The Dream Is Over
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The California Idea of higher education, as embodied in the 1960 Master Plan, the implementation of the Plan, and the societal consensus that supported it, was in some respects utopian. All the same, it was managed with skill and foresight and was sufficiently practical to record great achievements in both access and excellence. Clark Kerr expected the Master Plan to last for only about twenty years. For that period it was unquestionably successful. Some of its benefits, especially those in the realm of excellence, lasted longer than that and continue to the present day. As part 1 described, the University of California is an extraordinary research university sector, little diminished despite the times, quintessentially public in the benefits of its research and as an engine of upward social mobility. On the campuses, the UC Office of the President is felt as an encumbrance and the size of its staff is often questioned, but the system model has been essential in holding these campuses to the public mission. In some other states, amid the pressures of the times, flagship public universities have moved closer to the missions and modus operandi of the leading private universities. But Berkeley, UCLA and UC San Diego have not started to converge with Stanford, Caltech, and the University of Southern California. If that has been the price of the encumbrance, it has been a price that is worth paying.

As part 1 indicated and part 3 explained in detail, the history of the access mission has not been as happy as that of the excellence mission. For the first 20–25 years, the California Idea successfully underpinned open access to higher education for all. This achievement was ahead of its time, though as part 2 showed, the world is now catching up. After that, the capacity of all public planning in California was conclusively undermined, first by Proposition 13 in 1978, then by
Ronald Reagan’s antitax and anti–public good policies after 1980 and the thirty-five years of growing inequality that followed, and finally by the plutocratic and corporate capture of Congress, so that Washington poured subsidies into dysfunctional for-profit colleges while the states could no longer fund the public community college sector. The 2008 recession made it clear that within the present fiscal-political framework, mass public higher education in California would never meet its basic public goals. The long bipartisan consensus on building higher education, in which Clark Kerr’s leadership in California and his years at the Carnegie Commission after 1967 played a signal role, has now evaporated. The Obama administration sensed the problem but could not effectively address it, largely because the interests that controlled the Congress had no intrinsic commitment to either overcoming gridlock or rebuilding public higher education.

The underlying problem is in political philosophy and political culture. Once government ceases to be a repository of the general will and the taxation that supports it ceases to be an instrument of the collective good. Once government is seen as the enemy, less trustworthy than market actors, though they are responsible only to themselves, then society has set aside its principal means of reflexively improving itself. John Dewey argued vigorously against the cynical belief that the state, the public interest, is “a mask for private desires for power and position.” James Buchanan’s aphorism was that “strangers make market exchanges” and thereby bind a society together; Herbert Bowles’s equally pithy reply is that “markets make strangers.” Markets in education have advanced the scope for individual choice and initiative, but unregulated market forces in education tend to fragment the common educational infrastructure—and values—on which everyone depends. In the public choice society, everyone is in their private bunker with guns facing outwards in all directions, ready to blaze away when provoked. But public goods and private goods do not have to be locked into a zero-sum game in which they are set against each other. The key is to identify the public interest, and its conditions, so it can be harmonized with individual rights and needs. We should expect the public and private good to be optimized together. Rather than abandoning the idea of mutual benefit, it is better to treat the public good as a source and condition of private good, thereby holding governments accountable for the extent to which they advance our lives and our freedoms.

The United States continues to lead the world in the high-research mission of universities. This is an essential resource in enhancing the engagement with China and the world, as discussed in part 2 of this book. Yet in other respects the United States is no longer the unquestioned higher education leader that it was when The Uses of the University was first published, in 1963. The Reagan-era policies and what came after put paid to that. America now may have as much to learn as to teach. Certain higher education systems abroad combine high levels of initial enrollment, as in the United States, with high completion among all
social groups, research excellence in the universities, and mass teaching institutions of good quality. The countries that are hitting excellence and equity goals simultaneously, much as the Master Plan imagined, include the Nordic countries, South Korea, and Taiwan. Significantly, these are also societies that rank highly in Forbes magazine’s surveys of good countries in which to do business, and they all have strong creative cultures in both arts and industry. In Denmark the highly trained creative sector (design, architecture, fashion, jewelry, furniture, cinema, research, and higher education itself) now constitutes about 10 percent of exports. Korea also has a vibrant and productive design culture. Societies in which nearly all people are educated to a high level have a great pool of resources and ideas from which to draw. In this group of countries, there are varied rates of taxation, but without exception taxation is sufficient to support excellent and accessible higher education at near universal levels of social participation, and mass higher education is of good quality. An equitable high-quality system of higher education does not necessarily depend on high levels of taxation if families share tuition cost, as in East Asia, and/or tuition is covered by income-contingent tuition loans (see “National Reform of Tuition” below). However, a public higher education policy cannot achieve excellence and equity goals together unless there is consensus on the mission of education as a servant of the public good, and this is sustained by public leadership in government and higher education and by broad agreement on public financing.

Clark Kerr understood that social leadership involves responsibility as well as opportunity. The public good consists in social structures in which elite families want to contribute to the good of all, so that the private freedoms and benefits are rendered universal. Higher education ought to be one of the structures that enables that kind of public good, on the local, state, national, and global planes.

**NATIONAL REFORM OF TUITION**

California is often ahead of the country and the world. The trends of the time often emerge there first. California once led the nation in education but now trails the pack. The state’s malaise in public higher education speaks to a larger malaise in the public mission of American higher education. Perhaps California could lead the recovery.

*The Dream is Over* has pointed to the problem. It is not the purpose of the book to suggest political solutions to the malaise of public education, which will come, but only by evolving in organic fashion from within the states and communities that need solutions. However, it is clear that everything turns on the establishment of a new sense of the public good in education and social policy. The public good is something that Clark Kerr’s generation, coming out of depression and war, understood very well. It is now less well understood. It can be retrieved. As Joseph
Stiglitz states, “the real solution to the inequality crisis lies in focusing on community rather than self-interest.”

There is one change that might provide a way forward for American higher education. That is a wholesale change to tuition, the most contested aspect of higher education, using a scheme that was first developed outside the United States. Tuition can be grounded in a less politicized and more stable system that preserves social access while improving educational resources. Tuition loans can be transformed into a public good rather than a private burden. However, it must be done on a national basis. The solution is too big for any one state.

The problems are affordability, default, and the spiraling total cost of debt. The United States still uses commercial loans based on mortgage-style timed repayments. Graduates who cannot generate loan repayments are in jeopardy. Graduates from poorer backgrounds are more likely to be in this position, as are women. This in turn tends to deter the future participation of others from those groups. The high level of default is ultimately carried by government, a considerable public subsidy. What is needed is a tuition-loans regime that works across a range of tuition charges but has minimal deterrent effect at the point of entry, and minimal socioeconomic bias: that is, a regime in which no student from any background is deterred on financial grounds. The tuition-loans regime should use public subsidies to support access rather than to compensate loans companies. To meet these objectives, a number of countries have moved or are moving to tuition-loans schemes based on income-contingent repayment arrangements, with repayment through taxation system. The United Kingdom adopted such a scheme in 2012. Australia has had one in place since 1988. Other countries include Hungary, South Korea, Thailand, and New Zealand.

In the United Kingdom in 2012 public university tuition was initially fixed at a maximum of £9000 per annum ($14,500). Almost all institutions charge at the maximum, which operates as a standard cost, though this is not essential to the scheme. Students pay tuition at the point of enrollment using government-backed loans, with the transaction taking place between institutions and government. Students handle no money at this point. The loans are described as “income contingent” because they are repaid through the tax system on a percentage-of-income basis. Repayment begins when income reaches a threshold level. Prior to that, the graduate carries the debt without the obligation to repay, though the debt slowly increases on the basis of subcommercial interest charges. In Australia, tuition debt is indexed to the cost of living; in the United Kingdom, interest is slightly higher. In both Australia and the United Kingdom, the threshold that triggers repayment is just below average full-time earnings. Most new graduates do not begin to pay immediately on graduation. Not all graduates repay their loans, particularly those who work for low rates of pay and those who spend long periods outside the workforce. In the United Kingdom, all unpaid tuition debt is retired after thirty years.
while in Australia, it remains until death but is not passed on to the graduate’s heirs.

Instead of subsidizing income-contingent tuition loans by picking up the cost of default, the UK and Australian governments subsidize them via the subcommercial rate of interest on tuition debt and the nonrepayment of part of the debt. In Australia, nonrepayment has been variously estimated at 25–40 percent of total student debts, no higher than the subsidies for default in the United States. In the United Kingdom, estimates have varied across a similar range, between 30 and 45 percent.

Income-contingent loans have several advantages. First, the extent of public subsidy can be tweaked by altering the terms governing the loans, including the interest rate on debt, the income threshold for repayment, and the rate of repayment (the percentage of income). Second, in the context of a modest level of total taxation revenue, income-contingent tuition loans enable the United Kingdom and Australia to expand enrollments knowing graduates will eventually pay the majority of the costs. Third, and most importantly, income-contingent loans remove socioeconomic and gender bias from tuition charges. At the point of enrollment of full-time students, the tuition regime functions like free education. Students continue to pay nothing until they graduate: completion is not deterred by accumulating tuition costs. Repayment through the tax system is less painful than commercial loan repayments. In the case of most graduates, the money is forwarded by employers to government, along with other income tax. The graduate does not make direct payments. On average, students from poor backgrounds pay less than affluent students, and women pay less than men. Students from affluent backgrounds and men are more likely to repay their debts in full over the course of their lifetime. The level of tuition charges has been increased several times in Australia. Each time the change has been socially neutral; that is, there is no evidence that following the policy change, students from low socioeconomic status backgrounds were more deterred from enrolling than were others. The only category of students unduly affected by income-contingent loans are part-time working students who are required to repay during the year of study because their income triggers the repayment threshold. The part-time working student was also the most affected by the introduction of the £9000 income-contingent, loan-based tuition regime in the United Kingdom in 2012. This is a design flaw in the income-contingent loans schemes in the United Kingdom and Australia that is yet to be addressed.

Income contingent tuition loans contribute markedly to the public good. They restore the basis for universal access. They enable high participation in higher education with no direct cost and no social bias at the point of entry, and they provide a basis for affordable public education of good quality. Under this system, tuition can be increased to the level needed to sustain agreed quality without reducing
access at the point of enrollment, cutting into completion rates, or discriminating against poor students at any point. Better, income contingent tuition loans are economically progressive, in that wealthy families pay more on average than poor families. From the viewpoint of equality of opportunity, a scheme that provides for universal access and completion and discriminates economically in favor of those with least capacity to pay, who gain the most from participation in higher education, is superior to the present American student-loans system.

Income-contingent loans can be confined to the public sector or offered to all students in all sectors. Income-contingent loans can be set at any chosen level of tuition charge, but it would be unwise to offer these loans without a ceiling, especially if the tuition-loans scheme was extended to private colleges. Unlimited subsidies would encourage higher education institutions to increase charges freely, knowing that government rather than the student would carry the initial cost and the cost of unpaid debt. The ceiling on subsidies can be varied by field of study, institutional type, or particular categories of students, such as poor students. Conditions can be attached to eligibility of programs for the loans. It is a flexible policy instrument.\(^6\)

Only the federal government could introduce income-contingent loans. It would need to absorb existing commercial loans. It is a transformation almost on the scale of health care reform, and like health care reform, it would invite fierce opposition from vested interests. But it would be the most important move the federal government could make to stabilize costs, bring tuition increases under control, and underwrite accessibility and affordability. From the point of view of federal government, it is a more affordable reform than free college education. Ultimately, graduates and government would share the cost. At the same time, income-contingent loans would not reduce the net resources available to public colleges, as free tuition would tend to do. Equally importantly, it ends the cycle of recurring state-induced fiscal crises in the public higher education sector. Federally driven income-contingent tuition loans could replace state subsidies altogether if that is what the two levels of government wanted. It would be the best move Washington could make, coupling sound public finance with equality of opportunity in higher education.

**AND FINALLY, IN CALIFORNIA**

Federal income-contingent tuition loans would help in California. By stabilizing tuition and access, enabling improved resources, and solving the state budget crisis, they would establish favorable conditions for going back to the drawing board. Under such conditions, where would the California Idea go? That is for Californians to say, and not foreign scholars of higher education systems. Though clearly, there will be no new Master Plan until the state is again ready to take the long-term view.
If so, what would Clark Kerr do? Of course, only he could say, but we can be certain that he would consider both excellence and access, and he would fasten onto the declining quality and affordability of mass higher education as a problem that must be addressed. He might want to extend the regulatory coverage of the new Plan to include the for-profit colleges operating on state soil, which are part of the postsecondary environment in the state and significant recipients of public money.

Kerr might also revisit the balance of enrollment and qualifications, within and between the higher education sectors. Two-year qualifications now lack weight in the labor markets. In most countries, the majority of higher education students are in three- or four-year programs. In some countries, most students are in doctoral universities, yet that is the case for only 12.5 percent of the age cohort in California. Arguably, the number of California universities with recognized research capacity is too low given the size of the state population and the need for broadly distributed capacity in advanced technologies. California needs more four-year places and more graduates that have been exposed to a research university environment.

Four-year places can be increased by expanding the enrollment of the California State University and University of California campuses and by developing more community college programs at a four-year level.7 The research university experience could be broadened by creating new research and doctoral campuses in selected CSU sites, not funded at the same level for research as is the UC but funded for research and doctoral training nevertheless. In the longer term, other CSU sites could merge with community colleges, thus creating four regulated sectors in the interdependent and mutually responsible and networked California system: two sets of doctoral universities, the public community colleges, and the private colleges.8 With the lower tiers upgraded, the vertical stratification of state public higher education would be less “steep,” the level of education in the lower tiers would be lifted, and the state’s research capacity would be increased. The 1960 Master Plan would be modernized.

For those of us outside California, it would be satisfying to again see the state’s public higher education system moving forward. It would resonate around the world.

With that hope, it remains for this author to express his warm gratitude for the opportunity to explore the California Idea of higher education, and to wish its practitioners well.

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