

Conclusion

Obviously, the ELF faces two major problems. First, a significant number of students are providing false information (e.g., on parents' incomes) to qualify themselves for student loans. No concrete measure to correct this problem has been put in place by the ELF to date. Second, the ELF faces major problems with loan defaults.

The ICL is an alternative method of financing and correcting this problem. Presently, the ELO relies on students' integrity for loan repayments. With the ICL, the government proposes more serious efforts in enforcing repayment.

However, there are human rights issues to bear in mind. For example, the option of denying certain public services (e.g., the issuing of house registration services) to those who do not pay back their student loans has been suggested by the government. The concern is that this is a mechanism that would degrade individual rights.

The ICL is a method to increase higher education access to students regardless of their economic status. Nevertheless, the question remains whether the ICL would be able to solve the current loan default problems. ■

Variable Fees: Who Really Benefits?

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The recent debate in the United Kingdom over the establishment of student top-up fees is part of a broader set of discussions in many countries about the massification of higher education and the capacity for cost-sharing among those who benefit from higher education. These policy-level dialogues in many ways mirror the ongoing American debate over paying for higher education and the public and private benefits of such investment. The antagonists in these debates might use the U.S. experience as a guide in avoiding the pitfalls of variable fees and striking an equitable balance regarding who should pay for higher education.

Allowing different universities to charge variable fees has long been a part of the American higher education landscape and a key strategy to encourage universities to compete for student enrollments. Higher education functions in a complex and competitive marketplace where the price charged can vary from less

than U.S.\$1,000 to more than U.S.\$30,000 per year. American public institutions charge different prices for students who live in-state and those who are from out-of-state, and some charge different tuitions depending on the academic programs.

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Under this remarkably diverse pricing system, students are able to make tuition levels a key part of their decision about where to attend university. Variable fees also can lead to efficiency improvements among institutions competing for similar types of students, by ensuring that price increases are not spent on frivolous activities.

But one of the challenges in the U.S. system is that price competition can drive the overall averages higher, making access to higher education for low-income and minority students increasingly difficult. Public-sector tuition rates have now increased faster than the rate of inflation for more than 20 years. Yet enrollments have continued to ratchet upwards. Average tuition rates at four-year public universities are increasing much more rapidly as a proportion of income for the poorest quintile of families compared to other income groups. This means that the lowest-income students and families are confronted with the greatest "sticker shock," compared to those from other income levels.

The steady drumbeat of rising tuition is a key driver of a proposal now working its way through the U.S. House of Representatives to deny federal aid to institutions—and therefore students—that fail to keep their advertised tuition prices below a federally determined level set at two times the rate of inflation. The Affordability in Higher Education Act, sponsored by Rep. Howard "Buck" McKeon (R-CA), would impose a series of reporting and other requirements on noncompliant colleges and universities. The ultimate penalty would be to deny eligibility to institutions for certain federal student aid programs. This means that efforts to penalize institutions would instead have a negative effect on the very students whom the federal aid programs are designed to help.

Part of the reason for such a topsy-turvy debate is that those who believe that higher education provides great public benefits have failed in their arguments over the last decade. Much research exists showing that increasing educational opportunities results in significant public,

private, social, and economic benefits—from improved health to lower rates of welfare dependency and greater contributions to the tax base. Unfortunately, public pronouncements about why higher education matters, including those from university presidents, tend to focus on the fact that going to college enhances one's personal economic status. The rich combination of societal and individual benefits of higher education is largely overwhelmed by the reality that university degree holders make an average of U.S.\$1 million more over their lifetimes than non-degree holders.

This obsession with private economic benefits has been a factor in the rapid rise in tuition rates, with a growing share of the financing burden shifted to students. As a result, concerns over student access have grown. While overall enrollments have increased substantially over the last 30 years, the gap between the lowest and highest income groups, and between minorities and others, has remained virtually unchanged. Those enrolled are now required to pay an ever-increasing share of the total cost of a university degree, especially through student loans. American students are indebted at levels unthinkable on an international level: more than U.S.\$50 billion per year is borrowed by students to pay for college.

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The most critical issue for higher education financing therefore lies not in whether fees can vary across institutions but rather whether sufficient investment is being made in need-based student grants. If the student share of financing continues to rise for disadvantaged groups, the net result will be a less-educated citizenry and a failure of the government's efforts to equalize educational opportunity.

A lesson from the U.S. experience, then, is that variable fees are neither a great salvation for higher education's ills nor a great evil that will destroy the basic fabric of the academy. Instead, the real focus must lie on ensuring that access to higher education remains one of the top priorities of government as fees are increased. Failing to make such access a priority will surely result in a diminution of any nation's public, private, social, and economic stability and prosperity.

This article is adapted from an article that appeared in the December 19, 2003 edition of the *Times Higher Education Supplement*. THES website: www.thes.co.uk. ■

Management 101 at the “New Oxford”

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More than a few high table conversations were derailed last spring with the announcement that a New Zealander, John Hood, had been named vice chancellor (the top position in the academic hierarchy) of Oxford University. For the first time in its 900-year history, Oxford had gone outside its precincts—to the Antipodes, no less—to find a suitable leader, but it is Hood's career that makes the appointment so remarkable.

Oxford has historically been dominated by the humanities, and its vice chancellors have been drawn from the academic ranks. By contrast, Hood is an engineer and businessman who made his mark in industry before serving for four years as vice chancellor of Auckland University. Such an appointment would be regarded as audacious at Berkeley or Harvard, let alone Oxford. Following on the heels of the selection of Laura Tyson (former business school dean at Berkeley) to run the London Business School and Alison Richard (former Yale provost) as vice chancellor of Cambridge, the Oxford appointment exemplifies the trend in England and internationally toward a more managerial and entrepreneurial approach to higher education.

The fountainhead for these developments is the United States, where the allure of efficiency has long been a staple. In 1908, the Carnegie Foundation for the Advancement of Teaching dispatched Morris Cook, a businessman versed in the then new principles of “scientific management,” to study American universities. Cook was aghast at what he saw. “There are very few, if any, of the broader principles of management which obtain generally in the commercial field which are not, more or less applicable in the college field, and as far as was discovered, not one of them is now generally observed.” Academic autonomy, Cook argued, was a license to irresponsibility. The main objections also carry a familiar ring. Writing in 1917, Thorstein Veblen assailed the tendency to turn the university into “a corporation of learning” that “set [its] affairs in order after the pattern of a well-conducted business concern. . . . The intrusion of business principles into the universities goes to weaken and retard the pursuit of learning, and therefore to defeat the ends for which a university is maintained.”

Since the 1970s, when public funds began to decline as a proportion of universities' budgets, U.S. higher education has been pursuing ways to raise more and