

Guide to reform of Higher Education: A European Perspective

Bas Jacob and Frederick Van der
Ploeg

Seven Recommendations

- The paper builds up towards 7 recommendations to reform Higher Education in Europe:
 - Expand private funding through higher tuition fees coupled with loans
 - Distinguish different courses according to their public good value
 - Apply different tuition fees to different courses and diversify the offering
 - Use selection, tracking, and incentives

Seven recommendations

- Foster competition between universities
- Better incentives for research and teaching
- Take the entire package.
 - Don't raise fees without loans
 - Don't loosen government control without ensuring competition
- This recommendations are very inspired from the American Model, though the authors attempt to take the “best of all world”.

Private Money in the US

- The paper insists on tuition fees as the main source of private money in American Universities.
- A large fraction of the private money that comes in does not come from the students but comes from foundations, private enterprises, alumni, other donors.
- Big research universities have also huge endowments which are very well invested.
- Finding ways for the public establishment in Europe to leverage private money from these types of sources seems to be very important

Governance of Universities in the US and in France

- (I don't know about the rest of Europe but...).
- In France, the governance of universities is such that leveraging private money is just impossible.
- One is very far from a model where universities are institutions which may be monopolistic but are maximizing a well defined utility function
- Universities have two students Vice Presidents. The board has 80 people.
- Selection at the entry in M1 is forbidden, but persists at the entry in M2 (in the MIDDLE of the masters...).
- Students and administrative personals vote for academic decisions and are close to having a majority, can thus derail important academic decisions (i.e. making microeconomics a required field).
- US universities are not democratic: the board of the corporation (which is not elected) appoint the president, and in fine has power of decision on appointments and academic decisions.

Political Economy

- Changing this will be difficult
 - In the US, students are customers and they can walk away if they want to: they do not need to exercise democratic control
 - In France, students do not choose universities and universities do not choose students: the only control is through exercise of democracy, which gets perverted when it gets into the hands of “professional politicians”
 - Touching the “rights” (selection, fees, choice of subjects) of students is incredibly difficult (since it is a political issue rather than an education issue): students will be in the street at the first indication of a change in their rights (remember Devaquet...).
 - Precisely because higher education mostly benefits an educated middle class capable of fighting for their rights, the current system seem deeply entrenched.
 - The Government rational response of the ‘waisted’ money is to cut funding, and of the private sector is to exit.

Some Other Remarks

- US Invest more in education: perhaps it is efficient?
- Work of Aghion and co-authors on higher education: countries at the frontier are those that need to invest in fundamental research and higher education: i.e. where it is the most likely to have an impact on growth. The US may be right to invest in research and Europe in a better secondary education if the US is closer to the technological frontier

Income Contingent Loans

- The treatment of moral hazard for income contingent loans is probably too optimistic: the ICL is going to give strong incentives to students to not graduate and take not very good job, since their income is taxed at a higher rate.
- “solving” this by saying the performance of the students while in school will be monitored is assuming the problem away
- Law schools and public policy school in the US have such contracts but they are contingent on people taking specific kinds of jobs (public interest job). You cannot not reimburse because you are unemployed: you can on the other hand reimburse less UNTIL you actually find a job (but the total repayment will go up if you repay more slowly).
- Small point: the shape of the contract may have huge effect, even for packages which have the same financial value: c.f. LRAP vs tuition waiver at the NYU law school (Field, 2005).