

Private/Public Funding and Operation of Universities

A View from Greece

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Brussels, 17 November 2004

University financing schemes

Social cost per student place/year = €10,000

**Split between: Public €5,000
Private €5,000**

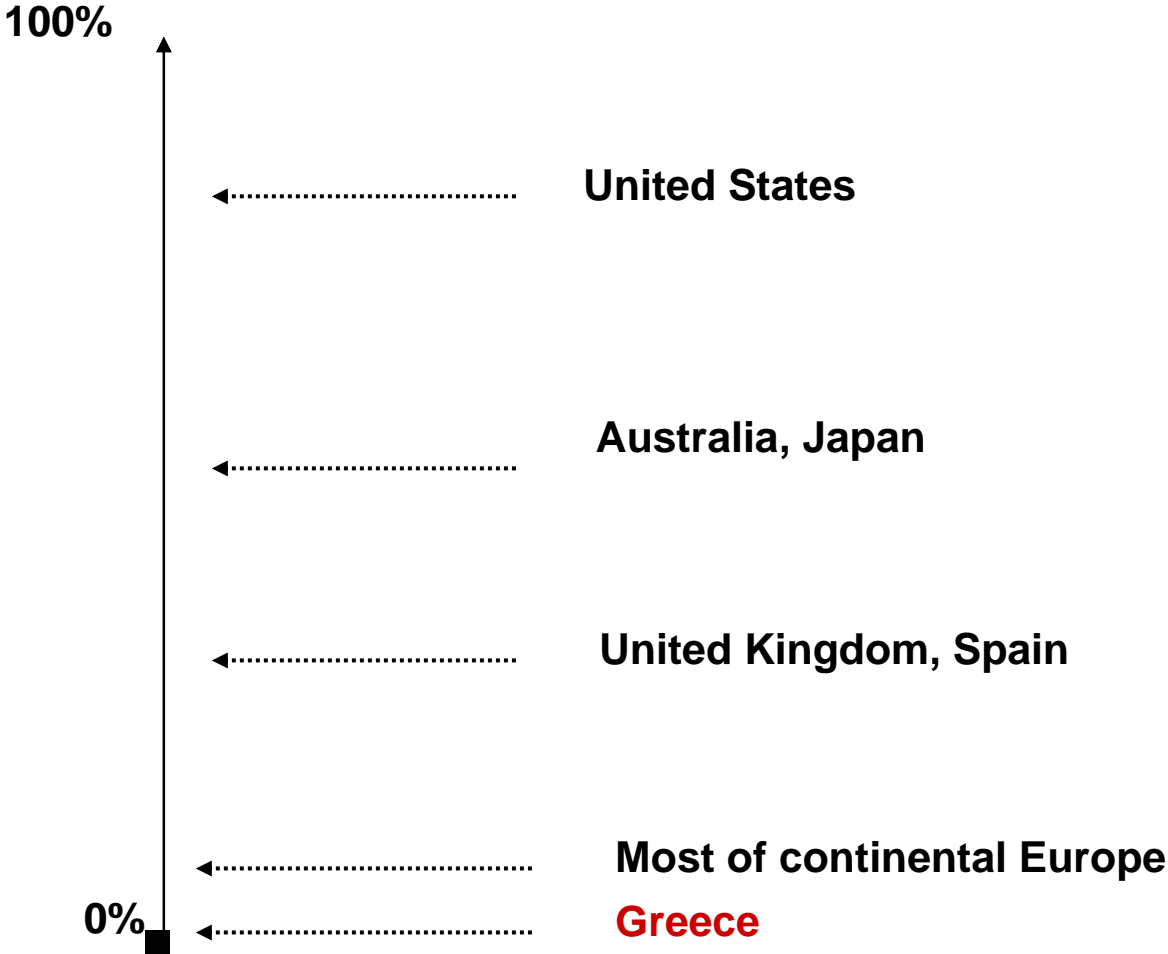
**+ foregone earnings (hidden private cost)
“public” misnomer as financed from taxes**

Public/Private financing ratio

Critical for the following attributes of a university system:

- **Sustainability**
- **Quality**
- **Incentives**
- **Effectiveness**
- **Equity**

Private share of tertiary education financing



The Greek Constitution

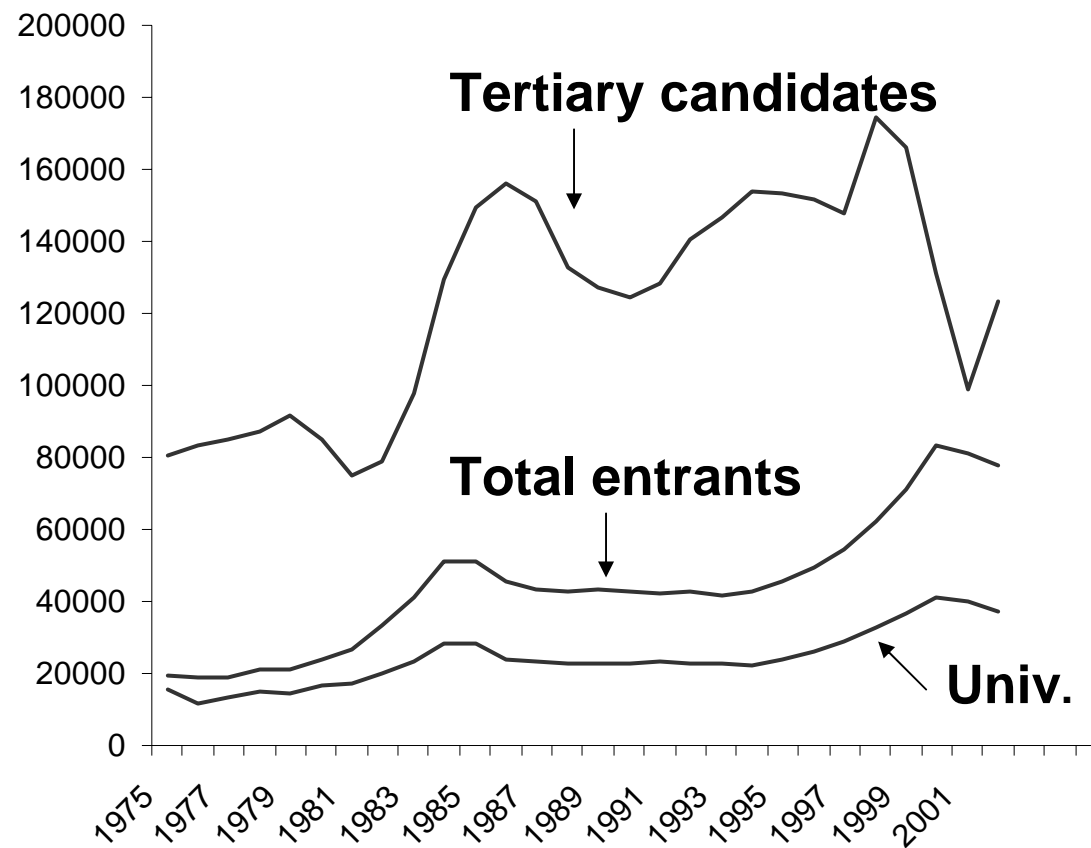
- “Art and science, research and teaching shall be **free** and their development and promotion shall be an obligation of the State”.
- “All Greeks are entitled to **free education** at all levels at State educational institutions”.
- “Education at university level shall be provided exclusively by institutions which are ... public law legal persons ... **under the supervision of the State**”.
- “Professors of university level institutions shall be **public functionaries** ... [and] ... shall not be dismissed ...”.
- “The establishment of university level institutions by **private persons is prohibited**” .

(Article 16)

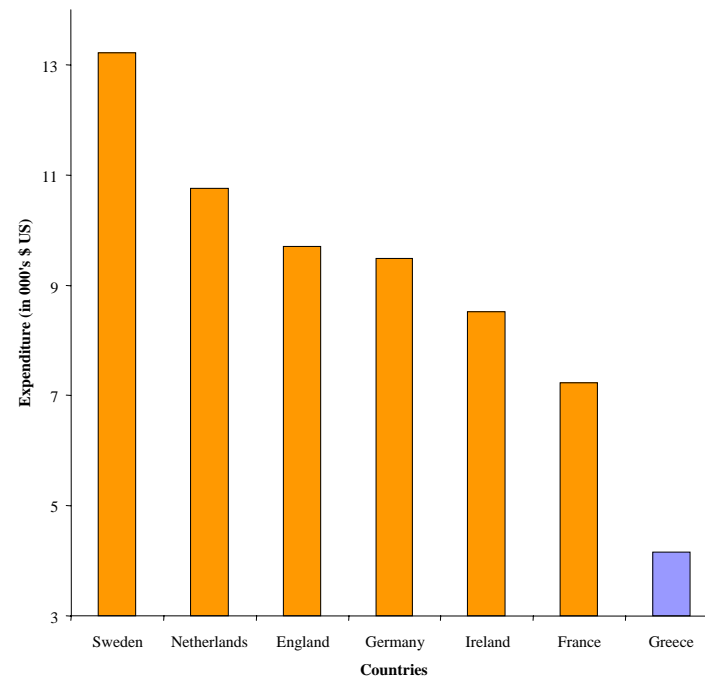
Results

- **Impossible to satisfy social demand at zero price**
- **Rationing of university places**
- **Procrustean entry examinations**
- **Quality deterioration**
- **Low spending per student**
- **Short cycle tertiary education**
- **World record of Greek students in foreign countries**
- **Irrelevance to the labor market**
- **Unemployed graduates**
- **Social inequity**

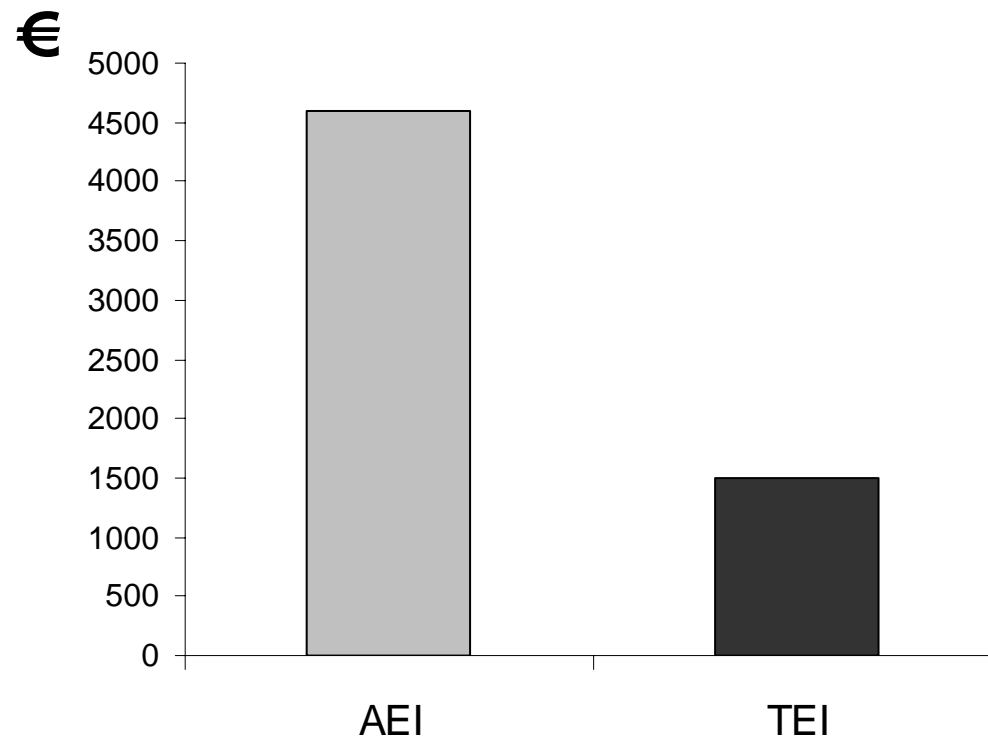
Candidates and entrants into tertiary education



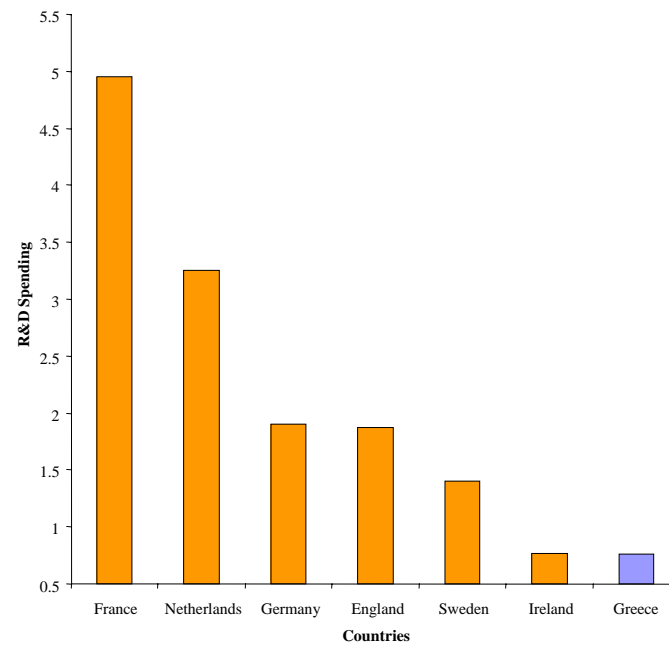
Public expenditure per higher education student



Cost per student in universities (AEI) and short-cycle technological institutes (TEI)



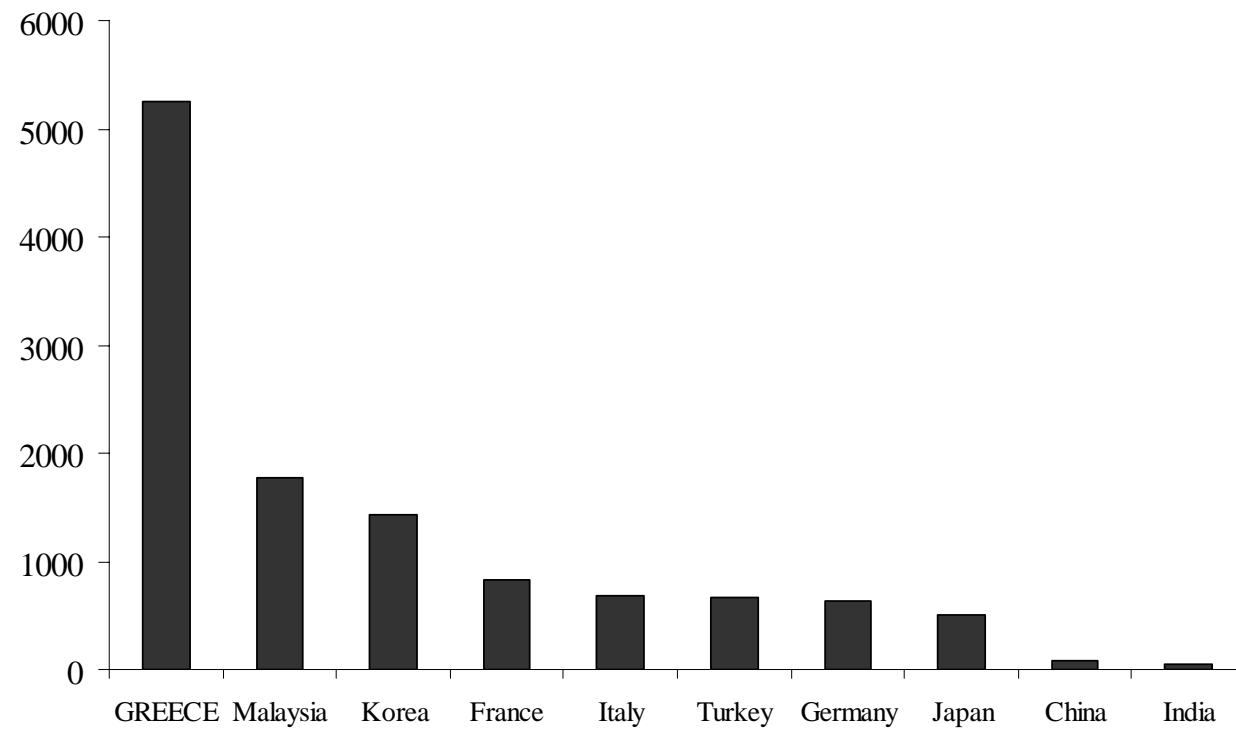
Public spending on R&D as %of GDP



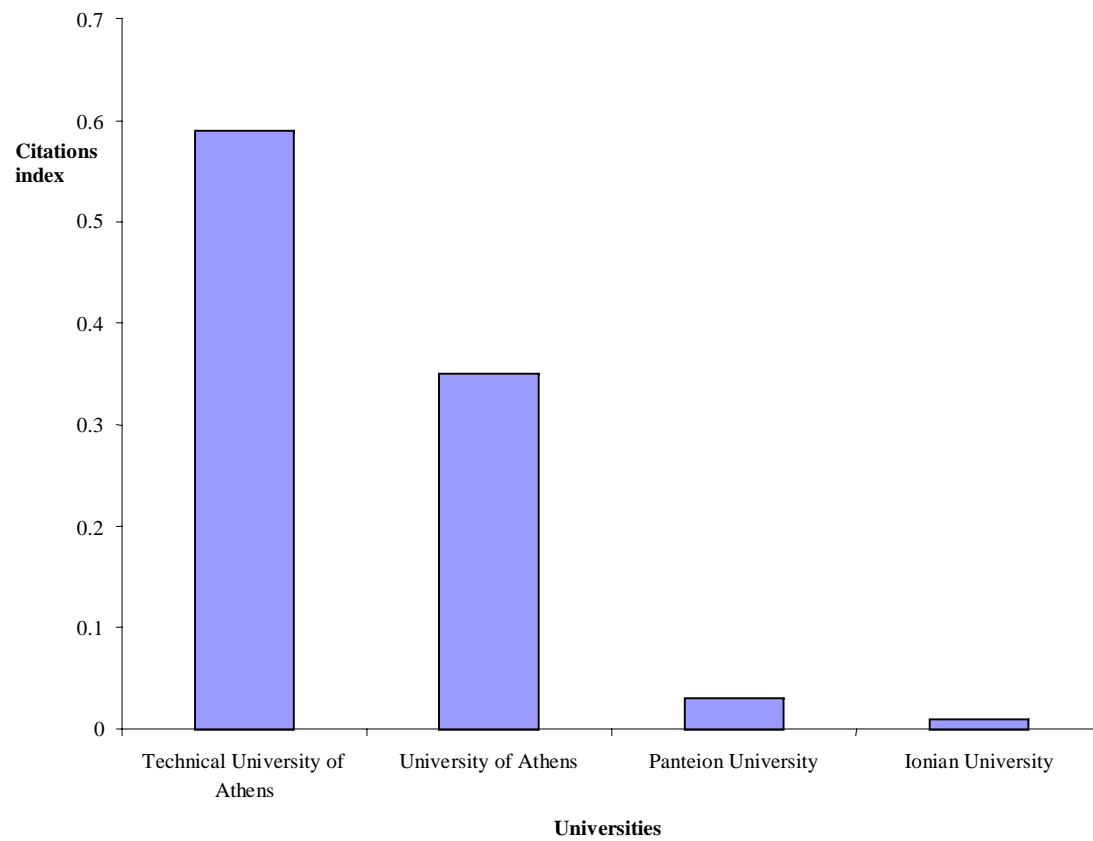
Result

- **World record number of Greek students studying abroad (60,000)**
- **At a private cost per student €13,000**
- **Annual foreign exchange loss €1 billion**

Foreign students per million population



Cited publications per university professor



Social (in)equity

- **Regressive public financing**
- **The poor finance the education of the rich**
- **Same (zero) price for all is inequitable**
- **Higher earnings of graduates relative to the average population**
- **Higher education benefits appropriated by the graduate**
- **Higher education NOT a “public good”**

Why?

Cherchez l'Etat!

Dominant role of the state in the

→ **Financing**

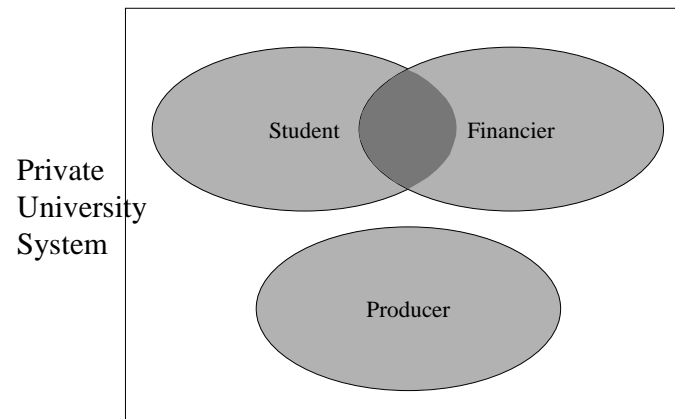
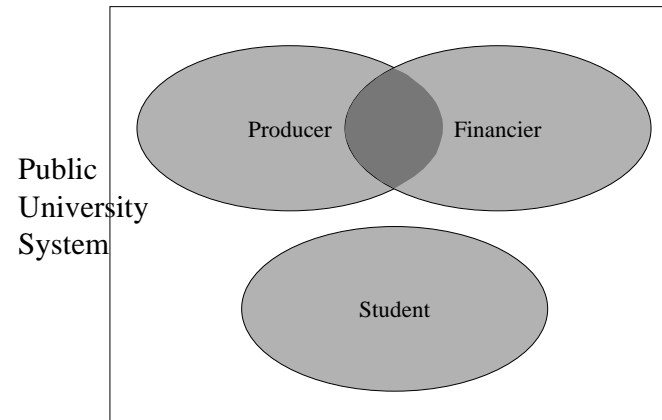
and

→ **provision**

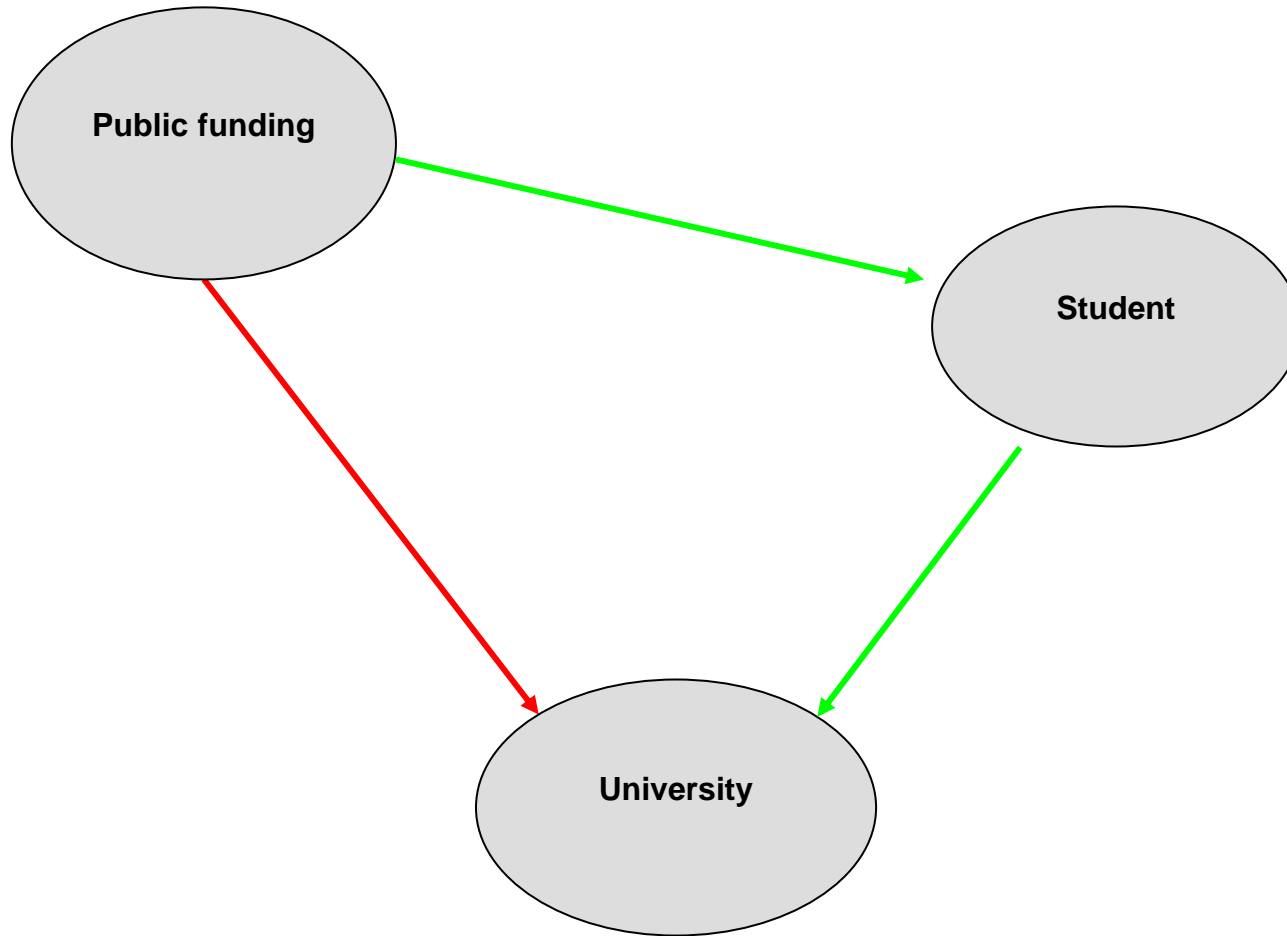
Role of the State

- **Promote stable macro environment**
- **Split public financing from provision (private)**
- **Redistribute (higher voucher to poor)**
- **Student loans to all**

The difference between public and private systems



Direct vs. Indirect University Funding



Best Universities in the World

Out of top 20: 17 in the United States
2 in the United Kingdom
1 in Japan

**Rank 39 : First appearance of a continental EU
university**

Rank 64: Heidelberg

Quo vadis Europe?

Contradiction between:

- **Lisbon's competitiveness and**
- **state education monopoly**

- **No common education policy (Treaty of Rome)**
- **Need ECOFIN equivalent in education?**
- **2010 targets already missed?**
- **Lisbon, Bologna “nice”, but.....**
- **Lifelong financing?**