**HIGHER EDUCATION IN THE UNITED KINGDOM: A VIABLE ELITE-MASS ‘THIRD WAY’?**

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**INTRODUCTION**

This is the text of a talk given at a conference in Oxford as a scene-setting and ice-breaking introduction to discussion of the delivery of higher education (‘HE’ hereafter) in various countries of the Far East. (A slightly shorter version of this Paper appeared as an Article in the *Ritsumeikan Journal of Asia Pacific Studies*, Vol. 8, pp 30-41, 2001.) Since it was delivered as a talk meant to be stimulating, and even provocative, if not indeed polemical, this text is not as rigorously referenced as is normal for a formal article: for detailed referencing and citations please see the following concerning UK HE generally, the management of higher education institutions (‘HEIs’ hereafter), and the collegiality-managerialism debate about how a university is governed…²


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² All of these publications (and indeed any other book-in-print) can be obtained from the Internet Bookshop (IBS) at a discount of 20% via the Alumni page on the New College web-site, http://www.new.ox.ac.uk; or from Blackwells via the OxCHEPS web-site as above.

**HIGHER EDUCATION**

The New Labour Government of 1997 has committed itself to 50% of the 18-30 population passing through HE by 2010, and it is at present exploring ‘Foundation Degrees’ whereby a free-standing qualification will be earned in 2 years rather than in 3 or 4 for the standard UK HE degree course. There would be scope to add a further 1 or 2 years of study to enhance a Foundation Degree into the standard British Honours Degree. The 2 years will almost
certainly be spent in colleges of further education/higher education where the teaching costs are significantly lower than in universities, while the next stage (if taken) would involve study at a university. The concept is similar to the US 2 + 2 degree structure. The optimist may detect a positive step towards widening access to HE; the cynic may see a cheap way for politicians to achieve a pledge made without it being very clear (to the ‘more means worse’ conservative) just why eventually 50% of the UK population will need or should have a Degree (Foundation or Honours)… Moreover, given that, at the margins HE shades into FE as each are defined in the UK and with some colleges delivering both, the combined HE and FE student numbers as ‘the tertiary sector’ is perhaps the real comparator with other OECD countries, and on that basis the UK is not as weak on the provision of post-school educational opportunity as is sometimes assumed when looking only at formal HE and especially simply at university numbers. Moreover, given the high completion rate referred to below, arguably UK HE produces more graduates at 21/22/23 than many other OECD HE systems, even if its intake at 18/19 is a lower percentage of that age band than for other more ‘massified’ OECD HE systems. The issue then becomes whether the UK economy can provide suitable jobs for all these graduates; or whether such graduates end up doing jobs which a decade ago were done by non-graduates, and, if so, whether these graduates really do those jobs more productively and successfully (let alone whether they gain appropriate job satisfaction in doing so) – and whether they are better Citizens, spouses, parents…

**UK**

It is increasingly debatable whether there is any longer a *UK* HE system, given the recent devolution of extensive national powers of government to Scotland, and to a much lesser extent Wales. The Scots, in the Cubie Report, promptly abandoned the £1050 pa flat-rate up-front and means-tested university tuition fee introduced by New Labour from 1998/1999 (at
£1000), so that Scottish (and EU) students now get free HE at HEIs in Scotland, while being liable for paying the fee if they go south of the border to an English HEI, just as English and Welsh students pay the fee at any HEI in the UK. Similarly, there could yet be widening differentials in the way the Scots finance HEIs and provide State financial aid to students, compared with the norms in England and Wales (and Northern Ireland’s small HE sector). All of this may reflect the Scot’s long tradition of a more open and socially accessible ‘European’ HE system, rather than the narrow and exclusive Oxford and Cambridge dominated English residential university system which belatedly broadened out only in the early twentieth century with the creation of ‘the civics’. Wales is less devolved than Scotland, but a similar debate concerning tuition charges/student funding is going on.

**Viable**

Here the question is posed as to whether the current UK Elite-Mass HE model, as discussed below, is viable, or is merely transient and at an unstable point as the UK HE system moves ultimately to being *Mass* in both culture/style and also in funding numbers…

**Elite-Mass**

Using Martin Trow’s taxonomy we get a way of characterising national HE systems:

*Elite* - some 5% of 18 year olds go to university as the Age Participation Rate (APR): UK HE until the early 1960s.

*Expanded Elite* - 12-15% APR, going with the Robbins expansion of the mid-1960s and the creation of the new, campus universities (Sussex, Warwick, York, Lancaster, Kent).

*Mass* - 35% APR by 2000, following ‘massification’ in the 1990s.
Universal - 50% APR by 2010? (NB The APR for middle-class young people [18-21] is already at c85% and hence universal - see later; and is anyway at c60% overall already in Scotland.)

Thus, the UK HE system is now technically mass, involving expenditure of some £12b pa, 1_m students, 150 or so HEIs; and, as the number of students has doubled in the 1990s, the ‘staff-student ratio’ has declined from 1:10 to 1:20 and the level of annual funding per student (‘the unit of resource’) from a base of 100 to barely 60 in a decade (with this following a similar decline of some 20% during the 1980s).

This term ‘elite-mass’ is taken from Peter Scott’s analysis in his chapter in Warner & Palfreyman, *The State of UK Higher Education* (2001), where he describes the UK HE system as elite in ethos and culture, while being mass in structure and level of funding. Elite characteristics are a high completion rate of degree courses by OECD standards (ranging within UK HEIs from c80% at some former polytechnics as renamed universities in 1992, to 97% at Oxford and Cambridge). This efficiency, in terms of low wastage combined with short degree courses (typically 3 years) by OECD norms, relies on impressive productivity within the UK academic profession, given the recent declining unit of resource and the low overall level of funding for HE teaching by OECD norms. And this is a level of productivity largely unrecognised, and certainly unrewarded given the fact that UK academic salaries have failed to keep pace with non-manual salary inflation by some 30% since the mid-1970s. It is unclear that the UK will be able to replace at these salary levels, and at a decent quality, the wave of academics recruited in the mid-1960s expansion as they retire over the next five years, and already there are major recruitment problems in certain subjects (engineering, economics, computing, law, accountancy) and at certain HEIs in high-cost housing areas
(London, Oxford, Cambridge - see my chapter in Warner & Palfreyman, 2001, on Oxford’s chances of remaining ‘a global player’ if it continues to fail to tackle its academic staff recruitment and retention problem: how long does it take a world-class university to wither away to mediocrity?).

‘THIRD-WAY’

This is a New Labour somewhat vapid ‘Blairism’, a slogan suggesting that there is some political middle-way between, as it were, European state-socialist provision and US conservative capitalism. Here the context is whether UK HE can pursue a third-way, a middle-way, poised (and unstable?) between a European norm of essentially a state monolithic provision of HE and a mixed-economy of public-private HEIs in the US HE system. Or might it be a perfectly viable way forward, combining the best aspects of elite with the wide access of mass, and one that other HE systems will in fact envy and then converge towards? Perhaps as the European bureaucratic and centralist HE systems devolve some ‘local management’ to HEIs, and as US States begin to demand increasing accountability and economy from their public HEIs (while private HEIs are being challenged on their runaway tuition fee hikes relative to inflation), it may be that the UK HE model of lean Government funding, some (increasingly) limited HEI autonomy, and tuition fees controlled by the politicians will point the way and be the viable elite-mass model for the future. On the other hand, UK HE may be increasingly ‘harmonised’ with other EU countries as the Bologna and Prague Declarations on degree courses, degree qualifications, mutual recognition, etc. perhaps one day become EU Directives…
ISSUES IN UK HE

Finally, a brief note on a number of issues currently under debate within UK HE, many of which will be familiar to those working in almost all other national HE systems…

- **The student as the empowered consumer** as he/she pays increasing university tuition fees, and whether this will serve to be the necessary check on declining quality of the learning environment (see Chapter 29 on student consumers in the 2002 edition of *Higher Education Law*).

- **HE as a consumption good** and as a ‘lifestyle’ product increasingly desired in a more wealthy society, but not of itself a cause or even pre-condition of greater national wealth.

- **HE as an exemplar of Galbraithian private affluence (Oxbridge) and public squalor** (*some ‘new’, over-expanded HEIs*), with individual, personal, small-scale teaching at the former and a rather ‘different’ quality of student experience at the latter (my analogy is, say, ‘Club Class’: ‘World Traveller’ [i.e. steerage] on airlines; or mass banks like National Westminster offering attentive but expensive elite banking in their Coutts ‘posh’ subsidiary, while the rest of us are urged to bank on-line to save staffing costs in bank branches). See my *The Oxford Tutorial* (2001): down-loadable from the OxCHEPS web-site, or £3.50 from Blackwells also via the OxCHEPS web-site.

- **The collegiality: managerialism debate** (or shared-values: corporatism / Fordism in US terms…. Harvard: the McDonalds HEI!). Are the academics to be the lunatics in charge of the university asylum? - See Tapper & Palfreyman, *Oxford and the Decline*
of the Collegiate Tradition (2000) and the related articles in TEAM (2002 (8) 47-63) and HEQ (1998 52, (2) 142-161). Or are they to be managed, as simply another section of the HEI’s labour force? (Note that in the early days of Birmingham University in the 1900s the lay-dominated University Council refused to allow the academic Senate to use the University Board-room for meetings!) This flags the problem of bureaucrats managing (or facilitating?) professionals, and the rights and obligations of academics (see Kennedy, D. (1997) Academic Freedom, Harvard University Press).

- **The teaching: research balance.** In the UK there is still a ‘Sacred Cow’ of it being assumed that a good teacher must be an active researcher and that this applies to all HEIs, but it seems ever more likely that UK HEIs will be clearly ranked as some 15/20 at the ‘top’ receiving 80%+ of research financing while the rest get crumbs from the table.

- **The tension between seeking research contracts from industry and the academic freedom to publish research findings,** a problem also causing great concern in the USA.

- **The quality / standards debate.** Can quality really be maintained by the UK’s Quality Assurance Agency bureaucratic quango? Or are the compliance costs of this over-elaborate, jargon-ridden approach far too high? Would it be better to leave quality to the empowered student consumer or to a robust academic profession with confidence in itself? (This last approach may be difficult in the context of an UK academic profession which, like school-teachers, has been pushed around by highly-interventionist and erratic Ministers of Education, and indeed by their increasingly politicised civil servants, and which hence has low morale to match poor pay…) There
is, of course, also the debate about ‘dumbing-down’ in the context of ‘massification’: not only, it is alleged, does the nature of the degree courses have to change to accommodate students who even a decade ago would not have been in HE (for example, Luton University is strategically repositioning itself away from traditional academic subjects towards vocational ones more suited to ‘the modern school-leaver’, and even Birmingham is contracting ‘the hard sciences’ to make way for ‘golf management’ \textit{(sic)}…), but also the pass-rates have to be lowered (for example, ‘management’ at Thames Valley University was accused of trying to shift the pass level from 40\% to 30\%). Hence there is to a degree a rerun of the ‘more means worse’ debate over the Robbins 1960s expansion of UK HE. (See especially Duke Maskell & Ian Robinson (2001), \textit{The New Idea of a University}, Haven Books.)

- \textit{The demand from politicians for accountability in an audit-culture}. Back to the problem of disproportionately high compliance costs, and to what exactly such exercises really measure: absolutes, or merely meaningless relativities? Indeed, a ‘gang of five’ elite UK HEIs has been talking of joining with LSE and in terms of breaking free of the overly bureaucratic QAA and, like US top universities, validating their degree courses among themselves (or even in conjunction with other ‘global status’ HEIs). The gang currently comprises: University College London, Oxford, Cambridge, Edinburgh and Birmingham.

- \textit{Flight to quality}. Within the financial markets at the first whiff of recession there is ‘a flight to quality’, from the dot.com stocks to traditional manufacturing and retailing, from junk corporate bonds to government gilts. So in UK HE, as young people are apparently put off bothering with HE by the abolition of grants and by the introduction
of tuition fees – and perhaps by sheer common sense: ‘Will going to university really have the financial pay-back for me on the debt incurred and years of earnings foregone that it used to have when there were only one-third as many graduates and they subsequently managed a rate of return of some 10% on what was anyway then less of a costly investment prior to loans and fees? Or should I wait and go later, perhaps part-time and financially supported by my employer?’ (See the Greenaway Report for detailed figures on private and social rates of return from HE, as cited below.) As UK HE enters a phase of over-supply following reckless expansion, a small reduction in demand leaves certain HEIs with a financial crisis and the stigma of being put on the HEFCE’s ‘monitoring list’. Thus, De Montfort (once Leicester Polytechnic, and then less than half its current size) is closing its Milton Keynes recently-built campus, just as half-a-dozen others of the new 1990s universities face student recruitment problems and a consequential funding shortage leading to talk of redundancies amongst academics and other staff (Middlesex, Luton, Sunderland, South Bank, East London, Humberside, Thames Valley…). The older HEIs, perceived to be at the quality end of the range, are much less affected by any general under-recruitment (although they may have problems in specific subjects, such as physics and chemistry: as opposed to the humanities, law and management). Yet, clearly, in a cash-strapped HE system £25m or more needed each year to prop up ailing HEIs is money not available to support quality elsewhere. In the run-up to a General Election the politics of HE perhaps protected such HEIs (just as University College Cardiff was protected in the mid-1980s, despite a £20m (sic) cumulative deficit created by stunning managerial incompetence), but part-way through New Labour’s second term it remains to be seen whether ‘institutional autonomy’ (seen by some as now of little meaning in the age of a Soviet-style ‘planned
economy’ for UK HE) will include the dubious freedom to become bankrupt and close down!

• *The entrepreneurial university* as a route for HEIs faced with obtaining commercial funding to earn their way out of State penury.

• *The structure of degree provision*, partly in terms of cheaper delivery via the colleges of further/higher education as mentioned above, and partly in terms of increased part-time study, greater transferability between HEIs of grades achieved, more ‘customer-friendly’ module-based degree courses. That said, there seems great reluctance, even in the dawning age of the empowered student consumer, to move from a producer-oriented provision of HE; from the traditional pattern of three terms punctuated by the short(ish) Christmas and Easter vacations and a (too) lengthy Summer vacation (needed originally for students to return from Oxford and Cambridge to help with the medieval harvest!) to a customer-oriented provision of an accelerated two-year degree course using the summers as teaching-time for those for whom the opportunity cost of another year of student loan and of lost earnings is too much.

Hence the UK HE system also assumes that *all* academics need late-June to late-September to do ‘research’: this is clearly nonsense since many are not ‘research-active’. There is scope for the US model of the 9-month contract, with the option of the academic taking on extra paid duties to teach Summer modules or finding a party willing to buy his/her Summer research/consultancy capacity. And here the conservatism of HEI management, and the instinct of HE academic unions, combine with the dead-hand of Government (in keeping UK HE as ‘the last nationalised
industry’) to ensure that UK HE does not as a service industry better serve its student clientele; just as all conspire to shelter within the comforting and cosy conformity of, even if cloyingly constraining and inadequate, national pay-scales where the fiction is maintained that academic X at top HEI A is worth very little more than academic Y at bottom HEI B (even if HEI A is also in an area of the country where house prices are twice those where HEI B is located).

- **Mergers of HEIs** as an inevitable development, given the close proximity of many HEIs (eg 4 in Manchester alone) and their current relatively small size (5K-25K) by international standards. (Indeed, there is currently talk of the Manchester region HEIs collaborating as a version of the much visited and praised [but rather bureaucratic?] Wisconsin model.)

- **Whether there really is a threat from globalization in HE**, from the e-university and the commercial supplier of distance-learning? (A rather exaggerated threat?)

- **Vocationalism v Liberal Arts** as the theme and purpose of university education. (Note: New College was founded in 1379 by William of Wykeham, as Bishop of Winchester and Lord Chancellor [chief judge] of England, very much to supply canon lawyers and theologians to serve Church and State!)

- **The politics of UK HE**, in terms of equity of access (see Appendix A) concerning UK HE as a middle-class welfare perk, where the general non-graduate tax payers, whose children leave their State schools at 16, disproportionately fund the continuing university education of the children of the middle-class family: the bus-driver pays for
the doctor’s son to go to a ‘top 13’ university to study Law at a modest £1000 pa tuition fee and then become by 35 a £250,000 pa commercial lawyer in London; while the bus-driver’s children, having been to State schools and not the private schools to which the doctor’s children went at fees of £5-10K pa, will, if they go into HE at all, end up at a university with fewer financial resources and much less status in the emerging and explicit ranking of UK HEIs, and hence graduate with much less attractive job (or rather ‘career’) prospects.

None of this is at all surprising: it is simply human nature to do one’s best for one’s children, and probably all HE systems have some degree of skewing in favour of the middle-class (the US Ivy League of HEIs take a fixed minimum percentage of the children of alumni; the children of wealthy Paris bankers are more likely to be at the Sorbonne or some Grande Ecole than at a deeply unfashionable and desperately overcrowded provisional French university: see Tapper & Palfreyman forthcoming). What is surprising is the expectation of the UK middle-classes that, having hugely benefited from tax cuts over the past 15 years or so, and having gained from an increasing polarisation between rich and poor in UK society, and having cheerfully funded private-school fees or paid higher house prices to be in the catchment area of a ‘nice’ State school, they should receive in addition quality HE either free or certainly at only a nominal £1000 pa: an amount that is little more than the student children of many such families spend on exotic holidays and their mobile phone bills, or only a fraction of what their parents spend on upgrading the family car(s) or running the second-home in Pembrokeshire or Tuscany.
And what is even more surprising is that a supposedly left-of-centre New Labour Government should get its HE policy in such a mess that, on the one hand, it is, like Mrs Thatcher (her only political U-turn as the Iron Lady!), not prepared to upset the middle-classes by making them pay through higher tuition fees more for their HE perk; while, on the other hand, this Government has abolished the student maintenance grant which used to fund those students from poorer family backgrounds through HE (as for this writer at Oxford, 1972-75!), and replaced it with a level of official cheap student loan capacity which is clearly insufficient to finance a year at university without the student getting financial help from the family, or incurring more expensive borrowing and debt from a bank, or working part-time (and not all HEIs or student family homes are located in the prosperous South-East of England whose booming service economy (at present…) means a ready supply of £6 per hour student jobs in coffee-bars). There, I said this text was intended to be provocative, if not polemical! Note especially the Greenaway Report on the financing of UK HE, available at www.nottingham.ac.uk/economics/funding.

- The chance of Oxford (and even Cambridge) surviving as global players given their declining State funding and their being trapped within UK HE as ‘the last of the nationalised institutions’ - suffering from lack of investment, State control of prices (in terms of tuition fees charged to UK undergraduates) based on political short-termism, weak leadership, poor management… (see Appendix B, and Tapper & Palfreyman (2000), with my chapter on Oxford in Warner & Palfreyman (2001) for greater detail).
CONCLUSION

The future for UK HE as a quality HE system, both serving its own population well and also attracting students from many countries (and hence being ‘a big earner’ of foreign currency), is bleak, and yet another nail has been hammered into the coffin of quality university education when, recently and to top some two decades of reduced funding and misguided political interference (combined, admittedly, with lack of vision, nerve, and robustness amongst UK HE leaders), the then Secretary of State for Education (David Blunkett, MP) declared that there will be no ‘top-up’ fees during the life of the next New Labour Government. The flat-rate £1000 for any degree course at any university, introduced in 1999/2000, will increase only in line with inflation, and, since Government has reduced its public funding to claw back much of the cash raised by their introduction of tuition fees, UK HE will be denied the funding it clearly needs if ‘massification’ is not to bring with it an inevitable decline in quality of provision. But at least the middle-class potential New Labour voter in a marginal parliamentary constituency will be reassured that HE will be available to his/her student children at nominal cost - even if it is a declining quality of HE. The harsh reality is that declining quality in HE is (thanks to faculty productivity) slow and hence unnoticed, especially compared with the equally acute but more high-profile problems of under-funded UK hospitals, schools, police-stations, railways. The British ‘third way’ seems to be a naive delusion that they can enjoy both tax cuts and improved public services at the same time; to have the low tax regime of the USA alongside the quality health-care of France; to refuse to pay for HE either via taxes or through tuition fees so that HE is a (virtually) free-good as in Europe but also (still, if only just) a quality provision as in the best of the US HEIs. The ‘courageous’ Chancellor Brown Budget of 2002 may have begun to reverse this trend, at least for health-care if not HE.
UK HE is, by OECD norms, highly productive, achieving a quality university experience for its students despite under-funding. It relies on over-worked and under-paid committed staff, and on student-consumers tolerant of over-crowding. It deserves better than to be meddled into mediocrity by bumbling bureaucrats and passed-by politicians. It needs a robust academic profession vigorous in defending rigorous standards for teaching and research; and a profession able to define, demand and justify academic freedom, and also be crystal clear on just what is a university and its value to society. It remains to be seen whether elite UK HEIs will ever have the courage to escape being part of the last nationalised industry, and take responsibility for protecting academic quality in the teaching of undergraduates, for maintaining the brand image of UK HE, and also for their own strategic and financial destiny…
APPENDIX A

UNIVERSITY ADMISSIONS
(% participation by social class)

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<tr>
<td>b) Manual families</td>
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<td>2_</td>
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Ratio a : b

| 6:1 | 7:1 | 7:1 |

Admission to elite universities (‘top 13’)…

There are some 600K children emerging from UK schools each year, of which about 50% come from ‘less affluent families’; from this 50% merely 1% are admitted to the ‘top 13’ universities.

and…

40% of places at the ‘top 13’ are filled by students from independent schools: cf the expected 28% on basis of grades; while the ‘top 5’ admit more than 50% privately educated students than would be expected. That said certain ‘posh poly’ HEIs located in ‘nice’ areas, such as Oxford Brookes University (formerly Oxford Polytechnic), also admit a much higher percentage of middle-class students from ‘nice’ postcode (zip code) family home addresses than simple statistics would have predicted.
APPENDIX B

The rough figures, and the doubtless simplistic analysis of them, given below illustrate nonetheless the problem of Oxford and Cambridge (let alone less well-endowed UK elite HEIs) maintaining competitiveness with world-class US HEIs. Yet does it matter if Oxford and Cambridge sink into mediocrity and obscurity over a generation? Who will notice? Who amongst parents, students, future graduates, the employers of graduates, society-at-large will want to pay the higher taxes or increased tuition fees for it to be any different? Who cares anyway? We are comfortable with the idea of ‘top’ football players like Beckham or Owen, and with ‘top’ pop-stars, but seem to assume that any ‘elitism’ in HE must be levelled away/down.

OXFORD’S FUNDING per undergraduate compared with the international competition, ie US Premier League (Harvard, Princeton, Yale) and US Division One (Duke, Cornell, Northwestern, Johns Hopkins…), using 1999/2000 figures and $1.60 to the £. (See Page 23).

1. These rough figures seem to suggest:
   a. That Oxford (and Cambridge) being compared with (‘benchmarked’ against) Harvard, Yale and Princeton is like comparing X with at least 3X in terms of the financial strength of the US Premier League, which not only commands much greater endowment assets and dilutes the endowment yield across only _ the number of undergraduates as the major driver of costs, but also (crucially) sets, controls and receives substantial tuition fee income directly from those undergraduates (even after a ‘needs-blind’ admission process and the giving of financial aid).
b. That, in so far as Oxford (and Cambridge, with much the same endowment and State funding) still can compare favourably in academic performance with the US Premier League, this says something very positive, not only about Oxford’s effectiveness but also about its economy/efficiency/productivity (and despite the academic lunatics really being charge of the Oxford asylum, which is not managed by a board/council of lay members from ‘the real world’!).

c. That, strictly speaking, in terms of levels of funding and the (reasonable?) assumption that over time the overall level of funding influences academic performance, Oxford should not any longer be compared with Harvard, Yale and Princeton but at best with the US Division One HE players (Duke et al).

2. In short, the UK is losing the battle to keep Oxford and Cambridge as truly global premier universities by:

   firstly, reducing the general level of State funding for all HEIs, including Oxford and Cambridge;

   secondly, reducing the taxpayer’s premium (£2K pa) paid to Oxford and Cambridge in the form of college fees; and

   thirdly, preventing by Law the introduction of ‘top-up’ academic fees.

3. That said, at least the tax changes of recent years may make it easier for Oxford and Cambridge to tap alumni financial support in the way of US HEIs, but the cultural gap in terms of giving hefty financial support to the alma mater still remains wide: hence
the chance of Oxford and Cambridge closing the endowment capital gap with Harvard, Yale and Princeton is slim, even if they may succeed in reducing the speed with which the gap grows year by year. But it could be that Oxford and Cambridge will struggle merely to keep pace with Duke et al, given that the limitations to UK State funding of HE and especially given the political refusal to allow top-up fees (ie Oxford and Cambridge need to use endowment income to make up for having only _ the fee income of their US Division One competitors and unwisely having got into the position of needing to sustain undergraduate activity at twice the level of those competitors). Moreover, because US private HEIs have control of a key source of income - the price charged to the student customer - they can, like any other commercial operation, borrow money against income flow (in this case on the very efficient and low-interest US dollar corporate bond markets). In contrast, UK HEIs as part of ‘the last of the nationalised industries’ are hampered in giving a commercial lender the comfort of knowing that the borrower can control its financial destiny, and hence UK HEIs compared with US HEIs are less able to offer the security needed for gearing-up.

4. Arguably, in order for Oxford and Cambridge to remain globally competitive as the flagships for UK HE plc (a £10b export industry!), they should contract their undergraduate numbers by at least one-third, or replace some 3000 UK undergraduate students with ‘profitable’ Masters courses and with fee-paying US (and other non-UK/EU) undergraduate students (or, in fact, fewer than 3000 if US entrants needed a 4 year undergraduate degree courses rather than Oxford’s standard 3 year courses).

5. **Warning:** it must be stressed again that these figures are only rough, and doubtless the methodology can be attacked, but they do give a *feel* for the nature of things.
6. Finally, recalling the *cause célèbre* of the State school girl rejected by Oxford and then accepted by Harvard (leading to a public slanging match between Chancellor Brown as a leading New Labour politician and Oxford’s Vice-Chancellor) and noting from these figures just what will be available to be spent on the undergraduate education of Laura Spence at Harvard compared with Oxford, perhaps she was in fact fortunate indeed to have been rejected by Oxford…
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<td>LESS FINANCIAL AID TO UNDERGRADUATES</td>
<td>0</td>
<td>3990</td>
<td>3190</td>
<td>3190</td>
<td>2190</td>
</tr>
<tr>
<td>INCOME PER UNDERGRADUATE</td>
<td>100</td>
<td>450</td>
<td>320</td>
<td>390</td>
<td>140</td>
</tr>
<tr>
<td>EXPRESSED AS PERCENTAGE OF OXFORD'S</td>
<td>100%</td>
<td>450%</td>
<td>320%</td>
<td>390%</td>
<td>140%</td>
</tr>
</tbody>
</table>

NOTES:
1. Plus the availability of corporate bond borrowing secured against control of tuition fees.
2. To some degree students on graduate courses are being charged ‘the economic cost’, and, in the case of MBA and similar, ‘the market rate’.
3. HEFCE undergraduate average of £4K + (via HEFCE as the Oxbridge premium) College Tuition Fee of £2K.
4. As percentage ‘REFUNDED’/‘WAIVED’ (from Greenaway Report): Harvard 25%; Yale 20%; Princeton 20%; Duke et al 14%. It is to be noted that some of the richer US HEIs, perhaps prompted into generosity by their swelling endowments or probably stung by growing criticism of their ever-increasing tuition fees (see Ronald Ehrenberg, 2000, Tuition Rising, Harvard University Press), are now ploughing back even more money into student financial aid. Oxford (and Cambridge) neither have sufficient endowment capital/income nor enough other tuition fee income to be able to conjure up scholarship schemes on such a scale, and anyway they clearly have too many undergraduates for their level of endowment.
5. NB In the case of Oxford, however, it might be appropriate also to add as income c£20m pa as the long-term reasonably predictable and reliable level of profit on its subsidiary trading activity, OUP (turn-over c£350m, surplus c£20-30m). This would boost the £14670 to about £16850, thereby narrowing to some degree the gap with Duke but hardly so in respect of ‘the big boys’. I say ‘might’ since it is somewhat unclear where OUP fits into the Oxford scheme of things: is it indeed ‘a milch cow’, or is it ‘off-shore’ in strategic planning and financial accounting terms?