

Student loans would make graduates flee



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AS Hilary Clinton and Bernie Sanders began to kiss and make up this week, it was easy to forget how close he came to securing the Democratic nomination. One of the reasons Hilary 'felt the burn' so intensely was Sanders' resonance with young middle-class voters and, in particular, his emphasis on the need to change policy relating to student debt.

He pledged that he would "fight to make sure that every American who studies hard in school can go to college, regardless of how much money their parents make and without going deeply into debt". This commitment was a recognition of the spiralling financial crisis amongst middle-class Americans, which is linked to student debt.

In 1989, just 4pc of Americans were still repaying student loans at retirement age; by 2013, that figure had mushroomed to 30pc. The burden of student debt has had a massive impact on the ability of Americans to access home loans.

In his study of student debt, Professor Brent Ambrose of Penn State University also found that individuals carrying student debt were significantly less likely to start their own business because of their limited credit capacity.

He noted that as 60pc of new jobs in America are created by small businesses: "If you shut down the ability to create new businesses, you're going to harm the economy." No wonder this was fertile ground for Sanders, with US student debt spiralling from \$300bn to \$1 trillion (€900 billion) in the last 10 years.

Debates about the long-term impact of student debt have become immediately relevant in Ireland this week, with the publication of the long-awaited Cassells Report on the

funding of higher education. In fairness, the report does recognise the deep financial crisis currently faced by Irish third-level institutions and suggests three options: • A state-funded system, similar to Nordic countries • Increased State funding with continued standard fees, similar to the Netherlands • Increased State funding with deferred payment of fees (student loans), similar to Australia.

The response of student groups and some parties within the Opposition to the student loan proposal was immediately negative – and for good reason.

Most higher-education institutions in Ireland are already struggling with significant arrears due to the non-payment of student administration fees. Is there any evidence that students will be any more anxious to repay student loans? International experience suggests they won't.

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funding of higher education. In fairness, the report does recognise the deep financial crisis currently faced by Irish third-level institutions and suggests three options: • A state-funded system, similar to Nordic countries • Increased State funding with continued standard fees, similar to the Netherlands • Increased State funding with deferred payment of fees (student loans), similar to Australia.

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within the much-vaunted Australian model, one in every three dollars is written off.

There are two further issues which should give the Government pause for thought before going down the loans route. In Australia, many graduates emigrate in order to avoid repaying student debt. Surely, this is extremely likely to happen here in Ireland, resulting in a brain drain, rather than the skills increase which is supposed to be the ultimate objective of higher education funding.

Secondly, post-Brexit, the Irish economy will be competing even more closely with other European economies, all of which have shied away from the student loan approach in recognition of the significant barriers it creates to increased student participation in higher education.

Indeed, the Brexit vote goes to the heart of the matter. Who voted for Brexit? Those who are older and less educated; those who are not in position to take advantages of the op-

portunities generated in a globalised economy because they lack the skills. These individuals are losing out on low-skilled and unskilled jobs to immigrants and are unable to compete for the higher-skilled jobs because British education policy has placed third-level out of the reach of so many ordinary people.

So how should we fund higher education? In one word – tax.

I recognise that this is not what everyone wants to hear but in order to have a highly skilled and educated workforce, we have to be prepared to pay for it.

Those who can afford to contribute to the cost of their education should be asked to do so and for the rest there should be adequate supports. There is no way around this one unless, we too, want to 'feel the burn' of post-Brexit globalisation.