HIGHER EDUCATION DYNAMICS

Cost-sharing and Accessibility in Higher Education: A Fairer Deal?

Pedro N. Teixeira, D. Bruce Johnstone, Maria J. Rosa

and J.J. Vossensteijn (Eds.)

Cipes

Centro de Investigação de Políticas do Ensino Superior

Hedda

Springer

COST-SHARING AND ACCESSIBILITY
IN HIGHER EDUCATION: A FAIRER DEAL?

HIGHER EDUCATION DYNAMICS

VOLUME 14

SCOPE OF THE SERIES

Higher Education Dynamics is a bookseries intending to study adaptation processes and their outcomes in higher education at all relevant levels. In addition it wants to examine the way interactions between these levels affect adaptation processes. It aims at applying general social science concepts and theories as well as testing theories in the field of higher education research. It wants to do so in a manner that is of relevance to all those professionally involved in higher education, be it as ministers, policy-makers, politicians, institutional leaders or administrators, higher education researchers, members of the academic staff of universities and colleges, or students. It will include both mature and developing systems of higher education, covering public as well as private institutions.

The titles published in this series are listed at the end of this volume.

COST-SHARING AND ACCESSIBILITY IN HIGHER EDUCATION: A FAIRER DEAL?

Edited by

PEDRO N. TEIXEIRA

CIPES and University of Porto, Portugal

D. BRUCE JOHNSTONE

State University of New York at Buffalo, U.S.A.

MARIA J. ROSA

CIPES and University of Aveiro, Portugal

and

HANS VOSSENSTEYN

CHEPS, University of Twente, The Netherlands

Springer

A C.I.P. Catalogue record for this book is available from the Library of Congress.

ISBN 978-1-4020-6915-4 (PB)
ISBN 978-1-4020-4659-9 (HB)
ISBN 978-1-4020-4660-5 (e-book)

Published by Springer,
P.O. Box 17, 3300 AA Dordrecht, The Netherlands.

www.springer.com

Printed on acid-free paper

TABLE OF CONTENTS

LIST OF CONTRIBUTORS

PER OLAF AAMODT is a senior researcher at NIFU STEP (Oslo, Norway). His research interests include access to higher education, study conditions, study persistence and learning outcome. Being a member of the NIFU STEP staff since 1984, he served as a director of research from 1988 to 1999. He is presently coordinating a major research project on the Norwegian quality reform in higher education, and has been involved in several international projects, including OECD reviews in Portugal and Finland.

ALBERTO AMARAL is professor at the University of Porto and director of CIPES. He is chair of the Board of CHER, vice-chair of EUA's steering committee on institutional evaluation, life member of IAUP, and a member of EAIR and IMHE. Recent publications include articles in *Quality Assurance in Education*, *Higher Education Quarterly*, *Higher Education Policy*, *Higher Education in Europe* and *European Journal of Education*. He is editor and co-editor of several books, including *Governing Higher Education: National Perspectives on Institutional Governance* (2002), *The Higher Education Managerial Revolution?* (2003) and *Markets in Higher Education: Rhetoric or Reality?* (2004) in this series.

CLAIRE CALLENDER is professor of social policy at London South Bank University and has been conducting applied social research for over 25 years. She has undertaken numerous studies on student finances in both higher and further education, especially about their income, expenditure and debt, and has written widely on the subject. Through her research, she has contributed to all the recent major inquiries in the UK into student funding including the Dearing, Cubie and Rees Committees. Similarly, her research informed the 2004 Higher Education Act.

BRUCE CHAPMAN is a professor and head of economics in the Research School of Social Sciences at the Australian National University. He has a PhD from Yale University and is a labour and education economist having published over a hundred and fifty articles in these areas. He has had extensive direct policy experience, including the motivation and design of Australia's income contingent charge for higher education, and as a senior economic adviser to the Australian Prime Minister from 1994–96. He has been a consultant to the OECD, the World Bank and the governments of around 10 countries (mostly in the area of student loans and university financing). He is currently writing a book on the application of income related loans to a host of disparate public policies.

THIERRY CHEVAILLIER is senior lecturer in economics at the University of Bourgogne (Dijon, France) and a member of IREDU (Research Institute in the Sociology and Economics of Education). His research interests are higher education finance and resource allocation in higher education. He is a member of the Consortium of Higher Education Researchers (CHER).

UULKJE DE JONG received her PhD in the social sciences on the subject of educational careers in secondary and higher education. She is a senior researcher and account manager at the SCO-Kohnstamm Institute of the University of Amsterdam. She has participated in many studies on educational choice processes and on the impact of schools and institutions on individual educational opportunities. Currently she is involved in research projects concerning student choice and access, and in satisfaction studies among students, graduates and staff for a variety of contractors. She has a long record in research methodology with an emphasis on research design and survey construction.

ROSS FINNIE studied at Queen's University, the London School of Economics and the University of Wisconsin–Madison. He has been a research fellow and adjunct professor in the School of Policy Studies at Queen's University since 1997 and a visiting fellow at Statistics Canada since 1993. He has published widely in the area of postsecondary education, and his current research includes work on the relationship between family background and access to postsecondary education, the roles of student loans and grants on improving access, and a proposal (co-authored with Alex Usher and Hans Vossensteyn) for a 'new architecture' for the student financial aid system in Canada.

DONALD E. HELLER is associate professor and senior research associate at the Center for the Study of Higher Education at Penn State. His research centres on higher education economics, public policy and finance, with a primary focus on issues of access, choice and persistence in postsecondary education. He earned his EdM and EdD degrees from the Harvard Graduate School of Education and a BA in economics and political science from Tufts University. He received the 2002 Promising Scholar/Early Career Achievement Award from the Association for the Study of Higher Education, and the 2001 Robert P. Huff Golden Quill Award from the National Association of Student Financial Aid Administrators.

D. BRUCE JOHNSTONE is university professor of higher and comparative education at the State University of New York at Buffalo, where he is director of the Center for Comparative and Global Studies in Education and the International Comparative Higher Education Finance and Accessibility Project. His teaching and research interests combine economics, finance and governance of colleges and universities in both domestic and international contexts. He has served as vice-president for administration at the University of Pennsylvania, president of the State University College at Buffalo and chancellor of the State University of New York, the latter post from 1988 to 1994. He received his BA (1963) and MAT (1964) degrees from Harvard University and his PhD (1969) from the University of Minnesota.

BEN JONGBLOED is a senior researcher at the Center for Higher Education Policy Studies (CHEPS), University of Twente. Since joining CHEPS in 1993 his research has concentrated on the theme of higher education economics. He has written extensively on topics such as funding methodologies, student financial support, marketisation, financial management and per student costs. As a staff member of CHEPS he has been involved in commissioned research projects, training seminars and consultancies in the area of higher education policy and institutional management. He is a co-editor of *Markets in Higher Education: Rhetoric or Reality?* (2004) in this series.

JEAN-JACQUES PAUL is a professor of economics of education at the University of Bourgogne and director of IREDU (Research Institute in the Sociology and Economics of Education). His present research work is devoted to the economic evaluation of higher education institutions and systems.

KEN RICHARDS was educated at Gowerton Grammar School and University College Cardiff, where he took a first class honours degree in economics. After graduation he was appointed as a research assistant to Professor Brinley Thomas at Cardiff and the following year joined the economics department of the Massachusetts Institute of Technology where he held a Thomas and Elizabeth Williams scholarship. He has lectured in economics at universities in Wales, Malta and Canada especially in taxation and finance. He is the author of *Managing Your Money* (Teach Yourself Books 1977) and of many articles on finance and other topics, particularly transport and international economics. Following his work on the previous Independent Investigation Group on Student Hardship and Funding in Wales, he published a further study entitled "Reforming Higher Education Student Finance in the UK" (*Welsh Journal of Education* 11.1 (2002): 48–63). Part of this work involved the building of a loan repayment model, which was subsequently used extensively in the White Paper on Higher Education. He is a member of the second Rees Review examining *interalia* the issue of top-up fees in Wales. He has been active in consultancy on economic and financial matters and continues to do some work in this area. He is a part-time lecturer and tutor at the School of Management and Business at the University of Wales, Aberystwyth. He works in an honorary capacity as a member of the executive committee of the James Pantyfedwen Charitable Foundation, as treasurer of the University of Wales Guild of Graduates. He is an honorary fellow in the School of Management and Business at the University of Wales, Aberystwyth.

MARIA JOÃO ROSA is assistant teacher at the University of Aveiro and a researcher at CIPES. She was awarded a PhD by the University of Aveiro (Portugal) in December 2003, with a thesis entitled *Defining Strategic and Excellence Bases for the Development of Portuguese Higher Education*. Her main research topics are quality management and quality assessment in higher education institutions and the internationalisation of the Portuguese higher education system. Recent publications include articles in journals such as *Quality Progress*, *Total Quality Management* and *Higher Education Quarterly*.

PEDRO TEIXEIRA is assistant professor at the Department of Economics (University of Porto) and researcher at CIPES (Portuguese National Research Centre on Higher Education Policy) and CEMPRE (Research Centre on Macroeconomics and Forecasting, University of Porto). He is also affiliated with IZA (the International Network of Labour Economists) and with PROPHE (Program of Research on Private Higher Education). He has been collaborating with CIPES since its foundation in 1998 on various research projects and has published on various aspects of higher education policy, notably on markets and privatisation in higher education (with special attention to the Portuguese case) and on the history of economic thought (namely on the history of human capital theory and the economics of education). He is co-editor of *Markets in Higher Education: Rhetoric or Reality?* (2004) in this series.

ALEX USHER is the vice-president (research) and director (Canada) of the Educational Policy Institute (EPI), a non-partisan research organisation dedicated to facilitating the expansion of educational opportunity for all students, focusing on students with the least support and the most need. He has been working on issues related to access to education for over ten years. He was the first national director of the Canadian Alliance of Student Associations (1995–96), served as a researcher and lobbyist for the Association of Universities and Colleges of Canada (1996–98), and was co-manager of the Canada Millennium Scholarship Foundation Bursary Program, Canada's largest grant program, in 1999 and 2000. In 2001, he became the director of research and program development for the Canada Millennium Scholarship Foundation, where he was in charge of Canada's largest ever research project on access to postsecondary education. He is the author or co-author of two dozen monographs and articles on access to education and education quality, including two editions of *The Price of Knowledge*, which is the standard reference source for information on access and student finance in Canada, and *The Global Higher Education Rankings*, which compares affordability and accessibility in 15 countries.

HANS VOSSENSTEYN completed a masters degree in public administration and public policy at the University of Twente in 1991. That same year he started as a research associate at CHEPS. Since then he has participated in projects covering a wide array of subjects including internationalisation, higher education indicators and quantitative and qualitative international comparative analyses. His major research interest is in funding matters, including national allocation models, tuition fee policies, student financial support and the affordability of higher education. He completed his PhD on students' price-responsiveness in 2005. As a staff member and research coordinator of CHEPS he has been involved in commissioned research projects, training seminars and consultancies in the area of higher education policy and student financial support systems. He has given a number of presentations to international conference audiences on the topic of access to higher education.

MAUREEN WOODHALL is emeritus reader in education finance, Institute of Education, University of London, visiting fellow, School of Education, University of Sussex and honorary research fellow, School of Education and Lifelong Learning, University of Wales, Aberystwyth. She has published widely on the economics of education, particularly on higher education finance, including many books and articles on student support, particularly student loans. From July 2004 to May 2005 she was a member of the Independent Study into the Devolution of the Student Support System and Tuition Fee Regime in Wales (the Rees Review); the report of the Rees Review was published in May/June, 2005. She has been a consultant for the International Institute for Educational Planning (IIEP), OECD, UNESCO and the World Bank.

FRANK ZIEGELE is professor of higher education management at the University of Applied Science, Osnabrück and project manager at the Center for Higher Education Development, Gütersloh (Germany). He was trained as an economist and his research and publications focus on higher education finance, budgeting, strategic management, contract management and academic controlling. Since 1997 he has contributed 55 publications to the field of higher education policy and management and realised more than 40 projects in higher education reform and research together with numerous universities, ministries and other partners. In Osnabrück he is responsible for the first German MBA programme in higher education management. He is a member of the editorial board of the journal *Wissenschaftsmanagement*.

PREFACE

This is the fourth of the so-called Douro books, an annual series of research-based books on higher education. The series is the result of an initiative by ***Hedda***, a European consortium of nine centres and institutes devoted to research on higher education, and CIPES, its Portuguese associated centre. At its foundation in January 2001 it was agreed that ***Hedda*** would promote the further development of the field of higher education studies through annually organising a research-based seminar. At the proposal of CIPES it was decided to organise the seminar each year at the same location in a bench in the river Douro in Portugal and name it after this location: the Douro seminar. At each seminar prominent researchers present a research-based paper and debate the state of the art of research done on a specific higher education policy issue. The papers and the results of the debates form the basis for the annual thematic book published by Springer in the book series called Higher Education Dynamics (HEDY). Paying tribute to the regularity of the seminars it was decided that the volumes originating from the initiative will be collected in a 'series in the series' called the Douro Series.

The first seminar (2001) was dedicated to *Governance Structures in Higher Education Institutions*. The second seminar (2002) discussed the *Emergence of Managerialism in Higher Education Institutions*, and the third seminar (2003) focused on *Markets in Higher Education*. The 2004 seminar was dedicated to a debate on *Cost-sharing and Accessibility in Higher Education*, while the fifth seminar (October 2005) is focused on *Dynamics and Effects of Quality Assurance in Higher Education*.

The present volume contains the edited versions of the papers presented at the fourth Douro seminar. It discusses the notion of cost-sharing – or the shift of some of the higher education costs per student from governments and taxpayers to parents and students – and the way in which it affects accessibility to higher education. The theme of the seminar is of great relevance politically, socially as well as economically. Politically, since guaranteeing access to higher education to all qualified is one of the major tasks of government; socially, since participation in higher education is still far from being equally distributed over the various socio-economic groups in society; and economically, since a better understanding of the relationship between costs of and access to higher education will lead to a more efficient and effective use of available funds. A great deal of work has been done in this area and this book brings together some of the leading scholars on cost-sharing issues from altogether nine countries. As such, this book offers an excellent overview of the state of the art of our knowledge with respect to the effects of cost-sharing on access to higher education.

Massification of higher education has led to increasing costs of the system, a burden that according to governments can no longer be carried only by the public purse. This has resulted in a decrease of the state contribution per student and a rise in public awareness for the need to consider the introduction of student contributions to the costs of higher education, or the increase of the level of student contributions. This comes on top of the need to improve the efficiency of higher education institutions so as to offset the effects of reduced funding over the quality of educational provision as discussed in the previous Douro book (*Markets in Higher Education: Rhetoric or Reality?* 2004).

In the concluding chapter the common themes emerging from the various chapters are discussed, and an agenda for future research is discussed. We hope that this book will become an indispensable reader for all those interested in higher education policies, especially those more directly concerned in the relationship between costs of and access to higher education.

We are grateful to all who have made the fourth Douro seminar and book possible, namely Amélia Veiga at CIPES and Therese Marie Uppstrøm at ***Hedda***, the perfect organisers of the Douro seminars. We are also grateful to Di Davies for her editorial work. We have appreciated the diligence of all our colleagues who have contributed to this volume with their papers, comments and editorial suggestions, and we certainly noticed their forbearance in replying to our tedious editorial demands.

We want also to acknowledge the financial support from *Fundação para a Ciência e Tecnologia*, of the Portuguese Ministry for Science and Higher Education, making possible the organisation of the fourth Douro seminar. And last but not least, we register once more the superb environment provided by the management of Vintage House Hotel on the banks of the Douro River.

Alberto Amaral
Matosinhos

and

Peter Maassen
Oslo

August 2005

D. BRUCE JOHNSTONE, PEDRO TEIXEIRA,
MARIA JOÃO ROSA AND HANS VOSSENSTEYN

INTRODUCTION

Higher education throughout the world has become increasingly important in the decades closing the 20th and beginning the 21st centuries. This is nowhere more true than in the so-called *mature economies* of the Organization for Economic Co-operation and Development (OECD) in which higher education has been a vital component of democratic civil societies, an engine of economic growth and a principal vehicle for the advancement of economic mobility and social justice.

However, in spite of this universally recognised importance and in spite of underlying wealth, political stability, taxing capacity and generally stable population growth in these fortunate countries, their universities and other institutions of higher education still seem – as in other less economically fortunate parts of the world – beset with some variation or variations on the theme of financial austerity. This austerity is manifested in such problems as overcrowding, declining faculty–student ratios, deteriorating physical plants, and in some countries high tuition fees and/or student debts, restive student bodies and increasingly demoralised faculty and staff.

Faced with this context of financial stringency, governments and higher education institutions have moved steadily to consider other sources of revenue. Paramount among these *other sources* has been the expectation of greater financial contributions by students and their families through the introduction of some form or forms of cost-sharing, including the imposition of, or sharp increases in, tuition fees, the growing importance of student loans and the encouragement of more fee-supported private higher education. This constitutes a major development in higher education policy and raises important challenges to researchers in the field, particularly on the impact of greater cost-sharing on access to higher education.

This book addresses some of the main issues surrounding cost-sharing. In this introductory chapter, we start by reviewing the history of economic theories (frequently contested) that underlie the development and justification of cost-sharing policies. Then we analyse the economic–political–demographic context that has led policy makers in most countries to introduce some form or forms of cost-sharing – however tentatively – despite the inevitable unpopularity associated with them. Finally, we review some of the continuing debates, both economic and political, regarding cost-sharing and the way these issues will be covered in subsequent chapters.

Pedro N. Teixeira et al. (eds.), Cost-sharing and Accessibility in Higher Education: A Fairer Deal?, 1–18.

1. PUBLIC INTERESTS AND PRIVATE BENEFITS

The idea that education can provide benefits, including economic ones, is an old one. At least by the late eighteenth century, some people had started thinking about skilled individuals as a kind of expensive instrument or machine: a form of capital whose long-term benefit would compensate the efforts and expenditures of years of early personal and intellectual development. However, until the 1950s most economists had failed to develop further these metaphors about the economic potential of education and training (Blaug 1976). Nowadays we are so used to taking for granted the economic contribution of education to growth and development that it is difficult to see it otherwise or to understand that it was not so evident just a few decades ago. Thus, until the late fifties the contribution of education was not widely discussed and was certainly not at the core of the debates on the priorities for economic growth and development.

The earliest efforts to bring attention, in the context of growth and development economics, to the role that education and other activities and institutions could have in stimulating people's productivity belong to Theodore W. Schultz (Teixeira 2001). Since his earliest works, Schultz emphasised the role of knowledge embodied in technical advances and especially in people's capacities as a powerful instrument for understanding and promoting the development and modernisation first of agriculture and then of low income economies. Schultz would emphasise a broad concept of human capital – including the role of nutrition, health, education and migration – which was linked to his focus on modernising economies, and also to his preoccupation with the maldistribution of resources (especially labour). He regarded human capital as something that made people more productive, but especially as an activity that made people aware of new and better opportunities and capable of seizing them.[1]

These ideas developed into a full-fledged human capital research programme that became highly influential for researchers and policy makers focusing on education, economic growth and development, and labour. In particular, they contributed enormously to changing the approach of governments to educational expenditures because of their potential economic impact. From the early sixties onwards, references to education as a kind of investment and to its role in promoting the material advance of society, and not only its intellectual and cultural benefits, became a staple in any policy document dealing with education. The increasing attention to human capital in the context of economic development benefited from the changes at the political level, particularly visible on the international scene. The sixties were a period of change, and despite initial resistances, most international institutions and development agencies ended up embracing education as a major area of funding in development projects (Papadopoulos 1994).[2]

The elaboration of human capital ideas regarding the public and private benefits of higher education came at a time when many Western countries were significantly expanding their systems, and the policies and issues associated with each became unavoidably linked. The need for a highly qualified labour force was justified on economic grounds and as a major reason for governments to step in and play a major role in the promotion of mass access to higher education. This was not only supported on the grounds of social externalities, but also on the basis of economic arguments citing market failures and the shortcomings of the financial markets in relation to investments in training.

Nevertheless it is important to stress that higher education massification in Western European countries drew more on the development of the welfare state than on a perceived public need for having a highly educated workforce. According to Scott (1995), it was during the period of the 'secondary' welfare state, which corresponds to the mobilisation of political, social and educational institutions for promoting democracy and encouraging social mobility, that the movement of higher education systems towards massification took place in most European countries. The author goes further stressing that "the higher education 'franchise' was greatly extended, primarily to satisfy rising social expectations and only secondarily to meet the increasing demand for skilled labour (which itself was as much culturally constructed as economically determined)" (Scott 1995: 123).

Many human capital scholars disapproved of the trivial usage of human capital as a rationale for all kinds of educational expenditures, arguing instead for educational expenditure decisions based on cost-benefit analysis rather than vague assertions of all education being growth enhancing. The expansion of education should be led by individual demand based on a rational assessment of the potential net benefit arising from schooling, rather than on social policy and governmental intervention without much thought of costs and benefits. Moreover, they argued that the heavy subsidisation of higher education would distort the economic conditions faced by the demand, possibly leading to excessive demand and over-investment in education (cf. Becker 1994). This linked with the broad economic philosophy of most pioneers in human capital research, which could be labelled as the so-called *Chicago liberalism* (see Samuels 1993). (The authors in this book suggest that higher education investments are rather a trade-off between private and public costs and benefits in combination with issues of accessibility.)

From the seventies onwards the rationale underlying public support for education faced growing criticisms from those more sceptical towards the human capital arguments. Some of the most challenging criticisms related to the role of ability and the accusation that human capital researchers had overplayed the role of schooling, downplaying or ignoring a likely *filtering* role of the educational system (Arrow 1972). According to these critics, education basically identified students with particular attributes and abilities acquired either at birth or by virtue of family background, but it did not produce or even necessarily improve them, thus reducing the role of education mainly to its ability to select more productive individuals and to provide that information to employers (Spence 1974). Thus, the enormous growth of the educational sector had embedded in public opinion a naïve and unsubstantiated belief in the potential benefits of education, especially in terms of better job and income opportunities (Berg 1970). To these critical revisionists, the systematic overestimation of the benefits of higher education had become a kind of new orthodoxy in both economic and political discourse that could rapidly lead both to waste and inefficiency and to significant problems of graduate unemployment.

These claims made significant inroads within the economics establishment, proposing an altogether different explanation for education demand and for the observed correlation between higher education and income and for the apparent payoff to higher education. According to the so-called *screening theory*, higher education was mainly a proxy, or *signal*, for a set of mainly largely intrinsic qualities – including intelligence, good work habits and appropriate social skills – that were sought by employers, but that were difficult or expensive for them to test directly. Higher education attainment was thus less a direct contributor to enhanced productivity than it was a useful signal to economic agents, or potential employers, and thus a kind of filter to the higher paying jobs (the usefulness of which would often remain after the hiring process was complete due to the economic agent's imperfect information on the marginal productivity of the individual worker).[3] In turn, this use of higher educational attainment as a signal passed much of the agent's costs of selection on to the individuals seeking employment and to the government (to the extent of public subsidisation of higher education).

The challenge that the *screening* hypothesis posed to the more conventional human capital theory had significant implications for policy making in general and development policy in particular. Mainly, it questioned the existence of significant *productivity effects* of higher education – and thus implicitly questioned the case for significant public funding, especially of higher education.[4] Although most economists still acknowledge both public and private returns to higher educational attainment, the diminished enthusiasm for very high public returns and for totally tax-supported higher education has strengthened at least the academic case for the forms of cost-sharing that were explored at the seminar leading to the papers collected in this volume.

2. TIME OF AUSTERITY IN HIGHER EDUCATION

Notwithstanding these debates within the economics profession, there was a great expansion of higher educational participation in nearly all of the so-called mature economies in the decades leading up to, and extending beyond, the turn of the twenty-first century. Whether this expansion is viewed as a strategic public and private investment in human capital, or as a manifestation of rising social aspirations and the political response thereto (and it was almost certainly both), the huge and steeply rising expense began to outrun the capacities of most governmental treasuries to keep up. The dominant financial theme in higher education became austerity (see Williams 1992).

Higher educational austerity in mature economies is not the same as outright poverty or deprivation. Many or possibly even most of the universities in the OECD countries have impressive physical plants – certainly by world standards – even though much of this physical capital is being slowly consumed through deferring critical maintenance. The faculty – at least the senior faculty – are well qualified and generally compensated at what in most countries would be an upper middle class level, even though there are fewer of them than there were, and their teaching and advising loads are on the average higher then they once were. The austerity in the mature economies, rather, is manifested more in the virtually continuous need to cut something or to do without because something else must be added, or because the revenues – high though they may be at a point in time, or *on the balance sheet* – are simply not increasing fast enough each year to keep up with the ever-increasing costs. In accounting parlance, the budget may be balanced and show large aggregate expenditures. But it is only kept in balance by shaving a little off in each fiscal year: some faculty and staff losses not replaced, some appointments not renewed, and needed equipment replacements deferred 'to a better year' (which never seems to come).[5]

A major component of this austerity has been the surging demand of the past three or four decades. Most of the universities and all of the national higher education systems in the mature economies have grown dramatically since the mid and late 1960s, both in sheer numbers, but more importantly in rates of cohort participation. By the end of the 20th century, some countries, especially in much of Europe, North America and Japan, appeared to be nearing a possible saturation point of participation rates, at least in the long and intensely academic *first degree* programmes of the Continental European classical universities (or at least in those students traditionally prepared with solid academic credentials and higher educational ambitions). However, new pressures have emerged to extend higher educational accessibility to populations traditionally under-represented in the upper secondary schools of the advanced industrialised countries, even among those European countries experiencing demographic declines of their young adult populations. Much of this expanded participation in the 1970s, 1980s and 1990s has been accommodated by the development of alternatives to the classical university: for example the German *Fachhochschulen*, the Dutch higher vocational schools (HBOs), the French *Institutes Universitaires Technologies* (IUTs), and the American comprehensive colleges and universities and community colleges. Some of the enrolment pressures might, in the future, be partly accommodated by the 1999 Bologna agreement among the European educational ministers to shorten the standard university *first degree* to a three- or four-year bachelors degree – although the growth of advanced professional programmes and the natural forces for degree accretion may well counter any such relief. The most important force behind the continued growth of numbers aspiring to some form of higher education is probably simply the natural expansion of educational aspirations that comes about as a result of increasing prosperity, increasing communication and the need for democratic governments to respond accordingly. And even those countries facing possible declines in numbers of traditional-age first degree students are still struggling to accommodate the dramatic growth rates that have already happened: to restore some of the former per-student revenues for their universities and other postsecondary institutions and to 'catch up', as it were, with the enrolment surges that have already occurred.

This demand, whether still surging or 'flattening', is accompanied by *rapidly increasing per-student cost pressures*, fuelled worldwide by a resistance of the higher educational enterprise to the kinds of ongoing productivity enhancements typically associated with the goods-producing sectors of the industrialised economies, in which firms can replace labour with capital and/or better management or outsource production to countries with lower labour costs. Therefore, an important starting point in any consideration of financing higher education is to recognise that the natural trajectory of per-student instructional costs is to increase at rates equal to the increases in labour costs – only minimally, if at all, offset by advances in productivity – and thus, assuming some growth in the overall economy, almost always in excess of the prevailing rate of inflation. This is higher education's so-called *cost disease*, or the higher educational manifestation of the *rising relative unit cost phenomenon in the labour intensive, productivity resistant, sectors of the economy*. This phenomenon was first articulated by Baumol and Bowen (1966) and has been elaborated upon by Johnstone (1999, 2001) and others. These higher unit, or per-student, costs are then magnified by the continuing growth in student numbers and by the need to restore some of the losses in faculty numbers and in physical plant deferred maintenance that have built up over recent years to produce the voracious need for ever-increasing resources which together constitute the *cost side* of the austerity quandary.

At the same time, governments in nearly all countries (whether highly industrialised, developing, transitional or combinations thereof) seem increasingly unable to keep pace with these cost pressures through increasing public revenues (i.e. with revenues generated by taxation or governmental borrowing) (Barr 2004). This inability to expand public revenues goes considerably beyond a mere unwillingness to tax or be taxed. Taxation and even deficit financing are nearly as difficult technically as they are unpopular politically. In most low and middle income countries – but to a degree also in the highly industrialised, high income countries – individual incomes, business profits and retail sales on which so much taxation depends are simply too easy to hide (or similarly, too difficult to verify). The difficulty in raising taxes is exacerbated by globalisation and the virtually unlimited mobility of capital and productive facilities. In turn, this leads multinational goods' producers to seek a combination of political stability, low wages and *low taxes*, constraining the ability of advanced industrial countries to maintain high taxes and limiting the revenues able to be devoted to their public sectors – including their publicly financed universities.

The large-scale printing of money, or deficit financing, once at least a 'fall back' method of raising public revenue, is highly constrained in much of the OECD community by the rules of the EU community (just as it is constrained in middle and low income countries by the discipline of the International Monetary Fund and the international development banks).[6] The transitional, or post-Communist, countries of Central and Easter Europe, together with the newly independent nations from the former Soviet Union, which were dependent on relatively easy *value-added* taxes on state-owned producers, have had to devise new means of taxation, none of which has been particularly successful. Finally, to the extent that some of these advanced industrialised countries were able to generate significant amounts of new tax revenues, there remains always the other compelling public needs – for example, elementary and secondary education, energy, ageing populations, unemployment, public health, public infrastructure and the protection of the environment – that compete with higher education for these limited additional revenues.

What emerges from this confluence of high and sometimes still rapidly increasing demand, commensurately high and increasing costs, and increasingly limited public revenues are two large, complex and interrelated issues pressing upon higher educational institutions and governments worldwide, including the countries of the OECD. First, how can the demand for greater (but still high quality) higher educational capacity be met at a lower per-student cost – *and especially at a lower per-student cost to the government/taxpayer?* The policy responses to this dilemma are of two types: (1) those that attempt to *lower costs* – for example, merging institutions for economies of scale, increasing student–faculty ratios, and substituting low paid part-time faculty for better paid full-time faculty; and (2) those that attempt to *supplement limited public revenue with private revenue* – for example, with tuition, fees, philanthropic donations, and institutional and faculty entrepreneurship. The higher educational reform agendas of most countries, including the mature economies as well as the countries of the transitional and developing worlds, contain elements of both.

Second, how can higher education continue to advance the agenda of widening participation and access? Expressed another way, how can higher education resist (and possibly reverse) its natural inclination to reproduce, and even to exacerbate, existing social disparities and inequalities, whether by parents' social class, ethnicity or kinship affiliation, language, region or religion? Access to higher education everywhere is limited by the level and quality of the secondary education, including whatever combination of family cultural capital and private tutors can further enhance the academic preparedness of the aspiring student. Parental income is virtually certain to be a predictor of higher educational participation, especially where means-tested financial assistance and generally available student loans are limited or non-existent. And because parental income is generally correlated with white collar or professional occupation, membership in a dominant ethnic and linguistic group, and access to the best secondary schools – that is, *other predictors of academic preparedness and ambition* – higher education can reinforce and even accentuate existing social stratification, even while some 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 from their social and economic marginalisation.

The underlying squeeze, of course, has to be solved either on the *cost side* – that is, through cutting waste and enhancing productivity – or on the *revenue side* – that is, through supplements to governmental, or tax-generated, revenue. Cost-side solutions that absorb more students with the same or even declining resources can look deceptively like advances in productivity or efficiency, which we must assume to be desirable. However, while most universities in the world are probably getting by with fewer real (i.e. inflation-adjusted) dollars per student than they were at some base period in the past, most of what may once have been the low hanging fruit of waste has probably been cut, and most of the easy efficiencies long since adopted. At this point in time, *cheaper* is no longer necessarily *more productive* or *more efficient*. Regardless of the difficulty in measuring higher educational outputs and their change over time, *cheaper* may just mean spending less per student – and getting less. Outputs may be declining along with inputs – a decline measured in less quality of learning and/or scholarship or in less service to the community. Or, the decline in real operating dollars per student may be masked by a hidden borrowing in the form of depleting the physical assets by forgoing upkeep and maintenance of the physical plant and the replacement of obsolete equipment. The real decline in output may also be masked, at least temporarily, by requiring greater and greater effort and sacrifice from the faculty and staff – a long-run wasting of the academic profession. And finally, the decline in output may occur not in anything having to do directly with the performance of the universities or in their teaching and research, but rather in the social cost of diminished accessibility – and thus diminished social justice – occasioned by the constriction of capacity and the increasing financial barriers to widening participation.

It is important that the cost-side solutions not fall from the policy table altogether, as universities are notoriously reluctant to make hard decisions like cutting programmes and especially cutting faculty or staff whose marginal contributions to the university's net production of learning and scholarship product may have fallen to little or nothing. At the same time, the very nature of the higher educational production function is labour intensive and resistant to the substitution of capital for labour. (In fact, most technology introduced in higher education tends to expand learning, scholarly output, faculty or student comfort, or governmental demands for accountability rather than reduce per-student costs.) Also, as noted above, the losses arising from austerity are frequently both hidden and hard to measure – like the diminution of scholarly quality that might not be noticed until the university is called upon to address a question that it can no longer handle, or take a principled stand for which its demoralised faculty no longer have the heart. Indeed, part of the problem of universities everywhere is that it always *seems* as though one more student can be added (and then another and another) with no overall loss of teaching or learning quality – or one more journal can be cancelled, or more pieces of needed scientific equipment deferred.

Furthermore, the nature of higher educational austerity is that it generally cannot be *solved* at a point in time for all time. Most operating expenditure cuts, however deep, solve a financial problem only in a given fiscal year; and even this assumes that the cuts are permanent – that is, not simply deferred. The true underlying cause of higher education's austerity is the result of the naturally diverging trajectories of expenditures and revenues: underlying costs that tend to increase naturally at a rate almost certainly greater, year in and year out, than the natural trajectory of available tax revenues. Such diverging trajectories apply as well to universities that are very wealthy – Oxford, Harvard, Berkeley – which can also experience the pain of difficult budget cuts when their very considerable flows of revenues nevertheless fail to increase as fast as their very considerable expenditures. And this is especially true of public universities for which flat or declining tax-generated revenues make up a large proportion of their revenue base.

These diverging trajectories of underlying costs and available governmental revenues are likely to be greatest in low and middle income countries. Exacerbating the cost pressures, such countries are the most likely to combine high birth rates with sharply rising participation rates for potentially explosive enrolment pressures. And on the revenue side, these same countries are likely to be the ones that also combine the greatest difficulty in raising taxes with the most voracious and compelling competitors (e.g. public health, sanitation, elementary and secondary education, and public infrastructure needs) for the limited public dollars available. However, cost pressures are also great in the mature economies, where the sheer enrolment increases may be abating, but where international higher educational competition and prestige seeking may be greatest and where expectations on the parts of students, parents and faculty are likely to be the highest.

3. THE DRIVE TOWARDS COST-SHARING

Worldwide, the most common (albeit deeply contested) approach to the need for increasing revenue is some form or forms of *cost-sharing*, or the shift of some of the higher educational per-student costs from governments and taxpayers to parents and students (Johnstone, chapter 2; Vossensteyn and De Jong, chapter 8). This trend in the mature economies can be seen in the high and rapidly increasing tuition fees in the United States, Canada, Japan, Australia and New Zealand, and a similar but more gradual development in the Netherlands. More recently, tuition fees have been implemented in the West European countries of the United Kingdom and Portugal and most recently (2001) in Austria, as well as *fees* (not yet acknowledged to be *tuition* fees) in Ireland, France and Italy. Finally, there are the so-called *dual-track tuition fees* of post-Communist Russia, the Czech Republic, and other Eastern and Central European countries in which the ideologically and sometimes legally mandated free higher education has been restricted to the few elites that the government is able to fund, with others admitted on a fee-paying, or privately sponsored, basis.

According to Johnstone (chapter 2), the cost-sharing construct posits that the costs of higher education are borne by four principal parties: governments (or taxpayers), parents, students and philanthropists. The debate on cost-sharing tends to be emotionally and ideologically charged, especially concerning the most sensitive and resistant form: the introduction of, or increases in, tuition fees. Many advocating the introduction of tuition fees expect them to solve all of higher education's financial problems. Many opposing their introduction base their position on equally problematic assumptions – for example, that open access and tuition free higher education must go hand-in-hand, or that tuition fees impose an access barrier and will lead to a decline in student numbers, or that free higher education is fairer from the point of view of distributional justice.

Several of these assumptions have been eroded by research on the economics of education. Evidence from Finland, Norway, Denmark and Sweden, for example, shows that the absence of fees does not help to boost participation of students with low socio-economic status. Neither did the abolition of tuition fees in Ireland in the mid-1990s lead to increased participation from lower socio-economic status students. In the UK and other countries, there have been significant increases in both applications and enrolments despite the introduction of tuition fees.

The distributional argument also appeared to be problematic. Hansen and Weisbrod's studies in the late 1960s of the California state higher education system illustrated the essential *distributional regressivity* of the nominally 'tuition free' system that was supported by proportional or regressive state taxes, but in which students coming from disadvantaged backgrounds were mostly under-represented, especially in the elite (and of course far more costly) segments of the system

(Hansen and Weisbrod 1969). In this way, many economists came to view the highly subsidised public systems as *distributionally perverse*, in which the taxes of many working class families were being used to subsidise the higher education studies of middle and upper class students.

There are important economic arguments when it comes to the issue of cost-sharing. It can be argued that if the users of higher education are requested to pay directly a part of the costs of their instruction, higher education will work more efficiently. On the one hand, the demand will be less biased by an underestimation of the costs. On the other hand, users paying a higher amount will tend to be more demanding of the institutions and the quality of the services provided. This, in turn, will make the institutions more aware of the need to improve their efficiency in the use of their resources.

Often the introduction of tuition fees has been presented as a means to 'empower' consumers in higher education (see Jongbloed, chapter 1). The higher the fees that students pay, the higher are the benefits they expect to receive from the provider. Underpinning the charging of fees is therefore the introduction of a client–producer relationship in higher education that disturbs many higher education stakeholders. Tuition fees are also expected to work as an incentive for the students to behave efficiently, inducing them to make more conscious choices.

The advances in the economic analysis of the political process have also made some useful contributions to the debate on cost-sharing. Tax theory has shown that taxpayers can get accustomed to a tax. This has no influence on the incentive effects of taxation (based on the effects on relative prices), but there could be an effect in the political process. If taxpayers get used to a certain tax, it will be less important for their voting decision, so it will cost less votes (see Ziegele, chapter 10). Getting used to taxes or tuition fees could also mean that irrational behaviour in the introduction of tuition fees may be only of short-term relevance.[7]

Cost-sharing is also supposed to play a very important role from an institutional point of view. Apart from the role of fees in rationing available supply across consumers and giving (quasi-) price signals to consumers, fees play a role as a source of revenue for higher education institutions and may serve to increase the range of choices in programme supply and delivery and the capacity of the higher education system. Certain efficiency gains are also expected due to increasing competition between providers and to a closer relationship between the student and the higher education institution. Fees – either regulated or deregulated – are assumed to increase efficiency, quality and – because of the extra revenues they bring in that can be used to subsidise students from under-represented groups – can even help improve access. If higher education institutions are free to set their fees (in a system of price discretion), tuition fees may bear a closer relationship to the different costs of providing different subjects, while allowing fees to also reflect the different financial returns that students (once graduated) enjoy depending on the institution attended and subject studied. However, as suggested by several chapters in this volume (e.g. Portugal), more often the increasing participation of students and their families in the direct funding of higher education is in practice a substitute for governmental funding rather than a supplementary source of revenue. That leaves most institutions in a much similar situation to that existing prior to the establishment of tuition fees, and without much room for financial largesse with bright students from disadvantaged backgrounds.

4. THE GROWING RELEVANCE OF COST-SHARING TO HIGHER EDUCATION POLICY

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 or current earnings. In countries such as Australia, New Zealand and Scotland, and by the year 2006 in the rest of the United Kingdom, costs of instruction that are to be borne by the student but that are automatically deferrable, and for which the revenues are paid directly by the government to the institution, are frequently treated as conceptually quite distinct from *up-front* tuition fees – even though repayment is mandatory and carries a rate of interest (Chapman, chapter 3; Woodhall and Richards, chapter 7).

Higher educational cost-sharing is conceptually complicated by the fact that the monetary costs of college or university attendance include costs of living as well as whatever portion of the institutional costs of instruction the student and/or parent may be expected to pay through fees. In fact, in almost all countries (except the United States), the effective range of existing or contemplated tuition fees in most institutions of higher education is far less than the costs of student living (except, of course, where the student lives in his or her parents' home). However, it is also the case that the costs of food, lodging and other student living expenses would be incurred anyway, whether the individual is a student or not, and are therefore arguably not a share of the costs *of higher education* – even though they may be indistinguishable (from a tuition fee) to the student and his or her family and may have the same effect of financially restricting access to higher education.

An important distinction between tuition fees that are paid *up front* and those that are *deferred*, as well as between living expenses that are absorbed by living at home as opposed to the greater cash outlays required for independent living, is whether those expenses not borne by government or the taxpayer are to be borne by the student or by the parent. The case for *parents* bearing a portion of the costs of their children's higher education – whether via an *up-front* tuition fee (almost always with the caveat of means testing, or the presumption that the parents actually have the financial ability to pay) or via the assumption of all or some of the costs of student living – is conceptually quite different from the case made above for the student share. The case for the parent bearing a substantial portion of the total costs of higher education – whether costs of instruction or costs of student living – requires a cultural assumption that the student – at least through some chronological age or through some level of tertiary education – remains a financially dependent child. This is a feature of most countries in the world with the exception of the Nordic countries; but it is an assumption that many European students also resent and would change – but mainly as long as the government or taxpayer took up the burden, not necessarily if they would have to assume the additional burden themselves via additional borrowing.

The prevailing assumption in most countries that parents have some financial obligation for higher educational expenses as long as they are financially able is an extension of the assumption of parental responsibility for the general welfare of their children. Similar to the rationale for a student share, the parental contribution is also based on the assumption of private benefits extending to the parents as well as to the student. Whatever the basis for the assumption of an officially expected parental contribution to the higher educational expenses of their children, this assumption is reinforced by the fact that parents all over the world do pay.

Thus, given that the revenue needs of higher education seem almost everywhere to be outrunning the available public revenues, there seem to be few alternatives to some fees (whether or not they are called *tuition fees*) short of denying the universities the revenue that they seem to need and losing either higher educational quality or higher educational capacity or both – to the principal detriment of the poorest or most marginal students, who have the most limited options. In fact, at least in the abstract, most economists maintain that some tuition fees – assuming some means-tested grants and/or sufficient available student loans – are actually more equitable than free higher education in that students everywhere are disproportionately from the middle and upper classes and the taxing systems in most countries tend to be proportional or even regressive.

Europe remains the last bastion of mostly free higher education, although three decades of massification, overcrowding, persistent underfunding and the generally slower economic growth from the mid-1990s into the first decade of the 2000s for many European countries, have been placing great pressure on the universities for additional cuts and alternative revenue sources. The United Kingdom throughout most of the 1990s dramatically reduced its once very generous student grants, and in 1997 for the first time imposed a more than nominal tuition fee (interestingly, under a Labour government), which is to be converted in 2006 to a deferred tuition fee, not unlike the Australian Higher Education Contribution Scheme and, like the Australian HECS, to be repaid through a surtax on the incomes of graduates after these incomes exceed a threshold level (Woodhall and Richards, chapter 7).[8] France and Germany in the early years of the 21st century continue to provide tuition fee-free university education to every graduate of their academic secondary schools, but Austria abandoned free higher education in 2001, and many observers believe that tuition fees in at least some of the German Länder will begin in 2005 or 2006.

The United States presumes both a *parental* contribution based upon the income and some of the assets of the parents (which necessitates some way to test parental *means*, or financial *need*) and a *student* contribution, either from loans or term-time or summer earnings. Scandinavia officially rejects the proposition that parents should be financially responsible for the higher education of their children, but it accepts the notion of a student responsibility, borne through an income contingent loan, repaid as surtax on earnings. Russia, along with most of the rest of the countries of the former Soviet Union, and most of Eastern and Central Europe – all of which have political/ideological legacies of higher education as another entitlement albeit one that the governments can no longer afford to honour – attempt to have it both ways with a very few *governmentally sponsored* students entitled to the traditionally free higher education (presumably selected by competitive examinations), but all other academically admissible students able to be charged a tuition fee.[9]

All of this seemingly relentless introduction of cost-sharing – increasingly including Europe and the newly independent states of the former Soviet Union and the other transitional countries of Eastern and Central Europe – raises the issue of how to expand higher educational participation among those who have been traditionally under-represented and who are likely to be further discouraged or even excluded by rising private costs. Policies of widening participation in the highly industrialised countries may be viewed as taking either, and desirably both, of two forms, corresponding to the two forms of presumed barriers to higher educational participation.

The barrier is the lack of a successful academic secondary educational experience and the associated lack of aspiration for an appropriate form of higher education. The reasons for dropping out, or being inappropriately 'tracked' out, of an academic higher educational preparatory track are complex and probably based largely on family and peer culture and the nature of the secondary educational experience. Relevant to the theme of this book, however, is the degree to which children in the middle and upper secondary grades – particularly children from lower socio-economic or ethnically or linguistically minority families – perceive higher education to be both academically and financially *possible* and, even if financially possible (as through the assumption of student debt), to be also financially *worthwhile*. Thus, public policies for expanded participation need to address not only the necessary secondary-level academic preparation, but need also to stress the more effective communication of both the benefits of higher education and the forms of student financial assistance that may be available to meet what may otherwise seem to be insurmountable expenses to the student and/or parents.

The second form of barrier is financial and is conventionally addressed by governmental subsidies to minimise the expenses that must be borne by parents and students. However, in keeping with the essential message of this introduction – the increasing need for forms of non-governmental revenue, especially from parents and students – the governmental subsidies must increasingly be targeted on those potential students for whom the subsidy, whether in the form of a grant or a loan, will make the difference in higher educational participation. Thus, governments in most countries are devising forms of student financial assistance, including student loans and means-tested grants, to reduce the potential financial barriers to participation.

Surely, few people would argue for the opposite situation of a fully privatised higher education funding, which would imply that society placed no value at all on the externalities generated by higher education. As most authors suggest in their chapters (namely Chapman, chapter 3), there are several examples that illustrate the problems arising from funding of education mostly on a private basis. First, there is the issue of uncertainty faced by prospective students, who may be unsure about their academic capabilities and who may thus face a risk of not being able to complete their degrees. Second, even if students complete their degrees, most students will be ill-informed about their future income and professional career. Third is the uncertainty due to structural changes in the labour market that necessarily affect the future value of the investment in education. Finally, many prospective students, particularly those from disadvantaged backgrounds, may not have much information concerning graduate incomes, due in part to a lack of contact with other graduates (see Callender, chapter 4).

These uncertainties are linked with important risks. If future incomes are lower than students expected, they are unable to sell part of the investment, for instance to try an alternative training process. This illustrates how important is the understanding of capital market failure when analysing alternative mechanisms of participation of students and their families in funding higher education. Commercial banks will hardly be interested in unsecured loans for higher education investments, enhanced by the fact that there is no collateral to be sold in case of payment default. Moreover, even if it was possible for a third party to own and sell human capital, its future value could eventually be quite low, hence a quite risky investment. This has led many to sustain that in the absence of government intervention access to higher education will be restricted significantly, since the capital market would be less than willing to finance most private human capital investments.

5. OVERVIEW OF CHAPTERS IN THIS VOLUME

The chapters in this volume emerged from a seminar in which this underlying policy dilemma was taken as the starting point. The chapters that follow are written by scholars from Australia, Canada, France, Germany, Norway, Portugal, the United Kingdom and the United States. Reflecting the historical, political, cultural and financial complexities of these conundrums, the chapters in this volume bring together theory, description and policy experience – but few easy answers.

The book starts with a few chapters that portray the current state of the intellectual and political debate regarding the introduction of cost-sharing. In the first chapter Ben Jongbloed discusses some of the main economic arguments that have been presented to rationalise the introduction of cost-sharing. Namely he discusses the potential improvements in the efficiency and effectiveness of higher education that are expected from strengthening market mechanisms in higher education finance, by improving the degree of choice of higher education consumers alongside their increased financial participation. In the following chapter Bruce Johnstone outlines the conceptual framework of cost-sharing and analyses the main forms of cost-sharing that have been introduced worldwide. In the third chapter Bruce Chapman focuses on one increasingly popular form of cost-sharing, that is, income related student loans. This instrument that has been used for some years in Australia and New Zealand seems now to be spreading to other continents. As mentioned above, one of the major issues in the debates about cost-sharing is the equality in access to higher education, namely in what concerns socio-economic backgrounds. This issue is discussed by Claire Callender in the following chapter, based on innovative and important empirical research conducted by her and her colleagues in the British context.

The second half of the book includes a set of chapters that analyses the introduction of cost-sharing in a diverse and representative set of countries. Altogether they reflect both the relevance and the complexity of introducing cost-sharing for higher education policy. In the fifth chapter Donald Heller analyses the case of the US where a much older tradition of cost-sharing has been clearly invigorated in the last years. This trend, which has been enhanced by changes in student finance mechanisms, has had various important implications in terms of the structure of the system and the composition of the student body. In the following chapter, Ross Finnie and Alex Usher analyse the trends in terms of cost-sharing and access in the Canadian system, paying attention to one very important element which is the complexity introduced by having different levels of government and their impact in funding mechanisms and educational opportunities across the country. They also reflect on issues of feasibility when it comes to choices between alternative models of sharing the growing costs of higher education.

Although Europe has very much remained the last bastion of tuition free higher education, the situation has been changing steadily and significantly, and several of the chapters included in the volume confirm it. One of the countries that introduced tuition fees in the last decade was the UK. However, as Maureen Woodhall and Ken Richards explain in their chapter, the situation has become more fuzzy due to the political devolution which has open the possibility for the existence of different systems of higher education funding and for different forms of cost-sharing in the countries that are part of the UK. Another country that has been experimenting for some years with the introduction of cost-sharing is the Netherlands. The apparent unresponsiveness of student demand in this country has intrigued researchers in the field and that is the main focus of Hans Vossensteyn and Uulkje de Jong's chapter, in which they attempt to provide a different analytical framework that can make sense of this apparently irrational behaviour of student demand. Portugal is another country that has moved rapidly from an almost tuition free regime to a more significant direct contribution from students and their families. This has happened alongside one of the most rapid expansions of higher education systems that brought along the emergence of a strong private sector unique in the Western European higher education landscape. As Pedro Teixeira, Maria João Rosa and Alberto Amaral discuss in their chapter, these many and complex changes touched the student composition more effectively in some dimensions than in others, leaving some issues to be solved in terms of socio-economic opportunities.

The trend towards cost-sharing if present in the political debate has thus far left somehow untouched some Western European systems. The vivid debate that has characterised some of these countries suggests that the situation may change in the coming years. That is the case of Germany where, as Frank Ziegele explains in his chapter, several alternative models of tuition fees have been proposed by various stakeholders. The recent decision of the German Constitutional Court in favour of some Länder willing to advance towards the introduction of tuition fees confirms that the German system is one to be followed carefully by those interested in cost-sharing. Likewise for the French case, though the introduction of tuition fees on a general basis seems less likely. However, as discussed by Thierry Chevaillier and Jean-Jacques Paul, the financial difficulties of the French public finances raise some important doubts upon the financial viability of the current system. In the final national chapter, Per Olaf Aamodt discusses the Norwegian case. Although another example of the lasting generosity of Scandinavian welfare regimes, the Norwegian system illustrates vividly the point that there is more than financial motivations in order to understand student behaviour and educational equality.

The book ends with chapter 14 that presents the major overall conclusions on the state of the art of cost-sharing in mature countries. Issues that are dealt with include the role of private contributions to higher education, their shown impact on access to higher education and ways to further expand and widen higher education.

Clearly, there is a fundamental tension between the two themes of this book: (1) the quest for greater financial viability to institutions and national systems alike, both through cost control and revenue diversification (including greater cost-sharing); and (2) the need to further widen participation, which among other things calls for greater – but also more targeted – student financial assistance. There will have to be hard choices. But there will also have to be smart and cost-effective policies.

This book presents the most current thinking (as of 2004) by some of the foremost scholars of higher educational finance in the mature, or highly industrialised, economies of the world. While we are mindful of the highly contextualised nature of problems and policies alike, and thus of the limits to the international transferability of solutions, we also believe there is much to be gained by sharing these accounts – just as the authors were able to share their draft papers and experiences in the fall of 2004 on the banks of the Douro River in Northern Portugal. We hope that our readers will gain as much from our contributions as we have gained in their drafting, critiquing and discussing among ourselves.

This book is dedicated to the memory of Jean-Claude Eicher for his pioneering work in studying economic and financial aspects of higher education, particularly in Europe.

NOTES

1 Important developments also happened in terms of the analysis of income distribution and the role of education and training in enhancing people's lifetime income. Notably, after Mincer's doctoral work (1957), human capital came to be regarded as a powerful force in terms of promoting an individual's earning capacity, by making individuals more productive, as shown by the steeper slopes of the life-path income curves, and by a greater dispersion of incomes. Mincer's doctoral work became a turning point in terms of personal income distribution and in the economic role of education and training and henceforth these came increasingly to be regarded as powerful forces shaping personal wealth. A lot of research would follow along these lines, largely stimulated by the pioneering work by Mincer, in close interaction with another crucial figure in the development of human capital research, Gary Becker (see Becker 1964).

2 The World Bank seemed to be always more receptive to a human capital framework than the OECD or the UN, especially after the creation of the IDA (International Development Association) in 1960.