Cross-Currents: An International Peer-Reviewed Journal on Humanities & Social Sciences
ISSN 2394-451X (Print) & Open Access
http://crosscurrentpublisher.com/
DOI : 10.36344/ccijhss.2018.v04i05.001

Impact of the Influence of Politics in Funding of Higher Education

Garainesu Shoko*
Lecturer, Faculty of Commerce and Law: Zimbabwe Open University, P. O. Box MP 1119 Mount Pleasant, Harare, Harare, Zimbabwe

Corresponding Author
Garainesu Shoko

Abstract: Changes in the finance of HE introduced in the past twenty years include introduction of tuition fees or other charges in countries where HE tuition was previously free, substantial increases in tuition fees in several countries where they did previously exist, and changes in student aid systems, including in many countries a shift towards student loans to supplement or replace grants. Such changes have been the subject of controversy and debate. Many economists have contributed to this through individual research and publications, submissions to government committees considering changes in policy, or in work for international agencies such as the Organization for Economic Cooperation and Development (OECD) or the World Bank. This paper attempts to explore some of the manifestations of political influence in the funding of higher education.
Keywords: Impact, politics, higher education, funding, influence.

INTRODUCTION

The financing of HE is frequently a highly contentious issue. The introduction of a small student loan scheme in Ghana in 1971, "partly to reduce the burden of educational costs on the taxpaying community, and partly to achieve greater social justice," [1] met with such strong opposition, particularly from the politically vocal student body, that it led to the defeat of the government, and to the abandonment of the loan scheme after less than a year. Williams [2] suggested that failure to mobilize public opinion on the case for loans, and a feeling among students that they were being made "scapegoats of the country"s failure to control higher education costs" [1] were to blame. Thirty-five years later, cost-sharing and student loans remain deeply unpopular in many countries, with the result that politicians are often reluctant to tackle such a thorny issue, particularly where student opposition to fees and loans is strong and well organized.

Introduction of tuition and abolition of grants

In the U.K., the introduction of tuition fees and abolition of grants for students" living expenses in 1998 faced strong opposition, and after devolution of powers to the Scottish Parliament and National Assembly for Wales, in 1999, HE finance was one of the first topics chosen for development of separate policies [3]. In Scotland, university tuition fees featured prominently in the first election campaign for the Scottish Parliament, and one of the first actions of the new executive was to abolish "up-front" fees for Scottish students in 2001, and replace them with contributions to a Scottish Graduate Endowment Fund. At the same time, the Welsh Assembly re-introduced means-tested grants for students in Welsh universities and for Welsh students in English universities in 2002. In both cases a committee was appointed to examine the question of fees and student support, and their reports set out economic arguments for and against cost-sharing, but the main impetus for action in both countries was not economics, but politics [3].

In Scotland there was a coalition between the Labour Party, which had been responsible for introducing tuition fees and abolishing maintenance grants in 1998, and the Liberal Democrats, who strongly opposed tuition fees in all their election campaigns; action on HE finance was one of the conditions for the survival of the coalition. In Wales, Labour had a very slender majority, and politicians recognized that tuition fees and student support was an issue about which voters felt very strongly. Political opposition became even stronger during the debates on the Higher Education Act 2004, which introduced "top-up" fees in England. The majority at the Second Reading of the Bill in the House of Commons in January 2004 was only five votes, with more than 70 Labour backbenchers voting with Conservatives and Liberal Democrats against the bill. This forced the government to make concessions, including increasing grants for students" living expenses. Johnstone [4] analyzed what he calls "fear and loathing of tuition fees" in the U.K., among politicians and academics, as well as students, and concluded that much of it is irrational, reflecting misunderstanding of economic arguments and confusion about the effects of means testing of tuition fees and ICLs. For example, in Scotland the decision to abolish up-front fees and replace them by compulsory income-contingent payments to a Graduate Endowment Fund, is widely perceived by non-economists as being "fairer" than the system in England, but Richards [3] showed that since tuition fees were means-tested, and about half of all students were either exempt or paid reduced fees on grounds of parental income, the abolition of fees, combined with payment of a compulsory contribution after graduation, meant that richer students were better off (the Graduate Endowment contribution is less than the previous total tuition fees). However, poor students and their families are substantially worse off since they now pay a deferred contribution, but were previously exempt from fees. The introduction of means-tested bursaries mitigates this for the poorest, but some students from low income families in Scotland remain worse off as a result of the new policy. This is one of a number of "unintended consequences" that can arise when political, rather than economic, thinking determines HE finance policy. Misunderstanding and confusion about HE finance were evident in debates in the National Assembly for Wales (NAfW) in 2004. The Higher Education Act included devolution of power to determine tuition fees and student support in Wales to the NAfW. The Welsh Assembly Government pledged in 2003 that variable fees will not be introduced in Wales during the life of this Assembly, which meant that they could not be introduced before 2007/8. In a debate in November 2004, one Assembly Member declared "the taxation system is the best and fairest way of funding higher education," [5], while another believed "regardless of whether you are talking about up-front tuition fees or deferred fees, if people think they have to repay the fees in the end, it will be an equal deterrent" (ibid., 48). Because of their strong opposition to variable fees, the Liberal Democrats proposed an amendment: "The National Assembly believes that variable tuition fees are, in principle, wrong." This was described by one Assembly Member as "mischief-making" [3], but the amendment was narrowly passed.

This was the background against which the Rees Review [6] considered the options for Welsh universities from 2007. As already quoted in Part 2, some members of the Review shared the view that variable fees are in principle wrong – indeed some felt that tuition fees of any sort are wrong, and would have liked to recommend total abolition of fees in Wales, but this was rejected on grounds of feasibility.

Instead, the Review considered six options, including the following:

- Maintaining a fixed fee of £1,200 a year (the rate that will be charged by Welsh HE institutions (HEIs) in 2006/7),
- Variable fees of up to £3,000 a year, with universities competing in terms of scholarships and bursaries (as in England),
- Variable fees combined with a National Bursary Scheme, and
- Differential fees for Welsh and non-Welsh domiciled students.

All these options were cost, and the Rees Review report set out arguments for and against each option. Many non-economic issues had to be taken into account, including the possible effect on Welsh HEIs of cross border flows if fees were lower in Wales than in England, and legal issues. For example, European Union (EU) law requires that residents of other EU countries must be treated no less favourably, regarding fees and student support, than Welsh citizens, but it does not forbid fee differentials between English and Welsh citizens; these might, however be subject to legal challenge by English students, as has happened in Scotland. After months of work 7 (including research on the changing labour market for graduates, patterns of 7 For a discussion of the effects of devolution on HE financing policy in the UK, and the issues considered by the Rees Review, see Woodhall and Richards 2006. The paper was written in 2004, access and participation, and a survey of attitudes of young people) the Rees Review published its report in May 2005 and recommended that Welsh HEIs should be able to charge deferred flexible fees of up to £3,000, with a National Bursary Scheme offering targeted bursaries to both Welsh and non-Welsh domiciled students.

Exactly two days before the date of publication, the opposition parties in the Assembly put forward a motion instructing the Assembly not to introduce top-up fees in Wales. This motion was passed by 30 votes to 29. The decision to force a vote, two days before the publication of the Rees Report, and before its arguments and evidence could be considered, was taken for purely party political reasons:

The decision by a coalition of [the three opposition parties: Conservative, Liberal Democrat and Plaid Cymru (the Welsh Nationalist party] to sabotage the report two days before it was published reflects the balance of power in the Assembly. At the General Election Labor lost its one-seat majority…So the Opposition parties were itching for an opportunity to embarrass the Assembly Government. What better issue than the much loathed top-up fees? (The Independent, 16 June 2005)

Attacked by critics as "opportunistic" and "politics of the worst kind," this vote was followed by "wall to wall meetings" (Independent, 2005) between politicians to try to reach a compromise. Eventually a compromise solution was agreed: from 2007 Welsh HEIs will be able to charge flexible fees of up to £3,000 a year, as in England, but all Welsh domiciled students attending a Welsh institution will receive a fee bursary of £1,800, which means that they will continue to pay the same as at present (£1,200 a year) by virtue of living in Wales. The fee bursaries will not be means-tested, so will not be targeted in the way the Rees Review anticipated. This makes no economic sense, but it was the only political compromise that could be agreed in the limited time available.

As *The Independent* explained, under the heading "Why has the Welsh Assembly voted down top-up fees?"

Because Wales has a different political culture. Top-up fees were a hot political potato in England, but they are even hotter in [Wales]. Seizing the moment when the Labour Assembly Government had lost its majority, the opposition parties were able to give it a big thumping. In future, these parties before the Report was published, but it summarises the historical background, describes the debates that were conducted in Wales, and sets out the main policy issues. *Will have to be consulted on every contentious issue. (The Independent, 16 June 2005).*

There were several reasons why top-up fees were regarded as so contentious, but they are not primarily economic. The Rees Review invited written evidence from interested organizations, individuals and academic researchers from different disciplines, and held "Stakeholder Consultations" to gather views from a wide range of national bodies. The Review found evidence of widespread misunderstanding, among politicians, students, other stakeholders and among the wider public, both about the existing system and the proposal to introduce variable fees. Because of the use of the term "top-up" fees, many thought that variable fees simply meant higher fees, and were opposed to them on principle. The fact that payment of the fees would be deferred until after graduation, would be collected on an income-contingent basis, and only from those whose earnings were above a specified threshold, was not properly understood. Nor was it understood that the interest rate on student loans is highly subsidized (it is linked with inflation, so in real terms the graduate pays zero interest).

There was deep dislike of the notion of students incurring substantial debts, but many did not appreciate the difference between student loan debts – with interest subsidies and protection for graduates with low earnings – and credit card debt or bank overdrafts.

Fear of debt, or "debt aversion," has featured prominently in debates on HE finance in the U.K. [7], but the survey of attitudes of young people in Wales, carried out for the Rees Review, showed that not everyone had the same attitude to debt. Eighty-two percent of respondents agreed that going to university was expensive, but the report noted:

The idea that university is expensive and leads to debt does not, however, appear to affect the likelihood of individual respondents going into HE…the great majority (over 80 percent) stated that they did not want to get into debt. On the other hand, many of those interviewed regarded student loans, like a mortgage, as an investment – a debt with long term benefits. Those most likely to go to university appeared to accept debt as a part of the university experience, and there was a prevailing view that university costs were a 'worthwhile debt' [6].

The picture is incomplete, however, since these survey respondents had already decided to remain in school, and many had already decided to go to university. A survey of attitudes to debt among school leavers and further education students found that "prospective students‟ values as well as economic considerations influenced the way they framed and made their educational decisions…Debt aversion deterred entry into HE but was also a social class issue" [7].

Those expressing the strongest aversion to debt were four times more likely to opt out of HE than those of similar ability and characteristics who were more tolerant of debt. The most "debt averse" included those from the lowest social classes, black and ethnic minority students, particularly Muslims, while those with the most relaxed attitude to debt included pupils attending private schools, the highest social classes, and men [7]. This suggests that economic analysis will not be sufficient by itself to explain the effects of debt aversion on HE participation. Sociological tools and analysis are crucial for an understanding of whether fear of debt acts as a barrier, and which groups are most affected. Economists have been quite sceptical about the concept of debt aversion. Johnstone [4] writes, "The claim of debt aversion has become almost „conventional wisdom‟ among those predisposed to resent tuition fees and loans. However, the evidence in support of the assertion [7] is exceedingly thin." Nevertheless, the concept of debt aversion has played an important role in the U.K. in fostering hostility to student loans and deferred payment of fees, and engendering political opposition.

The *Times Higher Education Supplement* (18 November 2005) reported that publication of the latest research on student debt had been "suppressed" at the time of the Higher Education Bill in 2004, because it was deemed to be "too politically sensitive," and that Universities U.K., who had commissioned the research, regarded it as too "politically contentious" to publish until after the General Election. When the study was eventually published in November 2005, two years after it was first submitted, it reported that 86 percent of the students questioned agreed that "student debt puts off people going to university" (sic), 73 percent were seriously worried about the debts they were building, but at the same time 73 percent agreed "borrowing money for university is a good investment" (Centre for HE Research and Information (CHERI) and London South Bank University, 2005, 38). The report concluded that student‟s attitudes to debt "could be characterized as pragmatic acceptance" [4].

Nevertheless, rising levels of student debt continue to attract headlines, and the concept, or at least *perception* of debt aversion discouraging low-income students persists, and had considerable influence in debates in Scotland when the Scottish Parliament decided to abolish up-front fees in Westminster at the time of the Higher Education Bill, and in Wales when the Assembly voted that variable fees were "in principle wrong." Although economists may be sceptical about debt aversion, the economics of information could perhaps provide useful insights. Callender‟s survey certainly demonstrated asymmetric information: "All prospective students had unrealistic expectations about the actual financial situation of students. They underestimated both students‟ income and expenditure and over-estimated students‟ final debt" [7]. But she also found that while most students felt they were not well informed about HE finance and funding, those who were most likely to go to university found it easiest to access information, and those who were least likely to go on to HE reported the greatest problems in gaining access to information. Similar results have been reported in other countries. Surveys for the Canada Millennium Scholarship Foundation showed that those from low income families were more likely to overestimate the costs of HE and underestimate the benefits [8].

Fairness and equity

Just as the *perception* of debt aversion is often stronger than the evidence, perceptions of fairness and equity explain the common conviction that "free" HE is "fairer" than charging fees, despite the frequency with which economists have shown that abolition of fees is regressive [9, 10]. It is hardly surprising if articles in economic journals fail to convince the electorate, or even most politicians, but the arguments have been explained at length in the press, radio, or television. For example, Barr has not only published numerous academic articles and evidence to the Education Select Committee [11], but also newspaper articles, arguing "tax funding redistributes towards the better-off. Beyond a certain point, subsidizing HE is like subsidizing champagne – nice for those that can get it," while he describes the Conservative Party‟s proposals to abolish fees as "overtly regressive" and "offensive to anyone who cares about fairness" [12]. Although Chapman [10] refers to "the recognition that university education financed without direct contributions from the private beneficiaries is in essence regressive and inequitable," this "recognition" is far from universal. Debates about HE finance in the U.K. frequently cite social justice, fairness, equity, and equality of opportunity to attack fees and loans. In Scotland, the Independent Committee of Inquiry into Student Finance [13], which recommended abolishing means-tested fees and replacing them with a flat rate graduate contribution, was called *Student Finance: Fairness for the Future*, although, as discussed above, the change meant that students from low-income families, previously exempt from paying fees, would now have to pay the Graduate Endowment Fund contribution.

Perceptions of equity and social justice

This illustrates how *perceptions* of equity and social justice have had more influence on HE financing policy than economists‟ arguments about redistribution of income, regressivity, and costs and benefits. Other non-economic issues may influence the outcome of HE financing policy reform. Some of the legal issues considered by the Rees Review in Wales were discussed above, and other legal issues, particularly regarding contract law, the age at which students can legally enter into a binding contract, the enforceability of collateral arrangements, and the absence in many countries of a strong legal framework to enforce collection of loan repayments, have all been cited as problems with some student loan programs. Palacios [14] cites legal uncertainties and ethical concerns as two of the main hurdles faced by human capital contracts. This list of non-economic issues could be extended. Psychologists, for example, might throw light on the concept of debt aversion and the failure of government campaigns to convince students and their parents of the need for cost-sharing. Certainly the governments in both England and Wales are now devoting far more attention to public information on the new fee and student support arrangements and they are no doubt calling on communication experts, particularly in the development of web sites to explain the complexities of deferred fees and income-contingent repayment, while universities in England have called on marketing experts to help in the design and promotion of bursary schemes. This is a new development in the U.K., although it is more prevalent in the U.S. [16] and growing elsewhere [16].

CONCLUSION

A major challenge faced by governments throughout the world, in both industrialized and developing countries, is how to reform the finance of higher education (HE) in response to the twin pressures of rising private demand for admission to HE and heavily constrained public budgets. The last twenty years have seen major changes in the way HE is financed in many countries, as governments have grappled with the problem of financing rapidly expanding systems of HE while public expenditure for education has failed to keep pace, or in some cases declined. Patterns of subsidy that were introduced when HE admissions were extremely limited proved unsustainable as enrolments expanded and HE systems in more and more countries moved from an elite system of higher education (less than 15 percent of the relevant age group enrolled in HE) to mass (15-50 percent), or even universal (more than 50 percent) access. Changes in the finance of HE introduced in the past twenty years demonstrate the ever increasing negative influence of politics.

REFERENCES

1. Woodhall, M. (2012). *Financing higher education: Old challenges and new messages.* London: University of London.
2. Williams, R. (2014). *Keywords: A vocabulary of culture and society*. Oxford University Press.
3. Richards, L. (2006). *Free higher education is a human right.* Tennessee: Richards Education Service.
4. Johnstone, J. F., & Kasischke, E. S. (2005). Stand-level effects of soil burn severity on postfire regeneration in a recently burned black spruce forest. *Canadian Journal of Forest Research*, *35*(9), 2151-2163.
5. Richard Commission. (2004). *Report of the Richard Commission: Commission on the Powers and Electoral Arrangements of the National Assembly for Wales*. Stationery Office.
6. Rees Review. (2005). *Racism in higher education*. London: Longman.
7. Callender, R., & Dyer, R. B. (2006). Advances in time-resolved approaches to characterize the dynamical nature of enzymatic catalysis. *Chemical reviews*, *106*(8), 3031-3042.
8. Usher, A. (2013). *Enterprise security solutions for higher education.* Ottawa: HESA.
9. Blaugh, M. (1990). *An introduction to the economics of education.* New York: Allen Lane.
10. Chapman, S. N. (2005). *Fundamentals of production planning and control of higher education.* Carolina: Carolina State University.
11. Barr, N., & Crawford, I. (2005). *Paying for higher education: What policies in what other?* London: London School of Economics.
12. Barr, A., Lester, C., & Stephens, P. (2003). A variable for measuring masses at hadron colliders when missing energy is expected; mT2: the truth behind the glamour. *Journal of Physics G: Nuclear and Particle Physics*, *29*(10), 2343.
13. Woodhall, M. (2002). Paying for learning: The debate on student fees, grants and loans in international perspective. *The Welsh Journal of Education*, *11*(1), 1-9.
14. Palacios, E. H., & Weiss, A. (2004). Function of the Src-family kinases, Lck and Fyn, in T-cell development and activation. *Oncogene*, *23*(48), 7990.
15. Wilkinson, R. G. (2005). *The impact of inequality: How to make sick societies healthier*. The New Press.
16. Teixeira, M. T., Arneric, M., Sperisen, P., & Lingner, J. (2004). Telomere length homeostasis is achieved via a switch between telomerase-extendible and-nonextendible states. *Cell*, *117*(3), 323-335.