
Policy Forum: Editor's Introduction— Financing Higher Education

The student protests seen in Quebec throughout the spring of 2012 brought a renewed focus on the question of how higher education is financed in Canada. Without endorsing either the Quebec students' manner of protest or their policy proposals, there is clearly a strong case to be made that the current system of education finance is performing poorly. As an example, non-refundable tax credits (such as the education amount and the tuition amount) fail to deliver the resources when they are needed, do not direct incentives where pivotal education decisions are made, and may not provide the best distributional targeting.¹

This Policy Forum on financing higher education aims to provide an updated and contemporary framework for thinking about students: how they are supported and how they are taxed. Our point of departure is an innovative proposal put forward by the Liberal Party of Canada during the 2011 federal election campaign, to offer a reform package called "the Canadian Learning Passport." The package contained several interesting elements that introduced new ideas into the Canadian policy discussion. Essentially, the learning passport proposal would cancel the existing non-refundable tax credits for education and textbooks. The savings from these cancellations would then be recycled into a grant payable into a registered education savings plan (RESP) while prospective students were still in high school. While the 2011 election outcome means that this particular package will not be implemented (at least not in the near future), some elements of the proposal deserve scrutiny. This is the motivation for the articles in this Policy Forum.

In the first article, Nicholas Barr provides a succinct framework for thinking about the economics behind the financing of higher education. He reviews the innovative policy developments in the United Kingdom over the past 10 years and assesses these developments against his framework. In the second article, Marc Frenette and Reuben Ford look at the theory and evidence behind savings-based incentives for higher education, and assess how well the learning passport proposal to expand the use of RESPs would work. In particular, they draw on new evidence from a randomized experiment on incentives for education savings. Finally, in the third article, Azim Essaji and Christine Neill review the facts and the research on the current structure of non-refundable tax credits for post-secondary education in

1 For a detailed analysis of these non-refundable credits, see Christine Neill, *Canada's Tuition and Education Tax Credits*, Millennium Research Paper no. 30 (Montreal: Canada Millennium Scholarship Foundation, May 2007).

Canada. They analyze how the changes proposed under the learning passport would alter the distribution of benefits compared with the status quo, and find that the success of the reform would depend critically on how RESP disbursements interact with the Canada student loan program.

Together, the articles in this Policy Forum should help to replenish and inform the Canadian policy agenda for the financing of higher education. Reform proposals that draw on the evidence and new frameworks presented here could result in a substantially improved system, compared with the one that currently exists.

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