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Why Budget 2017 did so little to help students

AUTHOR

[Danny Dorling](#)

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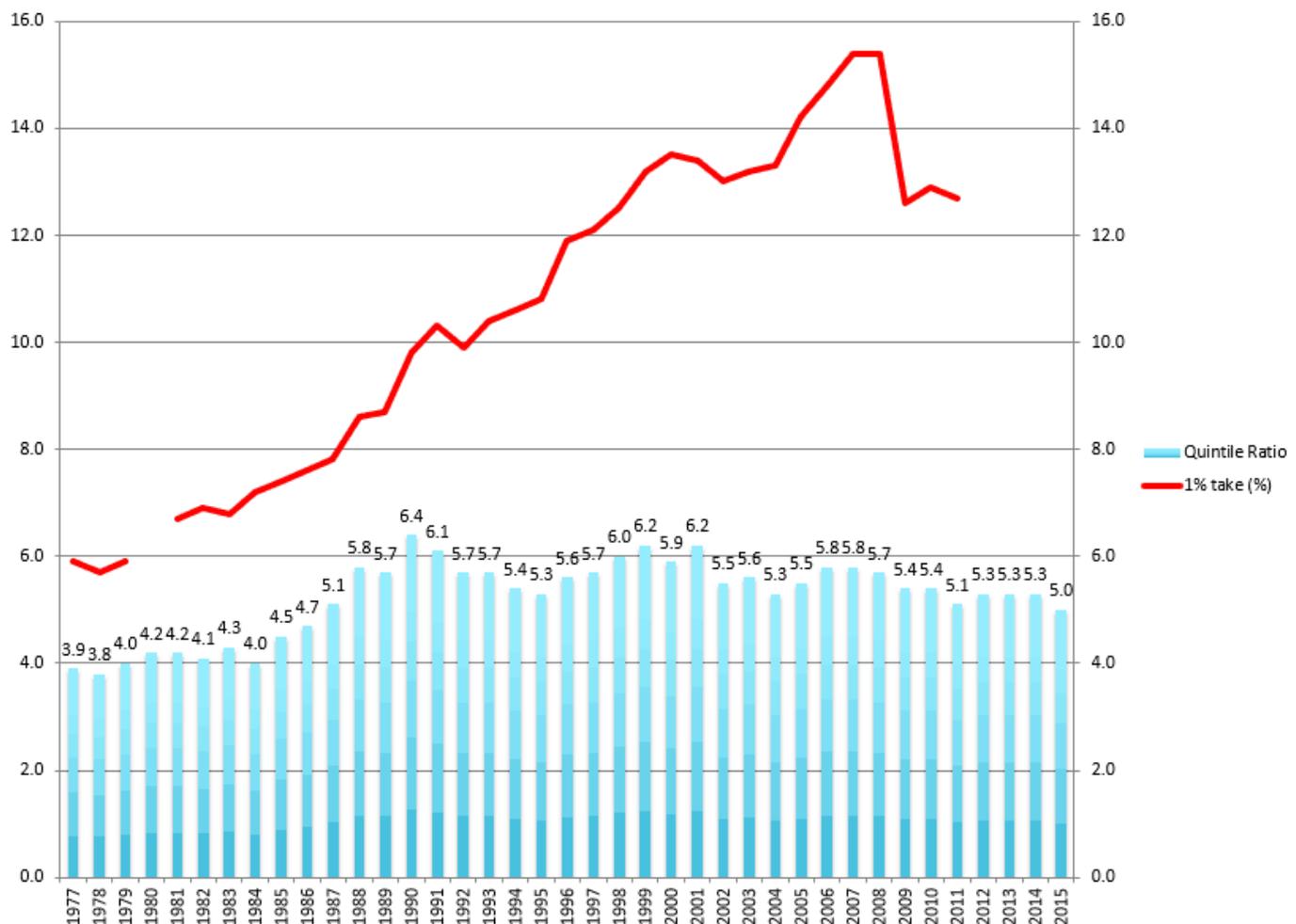


[louiscrusoe](#)

One week ago today, on Wednesday 22 November 2017, the Chancellor, Philip Hammond, gave a budget speech that was designed to confuse and distract. It was peppered with claims for which the opposite was actually the case. These were inserted to annoy wonks who have an understanding of statistics and mislead everyone else. For instance, in [his speech](#), Hammond claims that in the UK *‘today, income inequality is at its lowest level in 30 years.’*

Now, it is true that there is one [very bad](#) measure of income inequality that can be used to defend that statement. It is the measure that ignores the entire incomes of the best-off tenth, and the worst-off tenth of the population. It is the measure I used as the first graph in my most recent [book](#) to illustrate how in recent years the government has used smoke and mirrors, assuming nobody will uncover the truth and question their statements about inequality.

Fig. 1: UK household income inequality, quintile ratio 1977-2016, 1% take 1977-2012



It is the ratio of the *median* incomes of the highest and lowest quintiles, shown by the blue bars in the chart above. The red line illustrates why saying that inequality is at its lowest level for 30 years is so misleading, unless you do not consider the best-off 1%, or even best-off 10% (and worst off 10%) as part of society. The red line shows the share of the total income taken each year by the best-off 1%.

So, why would a Chancellor and his advisors place such a claim so brazenly in a budget speech? The answer is that they would like attention drawn to it. They are not stupid. They must know it will be questioned. This is called misdirection. What they really don't want attention drawn to is what was most important about the speech – everything that was not in it – all the sins of omission. This article is about one of those sins.

Almost inaudible praise

Universities are mentioned just twice by the Chancellor. Once, when they are somewhat slighted in relation to the '*commercial development labs of our great companies*' and second, in how Hammond aims to capitalise on '*the global reputations of our two most famous universities*'. For those as old as Philip Hammond and me, this is reminiscent of a joke in the 1970s series 'Yes Minister'. The Minister in question worries that '*we*

must do something for the universities' and his permanent secretary, Sir Humphrey, replies soothingly '*of course minister, both of them*'.

It is sad when national budgets become a mixture of half-truths and bad jokes. What the Budget should have announced was the beginning of the end of tuition fees and student loans, or at least a significant change to them. But Philip Hammond and his colleagues appear to like the student loan system as it is, with November's budget giving only small hints and little tangible evidence of the promised "major review" that government hinted at this summer amounting to much in reality.

Tinkering won't work

Returning to the Budget, Philip Hammond is often portrayed as a boring person – '*spreadsheet Phil*' or an '*economic Eyeore*'. At least Hammond did not announce new cuts to university budgets for government spending (with the two-year freeze on fees already known), but he also doesn't like talking about student loans, or tuition fees – as is evident from his budget speech.

Nothing was mentioned in the Budget about student loans. In fact, students were not mentioned at all other than that Hammond wants a few extra computer science teachers in schools, at some point in the unspecified future. In the small print of the Budget's supporting documents there is a [promise](#) to stop charging graduates more than they actually owe once they have paid the loan off – due to the currently archaic and faulty system – but that was known about before the Budget.

Opposition to student loans is growing. The system allows rich families to pay many billions of pounds less tax overall. This is as compared to what the rich pay in more equitable countries, where such loans do not exist and where university tuition fees are either very low or not charged at all. By contrast, the richest students in England do not use the current student loans system at all. The existing system is also defended most loudly by some of the wealthiest and best-paid people in our society.

Some former vice chancellors who once defended the student loan system [try to paint](#) the call for the abolition of tuition fees and the ending of the student loans system as '*middle class populism*'. This is a misuse of the word populism. As Müller [has](#)

[explained](#), the English middle classes are hardly claiming to represent ‘the people’.

Over the summer of 2017 it was [suggested](#) that ministers might re-consider the student loans system, and at the very least reduce interest rates on the loans from the currently eye-watering figure of over 6%. Instead, we got some rushed announcements at the Conservative Party Conference, which seemed to blindside the universities minister. And yet in the Budget nothing was done.

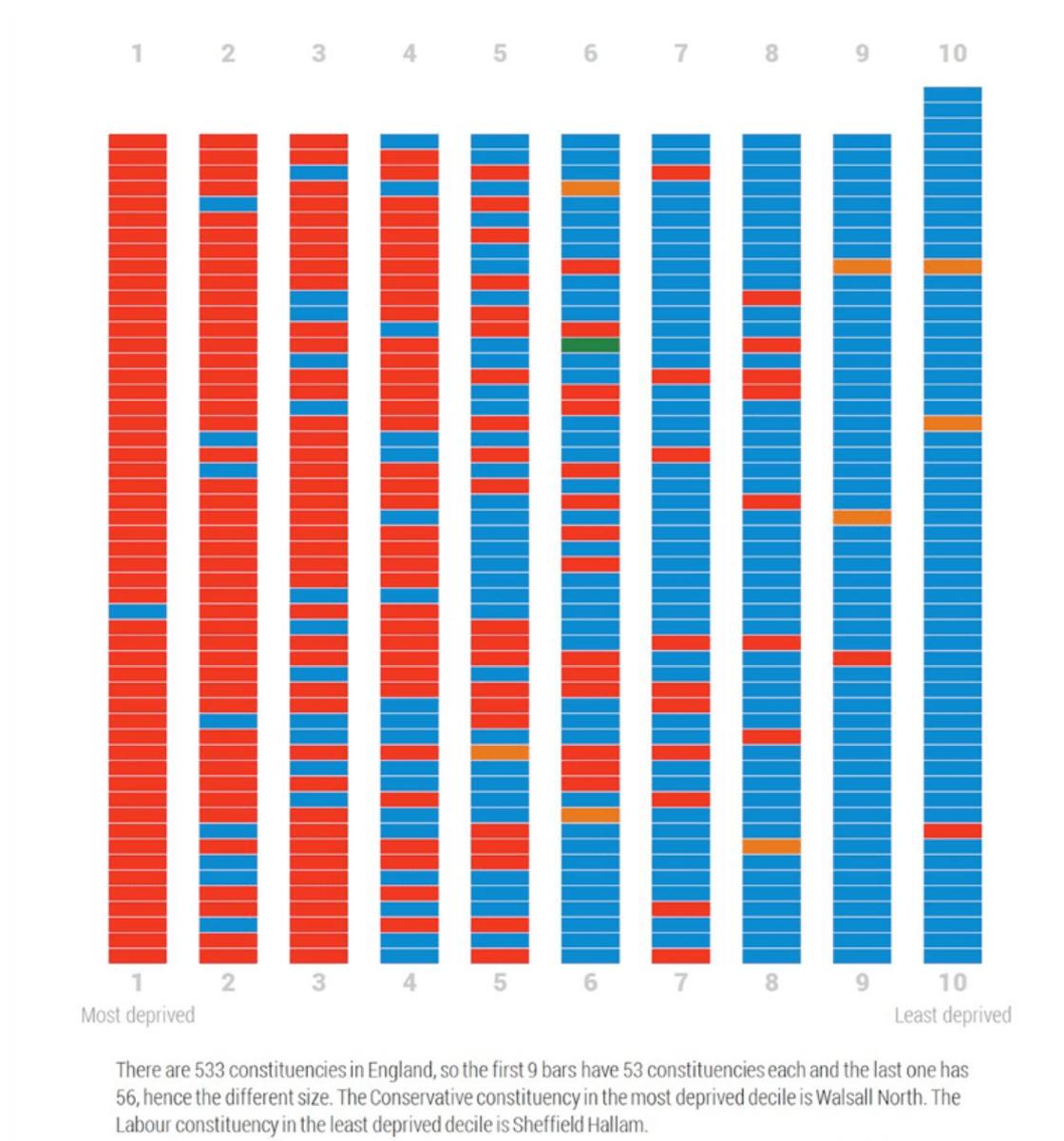
Tinkering with interest rates could simply be about trying to continue to make loans palatable to a big enough minority, so that the system can continue. In my view what is needed is the abolition of all future fees and tuition loans, as is currently proposed by the Labour Party.

Serious consideration also needs to be given to how unfair current loans are for those already studying, how unfair the historic debt is, and how students can best be supported with maintenance grants.

It is not just those on the progressive side of politics who are now talking about this more. Two explicitly Conservative think tanks have recently suggested ways to modify the student loan system in order to preserve it. Their work, coupled with suggestions [elsewhere on Wonkhe](#) that this is all rather complicated, tend to support the current Conservative-backed

system. In contrast, Labour would abolish tuition fees for all new students. The Labour party is hardly the vanguard of the middle class, as Alasdair Rae’s [diagram](#) below may help illustrate.

Fig. 2: Deprivation decile and political party, 2017



...and statistics

In [my last article](#) for Wonkhe, I explained that it had been estimated that in 2011, some 15% of university students were not taking out student loans at all. In almost all cases this was because a parent or grandparent was paying their fees for them. There is now data that is more recent, but it is not as good. The new data suggests that as the higher fees of £9,000 and above have come in, the proportion taking out no loans at all, has fallen to 7.2% by 2014/15.

However, this data also [suggests](#) that some 10.7% of students who are eligible take out no maintenance loan. I suspect that the proportion who are getting substantial help from parents or grandparents, towards either their fees and/or maintenance, is still around 15% (it has to be less than 17.9% but more than 10.7%). Further research would identify the precise proportion, accounting for very strictly adherent Muslim students (no sharia compliant option being available at the time), mature students of independent means, those living at home (with lower living costs) and those who have borrowed elsewhere.

This also suggests only about 7% of parents are so rich that they can still afford £9,000 a year fees for their children. And yes – without further research it would be hard to confirm they are

the same people – but it's worth noting that this is the same as the proportion who paid for their children to go to private schools.

The statistics we have on higher education funding are not good quality. The [latest](#) will probably be released at the end of November 2017. Before they are released, they will first be [given](#) to 28 people. Between them these 28 will release stories telling you that everything is getting better. If they had nothing to hide then the statistics would be released at the same time to everyone. It is not easy making up stories saying that the student loan system is fair.

They need a head start with the numbers if they are going to try to spin such a story, especially for the forthcoming figures.

Your own children

In 1990, when that medium-quintile to medium-quintile income inequality figure hit its peak, at the end of Mrs Thatcher's eleven years in power, a then junior Minister, John Gummer, tried to feed his daughter a burger at a country park to show that he was not concerned about whether meat might carry Bovine Spongiform Encephalopathy (BSE) causing CJD.

His daughter refused to eat it. Six years later, in 1996 the same government [admitted](#) that there was a link between BSE and CJD. A year after that, for many other reasons, they were forced out of power.

Today, not a single minister has come forward to say that their child has taken out a student loan, rather than paid the fees for them. Again, my suspicion is that such loans are not for the likes of them. I am not suggesting that they should act like John Gummer and force-feed their own children student loans. I am suggesting that they should not tell the rest of us that they think student loans are safe to take out, unless they are willing to share that they are practising what they preach.