

The Economist

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Special report:  
**Universities**

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## Policy options **Having it all**

### **Ideas for delivering equity as well as excellence**

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IN ORDER TO produce innovative research and to stretch the best brains, a modern, democratic country needs excellent universities. In order to provide equality of opportunity and exploit people's talents to the full, it needs to give its cleverest young people a chance of getting into the best institutions regardless of their incomes and to offer everybody who wants to earn a degree a chance of doing so at a reasonable cost.

America's higher education system is doing well at creating excellence, but struggling with access and cost control. Given that much of the world is heading in its direction, the problems it is experiencing are likely to be replicated elsewhere. But measures can be taken to mitigate them.

Finance can make it easier to access higher education. In America, the government provides loans for all, which students have to repay irrespective of their earnings, and grants for the poor. The Obama administration has increased grants and eased loans to reduce the burden on the least well-off, but the combination of high costs and a fundamentally unforgiving loan system is discouraging the squeezed middle.

Australia's system of income-contingent loans lets students off making repayments unless and until their earnings reach a certain threshold. While leaving individuals to bear the bulk of the costs of tuition, they have not deterred the less well-off from going to university. There is a danger that the state may end up with a large bill, if the threshold is set too high or the economy underperforms; to keep the bill down, Australia's government charges higher earners more. Eight other countries have adopted similar systems. America should do the

same.

Greater efforts need to be made to control the costs of higher education. Technology can help. Universities should be more adventurous in giving people access to their offerings online and in using technology to make education more effective. They might think that controlling costs is not important to them, but they would be wrong: in America the universities' customers are fed up with high fees and have started to vote with their feet.

Higher education needs to do more to prove its worth. At present, although it is clear that individuals, on average, benefit from a college education, it is not clear whether this is because their degree certificate signals to employers that they were clever enough to go to university or because their studies added to their human capital.

Latin American countries are leading the way in trying to find out. Their reliance on the private sector makes them especially conscious of the need to get value for money. In Brazil a federal government agency tests all graduate students before they enter a programme and after they have finished in order to measure the value the degree has added. Brazil now produces about as many scientific papers as the rest of Latin America put together.

Colombia has gone one further. In 2010 it started testing undergraduate students when they leave university, and compares the results with tests taken when they arrive to assess how much they have learned. It publishes average grades, along with average earnings, of graduates from different programmes at different universities, thus helping students decide where to go to university and what to study. Such rich information obviates the need for the heavy regulation that the American government is currently applying to for-profit universities.

The question is how higher education can deliver both equity and excellence without breaking the bank

The OECD is trying to establish a system for assessing what students all over the world have learned at tertiary institutions, similar to its widely watched PISA assessment of secondary-level achievement. AHELO, the proposed tertiary system, would start with economics and engineering, testing students both on their subjects and on their reasoning abilities. This would help young people decide where to study and employers to understand the value of their qualifications; it would encourage complacent universities to sharpen up their act and governments to put pressure on them to do so. "Nobody is telling young people the truth," says Andreas Schleicher, director of education and skills at the OECD. "They work hard to get a degree, but often when they get into the labour market they find it's not worth

what they thought.”

The OECD has been trying to get AHELO off the ground for eight years. A successful pilot convinced Mr Schleicher that the problems were not methodological or operational but political. The Japanese, Chinese and South Koreans are keen, he says: “They know that if they’re going to compete in a global market they need proper metrics.” The Americans are not. “It’s difficult to get buy-in from elite institutions that have a lot to lose.” There is no public opposition, but not much progress either. A former American official describes their approach as “foot-dragging”. That is a shame: governments and students both need to know what they get for the money they pour into universities.

The American model of higher education has brought immense benefits to the world, and its global spread is to be applauded. But for all its virtues, it is expensive and inequitable. Costs are hard to control and value for money is hard to measure. Resolving these problems is partly up to governments, the universities’ most powerful customers, but also up to the universities. The institutions that have done so much to change the world need to embrace change themselves.

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