

HOW COULD ICL WORK BETTER? POLITICS OF PUBLIC/PRIVATE

The Dearing Report 25
years on: Student loan
reform in U.K. - Did it work?
UCL 5 November 2022

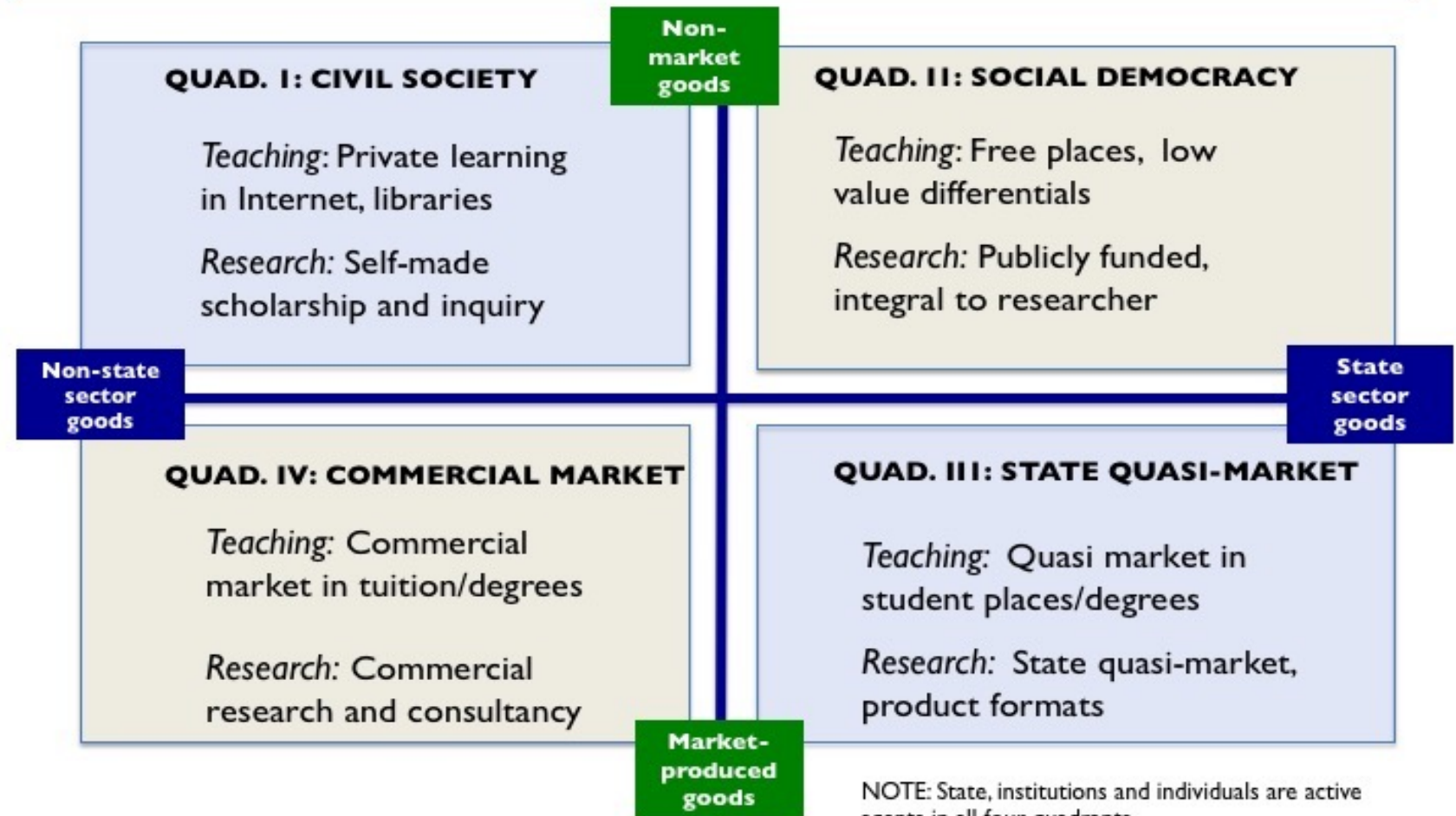
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IS INCREMENTAL REFORM OF TUITION IN ENGLAND THE ONLY OPTION?

A likely Labour government in 2024 is an opportunity to re-think the political economy of ICL and establish a more stable system with a more defensible balance of public/private

Public and private goods: the four variations



THE 2012 ICL SYSTEM

- Tremendous medium term boost to university resources, primarily the Russell Group, just in time given Brexit four years later
- Principle of 100% individual funding for many students, brave ideological claim that the market is all, implies benefits are 100% individualised
- RAB charge levels create nerve ranking uncertainties and long term instability
- Fee always looked too bloody high, now can't be raised, and vulnerable to sudden reductions
- All ICL systems are prone to political fiddling but the high RAB charge/100% individually funded English system is more prone



WHAT DOES 100% INDIVIDUALISED FUNDING TELL US?

- Individual public goods, i.e. benefits of higher education for students not captured in earnings (immersion in knowledge, self-formation and personal growth, campus life) are **unfunded**

Political conclusion – students should understand and experience higher education in the narrowest possible terms

- Equal access to private benefits in higher education IS funded through the ICL system - this is one supported public good - but the huge RAB subsidy is hidden and creates massive instability
- Collective public goods (social and scientific literacy, citizenship, public health, stronger cities and regions, political connectedness, citizenship, tolerance, international relations etc) are **unfunded**

Political conclusion – public does not benefit, no reason to support higher education except research, STEM degrees and the RAB charge subsidy



WHY SHOULD THE PUBLIC FUND UNPAID TUITION DEBTS WHEN THE PUBLIC GOOD PRINCIPLE HAS BEEN EVACUATED?

- Should we assume that public goods are produced automatically, unfunded, as a by-product of the production of private benefits for students? Does this mechanism generate the public goods required? Does the public know? Should it just forget public goods, except access and research?

What does that mean for the informal social-political contract that underpins higher education and its many social contributions?

With the public good principle gone, support for the RAB charge is increasingly unstable



WHAT COULD LABOUR DO?

- This problem will be solved by politics. Any economic assignment of the value of public goods for funding purposes is arbitrary!
- But government subsidies and reduced tuition debt both have political meaning – taken together they are good for students, stabilise the higher education system, and invest on behalf of the public



TUITION REFORM 2024

- The Australian ICL system has a better public/ private balance than England. It is more politically stable. The level of unpaid debts is lower and the student charge is significantly lower
- The ICL system in England should be reworked to
 - (1) reduce the level of tuition charges and debt accrued;
 - (2) introduce a directly funded government subsidy for all places, in recognition of the shared public benefits of higher education that accrue to all people, regardless of whether they enrol or not. The subsidy can be increase for particular places with high externalities (STEM) or national need (nursing)
- That subsidy will be vulnerable to possible cuts in future, but with less RAB charge exposure the system is less fiscally vulnerable and more politically stable overall

