GOVERNMENT FUNDING OF EDUCATION: FACTORS OF RATIONALITY IN THE XXI CENTURY

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The paper assesses economic role, effectiveness and appropriateness of governmental education funding. Based on the authors’ methodology a correlation between dynamics of Government expenditures on education and main macroeconomic indices in the period 2001-2018 was conducted. Findings on the sharp declining of public expenditures’ on education cost-effectiveness, author’s recommendations on the national strategy for labor intellectualization modernization were also offered.

Keywords: Education, Government Spending, Budget, Economic Growth, Economic Structure, Global Economy

Introduction

Despite the fact that education can be a highly profitable and effective form of commercial activity, attractive for private investment and sustainable to the crisis, the role of the state budget in public education development, ensuring its availability for the local population majority maintains a leading and decisive importance.

Purpose of the study: based on the countries’ modern macroeconomic indicators analysis, to determine the correlation between dynamics of government expenditure on education and criteria for the national economic growth, for transformation of their economic structures and input-output balance.

The following objectives of the study were set:
- Evaluate the role of Government expenditures on education in modern countries’ economies’ growth;
- Test hypotheses about the interdependence between countries’ economic growth and national education duration;
- Analyze the correlation between Government spending on education and main indices of economic and social development of the modern states;
- Offer conclusions on the structural and economic impacts of public expenditure on education in biggest countries of the world.

Methodology

For study we analyzed 61 countries. Their classification by geographical location and level of material well-being is given in Tab. 1.
Table 1 – Classification of analyzed countries

<table>
<thead>
<tr>
<th>Geographical location</th>
<th>Number of analyzed countries</th>
<th>Number of analyzed countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>North and Central Europe</td>
<td>12</td>
<td>East Europe</td>
</tr>
<tr>
<td>South Europe</td>
<td>6</td>
<td>Middle East</td>
</tr>
<tr>
<td>Formed USSR</td>
<td>5</td>
<td>Asia Pacific</td>
</tr>
<tr>
<td>America</td>
<td>8</td>
<td>Africa</td>
</tr>
<tr>
<td>Material well-being (in 2014)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rich countries (GDP/per capita is higher than 40,000 USD)</td>
<td>21</td>
<td>Mid – poor countries (GDP/per capita is higher than 10,000 USD)</td>
</tr>
<tr>
<td>Mid – rich countries (GDP/per capita is higher than 20,000 USD)</td>
<td>16</td>
<td>Poor countries (GDP/per capita is less than 10,000 USD)</td>
</tr>
</tbody>
</table>

Follow indices of government expenditures on education in 2001-2014 (collected by World Bank) were used in the research:

I1 - Expenditure on education as % of total government expenditure (%)
I2 - Expenditure on secondary as % of government expenditure on education (%)
I3 - Government expenditure on education as % of GDP (%)
I4 - Government expenditure per primary student as % of GDP per capita (%)
I5 - Government expenditure per secondary student as % of GDP per capita (%)
I6 - Government expenditure per tertiary student as % of GDP per capita (%)

In the research a correlation of selected indices of government expenditures on education with follow national macroeconomic indicators in 2001-2014 was calculated:

J1 - Agriculture, value added (% of GDP)
J2 - Exports of goods and services (% of GDP)
J3 - Foreign direct investment, net inflows (% of GDP)
J4 - GDP at market prices (current US$)
J5 - GDP growth (annual %)
J6 - GDP per capita (current US$)
J7 - GDP per capita growth (annual %)
J8 - Gross capital formation (% of GDP)
J9 - Gross savings (% of GDP)
J10 - Industry, value added (% of GDP)
J11 - Services, etc., value added (% of GDP)
J12 - Trade (% of GDP)
J13 - Trade in services (% of GDP)

Conclusion

Carried out statistical study of correlation between government expenditures on education and main indicators that characterize the national economic system structure, the
dynamics of national economy growth, the state of national financial markets, allows to make number of conclusions on economic role of education programs public funding in the 21st century.

As can be seen from Fig. 1, there is no relationship in the 21st century between the educational process duration in the countries of the world and their economic development (even economic growth). It indirectly confirms the hypothesis that in 21st century the quality indicators of the education economic role replace quantitative ones. Economic growth can be much more guaranteed by national programs of global scientific potential attraction, rather than by expensive, durable and often not effective (for example, in controlling the public funds distribution) projects.

The growth of Government spending on education does not encourage the prior development of service industries. Moreover, it causes an increasing of agriculture and industry economic importance in most analyzed countries.

This conclusion can be easily justified by wider prospects of educated person employment in agricultural or industrial corporations, which, firstly, as well as service spheres can and should be high-tech, super-professional, and secondly, should be able to provide higher wages and labor warranties (than most service businesses) for employees. The national economies restructuring with service sectors’ detriment in the 21st century has become a reality everywhere, started with the collapse of Internet companies in the beginning of the century, series of regional and global financial crisis, constant growth of natural raw materials and food prices (observed until 2014).

Government expenditure on education lost their role of trade development stimulant. On the one hand, education can stimulate consumer demand for goods of higher quality. On the other hand, the growths of education can devalue itself and reduce the prospects for diploma holder to get a higher salary. Therefore, consumer demand stimulating importance of education can also be reduced (which became characteristic for the beginning of the 21st century).

The level of national GDP is largely defined by Government expenditures on primary education, while the growth of public financing of secondary and tertiary education is only limits indicators of economic development. It is obvious that in our time the States fully reaping benefits of powerful financing of primary education, which took place 30-40 years ago. The third - fourth generation of educated people (in countries of Asia, Africa, Latin America) who are able to use sophisticated machines and capable to find relevant information and to educate themselves, and therefore capable to work more effectively and at the same time aware importance of quality education for its own children, provides a resource for rapid economic growth (which is the most dynamic in the 21st century just in the countries of Asia and Africa).

It can be noted that expenditures on all types of secondary education (including post-top program) causes a reduction of economic growth in the majority of countries. It can be explained, firstly, by high cost of public secondary and tertiary education programs, by low demand for holders of Masters or Doctors diplomas in most developing countries, by very low level of relationship between education and real labor productivity in most non-innovative industries or in developing countries. It is obvious that the potential of higher postcollegiate education to stimulate national economy will be realized in the long term, and only in case of the national, internal usage (not for unregulated export) of intellectual potential of university graduates.
As an important conclusion we can define a straight-dependence between government expenditure on secondary education and level of national investment attractiveness. Obviously, people with higher education are more likely to be entrepreneurs (creation of business ideas, abilities to run competitive business) that explains the growth of enterprises’ fixed assets, the growth of citizens’ savings, indirectly determines the competitiveness of national business environment and its investment attractiveness.

Meanwhile, the main limitation of the study has to be mentioned. It is a high heterogeneity of analyzed countries, their significant differences (both in education expenditures criteria and indices of socio-economic developments).

In the future, it is advisable to analyze the dynamics of selected indicators correlation within the groups of countries, classified by geographical (neighboring countries), economic (rich, poor and middle-income countries) and territorial (large and small countries) features.

References


CHINA BUDGETARY-TAX POLICY IN THE CONDITIONS OF THE WORLD ECONOMY GLOBALIZATION

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This article analyzes the fiscal policy of the People's Republic of China. The dynamics and structure of income and expenses of the consolidated budget of China are analyzed. The share of tax revenues in the revenue structure of the consolidated budget of the state is estimated.

Keywords: PRC Budget, Budget Revenues, Budget Expenditures, China's Consolidated Budget, Tax Revenues, Non-Tax Revenues

Introduction

Today, China is the leading economy of the world, having a significant impact on the development of world economic relations in the context of globalization. This is due to an effective foreign trade and foreign economic policy pursued by my government over the past forty years. However, it must be understood that China's external economic achievements largely depend on the effectiveness of the country's domestic financial policy in general and budget planning in particular.

The stability of the state in the economic plan is due to the efficiency of conducting foreign trade operations on the one hand and the competent internal budget and tax policy of the central and local governments on the other hand. The financial policy of the state makes it possible to stimulate business activity and production processes, and the use of tax and non-tax incentives in the business system allows to qualitatively increase business processes in various sectors of the national economy [2, 4].

China's proclaimed domestic policy in the field of budgetary and tax relations is the opportunity to use this experience in the system of industrial economies to increase the