

The Price Paid for the Fiction of *Free* Higher Education
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Underlying most of the issues and problems in higher education, both worldwide and in the *Universities Project* countries of Eastern and Central Europe, Russia, and other countries emerging from the former Soviet Union, is a high demand, combined with already high and rapidly increasing costs. The high demand is driven by a belief in higher education as one of the principal engines of social and economic advancement, both for the individual and for the larger society and economy. The cost pressures are fueled worldwide by a combination of enrolment pressures and the resistance of the higher educational enterprise to the kinds of ongoing productivity enhancements typically associated with the goods-producing sectors of the industrialized economies (mainly substituting capital for labor).

At the same time, governments in most countries—and certainly in the countries of the *Universities Project*--are unable to keep pace with these cost pressures through public (that is, tax and/or deficit generated) revenues. This inability goes considerably beyond a mere unwillingness to tax. Taxation is as difficult technically as it is unpopular politically. Globalization and the virtually unlimited mobility of capital and productive facilities limits the ability of countries to maintain high taxes, and thus limits the size of their public sectors (including publicly financed higher education). The countries of the *Universities Project*--all formerly Communist, or *transitional*, countries, long dependent on relatively easy value added taxes on state-owned producers--have had to devise new means of taxation, most of them still only marginally successful. Furthermore, to the extent that the *Project* countries are *able* to tax, other even more compelling public needs--elementary and secondary education, a workable social safety net, public health, public infrastructure, and the restoration of the environment--compete with higher education for these limited revenues.

What emerges from this confluence of (a) high demand, (b) high and (potentially) increasing costs, and (c) increasingly limited public revenues are two large, complex, and interrelated issues pressing upon higher educational institutions and governments worldwide. ***First how can this increasing demand for greater (but still high quality) higher educational capacity be met at a lower per-student cost*** (especially at a lower ***public*** per-student cost)? The policy responses to this dilemma include: (1) those that attempt to lower costs—e.g. merging institutions for economies of scale, increasing student faculty ratios, freezing (or simply not paying) staff salaries, or substituting very low paid part-time faculty for better paid full-time faculty; (2) and those that supplement limited public revenue with private revenue—e.g. tuition, fees, and institutional and faculty entrepreneurship. The higher educational reform agendas of most countries, including the *Universities Project* countries, contain elements of both.

The second overarching issue is how higher education can resist (and possibly reverse) its natural inclination to reproduce, and even to exacerbate, existing social disparities and inequalities, whether by parents' position, social class, ethnicity or kinship affiliation, language, or region of the country. Access to higher education everywhere is limited by the level and quality of the secondary education,

including whatever combination of parental assistance and private tutors can further enhance the academic preparedness of the aspiring student. (This is especially so where the capacity is limited and the entrance to the best universities is extremely competitive—as it is in the *Project* countries.) Where there are tuitions and fees to be borne in addition to living costs and the opportunity costs of lost earnings, parental occupation and/or income is an even greater predictor of higher educational participation, especially where means-tested financial assistance and generally available student loans are limited (as they are throughout the *Project* countries). Thus, high parental income, white collar or professional occupation, membership in a dominant ethnic and linguistic group, access to the best secondary schools, and residence in a metropolitan area are each likely to enhance the probability of higher educational participation and completion. And because these attributes are so highly correlated in virtually all countries, higher education often seems to reinforce and even accentuate existing social stratification—even in the formerly communist countries (and even though a few of the very brightest and luckiest of the poor or the rural or the linguistic or ethnic minorities are able to use higher education to escape social and economic marginalization).

What exacerbates this situation in most of the *Universities Project* countries is the apparent political inability to implement a modest element of *cost-sharing* for all higher education students. The economic rationale behind the case for students bearing a portion of the costs of their higher education is that there are substantial private benefits, both monetary and non-monetary, that accrue to the student from higher levels of education, and that these benefits justify a tuition—especially one that can be deferred and repaid through some form of loan or a surtax upon income via income tax withholding or pension contributions at the point of wage or salary payments. The case for an *up front* tuition is mainly a case for *parents* bearing a share of the costs of their children's higher education, particularly if the children can plausibly be thought of still as dependents and assuming that the parents have the financial ability to pay. Most economists maintain that some element of cost-sharing—again, assuming some means-tested grants and/or sufficient available student loans—is actually more equitable than free higher education in that students everywhere (including in the *Project* countries) are disproportionately from the metropolitan middle and professional classes, and the taxing systems—particularly absent effective progressive income taxes—tend to be paid disproportionately by those of average incomes and below.

Europe is the last bastion of genuinely free higher education, although three decades of massification, overcrowding, persistent underfunding, and the generally slow economic growth of the 1990s have been placing great pressures on the universities for additional cuts and alternative revenue sources. The UK throughout most of the 90s dramatically reduced its once very generous student grants, and in 1997 for the first time imposed a tuition fee (although political pressure continues to convert this “up front” tuition fee to a deferred tuition, that would be paid by students, not parents, but which its proponents expect in the end to continue be borne substantially by the British taxpayer. France and Germany in the early years of the 21st century continue to provide free university education to every graduate of their academic secondary schools, but Austria abandoned free higher education in 2001, and many observers believe that the rest of the continent with one day follow.

In contrast, the *Universities Project* countries—all of which have political/ideological legacies of higher education as another entitlement that the governments can no longer afford to honor—attempt to have it both ways with regular,

or governmentally-sponsored, students entitled to a traditionally free higher education (presumably selected by competitive examinations), but all others charged tuition. Many universities, as of the early 2000s, were getting as much as one-third or more of their revenue from tuition, charged to as many as one-half of the students—while still pretending to adhere to the fiction of free higher education. Clearly, this dual track tuition policy is better—and more equitable—than no tuition at all, which would deny entry to so many more students. And it may be politically necessary for a time. Ultimately, however, it would seem so much better for the universities as well as the students, to simply break with the *fiction* of free higher education and implement a sensible, modest policy of cost-sharing for everyone.