# 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?

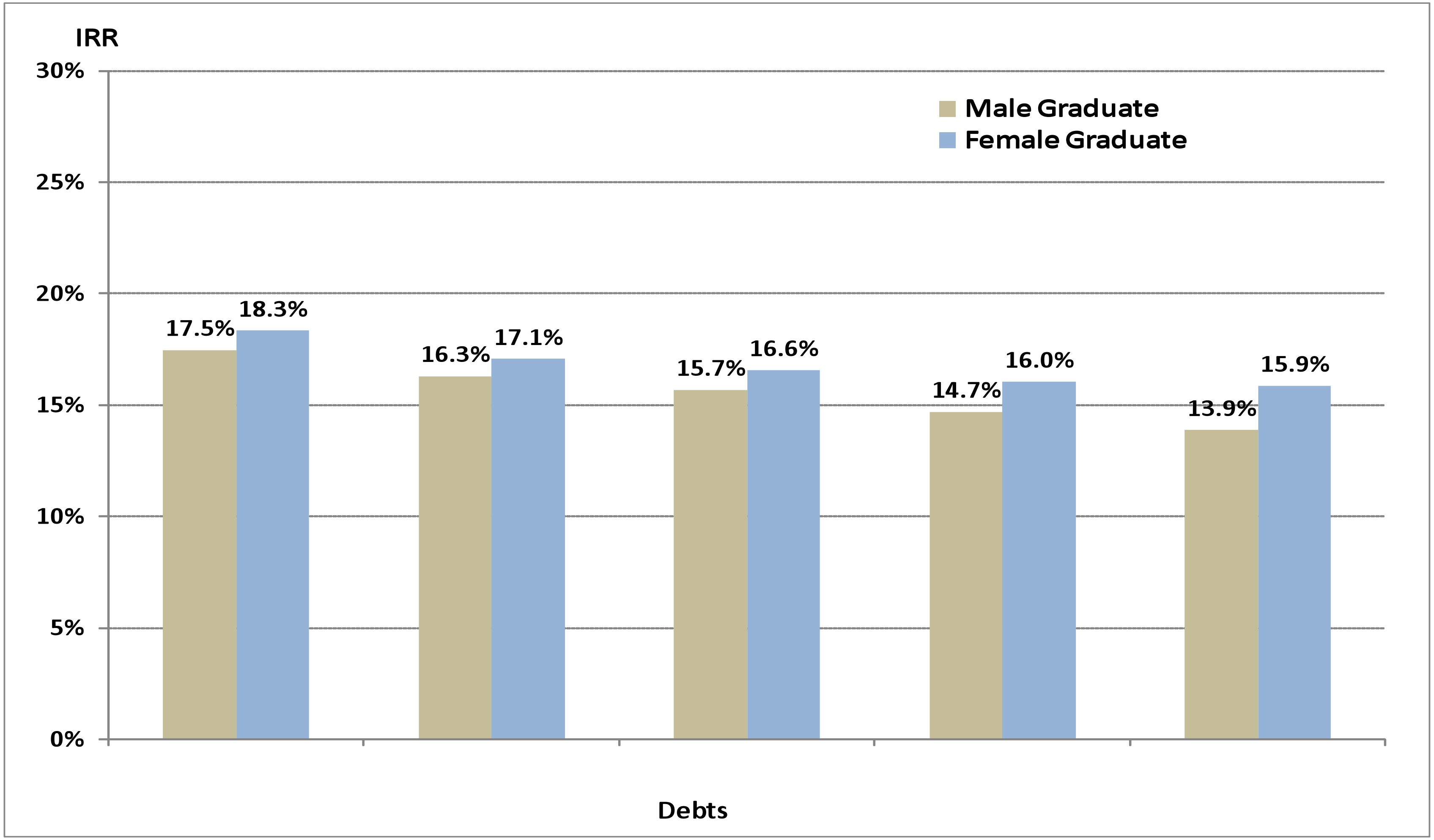
# 2 The Impact of HECS on Students: Evidence

(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)