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New Evidence of the Dangerous Role of Economists in Incorporating Higher Education into Global Measures of Comparative National Well-Being (0209)

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Outline

The search for a measure of the national standard of living that could be used to compare the condition or well-being of countries began in earnest shortly after First World War. Economists settled on the market value of total output of goods and services and called it gross national product (GNP). GNP includes the goods and services provided by all residents of a country whether the firm is domestic or located overseas. By contrast, gross domestic product (GDP) includes the production of goods and services within the country, whether the means of production is owned by citizens or foreigners.

Feminist economists have been among the first, and most ardent, critics of the GNP or GDP statistics as measures of well-being. The life-enhancing work primarily of women, in caring for and educating children before they enter formal schools is not even recognized and included in GNP/GDP, because this work does not flow through a market. The increasing amount of work, again mostly by women, home schooling their children is not included in GNP/GDP either.

The standard calculation of GNP/GDP is based on four components but outlays for education are only in the first two components:

1. Spending of households and individuals on personal consumption expenditures. Spending for private elementary education is in this component, as well as student tuition at all higher education institutions.

2. Government spending. Government spending for public elementary, secondary, and higher education, as well as federal and state student financial aid is included in this component.
3. Private investment of companies, and
4. The net of exports minus imports.

The way the economists formatted GNP/GDP data collection, education outlays are “spending”, never “investment.” Herein lies the basis for many of education’s and particularly higher education’s political problems in seeking greater funding. Spending for education is equated not with business investment to produce future output but with welfare. Even educators label support for education as “subsidy” contributing to the problematic political climate. “Subsidy” is clearly wrong applied to education because significant future returns are expected from investment in education.

There are other flaws in using GDP as a measure of national well-being. Among the worst is that negative activity such as polluting the environment or producing materiel to make war contribute to total output because they involve markets.

In making comparisons across nations, to take the differences in population size into account, per capita GDP or per capita national income is calculated by dividing total output or income for a period, usually a calendar year, by the mid-year population. But this is also flawed as an indicator of the well-being of individuals in a country because no account is taken here of the income distribution within the country. Thus the per capita income of Norway is close to that of Qatar but income in Norway is much more widely distributed than it is in Qatar and the experience of individuals in these two countries is quite different.

To overcome shortcomings of the economists’ quite limited statistics for comparing national well-being, sociologists proposed a Human Development Index which originally added measures of educational achievement and health conditions to income measures. Using the Human Development Index which incorporates these added measures makes a dramatic difference in global rankings of national well-being. Using the economic indicator of GNP per capita Qatar is number one.

Using the broader Human Development Index, Norway rises to the number one rank. The United States drops from 3 to 16 using the HDI. The much longer list of indicators now used to construct the HDI is shown in the Appendix.

Incorporating educational achievement into global comparisons makes dramatic differences in national rankings. The HDI needs to be further enhanced with comparative information on how nations finance the education of their people. Is education, and particularly higher education, seen as a public benefit and financed primarily with public support or is it seen as a private benefit and financed by private individuals who are generally required to borrow to pay for their education. Financing education by forcing students to take out loans is likely to leave the students with large debts. Student debt in the United States has accumulated to the staggering amount of more than \$1 trillion. If more than one trillion dollars of debt on the shoulders of those who sought education in the United States were taken into account in comparing the well-being of people across nations, the United States would sink even further down in global ranking of national well-being. Global rankings should be at the forefront of national policy development.

APPENDIX

HUMAN DEVELOPMENT INDEX – 2013

Indicators Used to Construct the Index

Income

GDP per capita (2005 PPP Dollars) (Purchasing Power Parity)

GNI per capita (constant 2005 international PPP Dollars)

Remittances inflow (total worker remittances and compensation received as a percentage of GDP)

Multidimensional poverty index

Percentage of the population in multidimensional poverty

Intensity of deprivation

Education

Combined gross enrollment in education (both sexes)

Expected years of schooling (of children)

Mean years of schooling (of adults)

Adult literacy rate (both sexes)

Graduates in science and engineering

Primary school teachers trained to teach

Public expenditures on education (percentage of GDP)

Population

Population, total

Population, male

Population, female

Population, urban (percentage)

Average annual population growth rate

Adolescent fertility rate (women aged 15-19 years)

Crime

Homicide rate

Health

Health Index

Life expectancy at birth

Inequality-adjusted life expectancy

Maternal mortality rate

Under five mortality rate

Deaths due to malaria per 100,000 population

Children under five who are moderately or severely underweight for their age

Public expenditures on health as a percentage of GDP

Inequality

Income inequality, Gini coefficient

GII, Gender Inequality Index

Inequality-adjusted income index

Inequality-adjusted education index

Quintile ratio (ratio of the richest 20 percent to the poorest 20 percent)

Male-female ratio of labor force participation rates

Female-male shares of members of parliament

Communication

Fixes and mobile telephone subscribers per 100 population

Environment

Change in forest area, 1990 to 2010

Population living on degraded land

Greenhouse gas emissions per capita
dioxide emissions per capita

Carbon