Lesson 6 – LAQ

Should the government subsidize university education?

Introduction  
There are market failures in the university education as there is the presence of positive externality, imperfect market information in the industry and unequal distribution of income. These factors will contribute to underproduction and underconsumption which give rise to welfare loss, contributing to the absence of maximization of net social benefit gain. Consequently, it calls for government intervention and subsidy is one of the proposed solution.

Main body

1. briefly describe how market failures occurs and how subsidies are used to solve the DWL  
  
2. Why government should government provide subsidies?

One reason for the using subsidy is that it incentivises individuals to increase consumption of university education.

It also raises their purchasing power in relation to university education, induce their willingness and ability to spend - affordability eradicate market failures due to income equality.

3. Why government should not provide subsidies?

It increases in thecost of financing for social welfare - public debts - cut down reserve as part of national income is used to pay for debts / opportunity cost for other aspects of developmet

It is not addressing the root cause of lower level of uni edn - unwilling to pursue edn due to imperfect market information.

Conclusion