

It's time for politicians to say sorry for the scandal ...

Published: January 13, 2026, 6:11 am

Student debt seems to be on the political agenda.

The Tories are scared witless that Labour's plan to abolish fees won over the young in the June election.

Michael Gove and Vince Cable, however, seem to think that those who do not go to university must not subsidise those who do.

But no one seems to be talking about what to do with the existing debt.

Let's be cool and calm then. First, let's recognise that universities can exist in the private sector, just as schools can. The result tends to be the same in each case though: only an elite get to take advantage, and we know that imposes an enormous opportunity cost on society in the form of wasted talent. As a result we have state backed universities.

Second, let's recognise that the trouble that we face is that we have been pretending otherwise. We have for rather too long now pretended that an increasing part of the cost of those universities is paid for by the students in the form of debts that they owe. But actually, this has not been true. Only a relatively small part of all student debt created has been repaid or sold (I admit I do not have the precise figure to hand: it does not change my argument). As a result what has really happened is that the government has continued to fund universities. It has just pretended to do so through a balance sheet account called the student loan account. This has been its alternative to recognising the spend in question as a cost. But that's just an accounting game until the student is asked to pay or the debt is sold because the reality is that it is has actually stumped up the cash at the time a student is studying in a significant proportion of cases, just as it would have done if the cost was being incurred by the state. And as we know, doing so has not brought the economy to its knees so as a matter of fact we could afford it. In summary, the fact that it was recorded that government borrowing was incurred to fund a growing student debt pile rather than to record the expense directly makes no difference: we have to date borrowed year in

year out to actually pay for our universities.

In that case, thirdly, let's recognise that this means the debt does not have anything to do with education per se: it's just been a convenient way of dropping part of government debt onto a particular group in society who may pay 10% extra tax for much of their lives as a result and be denied the chance to afford a house, raise a family or save as a consequence. This is financial engineering in that case. It is not about being a student. And if in doubt think about it like this. Instead of making students bear part of the national debt suppose we made other people do so instead. So, if you went to hospital you'd have to pay more of the national debt as a result. Or if you had a fire you'd pick up a slug of debt. And what about if you didn't have children? You'd get a national debt refund for not burdening the state in the Gove / Cable personal costing formula . All these are analogous to what's been happening with student debt, and as absurd.

We should pick those who go to university because they have the ability to attend and will benefit society by doing so. I know that the current system does not produce outcomes without bias, but maybe that's at least partly because of the debt. And we also know now that fire is not always a random chance either. And nor is ill health. But we realise we should spread the risk of these last two, at least in principle. So why not also spread the risk of being able to benefit from university? We all gain as a result. Instead Cable and Gove seem to have utterly forgotten the role of government in pooling risk and benefit as a result. Let me be clear, having higher rates of tax for all on higher incomes to tackle potentially resulting inequalities is absolutely fine: I welcome those. But what I don't see is why we should privatise the national debt to a portion of society.

So what should we do?

First scrap fees.

Second, scrap the student debt now owing and use QE to buy back that already sold to third parties.

As a result make a level playing field. And give people a chance in life.

As importantly, boost the economy by reducing the crushing burden of debt that hangs over so many younger people now before they might ever think about going near a mortgage. If this debt is taken off them they may spend more. But as importantly they might have a chance to live.

And then a lot of politicians need to say sorry. Because student debt was never about paying for university at all. Student debt was about dumping national debt off the balance sheet and onto the young. whilst extracting a profit for the financial services sector on the way. It was always a scandal in the making. It;'s time the scandal was

brought to a close.

It's time too that Cable and Gove worked out the reason for government. But maybe that's too much to hope for.