

# Understanding HECS Charges: Theory, Historical and International Experience and Reflections on the Future

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# Outline

- 1 The Impact of HECS on Students: Theory
- 2 The Impact of HECS on Students: Evidence
- 3 Reflections on the Future

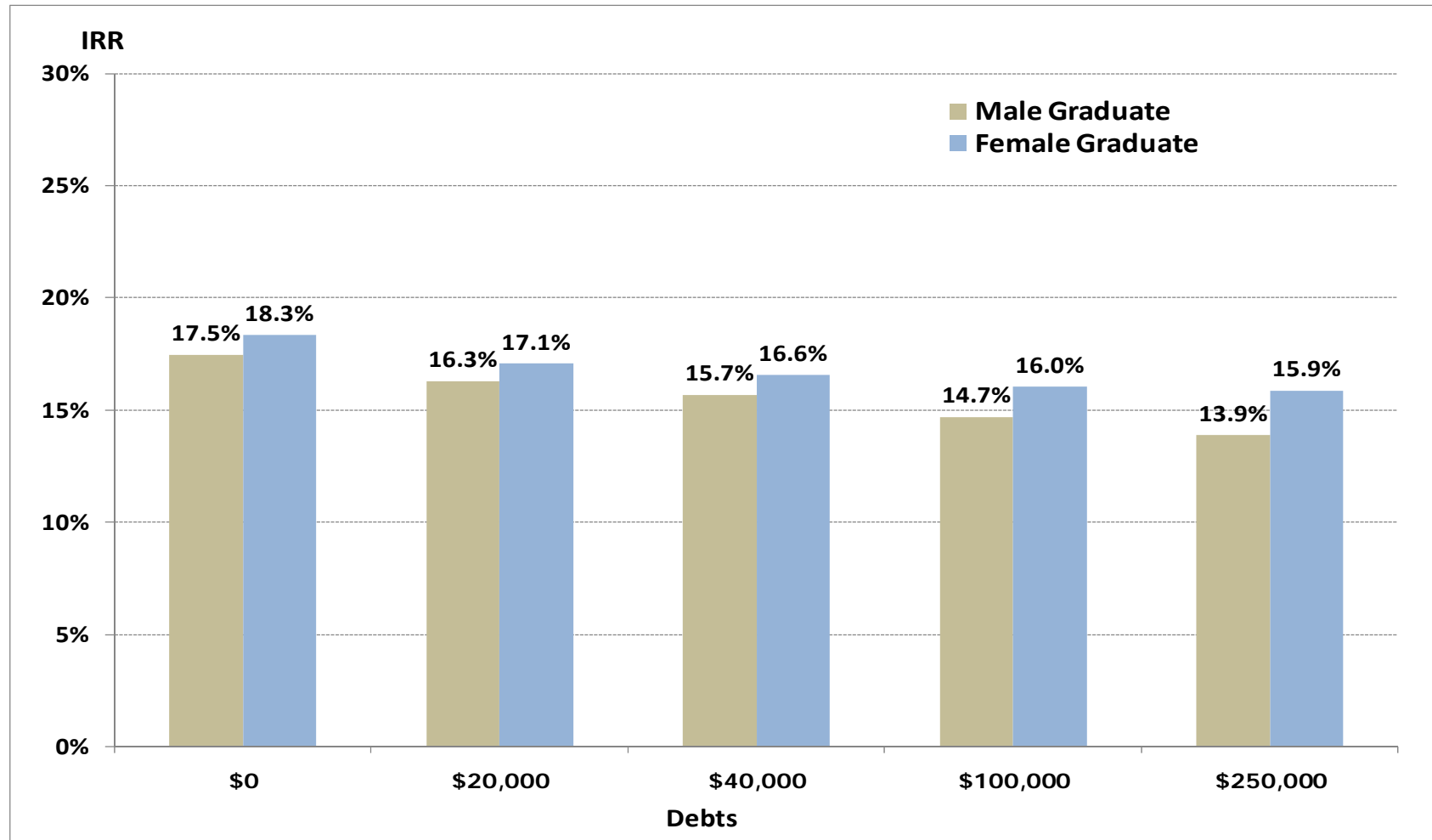
# 1 HECS in Theory: Insurance and Subsidies

- (i) Capacity to pay is the fundamental issue
- (ii) No default risk
- (iii) Consumption smoothing
- (iv) Implicit subsidies explained
- (v) Not a real price: want a Porsche through HECS?

## 2 The Impact of HECS on Students: Evidence

- (i) Australia (intro, 1997, 25% increase): nothing (IRRs slide)
- (ii) NZ: 1992-97: 300%, no effects
- (iii) England: 1000-3000 (nothing), 2011 3000-9000 (95% increase, small effects only)

# One reason HECS doesn't matter: IRRs



### 3 Reflections on the Future

- (i) If cap increased (by up to 50%?): most universities will increase prices;
- (ii) Effects on student demand, small only;
- (iii) Effects on revenue ambiguous (note increase in implicit subsidies)

# Implicit Subsidy for Average Income

(Male + Female)

