

## Ukraine's bail-out

## When relief looks barely enough

KIEV

A loan provides sticking-plaster for a stricken, war-weary economy

THERE was relief in Ukraine's corridors of power on March 11th when the International Monetary Fund (IMF) approved its long-awaited bail-out for Ukraine. The fund's promised loan amounts to \$17.5 billion over four years. Other donors have pledged several billion more. The first tranche has already brought in a badly needed \$5 billion, nearly doubling the country's reserves, which had dropped to just \$5.6 billion.

Ukraine hopes to pick up another \$15 billion of savings from private creditors in debt restructuring talks due to begin next week. But even that may not be anywhere near the amount that is needed by Ukraine's crumbling economy.

Confidence is feeble, with inflation soaring, GDP contracting, and tanks still rumbling in the Donbas despite the latest ceasefire. The government's worst-case projections see GDP sagging by nearly 12% this year and inflation exceeding 40%. Capital controls and an increase in the central bank's interest rate from 19.5% to 30% have helped to stabilise the hryvnia, Ukraine's currency, after it plummeted last month. Yet black-market traders continue to buy and sell at rates 25% lower than the official level. Ukrainians have pulled huge sums from banks; last month the country's fourth-largest bank, Delta, was declared insolvent. Haphazard reforms have spooked the markets. The West's lack of urgency in coming to Ukraine's aid has done little to calm them. Stable peace in the east looks far off.

Ukraine's parliament has now passed a raft of tough laws sought by the IMF, including cuts to pensions and rises in gas prices, which are set to go up by 280% in April alone. The new government is Ukraine's most competent in its independent history. But its reform efforts remain spotty, with vested interests gumming up change. Daniil Pasko, who leads deregulation efforts at the National Reform Council, says that less than 5% of the measures his team deems necessary have been taken. "We've only taken a few steps, and they are small steps," he says. "If we don't start running now, we'll have nowhere to run to."

Activists also lament the lack of bold action against corruption. People who pillaged the economy under the former president, Viktor Yanukovich, have not faced charges. The new Anti-Corruption Bureau, an independent body with law enforcement powers, has no head. Last week, after

## German demography

## Ageing but supple

BERLIN

Responding creatively to shrinking populations

THE little town of Schladen-Werla in rural Lower Saxony, right alongside the former barrier between East and West Germany, is in a demographic "devil's spiral", says Andreas Memmert, its mayor. The place is projected to lose about a third of its population by 2030. "The young and clever leave and the less mobile stay," he notes. As the population thins out, bus routes, crèches, schools, banks, convenience stores and libraries close for lack of demand. This makes life even harder for remaining residents, so they leave too.

Germany has one of the world's most rapidly ageing and shrinking populations, even though an uptick in immigration has temporarily halted its overall decline since 2011. By 2060 it is estimated that the total number of Germans will have tumbled by 20m, equivalent to Romania's population today. But decline is unevenly spread. Some cities are grow-

ing. Other areas, mainly in the east and the countryside, are emptying, (see map).

But local people in those places are not giving in. Some get together to start volunteer van services to replace buses. Others merge government services and shops under one roof. Usually, though, they run slap into Germany's dense thicket of rules and laws. Those locals who somehow prevail are "heroes", says Reiner Klingholz of the Berlin Institute for Population and Development, a think-tank. They are "breaking up our bureaucracy and making it more flexible."

Mr Memmert is one example; he even won an innovation award. He saw a crunch coming in 2008. In a town that once had five doctors, several had retired and the others were thinking of leaving. The 9,000 residents were at risk of having no doctor at all. A care home for the old would have had to close; families would have had to move for lack of paediatric care. So Mr Memmert found ten doctors in fairly distant cities in Lower Saxony and an investor in Nuremberg. He offered them the use of a big empty building, where a discount store had moved out, and persuaded them to take turns commuting to the town for one or two days a week, without quitting their old practices. Between them the doctors and a physiotherapist give continuous service.

The first hurdle was the doctors' association, a state-sponsored agency of self-regulation; it refused to grant permits. Mr Memmert overcame that with fierce lobbying. Then came volumes of pedantic laws. Mr Memmert either bent them or complied as far as possible. The physiotherapist, for example, must use a separate door, for reasons nobody quite understands. In the end he triumphed, and Schladen still has doctors. "Germans think 'the state is clever—the citizen is stupid'. We have to get more flexible," says Mr Memmert.

## Growing and going

Population change in Germany 2006-11, %



Source: Bundesinstitut für Bau-, Stadt- und Raumforschung (BBSR)

the selection committee announced its four finalists, deputies from President Petro Poroshenko's party introduced a law that would sabotage the selection. Daria Kaleiniuk of the Anti-Corruption Action Centre says the government is selling the "promise of reforms" in place of real ones.

The government's next challenge will be to get creditors to accept a debt-restructuring deal. Russia, which holds a \$3 billion eurobond, has called for full payment; it can cause problems by shunning negotiations, as all creditors want equal treatment.

Other bondholders will balk at a haircut, though many fear it will be necessary. Merely extending maturities may amount to kicking the problem down the road. It is doubtful that Ukraine will be able to pay in five years, says Alexander Valchyshev, head of research at Kiev's Investment Capital Ukraine. He says it would be "a sin" not to use the present difficulty to push for write-downs. Much bodes ill for Ukraine's future growth. The euro zone's woes, China's slowdown and Russia's slump all cast a long shadow. ■



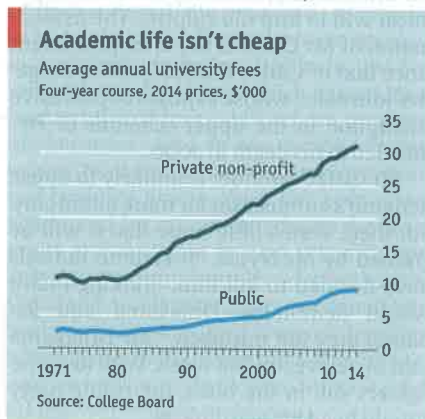
### Technology and universities

## The log-on degree

PHOENIX

College in America is ruinously expensive. Some digital cures are emerging

WILLIAM BOWEN, a former president of Princeton, calls it “Harvard envy”. Other American universities try to emulate the Ivy League, which raises costs. They erect sumptuous buildings, lure star professors with fat salaries and hire armies of administrators. In 1976 there were only half as many college bureaucrats as academic staff; now the ratio is almost one to one. No wonder average annual fees at private universities have soared to \$31,000 in 2014, a rise of around 200% since the early 1970s (see chart). Each new graduate in America is now about \$40,000 in debt. People who take costly arts degrees may end up poorer than if they had never been to college (see box on next page).



Digital technology can make college cheaper without making it worse, says Michael Crow, the president of Arizona State University (ASU) in Phoenix and co-author of “Designing the New American University”. This idea is not new. For a few years now, massive open online courses (“MOOCs”) have enabled universities to beam lectures to wide audiences for a tiny marginal cost. The problem has always been that taking a MOOC is not the same as attending college in person. MOOCs are cheap, but students cannot bump into each other in the library and swap ideas, chit-chat or body fluids.

ASU seeks to mix online and face-to-face instruction in a way that makes both more effective. For example, one reason why college costs so much is that many students fail to graduate on time. Only three-fifths finish a four-year degree within six years. This may be because they are ill-prepared when they arrive: shaky numeracy leads many to drop out of courses that require maths. ASU uses technology to diagnose and address such shortcomings. All students are tested on arrival and given remedial help if they need it.

Teachers cannot keep an eye on all their charges, so the university’s “eAdvisor system” nags them instead. Since 2008 it has given all freshmen an online achievement plan, including a constantly updated dashboard that shows whether they are on

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track or drifting towards the exit.

Online introductory courses, full prompts and explanations, ensure teachers do not have to keep going over basics in seminars. This frees time to teach the more difficult stuff. Data analytics allow tutors to identify which students are stuck and arrange the right response.

Early results look good: ASU has almost doubled undergraduate enrolments since 2002, to 82,000, kept its degree costs reasonably low (\$10,000 a year for in-state applicants) and increased the share of students who graduate after four years from under one-third to half. The goal is to raise that to two-thirds in this academic year.

As well as chivvying laggards, software can make courses more fun. One of the most popular at ASU, on space exploration, offers nifty interactive sessions, allowing students to learn astronomy by way of a quest to find out what a habitable exoplanet in our terrestrial world might be like.

Providing more of its coursework online also helps a university to serve students far away. Phil Regier, the dean of online studies at ASU, says that the number of students who study remotely is growing fast. They tend to be older, holding down jobs, bringing up families and fitting their studies whenever they can grab time in front of a screen. They pay the same as in-state students who live on campus.

This works out well for the universities, which can educate more fee-paying students without building bigger lecture halls. Extra sources of income are handy at a time when the state of Arizona is cutting funding for higher education. Mr Crow is quick to spot opportunities: ASU has linked up with Starbucks, a coffee chain that provides online degrees for company staff.

The notion that online degrees are inferior is starting to fade. Top-notch univer-

ties such as Pennsylvania State and Columbia now offer them in many subjects. Georgia Tech has had an online-only master's degree in computer science since 2014, which it considers just as good as its campus version. Minerva, a "virtual" university based in San Francisco, offers online seminars to students who hop from city to city gaining work and cultural experience.

Even Harvard, long a digital resister, has softened a bit. From this year, its master's course in public health can be done full-time, part-time or in intense bursts. For much of it, students do not need to be present on campus, so long as they gain the required course-credits. That touches on another idea that could change the way other courses are taught, paid for and accredited: the SPOC (Small Private Online Course).

Whereas the mass-market MOOC is aimed at large numbers of people with different levels of knowledge and commitment, SPOCs are focused on particular groups of students who are qualified to take the course and ready to interact with others while learning. Harvard's Kennedy School of Government runs a popular SPOC on American security policy: alongside the campus students in Cambridge, Massachusetts, 500 more take the course online. They are required to dedicate time to it and do lots of homework, but so far they can receive no formal credit for it.

That seems odd. Robert Lue, who runs HarvardX, the university's digital arm, says that it is becoming easier to imagine prestigious universities creating SPOCs for course-credits. Mr Lue approves. "The Harvard idea for the 21st century is not to end up as the education equivalent of a heritage park," he says.

Clayton Christensen, the Harvard professor who coined the term "disruptive innovation", thinks American universities are too firmly wedded to their old costly ways to embrace the digital revolution. But Jose Ferreira, who runs Knewton, an education technology firm, predicts that as online courses proliferate and are made easily available in the (computational) cloud, students will embrace them. The present design of colleges he sighs, resembles "a 19th-century factory that builds everything on site". In the next few years, Mr Ferreira says, at least one of America's large elite institutions will break ranks and accept credits from the best online courses as part of a mainstream degree. At that point, he reckons, "the rest will quickly follow."

Freeing universities from their geographical constraints might mean that undergraduates at, say, Ohio State could collect an extra course-credit or two from Harvard. That could increase choice for students and create new revenue streams for the universities with the best digital offerings. Old-fashioned colleges that fail to offer value for money, however, may find that their lecture halls start to empty. ■

## New York's best schools Asians beware

NEW YORK  
Top marks largely go to Asians. Bill de Blasio wants to change the exams

FOR the past two years, nine-year-old Harvey Jiang has been privately tutored in maths and reading after school. This allows his parents, who left their village in China two decades ago, to work long hours in their restaurant. But this is not Beijing; this is Brooklyn, where Harvey is swotting early for a controversial exam.

New York has nine specialised high schools, of which eight admit students using the city's Specialist High Schools Admissions Test (SHSAT). The education they offer rivals that of private schools that charge \$40,000 a year. The high schools are free. The most popular, Stuyvesant, sends roughly 25% of its graduates to the Ivy League or other top colleges. The school's unofficial mantra is "Sleep, study, socialise: pick two." It admits 4% of test-takers, pickier than Harvard.

New York's Democratic mayor, Bill de Blasio, sends his son Dante to a specialised high school, Brooklyn Tech. Nonetheless, he thinks the SHSAT favours parents who can afford tutors. He wants to "broaden" (ie, relax) the admissions criteria, to help poorer black and Hispanic families.

The SHSAT also faces a legal challenge.

The NAACP, the country's biggest civil-rights legal defence fund, joined others in 2012 to file a suit demanding changes in admissions procedures. New York City's public schools, the suit claims, are among the most racially segregated in the country.

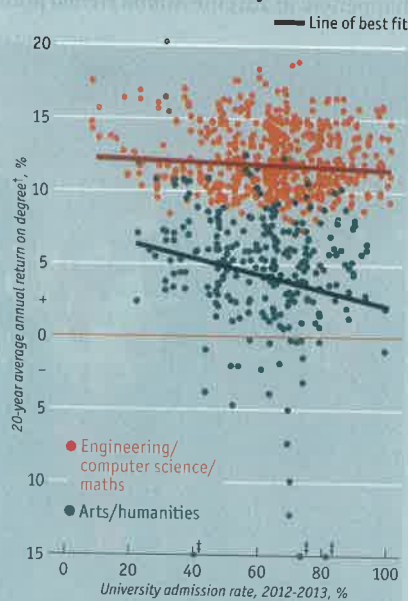
Do they have a case? Asians make up more than 70% of pupils at Stuyvesant; blacks and Hispanics combined make up 3%, and falling. White pupils took 80% of places in 1970; now it is less than 25%.

But Asian-Americans are also a minority, says Tina Jiang, Harvey's 16-year-old sister, who already goes to Stuyvesant. And many are also poor. Almost half of Stuyvesant's pupils qualify for free lunches. The difference, according to US Clara Hemphill, who runs a service that reviews public schools, is the "culture of test prep" among Asians: "Even families of modest means will put their kids through that."

Moreover, looser entry criteria may merely boost white pupils. Sean Corcoran of New York University has found that offers based on state test scores, grades and attendance would increase the share of Hispanic and white students in the specialised high schools, and reduce Asians, but would not increase the proportion of blacks. Inequalities in achievement, he writes, are "baked in long before high school". Curtis Chin, who has been filming New York teenagers preparing for the SHSAT, adds that all some black and Hispanic families want "is that their kids don't get locked up in jail. It's hard to measure that against an aspiration of going to Harvard or working for Goldman Sachs." ■

### It's what you learn, not where

American universities\*, selectivity and returns



Sources: PayScale; National Centre for Education Statistics  
\*Sample of 240 institutions  
†Based on 2012-2013  
‡Returns of minus 15% or worse

Interactive: Explore US degree returns across more subjects with our expanded version at [Economist.com/uspayscale](http://Economist.com/uspayscale)

A new report from PayScale, a research firm, calculates the returns to a college degree. Its authors compare the career earnings of graduates with the present-day cost of a degree at their alma maters, net of financial aid. College is usually worth it, but not always, it transpires. And what you study matters far more than where you study it.

Engineers and computer scientists do best, earning an impressive 20-year annualised return of 12% on their college fees (the S&P 500 yielded just 7.8%). Engineering graduates from run-of-the-mill colleges do only slightly worse than those from highly selective ones. Business and economics degrees also pay well, delivering a solid 8.7% average return. Courses in the arts or the humanities offer vast spiritual rewards, of course, but less impressive material ones. Some yield negative returns. An arts degree from the Maryland Institute College of Art had a hefty 20-year net negative return of \$92,000, for example.