Comment on the Browne Review

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1. This note argues that the recommendations in the Browne Review[2] are a genuine strategy in which the components fit together and are mutually reinforcing, and which build on the 2006 strategy. A good strategy, however, can fail because politicians cherry pick or because the strategy is badly implemented. Thus considerable and continuing attention needs to be paid to the way the design of the strategy is fine-tuned and to the details of its implementation.

2. A robust all-terrain car is assembled out of components which are designed to fit together. Section 1 explains the components, section 2 how the car is assembled (the strategy), and section 3 its selling points. Those three sections set out the analytical framework. Section 4 then turns to detailed policy design and implementation, including caveats. Section 5 argues that all alternatives are worse.

3. The objectives are taken to be:

- Quality (improving)
- Access (widening)
- Size (no excess demand for places).

1 The components

4.

    - Has income-contingent repayments (9% of earnings above £21,000 – the current threshold is £15,000).
    - Any loan balance still outstanding after 30 years is forgiven.

- The report advocates improved information about the nature of student loans as opposed to credit card debt.

- Result: the bottom 3 deciles of graduate earners repay less than currently, the top 3 deciles repay the greater part of their loan (see the chart on p. 42 of the report).[4]

6. COMPONENT 2: A SYSTEM OF MAINTENANCE GRANTS. The maximum grant (total family income less than £25,000) is £3,250, with some grant for incomes up to £60,000.

7. COMPONENT 3: SELF-FINANCING TEACHING IN MOST SUBJECTS, through a zero Higher Education Funding Council (HEFCE) T grant. The T grant remains for priority subjects including (a) more expensive subjects and (b) those that the government regards as a priority.

8. COMPONENT 4: RELAXATION OF CONSTRAINTS ON STUDENT NUMBERS IN MOST SUBJECTS.

9. COMPONENT 5: A LEVEL PLAYING FIELD FOR NEW HEIS.

- Students at new institutions have access to maintenance and fees loans on the same terms as all students;
- New institutions face the same conditions as all HEIs.

10. COMPONENT 6: FLEXIBLE PRICES.

- No explicit fees cap;
- A progressive tariff on fees above £6,000 creates incentives to contain any excesses.

11. COMPONENT 7: ROBUST QUALITY ASSURANCE.

- Mandatory disclosure of information by HEIs on process and outcomes.

- Student Charters to provide detailed information about specific courses. HEIs charging higher fees will be expected to make stronger commitments.

- A regulatory regime (*not* one-size-fits-all) managed by a new Higher Education Council which takes on the functions of HEFCE, the Office for Fair Access and the Office of the Independent Adjudicator.

12. COMPONENT 8: STRONGER ACTION TO WIDEN PARTICIPATION EARLIER IN THE SYSTEM

- Improved advice at school on choice of subject and HEI, with a new funding stream.

- An Access and Success Fund to assist completion by students from disadvantaged backgrounds, supported by University Access Commitments, with mandatory reporting requirements and updated annually. Scrutiny is to be tougher at HEIs which charge higher fees.

2 The strategy

13.

20. ELIMINATES THE CURRENT SHORTAGE OF PLACES.

21. AFFORDABLE FOR STUDENTS AND GRADUATES.

- There are no upfront charges.
- There are grants for students from poor backgrounds – on one interpretation this is a *de facto* fee subsidy delivered via targeted grant rather than a blanket fee subsidy. The combination of full grant and maintenance loan provides £7,000 per year.
- Loan repayments are designed to be affordable.
  - Repayments are a payroll deduction that instantly and automatically track changes in earnings.
  - Low earners make low or no repayments.
  - Low earners receive targeted interest subsidies.
  - Any loan balance outstanding after 30 years is forgiven.

22. SIMPLER. everyone is entitled to a full fees loan and the standard maintenance loan (i.e. no income test for loans), and the complex system of bursaries awarded by institutions is replaced by a larger maintenance grant.

23. ASSISTS PART-TIME STUDENTS. In contrast with present arrangements, part-time students with an FTE of one-third or more are eligible for fees loans. Assisting part-time students has benefits in terms of efficiency (matching students and courses) and widening participation (e.g. facilitating 'taster' courses).

24. ASSISTS UK STUDENTS. There is less discrimination against home students, to the extent that the gap between the fees for home and overseas students declines.

25. PROGRESSIVE. The proposals are more progressive than the current system. Calculations by the IFS show that '[t]hose in the bottom 30% of lifetime earnings would actually pay back less than under the current system, while only the highest-earning 30% of graduates would pay back the full amount of their loans. The resulting spread of repayments would be more progressive than under the current system, in the sense that lower-earning graduates would pay less and higher-earning graduates would pay more' (IFS 2010).

26. It is often not understood how progressive the proposals are. There are higher fees for those who can afford them (note that with income-contingent loans, 'can afford' refers to a person's earnings as a graduate, not to family circumstances while a student); and redistributive policies help students from disadvantaged backgrounds to pay those charges. To an economist, these elements are staggeringly familiar: the first, a price increase, represents a movement along the demand curve. Taken alone, this element would harm access. However (a) the fees are deferred. not upfront, and (b), there are transfers to students from disadvantaged backgrounds. This moves their demand curve outward. Thus the strategy is deeply progressive. It shifts resources from today's best-off (who lose some of their fee subsidies) to today's worst-off (who receive a grant, and benefit from the Access and Success Fund and pupil premium) and tomorrow's worst-off (who, with income-contingent repayments, do not repay their loan in full).

4 Detailed design and implementation

75% at £12,000. A case can be made for a smaller levy on fees below £8,000; and the

- It is very expensive, since the subsidy accrues to all borrowers and, moreover, does so at the start of the loan.
- It would encourage arbitrage: students from well-off families would take out the maximum loan if only to make a profit by putting the money into an asset with a positive real return, repaying in full as soon as their earnings rose to the point where a

4.4 Quality assurance

43. The report makes it clear that effective quality assurance is central, and rightly puts considerable emphasis on the importance of giving prospective students timely, accurate and relevant information. Greater competition is beneficial to quality but only in combination with quality assurance. The effectiveness of quality assurance should be kept under review in