

Dorling, D. (2017) Why student loans are a confidence trick for the 85%,
WonkHE: Higher Education: policy, people and politics, October 26th,
<http://wonkhe.com/blogs/why-student-loans-are-a-confidence-trick-for-the-85>

Why student loans are a confidence trick for the 85%

Danny Dorling



Image: Shutterstock

The current system of university student funding in England is a confidence trick. It is an attempt to defraud a group of people – poorer students and their families – after having gained their trust by pretending that the system is fair and they will be treated equally. Confidence tricks work by exploiting human traits such as naivety and compassion.

Prospective students are told that it is *only fair* that they take out a loan to fund their studies at university because otherwise poorer people who do not go to university will, in some way, lose out. They are told that they will on average earn so much more than these people in the future that it is *only right* that they take out a loan.

A desire for inequality?

These arguments are based on untruths and a desire among some, latent or otherwise, for our future society to be even more unequal. Already the UK has the widest income inequality of any European country other than Lithuania. The Gini coefficient of income inequality, as measured by the OECD, is **higher** in the UK than it is in Israel, and only just a little lower than that of Russia. It is highly unequal countries, such as the USA and Chile, that tend to introduce the most costly and unfair student loan systems. Chile is also the only OECD country to spend more as a proportion of all secondary spending on private schools, than does the UK.

The only way the current student loans system in England can be justified is if we want the UK to continue being '*the large country with the widest income inequalities in Europe*' for many decades to come. There is a small minority of English people who do think this is a good idea, but **most don't**. For **instance**, 72% of people in Britain support measures such as maximum salaries for those

within the top 1% of earners, 70% support higher top income tax rates, and 62% support a wealth tax on very expensive properties.

We have known that loans are unjust for some time. Even [before 2012](#) when university fees were tripled in size:

'...debt is unequally distributed. Students who are poor before going to university are more likely to be in debt and to leave university with the largest debts, while better-off students are less likely to have debts and leave with the lowest debts. In 2003, students whose parental annual income was less than £20,480 owed an average of £9,708, and half owed more than £10,392. Students with parental incomes over £30,502 owed just £6,806. So on graduation, the poorest students were 43 per cent more in debt than the richest.'

Students studying at university in France, Germany, Italy and Austria pay just a few hundred Euros a year in fees. In Scotland and Scandinavia they pay no fees at all. One reason that has been [suggested](#) for high fees in England is that 'Oxford, Cambridge and Imperial College London – rank in the planet's top 10' when it comes to university league tables. Interestingly, English institutions top European university league tables (tables produced in England). Yet, adults in England up to age 24 are at the bottom of ability when [compared](#) to their European peers in mathematics, relatively poor at problem solving, and in the [bottom half](#) of the distribution for literacy.

By 2011 around 15% of higher education students in England took out no student loan at all. They, or more likely their parents or grandparents, were paying all of their fees up front. For some reason this is a highly opaque part of the system on which almost no statistics are published.

The researchers at the Institute for Fiscal Studies who [published](#) the 15% figure in 2016 explained:

‘There is limited empirical evidence to help us understand which individuals do not take out loans, but one might anticipate that students who do not take out loans are likely to be more socioeconomically advantaged, attend higher status institutions and are more likely to go on to be higher earners’.

The students who pay the least for their university education are those who pay their tuition fees up front. But in reality *these students pay nothing at all!* This is because in almost every case it will not be the students themselves paying, but their (almost certainly very) affluent parents or grandparents.

Free tuition, but not for all

Roughly half of young people now go to university and so at least 7% of all young people (just under half of 15%) go to university for free. This proportion is very similar to the 7% of children who are privately educated in the UK. In fact, it is likely to be a little higher given how much more likely affluent young people are to attend university.

It is sometimes argued that the current loans system is fair because young people who never manage to earn much in the first thirty years of their working lives will not be asked to pay their loans back. This threshold was recently increased from £21,000 a year to £25,000. But exactly what is fair about work (or caring for others) that pays so little? Especially while those who now go to university for free, so often end up being paid so much at work? We **know** that it is students from backgrounds very similar to those who do not pay any fees at all, who are most likely to be amongst the highest-paid people in Britain. What we are only just beginning to understand is the fear of future debt, and the realities of living with such debt. Issues that 15% of students never have to worry about. Student loans are now a major part of a growing burden of **debt** for young adults.

When I went to university in the 1980s it was the best-off students (in fact their families) who paid the most, while the rest, the majority from more typical economic backgrounds, who were fully funded. Only the very best-off did not get a grant from their local education authority, instead relying on their wealthier parents. Furthermore, back then their parents also paid higher rates of tax to help fund everyone else. By contrast, a child from a family with average, or even above average, income would not pay a penny to go to university, and would also receive a grant to help them pay the rent and buy food. The system was not perfect, for instance in cases where the child of affluent parents fell out with their family they could be left penniless. But, we have replaced that system with something far more unfair for far more people.

The English student loan system now penalises the poor. Even worse, it attempts to instigate an argument that education is a commodity that you can buy, like a second-hand car. But unlike with cars consumers, who eventually learn about buying cars, with education we are all naïve, we only purchase each stage once, and so the confidence trick will go on until the fees, loans and interest payments are abolished, and the rich are fairly taxed, as they are elsewhere in Europe.

Every student in England needs to know that when they take out their student loan not everyone else is getting a loan. When they are heavily taxed for having continued their education, not everyone is being taxed in the same way. When they pay a total of up to £57,000, £5,800 in interest before they even finish university, 15% of their peers won't be paying anything at all.

The repayment system has been fixed to favour the rich by some of their number – they pay nothing back as they have no loans. Their families completely avoid the £29,250 of interest payments foisted on the poorer 85%. However, they forgot one thing. Eventually the victims of confidence tricks get wise. The news that it is a trick spreads. And the con artists either clean up their game, or look for a new trick to carry on taking their unfair share. Given the attention student funding is currently getting, maybe the game is finally up?