

## **Submission from Conrad KARAGEORGE**

### Written Submission for the Panel on Education

Education is in an integral part of a well functioning economy, without it, there cannot be any means for social mobility, for entrepreneurship and for increases to the standard of living. As a result, while I am a free market economist, I do support the regulations currently implemented by the government to provide private education institutions with the start-up loans they need to establish their education institutions. Furthermore I support the means and non-means tested student loan program that the government has implemented for self funding institutions. I myself am from a private university in Australia and am on a similar scheme. Even though I am a free market economist, I still believe that student loans should be adopted by the state, so as to ensure that education is cheap and abundant, however, not free.

However, this support does come with a caveat. While the provision of grants and subsidy is supported, this support comes with a warning. These grants and allotments of land should only be given as a starting measure, they should not represent continued relief to an institution that cannot survive without welfare from the government in the form of land allocation and loans. If a private institution, whether it be a school, a business or a charity, cannot survive on its own in Hong Kong, then it should not be propped up by the government. This is merely welfare dependency, it will not produce economic prosperity, nor will it allow for greater education. In my home country, Australia, there is currently a welfare dependency issue in the motoring industry. This is a sector that is highly uncompetitive and relies on government subsidy to survive. It is a major source of financial strain for our government and costs us many millions of dollars every year. It would be a great disappointment if this government were to adopt a similar policy.

In addition, the government should be reminded that the most important aspect of a university is its quality, not its quantity. Hong Kong is currently under going a paradigm shift in its education services from one in which the intake of students is the most important factor to one in which the quality of the graduates is paramount. As a result any funding given to, universities should encourage this shift in goals. The government should always be fearful of quantitative easing in the education sector. This is where a government blindly believes that if all citizens gain an education regardless of its quality, then the economy will become more productive. This system does not work, as a result I recommend that the government moves to quality not quantity.

The government should have well defined limits as to what private sector initiatives it will support, today it may be finance for a hostel, tomorrow however it may be teachers pay rises. The main fear in adopting these subsidies is that it will cause rent seeking behaviour, that educational institutions will begin to seek out funding from the government as opposed to becoming a more competitive company. Education is likely to becoming a strong Hong Kong export in the coming years and this government must ensure that it remains a competitive one.

Furthermore, the issue of property grants for universities is a clear indication of just how dire the property market has become here in Hong Kong. The government has ruined the property market in Hong Kong with its reckless regulation and now is attempting remedy this situation for favoured private sectors with government grants. If the property prices here in Hong Kong were not as expensive, then perhaps the private education sector would not need government support for property allocation.