

**STUDENT LOAN PROGRAMS IN SASKATCHEWAN, ALBERTA,
AND AT THE FEDERAL LEVEL: AN EXAMINATION USING
THE NEO-INSTITUTIONALIST APPROACH**

A Thesis

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ABSTRACT

This thesis examines the development of the Canadian, Alberta, and Saskatchewan Student Loan Programs using the neo-institutionalist approach, combined with some aspects of neo-Marxist conflict theory.

First, the history of funding university and university students in Canada, Saskatchewan, and Alberta is explored in order to provide a context for contemporary changes and developments in the funding of post-secondary education and in government student loan programs. Although originally designed to enable a small number of eligible but financially challenged students to attend post-secondary institutions, over half of Canadian university students will have borrowed through the programs by the time they complete their education. Students are also borrowing increasing amounts through the programs and graduating with growing debt loads. Recently, banks have been taking a greater and more influential role in the student loan programs through repayment, which governments have been contracting out.

The neo-institutionalist approach, a structural approach emphasizing the importance of societal institutions in shaping the policy atmosphere, is applied to the study of student loan programs but is unable to fully explain drastic shifts in policy apparent between 1985 and 1995 – increasing bank involvement and greater emphasis on the individual as primarily responsible for education funding. The incorporation of some aspects of neo-Marxist theory, notably the concept of dominant ideology, allow the neo-institutionalist approach to more fully explain this previously unexplained shift in policy and in societal opinion. Allowing for both structural factors and wider societal changes means that this revised form of neo-institutionalism has much to offer in terms of policy analysis.

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This thesis is dedicated to the hundreds of thousands of students across Canada who participate in the country's student loan programs, and begin their working lives saddled with debt. The future is ours – and we will be making the policy.

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1. INTRODUCTION

1.1 Government student loan programs and policies in Canada

Over the past thirty-five years in Canada, millions of students have been able to attend university due primarily to government-created student loan programs. These programs were designed to ensure that students who qualified for entrance into university were able to attend despite their financial limitations. Through various federal and provincial programs, qualifying students could receive enough (repayable) funding to pay for tuition, books, and living costs.

In 1964, when the Canada Student Loan Program was introduced, it was considered vital to the future of the country to have an educated population. Individuals clearly benefited from the increased education when one calculated the financial rewards in terms of availability of employment and salary received, but society benefited as well. This societal mindset continued to underlie the programs until the early 1990s. Incremental changes certainly occurred over the years, predominantly in the areas of qualification for loans and amounts available, but few dramatic changes were made either to the federal loan program or to the various provincial programs.

Then, in the early 1990s, major changes in student loan policy and process began to occur at both the federal and provincial levels. The rules and conventions governing the relationships between the federal government, provincial governments, the universities, and university students began to change. These changes have been concurrent with the increasing transfer of responsibility for financing post-secondary education from federal and provincial governments to individual students. Students have

become responsible for an increasing portion of the cost of their education, while governmental financial support for post-secondary education is in decline.

The primarily public post-secondary education system is being gradually 'privatized'¹. Both the process and the effects of this privatization can be observed in the government administered student loan programs. Private financial institutions have become more involved in the funding of post-secondary education through their increasing participation in both the government loan programs and their own parallel programs. In 1995-96, federal and provincial governments began to transfer responsibility for repayment of student loans to individual financial institutions. No longer would the governments be involved in the repayment of student debt. This was a pivotal event in the history of government student loan programs, and it became clear that Canada was in the midst of an ideological shift.

These processes of privatization occurring in the student loan sector have been concurrent with a renewed emphasis on the importance of further education for individual success. Higher education is increasingly considered a necessity for ensuring a better future in a climate of economic uncertainty:

In today's changing economy, government, policy organizations, and members of the business community all emphasize the importance of knowledge, skills, and lifelong learning for individuals to succeed in the labour market and for the economy to grow. University education has been targeted as one of the key vehicles for producing a labour force ready to meet the challenges of the new workplace (Butlin and Calvert, 1996: 34).

In fact, according to a recent report from the Senate Subcommittee on Post-Secondary Education (1997a), it has been estimated that "...fully 56% of the new jobs becoming

¹ The term 'privatized' is used to denote the increasing transfer of financial responsibility for post-secondary education from governments to individual students.

available between the year 1995 and the year 2000 will require post-secondary education and/or training as a qualification for employment” (6). Due in part to the emphasis on the need for education, 50% of all graduating university students in Canada were expected to have used government student loans in order to finance their education by 1996 (Hiscott, 1996).

It is vital to document the changes in the government student loan programs, the funding of post-secondary education, and the policy-making process itself over the past hundred years in Canada. However, it is even more important to be able to explain these changes, especially those of the past decade. Until the onset of the 1990s, few dramatic changes in direction were made to the federal student loan program. With the onset of the 1990s, however, vitally significant changes were made to all provincial and federal programs. This thesis will attempt to present a sociological explanation for these changes, by applying and testing the neo-institutionalist approach, and ultimately by proposing the addition of elements of neo-Marxist conflict theory to neo-institutionalism to provide a more complete explanation.

1.2 Neo-institutionalism and neo-Marxist conflict theory

The theoretical approach I first proposed for this project is neo-institutionalism. It is based on the premise that institutions place boundaries around policy-makers and the ultimate implementation of policies. Actors are bound by historical context, by their political context (ie. rules of constitutional convention in Canada), and by their economic context. Institutions are linked to societal stability and stasis, including the stability of policies and policy-making communities. I propose that these institutions are what have

helped maintain the predominantly unchanging nature of the student loan programs between 1964 and the 1990s.

In fact, neo-institutionalism can be used to explain how the institutions of student loan policy and the policy itself at the federal level withstood the force of ideological change in the 1980s. However, neo-institutionalism is unable to deal adequately with drastic changes in societal institutions, such as those occurring in the mid-1990s. Although it acknowledged that such changes could occur, it did not explain *why* they occur or *how* changes are made. It is predominantly an approach that deals with social stability, and fails to explain social change.

Since neo-institutionalism did not fully explain the major changes in student loan policy witnessed in the mid-1990s, it was necessary to turn to another form of explanation. Neo-institutionalism allows for major changes in policy due to shifts in the dominant ideology, or the prevailing societal perspective². Therefore, it was logical to turn to neo-Marxist conflict theory in an attempt to examine the shift in ideology in order to explain what had happened. Neo-Marxist conflict theory advocates that the state promotes the interests of the dominant economic class, which is reflected in the dominant societal ideology in existence at a given time. Canada experienced a shift in dominant societal ideology between 1964 and 1999, from social welfare-oriented Keynesianism to Neo-Liberalism.

In the past one or two decades, the federal and provincial governments have embraced a new era of “fiscal responsibility”. The emphasis on debt and deficit reduction

² ‘Ideology’ is a disputed term in the discipline of Sociology, and can be defined in many different ways. As used in this thesis, it can be defined as “the sets of beliefs, values, and norms that support and justify the overall system and the position of the ruling classes in that system” (Knuttila, 1996, p.164).

at all costs brought with it a new discussion concerning the role of the government in the provision of subsidized higher education as well as within other public sectors. The transformation in attitude has been dramatic. In a 1972 article on Universities and Governments, J.A. Corry stated that "Governments have assumed large responsibilities for the general welfare, widely interpreted" (56). However, only two and a half decades later, this 1970s reality has changed dramatically. As Robert Hiscott (1996) states in his recent article on post-secondary education funding and student debt:

The debate regarding the appropriate mix of public and private (individual) funding of post-secondary education in Canada has gained new significance in the light of fiscal realities faced by all political jurisdictions in this country (namely, the severe deficit and debt problems experienced by federal and provincial governments). An increasingly common response to current fiscal problems faced in a federal state is *to off-load responsibilities and financial obligations, first from one level of government to another, and then to the users or consumers of government-supported services*. In the arena of post-secondary education, this is evident as universities and community colleges are forced to increase levels of student tuition and fees dramatically in order to compensate for significantly reduced operating grant transfers from respective governments (25, emphasis added).

In the 1960s and 70s there was little question that both society and the individual benefited from access to further education. Today the individual is seen as the main beneficiary of a higher education (Greene, 1996). The long-term societal benefits of an educated populace are downplayed or ignored while the short-term financial costs are emphasized. The ideological climate within which we exist places the emphasis on the "individual" to take responsibility for his/her own future. It now seems perfectly reasonable to expect an individual, who benefits financially from his/her advanced education, to pay the majority of the costs of that education. At least 50% of university students in Canada will pay those increasing costs by going into debt (Human Resources

Development Canada & Statistics Canada, 1996). Not only are more students going into debt, the amount of debt each individual takes on is also increasing.

This thesis will examine the changing relationships between students, the provincial governments of Alberta and Saskatchewan, the federal government, and financial institutions in an attempt to understand the changes that are going on within the student loan policy community. Structural changes have occurred and continue to occur both within the government loan programs and in society itself. These structural changes will be examined in an attempt to understand how they affect both Canadian students and Canadian society. Student groups have had some successes in influencing student funding policies over the years, but these successes have been few and far between. Although students are the people most affected by changes in policies, they have rarely been consulted and have been marginalized throughout much of the policy-making process.

The ideological shift visible in Canadian society places increased responsibility for funding higher education on the individual student. This shift has been reflected in the expansion of the Canada Student Loan Program (despite calls for a system of national grants and concern about debt loads) as well as the increasing involvement of banks and other lending institutions in providing private loans for students who meet specific criteria.

1.3 The thesis project

This project began as an examination of the government student loan programs at the federal level and at the provincial level in Alberta and Saskatchewan in order to

provide comparisons of the two provincial programs. I proposed that Alberta and Saskatchewan would provide a particularly informative comparison, as they have demonstrable differences in economic situations, relationships with the federal government through transfer and equalization payments, and historical political traditions. Despite their similarities in structure, these provincial governments have had different electorates, different agendas, and varying economic resources (Greene, 1996). Thus, I expected to see differences within the provinces' policies and policy-making processes. It should have been possible to determine whether the expected differences would be reflected in their student assistance programs.

However, the differences between the programs were much more minimal than expected. In fact, the programs have developed and operated in a very similar manner. There have been some discrepancies, largely dependent on available resources, but fundamentally the programs have become identical. Indeed, the programs even made virtually identical changes in 1995-96 when the provincial governments signed contracts with private financial institutions allowing the institutions to control loan repayment.

Thus, this thesis has become an examination of the effectiveness of the neo-institutionalist approach in the study of public policy. The neo-institutionalist approach will be tested, providing an analysis of its usefulness and applicability in this study and in the study of other public policies. It will be made clear that the approach cannot fully explain the policy changes of the past decade, but with the addition of some elements of conflict theory (neo-Marxism), the revised approach becomes much more useful.

There are several reasons why I first proposed neo-institutionalism as an approach to the study of the student loan systems in Saskatchewan and Alberta. Most importantly,

I expected that the two provinces would have different institutions, and different ways of making policy because of their differences in backgrounds, but the opposite was true. The institutions were virtually identical. They even experienced virtually identical transitions in the 1990s. It became necessary to be able to explain how the provinces could have such convergent policies and structures, while being fundamentally different. Neo-institutionalism is useful, but can only partially account for this trend. By examining the underlying structures of society and of the Canadian and provincial student loan programs, as well as examining the shift in dominant societal ideology in the past two decades, it will be possible to gain a greater understanding of how both institutions and ideology shape policy outcomes.

Chapter 2 of this thesis consists of a discussion of the neo-institutionalist theory, which is the conceptual framework to be tested in this study. Institutions in Canadian society, including the structures of federalism, constitutional conventions, the rules of intergovernmental cooperation, and the increasing involvement of the banking industry, have affected the development of the post-secondary education funding system that now exists. The neo-institutionalist framework does not, however, completely explain the changes of the past decade. Thus, it is necessary to incorporate a major element of conflict theory, the existence of a dominant societal ideology, into the analysis.

Chapter 3 will discuss the history of federal government's financial involvement in post-secondary education in order to provide a context for federal funding of post-secondary education in the 1990s. The changing relationships between the federal and provincial governments, between the federal government and individual students, and between the federal government and the banking industry will be discussed. The

development and evolution of the Canada Student Loan Program (CSLP), as well as the challenges that it currently faces will be addressed.

Chapters 4 and 5 will examine the implementation and administration of the CSLP within Alberta and Saskatchewan as well as the structures that govern the provincial loan programs in each province. The changes that have occurred within the past ten to twenty years in both provinces will be discussed, with an emphasis on the visible shift in ideology. Both provinces have experienced a shift, albeit at slightly different times, and currently have very similar policies and institutions. The concluding chapter includes a discussion of the apparent convergence of the policies and programs between the two provinces. The application of the neo-institutionalist approach will be discussed, with a focus on its ability to explain dramatic shifts in public policy. Elements of conflict theory and its emphasis on ideology will be used to provide a more thorough explanation of the shifts in public policy visible over the past decade. This revised version of neo-institutionalism is very much in a preliminary stage of development, but it appears to have much to offer in terms of its explanative value.

It is hoped that this thesis will begin and continue to stimulate the discussion necessary to understand the major shifts in student loan policy and in the rules of policy-making over the past decade. If the shifts themselves can be understood, it may be possible to better predict and cope with other such changes in the future.

2. THEORETICAL APPROACH

2.1 Introduction: Neo-institutionalism

Neo-institutionalism is a theoretical approach to social analysis that has become both widely used and widely debated in the past decade. The structural approach focuses on the role of institutions in society, and it is clear that institutions played a major role in the development of student loan policies from inception until the early 1990s, as will be demonstrated in Chapters 3,4, and 5.

Like all theoretical approaches, however, there are limitations to the application and explanatory value of neo-institutionalism on its own. When the discussion of student loan policy reached the year 1995, a watershed year in its history, the neo-institutionalist approach began to be less useful. It was at this point that a discussion of neo-Marxist conflict theory and a widespread shift in dominant societal ideology became necessary to complement the neo-institutionalist approach that I had used previously. It is important to note that the two approaches need not be mutually exclusive. While neo-institutionalism emphasizes the role of institutions in maintaining the status quo and constraining policy actors, conflict theory can provide an explanation for dramatic shifts in both institutions and policy. By introducing elements of neo-Marxist conflict theory to neo-institutionalism, the structural approach becomes increasingly useful.

Neo-Marxist conflict theory accepts that state structures, the political order, and the educational order are all affected by the economic order in society (Knuttila, 1996). The past two decades in Canada have witnessed a change in economic philosophy, from the post-war Keynesianism to the current corporate-friendly framework. Corporations

have continually gained additional power, while the welfare state is being dismantled.

This shift in material power has been accompanied by a major shift in dominant ideology.

Conflict theory advances that both the polity and state structures tend to serve the interests of the dominant class in society, or the class that controls the majority of the material wealth in the society. The dominant class holds a certain set of beliefs and point of view, which then gradually become the dominant societal beliefs and view (in part) through the actions of the state. This generally results in a shift in the direction of institutions and policy that will (in all likelihood) result in a changed set of institutions that will continue to maintain the new status quo. This shift can be illustrated by the changing perception of student loan programs over the past thirty years: from key component of the welfare state in the 1960s, benefiting both individual and society, to a program which benefits only the individual in the 1990s. This shift in perception has been accompanied by the very material shift in funding for post-secondary education, from being predominantly state-funded in the 1960s to being increasingly individually funded in the 1990s. It is the transformation in dominant ideology (with its material roots) that will become a crucial part of the revised theoretical approach used in this paper.

This chapter will begin with a discussion of neo-institutionalism, including its underlying assumptions and its application to the Canadian political system. The second section of this chapter will deal with three main criticisms of the approach. It is necessary to blend conflict theory with neo-institutionalism at this point, as the shift in student funding policy in the 1990s can best be explained as accompanying an ideological shift to neo-liberalism, which is discussed in the final section of this chapter.

2.2 Neo-institutionalism: underlying assumptions

The neo-institutionalist framework emphasizes the link between changes in public policy and the types of institutions in society.³ An institution can be defined as:

...the configuration or network of organizational capabilities (assemblies of personal, material, symbolic, and informational resources available to collective action) that is deployed according to rules and norms that structure individual participation, govern appropriate behaviour, and limit the range of acceptable outcomes (Scharpf, 1993: 6-7).

Institutions are patterns of interaction established by human beings. Thus, the creation, maintenance, and evolution of institutions requires some form of human agency.

Institutions influence the perception and construction of the social reality within which action takes place (March & Olsen, 1996). Institutions are created and changed primarily by those who can wield power within society and within the state, and are shaped by political arguments in which alternative ideas about appropriate arrangements for governance contend with each other (Atkinson, 1993). Institutions are also systems of rules through which choices are made and conflicts resolved. Institutions establish which actors are permitted to participate in the policy-making process, how decision-making is to be accomplished, and what limits (if any) are to be placed on the range of possible outcomes in policy-making (Ibid). These rules and procedures "...allow political choices to be made because they do not allow every conceivable choice to be considered" (Immergut, 1998: 13).

³ There is a fundamental distinction to be made between institutionalism and the new institutional approach. The old institutionalism focused primarily on the description of formal structures and constitutions. The new (or neo) institutionalism is more interested in unearthing deep structure and the 'rules of the game' that influence political behaviour and policy processes (Lowndes, 1996). The fundamental difference can be illustrated as follows: institutionalism would emphasize the sections of the Constitution that would affect provincial/federal jurisdictions in post-secondary education. On the other hand, neo-institutionalism emphasizes the development of constitutional conventions that govern the relationships between the federal and provincial governments in the post-secondary education sector.

Focusing on institutional factors allows for the examination of the interaction between intended and unintended consequences of public policies. In addition, it is possible to observe the impact of this interaction on the goals of individuals (Koelble, 1995). This is useful when studying government student loan policy, as both intended and unintended consequences are vital to an analysis of the decision-making process. These outcomes undoubtedly affect the choices of both post-secondary students and potential post-secondary students.

Neo-institutionalism “acknowledges the crucial role of institutions in political life, and argues that these exist in society in order to overcome impediments of information and exchange in social organizations” (Howlett & Ramesh, 1995: 26). Individuals and groups have a role in the policy-making process, “but policy preferences and capacities are usually understood in the context of the society in which the state is embedded” (Ibid).

Three main assumptions underlie this theoretical approach. The first is that actors involved in the policy-making process interpret their interests based on the institutions with which they are involved, and to which they are historically connected. Preferences or interests expressed in action or policy should not be confused with “true” preferences of individuals involved in the process (Immergut, 1998). Policy-makers’ interests are likely to be related to the goals, purposes, and processes of existing societal institutions.

The second main assumption underlying the neo-institutionalist approach is that it is impossible to aggregate the interests of all individuals involved in the policy-making process. Each individual’s interests will differ from the next individual’s interests – each

has a different background, different experiences, and different opinions about a policy issue – so it is not possible to speak of a “universal” interest. Again, it is not possible to say that a policy outcome is directly reflective of the interests of the actors involved in the policymaking process. It is necessary to focus on the institutions that shape the actions of the actors, instead of concentrating solely on the actors themselves.

The third main assumption underlying the neo-institutionalist tradition is that “...institutional configurations may privilege particular sets of interests and may need to be reformed” (Ibid, 1998:8). The policy-making process is structured both by constitutions (and constitutional conventions) and political institutions, state structures, state-interest group relations, policy networks, and contingencies of timing (Ibid, 18). The existence of institutions does not mean that they function fairly or equitably in a society. In fact, equitable or fair behaviour may not even be a goal of the institution.

The neo-institutionalist position can be summarized as follows:

...enduring institutional structures [are regarded] as the building blocks of social and political life. The preferences, capabilities, and basic self-identities of individuals are conditioned by these institutional structures. Historical developments are path dependent; once certain choices are made, they constrain future possibilities. The range of options available to policymakers at any given time is a function of institutional capabilities that were put in place at some earlier period, possibly in response to very different environmental pressures (Krasner, quoted in Howlett & Ramesh, 1995: 27)

2.3 Main features of neo-institutionalism as applied to the Canadian federal system

2.3.1 Nature of the state and its rules

This framework insists on the reconciliation of the “...double-life of institutions, which exist as both human products and social forces in their own right” (Lowndes, 1996: 194). It is often difficult to accept the fact that institutions are reflective of the actors

involved in their creation, while also affecting the individuals participating within their boundaries. In the words of March and Olsen (1984), "...the state is not only affected by society but also affects it" (738).

Formal arrangements, such as constitutions, are less important when applying the new institutional theory (Lowndes, 1996). Instead, the rules of decision-making as they exist now can be seen as products of the original constitution. What is emphasized is how the actors have altered the situation and manipulated it to suit their own ends within the existing constraints:

Institutions are not merely rules, procedures, organizational standards, and governance structures, but also conventions and customs....Individuals are not free to choose among institutions, rules, procedures and norms (Koelble, 1995: 234).

Once policies are adopted, they are embedded into institutions. They are associated with rules, expectations, and commitments. They affect the areas of policy that are addressed, and ultimately shape the behaviour of future actors within the institution. Institutions develop according to current environmental and political conditions, but also take the institutions' origin and history into account (March and Olsen, 1996).

Actors in the policy community must function within the boundaries, paying attention to the rules and conventions of participation. In particular, the rules of the government policy-making process demonstrate that government is in the business of shaping its environment, rather than adapting to it (Olsen, 1991). In Canada, it is impossible to discuss federal government involvement in post-secondary education policy without referring to the constitutional division of powers, and Canada's version of federalism. A federalist state can be defined as:

cannot be unilaterally altered by one level of government, and that, in turn, is subject to interpretation by some recognized arbiter (McRoberts, 1993: 150).

The existence and nature of Canadian federalism as a set of relationships is one of the most obvious factors that have shaped, and continue to shape, the nature of federal government involvement in the post-secondary education sector. The relationships between the federal and provincial governments are rooted in the Constitution, but federal and provincial priorities have often conflicted (especially in Quebec) and resulted in unforeseen outcomes.⁴

Although post-secondary education falls in a provincial jurisdiction the federal government now plays an active role in the area, albeit in cooperation with the provincial governments, through its spending powers. Instead of emphasizing constitutional conflicts, it is more informative to note how the new intergovernmental relationships have developed and affected the policies in the area of post-secondary education. Convention is now equally as important as the original arrangements made in the constitution:

The idea that the federal government should have a role in university development is not new. It should not involve a constitutional break since the constitution is largely a bargaining constitution, in which federal and provincial ministers and their officials work out agreements on a wide range of issues; they have indeed done so in the past for education under the name of 'training' or 'research'... (Porter, 1972: 94-95).

Canadian federalism has changed since it was established by the British North America Act of 1867 (now the Constitution Act of 1867), evolving predominantly

⁴ Jurisdiction over matters that could affect the distinctiveness of French Canada was reserved exclusively for the provinces: education, health, welfare, property and civil rights. For English Canadians, these areas were local matters in actuality, so it was an acceptable division of powers for both sides of the constitutional debate.

through the use of the intergovernmental agreement (McRoberts, 1993). Through participation in cost-shared programs, the federal government has been able to play a major role in the funding of post-secondary education in Canada, despite the fact that education is an area of provincial responsibility. It is through the original system of direct grants to universities, then transfer payments to provinces and lending money to students, that the federal government remains involved in an area that is constitutionally provincial. It is not unusual for both levels of government to pursue policies in the same areas, such as in the area of student funding, but these policies are often not designed to work together. It often is necessary to rationalize the two policies in order to implement them successfully.

Conversely, if a government plans to eliminate or scale back a program funded or administered in conjunction with another level of government, it is likely to face a difficult road. If the federal government had withdrawn its support of the Canada Student Loan plan in 1995, as it had considered doing, it likely would have faced great opposition from many of the provinces. Cuts by the federal government to transfer payments are more likely to face greater resistance from the provinces than would cuts to areas of exclusive federal jurisdiction.⁵ Provinces also have the power to block the policy process, by wanting to make changes to or refusing to implement to federally designed

⁵ Major cuts in social funding under the Mulroney government took place in the areas of sole federal responsibility – cuts were made in Unemployment Insurance and the Canada Pension Plan. Changes to shared jurisdictions were less likely to succeed.

programs or policies. The constitutional division of powers also provides a way to opt out for either the federal government or the provincial governments, who are able to avoid taking any action on the grounds that it is outside of their jurisdictions, or *ultra vires*.

Despite the fact that the Constitution has had an effect on shaping the policy process in Canada, especially with regard to post-secondary education, the set of conventions that have come out of the bargaining process have become equally or more important than the Constitution itself. In actuality, if the provinces or the federal government wishes to “get around” the rules of the Constitution, it can be done. It can be argued that since the federal government is involved in financing post-secondary education that it is interfering in a provincial area. However, others would argue that the financial support is simply a return of provincially-paid tax dollars to the province which decides how the money is spent with no direction from the federal government.

2.3.2 Federal-provincial relations shaped by both the Constitution and Constitutional convention

According to Kenneth McRoberts (1993), there are five main features of the Canadian version of federalism: relative decentralization, weakly developed intrastate federalism, asymmetry, interpenetration of functions, and executive federalism.

The Canadian federal system has given the provinces more power than the federal government wields, in a greater number of areas. As McRoberts says,

Not only is the proportion of government spending assumed by the provinces relatively high, but provincial governments have taken on a wider *range* of functions than are assumed by their counterparts in most federal systems (152, emphasis added).

In the area of post-secondary education, the provinces have control over the distribution of federally-transferred funds with little or no direction from the federal government. Provinces also have the right to impose limitations on inter-provincial mobility for post-secondary students through the restriction of access to loan funding for those students who may want to study outside of the province.

Secondly, Canada's federal system exhibits a weakly developed intrastate federalism. There is no formal political institution established to accommodate regional difference, such as a Senate composed of an equal number of members from each province. Instead, there is greater pressure within Canadian politics to cooperate through interstate federalism – the accommodation of regional demands through cooperation within political institutions. Regional demands are dealt with through the ability of individual provinces to opt out of federal programs with compensation, as well as the ability to work within intergovernmental bodies.

Thirdly, Canadian federalism is characterized by asymmetry in the relations between the federal government and the provinces. The introduction of cost-shared programs and federal-provincial agreements means that provinces are free to negotiate contracts on an individual basis with the federal government in an attempt to fulfill their needs. Many cost-shared programs exist within the realm of post-secondary education and all provinces and territories have been free to opt out of these programs and to negotiate their own arrangements with the federal government.⁶

The fourth main characteristic of the Canadian federal system is the interpenetration of functions. Activities of the federal government often extend into

⁶ Both the North West Territories and Quebec have opted out of the Canada Student Loan Plan in favour of their own programs. Both have received financial compensation in order to do so.

provincial areas of jurisdiction, and vice versa. Policies implemented in one area by a provincial government are likely to affect decisions taken in another jurisdiction.

Although the Canada Student Loan Program is officially a federal program, it is administered in conjunction with the provincial loan plans by the provinces and territories. And changes made by the federal finance department to transfer payment arrangements inevitably mean changes to the budgets for universities in Saskatchewan.

Policies are not made in a vacuum, and their effects are likely to be felt in many different areas and jurisdictions.

Finally, the Canadian system has developed a form of executive federalism.

There is an "...elaborate structure of intergovernmental consultation, negotiation, and administrative agreement that exceeds most other federal systems" (McRoberts, 1993: 154). Federal, provincial, and territorial governments need to confer with each other, usually through some form of Council. For example, the Canadian Ministers of Education Council (CMEC) was introduced in 1967 to provide a forum for debate and communication about present and proposed education policy and concerns, both at the provincial and at the federal levels (CMEC, 1997: 30). When dealing with post-secondary education funding, most of the federal involvement is based on cost-shared and other joint programs, such as the student loan plans: all of which are discussed within the auspices of CMEC.

An understanding of how these five factors shape the rules and context of policy formation within Canadian society will allow for a better comprehension of the context surrounding the development of student loan policy in Canada, using the neo-institutionalist approach.

2.3.3 Limits on outcomes: policymaking in a constrained environment

Institutions also affect the definition of policy alternatives, the flow of information within the policy network, the kinds of research undertaken, and the interpretations made of the results (March and Olsen, 1996). According to Thomas Koelble (1995),

Institutions matter in decision making because they set parameters to choice; they do not determine choice but influence it by setting limits; they provide certainty under conditions of uncertainty and thereby help to foster cooperative as well as repetitive (habitual) behaviour (241).

In addition, institutions can affect the direction of public policy in Canada through the regulation of competition for both revenue and legitimacy (McRoberts, 1993). In order for the state (federally and provincially) to create, implement and evaluate policy, it is necessary to have both revenue and legitimacy. It is impossible to implement a policy without the financial assets necessary, and it is equally impossible to implement a policy without having the support of the relevant people. In a federal system, there is competition for these limited resources between the federal and provincial governments, which affects the policy process.

Along with the struggle for revenue, the struggle for legitimacy has been evident in the western provinces since the turn of the century and can be documented in the relations between the federal and provincial governments. Both levels of government must cooperate in order to bestow legitimacy on a certain program or to make changes to an existing program. It would be impossible for the federal government to introduce a system of grants for university students that would be administered at the federal level without intense consultation with the provinces. In all likelihood, the decision would be made to administer the new program within the existing aid structures in the provinces, by the provincial governments.

2.3.4 Rules governing relationships between governmental and non-governmental actors

Non-governmental groups within the policy process are also affected by the ability of institutions to confer and regulate legitimacy. If an organization is able to align itself to societal expectations, it is "...better able to recruit staff, gain funding from governments or credit from banks, build alliances with other organizations, and market their products to consumers" (Lowndes, 1996: 185). If it can incorporate its ideologies and goals into society and become part of society's institutional framework, its work is more likely to be perceived as legitimate, and it is more likely to become involved in the policy-making process.

The relations between governmental and non-governmental actors have become institutionalized over the years, and it is informative to look at the ways in which those relations have changed throughout the twentieth century. Relations between these actors often include "...an extra-constitutional policy-making arrangement between ministries and clientelistic groups" (Ibid: 190). An example of this type of relationship is that between the federal government and the Canadian Bankers' Association which will be discussed later in this thesis.

Policy is made by an assortment of people, both governmental and non-governmental, who are linked together in a relatively stable network. However, these networks can be destabilized by "...environmental factors, including economic or market changes, technological developments, ideological shifts, and the outputs of other networks" (Ibid: 191). In essence, these sets of rules and relationships can be changed by factors either within or without the network.

2.4 Criticisms of neo-institutionalism and the introduction of neo-Marxist conflict theory

As with every approach, there are limitations to the application of neo-institutionalism. Critics suggest that the approach does not address the origin of institutions. The existence of institutions is often explained using functionalist thinking: institutions were created and continue to exist because they serve a specific purpose in society. However, it could be argued that for the purposes of this thesis it is not necessary to have an understanding of where the institutions came from exactly. When assessing the interaction of provinces and the federal government within the context of post-secondary education funding, it is not necessary to understand where the institutions of federalism came from. It *is* necessary to acknowledge that these institutions have changed over time, and to gain an understanding of what those changes have meant for the policy-making process and its outcomes.

The second main criticism of this approach deals with human agency. Critics argue that although neo-institutionalism is very useful in terms of discussing constraints on policy-makers, it does not address *why* policy-makers make the decisions they do (Howlett & Ramesh, 1995: 27-8).

It can also be argued, however, that this theory does *not* deny that human agency exists. On the contrary, neo-institutionalism acknowledges that institutions shape society and the policy-making process while being shaped and changed themselves by the people involved in the process. During the course of this study, it has become clear that the policy-making process is a bounded process – bounded by the rules of federalism, rules of participation, and rules of the government programs themselves. In addition, I would argue that since neo-institutionalism is a structural approach to societal study, there is no

need for it to explicitly deal with human agency. Instead, the structural approach can bring a different kind of analysis of public policy to the general discussion. It is vital to provide various kinds of analysis in order to help build a complete picture of a society.

The third main criticism of this theory is one that became vitally apparent in this study of the student loan systems in Canada. From the early 1990s onward, changes in student loan policy occurred more rapidly than they had in the past and began to become consistent across provincial boundaries, despite historical differences in provincial tradition. Marginal and incremental changes had occurred throughout the history of the student loan programs (usually favouring students), although the status quo was largely maintained. In fact, it could be argued that the institutions (rules of policy-making and the policies themselves) also were virtually static from the early 1960s onward. However, new changes to the rules of policy-making and to the policies themselves were much more drastic and far-reaching. Policy-makers were still bounded by the institutions within which they functioned, but it was obvious that a shift in ideology was occurring that would have a major impact on the way that institutions functioned. That shift was also having a tremendous impact on student loan policy.

Although the neo-institutional approach allows for changes in institutions due to a major shift in ideology, it does not fully explain the shift or the transition from one dominant ideology to another. Instead, the approach can demonstrate that change has occurred and show the effects of the change within the institutional structures, but is unable to provide an explanation of why and how change has occurred. However, I would argue that this problem can be addressed by the incorporation of certain elements of neo-Marxist conflict theory, particularly the idea of dominant ideology, into neo-

institutionalism. The resultant theory can be used to create a clearer picture of both why and how drastic changes to student loan policy have occurred in the past two decades in Canada.

Neo-Marxist conflict theory⁷ is based on the premise that conflict in society results from the fact that a few members of society own the means of production, while others are forced to exchange their labour for the goods they need to survive. Those who own the means of production (capitalists) control the economic wealth of the society, but are also extremely influential in other spheres of the society as their set of values and norms become the dominant ideology of the society. What has changed since Marxism first developed is the mode of production. In the late nineteenth century, society was becoming increasingly industrialized, and the economy was based around industrial production. In the late twentieth century, however, the mode of production has shifted. No longer are western economies based around industrial production. Instead, technology has become the most important mode of production.

This transformation of the dominant mode of production has been accompanied by a shift in societal ideology, from post-war Keynesianism to neo-liberalism. Proponents and owners of technological production advocate an economic arena “free of government regulation or restriction, including labour and environmental legislation” (Green, 1999: 1). They argue that advances in technology occur so quickly that it is simply unfair to limit the competitiveness of those involved in the business of technological development by imposing rules and regulations. This neo-liberal ideology

⁷ There are other proponents of conflict theory who do not base their views on the principles of Marxism or neo-Marxism, including Max Weber. Although their studies are similar in that they are based on societal conflict, they identify different bases of conflict and have different proposals for resolving conflict. In the course of this thesis, I use the terms neo-Marxist conflict theory, conflict theory, and neo-Marxism to identify the theoretical approach from which I borrow the idea of dominant ideology.

is quite different from the classical liberalism. While classical liberalism emphasized the equality of all individuals before the law, neo-Liberalism emphasizes the freedom of the individual within a market-driven society. It “advocates a retreat from the welfare state’s publicly-funded commitments to equality and social justice”, while stating that the individual is better off without those things (Ibid).

2.5 Neo-liberal ideology: underlying assumptions

As will be demonstrated in the following chapters, neo-liberal ideology has had (and continues to have) a phenomenal impact on the social welfare systems of this country, including the student financing system. The ideology is based on three main premises about the nature of the state, the market, and society. The first is that the market is the most efficient, effective, and just institution for the allocation of resources (Brooks, 1995). In fact, the market is more effective than the state apparatus in allocating resources, which is why neo-liberals are so concerned with public spending. It is believed that the state should be involved in the provision of resources that can *only* be provided through its system as public goods. Unfortunately, the state has taken on “...responsibilities that ought to have remained with individuals in markets, [and have] inevitably found themselves engaged in competitive conflict with the private, productive sector of the economy for available scarce resources” (Pratt, 1997: 37). This is of vital concern for advocates of a private marketplace.

Related to the first point, the second main assumption is that governments have grown too big and have overreached themselves in the attempt to keep up with the demands of social democracy. Governments increasingly provide more (services,

programs, policies), and electorates respond by demanding more. Although they would favour increasing individual responsibility for funding education, neo-liberals would argue that the expansion of the government student loan programs between 1964 and 1990 was problematic for two reasons. First, the government could not keep up with the increasing demands for funding to individuals. Second, the private sector (financial institutions) could provide the necessary funding more efficiently and effectively.

The third main assumption underlying neo-liberal ideology is the freedom of the individual to achieve within the market-based society. Individuals are free to use whatever energies and abilities they possess to improve their position in life (Pratt, 1997). Education is seen as an individual benefit, rather than a societal good. This emphasis on the individual, at the expense of the collective/ community, means that students are expected to pay for an increasing portion of the cost of their education. Students are also free to go into debt to advance their situation in life: they are given the choice. Neo-liberals stress that individuals have the freedom to make choices about their lives, and they only enter into market exchange "...if it makes them better off" (Brooks, 1995: 7). Individuals will choose to go into debt only if they know it will make them better off in the future, so neo-liberals have no real concern about this process.

It is these three major premises that make up the neo-liberal ideology that has had such an effect on student loan policy in Canada during the past decade. The ideological shift cannot be fully explained using the neo-institutionalist approach, so it is necessary to examine the new ideology itself in order to fully explain the changes to student loan policies and processes over the past five years.

2.6 Summary

The five main features of the neo-institutionalist theory as applied to the Canadian federal system were intended to shape a great deal of the following discussion of the federal and provincial student assistance programs. The neo-institutional approach argues that although changes in actors can lead to changes in policies, ultimately the rules of policy-making affect what policy changes can be made. Institutions provide a context and a structure within which policy is made, and although actors can certainly make changes to these rules, the rules do structure how, when, and what changes can be made. Government in particular is in the business of shaping its environment, but it cannot be denied that the environment shapes the government as well.

The argument that context and “embeddedness” make a difference is hard to dismiss. The changing rules and relationships of Canadian policy-making have affected government funding of post-secondary education and student loan policy, both directly and indirectly. The somewhat erratic history of federal involvement in post-secondary education funding is much easier to understand if one is able to understand the changing institutions that have shaped the policy – especially the constitutional division of powers and the nature of federalism in Canada.

Neo-institutionalism does make a contribution to this study. Through the examination of the rules of operation, historical developments in post-secondary education funding policies, and the socio-political relationships structured by the Canadian federal system, it is possible to come to conclusions about the historical development and future of post-secondary education policy. It can certainly be argued that all individuals and groups pursue their interests within the context of existing formal

organizations and rules and norms that shape expectations and affect the available outcomes.

Neo-institutionalism does have weaknesses, however. It states that the processes involved in policy-making as well as the institutions that implement the policies can be destabilized by "...environmental factors, including economic or market changes, technological developments, ideological shifts, and the outputs of other networks" (Lowndes, 1996: 191). In essence, these sets of rules and relationships can be changed by factors either within or without the network. In fact, this is what has happened during the last decade, as will be demonstrated in the next three chapters. A major shift in ideology, from post-war Keynesianism to neo-liberalism, resulted in a major shift in both the student loan policies and in the rules of policy-making in Canada.

It is this shift in ideology, as accompanied by shifts in policy, that neo-institutionalism on its own cannot adequately address. Institutions are part of a stable society, and they tend to help maintain that stability. Change within institutions is generally incremental, and rarely drastic or radical. However, the changes made to the student loan policies in 1995-96 were both drastic and radical. Neo-institutionalism cannot provide an in-depth explanation as to why this happened. Thus, elements of another theoretical approach, neo-Marxist conflict theory can be used in conjunction with neo-institutionalism in order to effectively understand the shifts in policy that will be discussed. It can certainly be suggested that institutions provide stability within a society that exists within one dominant ideological paradigm. However, when a society encounters a paradigm shift, it is clear that societal institutions must also make changes. Describing the resulting changes in institutions only provides half of the picture: we must

also understand the principles underlying these shifts in policy and why the shifts have occurred. The revisions I have made to the neo-institutionalist approach, incorporating the ideas of dominant ideology, can assist with this more complete explanation.

3. FEDERAL GOVERNMENT INVOLVEMENT

3.1 Introduction

The division of governmental responsibility under the Constitution Act of 1867 (formerly the British North America Act) placed education within the jurisdiction of the provinces, limiting the role of the federal government in post-secondary education. This was due primarily to the fact that Quebec was adamant about the need to protect its culture and character through the control of its educational systems. This fundamental decision, along with the conventions that have since developed, has had immense impact on post-secondary education funding policy, the rules of policy-making in this area, and the development of the government student loan programs.

At the post-secondary level the provinces and territories have become responsible for planning, organizing, and arranging the financing for the college and university systems, establishing the framework within which institutions charge tuition fees, determining the overall policies regarding student admission and accounting to the voters for the effectiveness and efficiency with which they carry out these responsibilities (Government of Canada, 1994b). Despite the formal jurisdictional divisions, convention has developed that has allowed the federal government to consistently play a role in the formation and direction of various areas of post-secondary education policy.

The fact that education is a provincial responsibility in Canada has framed the discussion and direction of federal involvement in post-secondary education throughout the twentieth century. It is impossible to discuss post-secondary education in Canada without discussing the relationships and rules that govern the area. Although it is constitutionally restricted from providing direct funding to post-secondary institutions,

the federal government has nonetheless been involved in various forms of funding for post-secondary education. The federal role in this area has been primarily a supportive one, which has taken three different forms since 1951: cash and tax transfers to the provinces, aid to students, and direct support to university research. For the purposes of this thesis, the focus will be on transfers to provinces and aid to students. It is possible to draw conclusions about wider trends within post-secondary education funding by examining how these forms of funding have developed and changed. However, observing institutional change becomes limited in value when attempting to explain dramatic changes in policy.

In order to put the changes that have occurred within student aid systems into context, it is useful to provide a chronological outline of federal funding both to universities and to individual students. This outline will demonstrate quite clearly that the nature of federal involvement in post-secondary education funding is changing its focus. The emphasis is being shifted away from federal support (in conjunction with the provinces) and now is being placed on individual students as primary sources of funding, thus requiring expansion of student aid programs. The use of neo-Marxist conflict theory becomes very useful at this point in the attempt to explain why these changes have occurred.

3.2 Federal involvement in post-secondary education prior to 1945

The federal government's first foray into the provincial jurisdiction of education began seven years after Confederation with the establishment of the Royal Military College at Kingston, Ontario (Cameron, 1997). The rationale for his type of involvement

was that the federal government was responsible for the military, and it was vital that education be available for members of the armed forces. Federal government involvement in the funding of post-secondary education continued in the early 1900s through research funding, limited scholarship programs, and the funding of vocational and technical training at the secondary level and outside the formal school system. In 1910, the provinces agreed to the establishment of a federal Royal Commission, which ultimately recommended a system of federal grants in support of provincial technical and vocational programs that would focus on agricultural training (Ibid). The federal government placed emphasis on agricultural vocational and technical training, enabling the dismissal of potential complaints about jurisdictional infringement since agriculture was a federally designated area.

Universities at this time were elite institutions, admitting only students from wealthy families who could afford to pay for most of the costs of education. Federal fiscal involvement in post-secondary education prior to World War II was concentrated primarily in the areas of vocational and technical education. The federal government provided the occasional grant directly to a university for a specific activity that was usually research-related, while providing land grants for some universities. Other funding available for university education was provided directly to individual citizens and was very limited in scope, so the provinces said little about the jurisdictional infringement. Canadian universities received funds from various religious organizations and private secular benefactions as well as from provincial governments. However, most depended heavily on private sources including tuition fees. Throughout the 1920s and 1930s enrollments rose, giving universities access to a large pool of money. The onset of the

Depression affected the universities severely, with provincial grants and private benefactions dwindling to almost nothing. Tuition fees rose in response, and access to higher education was limited strictly to those students from wealthy families who could afford to pay the fees (Bothwell, Drummond, & English, 1981).

The Royal Commission on Dominion-Provincial Relations, known as the Rowell-Sirois Commission, was appointed in 1937 to "...make an assessment of the economic and financial basis of Confederation; the distribution of federal and provincial powers; and federal-provincial relations" (Parliamentary Task Force on Federal-Provincial Arrangements, 1981: 56). Although post-secondary education was not supposed to be a part of the Commission's examination, the members addressed it anyway. They recommended that the federal government take a larger role in university funding through a granting system, as any cost-sharing arrangements that developed would be too intrusive with regard to constitutional jurisdictions (Ibid). However, because of the war, the government was unable to act on the Commission's recommendations concerning grants to universities.

Federal involvement in direct aid to students began with the establishment of the Dominion-Provincial Student Aid Program in 1939. It had been observed that many students were unable to complete their education due to the economic problems of the 1930s, and the program was developed to enable academically deserving students to attend university or college (Munroe, 1974). This program would provide the structural foundation for all government student loan plans to come, both federally and provincially.

3.3 Federal involvement 1945 – 1959

Direct federal involvement in university funding began in 1945 with the Veteran's Rehabilitation Act, resulting from intense pressure placed on the government by both university presidents and the veterans themselves. Thousands of soldiers returned from World War II with little education and few job prospects, and this new program allowed veterans to attend university or technical school on their return. Each veteran was guaranteed a monthly living allowance in addition to tuition fees. The government also granted the universities \$150 on behalf of each veteran enrolled in the university as well as additional funding for the construction of new buildings. The program allowed approximately 53,800 ex-Service men and women to attend university between the years 1945 and 1951 (Ibid). By 1950, however, the number of veterans enrolled in universities had declined, resulting in new financial difficulties for Canadian universities.

The role of the federal government in the funding of university education was evaluated once more in 1951 by the Royal Commission on National Development in the Arts, Letters, and Sciences (known as the Massey-Levèsque or Massey Commission). The National Conference of Canadian Universities (NCCU) presented a brief to the Commission arguing for federal support on a permanent basis. The Commission saw three major problems in the field of higher education; "...a scarcity of financial aid to the arts and humanities; the financial condition of universities; and orientation toward a small educated elite" (quoted in Parliamentary Task Force on Federal-Provincial Fiscal Arrangements, 1981: 57), all of which could be alleviated by federal involvement in the funding of higher education. The Commission further suggested that the Constitution did

not prevent the federal government from providing financial assistance to individual citizens in order to help them carry out studies in their chosen fields.

In addition, making university education accessible to more Canadians could only be beneficial to Canada's labour market. The Commission also recommended a system of scholarships and increased use of bursaries and loans under the existing Dominion-Provincial Loan Program. It is vital to note that the Commission did not recommend introducing a completely new structure within which students would be funded. Instead, it acknowledged that certain changes could be made within the existing structure of student aid, and it was ideologically sound to do so.

Following the release of the Commission's recommendations in June 1951, and due to pressure put on the government by the National Conference of Canadian Universities, the federal government introduced a program of direct assistance to universities. Widespread concern was that tuition fees would have to be greatly increased in order to maintain a minimum level of university operation, and fees were already higher than they had been in the 1920s (Hayden, 1983). The move toward direct assistance to universities was welcomed by the universities but was greeted with some animosity by the provincial governments, as the plan had not gone through the recommended intergovernmental channels for discussion before being introduced. Again, the importance of following established rules of policy-making was demonstrated in this situation.

Although all of the provinces accepted the federal grant in 1951, in 1952 Quebec Premier Duplessis instructed the universities to refuse the grant, stating that it constituted a trespass on the constitutional rights of the province. The grants began as 50 cents per

capita of the population of each province and were distributed between the universities based on their enrollments (AUCC, 1965; Parliamentary Task Force on Federal-Provincial Fiscal Arrangements, 1981). The grants were raised to \$1.00 per capita in 1957, to \$1.50 in 1958, and to \$2.00 in 1962. With the change of leadership in Quebec in 1959, new Premier Jean Lesage agreed to accept the grant on the understanding that the next year would see a new arrangement of tax transfers in exchange for Quebec's acceptance of financing its universities.

In 1957, the Royal Commission on Canada's Economic Prospects (the Gordon Commission) stressed the importance of government spending in the area of post-secondary education. It was well known at the time that unemployment was concentrated among the unskilled, and the Commission emphasized the productivity of investment in education. Although their emphasis was on the economic benefits of post-secondary education, the Commission also recognized that:

The functions of the universities touch every facet of our society. Through the preservation of our heritage they maintain our way of life, and through the interest they generate in the arts, they enrich it. They enliven the perception of social processes, and contribute to the orderly development of social institutions and relations. It is incredible that we would allow their services to society in these ways to lapse or to lag (AUCC, 1965: 1).

In response to this report, Prime Minister Diefenbaker made provisions in 1959 to double the grants. In 1960, Diefenbaker also amended the tax-sharing agreements, allowing the other provinces to contribute additional funding to the universities if they so chose.

3.4 1959 - 1964: University expansion and the introduction of the Canada Student Loan Program (CSLP)

The early 1960s saw increased agreement on the problem of Canadian unemployment. Government officials, educational establishments, and certain groups of economists were convinced that the problem was one of mismatched supply and demand. In order to solve the problem, Canada needed to increase its educated and skilled workforce (Bothwell, Drummond, & English, 1981).

The universities continued to press for federal aid, presenting briefs to both the Prime Minister and to the Minister of Finance in 1963. The Canadian Association of University Teachers (CAUT) lobbied for increased federal contributions towards operating and capital expenses for the universities, and the Canadian Union of Students (CUS) began pressing for federal support for programs of student aid (AUCC, 1965). The Dominion-Student Aid Program had been in effect since 1939, but had been limited in scope and assisted only about 3,000 students per year. Between 1939 and 1964, total expenditures on the plan totaled less than \$45 million. University enrollment until the early 1960s was limited to students from middle and upper income families, and access to further education was obviously restricted (Parliamentary Task Force on Federal-Provincial Fiscal Arrangements, 1981: 59).

The growing demand for admittance to post-secondary education in the 1960s was due in part to the advancing age of the baby boomers. However, the perception of the value of university education was changing as well. It was increasingly seen as a vital component of economic success for both the individual and the nation (Government of Canada, 1994b). Increasing numbers of individuals requested admission to post-

secondary institutions, and the federal and provincial governments were willing to work with the universities in order to keep up with the demand for spaces in the institutions.

Access to post-secondary education was part of the trend to increase educational opportunity, as demonstrated in a 1965 report on financing Canadian universities:

...Canada...give[s] much greater opportunity to the student of average ability. [This] country is more tolerant towards the late developer, the persistent worker, the product of the less sophisticated country school. It is assumed that the less able should be eliminated only after they have been given a chance. The best students are probably much the same anywhere, but in [this country] the “worthy tail” is not cut off before it reaches university (AUCC, 1965: 4).

In their 1963 election platform the federal Liberals offered a system of national scholarships that would make higher education more accessible to able but needy students. Under Lester Pearson, the Liberal party would form a minority government that year, and in the fall of 1964 a new student aid program was introduced. The Canada Student Loan Plan (CSLP) replaced the Dominion-Provincial Plan. Although it was based on loans instead of the proposed scholarships, it was designed to enable a greater number of people to attend post-secondary institutions, than would a plan based around scholarships. Students could borrow up to \$1000 per year, to a maximum of \$5400 throughout their academic careers.

The federal government made an obvious choice when it implemented a means-tested loan program, instead of a system of bursaries or scholarships. It has been suggested that:

An aid scheme based on need is probably intended to equalize educational opportunity by reducing financial barriers to higher studies. The scholarship program may work against accessibility, and a loans program may be more acceptable to students from higher income families than from lower ones (Department of the Secretary of State, Education Support Branch, 1970: 112).

There are several possibilities that may account for the government's decision to create a loan plan, rather than the previously proposed scholarship plan. First, the federal government was well aware of its unsteady relations with Quebec. Interprovincial relations were such that it was more politically expedient for the federal government to get involved in funding the nation's needy students directly through the loan program rather than it would have been to increase funding to the universities. Second, it is likely that a national grant or bursary program would have been difficult to implement, partly because it was felt that students should bear some responsibility for the costs of their education. Again, this type of program would have been problematic given the state of interprovincial relations at the time. Thirdly, the federal government was well aware of the trend toward rapid expansion in the post-secondary sector. If it had implemented a national system of grants or bursaries, it would have been required to make a financial commitment to a rapidly expanding program. The newly created loans program would have the potential to help the most people but involve the least expense. Finally, it can be argued that structurally it was easier for the government to implement a loan program than to establish a widely-accessible scholarship, grant, or bursary program. The framework and apparatus for a loan program already existed in the form of the Dominion-Provincial Student Loan Plan. It is much easier to build on, or make changes to, an existing structure than it is to create a completely new structure.

From 1957 to 1964, the amount spent by the federal government on post-secondary education had increased dramatically, due in large part to the introduction of the CSLP. The increase in *repayable* aid is startling: in 1957-58, \$1 million was spent on aid programs. By 1964-65 the amount spent on repayable aid reached \$25 million

(AUCC, 1965). The increase was most dramatic in 1964, when the Canada Student Loans Plan was introduced.

3.5 1964 - 1977: Continued expansion

In 1966, the federal government proposed a system of non-repayable aid for students, but "...developed a case of cold feet when Finance Minister Mitchell Sharp balked at the suggestion" (National Union of Students, 1981: 12). The CSLP, based on repayable aid, continued to grow instead.

By 1966 the federal subsidy to the universities had risen to \$5.00 per capita (AUCC, 1965). All universities received some additional provincial funding, depending on their specific needs. The federal government brought this stage of the program to an end in 1967, replacing the direct funding with cash transfers and additional tax points for post-secondary education. The federal government was to provide 50% of the total operating budget of the universities, providing provinces and territories with the fiscal flexibility that was needed to restructure rapidly expanding post-secondary systems. The provinces could initially choose to take \$15 per capita in funding for post-secondary education instead of the 50% figure, but only New Brunswick chose to do so.

The federal government no longer funded the institutions directly. Instead, the funds were transferred to the province, which then transferred the designated funds to the universities. This signified a major shift in formal relations between the governments and the universities. Designed primarily to pacify Quebec and Alberta, it symbolized a major change in the rules governing decision-making processes and intergovernmental relationships.

In the early 1970s, the federal-provincial body known as the Canadian Council of Ministers of Education (CMEC) began to take an active role in the attempt to resolve some national issues confronting the provinces. Meetings were held in 1971-72 regarding the Federal-Provincial Fiscal Arrangements Act, which was revised and formalized by the end of 1972 (Alberta Advanced Education, 1972). This new arrangement further complicated post-secondary education funding.⁸

For the federal government, the major problem with the cost-sharing arrangements was that they were open-ended. It had become difficult to accurately control and predict costs. For the provincial governments, the cost-sharing arrangements were a welcome form of support for post-secondary education. Provincial treasuries could count on the federal government providing approximately 50% of the operating budgets for post-secondary institutions, and there was no written requirement for the province to provide the other 50%. It has been suggested that there was concern that the provinces had the freedom to lessen their own contributions to the fund, and that the federal contributions may have had a "...distorting influence on provincial government spending priorities" (Government of Canada, 1994b: 17).

Between 1972 and 1977 the federal government was responsible for 50% of "eligible" post-secondary education costs, but with a ceiling set so that the transfer payments in a given year would not exceed 115% of the previous year's total (Parliamentary Task Force on Federal-Provincial Fiscal Arrangements, 1981). The amount transferred to the provinces for post-secondary education increased drastically. In

⁸ For a thorough discussion of the negotiations for the new EPF arrangements, see the *Parliamentary Task Force on Federal-Provincial Fiscal Arrangements Report*, 1981.

1972-73 over \$1 billion dollars was transferred, and by 1976-77 the federal government's share of post-secondary education funding was \$1.7 billion dollars.

3.6 1977 - 1984: Established Programs Funding (EPF) and the role of the federal government

From 1977 onward, an unconditional grant scheme was adopted as part of the Established Programs Financing (EPF) arrangements. These arrangements were "...the culmination of many years of federal and provincial attempts to rationalize their fiscal arrangements while, at the same time, retaining national objectives and respecting provincial jurisdiction" (Ibid: 67). Formal fiscal arrangements were created because "...actions by one level of government affect, and often are intended to affect, policies within the jurisdiction of the other order of government" (Ibid). It was vital to establish some clear rules governing fiscal arrangements, for both the federal and provincial governments.

The federal government withdrew from the shared-cost aspect of the three major social program areas of health, hospitals, and post-secondary education. The shared-cost program was replaced with transfer payments to the provinces involving cash and both personal and corporate tax points, called the Established Programs Financing (EPF).⁹ The transfer would be indexed to the provincial population and to the growth in Canada's Gross Domestic Product (GDP), and would be unrelated to current levels of provincial spending. This meant that if the economy grew, so would transfers to post-secondary education (Human Resources Development Canada, 1994).

⁹ As defined by the federal government, a tax transfer is the current value of tax room that the federal government has vacated in order to allow provincial governments to increase their own tax rates correspondingly and thereby collect the resulting revenues with no net effect on the taxpayer.

During this period the Secretary of State's Office paid out 32.1% of the basic cash for the education component, and the Minister of Health and Welfare paid out the balance (Parliamentary Task Force on Federal-Provincial Fiscal Arrangements, 1981: 80). This meant that the federal government would not have its expenditures tied directly to the costs of a provincially administered program. However, it did create a particular problem with regard to spending policy: both health funding and post-secondary education funding were located in the social affairs envelope, which meant that a competition for priority was set up between health and education.¹⁰

It is also interesting to note that there were no conditions placed on the transfer of funds to the provinces in the post-secondary education area in the 1977-82 arrangement. The federal government transferred the money, but the provinces made the decisions. According to the 1981 Task Force on Federal-Provincial Fiscal Relations,

Although earmarking of federal transfers cannot be binding on the provinces, in the sense of requiring the provinces to provide a specific percentage of financing, the process of negotiation of EPF arrangements will at least emphasize an expectation that provinces will keep their side of the funding bargain (78).

The need to be aware of the existing tensions between the federal government and various provinces was vital to the policy-making process. Quebec had a Separatist government at the time and Alberta's government was involved in a dispute with the federal government over oil. The lack of direct federal intervention in a provincial area was no doubt beneficial to the federal government.

In 1980, the federal government created the Parliamentary Task Force on Student

¹⁰ The Parliamentary Task Force on Federal-Provincial Fiscal Relations was later to suggest that funding for post-secondary education be moved to the Economic Development envelope, which would be consistent with federal interests in education as enunciated by the federal government.

Assistance. Its mandate was to consult with interested parties and to analyze how well the government student loan plans were working. However, groups such as the National Union of Students (NUS) were not consulted before the Task Force released its preliminary report, and the NUS took great offence at being excluded from the research process. The rules of participation clearly excluded the group, which represented university students from across the country.

The NUS had grave concerns about the relationship between access to education and loans, and whether or not loans actually ensured equitable access to post-secondary education:

To be equitable a student assistance program has to do more than permit those people in need to attend post-secondary education. It also has to ensure that they are not disadvantaged relative to other students only because they receive student assistance. Any student assistance program that includes repayable loans as a component of its assistance package cannot be equitable. The burden of debt that accumulates by the time students finish their program acts as a financial penalty for relying on student assistance. It is a penalty shouldered only by the poorer students. More wealthy students who do not find it necessary to rely on student assistance are exempted from the accumulated debt that results (National Union of Students, 1981: 10-11)

It was also suggested by the NUS that most expenditures on student loans benefited not the students, but the financial institutions they deal with:

...expenditures on student loans do not find their way directly into the pockets of the needy students, but instead transfer public funds from the government to private lending institutions and collection agencies, through interest and default payments, and collection charges; that in addition loans ultimately result in the transfer of funds from students to the lending institutions through their interest payment after leaving school. Grants on the other hand ensure that public student aid funds are directed to needy students (National Union of Students, 1981: 49).

A serious concern for the Task Force was the default rate on student loans. Since the early 1970s it had become popular for both the banks and the government to declare a very high rate of default (usually between 30% and 40%), but the Task Force found that

between 1964 and 1980 banks had submitted only 79,000 claims to the government. This represented only 9% of all student loans provided. In addition,

By 1980 nearly 30% of these had been repaid in full, and a third were being repaid. In 20% of the cases repayment was temporarily postponed, because of unemployment, illness, or because the borrower had returned to full time education (Woodhall, 1982: 13).

Further, the Task Force noted that the ultimate default rate for loans requiring complete write-off was 1% at that time (Parliamentary Task Force on Student Assistance, 1981).

In 1981 the Canadian Banker's Association pressured the federal government to base interest calculations for Canada Student Loans on the prime lending rate, which was 18% at the time. The government agreed, and many provinces found it necessary to step in with support for students who found their loan payments increasing drastically.

Bill C-97 was passed in 1982, which again altered the structure of the federal government's support of post-secondary education. However, as a result of the poor economy in the late 1970s the provinces were not able to raise the revenue that they had anticipated to support post-secondary education and the federal government stepped in with further financial provisions. Additional changes were made to ensure that the federal transfers for post-secondary education would be of equal per capita value for all provinces, resulting in a formula in which a province's entitlement was based on what each was entitled to in 1975-76. Almost a third (32.1%) of that entitlement was then allocated to post-secondary education (Government of Canada, 1994a).

Transfers to the provinces had been steadily increasing from 1978 until the early 1980s, as shown in Table 3.1. These increases were due in large part to the poor economy of the late 1970s, which was characterized by increasing interest rates and increasing inflation. Federal transfers had to increase in order to support the growing

number of students attending universities and other post-secondary institutions in the country. However, by 1983-84, the federal transfers in support of post-secondary education were in decline. While the transfers in 1979-80 were an increase of 14.1% from those of 1978-79, transfers in 1983-84 were only an increase of 7.1% over the previous year.

Table 3.1: Support of post-secondary education – federal transfers 1978-79 to 1983-84.

Canada			
Year	Cash Transfers	Tax Points	Total
1978-79	1,249,233,000	1,199,042,000	2,448,275,000
1979-80	1,425,025,000	1,370,659,000	2,795,684,000
1980-81	1,549,450,000	1,601,748,000	3,151,198,000
1981-82	1,728,844,000	1,819,405,000	3,548,249,000
1982-83	1,804,747,000	1,911,262,000	3,716,009,000
1983-84	2,026,161,000	1,953,218,000	3,979,379,000

Sources: Statistics Canada, *Financial Statistics of Education 1989-90*; Statistics Canada, *Education in Canada 1984*.

3.7 1984 - 1991: Cuts to post-secondary education spending

The funding formula for post-secondary education was again altered in 1984, when transfers to the provinces were included in the government's anti-inflation policy. The government introduced an amendment allowing the adjustment of the post-secondary education component of the Established Program Financing (EPF) cash transfer to limit the per capita escalator in accordance with the government's restraint program. This limitation on transfers for post-secondary education resulted in a transfer growth of only

7.1% in 1983-84 and 6% in 1984-85, and the total post-secondary portion of the EPF arrangements diminished from 32.1% to only 28.7 % by 1984-85 (Government of Canada, 1994b). No consideration was given to increasing enrollments in the universities, to the rising inflation rate, or to the fact that universities were being forced to find an increasing portion of their funding from other sources.

It was at this point that a new societal ideology began to gain strength in western countries. Britain's Margaret Thatcher, the United States' Ronald Reagan, and Canada's Brian Mulroney were all proponents of what would come to be known as neo-liberalism. Emphasis on freer markets and the economy, decreased state involvement, and increased emphasis on individual responsibility were to play a major role in the future politics of all three countries.

In 1986 the total amount of transfers to the provinces was reduced, and the federal Department of Finance estimated that as a result of the change provincial governments would receive \$5.7 billion dollars less over the following five years. Beginning in 1987-88 the rate of growth in post-secondary education transfers would be 2% below the rate of growth of the GDP (Parliamentary Task Force on Federal-Provincial Fiscal Arrangements, 1981; Government of Canada, 1994b). If the growth in the total transfer was less than the rate of inflation, the Minister of Finance would have the discretion to make a special adjustment to guarantee that the growth in the total transfer would at least equal the rate of inflation. Between 1985 and 1990 transfers continued to increase, but by a much smaller increment than in the late 1970s and early 1980s. In 1985-86, transfers increased by 7.6% over 1984-85. In 1989-90, transfers had increased by only 6.5% over the previous year, as is shown in Table 3.2.

**Table 3.2: Support of post-secondary education – total federal transfers
1984-85 to 1989-90**

Canada			
Year	Cash Transfers	Tax Points	Total
1984-85	2,060,029,000	2,128,563,000	4,188,592,000
1985-86	2,180,719,000	2,327,701,000	4,508,420,000
1986-87	2,238,747,000	2,565,935,000	4,804,682,000
1987-88	2,198,619,000	2,882,555,000	5,081,174,000
1988-89	2,222,555,000	3,150,857,000	5,373,412,000
1989-90	2,258,884,000	3,463,303,000	5,722,187,000

Sources: Statistics Canada, *Financial Statistics of Education 1989-90*.

In 1989 a further 1% reduction to the GDP escalator was announced, to become effective in 1990-91. However, the 1990 federal budget froze per capita EPF transfers for 1990-91 and 1991-92, after which the 1% reduction in escalators would have come into effect (Government of Canada, 1994b).

3.8 1991 - 1998: Increasing individual responsibility and steps to cope with increasing student debt

The next budget (1991) froze transfers until 1994-95, which had the effect of reducing post-secondary education funding even more without the government actually being required to cut the transfer payments. This decision required the provinces to take

the difficult decisions on funding cuts, while restricting the need for actual action on the part of the federal government. On August 1, 1991 the federal government implemented a 3% “guarantee fee” payable on all Canada Student Loans. This non-refundable fee was deducted from the total amount of full-time Canada Student loans issued, and sent to the federal government by the lender (Saskatchewan Education, 1993a). However, the outcry from students and student groups was so loud and so fierce that the government reversed its decision the following year. This type of “guarantee fee” would show up again in 1995, but in the form of a fee paid by the federal government to the banks, not the other way around. This was the first sign that a major shift in thinking about student loan policy was occurring. It signified a change in relationship between the government and student debtors, one that could not be explained by focusing on the rules of the process.

The Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act (1992) put into place the new formula for transfer payments to the provinces. This Act has seen minor amendments several times between its inception and the current day, with most changes made as a result of changes in the tax bases used to calculate the transfers. The formula for the calculation of entitlements measures and compares the ability of each province to raise revenues from taxation and other sources under provincial control, while raising the fiscal capacity of lower income provinces up to a common standard.¹¹

The 1994 federal budget allowed EPF entitlements to grow by approximately 1.3%. Legislation was put into place that would limit increases in EPF entitlements to

¹¹ Factors involved in this calculation include the population of the province (as determined by the Chief Statistician of Canada), thirty-three tax bases (including natural gas and oil), and the value of personal disposable income for the preceding year, minus provincial and indirect taxes, etc.

stay in line with the growth in the Gross National Product (GNP) minus three percentage points. Despite this policy, the government asserted that spending on post-secondary education at the federal level was the highest of all of the OECD countries (Government of Canada, 1994b). In addition, the government claimed that Canada's ratio of public to private spending on post-secondary education was demonstrably high in comparison to the USA and Japan. What the government's claims failed to take into account, however, was the fact that in other OECD countries such as Sweden, Norway and Denmark post-secondary education was (and continues to be) funded entirely by the government. This emphasis on Canada's "stellar position" among the world's developed countries is useful when justifying funding decreases and increasing the emphasis on 'efficiency and effectiveness' measures in post-secondary education.

Since government funding to education had been cut, universities were compensating for the lost revenue by increasing tuition fees. Changes to the CSLP were called for at this point. The weekly student loan limit had been frozen at \$105 per week since 1984, when the needs assessment criteria had last been updated (Government of Canada, 1994b). Increasing numbers of students were borrowing at this point as well: over one in three full-time university students had negotiated a loan for 1994 (Drolet, 1994). Changes in one set of funding rules meant that other sets of rules would also need to be changed, and these rules were changing rapidly.

In 1995, the federal government considered pulling out of the CSLP. The main concern was the high rate of default, which had resulted in unforeseen additional costs for the government. Default rates as high as 30% were reported: "...almost 1/3 of outstanding student loans are currently in default in the sense that [among] those who

have reached the repayment stage only 2/3 are repaying”(West, 1996: 19). However, it is important to distinguish between the rate of default and the amount of money lost through process. Traditionally, students who default on their loans (on average) owe much less than students who repay their loans. In 1993-94, the federal government announced that budgetary expenditures on the CSLP totaled \$500 million. This figure included \$168 million paid out in claims for defaulted loans, but *\$128 million* of that was recovered (Government of Canada, 1994b: 20). Only 23% of the defaulted loan money was not recovered during that year.

Instead of pulling out of the loan program completely, the government signed an agreement with participating banks that resulted in the banks taking full responsibility for the collection of student loans, including the risk involved. This seems an odd tactic, considering that the Auditor General’s April 1990 report observed that 1 in 6 (16.7%) students defaulted on his/her loan, and that “in the majority of cases banks have made little effort to encourage repayment by students” (West, 1996: 22). Perhaps the government believed that if the banks had more financially invested in the system then they would be more likely to operate more closely within the guiding principles. In addition, there was a financial incentive provided for the banks to increase their risk: they would receive a fee totaling 5% of all loans that come due for repayment annually (Senate of Canada, 1997a). Repayment terms also changed with the change in responsibility: Canada Student Loans that had been repaid at an interest rate of 1% below the Prime Lending Rate (Prime) suddenly acquired a minimum interest rate of Prime + 2.5%.

The major changes made that affect students for the long-term are those involving repayment schemes, assistance to part-time students, and grants made available for

specified groups of persons. The new Canada Student Loan Act passed in 1995, enables the government to establish a scheme for student loans that allows them to be repaid on the basis of income. This is known as an Income Contingent Loan Repayment Plan, or ICLRP. It is assumed that a post-secondary graduate's first job will not pay as well as the jobs in his/her future and student loan payments should be adjusted accordingly. Payments remain constant as long as the graduate's salary does not increase dramatically. This sounds like a perfectly logical plan, however the problems arise when one takes the case of a graduate with a consistently "low" income. She/he ends up paying a greater amount of interest on a loan that requires twenty-five years of repayment, while the graduate with a higher income pays off his/her loan in ten years with much less interest.

Emphasis is increasingly being placed on individual students in terms of benefits from post-secondary education. Attention is drawn to the idea that "...for the purposes of social security reform, and possibly for a majority of students, increased earnings and employment potential, are the most important" (Government of Canada, 1994b: 11). In putting forward options for its future support of post-secondary education, the federal government says that it is "...seeking to contribute, within the framework of its current fiscal outlook, to achieve the best possible long-term approach to sustainable funding for both students and post-secondary systems" (Ibid: 13). It is clear that the changes that were occurring during the 1990s were not due to institutional influence. On the contrary, the institutional change was a result of a sweeping change in dominant ideology. Neo-liberal values had a visible affect on student loan policy, as well as within the broader social structures.

The 1996 Federal Budget Plan introduced changes to the tax credit system for students in an attempt to "...help students and their families deal with the increased costs of education..." (Government of Canada, 1996: 72). Post-secondary students receive assistance with their costs under two tax provisions: the tuition fee credit and the education credit. In 1996 the amount on which the education credit is based was increased from \$80 to \$100 per month, and the limit on the transfer of tuition and educational amounts was increased from \$4,000 per year to \$5,000. In addition, the eligibility for the childcare expense deduction (CCED) was broadened to allow single parents who are full-time students to claim the CCED. The eligibility criteria were also expanded to include two-parent families who are both in full-time attendance at a post-secondary institution.

Despite these tax measures and continued (although limited) involvement in the federal loan plan, the Council of Ministers of Education, Canada (CMEC) called in September 1997 for the federal government to "...pick up its proportional share" of debt reduction measures for students with loans (CMEC, 1997: 30). It can be argued that federal involvement in post-secondary education funding in the 1990s is somewhat paradoxical: on one hand, the federal government is being encouraged to increase its responsibility for student indebtedness and reduced transfer payments to provinces. On the other hand however, the provinces have suggested that the federal government seems to prefer making elaborate gestures when expanding its involvement in funding.

This statement seems to ring true when examining the programs for students announced in the *1998 Federal Budget: The Canadian Opportunities Strategy*. The main announcement concerned the creation of the Millennium Scholarship program. An initial

endowment of \$2.5 billion would be set aside to fund more than 100,000 scholarships over a period of ten years, starting in the year 2000 (Government of Canada, 1998b). Many groups have had concerns about this plan, in terms of its ability to reduce student debt – 10,000 scholarships per year sounds impressive, until you consider that almost 400,000 students borrow through the CSLP every year. 10,000 scholarships that will not cover the full cost of tuition may not be the best use of \$300,000 in the post-secondary sector. The inevitable conflicts with the provinces have occurred as well, as provinces suggest that the program would be best administered through existing aid apparatus in the provinces rather than through a new Foundation set up solely for the purpose of the Scholarships.

Changes to the CSLP were also announced as part of the Budget – many of which were very well received by student groups. As Paul Martin said in his budget speech, “Canadians do not need to be told that student debt has become a major problem. Students know it. Their families worry about it. *Graduates must deal with it*” (Government of Canada, 1998c, emphasis added). The operative phrase is the last one; the emphasis on the individual. Martin and the federal government have concluded that student debt is a problem for individuals. The government did not increase transfer payments to provinces in support of post-secondary institutions; instead the emphasis was placed on helping individuals cope with individual debt. Changes to the CSLP included increased access to interest relief, tax relief for interest payments on student loans (17%), the possibility of an extended repayment period, and a reduction in the loan principal for individuals still coping with financial difficulties. Beginning in 1999, partial interest relief will be made available for graduates further up the income scale. If a graduate

makes \$2,000 more than the interest-relief cut off point (currently set at \$20,460 for a single individual with no dependents), then the government may make 75% of the payment for him/her. Depending on the graduate's income, the government could make 75%, 50%, or 25% of his/her payments (Government of Canada, 1998a). The government also announced that it will work with the provinces to "move toward a single loan product" (Ibid).

As stated earlier, many welcomed these changes. However, the government also accompanied these changes with a major amendment to the bankruptcy act – as of 1998, students who file for bankruptcy cannot be absolved of their Canada or provincial student loans for ten years after the end of studies (Human Resources Development Canada, 1998). It can be argued that three assumptions underlie this decision: that student loan debt is an individual problem, that students in general do not want to repay their loans, and that students seek to get out of repaying their loans by filing for bankruptcy. This seems to add insult to injury: cuts to university funding, through cuts in transfer payments, mean that tuition and other fees will continue to increase and students will continue to bear an increasing burden. And desperate graduates will no longer have the ability to use the legislation designed to help financially desperate people – the Bankruptcy Act.

3.9 Summary

Federal involvement in post-secondary education funding has a history as long as the history of this country. The ways in which the government has participated in the funding processes have changed throughout the past century. Some of the rules of

participation have changed in response to new realities, such as the increasing participation of traditionally disadvantaged groups, but much has not changed. It is clear that the processes involved in providing funding to students through the Canada Student Loan Program changed very little between its introduction in 1964 and the mid-1990s.

The neo-institutionalist approach proposes that this lack of dramatic change in student loan policy and the policy-making process was due to the stabilizing influence of institutions on society. Policy-makers are bound by the historical context of their actions, by existing policy and institutions, and by the rules of policy-making. When examining the student loan system, it is clear that changes were very much incremental and constrained by institutional forces. The most prominent institutional forces placing constraints on policy action have been the constitutional division of powers and the development of constitutional convention. The fundamental rules of federalism, constitutional convention, and the established rules of post-secondary education funding have changed over the past thirty-five years, but not a great deal.

Ultimately, from 1964 to the early 1990s, the student loan system and the system of creating student financing policy remained fairly consistent. Once we entered the 1990s however, it is possible to observe rapid changes in the federal program, the number of students borrowing, and the attitudes toward student debt. The number of students borrowing through the programs increased dramatically in the early 1990s. Statistics Canada's last two National Graduates Surveys, done in 1988 and 1992, showed that half of all university graduates reported borrowing through the student loans program at some point during their period of study (Hiscott, 1996).

The true watershed year in Canadian student loan history is 1995, when the federal government signed an agreement with the major lending institutions to take over repayment of student loans. This off-loading of responsibility to private institutions was a major transition for the student loan system, and resulted in major institutional transformations. It can certainly be noted that these transformations had been pending since the mid-1980s and the global shift toward neo-liberal principles. Arguably, it was societal institutions that kept these changes from occurring until the mid-1990s.

However, the resulting transformations cannot be adequately explained by using the neo-institutional approach. Thus, it is necessary to observe the effect of a change in dominant ideology on policy-making. In fact, the federal government itself said in 1994 that:

In the neo-liberal, fiscally conservative climate within which we are firmly situated in the 1990s, the federal government is faced with basic decisions "...about how best to continue its support for post-secondary education while meeting its fiscal targets" (Government of Canada, 1994b: 1).

It is this shift in ideology that has resulted in greater emphasis on a market economy, lesser government "interference" in the economic sector, and the increased responsibility of the individual for his/her future success. It is this shift in ideology that can be used to understand the major shift in student loan policy beginning in the mid-1990s.

It can be argued that neo-liberal ideology can explain the continued marginalization of student groups within the policy-making process: groups are often consulted, but with few concrete results. Neo-liberal ideology places emphasis on the individual student as benefactor of his/her education, so it is logical for the student to take responsibility for the majority of the cost of that further education. Students have the choice to participate in the student loan system – they are not required to do so, according

to neo-liberals. Thus, students can “vote with their feet” in the policy process – if they do not approve of something, like the changes in student loan repayment, they can choose not to accept loans.

It is clear that in order to understand the recent changes in student loan and student financing policy in Canada, one needs to understand neo-liberalism, as well as neo-institutionalism. The increased involvement of private interests in a public system, supremacy of the market in the provision of loan repayment schemes, and emphasis on individual responsibility are clearly part of a neo-liberal agenda.

4. SASKATCHEWAN

4.1 Introduction

In order to understand the Saskatchewan student loan policy as it is now, it is necessary to put it into a historical context. It is also important to have an understanding of how Saskatchewan universities and students have been funded federally since the early 1900s, as the policies and rules governing the policy process in place now evolve from what existed in the past.

Saskatchewan's governments have traditionally been more involved than other provinces in direct funding to students through both scholarship and loan programs since 1937. Changes to the Saskatchewan student loan funding system have been made since the 1950s, but the major structural adjustments have occurred in the recent past – under Grant Devine's Progressive Conservative government in the 1980s and especially under Roy Romanow's NDP government in the 1990s.

The founding of the province has had a pervasive effect on the development of the post-secondary education system in Saskatchewan. Saskatchewan was the last province (along with Alberta) to experience European settlement. Saskatchewan was also hit more severely than any other province in Canada by the Depression (Muir, 1997). The province has been economically reliant on agriculture for most of the past ninety years. The population of the province as a whole has only grown around ten percent since 1931, and the population had been predominantly rural until approximately twenty-five years ago. These factors have presented challenges for the establishment of higher education in the province since its inception. Educational institutions taken for granted in other provinces had to be implemented in a province in which widely separated settlements and

frontier conditions made it difficult to recruit qualified professionals. Saskatchewan has had to continue to innovate in order to serve both a widely dispersed rural population and growing urban areas. These factors have shaped the province's relationships with both the federal government and the citizens of the province, and with the institutions that have grown within the province. It is important to note that although policies have often changed from government to government, all governments have worked within certain constraints and boundaries when making structural changes.

The history of post-secondary education in Saskatchewan cannot be discussed without making reference to the federal government. Although education is a provincially-designated area, the federal government has been involved in post-secondary education in Saskatchewan since the late 1800s, when Saskatchewan was still part of the Territories. The first conflict between the federal government and the government of the Territories began in 1883, when the Dominion government granted the Anglican Church a charter for the future establishment of a university in the area (Ibid). Residents objected to a denominational institution, so Ottawa agreed to endow a public institution in the area in 1889. In 1903, the territorial legislature created (on paper), a public university with exclusive degree-granting rights in the area. Although neither institution ever came into existence, the stage was set for continuing conflict over post-secondary education in what would become Saskatchewan.¹² At this point, educational policy-making convention was already being created.

¹² Saskatchewan eventually based its university system on that of University of Toronto – a secular, state-controlled, state-funded university combined with federated colleges where religious groups were allowed an adjunct function of providing an appropriate supporting environment for their students and the opportunity to teach a specialized curriculum (Muir, 1997).

4.2 1905-1944: Building infrastructure

In the early 1900s, emphasis was on the training of nurses and teachers. Normal Schools (Teachers' Colleges) were established in the main centres, and almost every hospital of any size had a school attached to it in order to train its own nursing staff. From 1905 to 1944, the Liberals were in power provincially, and emphasis was on the business-oriented, private enterprise approach to building the province.

In 1907, the University of Saskatchewan (U of S) was established. The first President, Walter C. Murray, set out to "...create a utilitarian institution that was so attractive to voters that a sometimes reluctant provincial government would be compelled to finance it" (Ibid: 95). The university's attention was focused on agricultural work, with research concentrated on concerns such as plant diseases and animal breeding. Activities included excursions to farm shows and sales. This emphasis on contributing to the province's economic needs suited the university well, and the provincial government showed its support by allowing the U of S to dominate higher education for at least thirty years. Federal funding at this time was primarily limited to military colleges, university research monies, and for some cooperative involvement in training, so the university depended on provincial grants and tuition fees for the majority of its funding.

The university experienced an influx of returned soldiers from 1916 on, with the majority taking vocational subjects and completing high school so that they could enter degree programs. Returned men and soldiers entering university for the first time were exempted from tuition fees (Morton, 1959). It was university policy to refuse to allow financial difficulty prevent capable students from attending, so tuition fees were low (\$30-\$40 per year) until 1930 (Thompson, 1970). Tuition tripled by 1934, when it totaled

\$90 per year. For most, tuition fees were prohibitive. The University's Board of Governors had established a loan fund in the early 1930s, but by 1933 the demand for loans exceeded the funds available and students began to sign notes for the unpaid balances (Murray & Murray, 1984). The President of the university freely accepted notes for the unpaid balances, and by 1938 the university held \$16,000 in such notes (Ibid).

In a 1981 survey of early U of S graduates, 16% of those who had attended in the 1920s had found finances their greatest concern while 35% of those who had attended in the 1930s claimed that finances had been their greatest concern (Hayden, 1983). The financial situation was similar at Regina College, and the Board of Governors reduced the yearly fees for tuition and room and board from \$575 in 1930 to \$400 in 1933, and "...allowed fees to be paid in farm and garden produce" (Pitsula, 1988: 126). New scholarships were established, but many recipients turned them down because they still could not afford to leave home.

The relationship between the University of Saskatchewan and the provincial government was difficult at times, and no more so than during the economic depression of the 1930s. In August 1931, Premier Anderson wrote to President Murray:

Owing to economic conditions and the very marked falling off of revenue in this province owing to those conditions, the Government finds it absolutely necessary that there must be a curtailment of expenditure in this year's appropriations. It is essential that *the University fall in line with the other Departments in this matter* (Quoted in Hayden, 1983: 161, emphasis added).

It is very clear that the university was considered simply another government department in difficult economic times, and considered to be no more important to the well-being of the province.

In 1937, the first of many intergovernmental financial ventures in the realm of higher education was established in the form of a Federal-Provincial Fund Agreement, also known as the Youth Training Plan (Muir, 1997). Under this agreement, the federal government provided each province with \$20,000 for aid to university students and student nurses, which would be matched by the province. The province would administer the fund. Few stipulations were made as to how the fund would be managed, although the individual provinces could choose whether to classify the moneys as a loan or a scholarship fund. If the province chose to use loans, it would be in charge of collections.

Saskatchewan chose to establish the loan framework, which would later be the basis for the Saskatchewan Student Loan programs. Student fees at this point had doubled since 1928-9, and the assistance was welcomed (Hayden, 1983). This new assistance program, along with the 1939 Dominion-Provincial Aid Program, marked a political as well as economic change, resulting from the federal government's change in financial focus. The federal government was now providing direct funding to post-secondary students through the provincial government's administration.

The trend to view the university as just another government department that had begun under Premier Anderson during the Depression continued into the early 1940s. Changes to the funding arrangements in the University Act made in 1941 led to the university being seen as dependent on the government's will at any point in time (Ibid). The trend toward redefining the relationship between universities and government continued throughout the 1940s.

4.3 1944 – 1964: Increased financial support for post-secondary education and the redefining of the government-university relationship

During the post-WWII period, the newly elected Cooperative Commonwealth Federation (CCF) government began to increase its control over the post-secondary system. The Teachers' Colleges (Normal Schools) were integrated into the university, and Regina College was promoted to the second campus of the U of S. Technical institutes for vocational training were established.

Pressures from returning war veterans and university presidents led to the establishment of the federal Veteran's Benefit in 1946, which granted support to both individual veterans and universities. Some students were able to obtain funding through the Veteran's Benefit Program, but those who did not qualify and were unable to produce the necessary funds were denied post-secondary education. The 1937 Federal-Provincial joint fund had proven to be inadequate for its original purpose, and as early as 1944 the provincial government had found it necessary to supplement the fund. By 1949, the provincial government was adding \$22,000 annually in addition to matching the federal contribution (Saskatchewan Education, 1959).

The Saskatchewan Loan Plan (SLP) was introduced in 1949, and was funded from a one-time endowment of \$1 million dollars (Ibid). This program provided only loans, which remained interest free unless the graduate did not meet the repayment obligation of \$25 per month. If graduates failed to meet the repayment obligation, 4% interest would be charged. Selection committees based in each post-secondary institution made decisions about who would receive the loans, based on a set of criteria that included need, lack of employment during the academic year, and the commitment to work full-time on post-secondary studies. The province worked closely with the university system and kept

funding to students as provincially-based as possible. Government financial support to the university increased in this period, but it has been suggested that the increased support came with strings attached – increased “direction” from government (Hayden, 1983).

Support for federal involvement in higher education came with the Massey-Levèsque Commission’s Report in 1951. It reported that the federal government needed to fund universities in order to maintain an educated workforce in the post-war era. Soon afterwards, federal grants to universities were implemented. Throughout the 1950s, funding from both levels of government to the universities increased.

In 1959-60, the provincial government introduced a scholarship program that was designed to assist students of high academic standing who were disadvantaged financially. Awards of \$300 were available for students living in a university city and awards of \$500 were made for students living outside a city. Over 300 scholarships were given to first year students entering their first year of teaching training or university (Vanderkamp, 1961). Increased access to university continued to be a priority for the government, and the amount of student assistance provided increased from \$136,000 in 1957-58 to approximately \$470,000 in 1960-61 (Ibid). More than half of that amount took the form of loans.

4.4 1964 – 1971 The introduction of the Canada Student Loan Plan and the expansion and increased governmental control of the universities

During the 1960s, the higher education system expanded and was centralized along more conventional lines in response to pressures from industry and business (Muir, 1997). Pressures supporting expansion of the positions available in the province’s university lead to an increase in seats. Enrollment increased rapidly. Concurrent with the

increased enrollment and increased demand for entrance into university was the increased demand for financial assistance.

Due to increased demand and the associated financial need of students, 1963-64 was the largest single year in terms of numbers and amounts granted to students from the Student Aid Fund since its introduction in 1949: 1,422 students received loans totaling \$547,000 (Saskatchewan Education, 1973). This funding was strictly loan-based, so students were required to repay the aid after graduation. In 1964 the federal Canada Student Loan Plan was introduced. The Student Assistance Section of the Department of Education was to be the agency in charge of administering the new loan program in the province. The institutional structures were already in place, as the province had a history of cooperating with the federal government through the Dominion-Provincial Loan Program. Because of the new program, the number of loans granted from the Saskatchewan aid fund dropped off drastically, taking some of the financial pressure away from the provincial fund.

In the late 1960s, more changes were made to the funding system for the country's universities. Grants to universities that had previously been under federal control were transferred to the provinces in 1966. This change corresponded with falling world wheat prices and a resulting drop in Saskatchewan's provincial revenues. Funds previously designated for post-secondary education were diverted to other sectors, leaving the universities short of funds (Muir, 1997).

Once the provincial government began handling the university grants, Premier Ross Thatcher became concerned about the large amount of money going to the university. He made an inaugural speech that addressed the "...vast sums of money going

to the university without sufficient accountability” (Hayden, 1983: 254), and proposed a new way of funding the university so that the government would have control over the actual amounts spent on salaries and equipment. It was an attempt, like that in the 1930s and 1940s, to treat the university simply as another government department through the exercise of financial control. The procedural precedent existed – other governments had implemented similar measures in the past. Although the university and Thatcher later came to a quiet agreement about funding, unrest continued for years after.

Few changes were made to the CSLP throughout the 1960s. Graduates were allowed a six month interest-free period after graduation before repayment began. Canada Student Loans were only granted to those individuals in programs requiring a completed Grade 12 and which were at least 26 weeks in length, so the Saskatchewan aid fund continued to grant funding (through various programs) to students who did not qualify under the new federal program. By the beginning of the 1970s, the number of students who were making use of the federal program in Saskatchewan had grown from just under 3,000 to over 10,000, as can be seen in Table 4.1, and students had begun to be openly concerned about increasing debt levels (Ibid). The average amount that each student received through the loan plan had grown as well, which was cause for concern within the student community.

Table 4.1: Canada student loans granted to Saskatchewan students, 1964-1971

Year	# Loans Granted	Amount Authorized	Amount per Student
1964-65	2,992	1,888,445	631.16
1965-66	4,866	3,317,604	681.79
1966-67	5,965	4,543,085	761.62
1967-68	7,377	5,980,941	810.76
1968-69	8,282	6,564,848	792.66
1969-70	9,747	8,591,290	881.43
1970-71	10,318	8,949,955	867.41

Source: Saskatchewan Post-Secondary Education & Skills Training, *Annual Report, 1998*.

Students began to insist on a program of bursaries so that ordinary students could get financial assistance for university education, not just the academically talented ones who received funding through the scholarship program. Premier Thatcher had become concerned at the increasing amount of money disbursed through the scholarship program administered by the university, and it has been suggested that he wanted the government to take the credit and dispense the funds instead. The government proposed to remove scholarship and bursary funds from the university's control, instead creating an advisory committee which would contain a majority of government appointees (Hayden, 1983). The University Council voted against this proposition, but it was passed in the Legislature, and control of the scholarships and bursaries passed into government control. Ultimately, student activity had little to do with Thatcher's action – the decision-making process effectively excluded the students.

In 1971 the government increased its control over the university sector when it made a change to the governance of the university that would lead (in part) to its defeat in that year's election. It quietly changed the rules for the composition of the Board of Governors – giving the government the power of appointing nine members, while the university Senate could appoint only seven (Ibid). The Thatcher government's moves toward increased control of the University were abruptly halted by its defeat in the June 1971 election.

4.5 1971 – 1982 Re-introduction of the Saskatchewan Loan Plan and the gradual expansion of the student funding system

The newly elected New Democratic government re-introduced the Saskatchewan Student Loan Program (SSLP) in 1971. The new plan was set up to mirror the federal program, but was intended to assist students enrolled in programs of study that did not qualify for federal funding. When repaying the provincial loan, a graduate would pay no interest for a period of six months plus gain one extra month of interest-free status for every \$50 borrowed. The plan also included bursaries, which were granted to students after \$1000 in loans had been received. The bursary was available for the first five years of post-secondary education, which at the time would have been enough to cover a Bachelor of Arts or Bachelor of Science degree *and* a Master of Arts or Master of Science degree (Saskatchewan Education, 1973).

Structural changes within the government again occurred in 1972, with the establishment of the Department of Continuing Education. It was charged with powers and duties in line with providing educational and training opportunities relating to the university and for the education of nurses and ancillary nursing personnel (Munroe,

1974). The department also approved all capital and operating expenditures by post-secondary institutions.

Changes in the student aid system throughout the 1970s were made mainly to loan repayment terms and to the amount that had to be borrowed before students could receive bursaries. In 1972-73, it was possible to qualify for \$1400 in either the CSLP or the SSLP per year, to a maximum of \$9800. This had increased from the introductory year's maximums of \$1000 per year to a maximum of \$5000. Repayment terms for both the federal and provincial programs were similar, differing only in terms of the repayment of interest. The provincial loan was still a better deal for students, as it allowed the interest-free repayment period allowed by the federal program to be extended past the six month period by one month for every \$50 borrowed (Saskatchewan Education, 1974).

When introduced in 1971, the Saskatchewan bursary program enabled a student to receive non-repayable funds after s/he had received \$1000 in either federal or provincial loans. As a way to combat increasing student debt, the point at which the bursary would be received was reduced to \$850 in 1972. In 1973, that amount was further reduced to \$700. However, by 1977 the trend to diminish student debt was in reverse, and it was again necessary to receive \$1000 in loans before qualifying for up to \$1800 in bursary per year (Saskatchewan Continuing Education, 1974, 1975, 1976, 1977).

The 1972 Report of the Committee on the Role of the University of Saskatchewan within the Community dealt briefly with the issue of access to higher education, stating that:

...Uniformly, the principle is repeated that access to university should be based on merit, and that economic considerations should not be a deterrent to the entry of the meritorious student into the university. There is some difference of opinion as to the means whereby principle should be translated into practice (15).

One group suggested that a study of the loan program should be done in order to determine whether graduates with loans suffered any harmful effects from the debt. If no such effects were noted, then the loan program should proceed and the graduate should take financial responsibility for his/her education (Ibid). However, the government did not proceed with such a study.

In 1973, the Research and Evaluation Branch of the Department of Continuing Education began a study on the future of the student aid fund. In addition to deciding what to do with the existing student aid fund, the study would also be used to determine the need for an assistance program for part-time students (Saskatchewan Continuing Education, 1976). Concurrent with this study was the Royal Commission dealing with University Structure (Hall Commission). The Report of the Commission called for two separate, autonomous universities, which would be coordinated by a new body known as the Saskatchewan Universities Commission (Hayden, 1983). Concerns rose immediately about control of the universities' budgets and funding, which were now to be approved by the new Commission. In addition, the government voted to remove and replace certain university officials, which resulted in unease among many members of the university community. Though the government claimed special circumstances, many felt that what was done once, could be done again, special circumstances or not (Ibid). In 1974 the government passed the Universities Act, establishing the University of Saskatchewan, the University of Regina, and the Saskatchewan Universities Commission. The Universities Commission would coordinate the two universities and allocate funds, but eventually expanded its power to reviewing and approving proposals for changes in programming at the universities (Saskatchewan Universities Commission, 1977).

In 1975, the government made an important change to the repayment policy for the provincial loans – the interest rate charged on loans in repayment could be no higher than the Bank of Canada’s Prime Lending Rate on the day that the repayment agreement was signed. In addition, minor changes were made to the Saskatchewan student loan plan in order to bring it into line with the Canada Student Loan plan: yearly maximums were increased to \$1,800 from \$1,400. If the interest-free period expired before a student with a SSL finished repaying it, the new interest rate would be 9% (Prime at that time) – an increase from the previously charged 6% (Saskatchewan Continuing Education, 1977). By the late 1970s the portion of university funding provided by government grants was hovering between 67% and 71%, depending largely on the financial circumstances of the province. The portion being provided through tuition fees and private sources was increasing, as shown in Table 4.2. By 1980-81 it looked like the proportion provided by tuition fees might be in decline.

Table 4.2: Tuition and government grants as a percentage of Saskatchewan universities’ operating revenues

Year	Government Grant	% of Operating	Tuition Fees	% of Operating
1975-76	71,873,000	68.7	9,719,000	9.3
1976-77	84,086,000	70.5	11,040,000	9.3
1977-78	81,702,000	67.1	11,958,000	9.8
1978-79	93,625,000	67.7	13,009,000	9.4
1979-80	104,704,000	69.0	13,613,000	9.0
1980-81	118,029,000	64.8	14,123,000	7.8

Sources: Saskatchewan Universities Commission *Annual Reports*, 1977 to 1982.

Students were still having trouble with financial assistance for university education, and the amount in student loans granted per student was increasing, as shown in Table 4.3. The demand for Canada Student loans was great in the early 1970s, with over 9,000 students receiving a loan in 1971-72, averaging \$828. By 1980-81 demand had dropped off, and only 5,400 students received loans. However, the loan amounts disbursed had increased dramatically – the average student received almost \$1,450 in 1980-81. It is also important to note that students could receive a government bursary after receiving a CSL, so were not as badly off as they could have been. The demand for loans would increase throughout the 1980s, as would the amounts borrowed by Saskatchewan students.

The late 1970s was also a period of increased provincial government control over funds transferred from the federal government for post-secondary education. In 1977, the new Established Programs Financing arrangements were implemented, although they contained no rules for how the money was to be distributed among programs – only suggested guidelines. As Michael Hayden (1983) suggests, “...the temptation to divert the money was too great for a number of politicians” (253) and the provincial government had clear control of the universities’ funding for an indefinite amount of time. The rules were in place, and would not be changed in the foreseeable future.

**Table 4.3: Canada student loans granted to full-time Saskatchewan students
1971-72 to 1980-81**

Year	# Loans Granted	Amount Authorized \$	Amount per Student \$
1971-72	9,262	7,671,005	828.22
1972-73	8,111	7,067,227	871.31
1973-74	7,349	6,413,481	872.70
1974-75	5,736	5,594,950	975.41
1975-76	5,708	5,328,719	933.55
1976-77	5,268	5,436,920	1032.07
1977-78	5,543	7,325,835	1321.64
1978-79	5,776	7,884,095	1364.97
1979-80	4,852	6,704,975	1381.90
1980-81	5,393	7,812,560	1448.65

Source: Saskatchewan Post-Secondary Education & Skills Training, *Annual Report, 1998*.

4.6 1982 - 1991: Increasing emphasis on the individual economic benefits of post-secondary education

A major change in the philosophy applied to post-secondary education policy can be linked to the election of the Progressive Conservative party, led by Grant Devine, in 1982. The new government separated the post-secondary education responsibilities out of the Department of Education, creating the new Department of Advanced Education and Manpower, while stressing that:

...the new department's activities have been and will continue to be addressed toward meeting Saskatchewan's projected long-term need for skilled labour through the preparation of Saskatchewan citizens for effective entry, adaptation,

and participation in the labour market (Saskatchewan Advanced Education and Manpower, 1983: 3).

The departmental restructuring was done in order to "... tie educational expenditures more closely to the short-term needs of the economy" (Fairbairn, 1991: 205). The new government clearly linked education with the job market, seeing higher education as an issue related to the province's ability to compete on a global level. Education's worth could be quantified, by examining connections between type of educational program and employment (and salary) outcomes.

This new mentality required changes to the post-secondary education system. Although the government was legally unable to restructure the universities without their consent and participation, it was possible to cut funding to the universities, rearrange the student aid system, and make changes to the administrative bodies that controlled the division of funds for the universities. The government did all of these things, making its first major change in 1983 when it abolished the Universities Commission, the administrative body that had been the intermediary between the universities and the government.

It was clear that the major changes that were to come were linked to a particular socio-political ideology that would later be known as neo-liberalism. At this point, use of the neo-institutionalist approach for understanding student funding policy becomes problematic. It is clear that the changes in policy in the 1980s were due predominantly to a change in government and in political perspective. Understanding the ideology behind the changes made by the government becomes necessary in the attempt to understand those changes.

A large number of changes were made to the Saskatchewan student loan plan in 1983 as well. Students became eligible to receive Saskatchewan Student Loans in conjunction with a Canada Student Loan after they had completed their first five years of education, since they could receive Saskatchewan Bursaries for the first five years only (Saskatchewan Advanced Education & Manpower, 1985). The provincial government did not expand the program's criteria for qualification to part-time students, as the federal government expanded the CSLP by introducing a part-time loan program to encourage more people to attend university. A part-time student was eligible to borrow up to \$2,500, but repayment began 30 days after the loan was negotiated. It was announced that the interest rate for loans in repayment would be set on August 1st of each year by the government, and would be constant throughout the repayment period. If a graduate negotiated his/her repayment terms in a year of high interest rates, the graduate would be locked in at that rate for the time it took to repay the loan. At this point, interest rates had ranged from 18% to 28%.

Beginning in 1984 the province allowed grants to increase by approximately 2% for each university, less than the rate of inflation and increasing enrollments would ordinarily dictate. Several explanations have been suggested for this restraint.

First, universities seemed less directly linked to the short-term performance of the economy and the productivity of business than were the technical institutes. Second, the size of the budget deficit required that cuts be made somewhere, and universities do not have the broadest and deepest support in society. Finally, Conservatives believed that education needed to be reformed, to be flexible, to be responsive, while the universities jealously guarded their independence and were so complex as to be not only difficult to change, but absolutely impenetrable and incomprehensible to the eye of the outsider. To a cabinet minister (perhaps of any party), money put into a university disappears into a complex and unseen mechanism whose products are often intangible (Fairbairn, 1991: 213-214)

It is clear that the government was continuing to exercise a certain amount of control over the universities through the exercise of financial control – not unlike its predecessors. The combination of government financial restraint and rapidly increasing university enrollment led to the imposition of enrollment quotas in Agriculture, Physical Education, and Commerce at the University of Saskatchewan in 1985.

The Devine government's plan for post-secondary education continued to unfold in 1986 with the reduction of the provincial bursary program, and its replacement with the Saskatchewan Supplementary Loans Program. Under the new program students could receive up to \$3,000 per year in addition to their Canada Student Loan award (Saskatchewan Advanced Education and Manpower, 1988). The Student Financial Branch continued to determine an applicant's need for a loan, issue the loan, and also to manage repayment – a job that would become more extensive with the newly expanded provincial loan program. This new loan program reinforced the government's emphasis on the individual as being increasingly financially responsible for his/her education, and made debt loads rise dramatically. It is also important to note that the loan program was a relatively straight-forward option, as the structures necessary were already in place.

The government also felt that students receiving bursaries from the province to attend university should be certain that their education would be financially beneficial to both themselves as individuals and to the province. Areas of the market that were saturated should be avoided if the taxpayers' funds were supporting individual students. As Minister of Education Colin Maxwell stated in 1983, "There's nothing wrong with getting a B.A. or B.Ed. Students just have to realize that there won't necessarily be a job waiting for them at the end of it" (Quoted in Fairbairn, 1991: 206). Emphasis was placed

firmly on the economic benefits of post-secondary education, with little or no concern for other less tangible rewards.

Continued financial restraint and increased demand for university education led to the approval of enrollment quotas for the Colleges of Arts and Sciences at the University of Saskatchewan in 1987. These quotas were accompanied by increases in tuition. Tuition increases meant that students were responsible for an increasing proportion of the universities' operating funds, as shown in Table 4.4. The emphasis on the individual costs and rewards of education was continuing, and the principle of access to education for all who qualified was being compromised. In 1981-82, provincial government grants accounted for 68.2% of the universities' operating revenues while tuition accounted for only 12.8%. By 1990-91, however, government grants accounted for 61.8% of the universities' operating revenues while tuition as a proportion of operating revenues had reached 18.7%.

Changes to the student assistance plan in 1986 included the creation of programs for students whose financial barriers to education were deemed greater than the average student – single parents, Northerners, the disabled, and Aboriginal peoples. In addition, the universities received an unprecedented 12.5% increase in provincial grants that year. This seemingly anomalous move occurred in an election year, so perhaps the government was aware that unrest addressing the state of post-secondary education was building. The following year (in 1987, once the government had won re-election) things started to get worse.

Table 4.4: Tuition and provincial government grants as a proportion of university operating revenues: Saskatchewan 1980-81 to 1990-91

Year	Government Grant	% of University Revenues	Tuition Fees	% of University Revenues
1981-82	137,594,000	68.2	16,848,000	12.8
1982-83	150,551,000	66.1	21,337,000	14.1
1983-84	152,566,000	62.8	24,394,000	14.9
1984-85	163,972,000	63.3	26,099,000	14.9
1985-86	178,744,000	63.8	27,901,000	15.2
1986-87	197,848,000	65.7	31,202,000	15.8
1987-88	192,533,000	63.3	33,716,000	16.8
1988-89	200,270,000	61.5	35,956,000	16.9
1989-90	241,739,000	64.9	39,296,000	17.6
1990-91	240,831,000	61.8	44,330,000	18.7

Sources: Statistics Canada, *University Finance Trend Analysis 1979-80 to 1988-89; 1981-82 to 1990-91*.

In 1987, the student aid fund was reorganized and qualification criteria for the SSLP were brought into line with the CSLP criteria. Students were now required to borrow the maximum CSL before receiving any SSL funding (Saskatchewan Education, 1989b). Forgivable loans were available for the especially needy, and most students were able to obtain some debt relief through the Remission Program. By completing 60% of a full course load and applying for remission within six months after finishing a period of study, a student could have a certain portion of both CSL and SSL debt forgiven for the first four years of full-time university study: generally any funds over \$70 per week.

In addition, the government introduced a default-fighting tool. An Interest Relief Plan was provided for students having trouble making loan payments, through which a student could obtain (up to) an additional 18 months of interest-free status (Ibid). These measures fit in with the government's philosophy, supporting "...the principle of reducing, where practical, other barriers to entry [to education] caused by such factors as geographic location or limited financial resources" (Saskatchewan Advanced Education & Manpower, 1987a: 1). It was also a structural change that was being implemented both across the country provincially and federally, so this was a move based on precedent.

In 1987 the government amalgamated the Department of Advanced Education and Manpower, the Provincial Library, and the Department of Education under the umbrella of the Department of Education. This move to a more efficient construction of government was accompanied by emphasis on distance education and on the technology necessary to make it a reality. Again, the emphasis was on the link between the needs of the labour market and what was being taught in universities. This continued until the early 1990s, and was reflected in the government's attitudes toward the student aid system.

Later that year, the government announced that grants to universities would be frozen for the next two years, and that the universities should not count on increases higher than the rate of inflation in 1989-90 or 1990-91 (Fairbairn, 1991). Minister of Education Lorne Hepworth went so far as to suggest to the University of Regina which programs it should cut in order to raise revenues, while stating that tuition fees should not be raised (Ibid). However, the government eventually did approve an increase in tuition, and the fees were indeed raised.

In 1990, the provincial government removed remission benefits from the CSLP. Students could still receive remission on the provincial portion of their loans, but no longer would the province subsidize repayment of the federal loans (Saskatchewan Education, 1992b). The only exception to this rule was that Special Incentive Students accepted prior to 1990-91 could still receive the remission on both loans. The financial cost of an education for many students who borrowed through government loan plans throughout the 1980s had risen dramatically, from an average of \$1789.43 per borrower in 1982-83 to \$6114.38 in 1990-91, as is shown in Table 4.5. With the 1990 removal of an important program – remission – from Canada Student Loans the situation would worsen. Students in their first four years could qualify to have over half of their total loans forgiven before 1990, but the cancellation of the federal remission subsidy the amount forgiven would decrease to approximately a quarter of students' total loans.

As can be seen in Table 4.5, students received a greatly increased amount of repayable aid beginning in 1986-86, resulting in the average loan increasing from \$2697.17 in 1985-86 to \$4145.95 in 1986-87. The average loan amount continued to rise, reaching \$6114.38 in 1990-91.

It is clear that changes to the student funding process between 1982 and 1991 were linked to a particular governmental ideology. The Progressive Conservatives made changes to the structure of the student loan program and in other components of the student funding system, ignoring demands and pleas from both student groups and the universities themselves. In an increasingly business-friendly, market-oriented environment, the government made policy that was essentially unrestricted by precedent and by existing programs.

Table 4.5: Student loan funding to full-time Saskatchewan students, 1982-83 to 1990-91

Year	Canada Loans				Provincial Loans				Total Loan per Student
	# Loans Granted	Amount Authorized (Total \$)	Amount per Student	# Loans Granted	Amount Authorized (Total \$)	Amount per Student (Total \$)	Amount per Student (Total \$)		
1982-83	6,511	11,650,995	1789.43					1789.43	
1983-84	8,654	19,628,755	2268.17	No	loans	granted		2268.17	
1984-85	9,441	22,513,162	2384.62					2384.62	
1985-86	10,060	27,133,520	2697.17					2697.17	
1986-87*	15,293	43,274,015	2829.66	16,115	21,212,040	1316.29		4145.95	
1987-88	18,078	52,506,182	2904.42	13,310	33,685,619	2530.85		5435.27	
1988-89	19,235	55,988,230	2910.75	14,281	44,357,104	3106.02		6016.77	
1989-90	19,070	54,122,900	2838.12	14,138	44,569,293	3152.45		5990.57	
1990-91	18,319	54,410,115	2970.15	13,695	43,060,228	3144.23		6114.38	

* Repayable Saskatchewan student loans were introduced starting in this year.
Sources: Saskatchewan Education, *Annual Report, 1993*.

Neo-institutionalism cannot explain these actions – they were driven by ideology rather than bounded by context.

4.7 1991 - 1998: New Democratic Party and the increasing involvement of the banking industry in student funding

With the election of the New Democratic Party in 1992, Saskatchewan's post-secondary education policy was expected to change again, to fall into line with the party's 'leftist' ideology. However;

...the predictable change in educational policy was complicated by the new government having to cope with a fiscal crisis brought on by the most recent recession and the profligate financial policies of the previous administration (Muir, 1997: 99).

June 1992 saw the establishment of a three-member review panel, which was established to assess programs at Saskatchewan's universities and federated colleges. Its mandate was to look at the academic and professional needs of students, and determine if current programs met those needs or if there was unnecessary duplication. In addition, the panel was to address ways of maintaining standards of excellence as well as reconciling the goals of accessibility, accountability, and public service within financial limits (Saskatchewan Education, 1993a). Known as the Johnson Report, the report focused on the strengths and weaknesses of individual departments in both Saskatchewan universities, as well as making recommendations to decrease duplication in services while attempting to maintain an acceptable level of accessibility of education for Saskatchewan students (University Program Review Panel, 1993).

The climate of fiscal restraint required the government to re-evaluate its educational goals, and Saskatchewan Education, Training and Employment (1994b)

identified several priority areas, including strategies for training and employment, distance education, the education, training and employment of Aboriginal peoples, the development of an integrated post-secondary sector, and the development of an effective system of accountability. If expansion of funding or the provision of additional funding were to occur, it would be within one or more of these areas.

The 1990s have been a period of turmoil and restructuring for the government loan plans. Most of the changes within the Saskatchewan Student Loan Program in the 1990s have involved minor changes in amounts dispersed and in repayment terms. In 1991, the Saskatchewan Student Loan program was expanded to include students from Saskatchewan studying outside the province. Certain criteria had to be met in order to receive the funding, but students were no longer restricted solely to programs of study within the province if they needed provincial funding. Repayment terms remained the same as those for the CSLP, with the interest rate set on August 1st of each year. Loans going into repayment were repaid at that interest rate for the lifetime of the loan (Saskatchewan Training, Education, & Employment, 1993b).

In 1994-95, the federal government and the provinces agreed on a formal split for funding: 60% of assistance would be provided by the federal government through the CSLP, and the other 40% would come from the provincial assistance programs (Saskatchewan Post-Secondary Education and Skills Training, 1997). Increasing numbers of students have been using the loan plans, and students are borrowing more and more, as can be seen in Table 4.6. In 1990-91, approximately 13,700 students received loans totaling \$6114.38 each. By 1995-96, the approximate total loan granted to each student was \$6614.28. The dollar value of the loans received has increased, but only

marginally. What is particularly interesting is that there was a greater number of students in 1995-96 who received both provincial and federal loans. In 1990-91, approximately 4,624 students received a federal loan but did not receive a provincial loan. In 1995-96, approximately 751 students had received federal loans without the provincial loan.

A major administrative and relational change in the student funding system occurred in March 1996, when the provincial government signed an exclusive contract with the Royal Bank of Canada (almost a year after the federal agreement). The bank took on exclusive responsibility for the negotiation, financing, and repayment of provincial loans authorized by the province after August 1, 1996. The agreement will remain exclusively with the Royal Bank until August 1, 2001, when other banks can submit proposals for involvement in the program. Both the bank and the provincial government emphasized the increased risk that the bank was taking on, but little was said about any potential benefits for the bank. Students who had negotiated loans under both the previous plan and the new plan are still able to make use of programs to deal with unmanageable debt, including interest relief, the Reduced Minimum Monthly Payment Plan or the Repayment Postponement Plan (Saskatchewan Post-Secondary Education and Skills Training, 1997).

The changes to the student loan programs have coincided with an increasing emphasis on individual contributions to post-secondary education. In 1981-82, provincial grants to the universities accounted for 68.2% of the operating budget, while tuition and student fees accounted for 12.8% of the operating budget (see Table 4.4). In 1995-96, government funding accounted for only 63.3% of the universities' operating budgets,

while the portion provided directly by students rose to 27.1%. These changes are reflected in universities across Canada.

Further changes have been made to special incentive bursaries, which are targeted toward single parents, northerners, and non-status Indian and Métis peoples.

Announcements were made as part of the 1998 Budget speech that the provincial government was concerned about increasing student debt, and some changes were made to the way that the loans are to be repaid. These changes include the future choice of an income-contingent repayment process. However, few structural changes have been implemented. Although changes to qualification criteria and disbursement amounts are made on a fairly regular basis, no real changes have been made to the fundamental structures of the loan plan other than the greater inclusion of the banks in 1995.

Table 4.6: Student loan funding to full-time Saskatchewan students 1990-91 to 1995-96

Year	Canada Loans				Provincial Loans				Total Loan per Student* Receiving both loans)
	# Loans Granted	Amount Authorized (Total \$)	Amount per Student	# Loans Granted	Amount Authorized (Total \$)	Amount per Student (Total \$)			
1990-91	18,319	54,410,115	2970.15	13,695	43,060,228	3144.23	6114.38		
1991-92	16,849	53,114,897	3152.41	13,179	41,636,257	3159.29	6311.70		
1992-93	16,568	54,725,675	3303.10	13,181	44,494,756	3375.67	6678.77		
1993-94	15,802	51,349,700	3249.57	12,764	43,020,980	3370.49	6620.06		
1994-95	15,709	56,482,368	3595.54	14,995	40,299,114	2682.84	6278.38		
1995-96	15,194	57,572,356	3789.15	14,443	40,803,330	2825.13	6614.28		

* The estimated average total loan would be based on the assumption that for a student to receive a provincial loan, s/he must have received a federal loan as well.

Source: Saskatchewan Post-Secondary Education & Skills Training, *Annual Report 1996-97*.

4.8 Summary

Over the past seventy years, the Saskatchewan government has passed through stages of increased and decreased intervention in the university sector. Government funding of education has often been synonymous with government control of education – especially from the mid 1940s into the early 1990s. Throughout most of its history, the government has been involved in providing some form of support to university students. In the recent past, the government has moved away from the provision of non-repayable aid, substituting it predominantly with loans. Only the neediest of the needy can access many of these programs, and remission is available only for the first four years of education. If a student takes longer than four years to complete a program, or receives loans later on in his/her academic career, the student receives little support. Government funding of universities is decreasing as well. Universities have coped with these declining funds in part by increasing tuition fees. Fees at Saskatchewan universities have increased by 62.4% between 1991 and 1996, and continue to increase (Finnie & Schwartz, 1996).

In the current ideological context, a university education is seen as an individual benefit. The financial responsibility, albeit still shared to a certain extent with the provincial government, is clearly becoming seen as an individual responsibility. The rules governing the financial relationships between government and student aid recipients are changing. It is possible to observe moves toward privatization in Saskatchewan's student loan system as well, especially with the recent transfer of rear-end responsibility for the loans to the Royal Bank. As will be shown in the Alberta section, once the rear-end is privatized, it is much easier to move toward a completely privatized system.

Neo-institutionalists argue, however, that changes to policy are made within the boundaries of historical context and institutional rules of the province. Changes can be made to and within the policy process and existing institutions, and Saskatchewan is in the process of making some changes. However, the neo-institutionalist approach to understanding changes in policy cannot adequately explain the changes seen in the Saskatchewan student funding system between 1982 and 1999. Instead, it is necessary to incorporate conflict theory in order to gain an understanding of the ideological shift taking place in Saskatchewan society. By understanding the assumptions underlying neo-liberalism, we can gain an understanding of why these changes have occurred in the recent past, and why it seems that they will continue to occur in the near future.

5. ALBERTA

5.1 Introduction

As is the case for Saskatchewan, many of the political patterns that have shaped Alberta's development throughout the 20th century developed around the turn of the century. These have included one-party dominance, western alienation, agrarian unrest, a strong farmer's protest movement, metropolitan rivalry between Calgary and Edmonton, and a preoccupation with the issues of transportation and resource development (Palmer, 1990). As a province, Alberta has experienced wide swings in provincial income, tax revenue, and population that have corresponded with large swings in government spending. An additional characteristic making Alberta somewhat unique is the fact that the changes to its revenue system in the past 20-30 years have not been dominated by changes in federal transfers (Boothe, 1995).

Alberta's first post-secondary institution was a public university. Since the beginning, post-secondary education in Alberta has been dependent on funding from the provincial government:

...with the exception of a few small private colleges, all of the province's post-secondary institutions drew their revenues almost exclusively from provincial grants and tuition fees for the first fifty years of the province's history (Berghofer & Vladicka, 1980: 60).

Being able to plan without commitment or responsibility to a particular group was seen to be advantageous at this time. This factor has had a major influence on the development of the post-secondary education system in Alberta and continues to affect the funding of the system to this day. The development of the post-secondary education system in Alberta was heavily influenced by Alberta's vast size and sparse population, not unlike the situation in Saskatchewan in the early 20th century.

5.2 1905 - 1945: Expansion of the post-secondary system

The period from the establishment of the province to the end of the second world war was characterized by the building of infrastructure and the expansion of the post-secondary system. Funds were largely targeted toward professions needed by the newly-formed province, such as teaching, nursing, and the development of skilled labour.

From one period to another, the provisions under which an institution received funds have changed, as government wishes either to exert influence on the system or to increase equity (Andrews, Holdaway, & Moway, 1997: 79-80).

In 1920, Alberta's first provincial loan program was established for students of Normal School (Teachers' College), in order to increase the supply of teachers (Berghofer & Vladicka, 1980). It was later expanded to include nurses and to encourage university education before its withdrawal in 1932 due to heightened economic pressures. During the Great Depression, Albertans came to expect government to assume a broader responsibility for the welfare of its citizens. In the midst of hardship, the province laid the foundation for its modern social welfare system, which would include student aid. As J.R. Love, Provincial Treasurer, said in his 1935 Budget Speech:

The duties and responsibilities placed on a Provincial Government are increasing year after year due to the changing conception of the state, and a tendency to regard the state as the chief force in expanding and consolidating provincial and national life (as quoted in Boothe, 1995: 35).

At this time, university students received some aid from the university itself, in the form of decreased charges for room and board (from \$32 to \$27 per month) and the permission to pay tuition fees (now at \$85 for first and second year, and \$110 for subsequent years) in two installments instead of all at once (Johns, 1981). By the end of the 1930s, academically strong students in some disciplines had access to additional financial assistance through the Dominion-Provincial Student Aid Program, instituted in 1939.

Despite gaining control of its natural resources in 1930, Alberta's difficult relationship with the federal government continued throughout the 1930s. The Alberta government had defaulted on some loans that the federal government refused to renegotiate, and the province was extremely bitter over this. In addition, the federal government had disallowed Alberta's banking legislation in 1938 – the first time Federal disallowance had been used in 12 years. Separatist sentiment within the province was invoked, and Alberta responded by setting up the Alberta Treasury Branches to provide an alternative to chartered banks, which were identified with central Canada. The province's feelings were so strong that it boycotted the Rowell-Sirois Commission on Dominion-Provincial Relations (Boothe, 1995).

5.3 1945 – 1966: Social spending and increased access to post-secondary education

By the end of World War II Alberta had a significant number and variety of post-secondary institutions in place. Under the federal Veteran's Rehabilitation Act, enrollment at the University of Alberta nearly doubled from 1945 to 1946 (Andrews, Holdaway, & Mowat, 1997). Prior to 1945, university classes had been offered only at the University of Alberta. In 1945, the Faculty of Education absorbed all teacher education from the normal schools, except for the Calgary Normal School. This resulted in the Calgary School being designated the Calgary Campus of the University of Alberta. Like much of the rest of the country, Alberta experienced a rapid growth in population due to the baby boom, putting pressure on the government to expand the post-secondary system in the 1960s.

Unlike the rest of the country, Alberta experienced an economic transformation starting in 1947 with the discovery of major oil resources. The rapid development of this industry led to increased immigration from Europe, the United States, and the rest of Canada, which continued to increase the pressure on the post-secondary education system (Ibid). Relations between the province and the federal government continued to be stormy, as "...[the provincial government was] strongly critical of the federal government throughout this period for failing to address what it perceived as the mismatch between the spending responsibilities and the taxing powers of the provinces" (Boothe, 1995: 38). The end of World War II and the strength of the Social Credit government began a period of rapid growth in spending, especially on social programs. This signified a major shift in spending priorities, from the building of infrastructure to social spending.

It has been suggested that the status of post-secondary education also seemed to have changed at the end of the war:

...In due course, employment opportunities were plentiful; prospective employees were scarce, and remuneration was high. Access became a right, and opportunity became the mark of a desirable system. The resulting increase in the participation rate, applied to a larger population, fed the transformation of the post-secondary system (Andrews, Holdaway, & Mowat, 1997: 60).

The government's improving fiscal position and the increasing demand for greater access to post-secondary education allowed programs to expand substantially. One of the ways in which the government attempted to increase access to post-secondary education was through the 1953 Student Assistance Act, which established a provincial loan program for university and nursing students (known as the Student Loan Fund). This plan was expanded in 1959 to include a broader range of post-secondary students. As in

Saskatchewan, the provincial plan was based on the Dominion-Provincial Plan. It was clear at this point that the government was following institutional precedent.

In 1951, federal government grants to universities began. From 1951 to 1966, federal funds were paid directly to universities, bypassing provincial authorities. This often left the province in a position of diminished control over expansion and costs (Ibid). Alberta's post-secondary education system also grew rapidly during the early 1960s. Increased demand for places in post-secondary institutions led to increased spending by the government. A system of per-student grants to the university and college sectors was put into place in 1964 with the passing of The University and College Assistance Act, coinciding with the federal government's introduction of the new Canada Student Loan Plan. These two actions were designed to increase (both directly and indirectly) the funding for post-secondary education in the provinces. These new rules governing the financial relationships between students, governments, and universities would be in place for only a few years before further (albeit minor) changes would be made.

5.4 1966 – 1971: Expansion of the post-secondary sector

The expansion of the post-secondary sector was well underway when the Universities Act of 1966 established the University of Calgary as an autonomous institution, as well as providing for the formation of other universities by order-in-council (Ibid). In 1967 the University of Lethbridge was established. The provincial government also announced that it would build Athabasca University in St. Albert, near Edmonton, due to the rapid population growth in both Edmonton and the University of Alberta. This

rapid expansion of the post-secondary system resulted in the government's decision to do a complete evaluation of the system, concentrating particularly on its coordination.

No effective coordinating body existed during the early 1960s, when the post-secondary system was growing rapidly (Berghofer & Vladicka, 1980). Little attention was paid to planning a series of individual institutions that would become part of Alberta's post-secondary education *system*. The emphasis on coordination of the expanding system led to creation of the Universities Coordinating Council and Universities Commission (renamed the Alberta Universities Commission in 1968) that would serve as an intermediary between government and the universities. This change was made as the "...direct contact with government previously enjoyed by the University of Alberta was seen as no longer feasible nor desirable, since the two universities would be competing for government attention and funding" (Nussbaumer, 1977: 73).¹³

The Universities Commission was to coordinate the efforts of the university system, and to advise the government on university finance and development (Munroe, 1974). This may have been partly in response to the change in federal funding patterns, as direct federal grants to universities were replaced with transfer payments to provincial authorities in 1966. These new funds were not earmarked for post-secondary education funding, so the province then had to create a new system for distributing operating grants to the universities. Changes to the federal rules required changes to be made to the provincial rules, and from 1966 to 1973 the grants were calculated using a formula based on full-time enrollments and weighted to reflect the costs of different programs.

¹³ The Institutes of Technology and other (non-university) post-secondary institutions operated under the Department of Education, while Schools of Agriculture operated under the Department of Agriculture when the Universities Coordinating Council was established.

The government's second major decision (after establishing the Universities Commission) taken in 1969 saw the Minister of Education Robert Clark establish a Commission on Educational Planning, chaired by Dr. Walter Worth (Andrews, Holdaway, & Mowat, 1997; Clark; 1970, Munroe, 1974). The Worth Commission's mandate was to:

...launch a broad scale inquiry into current social and economic trends within Alberta and their education consequences for Albertans over the next two decades. It was asked to student the total education system in Alberta and to set out ways in which this system [would] need to be modified and changed in order to meet the educational needs of future generations (Clark, 1970: 1).

This Commission would be active for three years before releasing its report in 1972.

University enrollments continued to rise in 1968-69, due in part to a 'relaxation' of admission standards required by universities (Alberta Universities Commission, 1969). Tuition fees also rose in this period, and students received additional assistance from the provincial government in 1969. The creation of the Provincial Guaranteed Student Loan Assistance Program was designed to supplement the assistance available to Alberta students under the Canada Student Loans program. The Student Loan Fund, established in 1953, remained in place but was used sparingly after this new program was introduced. The interest on these loans would be paid by the Province while the student was attending a post-secondary institution and for six months after s/he ceased to be a full-time student (Alberta Students Finance Board, 1988).

Continued government commitment to access to university education was emphasized in an interim policy released by Minister of Education Robert Clark in January 1970. It stated that the Government would continue to be supportive of a flexible

and comprehensive financial assistance program for students, in order to ensure that “...those capable of benefiting from further education are able to do so” (Clark, 1970: 3).

5.5 1971 – 1980: Coordination of the post-secondary system and increased provincial government control

Efforts to achieve greater coordination of post-secondary education would become more authoritative with the election of the Progressive Conservative government in 1971. The new government announced the creation of a Department of Advanced Education soon after taking office, which was designed to be a unified coordinating structure under direct government control (Berghofer & Vladicka, 1980). This signified the end of the old system in which the Universities Commission acted as intermediary between government and institutions. One of the first tasks of the new department was to transfer responsibility for the Colleges Commission and the Universities Commission to the Department of Advanced Education. This process was facilitated by the government’s decision to appoint previous Commission personnel to positions in the new department (Alberta Advanced Education, 1973). In addition, this process...

...marked the beginning of a period of greater central scrutiny and control of post-secondary expansion. The costs of higher education and Alberta’s dependency on non-renewable resources became important issues in order to control and direct expenditures, while restraining the costs of the system, greater central involvement seemed to be required. The government’s stance thus became one of carefully considered expansion under fiscal restraint, guided by a policy [of program coordination] (Andrews, Holdaway, & Mowat, 1997: 76-77).

Institutions were now required to submit proposals to the Department in order to receive approval and funding for new programs. Proposals were reviewed in terms of relationship to demand, present availability, and general impact on the system (Ibid). It can be argued that this increase in centralized decision-making was problematic when it

came to the universities for two main reasons. The first is that universities are historically autonomous and free from direct governmental control.¹⁴ The moves by the provincial government were seen as infringing upon that autonomy. The second, as Berghofer & Vladicka (1980) suggest, is that any local sense of involvement in institutions was being lost:

...the sense of community settlement and the creation of a new society in an empty land are powerful ideas in Alberta, going back to the early traditions on which viable communities were established in this place of cast geography and often cruel climate. It is not surprising then that the sense of community involvement with post-secondary institutions continues to be an important force in the development of the system of post-secondary education (59).

The way that the government allotted the operating funds was problematic as well, as the allotment was based on the actual full-time enrollment as of December 1st. Once the actual enrollment was established, universities would be notified about their proportion of funds for the next academic year, starting April 1st. Given a window of only four months, universities were not able to plan properly in advance for their upcoming year. Thus in 1972 the system was changed to allow grants to be calculated based on projected enrollments, rather than the actual enrollments (Alberta Universities Commission, 1972).

Changes to the department continued throughout the early 1970s. According to the newly created department, there were fundamental philosophies underlying its new directions:

Society's best interests are served in nurturing the fullest development of its members. Accordingly, a fundamental task of government is to provide for adequate and equitable learning opportunities for all its citizens. Citizen participation in policy-making and planning is essential to insure that the

¹⁴ Some have suggested that since universities rely on government financing they can never be truly autonomous, but I would argue that having the ability to set policies, fees, courses, and programs of study can be understood to represent autonomy.

educational system is responsive to individual and societal needs (W.H. Worth, quoted in Alberta Advanced Education, 1973: 7).

Many of the changes made were a result of the Worth Commission's report, released in June 1972. However, it was in fact rumoured that because changes had already been made by the government within the post-secondary sector, corresponding adjustments had to be made in the report before it was released to the public (Nussbaumer, 1977). Worth himself was appointed the Deputy Minister of Advanced Education soon after his report was released, so it was assumed that many of the Commission's recommendations would indeed be implemented.

The Conservative government had stated that one of its primary objectives in terms of access to higher education was to ensure "...educational opportunities without penalties to those of limited economic means; a complete re-examination of the effectiveness of the present use of tuition fees, grants, and loans" (Ibid: 105). Evaluations were made, and changes imposed. As part of the initial departmental restructuring, the Students Assistance Board (SAB) was renamed the Students Finance Board (SFB).

In 1972, the grant-loan format for student assistance was replaced with the loan-remission system (Berghofer & Vladicka, 1980; Alberta Advanced Education, 1972). Remission was defined as "...that portion of a student's loan which may be repaid by the Province of Alberta on the student's behalf when he or she ceased to be a full-time student" (Alberta Students Finance Board, 1989: 14). In essence the remissions were deferred grants, payable after a student successfully completed his or her studies (Alberta Advanced Education, 1972). In order to qualify for remission a student had to fill out an application available at credit institutions in Alberta, placing the onus on the student to

ensure that s/he received remission. Once the student had met the required conditions,¹⁵ the remission payment would be sent directly to the financial institutions holding the loans and applied to outstanding loan obligations.

Various changes were made to the provincial loan plan in 1972-73. The maximum support that a student could receive in a given year was increased from \$3,900 to \$4,600 (Alberta Advanced Education, 1973). The criteria for awarding Canada Student Loans had been liberalized, resulting in an increased amount of Canada Student Loan being awarded that year. A reduced number of provincial loans were awarded that year to compensate for increases in Canada Loans (Ibid).

In 1973-74, more changes were made to the student funding system. An amendment to the Students' Finance Act provided for the payment of remission on Canada Student Loans, as well as on provincial student loans. It was suggested in 1974 that this change would result in "...an increase of approximately \$4,000,000 annually in non-repayable funds issued to students" (Alberta Students Finance Board, 1974: 23). The reality of student indebtedness was a source of concern even in the early 70s, as the Students Finance Board introduced a financial aid counseling service for the provincial students (Ibid). The objective of this program was to ensure that students did not borrow beyond their ability to repay and to ensure that they maintained adequate academic performance (Students Finance Board, 1976).

From 1973 to 1976, the government replaced the funding formula for the operating grants of the universities with grants based on an *approved* 3 year projection of

¹⁵ These conditions had to met to the satisfaction of the Students Finance Board, and included (in 1989) savings adequate in relation to earnings; a reasonable contribution has been made by parents, spouse, or sponsor; full-time enrollment was maintained during the period for which assistance was provided; the initial arrangements for repayment of student loans have been made, ie loans have been consolidated.

operating costs. The Worth Commission Report had been released by this time, and the Commission had recommended that the provincial government change structures in such a way that would allow it to have a more direct influence on the post-secondary system. The Worth Report also had an immediate effect on the relationships between the universities and the government. Following the recommendations of the Commission, the government continued to enhance its position as a direct presence in the system by abolishing both the Universities Commission and the Colleges Commission in 1973. The responsibilities of both were transferred directly to the department.

Following its re-election in 1975, the government demonstrated that it was unwilling to relinquish its hold on the post-secondary system, and made further changes to the existing system. The Department of Advanced Education and part of the Department of Labour (the Division of Manpower) were merged and renamed the Department of Advanced Education and Manpower. This consolidation continued when hospital-based schools of nursing became part of the provincial post-secondary system under the Department. In July 1975 the government circulated a draft act called the Adult Education Act (later to be known as the 'Failed Act'), which "...proposed greatly increased control over all adult education institutions, including universities, and would have given the Minister sweeping power over programs, courses, and institutional operations" (Andrews, Holdaway, & Mowat, 1997: 79). There was widespread outcry against the proposed legislation, and it was withdrawn.

Student financing and increasing student debt loads were becoming a more visible concern in the mid-1970s. The Students Finance Board cited as some of its major objectives for 1975-76 "...the move toward a substantial increase in the present amount

of remission ...allowed to [be] issued to students”, as well as reducing the “problem of student indebtedness” and dealing with “...the discrepancy between amounts borrowed by rural and urban students” (Alberta Students Finance Board, 1977: 43). It was also recognized that the method of disbursing funds to students should be changed in order to provide for an increased number of disbursements during the academic year. Allocations would be dispersed on a monthly basis instead of the previous twice yearly allotment. It was hoped that this would help to alleviate student budgeting problems, and reduce requests for additional assistance. In addition, changes were made to the remission system that allowed a greater number of students to receive subsidized post-secondary education due to the reduction in default rates of ex-students (Alberta Students Finance Board, 1977).

In 1976 the provincial government again made changes to the universities’ operating grants. The enrolment-based funding formula was replaced by a system of block grants, with each new grant being based on the grant for the previous year, adjusted for inflation (Andrews, Holdaway, & Mowat, 1997). An era of closer government scrutiny of education budgets was underway (Berghofer & Vladicka, 1980). In 1976 the provincial government also introduced the Alberta Heritage Savings Trust Fund (known now as the Heritage Fund). The Fund received an initial deposit of \$1.5 billion in oil revenues, and the government committed itself to directing 30% of all future resource revenue to the fund (Boothe, 1995).

The federal government further withdrew from direct post-secondary education funding in 1977, and the provincial government gained even more control over the financial management of the post-secondary system. The government had the

responsibility for "...developing an appropriate financial policy to provide direction to a large and complex educational system" (Berghofer & Vladicka, 1980: 60), which became particularly problematic due in part to global economic concerns, world-wide inflation, and concern about Alberta's economic dependence on non-renewable resources.

In 1978, the Provincial Task Force to Review Students' Contributions to the Cost of Post-Secondary Education released its Report, recommending changes to the Student Finance Program. One of the recommendations made was that the composition of the Students Finance Board be altered to become a public board with up to seven members appointed by the Minister of Advanced Education and Manpower (Alberta Advanced Education & Manpower, 1979). Several other changes to the operations and responsibilities of the Students Finance Board took place in 1978-9, which seemed to result in greater direct government control in post-secondary education. The Chairman of the Board was now allowed to delegate the Board's authority to members of the administrative staff when it was deemed necessary – transferring power from a publicly-appointed board to government staff. In addition, legislative changes allowed the Minister to appoint the members of the Students Finance Board Appeals Committees in Edmonton, Calgary, and Lethbridge – a change from the previous situation in which the Board appointed these members (Alberta Students Finance Board, 1979).

5.6 The 1980s: Increasing complexity and systemization

In 1981, the federal government's National Energy Program and the recession led to a sharp decrease in real per capita expenditure in Alberta. After 1981-82, energy prices fell and deficits rose (Boothe, 1995). In 1982 the government bolstered its revenues by

diverting the interest from the Heritage Fund into the General Revenue Fund (GRF), changing the goals of the Heritage Fund to include short-term stabilization of the economy (Ibid). The mid-1980s marked a downturn in Alberta's oil industry and in the provincial economy, accompanied by changes in government policies. Net financial assets declined, falling by more than \$6,600 per capita between 1981 and 1991 (Ibid). The financial situation in the province had an increasing effect on the post-secondary sector. In addition to financial challenges, enrollment in post-secondary institutions was increasing.

In spite of the economic challenges Alberta was facing, the government was able to introduce two new student aid programs in 1980. The Alberta Educational Opportunity Equalization Grants were implemented to assist rural students in moving to urban areas in order to obtain a higher education and the Special Assistance Grants were based on unusual need and allowed for higher loan maximums (Alberta Advanced Education & Manpower, 1980). The Alberta Heritage Scholarship Fund was also announced: an endowment of \$100 million would provide academic, career development, and athletic scholarships as well as awards for outstanding achievement in various fields (Alberta Advanced Education & Manpower, 1981). Additional assistance for students came in the form of a tuition fee policy introduced by the government in 1982. The new guidelines allowed tuition fees to provide a minimum of 9% and a maximum of 12% of an institution's operating expenditures (Alberta Advanced Education & Career Development, 1995b).

Two characteristics of post-secondary education (and the financing mechanisms for it) predominated in the 1980s: increasing complexity and systemization; and almost

exclusive provincial responsibility and control of funding (Berghofer & Vladicka, 1980).

In fact,

Funding procedures aim[ed] to control overall government spending on post-secondary education while encouraging development of services for which particular demand exist[ed], or which c[ould] stimulate economic or social development in the province (Ibid: 3).

Various changes were made to the Student Finance System throughout the 1980s.

Demand for the services provided increased consistently throughout this period, and most changes to the system were made in response to this fact. In May, 1984 the outstanding principal liability of the province for the student aid fund was increased from \$100,000,000 to \$150,000,000. New bursary programs designed to encourage lower-income or traditionally disadvantaged students were also introduced in 1984-85. These programs were founded on the idea that certain groups of students were 'needier' than others, and unless extra financial support was provided, these students would be unable to complete their education. Further, these students were generally expected to contribute greatly to both their home communities and the society at large when they had completed their education¹⁶. Provisions were also made in 1985-86 to allow for the issuing of student aid on an emergency basis (Alberta Students Finance Board, 1986).

In January 1987 it was announced that the 1987-88 operating budget allocations to post-secondary institutions would be 3% less than the 1986-87 operating grants. This reduction in grants was said to be "...a necessary measure if Alberta was to effectively meet the new fiscal challenges facing the province" (Alberta Advanced Education, 1987a: 11). In February the Minister of Advanced Education initiated a meeting between himself

¹⁶ The Northern Alberta Development Council Bursary Program provided bursaries of \$7,000 for single students and \$12,000 to married students in circumstances where either the field of study or the remote location made post-secondary attendance difficult.

and all Board Chairmen and Presidents of Alberta's public post-secondary institutions, presenting them with "...the Government's fiscal plan for the next five years and discuss[ing] the role of public post-secondary education within that context" (Ibid: 12). It is interesting to note that this meeting was prefaced by the government announcing that tuition fees could be raised 10% in the next academic year. This was clearly what the representatives wanted to hear.

Until this point, the neo-institutionalist approach could account for many of the incremental changes in Alberta's student funding policies. The provincial government reacted to changes in its relationship with the federal government, and made relatively minor changes to its student loan program. Similar, incremental changes were occurring in the majority of the provinces. In fact, Alberta's changes were not as extreme as Saskatchewan's changes in the 1980s. It was clear, however, that a shift in attitude was being felt nation-wide at the end of the 1980s.

This emphasis on financial issues, and the offloading of the costs of post-secondary education to the individual student, would remain prevalent to the end of the 1990s and would underlie most of the changes made to the post-secondary system for the remainder of the century. The proportion of the universities' operating revenues that the provincial government provided was decreasing throughout the 1980s – from 71.2% in 1980-81 to 60.5% in 1990-91, as shown in Table 5.1. The proportion paid by students was increasing, however, from 11.6% in 1980-81 to 16.1% in 1990-91.

In May 1987 a revised remission policy was implemented. Remission was to be awarded at a flat rate of 40% with the application of a loan exemption of \$1,000 for each year of study. Previously, the Province generally repaid 50% of all funds borrowed

during the first year of study, 40% of all funds borrowed during the second year and 25% of all funds borrowed in subsequent years of study (Alberta Students Finance Board, 1987). A student who had borrowed \$2,000 per year for four years would have previously been eligible for \$2,800 in remission, whereas the new criteria would increase the remission to \$3,200.

In addition to the changes to the remission program, a strengthened audit program with the inclusion of a tax waiver, was introduced in order to reduce the potential for abuse within the student aid system (Alberta Students Finance Board, 1988). Further restrictions within the student aid system included a vehicle policy, implemented in 1988 as part of the Student Finance policy: "...in instances where high cost vehicles are owned and vehicle ownership is not justified, the value of the vehicle which exceeds \$5,000 is considered a resource when calculating eligibility for financial assistance" (Alberta Students Finance Board, 1989: 1).

In 1988 the Students' Finance Board Annual Report also began to include a section on principles underlying need-based programs, in order to emphasize the two main principles underlying the programs: that the cost of attending university is the *shared* responsibility among students, parents, and government and that student assistance is intended to be *supplemental* to the resources of students and their families (Ibid). This second point is particularly problematic, as need-based loans had/have become the main source of 'income' for many students which allows them to attend a post-secondary institution. Students have been and are allowed to earn up to \$200 per month while in full-time classes without losing any loan benefits, and it seems that this financing itself

could be considered supplemental to the loan, rather than the loan being supplemental to students' independent resources.

Another reorganization of the department of Advanced Education was announced on February 1, 1988 in order to replace an old organizational structure which had been "...designed to facilitate the expansion of the post-secondary system" with "...a structure that reflects the maturity and comprehensive nature of the system" (Alberta Advanced Education, 1988a: 13). Expansionist policies were to be replaced with consolidationist policies. A new emphasis on working cooperatively with the institutions to revamp the system was announced.

In Spring 1988 the Minister of Advanced Education approved a special \$4 million payment for student financial assistance. Higher than anticipated enrollment had resulted in over 58,000 students applying to the Students' Finance Board for aid – 3,000 more than had been anticipated (Ibid). Later that year, the provincial Supplemental Assistance Grants were replaced with increased provincial loan eligibility. The change was designed to "...encourage schools to achieve higher education and performance standards" (Alberta Advanced Education, 1989: 8), but essentially resulted in a group of students taking on more debt. This move was only one in a series of changes that would result in individual students taking on increasing levels of debt in order to gain a post-secondary education.

Table 5.1: Tuition and provincial government grants as a proportion of university operating revenues: Alberta 1980-81 to 1990-91

Year	Government Grant	% of University Revenues	Tuition Fees	% of University Revenues
1980-81	311,789,000	71.2	31,623,000	11.6
1981-82	372,001,000	71.0	35,368,000	11.0
1982-83	444,792,000	69.3	44,152,000	11.8
1983-84	466,716,000	71.0	50,346,000	12.4
1984-85	523,746,000	68.9	57,911,000	13.0
1985-86	505,316,000	67.4	60,874,000	13.2
1986-87	562,294,000	67.6	65,141,000	13.2
1987-88	532,772,000	64.2	75,646,000	15.1
1988-89	563,822,000	64.2	79,261,000	14.9
1989-90	584,994,000	63.5	86,602,000	15.0
1990-91	578,678,000	60.5	97,569,000	16.1

Source: Statistics Canada, *University Finance Trend Analysis 1979-80 to 1988-89; 1981-82 to 1990-91*.

5.7 The 1990s: An era of “pragmatism”

It can be said that post-secondary education funding entered a reductionist period beginning in the late 1980s. By 1990, the reduction of public funding for post-secondary education was in full force. Despite this reality, Minister of Advanced Education John Gogo, wrote that:

...the future prosperity of Alberta and Canada will to a great extent depend upon the training and education of our citizens. To achieve this goal, the Government of Alberta will continue to place a high priority on educational opportunities for

all Albertans.... *Qualified and motivated Albertans, supported by a strong financial assistance package, have access to a wide range of programs throughout our Province* (Alberta Advanced Education, 1990a: 1, emphasis added).

This emphasis on access to education for all Albertans was accompanied by changes the provincial student assistance programs. Assistance limits were raised from \$6,800 to \$7,500 per academic year for all students, and increases were made in yearly and lifetime undergraduate loan limits.¹⁷ Most parental contributions were reduced, except for those required from parents who were self-employed and had 'significant' assets. It could be argued that the government's goal of access was tarnished slightly when it was announced that the remission program would no longer extend to Canada Student Loans. Debt levels were also established below which students could not apply for remission (Ibid). An Interest Relief Program was introduced, which enabled the provincial government to make interest payments on behalf of graduates with low income. The goal of the program was to avoid defaults, and the government claimed that in the first six months of the program, over \$2 million in defaults were avoided (Ibid).

In 1991 a revised tuition policy that placed a ceiling on annual fee increases for universities and colleges was announced. The new policy emphasized increased individual student contributions to higher education funding: in time, up to 20% of an institution's operating budget could be raised from student fees. As part of the new policy, international students were to be charged tuition fees twice that of Canadian students. The 1990s would continue to be characterized by increasing tuition fees, as

¹⁷ Annual undergraduate loan limits were increased from \$4,300 to \$5,000 per academic year. Lifetime loan limits were increased from \$19,800 to \$25,000.

students would be expected to contribute more toward the cost of their learning. As several observers have noted,

...a combination of increased government funding, higher student fees, greater emphasis on various types of entrepreneurial activities, and more serious planning and reassessment by each institution will be required in a new stage which might appropriately be labeled as *pragmatic* (Andrews, Holdaway, & Mowat, 1997: 87, emphasis added).

The government certainly seemed to be embracing these principles in the early 1990s.

The relationships between the key participants in the post-secondary education system were in a constant state of flux.

Late in 1993 the government announced a major plan to balance the province's budget by 1997. Government departments (including Advanced Education) were expected to cut 20-25% from their next three budgets (also known as the 3-year Business Plan). In January 1994 Minister of Advanced Education Jack Ady announced that funding for post-secondary institutions would be reduced by 21% over the next three years (11% in 1994, 7% in 1995, and 3% in 1996) (Ibid). Budget '94 made deeper cuts to advanced education than had been anticipated – 15.8% (Hughes, Lowe, & McKinnon, 1996).

In spite of these cuts the government still claimed to value access to higher education. As part of the Department's 3-year Business Plan, the \$47 million Access Fund was established in 1994 to finance program proposals focusing on "...innovative cost-effective methods and partnerships that increase learning opportunities and access for Albertans" (Andrews, Holdaway, & Mowat, 1997: 84). The specific purpose of the plan was to encourage and enable institutions to increase student access by 10,000 places in post-secondary institutions by the year 1996-97 (Alberta Advanced Education &

Career Development, 1995b). However, these new students would be facing increased tuition costs. The ceiling on tuition fees would be raised to 30% of an institution's operating expenditures, but would not be allowed to reach that point until the year 2000 (Ibid).

Major changes were made to the student loan system in the spring as well. In April, the Minister announced a new income-sensitive student loan repayment plan (ICLRP) that would come into effect September 1, 1994 through an agreement with the Canadian Imperial Bank of Commerce (CIBC). Under the new system most student loans would not be guaranteed by the government: instead, a five per cent premium would be paid to the bank in order to cover the added risk. The new program would provide for increased flexibility for repayment of loans, resulting in reduced default costs (Alberta Advanced Education and Career Development, 1995b). Yearly assistance limits increased slightly from \$8,300 to \$8,600; undergraduate lifetime loan limits increased to \$40,000 from \$30,000; and graduate and professional program lifetime limits increased to \$60,000 from \$50,000 (Ibid).

In addition, supplemental assistance grants were replaced with loan support as an "...effective way to continue meeting students' needs and control expenditures" (Ibid, 35). A scaled back version of the remission program was retained in order to ensure that students' debt loads would be manageable. In 1995-96, the Royal Bank of Canada also joined the income sensitive student loan program. Between 1990 and 1996, and increasing number of students borrowed through both the federal and provincial loan plans, as seen in Table 5.2. In 1990-91, at least 4,624 more students had borrowed through the CSLP than through the provincial plan. By 1995-96, only 751 students had

borrowed solely through the CSLP. The approximate total amount borrowed by each student in 1990-91 was \$6114.38, and that figure had risen by less than \$600 to \$6614.28 in 1995-96.

As part of the Department's commitment to further strategic planning for post-secondary education, approximately 7000 copies of *An Agenda for Change* (1994) were sent out to citizens directly affected by systemic changes in Alberta's post-secondary system (also referred to as 'stakeholders'). Four major goals were identified for the post-secondary system: increased accessibility, improved responsiveness, greater affordability, and more accountability. The government's response was the February 1995 introduction of performance indicators (PIs) which would be used in addition to the accountability measures provided by the institutions. These indicators focus on program/student outcomes, financial productivity, and research and knowledge development indicators, and would ultimately become part of the funding process (Ibid).¹⁸ In essence, these factors

...underline the attempt to create quasi-market conditions within the public sector by encouraging competition. Competition is, of course, intended to improve the efficiency and effectiveness of institutions by making them leaner and more task oriented. PIs also, under the rubric of accountability, facilitate greater government control (Rae, 1996: 71).

The drive for greater government control can be seen in the new funding mechanism proposed in June 1995. It contained two main parts: "...1) a general operations grant tied to targets in the department's business plan, and 2) performance-driven funds to reward performance and act as incentives to meet specified objectives"

¹⁸ For a more in-depth discussion of Alberta's key performance indicators for Advanced Education, see *A Funding Framework for Alberta Post-Secondary Education: Background and Discussion Paper*, June 1995.

(Alberta Advanced Education and Career Development, 1995a: 86). Financial cuts would continue for the next few years, but institutions would still be expected to meet the four goals and maintain quality and standards within their programs.

University students continued to borrow more money throughout the 1990s. In 1995-96, the provincial auditor stated that "...the average outstanding student loan after remission was 40% higher than in 1992" (Alberta Auditor General, 1996: 44). By 1997-98, undergraduates, graduate and professional students could borrow up to \$9,200 per year in Alberta and Canada Student Loans. Students who were required to move in order to attend university were allowed to borrow an additional \$2,000 per year. Disadvantaged students, defined as single parents and disabled persons, were entitled to an additional \$6,000 per year in grants (Alberta Students Finance Board, 1997a). Lifetime limits are currently set at \$40,000 for undergraduates and \$50-60,000 for graduate and professional students, depending on their field of study. Minimum debt levels before remission payments are issued have been altered as well: an undergraduate who completes a degree in five years will be eligible for remission on loans over \$19,200. A graduate with a Master's degree will be eligible for remission on loans over \$27,900 (Ibid). Eligibility amounts for student loans are to be re-calculated every year in order to allow for increases in tuition.

Table 5.2: Student loan funding to full-time Alberta students 1982-83 to 1990-91

Year	Canada Loans			Provincial Loans				Total Loan per Student (Both loans combined)
	# Loans Granted	Amount Authorized (Total \$)	Amount per Student	# Loans Granted	Amount Authorized (Total \$)	Amount per Student (Total \$)		
1990-91	18,319	54,410,115	2970.15	13,695	43,060,228	3144.23	6114.38	
1991-92	16,849	53,114,897	3152.41	13,179	41,636,257	3159.29	6311.70	
1992-93	16,568	54,725,675	3303.10	13,181	44,494,756	3375.67	6678.77	
1993-94	15,802	51,349,700	3249.57	12,764	43,020,980	3370.49	6620.06	
1994-95	15,709	56,482,368	3595.54	14,995	40,299,114	2682.84	6278.38	
1995-96	15,194	57,572,356	3789.15	14,443	40,803,330	2825.13	6614.28	

Source: Alberta Students Finance Board, *Annual Report 1996-97*.

5.8 Summary

Post-secondary education policy has seen some drastic changes in the past ten years in Alberta. Public funding to institutions has decreased, and Alberta has been one of the first provinces to negotiate a deal with two banks to (essentially) take over the repayment responsibilities of the student loan program. However, government involvement in the post-secondary education sector has increased as well:

...in post-secondary education in Alberta, the ever-growing variety, size, and geographical dispersion of the enterprise, coupled with the government's desire to fulfill certain social goals in education, have resulted in steadily increasing government involvement with and coordination of what has clearly become a system of post-secondary education (Berghofer & Vladicka, 1980: 58).

Concurrent with the move toward decreasing public funding for post-secondary institutions is the re-emergence of entrepreneurialism. Alberta's post-secondary institutions are "...energetically seeking additional revenue through fund-raising, increased linkages with business and industry, and greater emphasis on marketing inventions and discoveries" (Andrews, Holdaway, & Mowat, 1997: 87). The introduction of performance indicators and their future use as funding determinants place increasing emphasis on these links between business, industry, and the universities while also increasing the costs of education to individual students. It has even been suggested that the current government is "...reinventing government as a market-driven, business corporation" (Hughes, Lowe & McKinnon, 1996: 269)

An example of the Alberta government's changing relationship with the citizens of the province can be seen in the Advanced Education Vision Statement, as written in the 1994/95 Annual Report. Albertans are said to be ...recognized globally for the excellence of their knowledge, skills, attitudes, and experiences that enable them *to take*

responsibility for shaping their futures..." (Alberta Advanced Education, 1995a: 3, emphasis added). It is this increasing emphasis on the individual "taking responsibility" for his/her future, higher education, and increasing tuition fees that has become particularly prevalent in Alberta's Advanced Education policies.

Alberta has done much more than any other provincial government in terms of consulting with student groups about changes in policy. However, despite the fact that the Klein government has consulted widely, students are still dissatisfied with policy results. Neo-liberal ideology, as espoused by Klein, advocates that students can express their wishes most efficiently and effectively through the market system. They can choose which program and which university they wish to attend, and take their financial resources there. If they dislike the program, or feel that the university is not providing them with value for their money, they can go elsewhere. They also have the option to participate (if they qualify) in the government loan programs. It is these means of "voting with their feet" that neo-liberals see as being the most efficient and effective way for students to be involved in the policy-making process.

It is clear that the neo-institutionalist approach cannot explain these shifts in relationship and in societal perspective. Ideological change is reflected in the institutional change, so it is possible to actually observe the changes, but difficult to explain their occurrence. Only ideology can explain how a government can act as a private, business-like interest, and to establish its societal institutions accordingly.

6. CONCLUSIONS

6.1 Differences and similarities between the provinces: is neo-institutionalism useful?

Alberta and Saskatchewan are historically very similar. Both provinces were established and settled at the same time, becoming provinces in the same year. As western provinces, both have experienced alienation and separation from the federal government. Both economies are heavily reliant on non-renewable resources and agriculture. Both provinces have similar political structures, and have relationships with the federal government within the context of the Canadian federal system. In terms of post-secondary education, both provinces had a strong secular university established within the first five years of formal creation, and both provinces introduced student aid systems early in their histories. Both continue to emphasize the importance of access to higher education.

However, there are fundamental differences between the two provinces as well. Saskatchewan's population of approximately 1 million people is dwarfed by Alberta's 2.7 million. The province is more likely to see emigration than immigration, and a large proportion of those migrants move to Alberta. According to the 1991 Census, levels of educational attainment tended to be above the national median in Alberta and lower in Saskatchewan (Statistics Canada, 1995a). Although the provinces have similar political structures, they are traditionally very different in terms of socio-political ideology.

These historical, geographic, and political similarities and differences are some of the reasons that make it so interesting to compare Alberta and Saskatchewan public policy. Somewhat surprisingly, in terms of student loan policy, the provinces have

become virtually identical over the past thirty years. From 1971 to 1994, provincial spending relative to the size of provincial economies became quite similar. In fact, when looking at the average per capita spending as a percentage of total spending from 1971 to 1994, Alberta spent 25.8% of its budget on education (post-secondary, secondary, & elementary), while Saskatchewan spent 25% of its budget on education (Atkinson & Bierling, 1998:76). There have been cyclical and periodic divergences from the expected path, especially in Alberta, but these divergences generally coincide with times of great economic stress or economic boom (Ibid: 86).

In terms of university education, spending patterns have been quite similar when one examines university revenues, despite the fact that Alberta has a greater amount of disposable income and a greater population. Saskatchewan's provincial grants to universities have been slightly lower proportionally than Alberta's, but as of 1990, the difference has become minimal. The largest gap between Alberta and Saskatchewan grants as a portion of university revenues between 1980 and 1990 occurred in 1983, when the Saskatchewan government grant accounted for 62.8% of university revenues and the Alberta government grant accounted for 71% of university revenues – a difference of 8.2% (see Appendix A). By 1990, however, this gap had virtually closed. In 1990-91, the Saskatchewan government grant accounted for 61.8% of university revenues while the Alberta government grant accounted for 60.5% of university revenues – a difference of only 1.3%.

The amounts borrowed by students in Alberta and Saskatchewan are quite similar. Students in both provinces have borrowed more in terms of real dollars since the program began, but especially in the 1990s (see Appendix D). Saskatchewan students

experienced a jump in average debt from \$1,448.65 in 1980-81 to \$6614.28 in 1995-96 if they received both federal and provincial loans. Even when accounting for inflation, it is obvious that this is a drastic change in student financing, and in government policy. Alberta students averaged \$2774.70 in loan funding in 1980-81. By 1995-96, however, the average loan taken was \$6091.96 – only slightly lower than that received in Saskatchewan.

How then, is it possible to account for these similarities in circumstance and policy? It is necessary to find some suitable explanation. The major purpose of this thesis was to examine the ability of the neo-institutional approach to account for the development of the student loan systems in Canada at both the provincial and the federal levels. The approach was most useful in providing an explanation for relatively stable, unchanging policies, societal structures, and rules of policy-making. For the first twenty-five years of government student loan policy in Canada, the approach successfully accounted for the relative lack of change and inertia apparent in the student loan programs themselves, as well as within the policy community. It can also be used to account for the delay, federally and in Alberta, between accepting and implementing neo-liberal-compliant policies. The approach also provided in-depth explanation of the federal system in Canada, which is vital to a discussion that involves both federal and provincial actors in the policy-making process.

However, the approach does have inadequacies, as all approaches do. When it was necessary to propose explanations for the rapid change in student loan policy during the mid-1990s, neo-institutionalism fell short of the mark. Although the approach acknowledges that rapid and radical change can occur within institutional structures, it

does not explain how or why the change occurs. The outcomes of the change(s) are clear when one examines the resultant change in institutional structures, but the impetus behind the change remains hidden. One cannot presume to know the intentions of the policy actors from the results of their actions, so the neo-institutionalist is left unclear as to why change has occurred. It is not possible to trace the changes back to the intentions of the actors.

Neo-institutionalism argues that societal institutions establish who is permitted to participate in the policy-making process, how decision-making is to be accomplished, and what limits (if any) are to be placed on the range of possible outcomes in policy-making (Ibid). However, it can also be argued that societal institutions can be altered through a paradigm shift. Since the neo-institutional approach cannot provide a complete explanation of the changes in student loan policy and the policy process in the mid-1990s, it becomes necessary to examine other possible factors that might supply a more complete explanation. One such possibility is the incorporation of conflict theory, and the transition from Keynesianism to neo-liberal ideology. It is ultimately this shift in ideology, in conjunction with neo-institutionalism, that can best be used to explain the shifts in public policy during the last decade.

6.2 Shift in ideology: neo-liberalism as an explanation for institutional change

Saskatchewan was the first of the two provinces to experience a major shift in socio-political ideology. With the election of the Progressive Conservative party in 1982, Saskatchewan people and Saskatchewan students experienced an increased emphasis on the individual as solely responsible for his/her future, the market as most efficient arbiter

of exchange, and the reduction of public funding in multiple sectors. Neo-liberalism was clearly in full force by the mid 1980s.

For the past ten years, Alberta has been reinventing itself as a business-oriented, market-driven entity. The primacy of market forces, individualism, and a minimal role for the state are emphasized in this process (Hughes, Lowe, & McKinnon, 1996). The government is moving toward privatization in many fields, which can be placed in context as:

...a movement driven by a perception of fiscal crisis, by fear of rising government debt, by talk of tax revolts; fostered by a renewed belief in market forces and a loss of faith in the efficacy of state coordination and government intervention. It is a movement that is trumpeted as promoting choice, responsiveness, and efficiency (Rae, 1996:60)

Other provincial governments, as well as the federal government, have been examining new fiscal policies, but Alberta "...is notable for the pace and intensity of its approach..." (Hughes, Lowe, & McKinnon, 1996: 270). The nation-wide moves toward privatization have been characterized by the increased participation of banks in the student loan program, greater emphasis on university-industry partnerships (universities are rewarded through increased funding in the research envelope), the introduction of performance indicators, and greater emphasis on the individual student as beneficiary and financial contributor to education. In Alberta, it is clear that the process is not meant to stop with the privatization of the repayment end. A document produced by the Alberta Students Finance Board (1993b) recommended that the front-end of the student loan system be privatized, once the rear-end, or repayment process, was privatized.

It is clear that social policy, both at the federal and provincial levels, is moving in a specific direction. That movement is a result of a shift in the dominant socio-political

ideology. The widespread acceptance of neo-liberalism and its assumptions has had a dramatic affect on Canadian policy and policy-making. The drive toward privatization, decreased governmental involvement in the economy, increased market freedom, and increased emphasis on the individual taking responsibility for his/her own future is demonstrably evident in the development of student loan policies. The personal economic benefits of post-secondary education are emphasized, making increased personal responsibility for financing an education more palatable for most people. In addition, it is suggested that students who have made a significant financial investment in their education will be more quality and cost conscious than those who do not (McDonough & Wright, 1998). Individuals borrow more to attend university because they believe that it is to their individual benefit to do so.

The increasing involvement of the banking industry in student loan programs comes as government involvement decreases. The banks' increasing responsibility for student loans will also make it easier for governments to privatize the loan programs at some point in the future. A gradual transfer of responsibility makes the final transfer much easier, in terms of policy and in dealing with societal reaction.

Even though the trend toward privatization and increased individual responsibility for financing further education may be more apparent in Alberta than in any other province (aside from possibly Ontario) at the moment, we cannot ignore the fact that provinces look at the policy examples set by their neighbouring provinces in a federal system. In addition, the federal government is embracing the neo-liberal ideology in its move toward increasing bank control of loan repayment and income contingent loan repayment plans. The fact that our society is firmly ensconced within a neo-liberal

framework means that the changes occurring in Alberta and at the federal level are most likely in the future for other provinces, including Saskatchewan. The institutional structures of both provinces' student loan systems have become almost identical, due predominantly to increasingly similar socio-political ideologies.

6.3 Toward a new approach for understanding policy changes

A program that affects up to half of all university graduates and puts increasing numbers of them into serious indebtedness must be subjected to in-depth analysis. It is vital to be able to account for the changes in student loan policy and rules of policy-making over the past decade. When it is possible to understand the effects that a change in dominant ideology has had on Canadian society, in conjunction with the structural analysis, it becomes increasingly possible to make future changes that benefit society as a whole.

I have concluded that it is useful to create a hybrid theoretical approach for this project, making use of a combination of elements of neo-institutionalism and of neo-Marxist conflict theory. Neo-institutionalism can be useful in studying public policy developments, as it becomes possible to observe institutional embeddedness and the resulting constraints on policy actors. It can also be used to explain a delay in the translation of ideas into policies. However, neo-institutionalism is only truly useful until the society experiences a paradigm shift. The theoretical approach cannot account for the changes created in the societal institutions, but can only demonstrate that they have taken place. Neo-Marxist conflict theory and its notion of dominant ideology as being grounded in material action, can be used in combination with neo-institutionalism to

explain how the changes in institutions actually occur. It has become clear through the course of this study that changes in the dominant ideology of a society can be powerful enough to create changes throughout the society, as reflected in policy changes and societal acceptance of these changes. By using the neo-institutionalist/conflict blend, it also becomes possible to understand the impetus behind changes that will occur in the near future. It also becomes clear that the ideological paradigm will shift again at some point in the future, and institutional change will continue to occur.

This thesis is not intended to be the final work on these areas of study. Indeed, there is much in the areas of student financing policy and the neo-institutionalist approach to studying public policy that remains unexplored. The use of a combinatorial theoretical approach, blending the structuralist neo-institutionalism and neo-Marxist conflict theories, proved to be useful in this study. Theories continue to evolve, and I believe that further work on a developing neo-institutionalist perspective will be useful. The incorporation of various elements of conflict theory may continue to be useful, and may be a source of continued study in the future. Further consideration of aspects of neo-institutionalism that have not been historically well-developed, such as the approach's treatment of human agency, are also in order.

In terms of examining Canadian student financing policy, this thesis represents a useful place to start for future research. In the future, I hope to continue on within this area of study, beginning with an examination of the roles played by student groups and chartered banks in the policy-making process. This thesis provides a place to begin an examination of the involvement and impact of organized student groups in the policy-making process. As students are those primarily affected by changes to student financing

policy, both the nationally and provincially organized student groups have been active both in lobbying and in the provision of information throughout the history of this country. However, little is known either about their direct involvement in the process of policy-making or about the effects of their attempts to influence the future directions of student financing policy.

It is also clear that the banks have had an immense impact on student financing policy at various times in the past thirty years, but it is yet unclear how the relationships between the governments and the banks have developed and grown. What is clear is that banks are influential in the policy-making process, and are being involved in that process to make decisions concerning the future of student loans in this country. Banks provide formal representation at federal and provincial meetings of post-secondary funding stakeholders, but also have informal influence simply because they are so heavily involved in the government student loan programs. It seems unlikely that this involvement and resultant influence will diminish in the near future. Banks have increasing control over repayment, and recent measures taken by the federal government to exempt student loans from bankruptcy provisions and to introduce credit checks for student loan applicants are clearly not meant to benefit students – they are meant to benefit banks. This is a clear example of the power and influence the banks have in the student funding process in Canada. This needs to be studied and documented further.

I would propose that further study in this area should also deal with the composition of the body of student loan recipients itself. There is a tendency to treat student loan borrowers as a homogenous body, with the exception of the small percentage of special funding recipients (such as single parents and Saskatchewan northerners).

However, it is clearly problematic to treat hundreds of thousands of students as a homogenous group. Further study is needed to determine the make-up of this 'group', including analysis based on sex, socio-economic background, borrowing by discipline, urban/rural background, and attitudes toward debt. Changes in student loan policy are likely to affect people in different ways, and to various extents. It will be useful to gain a clear understanding of who receives student loans and how they cope with varying amounts of debt.

These are only a few areas of study I would suggest for the near future. It is vital to continue to develop a theoretical approach that can be used to deepen our collective understanding of how policy changes are developed and implemented. I believe that continuing to address changes in student financing policy will be vital for the future of this country, as well as for the students in other western countries which make use of similar programs. It is clear that programs that affect half of a country's university-educated population, like those in Canada, must continually be scrutinized in order to determine whether or not they continue to serve both their original purposes and the people they were designed to assist.

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**Appendix A: Government grants as a proportion of university revenues:
Alberta and Saskatchewan 1980-81 to 1990-91**

Year	Saskatchewan Government Grant	% of University Revenues	Alberta Government Grant	% of University Revenues
1980-81	120,437,000	63.9*	311,789,000	71.2
1981-82	137,594,000	68.2	372,001,000	71.0
1982-83	150,551,000	66.1	444,792,000	69.3
1983-84	152,566,000	62.8	466,716,000	71.0
1984-85	163,972,000	63.3	523,746,000	68.9
1985-86	178,744,000	63.8	505,316,000	67.4
1986-87	197,848,000	65.7	562,294,000	67.6
1987-88	192,533,000	63.3	532,772,000	64.2
1988-89	200,270,000	61.5	563,822,000	64.2
1989-90	241,739,000	64.9	584,994,000	63.5
1990-91	240,831,000	61.8	578,678,000	60.5

Sources: Statistics Canada, *University Finance Trend Analysis 1979-80 to 1988-89; 1981-82 to 1990-91.*

Appendix B: Enrollment in full and part-time post-secondary education: Canada, Saskatchewan, and Alberta 1982-83 to 1995-96

	Full-Time University			Part-Time University		
	Canada	Sask.	Alberta	Canada	Sask.	Alberta
1982-83	426,389	17,618	36,679	266,386	9,012	20,540
1983-84	450,531	19,132	39,907	278,700	8,845	21,561
1984-85	761,192	19,454	41,423	277,826	8,680	19,392
1985-86	467,600	19,190	41,932	285,360	8,190	21,052
1986-87	475,458	20,535	43,207	287,497	9,250	17,299
1987-88	486,062	20,729	44,751	257,840	8,292	17,782
1988-89	499,359	20,278	44,199	306,192	9,213	19,455
1989-90	514,422	20,989	45,491	307,622	9,056	17,115
1990-91	532,132	21,640	46,241	309,198	9,810	17,657
1991-92	553,931	22,392	48,791	313,421	9,436	17,155
1992-93	568,999	22,920	50,344	321,012	9,191	17,929
1993-94	574,320	23,340	51,650	328,447	10,810	17,685
1994-95	577,837	23,173	50,803	288,186	8,060	16,635

Sources: Statistics Canada, *Education in Canada: A Statistical Review* various years; Alberta Advanced Education *1989-90 Statistical Report*, Statistics Canada, *Education in Canada 1996*.

Appendix C: Tuition fees as a proportion of university revenues: Alberta and Saskatchewan 1980-81 to 1990-91

Year	Saskatchewan Tuition Fees	% of University Revenues	Alberta Tuition Fees	% of University Revenues
1980-81	15,233,000	12.9	31,623,000	11.6
1981-82	16,848,000	12.8	35,368,000	11.0
1982-83	21,337,000	14.1	44,152,000	11.8
1983-84	24,394,000	14.9	50,346,000	12.4
1984-85	26,099,000	14.9	57,911,000	13.0
1985-86	27,901,000	15.2	60,874,000	13.2
1986-87	31,202,000	15.8	65,141,000	13.2
1987-88	33,716,000	16.8	75,646,000	15.1
1988-89	35,956,000	16.9	79,261,000	14.9
1989-90	39,296,000	17.6	86,602,000	15.0
1990-91	44,330,000	18.7	97,569,000	16.1

Sources: Statistics Canada, *University Finance Trend Analysis 1979-80 to 1988- 89; 1981-82 to 1990-91.*

Appendix D: Approximate total loans per student borrower receiving both federal and provincial loans in Saskatchewan and Alberta

Year	Saskatchewan			Alberta		
	Canada Loans	Provincial Loans	Total Loans	Canada Loans	Provincial Loans	Total Loans
1980-81	1448.65		1448.65	1428.35	1346.35	2774.70
1981-82	1606.52	No	1606.52	1855.40	1537.72	3393.12
1982-83	1789.43	Loans	1789.43	1672.80	1593.97	3266.77
1983-84	2268.17	Available	2268.17	2571.29	1554.37	4125.66
1984-85	2384.62		2384.62	2918.02	1317.87	4235.89
1985-86	2697.17		2697.17	2989.92	1336.72	4326.64
1986-87	2829.66	1316.29	4145.95	3029.90	1359.42	4389.32
1987-88	2904.42	2530.85	5435.27	3032.27	1446.03	4478.30
1988-89	2910.75	3106.02	6016.77	3016.60	1423.12	4439.72
1989-90	2838.12	3152.45	5990.57	3022.34	1521.57	4543.91
1990-91	2970.15	3144.23	6114.38	3085.26	1754.85	4840.11
1991-92	3152.41	3159.29	6311.70	Figures	not available	
1992-93	3303.10	3375.67	6678.77	3204.23	2085.85	5290.08
1993-94	3249.57	3370.49	6620.06	3239.95	2265.45	5505.40
1994-95	3595.54	2682.84	6278.38	3437.10	Not available	
1995-96	3789.15	2825.13	6614.28	3710.23	2381.73	6091.96

Sources: Alberta Students Finance Board, *Annual Report*, various years. *Annual Report*, various.