REVIEWS

Conditions of the university

Andrew McGettigan, *The Great University Gamble: Money, Markets and the Future of Education*, Pluto Press, London, 2013. 232 pp., £54.00 hb., £15.00 pb., 978 0 74533 294 9 hb., 978 0 74533 293 2 pb.

In an interview with Giovanna Borradori given after 9/11, Jacques Derrida said: 'I am incapable of knowing who today deserves the name philosopher.' Faced with questions of international law, 'I would be tempted to call philosophers', Derrida suggested,

> those who, in the future, reflect in a responsible fashion on these questions and demand accountability from those in charge of public discourse … A 'philosopher' (actually I would prefer to say 'philosopher-deconstructor') would be someone who analyzes and then draws the practical and effective consequences of the relationship between our philosophical heritage and the structure of the still dominant juridico-political system that is so clearly undergoing mutation. A 'philosopher' would be one who seeks a new criteriology to distinguish between 'comprehending' and 'justifying'. For one can describe, comprehend, and explain a certain chain of events or series of associations that lead to 'war' or 'terrorism' without justifying them in the least, while in fact condemning them and attempting to invent other associations.

Today, as well as questions of international law and terrorism, we are also confronted with what we might call the post-2008 'Financial War' and by what is happening to our universities. In this context it would take only a minimal edit of Derrida's words for these to be describing the work of Andrew McGettigan: the most significant 'philosopher-deconstructor' on the contemporary British scene.

It was during the closure by Middlesex University of its Centre for Research in Modern European Philosophy (now relocated to Kingston) that McGettigan, a graduate of its doctoral programme, immersed himself in the topic of higher education (HE) finance. As he notes, 'I had to become a freelance "policy wonk" in order to work out what was going on.' The result, two years later, is *The Great University Gamble*. It is a peerless book that should be read by everyone who works in or cares about universities, even vice chancellors – or especially vice chancellors. To paraphrase Derrida, McGettigan faultlessly describes, comprehends, and explains the chain of events that has led to the present mess in higher education policy without being persuaded by them in the least; criticizing them and attempting to invent other associations of democratic oversight and academic accountability for our universities. This is an essential resource, and one that I will refer to again and again.

If the book has a fault, it is one of genre. On the one hand, it is described as 'a primer', there to educate the general reader about the complexities of higher education finance. On the other hand, while McGettigan moves through the terrain of funding councils, recruitment markets, bond issues and corporate structures with forensic detail, his work as a critical public-interest philosopher-journalist is at its most compelling when he mobilizes this expert knowledge into an argument against our present conditions. The genre of the primer does not always allow this argument to take flight. McGettigan often has to write with the handbrake on in order not to lose sight of his pedagogical mission amidst the complexity of his material. He has, then, a gift for understatement: 'uncertainty hovers over the new higher education funding regime'. This is the result of simultaneously addressing disparate audiences: concerned academics who need to get up to speed on Income Contingent Repayment loans and his fellow 'policy wonks' who will skip the sections on the Consumer Price Index. It is, however, possible to read McGettigan's exposition in a much stronger way than the limitations of genre allow.

Let us begin where McGettigan's book ends, with the question of what he calls 'financialization', in essence monetizing the student loan book. Perhaps the most notable thing about the seemingly incomprehensible and increasingly ad hoc nature of higher education policy in England is in retrospect the entirely predictable and seemingly relentless drive to our current predicament. In 1998, a year into Tony Blair's first Labour government, Gordon Brown sold off an initial tranche of student loans in order to help him meet his golden rule of fiscal discipline, balancing public income and expenditure over the economic cycle. These were old mortgage-style loans for £1,000 tuition fees and maintenance, introduced by the previous Conservative government with fixed terms. A consortium of Nationwide Building Society and Deutsche Bank AG bought up these loans, with an undisclosed subsidy from the Treasury. A further sale followed in 1999. In 2003 the Labour government oversaw the controversial introduction of loans for £3,300 tuition fees. These loans have income-contingent repayment thresholds (i.e. the graduate does not start repaying the loan until they start earning at a certain salary level) and the interest rate on them was fixed at the Bank of England base rate (currently 0.5 per cent) plus 1 per cent or the RPI, whichever is lowest. In 2008, during Brown's premiership, Labour passed the Sale of Student Loans Act, which enables the government to sell loans to a third party without the consent of borrowers. Importantly, this act enshrined in law the interest rates of previous loans because no borrower could be worse off through the sale, nor could purchasers change the terms of the loans. The idea was to set up a regular sale of tranches of the loan book in order to create an ongoing income stream for the Treasury and to spread the risk of the loan book across the private sector, which would bundle up the debt into financial products such as derivatives and credit default swaps. Then the crash happened.

By late 2009 this plan looked more difficult to achieve. And it is in this context that the minister with responsibility for universities at the time, Lord Mandelson, commissioned the Browne Review of the long-term 'sustainable' funding of universities, which was expected to be accompanied by a report from specialist advisers on alternative ways to monetize the loan book. In May 2010, on the other side of the election, the Coalition appointed Rothschild bank to undertake a feasibility study for the sale of the income-contingent loan portfolio.

Since the publication of *The Great University Gamble*, McGettigan's work with the website False Economy and the *Guardian* newspaper has brought to light, through a freedom of information request, Rothschild's report to the government. In it Rothschild advise that the loan book is an unattractive prospect for private investors because the yields on pre-Browne loans are too low and cannot be changed as a result of the 2008 Act, while the level of expected non-repayment of post-Browne loans (some 39.4 per cent on present estimates) makes this set of loans equally unattractive. Therefore, Rothschild suggest, in order to secure adequate profit levels for private investors the government should either retrospectively increase the interest rates on pre-Browne loans (only a government can do this) or underwrite profit margins through the guarantee of a so-called 'synthetic hedge' that covers the spread between actual income from loans and agreed levels of acceptable profit. Initially the Department of Business, Innovation and Skills did not deny the content of the report, then after the *Guardian* front-page story the parliamentary office of Secretary of State Vince Cable released a statement that he had ruled out the possibility of changing the loan terms for pre-Browne borrowers but the sale of the loan book was still an active consideration for the government. David Cameron was asked about the sale of the loan book at Prime Minister's Questions. He spoke for one minute in response and failed to answer the question directly, choosing instead to praise the government's Free Schools programme. Eight days later the chief secretary to the Treasury, Danny Alexander, announced in parliament that the sale of the loan book would now proceed as part of a pre-election disposal of £10 billion of government financial assets. There are at present no details of the terms of the proposed sale.

McGettigan would argue that this latest twist in the tale of HE is just another example of the democratic deficit that currently blights our universities. Ever since the student demonstrations of 2008 against the introduction of £9,000 tuition fees the Coalition government has actively sought to avoid public discussion of higher education. It is too painful a topic for the discredited Liberal Democrats to address, while the Conservatives are pursuing a privatization agenda that (given the difficulties experienced over changes to purchasing in the National Health Service) they would prefer progressed under the radar of public scrutiny. The opposition have been ineffective in exploiting the government's discomfort over higher education or in exposing this agenda. The 2011 HE White Paper, 'Students at the Heart of the System', has been kicked into the political long grass. Instead the government has used existing powers, instructions to quangos, responses to consultations, amendments to seemingly unrelated parliamentary bills and other technical devices to further its higher education policies without having to subject a bill to parliamentary inspection. The result has been an often seemingly shambolic approach to policymaking. However, we can see at least two significant issues developing that must be considered of considerable public interest and accordingly be subject to much wider scrutiny.

The first is the supply-side reform of higher education in England in preparation for its de facto privatization by a future majority Conservative government. As McGettigan explains, the bewilderment felt by many in English universities at present is a classic example of the preparation of an industry in advance of privatization. The government would like to break the monopoly universities have over the supply of higher education by easing the path of private providers into the marketplace. He furnishes substantial evidence to suggest that every attempt is being made to give favourable terms of entry to firms such as the Apollo Group, Kaplan and Pearson, sometimes (as in the case of the sale of the College of Law to Montagu Private Equity) on dubious legal grounds. Private providers have access to the student loan book (taxpayers' money) and are expected to provide a cheaper form of mass higher education without the overheads of research activity, present regulatory frameworks, accountability to local communities and so on. One ambition is to grant degree-awarding powers to Pearson/Edexcel, an A-level exam board that does no teaching, in order that further education colleges can validate degree courses without reference to universities, which in the government's view are behaving like a cartel over the awarding of degrees. Having set such precedents the Conservatives would seek to legislate retroactively to regularize 'reforms' that have now become facts on the ground.

However, as a result of the high fiscal cost of loans, student numbers remain capped in the UK, and so entry to the market by new providers must be at the expense of existing universities, which are being hit by both a transfer of student places to private providers and a decline in applications as a result of the hike in tuition fees. One telling table in McGettigan's book shows that in the last academic year, 2012–13, all but seven universities in England suffered a decline in student numbers and therefore income. The government wishes to create a 'level playing field' for private companies, meaning that their start-up activity will be protected at every turn from the competition posed by existing universities while all state subsidy is withdrawn from all but the elite in areas where the privates can compete with mid-tier universities. Few institutions are immune to the effects of these changes and it is a simple matter of fact to state that the post-Robbins dispensation of the present university sector in England will be significantly altered as a result of them.

This is exactly what the government wants to happen without the difficulties of engaging in a public debate about the quality and efficiency of the system they are dismantling or its economic, cultural and educational benefits. It is not at all clear that the majority of vice chancellors in England appreciate either the intent or the consequences of the government's reforms. Rather, for the most part they imagine that their own institutions and strategic plans will be sufficiently robust to benefit from the increased marketization of higher education funding. At best this view is naive (not everyone can be a winner); at worst it is based on a wilful ignorance of what is actually happening and a complete failure to recognize the seismic shifts that are taking place under their feet. McGettigan reserves some choice words for the emaciation of university governance and the dangers of allowing vice chancellors to act as if they were chief executive officers of companies. The genius of supply-side reform in a competitive sector with a fixed cap, through divisive policies such as research concentration, differential tuition fees, Key Information Sets, and so on (anything which renders measurable, and so manageable, the otherwise intangible pedagogical transformation of higher learning) is that it encourages university managers to think that they are making these changes themselves; even that they desire these changes and that they are wholly beneficial to their institutions.

The second and related cause for concern is the consequences of these reforms for the nation's finances. Income Contingent Repayment (ICR) loans are complicated and it is best to defer to McGettigan's exposition of them. As loan systems go they have their benefits for both borrowers and lenders. However, in the political fudge that was rushed through parliament as a partial implementation of the Browne Review, most of the benefits to the government of ICR loans were compromised. Accordingly, as the Treasury well knows, the present loans system is unsustainable. It will take until 2046 to grow to maturity, when there will be the first write-offs of outstanding loans taken out by students in 2012. During this time, at its most expensive, the cost to the taxpayer of this system of loans will amount to 6 per cent of GDP, while by 2046 outstanding student debt will peak at over twice that at £191 billion. This is not a situation that will be allowed to continue by any government of any colour: as McGettigan puts it, 'politics will intervene' to stop this happening. This is why the Conservatives continue to press ahead with the Friedmanite solution of opening up the higher education market to new private providers, who it is hoped will drive down the cost of a degree. It is also why they are keen to keep selling off tranches of the loan book and subsidizing their sale. It may be 'economically illiterate' to do so (because governments can service such debt for much less than private institutions), but it is politically important to be seen to be raising money from the loan book in the interest of deficit reduction. The resource accounting and budgeting (RAB) charge – the amount of expenditure recorded to cover the estimated non-repayment of loans issued in a financial year – is listed in government accounts as an 'impairment' and a sum is set aside and ring-fenced to cover this estimated cost. The Office of Budget Responsibility estimate the difference between outlay borrowing for loans and repayments to rise to nearly £10 billion by 2015/16 and to continue to rise until the mid-2030s. It would seem that the government is currently working on an optimistic understanding of what the impairment for the loan book might be (assuming rising graduate salaries and the best of all possible worlds for government finances). Therefore any shortfall in the impairment calculation may fall within future departmental budgets. It would be extremely naive for anyone in higher education to imagine that the taxpayer will fill such a hole. While in the eternal present of neoliberalism the post-Browne loan book was presented as a deficit reduction measure, and university chiefs colluded with it because they imagined it would bring more money into their institutions over the short term, this settlement is in fact storing up significant problems for the national debt and kicking (not very far) down the road a day of possibly damaging financial reckoning for universities in England.

There is much more one could pull out of McGettigan's book, including the questions of a bond market in institutional debt issued by English universities or the actuarialization of the student loan book to identify 'investment grade graduates'. One should be grateful that McGettigan stands on the side of 'the university' and academics. Such acuity and rigour would be much sought after by the likes of McKinsey. The story of the production of this book is of an individual who chose to use his university education to push back against those who would gladly sell that inheritance to the highest bidder, by arming himself with the necessary arcane and technical knowledge required to speak back authoritatively to power and so begin to redefine the terms of the debate. There is a lesson here for all academics who at this moment decline to enter into public discussion about the future of our universities or to become involved in running their own institution, either because they would prefer to keep their heads down or because it all looks too difficult to understand. Such academics, in the words of McGettigan, have become 'too willing to cede difficult chores to bureaucrats'. If a publicly funded, mass higher education system in England is to survive their own tenure in universities they must engage with what is happening around them. They should begin by reading McGettigan.

Martin McQuillan

Lacking a homunculus

Friedrich Nietzsche, *Human, All Too Human I*, trans. Gary Handwerk, Stanford University Press, Stanford, 1997. 396 pp., £60.50 hb., £24.95 pb., 978 0 80472 665 8 hb., 978 0 80474 171 2 pb.

Friedrich Nietzsche, *Human, All Too Human II and Unpublished Fragments (Spring 1878–Fall 1879)*, trans. Gary Handwerk, Stanford University Press, Stanford, 2012. 648 pp., £54.95 hb., £18.95 pb., 978 0 80472 875 1 hb., 978 0 80478 393 4 pb.

Near the end of 2012, a UK-based production company calling itself the Planetary Collective released a short film online called *The Overview Effect*. The film features stunning footage of the Earth from outer space, interspersed with interviews with astronauts, scientists and philosophers. The upshot of the film is that the view of the Earth from space produces a shift in consciousness – the 'overview effect' – that entails a realization that we as human beings are not separate from the planet on which we live. The general message of the film is that of sublime wonder and unity: national boundaries disappear, and over its surface the planet reveals strange, luminous patterns of colour, cloud and light (otherwise known as cities, smog and the electrical grid).

The Overview Effect was immensely popular upon its initial release. But its 'we are the world' message of planetary unity tends to gloss over a dubious strategy frequently used by humanist thinking: that it is we as human beings who have the self-ordained privilege of the overview effect, and it is through such feats of technology that human beings will once again establish mastery over the planet – with which we are 'one' only when it benefits us as human beings. However, in its appeal for a planetary consciousness, *The Overview Effect* tends, in fact, to reveal something different: the indifference of the planet vis-à-vis our repeated attempts to render it meaningful. It is in this context that one is reminded of Nietzsche's famous passage from 'On Truth and Lie in an Extra-Moral Sense':