The dustman and the doctor

Fairness and the student fees debate

By Mark Damazer

High cost of learning: Oxford University’s Radcliffe Camera building

T
he most toxic political imagery of the student fees debate dates from 2010. First, there was Nick Clegg brandishing a sheet of paper bearing his election pledge that the Liberal Democrats would vote against “any increase” in tuition fees. Then, a few months later, there was the sight of protest- ers scrawling graffiti and urinating on the statue of Winston Churchill in Parliament Square.

Churchill was rapidly restored, but Clegg, who I am told, did not believe in the pledge when he signed it but could not resist the prospect of those student voters in uni-

versity towns – never properly recovered.

The issue of how to fund English uni-

versities had been fertile for years – long before the 2008 financial crisis, the balloon-
ing of the Budget deficit that followed and the 2010 Lib Dem vote for the vertiginous increase in English tuition fees. (University towns – never properly recovered.

The Institute for Fiscal Studies (IFS), in

its disinterested and peskily rigorous way, joined in – and with a more subtle point, suggesting that cutting fees would bene-
cfit higher-earning graduates the most. Those who earned less over their lifetime would, in any event, not have to pay all of the money back.

Until Corbyn’s swashbuckling manifesto simplified matters, or oversimplified them, the left had been tied in knots on the fairness point from the moment that tuition fees were introduced, relatively quietly, in the peak-Bliar year of 1998.

The idea that education – all education – should be free is intoxicating and liberat-
ing. It is intoxicating because one’s Enlight-
enment reflexes are happily triggered: the pursuit of knowledge is wonderful; knowl-

dge leads to individual self-fulfilment and should be made available to the larg-
est possible number. We all benefit from a better-educated population, not least by the spread of liberal values. Utilitarians rejoice – the country becomes economically more prosperous, though the evidence for this is irritatingly murky.

It is liberating because it is a beautifully simple proposition, and thus the complex-

ity of nasty trade-offs – between those who go to university and those who don’t, between generations, between different sorts of universities, between disciplines and courses, between funding higher education and funding a zillion other priorities – is washed away by the dazzling premise. Free.

Alas, there is a problem. Once upon a time, a British university education was for the very few. The state, in the form of the general taxpayer, footed the bill. Now, around 40 per cent of 18- to 19-year-olds are at university and nobody in front-line poli-
tics is keen on hauling down the number, notwithstanding the occasional hyperven-
tilating headline about useless degrees in golf course management or surfing studies. The Liberal Democrats’ ill-fated 2010 manifesto had a little-noticed passage that called for scrapping the participation target of 50 per cent – alongside the now ritual as-
piration to improve vocational training and apprenticeship schemes, a promise that is yet another reminder of a long-established and debilitating British weakness that no-
obody seems to know how to reverse. But mass higher education is here to stay – and it’s a good thing, too.

We could have chosen (and could still choose) both to fund increasing numbers of people going to university and to pay for all of their tuition, but that would not have been a self-funding investment – at least, not for a very long time. Other Eu-

ropean countries with decent universities have indeed managed without asking grad-
uates to contribute anywhere near as much as ours. The Swedes pay nothing for tuition. Dutch students pay a quarter of their Eng-
lish counterparts. The Germans have pro-
portionately fewer students in tertiary edu-
cation (though their vocational education is widely known to be heaps better), but their students are at university for longer and they pay very little for the pleasure. You get the picture.

It would require a lot of extra taxation if we were to go down that route – and there are many other competing demands be-
yond deficit reduction. Yet the issue is not only framed by tax priorities. We can’t eas-
ily afford to have the state picking up the tab because – as an ugly fact – we are less well off than most northern European countries that charge less. Yes, we are the fifth-largest economy in the world – how could any of us, since the Brexit vote, not know that? – but we are far from being the fifth most economically prosperous country in the EU, once you allow for the intrusion of vulgar reality in the form of GDP per head.

On that measure, we sit somewhere in the middle of the pack.

So who pays? Asking students to pay something is not in itself an outrage. The massive social and economic privileges that my generation accrued from our glori-
ously free university education may now be spread more widely but that has not eliminated the personal advantages that, on average, follow a degree. Graduates are more likely to get jobs, more likely to get better jobs and more likely to keep their jobs in a recession. The Department for Educa-

tion puts the graduate premium on aver-

age at £50,000 before tax over a lifetime for women and £70,000 for men. These figures may be overstated and might not be sustained, but it is overwhelmingly likely that most graduates will still benefit mate-

rially from their degrees.

From the starting point in 2004 – long before the deficit soared – Blair and his then education secretary, Charles Clarke, decided that graduates should pay more once they began to earn sufficient money. I remem-

ber Blair at the time doing a BBC Newsnight special with an angry audience, packed with students telling him that he was wrenching their lives and had insufficient respect for their contribution to the greater good.

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A very articulate trainee doctor told Blair that she faced a mountain of debt (those were the days – that would now be several mountains). Blair responded with a range of left-wing arguments – at least, if you are of a redistributive frame of mind. Here are some highlights of the exchange:

**Blair:** I think it is unfair to ask general taxpayers – 80 per cent of whom have not been to university – when you have got an adult who perhaps wants to get an additional skill and they have to pay for it if they don’t go to university, to say to those people: we are not giving you education for free. And to say to under-fives, where we are desperately short of investment, to say to primary schools, where again we need more money, that we are going to give an even bigger subsidy to university students. Believe me, if I could say to you, “You can have it all for free,” I would love to.

**Student:** It really infuriates me that you say, “Why should the dustman fund the doctor?” When he has [a] heart attack, he will be pleased that I went to university and graduated as a doctor. Therefore he should contribute towards the cost of my degree.

**Blair:** But surely there should be a fair balance. He is contributing to the cost of your degree. Five-sixths of the cost of any degree, even after our proposals come in, will be contributed by the general taxpayer.

Not bad for a prime minister who was not often associated with causes dear to the dustmen part of his Labour flock – nor associated with redistribution in general. Of course, the figure of five-sixths paid for by the state is now, since the introduction of £9,000 tuition fees, a great deal smaller. The trainee doctor of 2017 is expected, over the course of their lifetime, to fork out much more. The average student debt is getting on for £50,000.

The current numbers are the result of decisions taken by Vince Cable of the Liberal Democrats and David Willetts of the Conservative Party. Unlike Blair, these two men were on the left of their parties, with a firm belief in the importance of education and its positive impact on social mobility. The hike in fees led to protests and occupations but also to universities getting much of the extra money that they needed, even if they were markedly reluctant to say so, doubtless for fear of stirring up their students.

There has been no drop in the participation rate of students from poorer family backgrounds. Quite the reverse – despite Jeremy Corbyn’s personal refusal to believe the evidence. But the repayment of fees means that, in effect, recent graduates pay income tax at a rate of 29 per cent once they earn more than £21,000. (The Department for Education cheerily call this “a contribution,” as if it were voluntary.)

The repayment point could have risen with inflation to ease the load but it hasn’t. That allows the Treasury to recoup more money. Why hasn’t the £21,000 limit been raised? The reason is that, under the current IFS estimates, three-quarters of graduates will not pay back all of their debt after 30 years, at which point it is forgiven. Worse, interest rates on this fee debt are 3 per cent above inflation – and thus nearly 6 per cent above the base rate. That is not quite at Wonga levels but it is patently demoralising and much too steep.

That is far from the end of the matter. Until last September, poorer students received a maintenance grant of up to £3,400 to help with their living costs. For better-off students, the state’s supposition has always been that their parents should and would contribute financially to ensure that their offspring could lead a reasonable life while at university. No government has chosen to make this very explicit: there are only so many enemies you want at any one time on any one issue.

But as the number of students rose, so did the number entitled to the grant, and as hardship funds for those whose circumstances – normally their parents’ circumstances – change while they are studying. But I know from direct experience that many students worry a great deal about the debt that awaits them. And if graduates were feather-bedded before 1998 (and that includes me), it is hard not to sympathise now. The debt is too much for too many.

Blair defined the problem correctly – the question of who pays is about striking a fair balance – even if Corbyn seems uninterested in the pain involved in thinking it through and has opted for the easiest answer. But what should that balance be? A graduate tax for those of us who went to university when it was both a much scarcer resource and cheap would offend people who want as little retrospection as possible in the tax system. However, it would do something to deal with generational injustice, a subject on which Corbyn’s credentials are sullied by his fondness for the “triple lock” on pensions.

Labour’s policy of telling English students that they will pay nothing for their tuition is nowhere near as left-wing as it sounds, but it was far too successful a piece of retail politics for anyone in his team to consider going back to the drawing board. So now it is the Tories, facing an energised student vote, who have to engage with the issues for the first time since the tumult of 2010. The least they can do – and they should do it fast – is cut the interest rate. They won’t want to do any of it but, as the man said, the times they are a-changing.

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Despite the fees, there has been no drop in the participation rate of students from poorer family backgrounds