

Be Careful What You Wish For

David Eastwood and David Greenaway

The now passionately polarised debate on funding higher education in England is generating a great deal of noise and an almost equal measure of misunderstanding. A debate about how much more graduates should contribute to the cost of their education and how that is most appropriately done has mutated into a campaign for an assortment of causes including 'free' higher education, rolling back the cuts, and saving public sector jobs.

If you just want protest, this is a heady cocktail. However, if you wish to create a university funding regime which will sustain quality and international competitiveness, whilst promoting social mobility, then noisy protest is not enough. We need a viable solution.

The global financial crisis was a once in a century event under whose shadow we still live. Avoiding meltdown of the banking system and dealing with the recession it triggered has ballooned an already large public sector deficit and wrecked our public finances. All parties agree this is a problem. The only disagreement is about speed of adjustment: cut public expenditure too quickly and we risk prolonging recession; cut too slowly and we risk losing the confidence of our creditors.

So like it or not, cuts have to be made. Hospitals, schools and overseas aid have been protected. They have been deemed bigger priorities for taxpayer support than higher education and so public investment in university teaching will be especially hard hit. Some still argue against raising the cap on tuition fees but fail to understand the dire alternatives.

With a £3 billion reduction in spending on higher education, we could radically reduce the number of students attending universities, but if we did, we would be the only developed country doing so, and the effects on social mobility would be catastrophic. We could reduce spending on teaching, but the impact on quality would be immediate and devastating.

Key protagonists agree there is an efficient and fair way of replacing public subsidies: graduates should pay more. The National Union of Students clearly believes this, given their advocacy of a graduate tax, as indeed does Mr Milliband.

A graduate tax obliges the beneficiaries to contribute more to the cost of their education. But as an alternative to what Lord Browne proposed and what Parliament will vote on tomorrow, it is extremely unattractive: graduates start paying earlier; they pay for longer; and they pay more. Moreover, the idea that such a tax would be hypothecated to higher education (when it eventually delivers revenues) is naïve. As a vehicle for securing higher graduate contributions, the graduate tax has nothing to commend it.

By contrast the proposals currently being debated provide a basis for driving additional resource into higher education. As with a graduate tax, no-one will pay fees up front, which is fundamentally important to promoting access. Graduates, not students, will make a contribution to the cost of their high education but will only do so when they are in work and can afford it. This will empower students in a way in which a graduate tax could never do and will ensure that funding goes directly to their university at a time

when they are studying and when they will therefore benefit from the resources required to enhance quality and ensure sustainability.

This debate has morphed into 'Free versus Fee'. It is not. Graduates should make a larger contribution to the cost of their higher education, which continues to deliver higher lifetime earnings. Doing this through a graduate contribution scheme is both fair and effective. There is no credible alternative. Doing nothing is not an option.

Professor David Eastwood is Vice-Chancellor of the University of Birmingham

Professor David Greenaway is Vice-Chancellor of the University of Nottingham

Confidential draft