

## **Assessment of the case for financing Universities mainly through charging fees to their students.**

Marginal Private Benefit is the marginal benefit enjoyed by a household (or business) in actually consuming (or producing) a good. A merit good is a good for which the social benefits of consumption are greater than the private benefits.

In Britain now, students attending UK universities have to pay tuition to the university annually to cover the cost. In previous years the government would cover the costs through government spending and taxation. It is argued however better ways to pay the fees would be through the selling of University research or donations from rich individuals who have benefited from the Universities. This is market failure as its a merit good and the government is concerned as it wants to maximise consumption. Merit goods provide positive externalities but if left wholly to the private sector, it is likely that merit goods will be under-consumed. Partly this is because individuals do not understand or appreciate the social benefits that can result from consumption.