

## David Hume Institute, 22 February 2007

**Diane Coyle**, an economist and consultant, and Professor **Bernard King**, Principal of Abertay University, presented two quite different themes, though each with a similar approach, on higher education in Scotland.

For Diane Coyle the focus was on the place and contribution of universities to the economy in Scotland, with some markers on how Scotland compared with the rest of the UK. This involved the prevalence of clusters of activity close to or coincident with urban centres, represented by different sized cones amidst vaster spaces of 'flatness' spread across the country.

While the Scottish cones were starkly drawn, they are dwarfed by the English cones, representing the greater urban concentrations and the larger population in England. Scotland, of course, is a smaller country, with a smaller population and a smaller economy, an inescapable feature of its partnership within the UK, but the urban-rural distinction is the same as elsewhere in Europe (apparently, Diane reported, in France the Parisian cone heavily dominates its economy, with mostly flatness elsewhere, which surprised me as I would have thought that Marseilles, Bordeaux, Lyon, Nantes and Toulouse were pretty large centres of economic activity).

The statistics of education outputs were also fairly stark, not subtle, and predictable: graduate employees earned higher incomes than non-graduates and non-certificated secondary school leavers had life-time earnings significantly different than holders of first and post-graduate degrees. The knowledge economy is stratified in favour of formal education (except, presumably for a minority of successful entrepreneurs who missed, or chose, not to go into higher education).

University education remains an important, though loose discriminator as an input into employment and, once in employment, to a lesser extent, to promotion (I might add, parenthetically, rigidly applied in the university sector).

A large university, with a 5-star research rating in several faculties can expect to generate more research funding than smaller universities with few, if any, 5-star ratings. Diane considered this a problem because it concentrated 'spin-outs' in a few places, adding to the conurbation effect on graduate employment and graduate student numbers. Innovation, whether incremental or radical, is a component of economic growth, and if Scottish universities lose both funding from public sources and contacts with local industry as potential appliers of research output, it will affect Scotland's competitive position (and on a wider level, the UK's).

Diane finished with a quotation from Adam Smith's *Wealth of Nations* (Book I, chapter 2, pp 28-30, Glasgow Edition, 1976) on porters and philosophers. If I may interject a qualification to her conclusion, I would say this passage reflected Smith's well-known disposition towards recognising the dignity of common labourers, rather than it being a

research-based conclusion, or guess, about the absence of innate differences, which may persist despite the reasons alluded to by Smith and still allow for the presence in any population of many common labourers whose undeveloped talents are equal to the sons (daughters were not educated at universities in those times) who were fortunate to go the university to become philosophers. Many boys left education for work long before they were 14 in Smith's day. That proposition is not the same as arguing that all persons in the cohort are educable to the philosophers' standard (even among those who went to university).

She concluded with a most potent observation for decisions about the future of education spending (but had run out of time for elaboration) that investment in the education of primary children had a bigger lifetime pay-off in returns to post-schooling incomes than any other investment in any other age groups' education. The logic of this most interesting assessment is that we may be putting the investment burden at the wrong end of the progressions from primary to university; if it was directed at the early years, then in time the receptivity to university level education would become more effective, than trying to cram it into a 50 per cent cohort target of late teenagers as at present. I was still thinking about that idea days later.

**Professor Bernard King** brought to the evening's theme the international perspective, and it was not encouraging. His theme of 'inflection points' neatly ordered several trends, which together produce a qualitative shift. The one that struck me most was the theme of the 'Tyranny' of 'World Class'. Politicians, said Bernard, wanted Scotland to have a 'world class' higher education sector, which struck me as ambitious for a small country with 14 universities, with such diverse histories and limited resources. A 'world class' institution costs, apparently, \$1 billion, and Scotland spends \$2 billion in total on its 14 universities. Even if the costs are out by a factor, the ambition is not going to be realised soon. And whether it is feasible at all is questionable as things stand.

The other goal of 50 per cent plus of the educable population seems not just to be 'under funded' (the unexceptional cry of public education; Barnard is a University Principal) by no small margin, but, and the speaker did not go into this contentious area, it may not be compatible with most criteria of 'world class', other than the merely quantitative.

The volley of statistics and statements that followed was an overwhelming force supporting Bernard's argument, and Scotland did not fare too well on any of them. The 'Shanghai League' did not have many (any?) European universities in it, apparently (Oxford, Cambridge, Edinburgh?), and presumably only US institutions made it (but certainly not any from Shanghai either).

The 'Private for Profit' theme was not clear enough for me to comprehend and I would have liked more time spent on this theme. If public sources of funds are limited politically, including spend on student fees and 'top ups', the only other source is private. In fact, we should recognise that the only source of investment is private, for all taxes flow from corporate profits, income tax, VAT and customs. In so far as public expenditure does not create revenue that repays its costs (let alone produces a

surplus/profit), it is unproductive not investment (Wealth of Nations, Books I and II). Scotland's large public sector is a burden on potential investment, not a prop (this says nothing about the worth, value and necessary job undertaken by much public expenditure; it is purely a factual statement about net investment being the source of growth).

In this respect, in the discussion that followed the speakers' contributions, we were almost diverted into a debate on the alleged 'absence' of a world class Business School in Scotland, compared to INSEAD and Harvard.

One discussant from Strathclyde University raised the important point that Scotland's universities have a strong export record in education in the large proportion of foreign students in their HE programmes. Another, a former vice-chancellor, asked about the role of competition in the public education sector and how this might stimulate private funded expansion. I would have contributed to these aspects but such was the level of discussion from around the room that the chairman had to call a halt if we were to stick to our usual time guidelines.

Discussions continued around the reception area, suggesting that the speakers had stimulated responses of a high order from all sides of the arguments.

Professor Gavin Kennedy  
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