

Future financial stability

Government, Capitalism



Most students (or their parents) have been required to make a sizeable contribution towards the cost of obtaining a degree since maintenance grants were phased out in favour of loans and tuition fees introduced in 1998. ¹ With the proposed controversial top up fees on course to be instigated in September 2006, it seems likely that an increase in the overall contribution made by many students towards the cost of their degree is an inevitability.

The majority of column inches dedicated to the divisive issue of student finance focus mainly on how students are going to manage to repay the substantial debts they are likely to incur in this process. Is the debt burden justifiable, a worthwhile investment and sacrifice for intellectual gain or should a free tertiary education be akin to that of the primary and secondary systems and regarded as a right of citizenship?

The bottom line is that universities need more money; especially if government plans to get more young people into higher education are to succeed. Filling the financial abyss however raises complex economic and social arguments about who should be responsible for bridging the shortfall. Exponents of the new higher education bill argue that graduates have the potential to earn a substantially greater amount over their working lives than non-graduates and conclude that it is therefore fair that the individual should contribute towards achieving this advantage.

Conversely it could be argued that the nation should be responsible for investing in higher education, with evidence to suggest a more highly educated workforce produces beneficial effects over the whole of society, far

in excess of those gained by the individual. So if the inherent economic benefits and positive social effects created by a more highly educated population are constructive to the masses, then application of the above logic nominates the taxpayer as the agent of subsidy. This being the case it is likely that students may once again become labelled as 'scroungers', a term regarded traditionally synonymous with those undertaking a university education in the pre student loan era.

By contributing to the cost of their degree, students will not only annihilate this analogy, but also gain important life skills in learning about the value of money. The question is whether these 'life lessons' can be considered beneficial or detrimental in the effect they have on the individual. By self-financing their education an individual may derive a notion of the value of money, learning that few things in life are given entirely free gratis.

Arguably, they may also be more likely to value the opportunity, given that they are contributing to the cost. The downside of course is the stockpile of debt, which in the current economic climate could harbour potentially damaging effects in relation to future financial stability. There has been much greater empathy generated towards the anxiety of student debt in the public arena over the last few years, mainly due to intense media scrutiny. However, according to the government, the media is responsible for exaggerating the cumulative debts incurred by students.

The need to keep the levels of debt in perspective are echoed by Nicholas Barr from the London School of Economics in his analysis of the governments 2003 White Paper. By alluding to the 850, 000 of income tax and national

insurance a current graduate will pay in cash terms over a forty year career, he stresses that despite this figure being far in excess of average student debt, it fails to generate the same anxiety.

This may be, but basing the figures on that of young graduates and projecting the forecasts over a forty-year period fails to account for the implications placed on mature students who will take on debt later in life and women who are far more likely to take career breaks to have children. If 'the debts of students graduating in 2003 were two and half times more than those who graduated in 1998,'⁵ and more recent evidence suggests that there has been a marked increase in the number of students declaring themselves bankrupt in the last few years, there is perhaps cause for concern⁶.

The social arguments are equally intricate when considering the pros and cons relating to whether or not students should contribute towards the cost of a degree. In terms of access for all, irrespective of social stratification, it would seem that the costs involved are favouring students from wealthier backgrounds. Recent research suggests that the fear of debt is deterring some poorer students and lone parents from going into higher education.

Moreover students from poorer backgrounds are more likely to accrue a larger debt once there. In 2002/3 students from lower income families were 43% more in debt upon graduating than those from the more affluent backgrounds.⁸ The government argues that this seemingly unjust deficit will be remedied when the higher education bill introduces a non-repayable maintenance award of 1000 to the poorest students, ensuring that they are

provided with adequate financial support. 9 But if this proves insufficient and tertiary education continues on its present failing to attract substantially greater numbers of students from working class backgrounds, then the chance of a widening class divide becomes a real social prospect.

The final point focuses on the universities themselves, bearing in mind the current predisposition towards litigation in our society. As the higher education system becomes increasingly commercialised, students who have to contribute to their degree effectively become consumers, 10 this not only means that they may opt for cheaper courses, thus creating elitism among universities, but they will also be armed with consumer rights, and universities may increasingly find themselves facing expensive court proceedings should courses fail to satisfy.

Consideration of all these points conclusively suggest that free higher education for all is an unachievable utopian ideal. Those who benefit should be required to make a contribution, but the need to proceed with caution has to be recognised. Measures to ensure that poorer students are not deterred or worse prevented from participating in higher education have to be implemented; otherwise access to a university education will be dependant on money not merit.

BIBLIOGRAPHY

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