



John Marenbon

**University Challenge:
Freedom, Fees and
Future Funding**

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A FORUM FOR SOCIAL AND ECONOMIC THINKING

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I

Introduction

The universities are in the headlines, and they will stay there until the Government's proposals to introduce variable fees for tuition are made law or are defeated by an unlikely combination of left-leaning Labour rebels, Liberal Democrats and the Conservative Party. To most observers outside the universities, the interest in the story is political. Has Mr Blair's reforming zeal gone too far for his party? Will the Conservatives finally, and in the strangest of circumstances, taste victory? To most of those in the universities, the focus of attention and anxiety is financial. They know all too acutely that the universities are short of money. Some believe that the new fees, though perhaps inadequate, would be a welcome step to raising the funds they need. Others are so strongly opposed to the idea of charging fees directly to students that they will not countenance them, although they too accept the universities' need for more money.

But the real problems raised by the issue are different, and they go deeper than the members of either group usually understand. For anyone who cherishes universities and the form of life they foster, what is at stake is not money, important though finances may be, but something much more important: the liberty without which their institutions cannot remain themselves. And politically, university fees present, not Labour, but the Conservative Party with the necessity of defining where it stands; the MPs whose consciences the coming vote should challenge are on its benches.

The aim of this pamphlet is to explain the background, nature and arguments surrounding the Government's proposals for variable fees, and then examine them in the light of this deeper issue about universities' true purpose. I shall go on to suggest what practicable financial arrangements would best serve the real interests of the universities, and what relation the government's plans bear to them. Finally, I shall come to the Conservatives, their predicament and how they must behave, as a party or, if need be, as individual MPs, if they are to escape from it.

II

Fees and Grants: the Background and the Government's Proposals

In order to understand the role of different types of university fee, it is important to see them as part of the whole picture of funding higher education. Tuition fees are merely one element in the complex scheme by which universities and education in them are funded. British universities receive their direct income from four main sources: their own endowments (usually quite small); funding tied to particular research or projects (some of which comes from taxpayers' money through the Research Councils, some from businesses and charities); a block grant, given by the Government to support the general establishment of the university, its research and teaching; and tuition fees.¹ Although some of this funding is being used to support research and other aspects of the university which have nothing directly to do with teaching, students clearly benefit from a good deal of financial support beyond the amount of their tuition fees. There is also a further element in the cost of university education. Students need board and lodging while they are taking their degrees; since, in Britain, the custom is for them to live away from home, these expenses are considerable.

Taxpayers have never been required to pay for the whole cost of providing university education – teaching and maintenance. There was a period, however, which lasted from the 1960s until the beginning of the 1990s, when they came close to doing so. At this time, all home students accepted for a degree course were entitled to have their full tuition fees paid by their local authorities. The level of these fees was in practice set by negotiation between the universities and the local authorities, so that it did not rise beyond what the Government was willing to pay in full from public money. *In theory*, until 1998, universities were free to set any level of fee they chose: there was no legal obstacle to their charging much more than would be paid by local

¹ In 2000 – 01, English higher education institutions had a total income of £11.1bn, of which £4.3bn was from Funding Council grants, £2.6bn from tuition fees & education grants & contracts, and £1.8bn from research grants and contracts. Research councils provided just under a third of research grants & contracts. Source: *Trends in Education and Skills*, DFES, October 2002, updated October 2003

authorities, and leaving individual students to find the remainder from their own pockets. *In practice*, it was made clear to the universities (first by the Conservatives) that any such move would be unacceptable, and they would be punished financially so as to make it pointless. In any case, few in the universities wished to be responsible for imposing tuition fees on students.

During the period up to the 1980s, undergraduates were also eligible for a maintenance grant, means-tested on the basis of their parents' income. The full grant, which was paid to students from the lowest-income families, was supposed to cover the complete cost of living during term-time, and better-off parents were expected to make up the reduced grants (there was a £50 minimum) to that level. As the proportion of young people going to university rose, from 6 per cent in the early 1960s towards its present level of 43 per cent, such generosity towards ever larger numbers of undergraduates became impracticable. First, maintenance grants were phased out, until by 1999 they had disappeared; instead, students were given the opportunity to take out loans (up to a means-tested maximum) to cover their living expenses. No real interest is charged on these loans, which become repayable at the moment once a student starts to earn £10,000. The former student then must contribute 9 per cent of his income every year, until the debt is repaid.

More recently, in 1998, fixed-rate supplementary tuition fees, now set at £1,125 per year, were introduced. It is important to stress that these fees are small in relation to the amount already paid for each student by the Higher Education Funding Council (which ranges from £2,808 to £12,636). Every university is required to charge this supplementary fee – no more and no less; and the right of universities to levy whatever fees they chose was removed even in theory. Students must pay the supplementary fees at the time they are incurred, but they can borrow the money to do so as an addition to their student loan. But undergraduates from low-income families are offered two sorts of means-tested assistance. The supplementary tuition fee is fully paid for those whose parents earn less than £20,000 a year, and paid in part if their parents earn up to £30,000. Moreover, a grant towards maintenance has just been proposed for 2004 for some students: up to £1,500 a year for those whose parents earn less than £20,000.

The central feature of the Government's new and controversial proposals is the replacement of the £1,100 fixed supplementary fee with a variable one. Universities are to be allowed to charge undergraduates a supplementary fee of any amount, from nothing up to £3,000 a year for their courses. Different universities may, therefore, decide to charge different supplementary fees, and the same university might charge different supplementary fees for different courses. These supplementary fees, like the present, smaller ones, will be covered by loans free of real interest, and the relationship between the fees and the loans will change. Undergraduates will no longer be required to pay their fees (borrowing the necessary amount as a loan) as they study. Rather, they will incur a retrospective liability for the amount of their fees, which will be collected, as before, by taking 9% of their income until it is repaid, but now only above the increased threshold of £15,000. The Government will advance to each university each year the amount due to it from its students' supplementary fees and collect the students' repayments as they become due.

Some further measures, commonly considered to be concessions to those Labour MPs opposed to the fees altogether, are designed to soften the impact of the new charges. Means-tested support for undergraduates from families earning less than £30,000 a year will continue, up to a maximum of £1,200 a year. The maximum amount of means-tested maintenance grant available will be raised to £1,500 a year, and the universities themselves will be required to provide students from low-income families with annual bursaries of at least £300. The maximum level of loan available will be raised to cover the usual living costs of students, and it will take into account the extra costs of living in London. Any loans or parts of a loan left unpaid after twenty five years will be written off by the government. Finally, an Office of Fair Access (the so-called 'Access Regulator') will be set up. Universities will have to obtain its approval of their plans to ensure 'fair access' before they are allowed to charge the supplementary fees.

In the next chapter, I shall look at the wider arguments which are being used to support and to criticise these new proposals. Here, though, two obvious features about the proposals should be observed. First, even in the extreme case of students from families above the threshold for any sort of grant or support for fees, paying the maximum fee of £3000 for an Arts course (usually considered to be the cheapest to provide), the greater part of the full

costs of their university education will continue to be paid from public money. The fee repaid by the local authority will still be larger than the supplementary one the student has to pay, and the student will also benefit from the Government contribution to the overall running of the university directly and through the research councils and through the large element of subsidy represented by being allowed a loan without real interest. Second, at the other end of the spectrum, undergraduates from the poorest backgrounds, even when the universities they choose charge the highest level of fee, will be subsidised by the public to a very high degree: the loans which they will eventually have to repay will represent only a small proportion of the cost of their university education. The Government's proposals were cautious and restrained even before they were further limited and qualified in response to back-bench pressure. Still, they contain a bold idea.

III

The Context of Argument

The Government's Arguments

What is bold in the Government's proposals is that, even if only to a limited extent and with many qualifications, they give universities a freedom which they have not enjoyed in practice for decades, and not even in theory for the last five years: to charge according to what they offer. Whether, and if so why, such freedom is valuable remains to be discussed, but it is hard to deny that it *is* a freedom. By the same token, those who oppose the introduction of variable supplementary fees wish to deny the universities a freedom. It might be expected, therefore, that the Secretary of State, Charles Clarke, who has put his personal commitment and energies so firmly behind the new plans, would have a good deal to say, indeed to boast, about freedom. But freedom is a word that rarely, it seems, passes his lips. In his speech presenting the Bill to the House of Commons on January 7, the word occurs just once, when Mr Clarke explains that a reason against having proposed a higher fixed fee, rather than the variable fee, is that by doing so 'we would be denying universities the freedom to incentivise industrial, vocational, scientific, technical, engineering and sandwich courses, or foundation degrees, which are vital for the economic future of this country' (*Hansard*, January 7 2004, Col. 419). The freedom he has granted the universities is important, Clarke is saying – but just because it will allow them to make a whole variety of semi- or non-academic practical courses cheaper and so more attractive, and these courses, he believes, are the ones 'which are vital for the economic future of our country'. But if *this* is his reason, why favour freedom? Would it not be easier for the Secretary of State simply to make such courses cheaper, or indeed to see that the required numbers of people were directed to them?

Last year's White Paper on *The Future of Higher Education* (Cm. 5735) seems at first sight more promising. It has a whole chapter (7) called 'Freedoms and Funding'. It begins by saying that freedom to take responsibility for 'their own strategic and financial future' is a prerequisite for the success of the universities, and in Paragraph §7.2 we are told that 'higher education

institutions need real freedom ... if they are to flourish.' Yet these comments lead quickly on to the observation that universities 'do not always use the freedoms they have to the full' and to a series of proposals to impose a 'cadre of professional leaders and managers' on the universities, so as to be sure that they use their freedom, and use it in what the government thinks is the right way.

It is hardly surprising that Clarke has little place for real freedom. As his comments almost everywhere suggest, and his Foreword to the White Paper makes abundantly clear, his view of universities is technocratic. They are engines of both economic and egalitarian progress. He gives as his reason for thinking that universities need reform that

Our future success depends upon mobilising even more effectively the imagination, creativity, skills and talents of all our people. And it depends on using that knowledge and understanding to build economic strength and social harmony (p. 2).

Imagination, creativity, skills, talents, knowledge, understanding – for a moment, one warms to Mr Clarke: these are indeed what universities might foster. But read on! All these qualities are merely means to two ends: economic strength and social harmony. And Clarke continues immediately, in the tones of the managerialist, to identify the two areas where universities *have to improve*: by taking more children from 'less advantaged backgrounds' and by making 'better progress in harnessing knowledge to wealth creation.' The successes and failures of university education are seen entirely in these terms.

On the economic side, we are assured, on the one hand, that 'our system has successfully transformed itself from an elite system' because 'despite the rise in the numbers participating in higher education, the average salary premium [the amount extra which a person earns through having been to university] has not declined' (§1.9). (Other measures of success, such as whether those gaining degrees are as well educated as previously are, apparently, beside the point.) On the other hand, we are warned that our competitors see 'that the developing knowledge economy means the need for more, better trained people in the workforce. And higher education is becoming a global business' (1.12).

On the social side, we are told that the reason why ‘all those who have the potential to benefit from higher education should have the opportunity to do so’ and why this is ‘a fundamental principle that lies at the heart of building a socially more just society’ is that ‘education is the best and most reliable route out of poverty and disadvantage’ (§6.1). Just as higher education is seen as valuable because it is an instrument in creating general economic prosperity in a country, so access to it is held to be a fundamental principle, because of the financial benefits it brings to the disadvantaged. Mr Clarke does not seem to think that education has any value in itself.

The Liberal Democrats and the Labour Rebels

The Secretary of State, then, has a technocratico-egalitarian vision of the future, and the universities have their function in bringing it about and maintaining it. He is willing to allow the universities just enough freedom, to be used in the way he approves, as will help to realise this plan. His opponents among the Liberal Democrats and on the Labour backbenches differ from him less in substance than emphasis and confidence. They do not have any alternative vision of the aims of university education, but they place even more weight than he does on righting social disadvantage, and they lack confidence that he or his successors will be able to control the system – that once universities have been given the taste of freedom, they can be kept in conformity with the government’s blueprint.

The Liberal Democrats believe that there should be no supplementary university tuition fees whatsoever. Higher education, they agree, is in urgent need of more funds, and these should be provided through a higher rate of tax on high earners. The main reason for their opposing fees is, as Charles Kennedy has explained (Speech at London School of Economics, 20 October, 2003) ‘because they quite clearly deter students from poorer backgrounds from applying to university.’ Like the party’s education spokesman, Phil Willis, Mr Kennedy then proceeds to heap up evidence, mostly particular or anecdotal, of the financial disincentives to application which fees produce and the special problems faced by some universities and courses specially favoured by the disadvantaged.

It was a Labour MP and ex-Cabinet member, Nicholas Brown, who best put the other reason for left-wing opposition to fees in the debate on the Bill:

Why are the Government philosophically attracted to a market-based solution to the funding problems of higher education? Once the cap is lifted, as it inevitably will be, how will youngsters from homes of ordinary means, or even just above ordinary means, ever be able to afford to take the most prestigious courses at the most prestigious universities, for which the fees will of course rapidly be raised, as the vice-chancellors have, in fairness, said is their intention? (*Hansard*, 7 January 2004, Col. 427)

Mr Brown's anxieties are about the dangers, not just of freedom, but specifically, of free markets. To many on the Left, there seems something awry in principle about bringing the market to university education. In the impoverished atmosphere of the present debate, however, such deeper and more abstract objections give way to practical ones and Brown, like many of his colleagues, conjures up a spectre of élite universities charging fees at Ivy League rates (though he neglects to mention the extraordinary success of the most expensive and richest American institutions in using scholarships to attract bright students from the poorest backgrounds).

The Conservatives

The position of the Conservatives is a strange one, which neither the Liberal Democrats nor the unofficial opposition on the Labour backbenches find it easy to treat with respect, although the Conservatives agree with them in rejecting supplementary fees altogether, and in emphasising their effect in deterring people from poorer backgrounds from applying. They also emphasise as threats to the freedom of the universities the various extra controls being placed on them, especially the Access Regulator, and the threat of increased bureaucracy. Labour's plans, they say, are expensive to run and cumbersome to administer, and so will squander the extra money they are supposed to raise. Unlike the Liberal Democrats and the Labour rebels, the Conservatives do not believe in solving the problem of university funding by directing more taxpayers' money at the universities. They point out that Clarke is committed to raising the participation rate in higher education to 50 per cent, a figure they describe as arbitrary, adding that, due to the lowish level of drop-outs, the university graduation rate in Britain is already among the highest in the developed world (*Conservatives: Media Briefing*, 2 December, 2003). The Conservatives would 'not over-expand' university admissions and so, with the extra savings from 'not needing the various schemes designed to counteract the deterrent effect of Labour's

plans for top-up fees', they would save the money that the Government will raise in fees.

Individual aspects of this position address important issues. The Conservatives are right to be concerned about the 'Office of Fair Access' – as are the Vice-Chancellors themselves, despite their general support for the Government's proposals (Universities UK Media Release, 8 January 2004, p.2). And they raise what should be one of the central points in the whole debate when they question whether the continuing expansion in the proportion of young people going to university is desirable. Unfortunately, their position as a whole is undermined by two structural weaknesses, which obscure any of its incidental merits. First, the arithmetic behind the Conservatives' alternative proposals has been carefully checked by Professor Nicholas Barr ('Financing Higher Education: Comparing the Options', June 2003, Appendix²). Under plausible assumptions, they would lead to a cumulative deficit of between one and two billion pounds. Second, it is self-contradictory to claim to be defending universities' freedom, while at the same time denying them any freedom to charge fees. The answer given on this point by the Secretary of State to Eric Forth is irrefragable:

Power would truly be taken away from the universities by following the policy of the hon. Member for South Suffolk, in saying that the money would come only from the state and not through fees. The inconsistency in his position—which many Conservative Members understand, but he does not—is the risk of universities being entirely dependent on the state. (*Hansard*, 7 January 2004, Col. 431).

² Available at http://econ.lse.ac.uk/staff/nb/barr_HE_option030610.pdf

IV

What are Universities for?

Behind the sharp differences between the politicians over supplementary fees there is, then, a surprising commonness of view and a shared superficiality. None of them has a view of the universities as distinctive and special institutions, and not mere cogs in the national economy or ladders of individual opportunity. In order to see the deep issues raised by the present proposals, but ignored by both their supporters and critics, we need to begin with a very basic and simple question. What are universities for?

Universities are for seeking knowledge. They are places where the search for knowledge is carried out, not because of its practical usefulness, but for its own sake. They are not the only such institutions. Schools, too – though they rarely do – should have the same aim, but with an important difference. There the search for knowledge is indeed a search for new knowledge so far as each individual pupil is concerned, but the teacher is, at least so we should hope, teaching what he already knows. In universities, the quest is for what is itself unknown – a never-ending quest, since there are no final answers to the questions put and every solution is no more than provisional.

There are two main consequences: the character of university teaching is different from school-teaching, and teaching does not have the same role in universities as in schools. Although, like school-teachers, university teachers are concerned to teach those who know less than they do, they are not just imparting knowledge: they are themselves searching for knowledge and they admit their pupils as associates in their quest. That is *one* way in which the activity of academics at universities leads to a public good, but there is another way, too. Whereas the value of a school is to be measured almost entirely in terms of the particular pupils who are taught there, universities benefit a wider circle than that of their own students. A characteristic activity of human beings is to question, investigate and try to make sense of the world around them and its relation to themselves. Such probing leads to further, more complicated and more technical questions and, ultimately, to the sort of problems which specialists in individual academic subjects dedicate themselves to investigating. The academics are, as it were, at the point of a pyramid, based solidly in the ground of human anxieties,

aspirations and perplexities. Their investigations are rooted in this soil, and their speculations serve ultimately to vivify and enrich it. When, then, I say that at university knowledge is sought *for its own sake*, this phrase should not be taken to imply some sort of idolatry of knowledge, taken in the abstract and apart from the interests of human beings. On the contrary, the final reason for pursuing knowledge is that to do so is one – and some would say the supreme – aspect of human well-being.

Looking over the last two paragraphs, many readers may be tempted to say that they set out an ideal, which has little to do with what universities really are in our present system of mass higher education. Certainly, these ideals are now threatened. They are threatened by the technocratic view of education which Mr Clarke shares with most of his recent predecessors as Secretary of State, Labour and Conservative alike; by the venality of students who hope to better themselves by their time at university without devoting themselves to study; and, most of all, by many of the academics themselves, who, fearful of their own positions, have been the first to sacrifice their ideals, at least in their public pronouncements, and to stress the commercial value and egalitarian progressiveness of their institutions. None the less, it remains true, at least for the older foundations which have kept their structures of governance mostly intact, that what universities are best fitted for is the quest for knowledge, and the place where knowledge is best sought is in a university. Had the aim been to provide schools for advanced technical training in arts or sciences which could be put to some practical use, very different sorts of institutions would have grown up, organised so as efficiently to pursue their discrete, definable aims. They would not have their special character of associations of people engaged in a common pursuit; they would be organised more like a business, or a government department. Some would say that it is a pity that what we now know as universities did not develop in this way, and that we should now set about making them more businesslike and transforming them into National Advanced Training Centres. But is it not wiser to respect the instincts and intelligence which, over the course of centuries, moulded the universities into the sort of institutions they are?

Look at the question from a different angle. Suppose that universities became entirely denatured, so that they were occupied just by practical, technical training and ceased to accommodate the quest for knowledge.

Would the search for knowledge cease? Would no one press his questioning on beyond where others had reached so as to create new ideas, arguments and theories? And would there be no one, then, to question them? The answer is surely that a complete end to such seeking is imaginable only if human beings ceased to exist or to be human. There are many periods and places where the search for knowledge has been conducted in the absence of universities, or outside them: there were, for instance, no universities in the Athens of Plato and Aristotle, and in the seventeenth and eighteenth-centuries the universities were in such decline that most intellectual life moved to the courts, coffee-houses and salons. An alternative setting could, no doubt, equally well be found in the future, but it would be a less suitable one than the universities now provide for the search for knowledge as it is now conducted, with its specialisation and frequent need for elaborate equipment or, at least, for the resources of large libraries. Universities, better than other settings, can promote the mixing of disciplines, and they can bring together teaching and research. To wish to maintain the ideal of the university is not therefore atavistic impracticality: it is a sensible desire to preserve already existing institutions which fulfil a function well.

There is also another practical reason for holding firm to the ideal of universities as places where knowledge is sought. This conception by no means implies a fanatical purism, removing any non-academic subject entirely from the university and cutting all links with practical applications of their research. Once the central aim and character of the university are clearly and unmistakably acknowledged, there is plenty of room for fruitful collaboration and cohabitation of the purely intellectual and the practically useful. Mainly non-academic subjects, such as medicine and law, have always had a place in universities and have benefited greatly – as have their students – from the atmosphere of speculation and intellectual enquiry within which they have been studied. Business schools and science parks can be a cause of pride as well as profit to universities, just so long as it is never forgotten that the primary aims of a university have nothing in common with those of business or applied science. If the ideal of the university is lost, and these valuable, but secondary, pursuits become the primary aims, then the search for knowledge will move elsewhere, to its own detriment, and to the even greater detriment of the incoherent, rootless, lifeless training institutions which will remain.

V

Access

Now that it is clearer what a university is, it should be easier to consider the much-debated question of 'access' to university education. But this issue still remains hard to grasp, chiefly because it embraces three different questions, which are frequently confused. The first question is about the proportion of people who should receive university education. The second is about whether charging fees for university unfairly closes access to those from lower income families. The third is about the methods of recruitment and selection used by universities, in particular the most prestigious universities. These questions need to be discussed separately.

How many people should go to university?

The Government's aim is for 50 per cent of young people to go to university. The Conservatives have criticised the number as arbitrary, but Mr Clarke could reply that there is a certain neatness to the idea that half the nation's youth should go to university. Is it not equally arbitrary to decide that the proportion should be fixed at the present level of 43 per cent (43 is a prime number, but otherwise to my knowledge without special arithmetic properties)?

Those who accept my idea about the nature of a university may wonder whether even this lower figure is far too high. Serious engagement in academic study (or even in a rigorous and demanding non-academic subject, such as law or medicine) requires a type of intellect and cast of mind which is not all that common. My own experience in teaching a range of subjects (Philosophy, History, English, Theology, Latin) is that roughly a third to half of the undergraduates admitted to Cambridge, one of the most difficult British universities to enter, have the characters and minds fully to benefit from academic, university-level study: a very small proportion indeed of the age-group! But even making much laxer demands than I would, it is unclear whether many more than about a quarter of young people will be able to work successfully through the requirements of a degree course that resembles at least vestigially those which British universities have traditionally set. Although there are countries with participation rates

already of 50 per cent or above, in many cases there is a high rate of drop-outs or of students taking many years to gain a degree, or there is extreme laxity both in teaching and examination, or there are some courses which make such few academic demands that they confer degrees in name only.

Is the upshot of these comments that the Government should be urged drastically to reduce the number of university places (and indeed of universities)? It need not be. A liberal education beyond school level is a good to those who receive it, almost however dim they may be, so long as they have a willingness to learn: perhaps it is the very best thing that an affluent country can make widely available. And there is, without doubt, need for all sorts of specialised practical training, in every area from information technology to pastry cooking. It improves a society for that to be such opportunities for education, training or both, and if the institutions in which they take place are called 'universities', that is no loss, so long as the real universities, dedicated primarily to the quest for knowledge, keep their own identity.

The real answer to the question about how many people should go to university is that, as with other questions of manpower planning, there is *no* answer. There should be no Government target for the proportion of people going to university. What Government needs to do, so far as providing for teaching is concerned, is to put in place the mechanisms which will allow people to make their own choices and let the institutions evolve accordingly. A system where institutions could levy the fees they chose, and generous loans were available to help students pay, would meet this requirement.

Fees, loans and access

As the account in Chapter Three has shown, the Liberal Democrats, the Labour rebels and, supposedly, the Conservatives believe that variable supplementary fees will deter young people from families on low incomes from going to university or from choosing an expensive course at a good university rather than a cheaper, less good course elsewhere. And, to meet these objections, the Government has added a variety of means-tested maintenance grants and tuition fee-rebates, so that a student from a family earning £10,000 a year or below will, taking into account the bursary his university will be obliged to give him, have his fee reduced by half, even if

it is the maximum, and receive £1,500 as a maintenance grant. Some students at relatively rich universities, such as Cambridge, will receive far more. Yet still the critics, Liberal Democrats, Labour and, yes, Conservatives, complain that these measures are not enough.

In fact, it is difficult to see why they are necessary at all, or are how they are thought to be just. University students are supposed to be adults. They have reached a stage of life where they can perfectly properly choose to take on the liability for a loan. And this is what the Government is asking them to do – and to make the decision easier, it has made the loan one that attracts no real interest and is even written off after a certain period. Possibly there are adjustments which could be made to make the loans even less oppressive, but there is nothing evidently objectionable in principle about them.

Nor is there any reason why these loans should deter students from low income families. The income of a student's parents is irrelevant to the matter. *They* are not liable to pay off the loan, the student is. If, then, any allowance is to be made, it should be on the basis of what the student himself goes on to earn: it is, after all, *he* who must make the payments, from the money *he* earns. Contrast two cases, of a sort which will certainly arise if the system is out into effect. Paul comes from a family living on benefit. He goes to a good university and takes a course which costs £3000 each year in supplementary fees, but, thanks to the Government's remission of £1,200 a year and a bursary of (let us suppose modestly) £500, his total debt from his fees is less than £4000. Peter takes the same course, but has parents who struggle to bring up a family and provide for their pensions on an income of £30,000 a year. He is left with the whole £9,000 of debt. Paul goes into a merchant bank and is rapidly earning over £40,000 a year; his small debt is paid off in a few years, without his hardly noticing it. Peter becomes a librarian and has to suffer deductions from his much smaller income to pay for his larger debt. Both Peter and Paul have taken the same course: would it not be fairer if it was Peter's debt that was smaller, or at least if they each owed the same amount?

It is said that those from low income families are likely to be more reluctant than the children of better-off families to take on a large debt at the beginning of their careers. But their feeling, it is admitted, is irrational, since they are likely to increase their earnings by far more than the cost of the debt

by going to a university, especially a good one. If we are intolerant of irrational feelings, we tend to condemn or ignore them. If we are tolerant, then we try to persuade people of their irrationality, so that they are not influenced by them into making decisions that are against their own best interests. We do not – not unless we are parents trying to handle particularly spoilt children – bribe them not to be irrational. Even less do we bribe a group of people because we imagine that some of them might be irrational. To do so would not be tolerance, but stupidity, and if we were using, not our own, but the community's common money for the bribes, it would be, not merely stupid, but dishonest. Yet the Government plans to bribe the people who, because their families are poor, it condescendingly expects to act irrationally – and this is the one aspect of its proposals that seems to have attracted no criticism!

Access and admissions

Mr Clarke has assured the House that the Access Regulator, or what he calls 'the OFFA process', is not 'about' admissions, but applications: 'It is wrong to say—it will not happen—that OFFA, which we are to establish, will control university admissions. Universities will control university admissions, and that is as it should be' (*Hansard*, January 2004, Col. 431). Yet there is a problem about this statement. It seems to imply that universities will be free to choose which applicants to admit according to academic criteria and without interference, but that they will be required to ensure that the proportion of their applicants from disadvantaged backgrounds increases. One of the main factors, however, which determines a candidate's mind to apply for a given university is the likelihood of acceptance: applicants can list only a limited number of universities, and so they are unlikely to waste a slot on a university which, they judge, will almost certainly reject them. Applications, then, are closely connected to acceptances – that is to say admissions, and the best universities will almost certainly find that, in order to meet OFFA's requirements about applications, they have to increase the number of disadvantaged students they actually admit at the expense of more meritorious candidates from richer families.

There is, then, something not quite honest in the assurance that OFFA will not control university admissions, even if Clarke is not intentionally disingenuous. If he believes that universities should be forced to take more

students who come from a particular group, then he should be bold enough to say so. If, as he explicitly affirms, he thinks that universities should control their own admissions, then he will have to recognise that there may be little they can do to change the range of candidates who apply to them.

In any case, those who teach in the élite universities, and especially in Oxford and Cambridge, may be forgiven for feeling especially nervous about the establishment of an Access Regulator, even once they have been assured that he will not, after all, take an interest in who is granted access to their august establishments, but merely in who, as it so happens, decides to apply. There has been a long and sorry story of the present Government's busying itself with admissions to the two ancient universities, even to the extent of seizing on cases where a disappointed candidate has felt aggrieved (as disappointed candidates frequently do) and using it to insinuate the existence of bias against ordinary, maintained school candidates and favouritism to the polished products of the public schools. Beneath the diplomatic language in which the brief of the Office of Fair Admissions has been phrased, there are rougher currents of suspicion: suspicion that the admissions system run by the colleges of Oxford and Cambridge is amateurish, disorganised and old-fashioned, and that consequently it militates against bright applicants from maintained schools, and suspicion of something which is regarded as even worse: *élitism*.

The first of these suspicions is completely correct, except in one all-important detail. The admissions system is, indeed, almost untouched by professional techniques of interview and assessment; it is more disorganised than the imagination of a mandarin or a government minister could compass; and it rests on the thoroughly old-fashioned principle that those who know, love and devote their lives to teaching a subject will be the best to judge which applicants are best fitted to cope with its demands. But – and not in spite, but because of all this – the system is admirably suited to noticing, recognising and rewarding the potential in candidates from mediocre and deprived educational backgrounds. The problem it faces is the official pressure, to which OFFA may well feel it should add, to abandon methods based on judgement and resort to more mechanical ones, which will favour the well-drilled candidate over the truly talented one; and to give even more weight than at present to GCSE and 'A'-level results. These examinations indicate almost nothing about a person's intellectual abilities,

and any competent independent school will ensure that its pupils win distinctly higher grades than warranted by their aptitude alone.

The second of these suspicions too is correct. Oxford, Cambridge and all the good universities are élitist. They are institutions for an intellectual élite: what else could, or should, they be? Of course, they have a far wider function in society, but in themselves they should be unashamedly élitist in all that concerns the life of the mind. The Labour critics of academic élitism often confuse it with a social élitism, which they have every reason to abhor and to believe should have no place in universities that are public, and publicly supported, institutions. It *is* a confusion, but it is not one, unfortunately, for which Oxford and Cambridge can be entirely absolved of blame. Although the days are long past when young men of a certain background and education could confidently expect to spend three lazy years of finishing school by the Cam or the Isis, before assuming their positions among the leaders of society, the associated attitudes die hard. Even that *jeunesse dorée* would have been ashamed by the worldliness of many of today's undergraduates and their unthinking worship of financial and social success. When, at the end of the academic year, the colleges transform themselves for the May Balls into slightly tacky film-sets of *Brideshead Revisited*, complete with a large cast of white-tied extras (who have paid £100 or £200 for the privilege), they justify the mildest socialist's suspicions about the university. If only the leaders of the ancient universities were more confident in asserting the intellectual values for which they should stand, they would see that to accept these descents into snobbery and charade is to welcome the coin-dealers into the temple: as an old, long dead colleague of mine remarked, looking at the marquees, fairy lights and assorted bric-à-brac that had taken over the college, it is 'a desecration and a desacralisation'.

VI

Paying for University Education

There are different possible ways in which a country might decide to pay for university education of the sort I have been advocating in the last two chapters. In principle, the Government might pay for everything from public money: for universities proper and for many more – just the number it thought fit – so-called universities, providing a wide-ranging liberal education or specialised training. But complete Government funding would be unlikely to let good universities flourish or encourage the development of a varied and successful system of higher education, for two reasons. The Government would have to be remarkably self-restraining if it was not to interfere in the business of the universities proper, deflecting them from their academic goals in order to make them serve one or another immediate political objective. In Britain, academic excellence has traditionally been fostered, both at school and higher levels, by independent institutions: not strictly private ones, since they have mostly existed for public, charitable purposes, but self-governing bodies, with a good measure of financial independence. Where Government has intervened and taken more direct control, the decline into mediocrity has usually been rapid. The examples from school education are too many to cite. Moreover, if it were in charge, Government would have to decide in advance the shape of the wider system as a whole, rather than letting it be shaped by public demand and interest.

For these reasons, it is much more probable that good universities and other forms of higher education would flourish most under a very different system, one in which institutions were given freedom to charge fees as they needed. Some public money would continue to go to the proper universities to support their establishment and their research work in general, because they serve a general, public good – quite apart from any teaching that they give to students – just as parks or museums do. Beyond this, universities and other institutions of higher education would raise the money they needed through fees, set at a level of their own choosing, and the Government would take upon itself the duty of setting up and paying for a system which provided loans or quasi-loans, at manageable rates of repayment, for the fees. Such a system would ensure that academic freedom, and so the freedom to pursue their special aim of knowledge, was given to the

universities, since their funding would, in large measure, be their own, through fees. All that Government would do is to provide the system which made it possible for students, whether rich or poor, to pay these fees. The Government might also further bolster the independence of universities by helping them to increase their endowments – perhaps by matching money they manage to raise, with an eye to reducing or even, finally, ending its annual payments for general purposes. There would thus be a proper distinction of roles: that of universities and other centres of higher education to search for knowledge and provide education and charge as necessary for doing so; that of students, to choose and, at least to a considerable extent, pay for the education they receive – a good which is beyond all cost; and that of government, to provide the mechanism which would enable all students, from whatever background, to pay without hardship.

The system described would, even more decidedly than the Government's present proposals, introduce a market into university and higher education. It is sometimes thought that a market, in which students have to make choices about which courses to buy, is highly inimical to the intellectual values I have been advocating. So far from being institutions dedicated to the search for knowledge, the argument goes, they would become places where students came to gain the qualifications with the highest cash-value. Future financial rewards, it is said, are what, in any case, motivate most students, and under a free-market system, where students would have taken out substantial loans, they would need to be especially concerned about earning enough to repay their debts. And so the system proposed here, it might be said, would favour more practical, commercially-oriented subjects, such as economics, law and business studies, and spell the decline in the universities of philosophy, literature, history, pure mathematics and even the natural sciences.

These fears do not, however, seem well-founded. Students who have taken highly academic courses at good universities find excellent and well-paid jobs, often far-removed from the field of their studies, and there is no reason why they should not continue to do so. The reason for this phenomenon is often said to be the fact that academic degrees 'train the mind' and produce a person who is not merely trained to perform a single function but has acquired the capacity to learn new methods and take on fresh roles as the need arises – exactly the sort of employee needed in today's businesses and industry. To an extent this explanation is just, but it should not be forgotten

that a university education, if it is successful should also, in some ways, *disable* a student in business life and practical affairs, since it should leave him with a mind more directed to theory than practice and principle than gain; it should have made him less worldly. The main reason why employers welcome clever people who have chosen academic subjects is that they are clever. And so long as many clever school-leavers are lured by the prospect of living, if just for three years, an intellectual life, employers who want the brightest and most creative minds will continue to welcome classicists, physicists, historians, mathematicians and philosophers.

There are, though, some very bright school-leavers who have little academic or strictly intellectual inclination. They wish simply to train themselves to succeed in the world of work. Under a more free-market system, specialised institutions, offering the highest standards of business or specialised training to such people, would develop. The disappearance of this group of clever, but unintellectual students would be pure gain for the universities proper, although it would make them somewhat smaller.

The one genuine worry about the results of a system based more on the market is at a lower level. There would be a danger that for the intellectually solid but not outstanding school-leavers, there would be an overwhelming pressure to choose a practical, career-oriented course of study, rather than pursue a wider, liberal education. Education would become dull and narrow for all but a small *élite*, something that would, in the end, frustrate the ideals of academic *élitism* itself. One way to tackle this problem would be to insist that any course of higher education had to contain a considerable element of wider, liberal study before its fees would qualify for the Government-supported loans. Another, additional move would be to extend the system of loans to mature students, so that the opportunity for a wider education would remain open throughout a person's life.

For a system along the lines suggested to work, the Government would need to ensure that the loans, which might well be considerably greater than the present suggested limit of £9,000 for a three-year course, were as unburdensome as practically possible. Such measures are expensive, because the easier it is made to repay a loan, the longer it is likely to take, and the greater the cost if no real interest is charged. But money would be available: although some direct funding or endowment-building of

universities would remain, there would be a shift, even as compared to the system proposed in the new Higher Education Bill, to universities' being financed through the fees paid by students, and so a saving. In addition, money would be saved by abandoning the various schemes to relieve the loans or give grants to students from lower income families, since the income of a student's family should have no bearing on his liabilities.

The loan system now proposed provides a model, which could be adapted and improved in various ways. By delaying any liability until the student begins working and earning above a certain threshold, the scheme makes the right link between future earnings and payment for university courses. Possibly a system could be devised which would go further and make the money owing not a debt in the ordinary sense at all, but a pure Liability Against INcome – a LAIN rather than a loan. Lains would be like loans, in that they would consist of a certain amount of money owed (adjusted for inflation, but without real interest charges) which was to be repaid year by year (or could be repaid early) by a percentage deduction from earnings over a certain annual amount. They would differ in not forming part of a person's total debt (or being subtracted from his total capital); if the person died, or if after a certain period (perhaps 25 years as now suggested) the lain remain unpaid in full or part, it would not be 'written off' (implying a special act of indulgence): it would simply cease: there would be no further liability on anyone.

The present proposal that the loans are repaid at a rate of 9 per cent a year of all income above £15,000 bears down excessively heavily on those who have rather modest incomes (in the range of £20,000 - £30,000) in the ten to twenty years after graduation. As opponents of the loan scheme have pointed out, they will be fairly low-paid workers with, in effect, very high marginal tax rates. The scheme could be made less burdensome by raising the threshold for repayment to, say, £20,000 or, perhaps better, by introducing differential rates of repayment, beginning at 3 or 4 per cent between £15,000 and £20,000 and rising to 9 per cent only on earnings above perhaps £30,000. If the result of such a scheme were that, after 25 years, a more than negligible proportion of students who had never had high-paid jobs had not fully repaid the money, and their liability ceased, then this would be a very justifiable form of subsidy – a very modest means-testing, based not on parental income, but on a student's earnings over half a working life.

VII

The Conservatives and the Higher Education Bill

In the last three chapters I have set out and discussed what universities are and should be, and how a system of funding could help them to stay so. It remains to see how this ideal compares with the proposals of the Higher Education Bill, now beginning its unsafe passage through the Commons.

There is much to criticise in the Bill. Its view of university education and its aims is bleak and philistine. Much of its language is that of the managerialist. The mean-tested grants and loan-remission it offers is unnecessary and unjust. The introduction of an Access Regulator will surely, despite assurances to the contrary, restrict the freedom of universities to run their own affairs. The system of loan repayments remains too burdensome on low earners. The proposed supplementary fees themselves, restricted to a maximum of £3,000, are too low to give universities either financial security or much real freedom. Yet, when all this is said, the central idea in the Bill – that universities should be free, even if within certain limits, to set their own fee – is a step of fundamental importance towards a system of university finance which will preserve and even improve Britain's universities. It is an act of courage for a Labour Government to have proposed such a measure, which introduces, though to a limited degree, a market into higher education.

The opposition of the Liberal Democrats to the Bill is understandable, given that this party has committed itself to raising general taxation to fund education – a course of action which would be less easy to advocate if the party had any real hope of power. The opposition of the Labour left is not only understandable, but also in a sense praiseworthy, because it shows a willingness to put principle before political prudence (although, perhaps, if the Labour opponents thought more carefully about the importance of good education in their vision of society, they would drop their opposition).

The opposition of the Conservatives to the Bill is incomprehensible, because it conflicts with two main principles of modern Conservatism. The first principle is that of allowing institutions the freedom to follow their own

values and retain or develop their own identity. Clearly, the freedom to charge fees is a step in the direction of such independence. The second principle is that, where possible, individuals should be given control over their own lives, using their own money to make informed choices about their futures, rather than having their money confiscated, and then being doled out goods and services as the government and its bureaucrats decide. To allow students to choose between differently priced courses is a very precise application of this principle. (The principle was at the heart of Mrs Thatcher's approach to government – it is no accident that Mr Blair has been accused of 'Thatcherism' by the Liberal Democrats.)

The Conservatives, under their new leader, need to think more carefully about a position adopted before he took charge, most probably because it promised short-term political gain. Such gain will certainly be outweighed by the lasting damage it will inflict on the universities, the country, and their party itself. There are just two possible outcomes when the Commons votes on the Higher Education Bill. The first, which the Conservatives cannot be hoping for, is that the Government will, none the less, succeed in having it passed. In that case, they will have given Mr Blair the chance to put himself through a trial of strength and emerge triumphant – hardly a victory for the Opposition. The second outcome, which is the one that they presumably desire, is that the Bill is not passed. Defeat would be a setback for Blair, although whether it would bring much advantage to the Conservatives remains to be seen. Suppose that it did: at what price would it have been bought? Defeat for the Bill will not only provoke an acute financial crisis for the universities; it will also remove their last, unexpected chance of the freedom they need to remain universities at all. In vote after vote since 1997, the Conservatives have not had the chance to influence events. However they voted, they knew that the Government would win. Now, because of the misguided convictions of many Labour backbenchers, their votes count, each of them. The Conservatives have a chance to act with wisdom and statesmanship, by supporting a Government Bill which is fundamentally right.

Michael Howard still has time to change his policy. There is much in the Bill for him to oppose, from the Access Regulator to the means-tested grants and rebates, but he should support its main substance, and support it with his party's votes. (By doing so, he would, incidentally, at one stroke remove

Blair's best means of bringing his rebels to heel, and ensure that, though he would win his vote, it would be, politically, a hollow victory). Mr Howard should make what is a far from a shameful admission: that, having taken the wrong course, his party now intends to look to the country's greater good and, as the Conservative Party in opposition has done in the past, to vote with the Government, even though its own followers are divided, on grounds of national interest. It is a heavy responsibility, and Howard does not bear it alone: it is the duty of every Conservative MP, when it comes to the vote, to think of the consequences, and sacrifice the hope of immediate gain to the good of the universities *and* of his party.

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The universities face ruin – the ruin which results from ever diminishing funds (vital to pay for good teaching and research) and ever greater control from the centre. Mr Blair’s solution to allow them to charge a supplementary fee is welcome on two fronts. It restores a measure of freedom and brings in badly needed cash. But the Labour left, the Liberal Democrats and, most unlikely of all, the Conservative party, oppose the plan. In this pamphlet, John Marenbon, a fellow of Trinity College Cambridge, considers the wider context of the problem and the purpose of universities. He explains that while there is much in the Bill which should be changed, the principle is sound. He calls on Conservative MPs and voters to support this, essentially, Thatcherite, proposal. He also proposes a restructuring of the loan system which would make it less burdensome for all concerned.

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