

## **Working with the Coalition: Higher Education**

England doesn't love coalitions, so it has generally disguised them as arrangements within parties as distinct from arrangements between parties.

This is not the occasion to speculate on the likely destiny of the present coalition, but the historical parallels are tempting. The last long-lived coalition government was a wartime administration (Churchill's Coalition) from which the junior partners (Labour) emerged victorious at the subsequent general election in 1945. That, I suggest is an improbable guide to the outcome of the 2015 election.

The previous coalition, of course, was the 1931 Coalition, and here there are some parallels, though what we now have is not a National Government in style or spirit.

Nonetheless, the 1931 Coalition did lead to a significant political realignment, to an erosion of the political space for the Liberals, and to the longer-run re-establishment of the Conservatives as the natural party of government after the upheavals of the previous twenty-five years.

There may be some runes to be read here.

The other, interesting, period of coalition and minority government is the mid-nineteenth century, in essence the period between the convulsions which followed the repeal of the corn laws in 1846 and the emergence of new, firmer party-alignments after the second reform act of 1867 and the emergence of a realigned liberalism around the figure and leadership of Gladstone.

The two decades after Peel's great premiership are interesting, partly because they produced a certain style of government and parliamentary sovereignty, and partly because they produced two key texts (perhaps *the two key texts*) on our government and constitutions: Walter Bagehot's, *The English Constitution* and John Stuart Mill's, *Considerations on Representative Government*. Back here in Oxford, where I taught both texts the temptation to revisit my tutorials is nearly irresistible. But I will resist. Though, interestingly, in their different ways, both Bagehot and Mill did see merit in a House of Commons in which the party system was not hegemonic and the power of the cabinet was considerable but constrained. Interestingly, too, both saw the absence of determining parliamentary majorities as creating space in which parliament could operate in rather sophisticated ways and, on key issues, those in parliament who possessed expertise could exercise appropriate influence.

In part they had a vision of a parliamentary system where, shorn of parties having an overwhelming power, some issues might be debated and policy formed by reference to an informed understanding rather than party ideology and certainly not by members already committed by ill-advised pledges to their electors.

This sustained period where no party could command a majority might be instructive, not least because it is so very different from what is currently happening. Whereas governments in the mid-nineteenth century were willing to accept a complex, varied, and unpredictable relationship to parliament, and indeed accord some significant authority to the process of parliamentary debate itself: the current coalition government has sought to anticipate disagreement and foreclose or at least constrain debate through the Coalition Agreement.

In other words, through the Coalition Agreement, the government sought similar authority within parliament to that enjoyed by single-party governments with a clear electoral mandate.

It has not, of course, worked out quite like that and, so far, this has been, from the point of view of the government, a parliament that has had a striking number of individual MPs who have 'rebelled'.

Interestingly, though, those very terms: 'rebel' and 'rebellion' pre-suppose strong party discipline and the normative authority of a programme for government rather than a process of parliamentary debate and decision.

Understanding this context, and the historically quite specific ways in which the coalition has been constructed, is important to contextualizing its higher education policy.

Higher education was not just a key element in the coalition agreement: it was avowedly one of the most controversial issues within the coalition agreement. It was, therefore, inevitable that higher education policy would prove an early test of the coalition, though, as I shall argue, it was much more a test of the *politics* of the coalition than it was a test of its policy or policy-making.

Before we leave the nineteenth-century, permit me one more reflection on the idea of MPs being pledged. This, of course, created massive problems for the coalition, as the overwhelming majority of LibDem MPs had taken the NUS pledge to abolish fees. Accommodating these pledged MPs was a huge challenge for the coalition agreement and a still greater challenge in the fraught politics that followed the publication of the Browne Review.

Peel had a short way with backbenchers who were pledged to the repeal of the Corn Laws. No member, he believed, should pledge himself on any issue. In this Peel followed the Burkean notion that members were elected to exercise their judgement, and were accountable to electors but not pledged on any issue. I observe, simply, that we are now a long way from that tradition of electors reposing faith in men without prescribing measures.

The issues of pledges takes us to the heart of what has made HE policy so deeply political and so deeply contested in the last fifteen years.

Underlying HE policy there has been, I think, a profoundly complacent assumption: that the excellence of our system is invulnerable. The achievement of higher education - producing a world class system on about half the front-line funding enjoyed by competitors – has not brought us the acclamation we might have expected, still less immunity from political interference or from an inclination to micro-manage institutions, and indeed a sector, that broadly manages itself rather well.

Precisely because the quality of our system has been taken as a self-sustaining given, and the competitiveness of international higher education has been overlooked, it has been prodigiously difficult to sell the hard choices that are needed to sustain the system and its funding.

One profound consequence of this is that issues such as participation, access, and economic impact have taken precedence in the political debate over sustaining the *quality* of the system. All the political compromises that have been made, from the rejection of key aspects of Dearing, through the concessions made in 2004 to get the HE Bill through, through the ill-considered July 2007 changes to student support, to many of the changes made to Browne's recommendations, all have taken resource away from sustaining a high quality system. Some of these compromises might be justifiable as attempts to balance two public goods - access and quality - but there are serious questions as to whether the right balance has been struck.

It is, of course, an analytical commonplace that mass systems of higher education cannot be funded in the ways that elite HE systems were, and that an ineluctable consequence of the move towards mass higher education is that students must pay more. What is less well understood is that we embarked on this road to a radically different political economy of higher education as early as the 1970s. Maintenance grants were dramatically eroded in the 1970s as public expenditure pressures combined with the expansion of numbers in Higher Education to make the then systems of student support unsustainable.

When I arrived at this university in 1977, from a far from affluent family, I enjoyed what was deliciously called 'a minimum grant'. Grants gave way to loans in the 1980s, and in the 1990s government sought, unavailingly, to find private sector alternatives to all student support.

If the first consequence of a move towards mass higher education was that students contributed much more towards the cost of their maintenance, the next stage was that they would need to meet at least some of the costs of their tuition. That was a core issue for Dearing, and has dominated the public debate on higher education ever since. Had it been better understood that the debate on how to fund tuition was part of a funding trend reaching back to the 1970s, and supported in government by both parties, the debate might have been more informed and more constructive.

As it was, 'free higher education' became an easy slogan of opposition parties, especially those who thought they could make electoral pledges to reduce the scale of their likely electoral defeat. 'Free higher education', as Nick Barr repeatedly reminds us, is code for 'someone else pays', and, in the case of higher education, those who pay are who don't benefit directly from higher education pay.

The advocates of 'free higher education' from 1997 onwards have never produced a costed plan – not even the LibDems' much overspent 'penny on the income tax' was a plan for higher education.

Thus the Tories' 2005 election commitment to repealing Labour's Fee Regime, and the Lib Dems' 2010 'pledge' on HE funding were both designed to secure electoral advantage in some marginals and were, palpably, not programmes for policy in government.

Least anyone doubt that, consider the rapid retreat by the Tories from their 2005 position when they sought to develop a serious programme for government, and Nick Clegg's eloquent advocacy of the new funding regime as Deputy Prime Minister. Government, or the serious prospect of government, exposes the hollowness of 'free higher education' pledges. Hence, too, that curious moment in the summer of 2010 when myriad 'opponents of fees' and former advocates of 'free higher education' came out in support of a graduate tax, a policy that would have seen graduates with unlimited fiscal liabilities and certainly a policy that would have seen them paying more than under the Browne proposals they sought to oppose.



Indeed it has been striking how courageous *governments* have been in promoting new systems of higher education funding. Labour did legislate on Dearing, albeit in a less enlightened way than Dearing had recommended. I have sometimes reflected in the recent debates that some of those who happily cast themselves as my 'opponents' were advocates of up-front fees in 1998. A regressive policy I have never supported. More strikingly Labour in 2004 and the Coalition in 2010 were unflinching in seeking to promote change in higher education funding at very considerable parliamentary risk.

The debates of 2004 and 2010 were all the more searingly contested because Labour backbenchers in 2004 and LibDems in 2010 considered themselves pledged to oppose fees or fee increases. Moreover, as I have argued, these were pledges made in opposition, having less to do with considered higher education policy and infinitely more to do with electoral advantage. Thus the fissure between backbench pledges and perceived purity and government responsibility was deep, and largely unbridgeable. Hence the recourse to the cruder tactics of ministerial 'concessions' and whips' persuasion.

I was struck by this in 2004 when several Labour backbenchers told me that they were indifferent to higher education funding policy, didn't really understand the 2004 Bill, and thought I was 'probably right' that the new system was preferable to the 1998 up-front fees, but that none of this was the issue. The whips, they told me, had betrayed them over Foundation Trusts, about which they really cared, and the HE Bill was their revenge. Add that to the civil war in Labour, and the merits of the proposal mattered little against the internal politics of the party. The Tories atonement for their position in 2004 was the readjustment of their position after 2005, carried through characteristically by Boris Johnson, and rather brilliantly by David Willetts.

I have so far sought to locate the 2010 debate on Browne and funding in a much longer history. Only by understanding the curiously contested history of higher education policy over the last generation can we understand the striking politics of 2010. In an important sense, this was a *dénouement* no-one anticipated. Imagine, if you will, the counter-factual.

Browne was commissioned – like Dearing – on a bi-partisan basis, after extensive discussions between the two main parties, and indeed personal discussions between Peter Mandelson and David Willetts. The reasons for this were not far to seek. It was universally acknowledged within government that the current student funding regime was unsustainable. That was partly because the costs of the 2006 system were under-estimated, and the costs of the 2007 changes hardly estimated at all.

As the squeeze came on public expenditure, exacerbated, as we will see, by the departmental location of higher education, the effect of overspends in student support was a constant erosion of the teaching grant. The effects of the system, if not checked, would have been a massive erosion of teaching funding and quality. And this was apparent even before the consequences of the 2008 global crisis kicked in.

Thus the expectation was that Browne would recommend change, and must seek a sustainable alternative. Almost certainly that new system would be a radical elaboration of the 2006 system rather than a repudiation of it. The imperative for change thus created an imperative that Browne would, at least substantially, be implemented. Hence the bi-partisan nature of its commission. There were, of course, attempts to secure LibDem endorsement.

These were unavailing, largely because despite attempts to change LibDem policy, their Conference had continued to uphold the no fees stance.

Politically in the autumn of 2009 this appeared to matter rather less, as Browne would report after the general election and the near-universal working political assumption was that Browne would report to a Conservative government. If we pursue the counter-factual a little further, had the Conservatives had a comfortable majority, Labour would probably have abstained given that former ministers would not have been overly surprised by Browne's recommendations, and had they still been in government would have had to implement them to avert a massive funding crisis.

Thus the 'Days of May' changed everything, and immediately a strategy that had been designed to secure a relatively smooth implementation became a matter for the Coalition Agreement, indeed an issue invested with quite totemic significance for the Coalition. However, given that the Coalition Agreement provided for LibDem abstention, the issue might have been deeply divisive rather than politically devastating.

The Conservatives' failure to win an outright majority almost certainly had another important consequence.

Had they won comfortably, the likelihood was that higher education would have been moved to a refocused Department of Education.

Higher education's grand tour of Whitehall would have come full circle with the brief and solitary sojourn in DIUS, leading through the grander corridors of BIS, back to the sanctuary of Sanctuary Buildings, the home of the Department of Education. To be sure it would have been a super-ministry, with a Minister of State for Higher Education effectively taking the lead on higher education policy, but, in important ways, returning to Education would have mattered.

I should declare my hand here: I have always favoured higher education's being in a Department of Education, and this was my advice when I was running HEFCE. My reasons are partly principled and partly pragmatic.

The principled justification is that locating higher education elsewhere in the Whitehall village fractures education policy and policy-making inappropriately.

Its Departmental location has also meant that, rhetorically, higher education has had to privilege innovation and economic impact over educational priorities and, on balance, that has probably been unhelpful, not least because it hasn't yielded the funding dividends that its advocates had hoped.

Pragmatically, being in Education means being in a big department with big margins. Being in DIUS and BIS means being in departments with very modest budgets and no margins. Any overspend or miscalculation, as with student support *passim*, thus has immediate impacts on other parts of the HE budget; with no buffer from underspends elsewhere (common in Education) or salvation through year-end flexibility.

In the post-election world, moreover, being in BIS, of course, also took HE well away from protected spending budgets, and made it near-certain that the funding reductions would be severe.

If my reading's right, the outcome of the election and the advent of a Coalition saw higher education in a different department in a radically-changed political world, and the consequences have been profound.

The interactions between Lord Browne's Review and the changed and changing political environment were complex. John Browne was insistent throughout that his was an independent review. The Review's independence mattered to John, as it did to all of us on the Review Group.

Interestingly the many journalistic attempts to suggest that the Review's independence was somehow a sham have been unavailing. Indeed the more journalistic critics have pressed the more reluctantly impressed they have been by the Review's insistence on gathering evidence, on taking evidence in public, of operating with a very diverse reference group, and on developing solutions rather than reinforcing prior assumptions.

In the light of what was to come, Browne's guiding principles and principal recommendations were interesting. Its recommendations might be briefly summarized:

1. The separation of maintenance and tuition
2. Higher education's remaining free at the point of delivery
3. Proportional graduate contributions
4. Treating part-time students on the same basis as full-time students
5. Creating a market that would be shaped by informed sturdiest choice
6. Using student choice as the principal driver of quality
7. Eliminating unmet qualified student demand
8. Freeing up numbers in the system
9. Developing a soft cap on fees and intruding the principle of risk-sharing between institutions and government over funding.

Put like this, the radicalism and long-term vision of Browne is clear, as is the extent to which the Browne proposals were amended or, in some cases, put into abeyance to secure political support. At least as interesting was the rapidity with which the Browne proposals started to be amended.

Herein, my sources tell me, was the deep paradox of Browne. Those who read Browne were, in the main, impressed by the coherence of its vision and the creativity of its proposals. It offered more general support for the least well off, a much more efficient and less leaky system of student support, a real market which would empower students, a radically-better deal for part-time learners, and a quality system that could expand further on a sustainable basis.

My sources tell me that, rather than ram this through on the basis of the Coalition Agreement, a decision was taken to try to secure greater buy-in through targeted concessions.

Thus the Browne Report more-or-less immediately became the subject of an intensely political process. The inevitable consequence was that the checks and balances, central to Browne's vision, became weakened. Take the issue of the cap.



Browne envisaged what I have called a soft cap, in essence a sliding scale where institutions charging above £6,000 would share the risk of non-repayment by, in essence, indemnifying government on the basis of the RAB charge. At first sight this seemed complex - it is amazing how few actually understand even the basic principles of public accounting; on second blush some universities protested this was objectionable – why should they pay a ‘levy’, they were entitled to charge what they wanted, with government carrying the whole risk premium: in the event this was a self-defeating naivety or a breathtaking example of pure welfarism; and on third blush this seemed to critics a licence for universities to charge unlimited fees, well into five figures.

Anyone who bothered to reflect carefully on the proposal would have concluded: that the principle of risk sharing over a basic fee was legitimate, would create market responsibility, would ensure that the system was stable and sustainable, and would give both a soft cap to the fee and real scatter in fees charged. Almost certainly the median fee under the Browne proposal would have been lower than those which will emerge under the current twin cap system. I understand the political logic that drove the Coalition to the twin caps.

I understand rather less why the Sector rushed to embrace it; but above all we must understand that the logic was a political logic, which was profoundly at odds with the underlying logic of the system that Browne was seeking to promote.

Take next the issue of numbers. Browne – rightly in my view – took pride in finding a funding model that would enable the system to continue to expand, perhaps by as much as a further 10%. I have long held that, in systems such as ours, when you approach 50% participation you will meet all qualified demand, and the system will be self- equilibrating.

Thus Browne would have envisaged institutions setting fees where there was no unmet demand i.e. no artificial constriction of supply which would enable providers to charge an above market-price fee without significant hazard.

Browne also recognized that, as the Treasury was funding the system, it would not accept an open-ended or unlimited liability. Hence Browne sought a mechanism that would enable the Treasury to cap total HE expenditure in any one year, but students would be free to seek admission to any institution that would accept them, subject to that institution's view of how many students it wished to accept. Thus some high quality institutions might expand, expanding thereby real student choice.

That, too, would mean that all institutions would need to reflect carefully on quality and market position, and price accordingly. The system itself would not constrain student choice by numbers planning.

The mechanism for accomplishing this in Browne was the tariff system.

A two-tier system where, in any one year, any applicant achieving a minimum UCAS tariff (let us say two Es of their equivalent) would be guaranteed public support for their higher education. They would then have a *de facto* voucher to use in any institution that would accept them.

There would be a separate allocation of funded numbers, distributed to institutions by bidding, that would be available to students who came through non-tariffed routes, access programmes, and APEL, where institutions, as now, believed they had the potential to benefit from higher education.

The cry went up: but the Secretary of State will demine who goes to university! I have a small and a rather large quibble with this. My small quibble is that the Secretary of State would do nothing of the sort, merely set a minimum level of achievement at which applicants would be *guaranteed* funding for their higher education.

Many more would gain admission and funding, and most would end up at the institution of their choice, given the constraints of their prior educational achievement and potential.

But my major quibble is: what on earth do you think happens under the current system. The Secretary of State determines in any one year how many people will be funded, and the Funding Council decides how many should go to each institution, give or take a flexibility margin. The effect is radically to attenuate student choice. HEFCE operates a managed voucher system on behalf of the government. I genuinely thought everyone in HE understood that. I now regret I made so generous an assumption.

So the tariff mechanism was dropped, and the emerging market was thus doubly constrained by controls on fees and controls on numbers. As a result, institutions can and will price with a quasi guarantee that an excess of demand and rigid quotas will mean the system continues to squeeze applicants into all institutions like a grand toothpaste tube.

I could go on, but time presses. Let me simply observe that, as the Browne recommendations were modified to maximize political support and to diffuse opposition, there was a parallel process, especially when the protests took to the streets, where many groups that had pressed for major policy changes before Browne was commissioned conveniently forgot what they had previously insisted were axiomatic.

Thus Browne got little credit for offering a new deal to part-time learners, which many had regarded as the most important issue before Browne was launched.

Similarly those institutions and groups who had campaigned for an expansion of the system were silent on Browne's vision for an expanded system, and deplored its embracing the only funding method likely to achieve that.

Thus a Coalition faced with a cruel internal political dilemma, and an HE sector that thought it could cherry-pick without doing real violence to the proposals, ensured that what went through – politically brave though it was – left a series of unanswered questions and the near certainty that we will have to go through all this again.

So, in a very real sense, the Coalition has unfinished HE business, and business it cannot kick into the long grass. It recognises this in its commitment to producing a White Paper, though, we are now told, a White Paper with more than a tinge of Green. Market disciplines and student choice will have to be made real, so a mechanism for freeing the flow of numbers will need to be found.

Structural realignment remains a priority, and I trust that the White Paper will foreshadow the radical evolution of HEFCE rather than the creation of a new body or bodies. We still need a new approach to widening participation and access, which recognises that the real systemic failing is at 16 – or even before – and thus shifts the political debate away from pillorying higher education towards making progression into higher education a priority for all schools.

And, above all, we must move to a position where short-term political interests are prevented from deliberately misrepresenting the funding system to the disadvantage of students in general and widening participation students (who now have a terrific deal) in particular.

And, above all, I hope we can return to the clarity of the Browne funding decision, which (as in 2004-7) has been horribly muddled by political compromise.

The funding system should be clear. Students pay nothing for tuition, and there is a progressive and affordable system of graduate contributions. Graduates who benefit from their higher education and can afford to contribute do so; those who are not in a position to contribute, for whatever reason, do not. Maintenance is a separate issue, and students from disadvantaged background should be generously supported, as Browne envisaged.

But what they need is maintenance support, not fee waivers or fee bursaries. For as long as maintenance support and deferred tuition costs are elided, the system will be misunderstood and an avoidable disincentive to participation will persist.

There is thus much that a White Paper ought to pick up. Browne offered an integrated vision for higher education funding, the shape of the system, and patterns of participation.

From this genuinely innovative approaches to quality and regulation might have emerged in a more truly diverse system where student choice was real rather than rhetorical.

The political compromises have taken us some distance from that vision. Some, I appreciate, welcome this, though what we have, and their underdeveloped alternatives, hardly yet represent a coherent vision still less as workable system.

And here, if we reflect on the political environment, we come full circle. The political space in which the White Paper is being developed is still a radically attenuated space in which the bruising aftermath of 'the fees debate' , leave us with a radically polarised and, I have to say, rather tediously partisan political framework in which to debate this most important of issues.

Too much will be a matter of what 'we can get through', too little 'what we ought to do'. The parliament that Mill and Bagehot briefly glimpsed, where policy debates were not reduced to mere politics, and where expertise was accorded at least some reverence, currently seems rather distant; and the torn but far from shredded Coalition Agreement will mean that it will be some time before the pall of the 'fees issue' ceases to hang over every higher education debate.

There is, however, one glimmer of hope. It is, of course, a matter of notoriety that the December vote of tuition fees was perilously close: 323 for 301 against, a majority of 21 against a nomination Coalition majority of 83. What has been almost wholly overlooked is that MPs for English constituencies strongly supported the proposition, and may have supported a different, more Browne-like, proposal on fees. Amongst English MPs the majority in support was 63, assuming all those English MPs who didn't vote would have voted no.

The West Lothian Question truly wove its magic with only 25 of the 117 non-English MPs voting in favour. The West Lothian Question isn't, however, going to be solved anytime soon, and it will continue to have a disproportionately significant impact on English higher education policy.



So higher education policy will continue to be made in a challenging environment, and our allies in government and Whitehall have never been more important. Moreover, and more urgently, we do need to deliver a workable, sustainable settlement for higher education. Least you wonder about the urgency of this, think of who might commit to what on higher education in the 2015 general election. The era of easy pledges and painful recantations in higher education may not yet be over.

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