

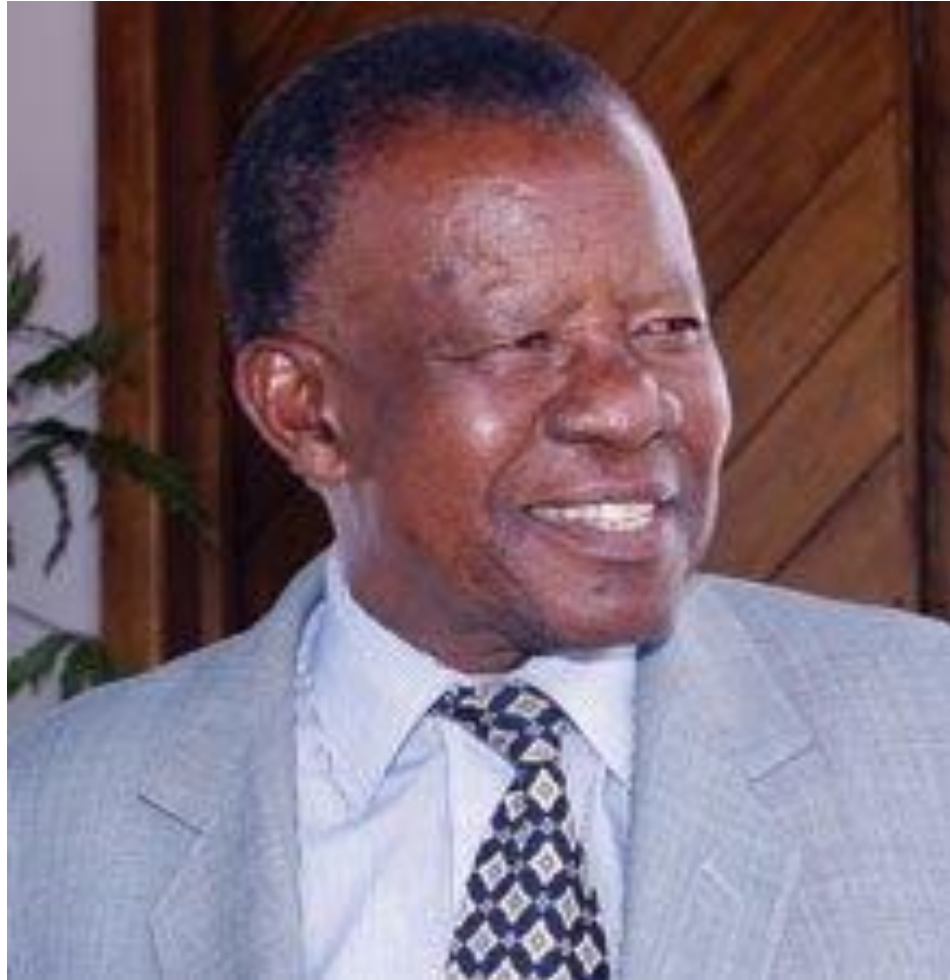
VISION **2016** AND THE  
ECONOMICS OF EDUCATION:  
*A CASE STUDY OF TWO FORMER  
BAC STUDENTS*

*by*

**Baitshapi Tebogo,**

BCOM, MBA, ACMA, ACCA, ACPA (Bots)

# Vision 2016



Sir Ketumile Masire

# What is vision 2016?



# Vision

- “Leaders establish the vision for the future and set the strategy for getting there; they cause change. They motivate and inspire others to go in the right direction and they, along with everyone else, sacrifice to get there.” *John Kotter.*

# Vision



The Mediterranean

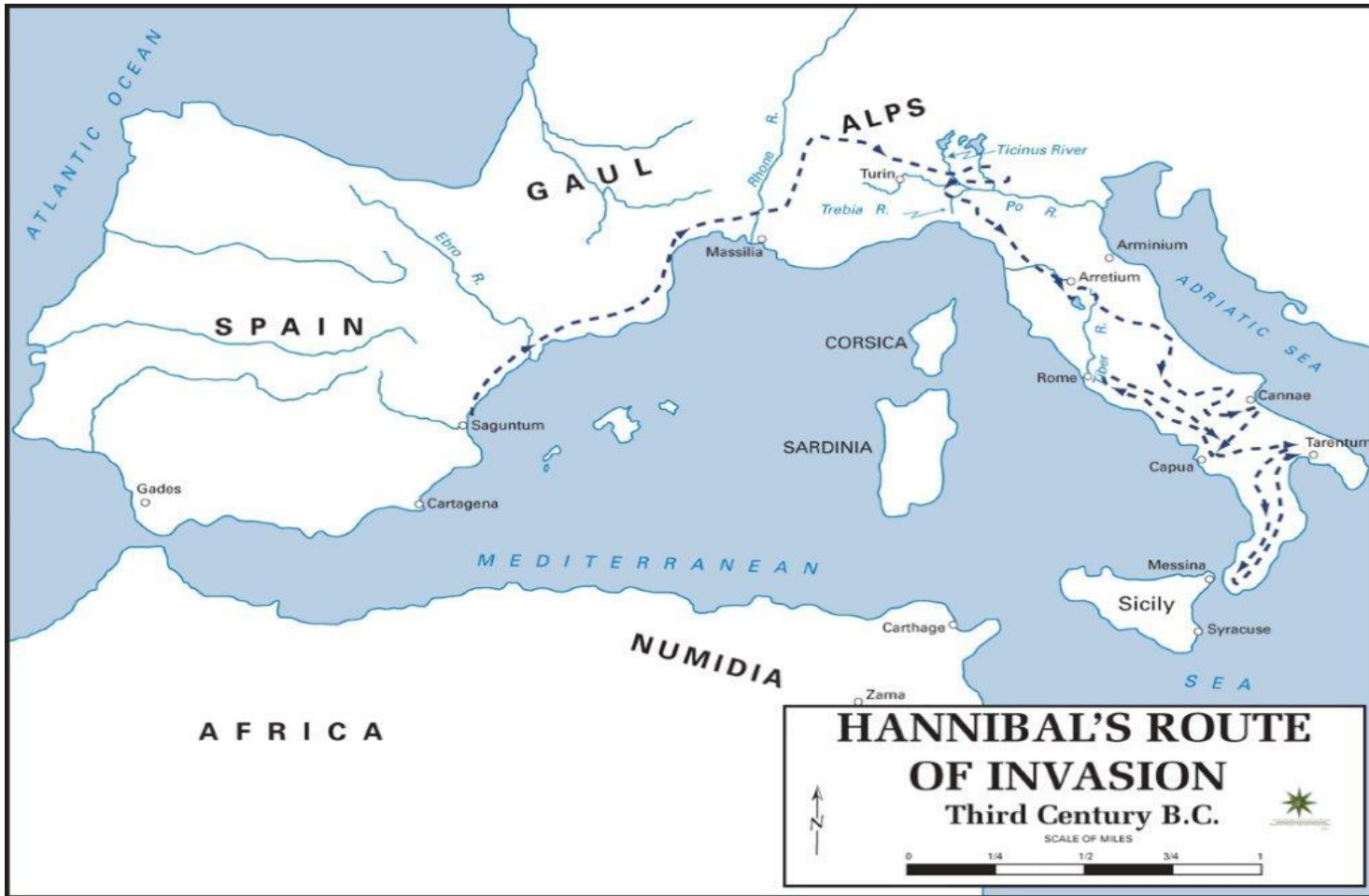
# Vision



I swear so soon as  
age will permit...I  
will use fire and  
steel to arrest the  
destiny of Rome

Hannibal, The Carthaginian

# Vision



# Education

- “It must be remembered that the purpose of education is not to fill the minds of students with facts... It is to teach them to think.” “The object of education is to prepare the young to educate themselves throughout their lives.”

Robert M. Hutchins

# Education

- It has been argued that high rates of education are essential for countries to be able to achieve high levels of economic growth.
- Empirical analyses tend to support the theoretical prediction that poor countries should grow faster than rich countries because they can adopt cutting edge technologies already tried and tested by rich countries.
- Recent study of the determinants of aggregate economic growth have stressed the importance of fundamental economic institutions and the role of cognitive skills.

# Education, ROI

- The concept of the rate of return on investment in education is very similar to that for any other investment. It is a summary of the costs and benefits of the investment incurred at different points in time, and it is expressed in an annual (percentage) yield, similar to that quoted for savings accounts or government bonds.
- Returns on investment in education based on human capital theory have been estimated since the late 1950s. Human capital theory puts forward the concept that investments in education increase future productivity.
- There have been thousands of estimates, from a wide variety of countries; some based on studies done over time and some based on new econometric techniques. All reaffirm the importance of human capital theory.

# Economics of Education

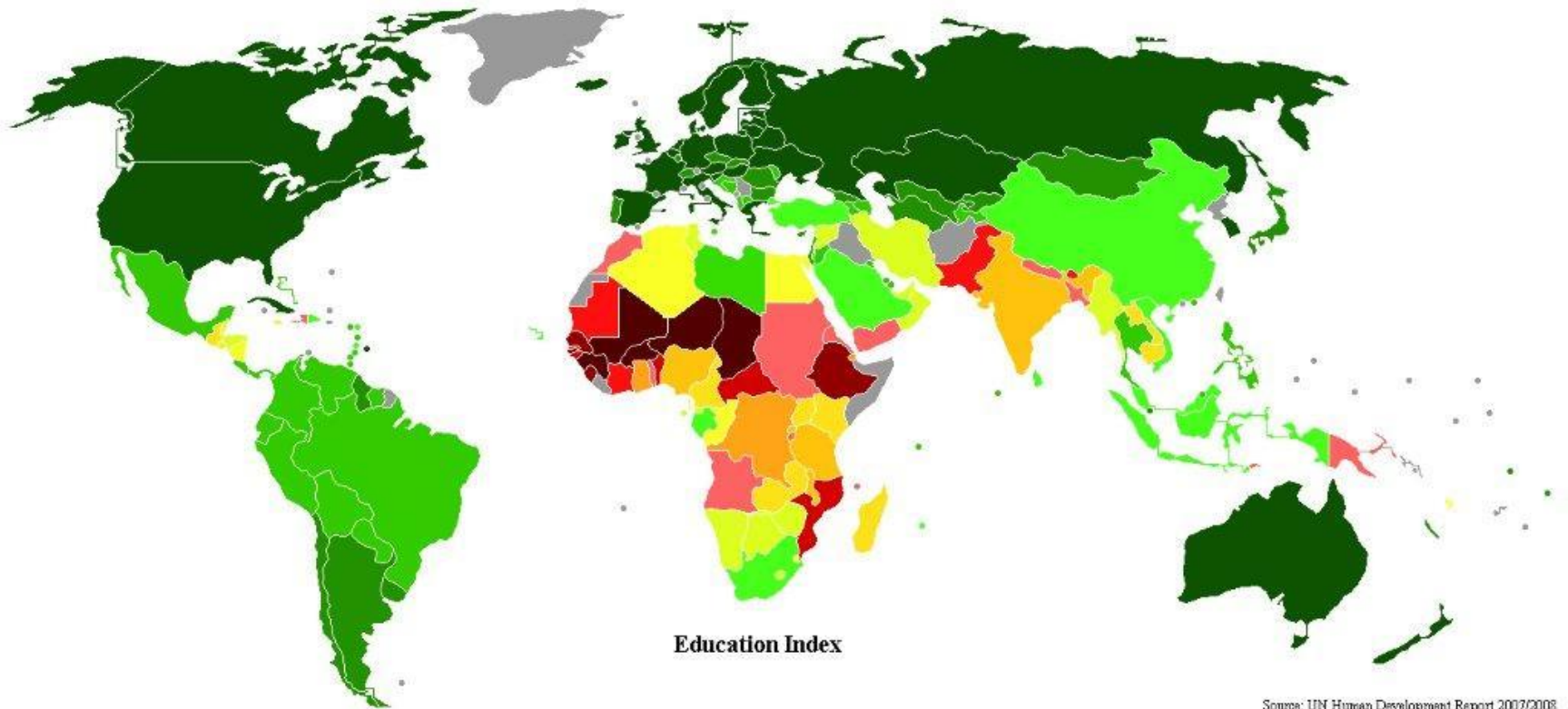


Adam Smith

# Economics of Education

- “...the acquisition of such talents, by the maintenance of the acquirer during his education, study, or apprenticeship, always costs a real expense, which is a capital fixed and realised, as it were, in his person. Those talents, as they make a part of his fortune, so do they likewise that of the society to which he belongs. The improved dexterity of a workman may be considered in the same light as a machine or instrument of trade which facilitates and abridges labour, and which, though it costs a certain expense, repays that expense with a profit...” *Adam Smith*

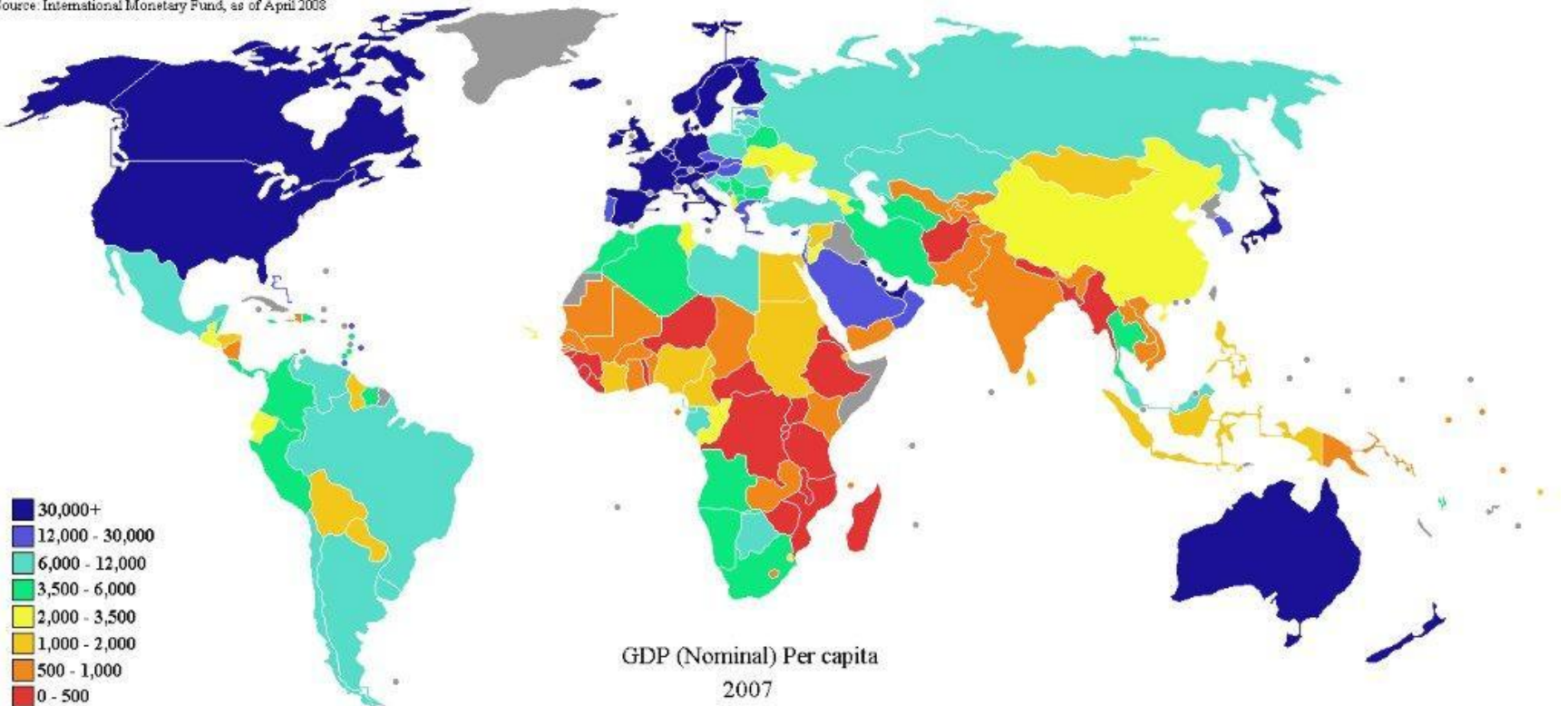
# Education Index



high medium low

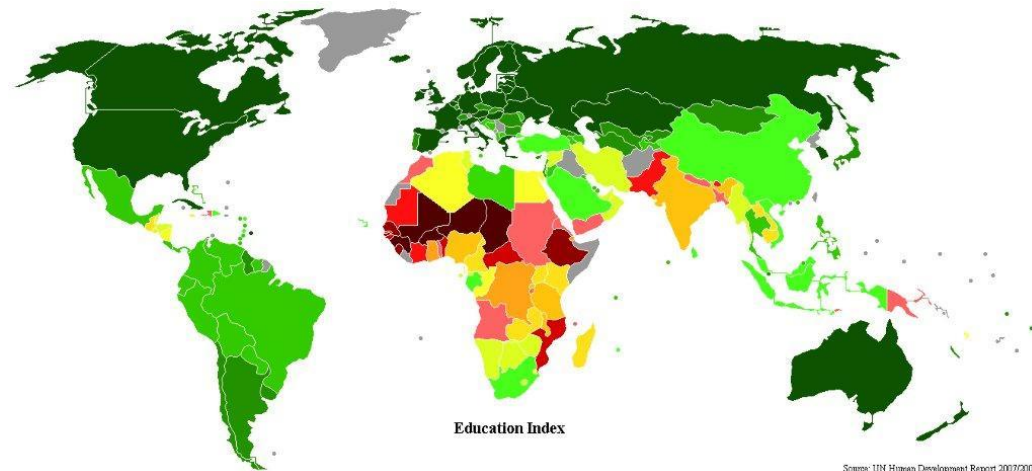
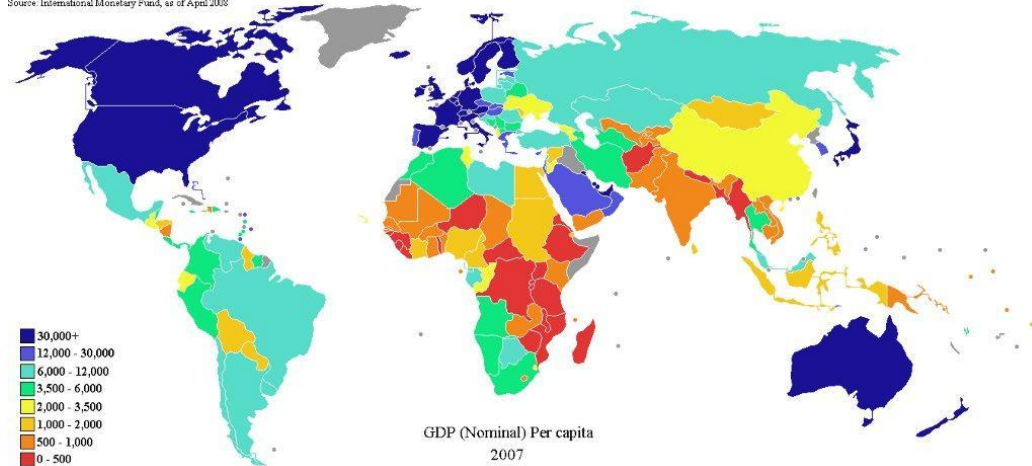
# Economics of Education: Nominal GDP per capita

Source: International Monetary Fund, as of April 2008



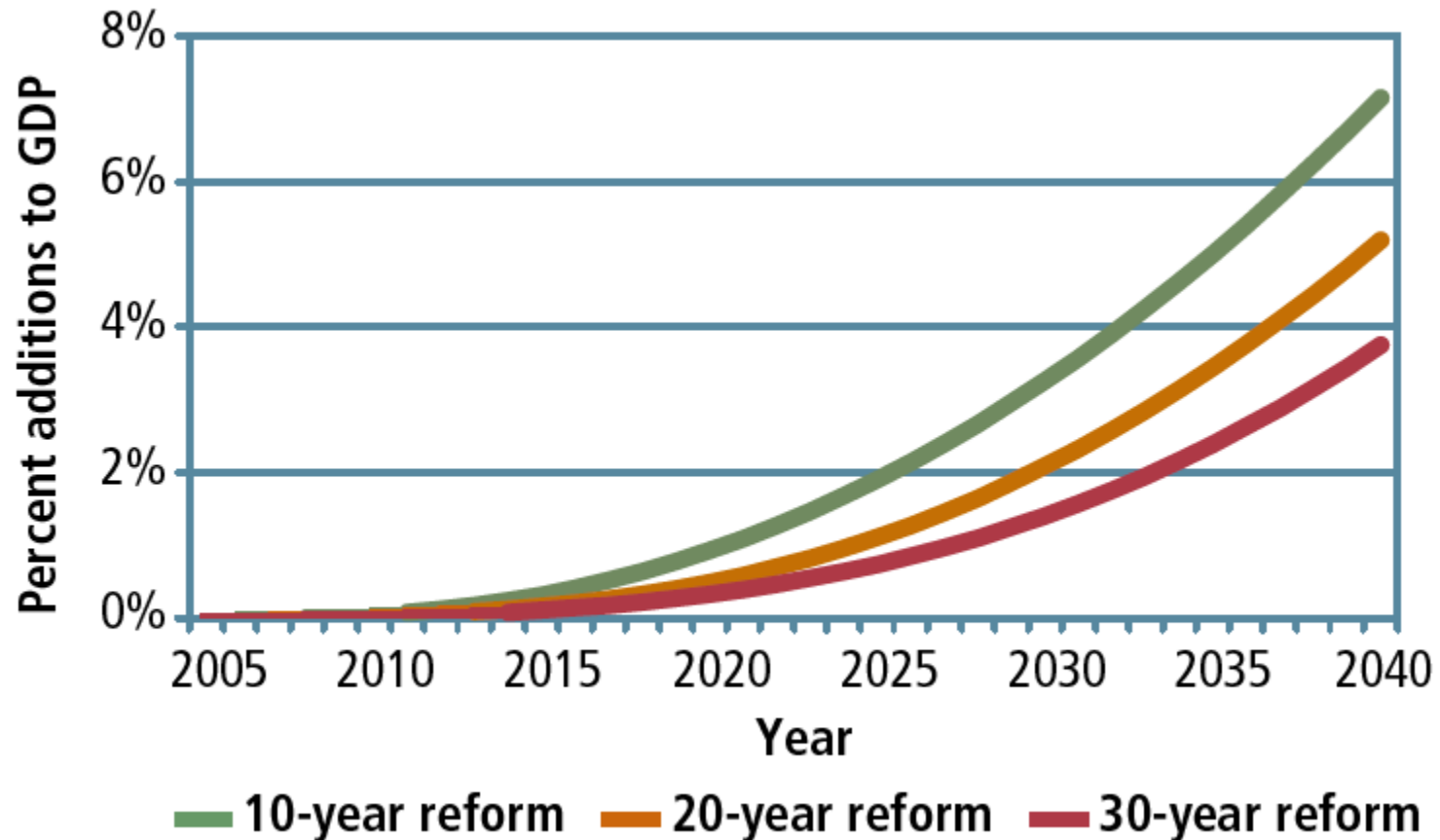
# Economics of Education: Nominal GDP per capita *versus* education Index

Source: International Monetary Fund, as of April 2008



Source: UN Human Development Report 2007/2008

# Economics of Education: Improved GDP with moderately strong knowledge improvement



(Hanushek et al. 2001)

# Economics of Education

- Education occupies a central position in the policies of governments around the world and is almost always heavily subsidized. The underlying justification for governmental involvement takes a variety of forms, but increasingly it is suggested that expanded educational investments both:
  - Strengthen the national economy, and
  - improve the societal distribution of income and welfare. (Hanushek et al. 2001)

# Economics of Education

- 23 percent of the US growth in real national income from 1929 to 1957 can be attributed to education.
- An average high school graduate of 1961 could expect to earn  $\frac{1}{3}$  more in his life time than an elementary school graduate, and a college graduate could expect to earn  $\frac{2}{3}$  more than the high school graduate (US Office of Education)

# Economics of Education

- Assume that an eighteen-year-old secondary-school graduate decides to invest in a four-year university degree. Such a student will have to contemplate and compare the costs and benefits associated with going to college. The cost per year for tuition and other related expenses (P50,000 in this hypothetical case) is the direct cost. In addition, the student will incur an indirect (or opportunity cost) because he or she will not be able to work while attending college. This cost is approximated by what the average student with a senior secondary school certificate earns in the labour market, perhaps P20,000 per year. On the benefits side, the student expects to be making, on average, approximately P70,000 more p.a than a secondary school graduate over his or her lifetime after graduating from college.
- What is the return on investment to the college graduate?
- 25%
- A rough way to summarize the above costs and benefits is to divide the annual benefit of P70,000 by the lump-sum cost of P280,000. The logic of this calculation is similar to that of buying a P280,000 bond giving an annual coupon of P70,000. The yield of the bond is 25 percent. However, such a high earning bond is hard to come by in real life, so put your resources in education!

# Economic ation



# The Case:

*Kebonyemodisa*



*Maria*



# Why should you care?

- Top ranked countries by GDP, years 2000-2050 forecast: North America, Europe and China dominate, Africa ranks bottom. (2008 World Fact Book)
- Best universities, no African university features in the top 100. Best 15 are USA! Lagging behind in research/ partnerships with the Corporate world ,e.g. Kellogg Business School (North-western).(2008 World Fact Book)
- Most polluted city. To be found in Africa- Cairo! (2008 World Fact Book)
- Unemployment , of the 15 countries with the worst unemployment statistics 8 are from Africa (2008 World Fact Book)
- FDI, only South Africa features in the top 30 (2008 World Fact Book)
- Only a handful, Angola, Kenya & Libya have FDI worth more than US\$1billion p.a. (i.e. Apart from RSA)
- Most of the global debt is in North America and Europe. Why? Debt is a cheaper source of funding-bonds! (2008 World Fact Book)

# The future

- Invest in quality education; be education entrepreneurs!
- Strategic alliances/ franchising- e.g. American University in Bulgaria, SMC & Universidad Mayor
- Online learning- require little infrastructural investment
- Most facilities are online, and electronic
- Example: Elsevier, LSBF, BPP already providing tuition electronically
- Professors/ lecturers can easily be outsourced from other universities/ colleges without leaving their regular jobs
- Quality can be authenticated by national accreditation bodies as well as international accrediting organisations, e.g. AACSB, ASBCP, IACBE etc.
- Examples: Northcentral, Walden, Phoenix, Herriot-Watt, University of Maryland University College, Capella, DeVry etc.

Thank you for listening

**THE END**