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Answers from the UK

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Iain Crawford died in March 2004 after a long illness. In 1988 he and Nick Barr, while holding down their respective 'day jobs', embarked upon a sustained campaign for an income-contingent student loan system for the UK. Their message, often not well understood, was for a long time unpopular with the stakeholders, reluctant to reform. The process took its many interesting twists and turns, and for years it seemed that it was easier to deliver the Barr-Crawford message abroad than at home.

The campaign, like their friendship, was provocative and enduringly positive, the sum being greater than its parts. There was a solid foundation. Dubbed at times 'fanatics' by some, it is an enormous tribute to them both that the 2004 Higher Education Bill, which contains a good deal of their model, was given a Second Reading by the House of Commons in January this year.

It was just that Iain lived to see it, and for those of us who knew him personally, it serves as a mark of his political ability, his lateral thinking and downright determination.

Louise Crawford
Ardnamurchan
June 2004

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F*Professor Lord Desai*

This is the book that launched a revolution, one that is yet to finish its course, but I have no doubt that it will come to fruition. Like Lincoln Steffens I have seen the future and know it works. Indeed I had my first glimpse of the future in 1988 when Nicholas Barr, as a younger colleague at the LSE, sent me the first draft of his paper on loan-funded higher education. It was the summer holiday, in France, which for a university academic meant spending the time reading, writing and catching up with academic work not done in term-time. The proposal was quite innovative and I was immediately engaged by it. Nick Barr was exploring whether one could charge for higher education by giving income-contingent loans to the students in higher education, who (if full time and not 'mature') were then receiving it free. As a member of the Labour Party – and indeed Chair of one of its constituency parties – I was perfectly entitled to wear blinkers and argue that free higher education for all was the core of our beliefs, or of the British welfare state, or of socialism. Some of my House of Commons colleagues did just that when the Higher Education Bill was finally introduced early in 2004. But I knew then, as I know now, that we do not have universal free higher education at all. Only those who went on to higher education immediately after A levels were likely to receive full funding from their Local Education Authorities. The rest – part-time or mature students, or those in further education – were likely to be charged a fee. I did not cavil at the Barr idea because I knew that higher education, far from being a necessity, is a career choice. It benefits the receiver in terms of higher income over the life cycle of employment. Thus, while higher education may benefit society by various externalities, it is also a gift to those selected to receive higher education. Are the recipients deserving? This is where the debate gets muddled.

As of now the middle classes (A and B, and a few C1 in occupational categories) are overrepresented in higher education, and thus prima facie the gift of free higher education is a regressive transfer. The working-class students (C2, D and E) do not get their proportionate share. Originally this had nothing to do with fees charged, because if they qualified to go in at 18 years there was no fee; and there was until 1998 a maintenance

grant on a means-tested basis. So the low incidence of working-class students had nothing to do with the expenses incurred. The reason for the low incidence was that few working-class students 'stayed on' in school beyond 16 years, i.e. beyond O levels or GCSEs. This could be partly due to the quality of schooling, especially the low expectations teachers had of those students, or because of higher value placed on earning an income immediately. The former requires a better schooling system; the latter is a matter of cost-benefit calculus. If there is an unhealthy myopia among working classes, it can be ameliorated by better information and counselling. Some pupils who do not go on to A levels or higher education may, of course, choose to go back in later years as mature students. Thus the inequity of the lower representation of working-class students can be dealt with by measures independent of the mode of financing higher education.

Alas, politics is never that simple, and the fact that higher education provision is financed almost exclusively from public funds – much like health care – makes politics central to the issue. Economists have known for a long time that the sectional interests of the entrenched receivers of public subsidies are often dressed up as the national interest. Thus during the Corn Law agitation, landlords argued how vital agriculture was to England's military strength and public welfare. They also accused manu-

years after 1989 the steady impoverishment of universities was the untold horror story of English social life.

The story remained untold because English higher education is crippled by the existence of Oxbridge; and the public image of universities on TV and in the print media is of dreamy spires with clean-cut lawns, lazy summer punts and fellows running around in gowns and mortar boards. The great English public thinks all universities are places of privilege and prosperity. This has deprived the universities of any public sympathy in their fight for more money, and given politicians a stick to beat universities with. This is the cry for access, i.e. access to Oxbridge colleges for students from comprehensive schools, especially those from working-class background. This issue is separate from that of funding but mixing the two up has benefited the opponents of the Barr-Crawford proposals. The result has been a sorry mangled debate on the Higher Education Bill in the Commons with the simplicity of the original proposals messed up by many restrictions and concessions.

But even so I believe that the Barr-Crawford proposals will win support in the end in their full simplicity. The other part of the duo, Iain Crawford, was politically savvy and knew the electoral pressures that drive such debates. He was not himself from a privileged background and had made his way to LSE as a mature student. He knew the Scottish angle and could translate his proposals to suit other systems, as they did in Hungary. Barr and Crawford are acutely aware of equity issues as they are on the ground, rather than as mythologised by middle-class pressure groups to terrify MPs. If you have income-contingent loans you are borrowing against your future income to pay for the education which guarantees you that higher future income. Thus while parental incomes of potential entrants to higher education are unequal, their future incomes after higher education are much less unequal. Thus *ex post* equity is a better way of judging the proposals than equity *ex ante*. This is where the beauty of the proposal lies, because given the uncertainty it is better to rely on *ex post* outcomes. Of course the payments have to be upfront. The loan proposal says that the government pays up front and then collects the money from the beneficiaries as a fraction of their subsequent earnings. Those MPs who have put constraints on the proposals have kept the present inequities even as they claim to speak for the less well-off.

The intellectual journey is set out very clearly in this collection of articles. What is harder to convey is the sheer thrill of being part of a revolution in the mode of thinking about the finance of higher education. This was partly because Nicholas Barr is a superb pedagogue but also because Iain Crawford could tell great stories and make even the most technical economic argument lively. I feel lucky to have been there right from the beginning, and hope to be still here when the revolution is complete.

Meghnad Desai
May 2004

In November 1987, the Secretary of State for Education, Kenneth Baker (now Lord Baker of Dorking) published a White Paper (UK Department for Education and Science 1987) foreshadowing the 1988 Education Reform Act which, in effect, nationalised Britain's universities. On 27 January 2004, the House of Commons, after bitter dispute and by a majority of only five, gave a Second Reading to a Higher Education Bill which restored a measure of autonomy and competition. The Bill received Royal Assent in July 2004.

In policy terms, therefore, this is a story with a happy ending. But it is clearly also a long one. Iain and I first met by chance in late 1987. He was finishing an undergraduate degree at the London School of Economics (LSE), which he had started as a mature student, but from which he had taken time out to fight a Parliamentary seat in the 1987 General Election. At the time, he had just accepted a part-time job with a specific remit to consider the School's position in connection with some of the White Paper's proposals. I had recently published the first edition of *The Economics of the Welfare State* (1987), which applied the then fairly new economics of information to the welfare state, considering in particular where markets were likely to work well (e.g. food) and where badly (health care, school education). The book included a short section on student loans (Chapter 2, this volume).

We both attended a meeting at LSE in March 1988 to discuss how academics might head off the worst features of the Education Reform Bill. Iain's view was blunt: 'Don't start from here.' Instead, he argued, we should set the scene for the next time the issue became salient. In short order, he engineered a slot for me to appear on the 'Today' programme on BBC Radio 4, with more to follow, and encouraged me to write an article for

creative process, which was driven by a shared passion to widen access and an increasing fascination with the broader topic of higher education finance. That passion emerged in very different ways from two very different people. I remember at an early stage making the academic's comment that 'it's nice to get the argument right'. Iain, the politician, commented darkly, 'it's nice to win!'

The process involved endless discussion. Writing together would often see Iain pacing up and down the room talking; I would sit at the keyboard, assembling words whose correlation with what Iain was saying could be total, partial or zero; periodically he would peer over my shoulder to approve or to suggest revisions. Over time, there was some crossover in our skills, though we continued to rely on each other when the chips were down.

The process was also enormous fun. Much of this book was originally written for academic journals, government inquiries or Parliamentary Select Committees (we were always prepared to talk to politicians of any political party who wanted to talk to us), so that the language tends to be formal, but I hope that some of the fun emerges even there, and perhaps more obviously in some of the newspaper articles interspersed among the chapters.

Apart from the first and last chapters, which are new, the rest of the book is a selection of our published work. Articles are left almost entirely as they were written. The inevitable price – some repetition – is deliberate. The book is not only about the state of play today, but an account of the 16-year campaign as it really was, and a sobering reminder of how many times an idea has to be pressed before it is translated from journal article into legislation.

This volume is aimed at a broad readership. Though much of the writing is about the UK debate, the book is written to bring out the more general lessons for other countries, and is thus acutely relevant to policy-

and, in a UK context, by Peacock and Wiseman (1962) and Prest (1962) in evidence to the Robbins Report (UK Committee on Higher Education 1963) and by Glennerster, Merrett and Wilson (1968). The 1960s debate is summarised by Blaug (1970, pp. 293–307), and Robbins' conversion to this type of loan in Robbins (1980).

More immediately, many people helped me with *The Economics of the Welfare State* which was the intellectual foundation of our work. Early in our higher education campaign, the persistent advocacy of education vouchers by John Barnes, then in LSE's Department of Government, gave me the impetus to think things through and to realise that the analytical basis of my hostility to vouchers for school education did not follow through into higher education: students are better informed than school children and hence better able to make choices; and it is possible to construct voucher schemes with a strong redistributive gradient.

Mervyn King (then a colleague in the Economics Department at the School, now Governor of the Bank of England) suggested in a conversation in July 1988 that piggy-backing student loans on National Insurance contributions, as well as having administrative advantages, also made clear the idea that student loans are a form of redistribution to oneself over the life cycle, analogous to pensions, thus providing an idea with great resonance, which did a great deal to build early support for income-contingency.

Many others gave enthusiastic help in the early days and hence had a major impact on the writing in Part 1. Meghnad (now Lord) Desai took time from his summer holiday, as did Gail Wilson, to comment on early drafts. Mark Blaug patiently tutored me in the economics of education. Alan Peacock gave generous support, both through supportive comments, and in a practical way by encouraging the David Hume Institute to co-publish two early pieces of writing. Tony Atkinson and Nicholas Stern, successive Chairs of LSE's Suntory-Toyota International Centre for Economics and Related Disciplines, gave consistent support including research funding for an early study of student poverty (Barr and Lowth

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scheme in collaboration with Colin Ward and his colleague Hugh Macadie, from whom we learned a huge amount about the practicalities of loans administration, which fed into our evidence to the UK Education Select Committee (Chapters 15–17).

Government and Parliament – notwithstanding that for most of the period we were guerillas fighting government policy – also deserve thanks. Early loan proposals were sent to Robert Jackson, then Minister for Higher Education. We come from different political backgrounds, and disagreed strongly over some aspects of the proposals; but the disagreement was always constructive and helped to improve the scheme. The House of Commons Education Select Committee also played an increasing role under the chairmanship of Margaret Hodge in the immediate aftermath of the 1997 Dearing Report, and of Barry Sheerman around the time of the 2003 White Paper and 2004 Higher Education Bill.

We have also benefited from colleagues and events in other countries, including many useful conversations with Bruce Chapman and Gary Hawke. I am grateful for spells as academic visitor at the University of Melbourne and the Australian National University, and for assistance from colleagues at the IMF, while visiting their Fiscal Affairs Department, on the intricacies of national income accounting.

We are also grateful for financial support to the Suntory-Toyota International Centre for Economics and Related Disciplines at the LSE; to the Esmée Fairbairn Charitable Trust for financing much of our work in 1989 and 1990; and to British Petroleum for financing work on widening access which included the research with Jane Falkingham on simulating different loan schemes. Much of our work on either side of the publication of the Dearing Report in 1997 was supported by two grants from the Nuffield Foundation.

Thanks are due also to Meghnad Desai and Neil Gregory who first suggested this book, and to John Ashworth, Gyula Gilly, Adrian Hall, Hugh Macadie, Erika Papp, Gus Stewart and Colin Ward for helpful comments on drafts of Chapters 1 and 16.

Our final thanks are to our wives, Gill and Louise, who have been argumentative, opinionated, exasperated (fortunately not with us), and unfailingly supportive. Over the years, the duo turned into a quartet.

Nicholas Barr
London
June 2004

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