

# Paying for a degree

The topic of student loans and student debt is back on the agenda. There is wide dissatisfaction with the current system. Students worry that they are asked to pay too much and borrow too much. Universities worry that some course fees do not cover the costs of providing a good education. The public debate worries about access to higher education for students from lower income backgrounds, and about the value of some courses to a person's life chances.

I am a fellow of an Oxford College drawing no salary. The College is a research institution financed from Endowment income. It has no students and no fee income so I am not conflicted or pursuing self interest in this matter.

The case for the student loan system initiated by Labour and extended by the Conservative/Lib Dem Coalition government was straightforward. Going to loans allowed universities to expand and more students to attend. A grant based system implied rationing as there were limits to the amount of state cash allocated to this service. Universities themselves would decide how many places to offer and set entry requirements. The system as a whole would supply money and a place for anyone wanting to go who met a university's standards. The taxpayer was let off paying grants. In some cases lower income taxpayers without the benefit of a degree had to pay more tax to give a grant to someone would go on to earn many times their income, which was generally thought unfair.

The problems of the loan scheme were also well understood. Many students would not repay them, leaving taxpayers with the debt after all. Graduates with a large debt might feel constrained about buying a home or building their own business as they had already borrowed a lot. Some people would be put off going to university, not liking the idea of starting adult life with a big debt.

There were attempted fixes for some of these problems. People from lower income backgrounds can apply for access funds or scholarships, so they can borrow less and still pay the bills. In an attempt to cut taxpayer costs from non repayers the interest charge was set high. The successful and honest ex students are asked to pay more to cover some of the costs of those who never earn enough to repay or of those who leave the country to try to walk away from their debt.

Reform is the air, with both Labour and Conservative wanting to move to lower fees or no fees. Replacing the whole system with grants would be very expensive and raises the issue of state rationing again. Cutting the maximum fee will curtail universities and militate against more dearer courses in science which require expensive facilities and more intensive teaching.

Offering more scholarships to lower income students might be a better way forward, with scope for government and universities to negotiate over how

many and who pays. Universities do provide access funds, and many are building endowments with independent financial capacity to help students.

The provision of university places is not a proper market. There is a fee cap, which means they all tend to charge the same maximum permitted, whilst there does have to be a system of rejecting some who want the service but are not qualified to benefit. Just as under the state financed system that went before, there is a market for talent where the brightest and best qualified tend to go to the universities that come out highest in league tables, thereby reinforcing their positions.