

Research on the supply side reform of the elderly education from the perspective of externality

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Abstract: from the perspective of economic externality, the elderly education shows multi-level negative externalities from the main body and structure, which needs government intervention and guidance. On the basis of straightening out the market relationship and market role of the government in the development of elderly education, this paper will put forward suggestions on the government's intervention and guidance of negative externalities, so as to respond to the strategy of balanced supply of elderly education.

This paper will analyze the negative externality and influence of the elderly education by using the theory of economic externality, and put forward suggestions for the supply and balance of the elderly education resources by combing the government market relationship in the development of the elderly education, starting from the policy and economic measures.

1. Externality theory

Externality theory can be traced back to Adam Smith, who believed that public undertakings should be handled by individuals or a few people, and the obtained profits could never cover their expenses. Such undertakings should not be expected to be established or maintained by individuals or a few people, but should be built and maintained by the government, and the costs should be commonly undertaken by the government and the beneficiaries in combination with the reality. Marshall put forward the concept of “external economy” for the first. Pigou further supplemented the concept and content of “external diseconomy”, and he believed that the externality refers to the influence the production or consumption activities of an economic subject on the “welfare” of other economic subjects, including favorable and unfavorable influence, namely the external economy and external diseconomy[1]. The existence of externality may lead to market failure, and it advocates that the government should guide the economic behavior of economic subjects through taxes and subsidies and other measures, so that positive and negative external activities can reach the best level of the society. Samuelson held that externality was the cost or benefit imposed by a firm or individual on others outside the market. If the cost was imposed, it would be a negative externality; otherwise, it would be a positive externality.[2] He further proposed that the government should intervene in the market to realize the effective allocation of market resources.

The problems of externality can be summarized as follows: firstly, there are positive and negative externalities, and public utilities have stronger negative externalities; Secondly, externalities will result in market failure, inefficient resource allocation and difficult balance; Thirdly, the government should and can play a positive role in effectively reducing the effects of negative externalities, so as to achieve the effects of positive externalities. Based on the above theory and the analysis model in Figure 1, in this paper, the analysis of the externality of education for the aged and the balance of supply.

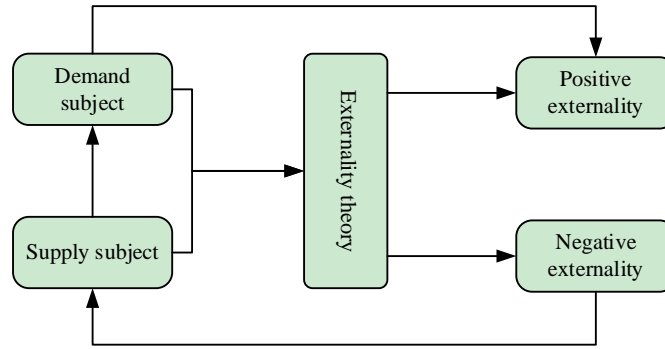


Fig. 1 Externality analysis model of education for the aged

2. Externality of education for the aged and its influence

When judging from the perspective of demand and supply, the externality of education for the aged can be regarded as the costs or benefits imposed by the subject of education for the aged on other people or resources, or the costs or benefits caused by the subject of education for the aged and their decisions made by the subject of education for the aged and their behaviors. The demand subjects of the education for the elderly here are the elderly population, and the supply subjects include the government and the market.

In practice, there are significant positive externalities in the education for the aged, such as promoting the harmony and stability of the whole society and the progress of civilization, which becomes the driving force for the government to promote the development of education for the aged to a large extent. However, with the increasing aging, the demand for the education for the aged is increasing, the competition for educational resources and learning opportunities is becoming increasingly fierce, and the negative externalities are increasing in quantity, which bring great challenges to the supply and balanced allocation of educational resources.

(1) Aggregation effect and market failure of educational resources for the aged

With the improvement of economic system reform and marketization degree, the influence of the market and the public on the allocation of educational resources is becoming larger and larger, and then resource aggregation effect often appears, which is one of the manifestations of the unbalanced allocation of educational resources. [3] As far as the education for the aged is concerned, resource aggregation effects are mainly reflected in three levels. First of all, there are obvious differences in resource allocation, resulting in the unbalanced situation that “the rich get richer, and the poor get poorer, as well as spatial heterogeneity in spatial distribution [4], and the difference between rural and urban areas is especially prominent, which will be discussed below; Secondly, the educational resources for the aged are mainly concentrated in universities for the elderly held by the bureaus of senior cadres at all levels and of all kinds, which have a strong color of welfare but lack the inclusiveness and fairness in the sense of general education; Thirdly, this agglomeration is administrative, and the role of the market’s resource allocation is seriously weakened, so the education for the aged is in the state of institutional market failure.

Market failure describes the situation in which market forces are unable to meet the public interests and provide public goods. It can be briefly summarized as an economic phenomenon in which public goods can be offered cheaply to some consumers while it is difficult to prevent others from consuming. What should be alerted is that, because the government’s welfare support and administrative pricing block the possibility of market participation, the market failure of the education for the aged is only “provided for some consumers cheaply”, but “prevents others from consuming”. Therefore, it is called institutional market failure. Furthermore, the government is neither unable or unwilling to increase investment to enhance the inclusiveness of the education for the aged, neither fails to open the market of the education for the aged and market pricing power to stimulate market participation, which is the market reason for the slow development of the education for the aged.

(2) External impact on the allocation of government education resources

Educational resource allocation is a phenomenon of resource allocation difference among different regions, different levels of education and different social groups in the interaction between education and social, economic and political factors. This difference is a multi-level and multi-regional distribution choice of educational resources for higher efficiency and benefits, as well as balanced and comprehensive development of education, and the behavioral agent is the government. [5] That is to say, what the government pursues in the allocation of educational resources is the differentiated equilibrium of resource allocation.

In a certain period, the total allocation of educational resources in a specific region is fixed. If the government unidirectionally increases the supply of educational resources for the elderly, it means that the supply of resources for other levels of education will be reduced accordingly, and the government's goal of pursuing balanced allocation of educational resources will be broken. This is the negative externalities that the education for the aged brings to other levels of education and the allocation of government education resources. Meanwhile, it is also an important reason why many local governments are unwilling or seldom determined to increase investment in the education for the aged.

(3) External impact of unbalanced development between urban and rural areas

Taking the author's survey on the education for the aged in Yunnan province as an example, the random distribution of the main demand for education for the aged in urban and rural areas in Yunnan Province accounts for 34.27% and 65.73%, respectively, which are very close to the proportions in the sixth population census in Yunnan Province, that is, 34.72% and 65.28% . The number of the demand subjects of the education for the aged in rural areas is much higher than that in towns. In terms of the number alone, there should be an emphasis on rural investment and development, but this is not the case. In terms of development, the focus of the education for the aged is mostly in urban areas. Due to regional and economic constraints, the education for the aged in rural areas lags behind, which makes it difficult to meet the learning needs of the elderly in rural areas, thus forming a certain difference in urban and rural development.

According to the balanced development theory, due to the interdependence and complementarity among various resource factors, the investment focusing on one region will affect the development of other regions, and the whole region will cannot be well developed due to the hindrance of backward regions. The development pattern that the education for the aged pays more attention to urban areas but less attention to rural areas and imbalance of education resources between urban and rural areas not only lead to the slow development of the education for the aged in rural areas, but also result in the lagging development of the education for the aged as a whole. This is the structural external influence brought by the unbalanced development of urban and rural education for the aged.

The above is the most typical negative externalities of education for the aged, and they are finally the objective contradictions caused by insufficient educational resources for the aged, which need to be intervened and guided by the government. However, before discussing how the government should act, it is necessary to straighten out a lot of problems, such as the relationship between the market and the government, and whether the role of the market can be fully played, because only the externalities under the full market condition are the problems that the government should intervene in.

3. Government and market --- reflection on the supply subjects and relations of the education for the aged

The relationship between the market and the government in China is essentially a socialist market economy led by the government. Under the premise of playing the leading role of the government and guaranteeing the nature of the country, the market should give full play to its decisive role in resource allocation.[6] As for as education for the aged is concerned, this relationship and function have not been fully understood and recognized. Based on the educational and public welfare attributes of education for the aged, the academic circle and the government

have reached a high degree of consensus on “playing the leading role of the government”, but “giving full play to the decisive role of the market in resource allocation” has not been widely recognized. Fearing the drawbacks and chaos brought about by “the marketization of education”, the academic circle and government keep a respectful distance from the integration of the market and the development of education for the aged, which, blocks the feasible path for the development of the education for the aged to a large extent. The above discussion on institutional market failure and pricing power is the best proof.

The author believes that the “marketization” of education is certainly questionable, but we should see clearly the difference between the education for the aged and the general education, and rationally regard and make a difference between the market participation and function. Compared with the general education, the education for the aged more aims to enrich the leisure life of the elderly and improving their physical and mental health, but it is not a decisive educational factor related to national and social economic development, which objectively leaves a room for market participation. Meanwhile, the government hasn’t taken the education for the aged as the functions of the government for a long time, so it isn’t able to support and solve from the specific issues, such as organizations, funds input, teaching space, teaching facilities, and teacher team[7] . The absent or limited functions of the government need to be made up by the market to a great extent. Moreover, in a short period of time, the government is unable to meet the huge gap of educational resources for the elderly, and the educational needs for the elderly are so urgent that it can only satisfy itself by utilizing the efficient and diversified resource allocation ability of the market.

Accordingly, the author believes that both the education for the aged and general education need to face the market. To some extent, the education for the aged faces the market more than other types of education.[8] The government can greatly open up the education market for the elderly, transfer its pricing power, and promote the basic role of the market in resource allocation, so as to enhance the vitality of the education market for the elderly and its ability to supply resources. After “returning what should be managed by the market to the market to and what should be managed by the government to the government”, the policy model for the above negative externalities can be formed, as shown in Figure 2 below

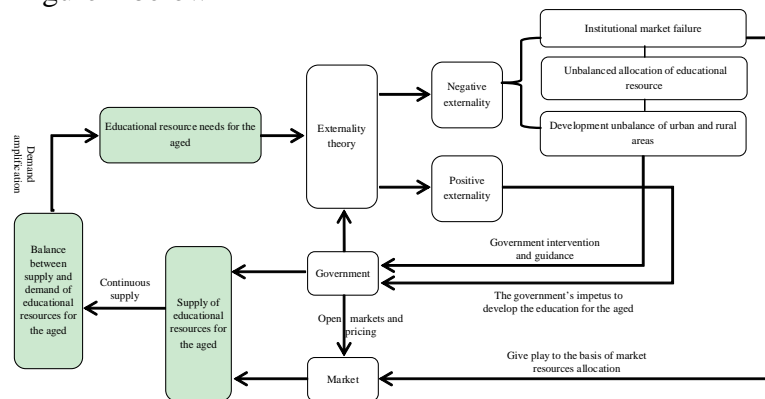


Fig. 2 Policy model of balanced supply of education for the aged

4. Preliminary proposal

According to the above analysis and the policy model of balanced supply of education for the elderly, the author puts forward the following preliminary suggestions for the government.

(1) Open the market of education for the elderly and transfer the pricing power. As mentioned in the article, this is the basic and prerequisite way to increase the supply of education resources for the elderly. The government must re-examine the market and the relationship between the market and the development of education for the elderly, so as to give the elderly education market soul with the courage to take on the responsibility and dare to let go.

(2) We will continue to increase the supply of educational resources for the elderly. It is suggested that the supply of education resources for the elderly should be increased proportionally

or included in the total investment of lifelong education in order to ensure the continuity and continuity.

(3) Strengthen the coordination among government departments. According to the promotion theory, only the collaborative input of complementary departments can reduce the cost and increase the efficiency, and then expand the effective input again and eliminate the supply bottleneck. Therefore, it is suggested that education, finance, civil affairs, and the elderly should work together to break through the bottleneck of supply and ensure balanced and efficient supply.

(4) Gradually incline the direction of resource supply. We should increase the supply of resources to the rural and non cadre groups, break the pattern that the development of elderly education pays more attention to urban areas than to rural areas, and gradually eliminate the hindrance of backwardness to the overall development, so as to eliminate the phenomenon that "the rich get richer, the poor get poorer" and "one is hard to find".

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