, the competitive supply price for a given unit measures the value of the unit to the supplier and third, when evaluating the net benefits or costs of a given action, the costs and benefits accruing to each member of the relevant group should normally be added without regard to the individuals to whom they accrue (Harberger, 1971). These basic postulates are important in that they rule out economic pronouncements on three social objectives of