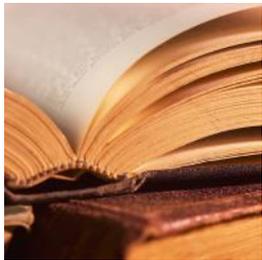


[The coalition's universities policy: a distinctly mixed bag](#) [1]

Written by [Anton Howes](#) [2] | Monday 8 November 2010



The coalition government put forward its response to the Browne Review of Higher Education last week. On the bright side, they have adopted the vast majority of Browne's proposals, and have rejected a government levy on headline fees over £6,000. Unfortunately, they have decided to keep a cap at £9,000, have put severe constraints on accelerated loan repayments in the misguided pursuit of "fairness", and have failed to address any of the long-term problems highlighted in my [analysis](#) [3] of the Browne Review.

Furthermore, the government has failed to find a decent strategy for selling the reforms. Perhaps they could use some of my suggestions: it should be made clear that graduate repayments are purely income-related, and should be renamed to reflect this. A distinction ought to be made between these income-related repayments and mortgage-style debts, as well as with up-front fees that would more accurately be described as "tuition fees".

The coalition would also be wise to consider my analysis of the real problem with the Browne Review: In short, that students bear no risk - whatever the headline fee, the amount of annual repayments will always be the same. This provides no brake to degree inflation, provides no incentive for universities to justify higher headline fees with higher quality, and provides every incentive for all universities to charge the maximum amount allowed to them.

An up-front tuition fee of a set percentage of the headline fee would go some way to solving these problems. It would encourage real price competition, forcing universities to be accountable to students alone as customers, as well as providing some form of guarantee for taxpayers paying the up-front bill.

The flaws in the proposed cap are obvious: it provides a baseline level that will be taken up by most universities, particularly when they can charge as much as they like without affecting annual graduate repayments at all. With a cap there can be no price competition whatsoever as it is set at the bare minimum. It will also probably be too low to replace the government grants being cut, thus perpetuating universities' dependence on a significantly smaller pie of government subsidy rather than obligations to students.

The proposed financial penalties for accelerated loan repayments are misguided. This tax on thrift encourages slower or deferred repayment, directly affecting the taxpayer by increasing the cost of financing student loans. It also discourages optional up-front payment of tuition fees, merely increasing the risk borne by the taxpayer for loans that otherwise would not have to be given. It also eliminates a vital source of price-competition to keep headline fees down: the differences between headline fees paid up-

front by richer students would at least provide some incentive for universities to keep prices down unless they could justify increases with better quality.

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