Policy proposal

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Foreword

Sir Keith Burnett
University of Sheffield, UK

In over forty years as a teacher and scientist, and over a decade as a university leader, I have never known a time in which universities have been the subject of such heated political debate. The focus of concern is not, to my regret, what higher education is for. Certainly there is some discussion about the need for innovation and skills to support the UK's flagging productivity or to drive industrial strategy for a new era of global trade post-Brexit. The papers fill with heated talk of university access and inclusion, contact hours and free speech. But there is precious little serious analysis of the long-term needs of both students and the country. Instead, in the absence of a clearly-articulated purpose, hopes are pinned on greater marketisation, on regulation and price.

In such a context, especially once higher education had become the primary route to the middle class and professional careers, it is not surprising that for many a university degree has begun to feel less an option than a necessity. Graduation photographs now take pride of place in homes where families once did not imagine their sons and daughters would attend university. At the same time, jobs once open to school leavers now require a degree. Participation in higher education is now near half of all 18 year olds.

How could mass aspiration for higher education be supported? The UK made a choice. Faced with pressures on the public finances from an ageing population for greater spending on the NHS and social care, only made worse by post-crash austerity, an idea of graduate contribution took hold. The UK government approach to the financing of undergraduate study shifted from one underpinned by the principle of tax-payer funded public benefit to an expanded system of individual investment and income contingent loans.

Of course, university tuition has never been free, any more than healthcare is free. But public funding through general taxation once made it feel that way. Now that most students have to take out a loan for both tuition and accommodation, their attitude to that service is changing. A look across the Atlantic could have told us that a mass participation student loans system was unlikely to be politically sustainable without intervention for long. Americans now owe over $1.45 trillion in student loan debt, spread out among about 44 million borrowers. That figure is $620 billion more than the total US credit card debt, up 6% from last year. The average US graduate now leaves university with $37,172 in student loan debt and rising. The startling fact is that, in 2017, the average UK student graduates owing more.

Corresponding author:
Professor Sir Keith Burnett, President and Vice-Chancellor, The University of Sheffield, Firth Court, Western Bank, Sheffield, S10 2TN. Email: vc@sheffield.ac.uk

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Yet around the world, as participation rises, the graduate premium is falling. As a natural consequence of more graduates seeking a limited number of well paid jobs, the number of people who fail to repay loans has increased, and so the government needs to charge a hefty interest rate from the higher earners to cover losses from those who will never pay.

This new phenomenon of student debt and concerns that loan repayments may prevent graduates who need to show all committed expenditure to mortgage lenders from being able to take their first steps on the property ladder is fuelling political concern. Add to that compound interest rates of up to 6.1% and no guarantee that the government will not change the terms again over the next thirty years, and suddenly education feels to many like a burden as well as a liberation.

Understandably, higher education is now the subject of fierce party political debate, and some believe it could decide the outcome of the next election. As an Education Minister defends the loans status quo and urges entry by new providers, the Prime Minister promises review. Universities and the Treasury, concerned that the funding of Britain's crucial universities could be destabilised, watch on with trepidation.

And amidst it all, the Student Loans Company is deeply unpopular and stung by accusations about inefficiency and errors. The government has announced its desire to sell unregulated student loans to the private sector, but this raises important questions. In this important paper, Estelle Clarke goes behind the headlines and political rhetoric to look at the detail and challenges of the loan book sale. She writes:

> Why does the government 'game the system' of funding university education, playing for cash up front by selling loans even when much of their original value has already been repaid? Why does the government demand so much money from students when it is happy to receive only a fraction of this amount back from private investors? At the very least, education should not be charged to students at more than this fraction amount.

At a time when the UK is making crucial choices about the future of universities and the costs which are borne by students, it is essential that the debate about what higher education is for and how it should be funded reaches beyond party politics. We need to hear the insights of students and business, of parents and universities. We need to consider what is being paid, by whom and on what terms. The future of the UK's productivity, of our great universities and of young people themselves demands that we think hard about what is right.

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