



A way to make universities universal

By Nicholas Barr

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The turbulent debate about financing higher education is entirely unnecessary. There is a solution that is simple, workable and with important advantages for all concerned.

Everyone agrees on the core problems. Britain's universities are underfunded, students are poor and the proportion of students from the lowest socioeconomic backgrounds has not changed significantly in 40 years. Inadequate funding of higher education puts national economic performance at risk and sells the poor down the river.

There is also unanimous agreement about two crucial objectives: strengthening quality and improving access. I believe the way to achieve those objectives is to make three changes.

First, increase the tuition fee to £3,000. That would give universities additional resources to improve quality, benefiting UK students and restoring the sector's considerable export potential. Institutions should be allowed to charge lower fees if they wish and students should be helped to pay the charges.

Thinking on fees is often muddled. Many would agree that higher education is a right - but it does not follow that it must always be free. Food, equally, is a right, yet nobody demonstrates outside shops or restaurants. Another confusion is between social elitism, which is abhorrent, and intellectual elitism, which is both necessary and desirable. There is nothing inequitable about intellectually elite institutions. The fairest system is one in which the brightest students are able to study at the most intellectually demanding institutions irrespective of their socioeconomic background.

The second element is larger loans. The good news is that, since 1998, student loans are no longer organised like a mortgage or bank overdraft but have income-contingent repayments - calculated as a percentage of a graduate's income and collected alongside income tax. The bad news is that the loan package is too small. After using her loan to pay her hall fees, my niece has £100 left for the rest of the year. Therefore the loan should be large enough to cover all tuition fees and living costs and should be universally available.

Implementation of these two changes would eliminate upfront fees (the

Student Loans Company would send the fee payment directly to the university), making higher education free at the point of use, as in Scotland. It would end student poverty. It would do away with parental contributions. It would free students from expensive credit card debt and long hours in part-time work. The system would be easy to understand and much simpler to administer than current arrangements.

These two changes are equivalent to introducing universal full grants paid from taxes. All students would be entitled to the full loan, so no one would be forced to pay anything when going to university. Income-contingent repayments differ from a tax in only two ways: they do not go on for ever; and they are paid only by people who have been to university and benefited financially from their degree. The taxes of the truck driver would not be used to finance the degree of an Old Etonian.

This proposal is also economically literate. More generous student support implies higher spending. But if the repayment mechanism is well designed (for example, with targeted interest subsidies rather than the blanket interest subsidy in the current scheme), graduates' repayments will cover the cost of that support, except for people with low long-term earnings. Additionally, with a well designed system the Treasury could, as in the past, meet some of the cash-flow costs by selling off student debt.

The third essential element is active measures to promote access. There are two causes of exclusion: financial poverty and information poverty. Any strategy for improving access needs to provide resources and raise aspirations. Scholarships - such as higher education maintenance allowances - are vital. So are financial incentives for universities to widen participation. Action to inform school children and raise their aspirations is equally important. The saddest impediment to access is never even thinking about going to university. Intervention needs to start early, perhaps at the age of 12.

A package of higher fees, bigger loans and better information would enhance quality and promote access. It is educationally, fiscally and administratively sound. It should form the core of the government's white paper on higher education.

The writer is professor of public economics at the London School of Economics

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