

Senior administrators' involvement must continue over the course of any significant new entrepreneurial initiative. Importantly, they must be appropriately responsive to any ethical or legal considerations, to any restructuring needs arising from new technologies, and to possible changes in the expectations and reward systems within academic units.

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Conclusion

Because each college or university faces a distinctive context shaping its choices, there is no one best approach for institutions seeking new revenue sources. Local context must be central to institutional decision making. At the same time, some general principles may be discerned from the literature and from the experiences of those involved in this arena.

Importantly, care should be taken to avoid public authorities coming to believe that higher education can obtain enough new revenue to take care of itself without substantial societal investment in subsidies and student aid. There are limits on the amount of funds institutions can garner in new ways, and further restraint on government support would exacerbate what is already a difficult situation for many institutions around the world. The status of higher education as a public as well as individual good, and thus its worthiness as a recipient of government funding, must be preserved.

From an internal perspective, the implications of new revenue seeking must be thoroughly considered. Some revenue-seeking choices will affect an institution only at its periphery. Usually, no substantive strategic or philosophical debate need accompany a choice regarding the rental of athletic facilities for a high school lacrosse tournament, for example. Other revenue-seeking choices, however, raise the possibility of more profound change. For such choices, it is important that institutional leaders weigh the applicable costs and benefits carefully and fashion an approach that coheres and motivates those on campus.

Unlike businesses, institutions cannot acquire and drop product lines with little more than financial returns in mind. Unreflective movement toward diversified revenue streams can corrode commitments to established and valued institutional cultures, identities, and missions. The offering of degrees online, for example, involves the "brand" of the

institution in a very fundamental way. In those circumstances, institutional leaders should ask: "Is this effort truly core to who we are and who we want to be? Is this a legacy I wish to leave as a leader?" At its worst, the pursuit of new revenues can be mindless and dispiriting. It is essential that institutional leaders help fashion a path that coheres and motivates all on campus. When ideas for new revenue streams may be promising in a business sense but threatening in a cultural and organizational sense, and perhaps disserving of the public good, the best choice may be to walk away. When promising ideas are also inspired and inspiring, however, wisdom may lie in moving forward.

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Student Loan Financing in the University Sector in Thailand

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In October 1996, Prime Minister Thaksin Shinawatra announced two major policies for the university sector: the income contingency loan (ICL) and the voucher scheme. This article discusses the context in which ICL was developed and the programs's impact on the Thai university sector.

The Education Loan Fund

In 1996, the Education Loan Fund (ELF) was established, becoming operational in 1997. In 1998, the Education Loan Act (ELA) was passed, to provide a legal framework. The Education Loans Office (ELO) was subsequently established. The stated purpose of the ELF was to increase higher education access solely for students of disadvantaged economic status. The Thai concept of the loan fund is borrowed from the Australian example.

Three ministries are involved in the provision of the ELF: the Ministries of Education and of Finance and the Commission on Higher Education. The ELF is managed by the ELF Committee. Krung Thai Bank is responsible for loan execution.

Problems with Loan Defaults

The ELF faces major problems stemming from the false information provided by students and loan defaults. Borrowers provide false information (e.g., on parents' incomes) to qualify themselves for the loans. Loan default is a serious threat to the financial stability of the ELF.

Based upon 2002 data, in December 2003 *Matichon Newspaper* reported that 33 percent of 464,565 students whose loan payments were due were not making repayments. The ELO had lent a total of 150 billion baht (about U.S.\$3.75 billion) to 2,001,068 students. Of these, 532,355 students were in a grace period, 1,003,148 students were studying, and 465,565 students had outstanding loan payments. The ELO has requested that universities conduct field surveys to establish the veracity of data provided by students in an early attempt to deal with the problem of false information.

Student Loan Financing

Education reform in Thailand is an ongoing process. A Ministry of Education subcommittee responsible for financial reform in the university sector recently conducted a study on student loan financing in Thailand in order to propose long-term solutions to financial control issues.

This study endorses the principle that public universities be privatized on the grounds that economic benefits (earnings) accrue to those students who possess higher education. The Thai "user-pay," concept, following Milton Friedman's ideas, was developed in the 1970s by Dr. Prachumsook Archeva-umrung, who suggested it be employed as a means to finance public universities in Thailand. The ministry study concludes that the costs of education should be borne by students.

The study offers two major recommendations: first, that student loan financing should be shifted from supply-side financing to demand-side financing through a voucher scheme; and second, that public universities should also be privatized, adopting a user-pay model.

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The Current Student Loan Scheme

The ELF is based on supply-side financing. As such, the government gives resources (i.e., money) to universities on a quota basis. Students apply for loans (covering tuition and fees and living expenses) through universities. Students must start to pay back loans (principal plus 1 percent interest) two years after graduation or discon-

tinuance of study. The loans must be paid back in full with interest within 15 years. One major drawback to this system involves graduates who remain on very low incomes or are unemployed.

The Income Contingency Loan

Friedman's "human capital contract" provides a basis for the income contingency loan (ICL). The maxim of the human capital contract is that a student receives funding (e.g., a loan) in exchange for a fraction of future earnings (after graduation) for a fixed period of time. Such contracts are equity-like instruments because the government's returns are contingent upon student earnings, not a predefined interest rate.

In the proposed ICL, students borrow money from the ELF for tuition and living costs. However, it is proposed that students' costs be borne by three parties: government, parents, and students. Those students who pay cash and do not take out student loans would be granted a "discount" from both public and private universities, which the government reimburses to the universities.

Interestingly, loan repayments are treated as "debt," not as a "graduate tax," and therefore enforcement may be problematic.

Unlike the existing loan scheme, the ICL is available to all students. Also, the ICL is an interest-free loan. However, the principal that students need to pay back if they exceed an income threshold is tied to the consumer price index. Thus, the total amount of money students need to pay back is less contingent upon their future incomes. This is a deviation from the fundamental concept of ICL.

The government proposes that individuals who make payments higher than those stipulated in the loans be eligible for additional deductions on the principal. For those students who could not reach the earning threshold, the government would absorb the costs. Finally, the study proposes a dedicated collection agency be appointed to replace the Krung Thai Bank. The new agency would share the Revenue Department of Thailand database to track individual graduates' earnings, and the department would be used as a channel to collect loan repayments.

Interestingly, loan repayments are treated as "debt," not as a "graduate tax," and therefore enforcement may be problematic, as defaulting students would be subject to weak civil penalties rather than criminal penalties.

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,