

•HOW DOES THE EDUCATION-ECONOMY RELATIONSHIP WORK?

A RESPONSE TO QUIGGIN AND MCCOLLOW

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The Foundation recently posted my article on credentialism, first published by Inside Story, together with [comments](#) by Roger Scott, John Dungan, John McCollow and John Quiggin.

The concern here is with the comments by Quiggin and McCollow. It seems that neither has done more than skim the article, for which I must take some of the blame. The article is long, perhaps inordinately so, and attempts a complex argument about the education-economy relationship, the human capital view of it, and public policy. It bites off more than it can chew, so I appreciate the opportunity to continue chewing.

Quiggin's premise

Quiggin asserts that the 'premise' of my argument is '100 per cent wrong', and by way of explanation refers the reader to his 1999 article 'Human Capital Theory and Education Policy in Australia', where he argues for the human capital approach and against its rivals, including screening theory. Screening theory focuses on the role of credentials in the education-economy relationship. Quiggin seems to have assumed that it therefore must have been the source of my argument, and that I share the premise he attributes to it, that education has 'no inherent value'. If so, and if I can borrow a phrase, he is 100 per cent (and revealingly) wrong.

The argument I outlined not only derives from disciplines other than economics, and from a stream of scholarship of which Quiggin appears to be unaware (including work Berg, Labare, Dore, Collins, and Marginson). It belongs to a tradition of social science (a 'conflict' approach) which differs fundamentally from the functionalism of mainstream economics, and suggests very different conclusions about the nature of the education-economy relationship and the role of credentialism within it.

To avoid further confusion I begin with an outline of a 'conflict' perspective on the place of credentialism in education-economy relationship; use that as the basis for a critique of human capital theory as advocated by Quiggin; and then compare the implications for public policy of the two perspectives. Those wishing to avoid yet more chewing may wish to go direct to the section "To summarise". I conclude with a brief response to McCollow's comments.

How 'credentialism' works, and what it does

The economic and technological change which got under way in late 18th century Europe generated and demanded new forms of knowledge, which sponsored new kinds of institutions to

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develop and transmit that knowledge (including technical colleges and new kinds of universities), and triggered competition between individuals and groups for its acquisition, control and use.

A new means to these ends was pioneered, in the Australian case, in the second half of the 19th century by medical practitioners. They succeeded in establishing a monopoly of an area of knowledge and practice by combining the medieval institution of the guild with the newer devices of a credentialed program of formal study and State regulation in areas including health, safety, education, and welfare. This arrangement required both 'time served' (vital to the education/credential providers) and a warranty of expertise via formal assessment. The combination legitimated the claim on the state by occupational group for protection of a monopoly.

Increasing numbers of occupations adopted this same mechanism to incorporate new knowledge and to defend and advance their own interests through 'definition by qualification' (as the engineers put it) and hence a new basis for 'occupational closure', a monopoly over which they had control.

This process worked its way out and down through a constantly-changing occupational structure and hence an ever-expanding proportion of the workforce and of the population as a whole. It also drove the expansion of formal education, and shaped the education system as a finely-graded hierarchy approximating that of the occupational structure.

The speed and direction of this inherently expansionary, ratchet-like mechanism depended on circumstances as well as its own logic. Triggered by economic and technological change, credentialism remained in constant interaction with them as well as with general levels of economic prosperity, security and expectation, and with the needs and policies of government. Hence the merely incremental advances in educational provision and credentialing until the second world war, and their explosive growth years after, encouraged by a rapidly-growing education industry and its many constituent groups.

Credentialism has helped to expand access to an extended education, and hence to bring marginalised social groups (women and migrants particularly) into the social mainstream. It has also forged a powerful link between scientific and humanistic knowledge (on the one hand) and social practice (on the other), and provided many members of the workforce with the means by which they could exercise a measure of control over the content, and the terms and conditions of their work. And even if that has involved a certain amount of conspiring against the public, as Adam Smith famously alleged, it has also provided the public with unprecedented levels of defence against incompetence and malpractice.

On the other hand credentialism has been an important source of problems in education, and often an obstacle to their solution.

First, it interposed formal education between the labour market and the labour process, displacing or marginalising the existing, work-based system of learning, often at the specific behest of occupational groups including nurses, teachers, and engineers. Competition between individuals for credentials has shifted their focus from learning to do a job to learning to get a job. Competition between occupational groups via credentials has encouraged ever-longer courses of study padded out with high-status and therefore esoteric and abstracted knowledge, putting practical and craft knowledge at a discount, and reducing student engagement and comprehension. Less obvious is the attenuation of workplace culture which follows the loss of responsibility for teaching and learning. Extended, formal, front-end education is a low-productivity form of learning.

Second, credentialism is a zero-sum game in which education becomes a positional good. Where there are winners there are also losers, and those entering the game best equipped to win usually do. More important than this distributional inequality is structural inequality, the distance between the best and worst educational experiences and outcomes, and the proportion (rather than the social composition) of the population allocated to each of the rungs between best and worst. Credentialism pushes the system toward (unequally distributed) opportunity to get the best rather than providing the highest possible proportion with the best possible experience and attainment.

Third is the problem of costs. As increasing numbers of individuals and groups are drawn into the competition for more and better credentials, costs rise, and in the Australian case they have shifted

from employers to governments to consumers. At the same time the number of claimants for rewards tends to increase more rapidly than the rewards available, a phenomenon visible in 'over-education', 'credential inflation', and rising student debt.

In summary, economic and technological change has been a powerful force for change and expansion in education and training and, to a lesser extent, vice versa, but not directly so. Their interactions have passed through the great amplifier and distorter of 'credentialism', driven by the struggles of the bearers of economically-useful skills and knowledge to make them serve their own purposes as well as the purposes of their employers, with consequences both positive and negative for education and workplaces.

The human capital approach

As Quiggin's article illustrates, human capital theory is not the only attempt by economists to understand the education-economy relationship, and has itself taken directions ranging from detailed (and very useful) analyses of the conditions of effective use of 'human capital' within firms to the much more prominent account of the relationship between education systems and national economies.

In the 'big' human capital argument formal education and training offer a good return on investment by individuals and governments alike because they impart knowledge and skills which improve individual, firm, and national productivity, as well providing other personal and social benefits.

In something of an understatement, Quiggin says that this argument 'is dominant in economic analyses of education throughout the world'. He attributes this success to the development of a large body of supporting evidence, but draws less attention to a large body of criticism and dissent, much of it from economists. Does economic growth in fact correlate with expenditure on education? If so, which came first, the growth or the expenditure? Is it education which increases the workplace performance of individuals, or a combination of native ability with learning elsewhere? Do improvements in the productivity of individuals in fact drive productivity at the level of the firm, the industry, and the economy? Answers to these and other questions are by no means agreed.

A more thorough-going but much less common criticism focuses not on what the human capital argument says but on what it leaves out. Looking at the education-economy relationship as it does through the functionalist lens, human capital theory sees only economic transactions, missing much which is neither economic nor functional.

The problem arising is that human capital theory can not see or understand one of the fundamental constituents of the education- economy relationship. It does notice what it calls 'credentialism', but only as a marginal malfunction, an over-supply of educated labour to be resolved by the workings of the market and/or public policy, and certainly not to be regarded as a core logic within the education-economy relationship. To the extent that human capital theory is wrong (as its many critics allege), it is wrong because it is radically incomplete. In misunderstanding a central component it misunderstands the whole.

In putting credentialism on the margins and stressing the economically functional in education, human capital theory has been a boon to the education industry, and in turn its adoption by the education industry as gospel has driven the theory to dominance.

There is a remarkable degree of correspondence between the shape of the theory, what it does and does not see, and the interests of that industry. Ostensibly concerned with skills and knowledge, human capital theory has in fact privileged formal education as the means of their acquisition. It has given unqualified support to growth and yet more growth in education. It has had much more to say about the supply of human capital than its use. It has assumed that human capital formation is predominately a matter of front-end loading of individuals rather than or as well as the development of the organisation and culture of workplaces.

Human capital theory has generally ignored the zero-sum game in which individuals and occupational groups are engaged, and fails to recognise that a relative gain by one is a relative loss by another. It asserts that the many individual benefits associated with higher educational qualifications flow from the education process rather than, or as well as the social positions to which higher qualifications give access. So rose-tinted are the theory's spectacles that it treats 'expenditure' and 'investment' as synonyms, and conflates education's consequences with its 'benefits'. It has no sense at all that for a sizeable minority formal education is much closer to being a detriment than a benefit, a bad experience with bad consequences.

The theory assures us that an education system optimised for economic growth is also socially and culturally bountiful, but pays little attention to education's role in making a democratic social order on which economic growth depends. In its own mind the hardhead of the family, human capital theory is closer to being its Dr Pangloss, suggesting that all is for the best in this the best of all possible worlds.

Quiggin's '[Human Capital Theory and Education Policy in Australia](#)' provides a case in most of these points.

It would be difficult to argue that this correspondence is a happy coincidence. Human capital theory was developed at the heart of the world's first mass education industry (at the University of Chicago), and from the outset it drew no clear line between advocacy and analysis, description and prescription. It was taken up almost immediately by the OECD (the Organisation for Economic Cooperation and Development – italics added) as the means by which it could 'align' education with economic growth, a cause eagerly embraced in Australia by the Martin Committee (1964), and then by the emerging education industry as well as by many economists, most them members of that industry, sharing its interests and outlook.

Within two or three decades human capital theory came to provide not just arguments and evidence for policy but its assumptions and means of thought. Thus advised, public policy has fuelled credentialism rather than managed it. It has driven expansion of the system rather than focus on its shape and disposition; concentrated on distributive rather than structural equality; encouraged more and longer front-end formal education rather than work-study combinations and workplace learning; given priority to the top half of the system rather than the bottom; taken for granted the right of education providers and occupational groups to set the terms on which knowledge and skill will be made negotiable in the labour market, and concentrated on the provision of skills and knowledge rather than their use; and has concerned itself with the provision of formal education rather than learning and its recognition, irrespective of how, when and where it was undertaken.

To summarise

An account of the education-economy relationship derived from the 'conflict' tradition of social science is superior, as both an explanation of that relationship and as a guide to public policy, to that offered by economics within the functionalist tradition, and particularly the most influential of its strands, 'human capital theory'.

The key advantage of the former is its understanding of credentialism, particularly of the close relationship between credentialism and the process of economic and technological change (on the one hand) and of the pervasive influence of credentialism on formal education (on the other). A key disadvantage of the latter is that it treats credentialism as a mere by-product of or malfunction in the education-economy relationship.

Human capital theory emerged at the point of take-off in the growth of the education system, and developed in close association with that growth and with the interests of the education industry. The 'shape' of human capital theory (what it sees/does not, and its temper, or general orientation) corresponds closely to the interests of the industry.

Key propositions from human capital theory have become part of the commonsense of the age, and have influenced policy in directions which encourage credentialism rather than manage it. An

analysis which understands that education is a gravy train as well as a powerhouse (to use the title of my article), and hence the influence of credentialism on the size, disposition, and culture of formal education, would suggest a very different policy orientation.

McCollow's comments

McCollow suggests (first) that my article makes no mention of 'the chill winds of neo-liberalism'. This is in fact not the case. In the section on the character of credentialism appears the following: 'It can be argued that from the introduction of HECs in the 1980s through to Bradley's "demand-driven system" it has been market economics rather than human capital theory that has given the expansion objective its golden run. But market economics has served mainly to clear obstacles on a course long since chartered by human capital theory.' This passage draws on and makes explicit earlier analysis of the 'user pays' policy, among other things.

Second, McCollow refers the reader to Marginson's recent paper on the worldwide trend toward participation in higher education, suggesting that it is 'directly relevant' to the issues raised, and commending its 'much more measured approach'. With many others in this broad field I have often relied upon Marginson's work, and did so in this case too, using an article covering similar ground to the article referred to by McCollow (and linked in my discussion of fairness and equity).

There is no inherent virtue in being more or less 'measured'. Surely that depends on whether the approach and tone are appropriate to the subject matter. It may be that in this case Marginson is more 'measured' because he emphasises the relatively benign phenomenon of rising familial aspirations. '(The) expansion of higher education', he says, 'is primarily powered not by economic growth but by the ambitions of families to advance or maintain social position'. My own approach is to note those rising familial aspirations (see the discussion in my article of research field work conducted in the late 1970s), but to locate them within a larger historical, political and economic dynamic. To put the point another way: why have family ambitions risen? An answer worth much more consideration than it has been given is: credentialism.