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Free universities!

Re-configuring the Finance and Governance Models of the UK Higher Education Sector

Molly Scott Cato with Brian Heatley

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Summary

The changes to the financing of higher education in the 2011 Education Act were proposed as part of an austerity budget: yet our research shows that their impact on the deficit reduction plan is minimal.

The university system that will emerge under the recently introduced financing model will select on the basis of wealth rather than intelligence, will favour foreign students over domestic and European students, and will lead to a shift in expertise away from abstract thinking and towards business objectives.

The total cost of funding our higher education sector is small compared to the size of the deficit: the decision to cease to support the majority of university courses is thus a political one, and one not taken by other European governments that are facing equally difficult deficits.

The increasing size of students' debts also represents an asset, ripe for securitisation, but again we should question whether young people should be required to pay back in interest more than they borrow, directly transferring money to financial intermediaries.

For example in the Czech Republic, where the same proportion of young people attends university, they are not required to pay fees.

Most urgently, with record rates of youth unemployment, we argue that government should invest in the future of our young people through their education rather than supporting their inactivity.

The withdrawal of the teaching grant from the majority of university courses was a *de facto* privatisation of those sectors of higher education.

Our universities are now the responsibility of the Department for Business, Innovation and Skills and are viewed as businesses. As such a key question is who should own the value generated there.

We propose a model for university governance that ensures that the value generated by universities is shared between staff and students, through the creation of multi-stakeholder co-operatives.

1. Introduction

Although there has been considerable, and sometimes highly technical, debate about the nature of the coalition government's proposal for funding higher education, there has been relatively little analysis of how it will impact on the nature of our universities. This mirrors the lacuna that exists where a higher education strategy should be. In the post-financialisation era the question of what our universities are for appears to have been answered before it has even been asked: they are to become businesses to prepare young people for work in the globalised economy. The launch of an elite private university, staffed by telly dons and with a student body made up of rich kids with stars in their eyes is just the latest depressing development for a higher education sector where money talks and education suffers.[1]

The changes to the funding model for universities made in the 2011 Education White Paper were so profound as to be tantamount to the privatisation of higher education in the UK. These immense changes were justified, as so much else that is socially and culturally destructive, on the basis of the need to cut the national debt. The government claimed that 'Our student finance reforms will deliver savings to help address the large Budget deficit we were left'. [2] However, as we show later in this paper, this is simply untrue. According to even the latest version of the government's finances, the money that will be repaid by students will represent only a small fraction of government revenue until past the time when the deficit is to be eliminated.

Meanwhile, the demonstrations by young people in the autumn of 2010 made clear that they valued education, and in many cases as more than a means to a better-paid job. A year later the Occupy London group established a Tent City University as a sign that they were civilised and orderly: quite a contrast to the public perception of students as wasters and individualists. This paper emerges from such a positive view of what universities should be: that they are for the broadly-based education of those members of the UK population who are particularly gifted in abstract thinking and intellectual problem-solving. As a complex society we need such a cadre of people, and for democratic reasons they should be drawn from the population as a whole on the basis of aptitude.

The financial model that the government has proposed makes clear that these two objectives for a university system are in unavoidable conflict and that the former view has all but eliminated the latter in terms of policy-making. As the argument will demonstrate, the university that will emerge under the present financing model will select on the basis of wealth rather than intelligence, will favour foreign students over domestic and European students, and will lead to a shift in expertise away from abstract thinking and towards business objectives. The model will also, coincidentally and almost without anybody noticing, undermine its own financial base, since it will prevent UK universities from competing effectively for both staff and students.

The concept of a university emerged in late Medieval Europe, particularly in the Italian city-state of Bologna, and flourished later in Paris and other cities. The driving-force was the students themselves, and their desire to acquire learning from the experts they found in those cities. This puts academics at the heart of the idea of a university and contrasts with those now exercising power in our higher education sector: the managers. But the students were prepared to pay knowledgeable experts because they had practical and technical information to share—particularly in the areas of the law and medicine—which enabled their social advance. Thus the creative tension between personal advancement and the advancement of knowledge has been present in our university system from the beginning: what is new is the focus on financial value and the increasing emphasis on those who generate no educational value in the system: the bureaucrats and accountants.

The models we propose in the final section arise from this understanding that universities are about the sharing of knowledge between scholars who have acquired it, and younger people who want to develop their own understanding. The financial model that universities adopt needs to support this basic framework of the function universities perform within society.

2. Financial Fiasco

The funding model adopted by the government and passed into law as the 2011 Education Act is in effect a privatisation of the Higher Education (HE) sector in the UK. The White Paper promised that direct funding to Higher Education (via the Higher Education Funding Council for England, HEFCE) would be reduced to a mere £3.9 billion by 2014/15, a reduction of some 40% on the £6.5 billion total funding available for 2011/12. The teaching grant has been entirely removed for the vast majority of courses, to be replaced by much higher student fees. At the time of its controversial passage through parliament it was argued that universities would charge a range of fees, creating a market with a range of options in quality, matched by a range of prices, just like the market for shoes or houses.

Now that we have the full information about fees for students beginning their studies in 2012/13 we can see that this has not happened. Data collected by the *Guardian* indicates that 82 of the 142 HE colleges and universities will be charging the maximum fee of £9,000 per year for some of their courses (57% of the total).[3] A further 43 have set a maximum fee between £8,000 and £9,000, with the remaining 13 ranging between £6,200 (Leeds City College) and £7,995 (Derby). There is no indication of a relationship between the 'quality' of an institution according to generally cited measures, and the level of the fees it will be charging. Some of the most prestigious institutions, including Oxford, Cambridge and the LSE, are likely to offer cheaper degrees when the complex system of fee waivers and grant support is taken into account. It is clear that such well-established universities, with endowments and assets to draw on, are much more able to withstand the withdrawal of the teaching grant without relying entirely on increases in student fees.

Unlike in the US, where community colleges offer cut-price degrees to the poor, there has been no evidence in England of the emergence of market competition based on price. All 123 universities and colleges in England will be charging more than £6,000 a year. Unsurprisingly, universities are looking at their fee rates as a market signal of quality, rather than a bargain basement 'reduced price' flag. Stacking high your degrees in media studies and pricing them at £4,000 or so would indicate that you lacked confidence in the ability of your academics to charge more, and in a market system this means a lack of confidence in the quality of their teaching. This is why the provision of higher education is not a market as far as price is concerned; the other weaknesses of this model for the sector are discussed in a later section.

For now we turn our attention to the way in which the government's misguided faith in the likelihood of bursars and professors deciding to operate a form of price-based competition has left the government itself in a financial fix. During the heated political debates over the £9,000 fee limit the focus was on the inability of students to pay, but the real problem has been over the refusal of university managers to respond to the market ideology that is being imposed. In such a market universities would price themselves into an appropriate slot depending on the quality of the education they were offering. The government's projection of the future costs of HE relies on the fees only being at the £6,000 level *on average*. Since government lends the money to students, who only pay it back as they graduate, find employment and earn more than £21,000 per year, this *adds* to the hole in the government's finances, rather than helping to reduce the deficit as was argued when the new legislation was passed by our elected representatives.[4]

This helps to explain the government's new focus on the places that fall outside the quota, for which student loans will not be available. This policy announcement,[5] surely a candidate for the *Guinness Book of Records* for the shortest time between announcement and quashing, included the suggestion that universities could charge more for places outside the quota, enabling students with inadequate grades but wealthy parents to enter university by the back door. This suggests a move towards off-balance-sheet places, so that the link between the university quota places, which the government supports, and the places funded through a private market-driven system, may be broken.

A glance across the Atlantic suggests the inspiration for government thinking and our direction of travel. In an informative but depressing article called 'How universities became hedge funds'[6] Bob Samuels, President of the lecturer's union AFT branch at the University of California, tells a disturbing tale of the financialisation of US universities. The process he describes of the movement from educational institution to finance house follows five steps:

'To understand how both public and private research universities have gotten themselves into this mess, one needs to understand five inter-related factors: the state de-funding of public

education; the emphasis on research over instruction; the move to high-risk investments; the development of a free market academic labour system; and the marketing of college admissions. These different forces have combined to turn American universities into corporations centred on pleasing bond raters in order to get lower interest rates so that they can borrow more money to fund their unending expansion and escalating expenses.'

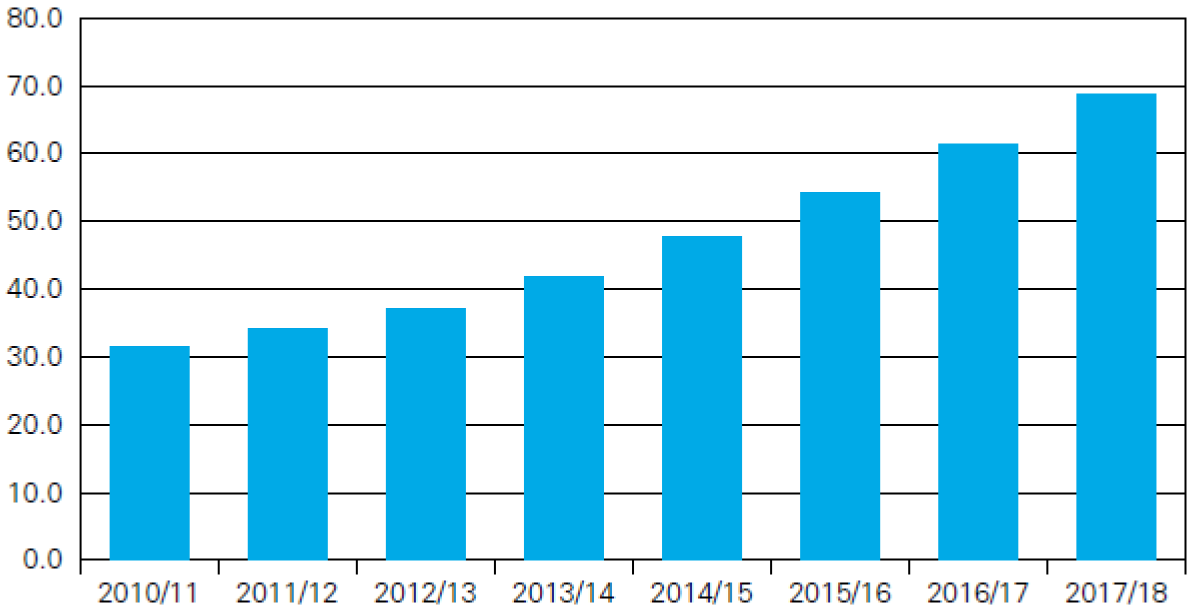
A close inspection of a projected balance sheet for the UK's higher education sector implies that a similar process here is the only possible way of making the numbers add up. In the UK case the pressure to create value through the sale of student loans, a way of turning debt into asset via the securitisation model, might soon become irresistible. In the US such loans have become attractive to financial corporations because they have a reliable income stream that can be enforced by the federal authorities, unlike mortgage debts, for example. Thus if the debts were privatised, the Student Loan Company would be able to transform its debts into gilt-edged assets and sell them on to other companies who might bundle them with less attractive debt and create new 'financial products'.

During the political row over student finance in the autumn of 2010 there was surprisingly little discussion of the government's desire to sell British students' debt, although this was the subject of debate a year earlier when Sally Hunt, General Secretary of the lecturer's union UCU, appeared unconcerned about this in principle, simply arguing that *'As students are forced to borrow more to meet the cost of their university education, we need a guarantee that the interest rate on student loans will not rise and we will not move towards a system with a commercial rate of borrowing.'*[7] Ms Hunt's naïve faith that student loans sold into the private debt market will somehow still have their interest rates controlled by politicians is touching, and will perhaps not have survived the financial turmoil of the past two years.

This determination to sell student debt was partially confirmed in the 2010 Budget in which the government said it would in the next 12 months: *'announce its decision on selling part of the student loan portfolio, including looking at the options for early repayment for individuals, in light of Lord Browne's review of higher education finance. (Budget 2010, pg 44)'*. Since then there has been little discussion, presumably because debt in general has lost much of its appeal.

Can we provide some assessment of the government's claim that increasing the level of fees would assist in reducing the country's budget deficit? There seems to be little association between the two cash flows, since during the period of deficit reduction (now extended to 2016) most of the money will still be flowing out to students via the Student Loan Company. By the end of 2010/11 there were around 3.2 million income-contingent student loan borrowers with outstanding loans of around £35 billion. A graph from the funding council for England shows outstanding loans doubling by 2017/18, well beyond the period during which the Chancellor has pledged to expunge the deficit from the national balance-sheet (reproduced as Figure 1 below). In other words, the claim that student fees had to be increased because of the budget deficit left by Labour was, to use a euphemism, disingenuous.

Figure 1. *Outstanding Balance of Students Loans, 2012/11 to 2017/18*



Note: The data refers to income-contingent repayment loans
Source: Department for Business, Innovation and Skills (2011), *Students at the Heart of the Heart of the System*.

In fact the greatest risk the sector faces is that the rises in fee levels will deter students from applying to university at all. According to HEFCE:
'The key risk to the sector's forecasts not materialising is a significant fall in student participation from 2012. The sector is forecasting a small reduction, but there is no certainty over the likely level of student numbers in the future. We are aware that institutions have developed contingency plans to deal with changes in income if recruitment levels are not as forecast from 2012.'[8]

The conclusion appears to be that, while the future flow of debt repayments that the student loanbook represents will do nothing to assist the present deficit problems faced by the government, it could be an attractive proposition to a finance house that would be able to securitise the debts and profit from them. While this represents a significant source of income into the future, it is a millstone in the current budgeting period and for the years during which students borrow money and before they repay it, which could be at least a decade away for many. This will increase the temptation to remove these debts from the public balance-sheet, but also underlines the weakness of this model if it was considered as part of a deficit-reduction package.

In fact the absolute size of university funding is tiny compared to the budgets for education as a whole or for funding the health service or the welfare budget. If there were no fees, then government would have to pay direct to the universities £7bn a year over and above what they pay now, this being the £7bn that currently will be loaned to students to pay to the universities as fees. The government expect that they will in fact not get 30% of this back because some loans will never be repaid and because of defaults, so the net additional costs of having free universities without loans would be around £5bn a year. This is not huge in government expenditure terms. A sum of this order of magnitude might be met for example by not renewing the Trident system, or by introducing VAT on finance and insurance, or from half the yield from introducing VAT on aviation, or from half the yield from abolishing the capital gains tax exemption from the sale of a principal residence. None of these changes would have anything like as damaging effect on national life than ending free higher education.

Given the enormous value to the country of highly qualified young people, not to mention the low probability of their finding employment in the worst recession for 70 years, and the cost to the Exchequer of keeping them in job-seeking rather than skill-seeking activity, it seems utterly misguided to choose this time to end direct funding of universities.

3. Market Failure and Market Fallacies

The purpose of this paper is to propose some alternative models for the governance and funding of higher education institutions in the UK. However, to lay the groundwork for those proposals we need to briefly consider the impact of the present framework, a framework that is based on the market model of education as practised in the USA and brought more recently and gradually to our country. In order to function effectively and efficiently a market needs to have consumers (the demand side) and producers (the supply side) and for an exchange to take place between the two groups. We will take each of these requirements in turn and consider how appropriately they can apply to ‘education’ considered as a product.

First, what is it that our young people seek to consume when they become students or, in the market idiom, when they enter into a contract to buy a degree? Having the advantage of working in a university I am able to ask them this question directly and what I find is that there are two distinct responses when I raise this question. Around two-thirds of the students look at me as if they are finally convinced they are not getting good value for money and answer in a tone preceded by an inaudible 'duh' that they come to university for a degree. When pressed to explain why they might want a degree they give the even more obvious answer: to earn more money. The other third respond reassuringly, although perhaps disingenuously, that they have come for an education.

This means that the university teacher is immediately faced with incompatible expectations. The students who seek the certificate that will enable them to enter the labour-market at a higher salary have no interest at all in attending classes or undertaking study: nothing that does not directly contribute to the final assessment is worth the investment of time. This requires strange contortions in terms of the setting of assignments and in-class tests and revision classes to persuade students to make the acquaintance of their lecturers. It also means that class sizes are small with unpredictable numbers of students, many of whom are reluctant to engage in activities or discussions unless these count towards the final mark. The suggestion by the education secretary that raising fees will lead to demand by students to have more of their lecturers' time could not be further from the truth.

There are numerous problems concerned with making students the ‘consumers’ in the education ‘market’. Once the student becomes a customer s/he has power to determine what should be available in the market, with university administrators and the more reluctant academics following the direction of demand. Degrees such as business studies or commerce are stripped of the more technical content that students do not enjoy: maths or economics for example. More subtly, courses are shorn of more challenging ideas or demands for students to engage in the critical and analytical thinking that they find difficult. If the law of the market is that the customer is always right then a market for higher education will inevitably lead to degree courses whose content is determined by the student rather than the pedagogue.

Education cannot be turned into a product and an education that is bought and sold will always be a poor education. Watching your students check their mobiles during a lecture, and wondering whether they are calculating if you have earned the £2.69 they paid for you since you entered the room, is a dispiriting experience that saps the confidence and encourages the sort of teaching that appears to be offering value for money: voluminous handouts and regurgitated facts. Perhaps most important of all, real education is not always an enjoyable experience. Genuine education is emancipatory and revolutionary, which may be a reason why conservatives distrust it. The good educator challenges the student's world-view and this cannot always be a comfortable process. You know you are teaching successfully when you see a furrow begin to appear on the youthful skin of your students’ foreheads. This connotes the performance of ‘thinking’, an activity that has been increasingly rare in universities since the advent of the market.

As previously explained, universities are failing to act as market suppliers, at least in the initial phase of the transition to a higher education market. The simple laws of supply and demand suggest that, if there are too many courses of a certain type, then the suppliers will cut their prices until they become competitive. But economic theory also tells us that price acts as an indicator of quality, and hence universities are unwilling to offer cut-price courses since this would suggest that they were also inferior courses. We can imagine that this will change as we move closer to the degrees’ 'sell-by date', which is the date at which students can begin courses. In the same week that Education Secretary David Willetts suggested the creation of off-quota degree courses, he also proposed a bargain bucket system for unsold courses,[9] so that as the teaching terms approach unpopular courses will reduce in price, regardless of the cost of providing them. This suggests the prospect of a game of 'chicken' between potential students and university accountants, the former daring the latter to keep places open long enough for them to be able to afford to study. Courses in economics might be especially prone to such game-theoretical approaches.

Suppliers of education will also seek to follow demand, thus creating courses that appeal to young people rather than those that might meet the country's future needs or even challenge young people to develop useful skills or their critical faculties.[10] This is where the government's commitment to the market model is weakened, hence their decision to continue paying a teaching grant for courses in the STEM subjects that they consider of importance to our economic future (Science, Technology, Engineering, Maths and also Languages). The subjects that involve deliberation, the synthesis of information, the study of human motivation—subjects such as history, for example—are no longer considered worthy of public investment.

While a market must have producers and consumers, a supply side and a demand side, it is also fundamentally about exchange. Like other industries, so the rhetoric runs, education is now part of a global market: our university teachers need to become part of an export-led growth strategy. And within our own country, ruthless competition between institutions will lead, via a mysterious process and on the basis of assertion rather than evidence, to rising standards and the elimination of weaker Higher Education Institutions (HEIs). Several recent policy-making fiascos lead one to question whether the government is suffering from what Whitehead called the 'fallacy of misplaced concreteness'. The unshakeable commitment to the market model requires the ruthless elimination of universities that cannot compete. The rhetoric of international competitiveness is harsh and relentless, and involves visits by Vince Cable to China, with its vast supply of potential learners, to sell our HE businesses.

And yet, an obvious point seems to have been missed: it may be *our* students who decide to travel rather than those from the world's populous and increasingly wealthy countries of Asia. The market model is, famously, about supply and demand. The government's thinking is so wedded to supply-side ideology, that they are determined that the market should be made free, with competition on price between institutions to attract demand from overseas. Yet they appear to have neglected the demand side of the market. Why should students, whether British, European or Chinese, choose to study in British universities?

The Bologna Process,[11] the rubric under which the EU has developed higher education strategy over the past decade, is named in respect to the traditions of the early universities mentioned in the introduction, but could not be further from them in inspiration. As with much EU policy-making it represents a compromise between the proponents of the single-market agenda together with those private-sector interests who benefit from it, and the nobler aspirations of those who are committed to European culture and co-ordination between the nation-states that make up the EU.

According to the Bologna Declaration (1999),[12] EU countries are bound to achieve convergence between their HE systems, including a 'common framework of readable and comparable degrees' and credits which can be exchanged between EU universities. Governments also agreed to eliminate 'remaining obstacles to the free mobility of students and teachers' across the continent's universities. The vision is one of students extending their gap year into a gap degree, with modules taken in different countries, perhaps in different languages, ensuring a breadth of personal experience to match the quality of the educational experience.

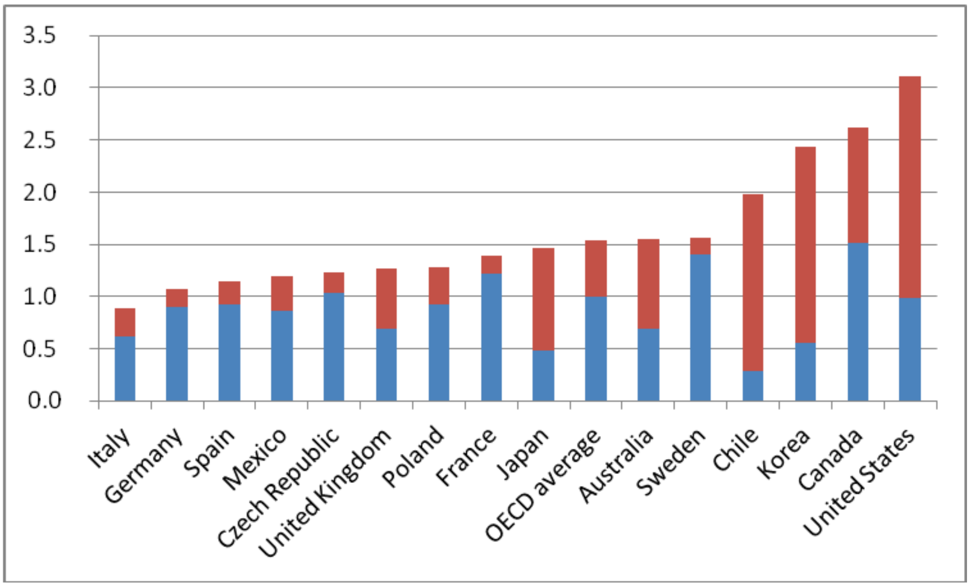
David Willetts welcomed this in a speech in July 2011. Somewhat bizarrely, he encouraged UK universities to set up foreign campuses so that British students could go and study there, outside the UK.[13] At the same event Martin Davidson, chief executive of the British Council, made the familiar assertion that education is borderless and gave his full support for ‘outward mobility’ which he claimed was ‘as important an economic investment as investing in the infrastructure of the UK.’ The pedagogical difficulties of cross-cultural education are familiar to those who undertake it, regardless of language barriers, but these statements also seem to fly in the face of economic logic. Why would we export our students—and their fees—and undermine our own HE sector?

4. Checking out the 'Competition'

The government's strategy for HE is frequently couched in terms of international competition, for both the provision of degrees and the impact of graduates on our economic success. In this context it is helpful to compare the way our HE sector is funded with the way the governments pay for universities in the countries we are told to consider as our competitors. Within the members of the OECD, those with seats at globalisation's high table, there are wide variations in the proportion of GDP spent on higher education. According to the annual review *Education At A Glance*:

‘The countries with the highest proportion of GDP spent on higher education from public sources (taxes, primarily) are Canada, Denmark, Finland and Sweden (around 1.5%). Countries with the lowest proportion of GDP from public sources are Chile (0.25%), Korea (0.5%), Britain and Italy (0.6%). These figures are from 2007, and Britain since then has announced a massive reduction in public spending in higher education, which will depress further its placing in the OECD rankings for public expenditure on higher education.’

Figure 2. *Total private and public expenditure on tertiary education as a percentage of GDP for a range of OECD countries (2007)*



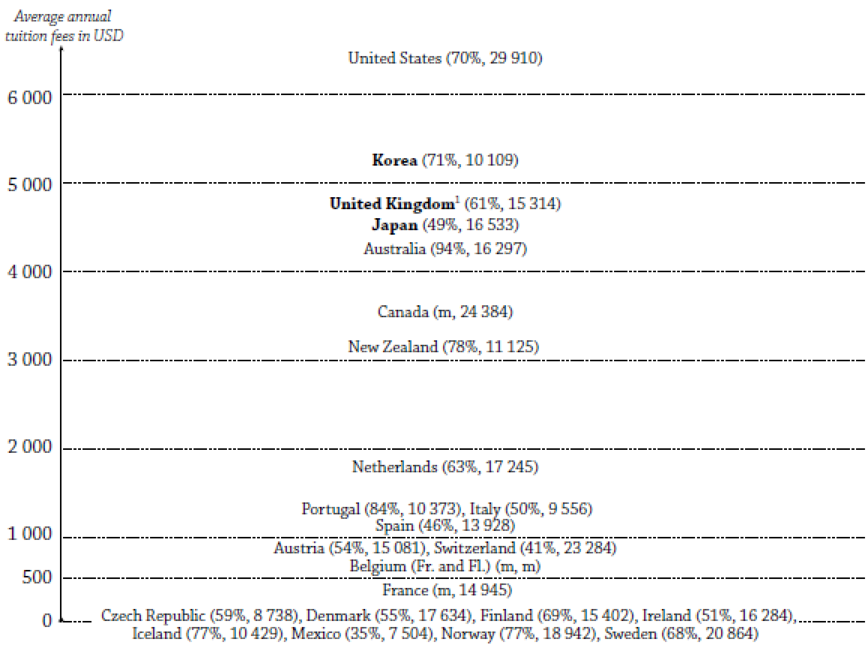
Note: Public spending is in blue and private spending red.
The figure for private spending includes all money transferred to educational institutions from private sources, including public funding via subsidies to households, private fees for educational services or other private spending (e.g. on accommodation) which goes through the institution.
Source: Data from OECD Education at a Glance database.

The UK's spending on higher education in 2008 put it in 26th position out of the 33 members of the OECD. Figure 2 illustrates these comparisons and offers some interesting evidence. Perhaps most striking is the high proportion of GDP that the US and Canada spend on tertiary education. While we are following the US models in terms of fee rates, we are not following their level of investment in education, which is around 2.5 times as much.[14] It is important to stress that these data relate to a period before the 40% spending cuts introduced in 2011/12.

These figures are even more striking when we consider whether the spending is public or private. Here we see that for two of the countries with the highest level of investment—Korea and Chile—much of that investment is from private sources. Here the UK and Japan stand out as countries with small rates of public relative to private spending on HE, while other countries—especially France, Sweden, Spain and the Czech Republic—are notable for the large share of tertiary spending by the state. We can see that the UK is the country with the fourth highest percentage (65.5%) of private spend, slightly ahead of the US and more than twice the OECD average of 31.1%. We also find that countries where the government funds a much higher proportion of HE spend include some with much less flourishing economies, such as Mexico, Spain and the Czech Republic.

Looking at this from the other side, the side of the student who has to pay the fees, we discover that UK fees were already some of the highest in the world before the changes to the fee regime due in 2012/13. The OECD report tells us that: ‘Among the EU21 countries for which data are available, only public institutions in Italy, the Netherlands, Portugal and the United Kingdom (government-dependent private institutions) charge annual tuition fees of more than USD 1,200 per full-time national student.’[15]

Figure 3. *Average annual tuition fees charged by public tertiary institutions for full-time national students (2008-09)*



Note: Data are in $US converted using purchasing power parities
Source: Education at a Glance 2011: OECD Indicators

Figure 3 demonstrates that the decision to invest in higher education is a political one, not one based on the wealth of the country. This is made clear by the large number of countries which still enable their young people to obtain education at the tertiary level free of charge: the Czech Republic, Denmark, Finland, Ireland, Iceland, Mexico, Norway and Sweden. In case the argument is raised that this is possible because the proportion completing HE is much lower, the graphic also indicates the ‘net entry rate’ and the expenditure per student. We can see that the rates of entry to HE are nearly the same in the UK and the Czech Republic, yet our students have to pay fees while Czech students do not.

5. Rethinking the Financing Model for HE

The cause of the social unrest that accompanied the passage of the 2011 Education Act through parliament was the inherent unfairness of the proposals and their tendency to increase social division and reduce social mobility. Like the recent similar demonstrations in Chile, another country which has moved rapidly towards a market model for higher education, this demonstrates the revolutionary potential of preventing young people from gaining the level of education that enables their access to the highest levels of society. This is not merely a question about whether or not knowledge should be 'a fountain sealed' but about how power should be distributed within a democratic society. The implications of the new funding model, and hence the incentives it creates to undertake higher education, or not, are profoundly affected by socio-economic class.

The most deleterious consequence of a funding model based on debt is that, as with other debts, it impacts extremely unfairly on students with different financial backgrounds and exacerbates existing inequalities. Because loans accrue interest throughout a working life, the cheapest way through the debt system is to repay a loan as rapidly as possible. Students of richer parents will have their fees and living expenses funded and so will become the new elite of the university system. Their performance will be compared directly with their peers, who may be working long hours to reduce their need to borrow. These inequalities will be reflected in achievements, but will not be reported on degree certificates.

But the inequality will persist beyond graduation. Research by Grant Thornton[16] indicates that those who will lose most are those on high but not excessively high incomes. In their comparison of three representative workers, all of whom graduate with a debt of £40,000, the journalist who never achieves a high income has the vast majority of her interest written off because she does not earn enough to repay it. The barrister (a representative high earner) repays his loan together with £28,000 of interest. The loser is the civil servant who, although he makes rapid career progression, does not earn enough to pay off his loan rapidly, and so incurs interest of £58,000 as well as his loan of £40,000. These are staggering sums of money, and indicate that the students of the future will be funding those financial companies to whom the government will sell on student debt handsomely.

In this section we propose three models for the organisation of our universities that address the problems that have been raised earlier. However, we should precede these proposals by a clear statement that our own view is that higher education should be fully funded from the public purse. In order for our higher education system to work optimally we need a supportive governmental framework and funding that recognises a university education as a benefit to society, rather than an individual route to higher earnings. For this reason we see it as a primary requirement of a democratic society that university places are available free of charge to all those young people who would benefit from a university education: HE should be allocated on the basis of ability to benefit from it, rather than ability to pay. As already indicated, this is the strategy chosen by many other countries, including some with considerably weaker economies than the UK.

In spite of our conviction that publicly funded tertiary education is the ideal, we are not expecting this recommendation to be adopted. Hence, in a spirit of pragmatism rather than because we feel any need to confine ourselves to the mean-spirited strictures of neoliberalism, we propose three other models that could be introduced by individual universities without any need to change either our government or our economic system. Our first model is a John Lewis University where the value generated from learning and teaching is invested for public benefit. The second model arises rather from a mutual impulse: a new range of universities that could emerge as an agreement between academics and students, owned and managed by them jointly and co-operatively. The third model is a proposal for a university funded by an alternative currency designed specifically for the higher education sector. The three models are not mutually exclusive, and the possibility for a diversity of forms for future universities is one of the few bright opportunities we see in the current dark landscape.

The John Lewis University

The first model arises from a concern amongst many academics that there has been a considerable degree of rent-seeking on the part of university managers in recent years. As the Grant Thornton report makes clear, universities control valuable assets and have increased productivity strongly in recent years (in the university sector this generally means increasing the number of students per staff member).

The Hutton Review into public-sector pay found that pay differentials were highest in the university sector: the average salary for a vice-chancellor is £200,000 and the median salary is some 15 times that of the lowest paid academic salary. Of course that is far from the lowest salary in a university, which also has a huge number of cleaners, caterers and other support staff on poverty wages.

The fattest of gowned cats are found, unsurprisingly, in the self-selected elite who call themselves the Russell Group, where the salary differential is 19 to one. These very same professors and administrators who argued in favour of a threefold increase in fees for young people to benefit from their wisdom are part of the reason why a university education is so much more expensive than it was two decades ago. Universities pay their managers more than all other sectors, with vice-chancellors earning more than four-star generals.[17]

This raises questions about the ownership and division of the product of academic labour, questions which in other sectors are sometimes addressed by the creation of a mutual structure. Given the coalition government's support for co-operative and mutual forms of economic organisation, a natural suggestion for restructuring universities might be the adoption of a stakeholder ownership model along the lines of the John Lewis partnership for the higher education sector. Such a proposal was recently made by two Professors of Accounting and Economics. Universities, they argued, have weak governance structures, enabling managers to extort excessive salaries:

'The governance roles of university councils or boards are formally similar to those of shareholders. But they are a poor proxy for shareholders - as they make no financial investment, they have no financial vested interest to defend. If shareholders cash out, this can signal falling market confidence, threatening managers' jobs. But if members of governing bodies resign, there is no market to register doubts over organisational performance.'[18]

They propose the socialisation of the assets currently held by universities and 'reasserting the role of universities as community social assets - vital components of the knowledge commons and carriers of open processes of knowledge creation.' The assets of universities should be placed into a non-revocable trust whose aim is defined as 'the happiness of all its members, through their worthwhile and satisfying employment in a successful business'. As in the John Lewis group model, employees gain the value from their work, helping to undermine the vast income differentials which have grown up in recent years.

More detailed proposals for how the governance of such an institution might operate are being developed but the Trust model would suggest that trustees would be in control of the institution. While this would allow academics to escape the strictures of the New Public Management which has so signally failed to respond to the nature of academic work, as well as the dreaded TRAC[19] management system, the success of the university would depend very much on who was prepared to act as a trustee, and how the trustees were chosen. One could imagine a Trust in a single-employer area where the university became subsumed within the orbit of that employer and deteriorated into something more akin to an external training provider than a centre of learning.

Nevertheless the idea of a John Lewis university is an interesting proposal and one which would benefit from further study to assess to what extent students' fees could be reduced if the many layers of over-paid and unnecessary managers and accountants were pared out of the body academic, a process which could only bring joy to the hearts of Conservative ministers.

The Co-operative University

However appealing the proposal of a John Lewis university might appear this model only addresses the ownership dimension of governance, leaving the issue of control over the curriculum and management of the university largely untouched. To address these issues together we need to propose a fully co-operative university, perhaps along the lines of the multi-stakeholder co-operatives that dominate Italy's care sector, where the users and providers of services jointly own and manage the companies providing care.[20] This would help to return us to the origin of 'modern' universities, when they separated themselves from the theological colleges and became informal co-operatives between students and experts, also in Italy. A university education could become an agreement between knowledgeable people and young people eager to learn. Perhaps we might come to think of this as 'community-supported education' by analogy with community-supported agriculture where those who seek quality in their food support the incomes of those who provide it for them.

Such a possibility is already under discussion within co-operative circles in the UK.[21] At present the focus is on curriculum, and on the urgent need to provide an alternative economic model based around the shared-equity proposal inherent in all co-operatives. Discussions are underway to establish a network of universities with expertise in the areas of social enterprise and co-operative economics to share research findings and provide an education for young people wishing to develop alternative models of business. The proposal is that 'the institutional arrangements should reflect the values of the movement, and not simply the educational offer' and that 'The institutional offer allows for the creation of joint awards with universities' rather than proposing a new educational institution at this stage.

While discussions continue within the co-operative movement, in at least one UK city academics are taking direct action to provide higher education free of charge. The Social Science Centre (SSC) in Lincoln directly challenges the market model which it considers is undermining academics' values of 'critical thinking, experimentation, sharing, peer review, co-operation, collaboration, openness, debate and constructive disagreement.' Such values are necessary for a successful society, according to the SSC. It is funded from subscriptions from members based on the level of their salary; those on the lowest salaries attend without charge.

The Centre is run as not-for-profit co-operative and is managed by a non-hierarchical system in which students and staff collaborate:
'The co-operative principles on which the management of the Centre is based extend to the ways in which courses are taught. All classes will be participative and collaborative, so as to include the experience and knowledge of the student as an intrinsic part of the course. Students will have the chance to design courses with the professors and lecturers, as well as deliver some of the teaching themselves with support from other students and the teaching staff. Students will be able to work with academics on research projects as well as publish their own writings. A core principle of the Centre is that teachers and students have much to learn from each other.'[22]
While this may sound something like the University of Please Yourself, California, we are reassured that standards are equivalent to those in other HEIs.
The co-operative model for a university has immense appeal. If we recall the origin of universities in collaborations between well-respected experts and young people eager to learn in some of Europe's medieval cities then we see how the institution itself and especially the obese bureaucracies it has spawned are a central cause of the stress on the existing funding model. To return to an era when students and academics collaborated over the establishment of curricula, but outside the market pressures of the current system, is an attractive idea. Like the establishment of all co-operatives it would take time and involve conflict and debate but it would also generate the diversity and vibrancy any higher education system requires.
Perhaps the most serious challenge facing this proposal is that it has not yet been developed in a way that could

underpin a livelihood for academics, and until it does it is unlikely to move out of the margin (the Lincoln centre is currently aiming at 20 students). The network model of the co-operative university could operate within the existing system until it perhaps gains the strength to become independent. The more radical developments in Lincoln are closer to the co-operative ideal but rely on the donation of time by academics and hence are very limited in scope. The third proposal addresses this issue directly.

The New Economy University

As identified in the previous section, the main weakness of current proposals for alternative governance models is that they cannot guarantee a livelihood for academics, who will thus be unlikely to abandon their still comparatively comfortable employment in the official HEI sector. The third proposal, for a genuinely free university education for young people, is actually a proposal to create an alternative economy in higher education, and an alternative currency to support it. It translates students' time into a currency which they can use to fund their education, a currency that can be earned from supporting other academics in their work.

The revulsion against banks and the insecurity of the current money-creation model has led to a burgeoning of local currencies in recent years. Some (such as the UK Transition currencies) have a primarily environmental motivation, while others, particularly time-banking schemes, are focused on regeneration.[23] Alternative means of exchange have grown in size and scope, so that large commercial players are now settling their debts with each other in goods rather than cash, effectively bartering on a grand scale.[24]

Several proposals already exist to create a complementary currency for the education sector. The proposal for 'wits' is as a reward to parents and older students who offer educational support.[25] The similarly titled 'saber' (meaning 'to know' in Portuguese) is a proposal for a currency to support the education sector in Brazil.[26] The latter sought to increase the number of young people who could access higher education in a rapidly developing country.

Inventing the name for the currency is obviously the reward for putting in the effort of making it work, but for the purposes of this proposal we are inventing the 'noodle'. This is proposed as a means of exchange for learning and teaching. Academics who were motivated towards providing education to those unprepared to acquire large debts would be asked to work for one day a week in this alternative educational economy, and to be paid in noodles for that day's work.

As standard currency has been withdrawn from the higher education sector, academics have found themselves undertaking more and more tasks that would once have been provided through administrative support, such as editing their papers or responding to their correspondence. Not only does this squeeze out the time they might have spent thinking and writing, it also undermines their ability to have the sort of joined-up time that higher-level intellectual work requires. The answer for many is to apply for research funding to buy out their time; an alternative might be to pay their students to undertake administrative work for them. Such a system could also offer an important learning opportunity for those students who wish to follow an academic career themselves, something akin to an apprenticeship in the skills of scholarship.

Hence, students could earn noodles through a range of support activities: administering open access journals, maintaining academics' websites, editing academic papers, responding to enquiries, and also training younger students in undertaking these tasks. The rates of payment could be negotiated between students and staff. The creation of the new currency would enable young people to 'pay their way' through college while gaining useful academic skills. Academics would be donating their time in terms of the mainstream economy, but would gain useful support from their students in return. This is thus an improvement on the more philanthropic model as followed by the Lincoln Social Science Centre.

6. Conclusion

For some years now there has been concern about the way in which the higher education institutions of our country have been marketised. The focus has been shifting away from the education of our young people and the sharing of the skills of problem solving that a complex society requires, towards the training of future employees to take their place in the corporate economy. This is a movement that we at Green House utterly deplore.

The financialisation of the system of funding for universities introduced in the 2011 Education Act represents a significant change in the way universities are funded and places at universities are allocated. The decision about whether to attend is now based primarily on financial considerations and less on the grounds of the intellectual aptitude of potential students.

Perhaps most seriously of all, government has identified universities as a site of asset wealth that has not yet been subject to privatisation, and has its eyes focused particularly on student finance as a potential site for income generation through securitisation. In the late-capitalist financialised economy, where there is a debt there is a source of income, and our children will be persuaded to increase their debts to the size of small mortgages of £40,000 or more. These debts will then be privatised, effectively selling our young people into interest slavery.

In this paper we have proposed a range of alternative funding models for university education. The data reported makes it clear that it is still possible for a middle-income country to fund its universities directly, making places available to the brightest of its young people free of charge. Since this is unlikely in neoliberal Britain we propose two alternative models that arise from an ideology of socialised ownership. Finally, we suggest a means in which, without any change to the legal framework, Britain's academics could create a structure that would enable those who cannot afford fees, and will not accept debts, to still access a university education.

Endnotes

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22 Information and quotations are taken from the Centre's website.

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