



The Swan Group: Education Policy and Economic Growth

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Irish Education Policy for a Globalised World: A Policy for Chasing Black & White Swans*

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Funded by the FBD Trust

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The authors would like to thank Ms. Cathleen McCarrick & Ms. Sinead Bevan for their research & technical assistance.

Introduction

- Members of the Swan Group
- Aim of our research
- Methodology
- Innovation, Education and Economic Growth – Where are the links?



Education & the Curriculum

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Education, Innovation & Uncertainty

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Standard Theory

■ The Lucas Approach

- education improves the growth *rate* of human capital
- this leads to a higher growth rate of GDP in the steady-state

■ The Nelson-Phelps/Aghion-Howitt Approach

- education/R&D improves the *level* of human capital
- which leads to more innovations
- which leads to a higher growth rate.



Our Research

- Evolutionary Approach (Austrian)
 - Risk v Uncertainty
 - white swans v black swans
 - imitation v innovation
 - innovation as a factor of production

- The problem of irreversible investment
 - Gap between decision maker and stockholder
 - Incomplete Markets

- Microeconomics (asymmetric information)
 - public v private
 - rent-seeking v entrepreneurship

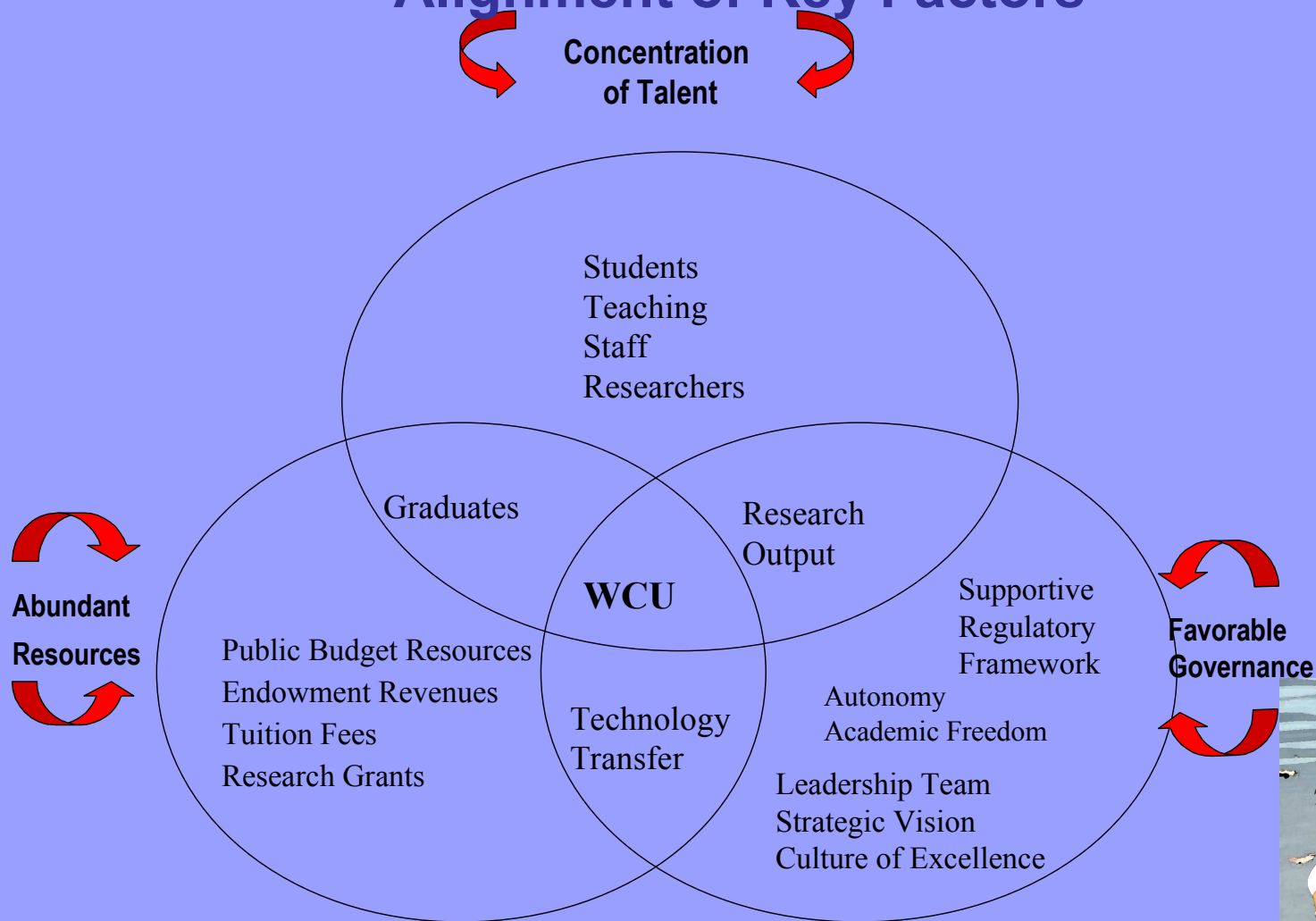


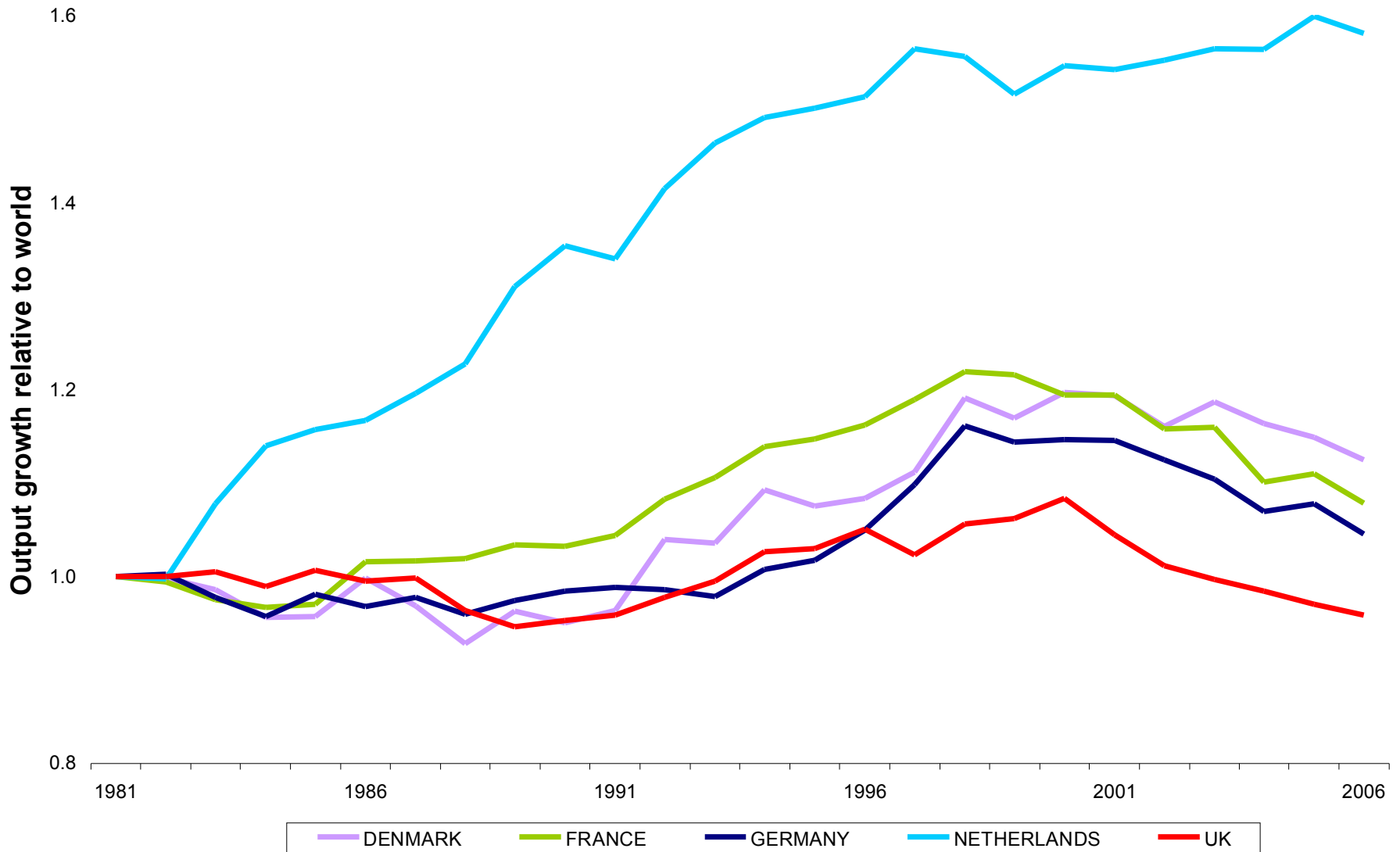
Key Points

- The debate on education does not take place solely on the level of funding but on the systems of governance that organise the activities of that system.
- The uncertain nature of innovation and the results of education.
- There is not a direct link between higher education and higher incomes *per se*.
- Innovation is the flip-side of entrepreneurialism.
- There is an acute lack of available capital to support start-ups in Ireland.
- Legal roadblocks due to antiquated administrative law and not taking an entrepreneurial approach to IP law policy.



Characteristics of a World-Class University Alignment of Key Factors

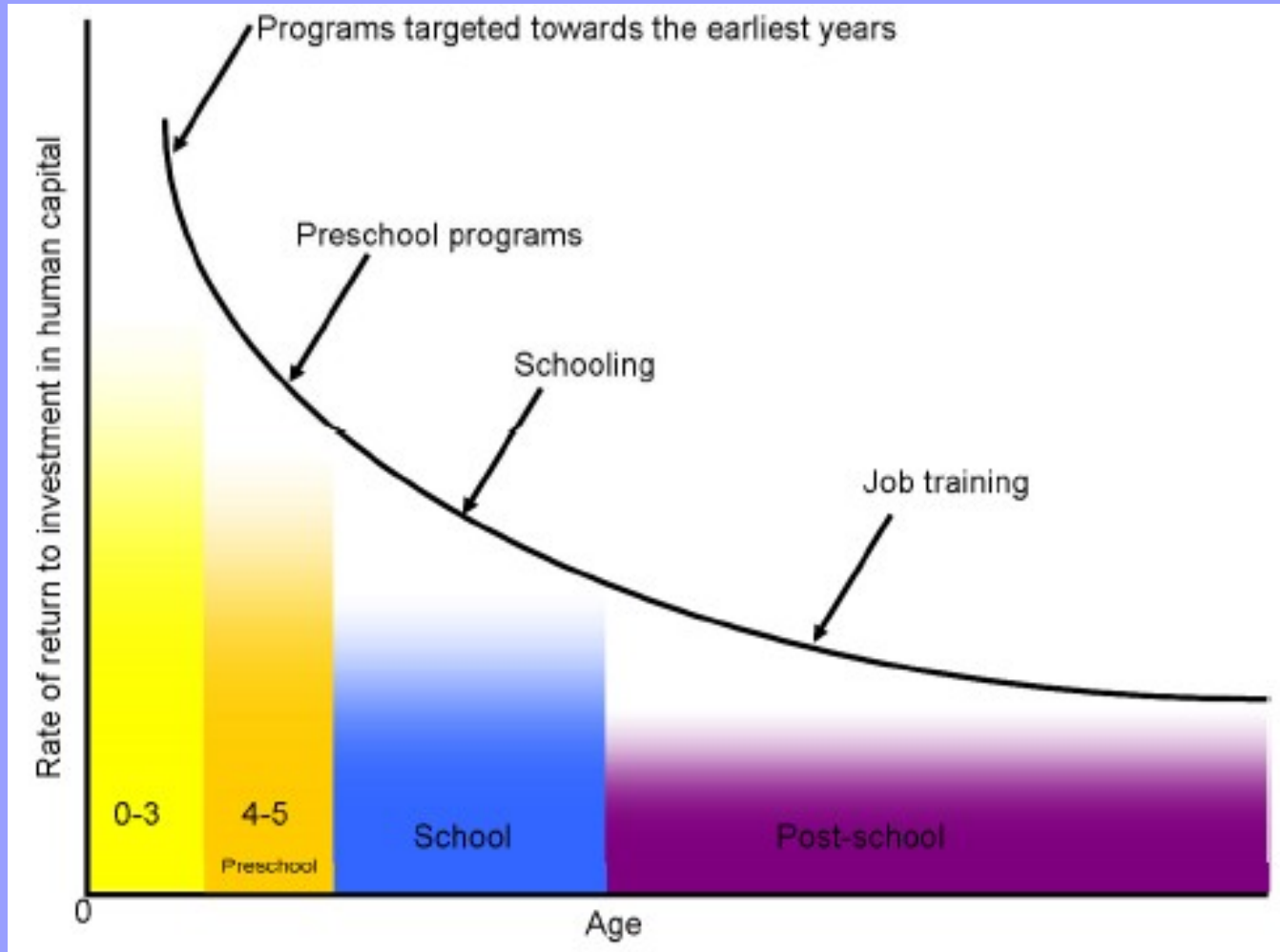




Source: Jonathan Adams, Evidence

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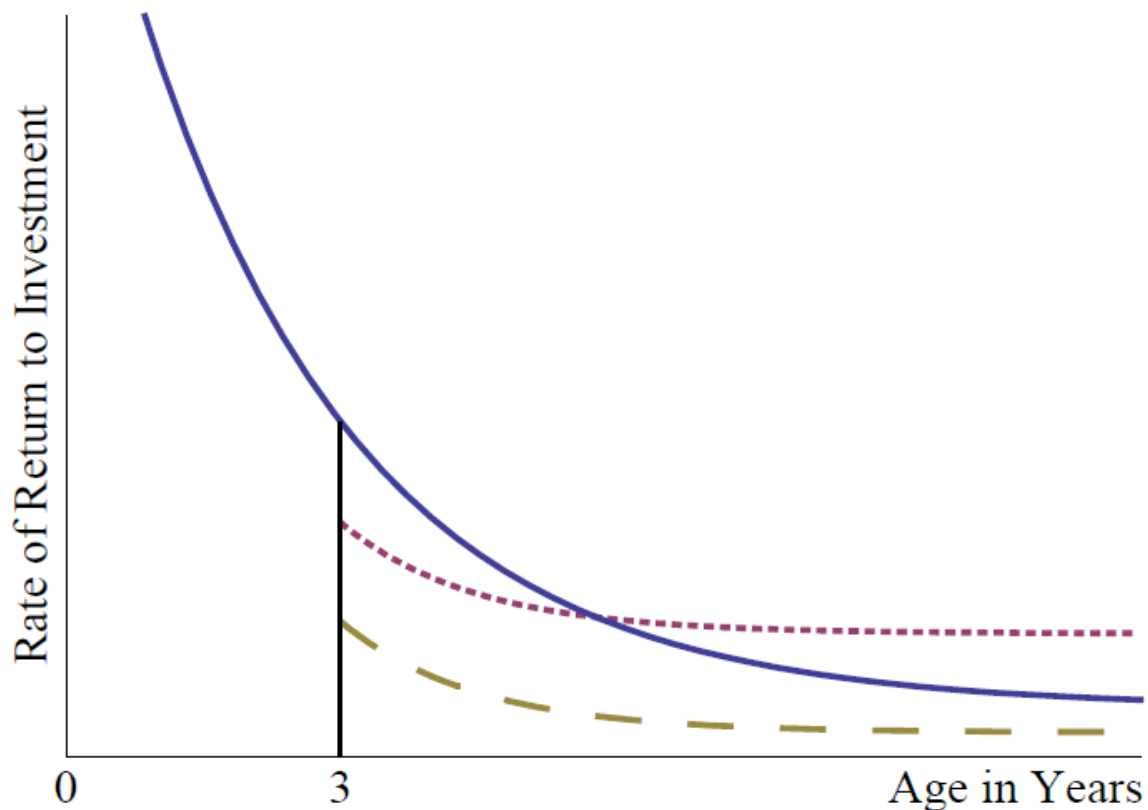
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Source: Heckman, James. "Schools, Skills & Synapses." *NBER Working Paper 14064*. June 2008. p.91.



(b) Returns to One More Dollar of Investment as Perceived at Different Ages, Initially and at Age 3



- Return to an extra dollar as viewed at age zero assuming one dollar of investment at each age and optimal equilibrium investment is greater than one dollar
- - - Return to an extra dollar of investment as viewed at age 3 if optimal investment is made in the first three years (complementarity not too strong) and a dollar of investment is made at all ages (and is assumed to be less than the equilibrium amount)
- - - Return to an extra dollar of investment as viewed at age 3 if suboptimal investment is made in the first three years and a dollar of investment is made at all ages (and is assumed to be less than the equilibrium amount).

Source: Heckman, James. "Schools, Skills & Synapses." *NBER Working Paper 14064*. June 2008. p.91.

Current Challenges

Leaving Certificate

Difficult Fiscal Setting

Political Uncertainty

General Impact of a Recessionary Environment



What is the ultimate end of this exercise?

To create more people like him



Rather than him



Questions and Comments Welcome

