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Australian higher education funding policy has been a contentious and emotionally charged topic on the political agenda since the introduction of the Higher Education Contribution Scheme (HECS) in 1989. HECS may have been genuinely intended to promote access to higher education on the basis of merit rather than socio-economic background, but it is now giving rise to negative unintended consequences. Dissatisfaction with university courses undermines a sense of obligation to repay HECS debt, which in turn impairs tax morale and triggers tax evasion. HECS policy has, therefore, been counter-productive in practice in building legal compliance despite its rigorous economic developments and its intuitive appeal to policy makers. Policy needs to be not only economically sound but also emotionally intelligent if government expects to receive voluntary compliance from citizens.