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ABSTRACT

What is the current position of higher education among national priorities? Three different comparisons are examined to establish a frame of reference to assess where higher education stands with respect to the total commitment of the federal government. The total commitment is compared with the level of support for higher education in earlier years, the level of support proposed for other budget items, and Federal support for institutions and for students in comparison with other sources of support which they receive. Emphasis is also placed on state support for higher education, revenue sharing, national support for research, priorities expressed in recent policy statements, obstacles to raising the priorities of higher education, and strategies for affecting the allocation of resources. (MJM)

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HIGHER EDUCATION AMONG NATIONAL PRIORITIES*

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I appreciate the honor and the challenge of Dyckman Vermilye's invitation to discuss with you at the AAHE National Conference the compelling subject of higher education among national priorities. This paper represents my own assessments of facts and opinions, not ACE's. It focuses more on working decisions, many of them made in Washington, which mount cumulatively to rank national priorities in real negotiations, than on propositions about the benefits to society of higher education.

The paper opens with an examination of the current position of higher education among national priorities as expressed in the federal budget proposals now under debate. Next, the priorities expressed in recent higher education policy statements are identified. Then, obstacles to making greater claims for support are examined. Finally, strategies for affecting the allocation of national resources for higher education are discussed.

The Current Position of Higher Education

What is the current position of higher education among national priorities? As a starting point, we can consider the budget proposed by the Administration for fiscal 1976 as an economic policy document which embodies the proposed set of national priorities. Three different comparisons can be made to establish a frame of reference that will help us to assess where higher education stands with respect to total commitments of the federal government. The proposed level of federal support for higher education can be compared with:

1. The level of support for higher education in earlier years;
2. The level of support proposed for other budget items, and
3. Federal support for institutions and for students in comparison with other sources of support which they receive.

1. Trends in federal support. The Administration proposed, out of a total budget of \$349 billion, to spend \$7.4 billion for higher education. This includes \$3.4 billion for the direct support of educational activities, and \$4.0 billion for other basic purposes which would also provide substantial support for education. Veterans' benefits are included in this latter spending category (they amount to half again as much as all the Office of Education student assistance programs combined). Of the \$3.4 billion in direct support, only \$2.3 billion is accounted for by the Office of Education. Of that \$2.3 billion in OE, \$2.0 billion, or over 90 percent, would be channeled to students (a share which increased steadily from about 50 percent over the last four years).

Of the \$7.4 billion total direct and indirect support for higher education proposed in the Administration budget, \$6.1 billion is earmarked for undergraduate education (\$2 billion for two-year colleges and \$4.1 billion for all other undergraduate institutions) and \$1.3 billion for graduate education.

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In addition to budget outlays, a substantial amount of federal support for higher education is provided in the form of "tax expenditures"--that is, taxes not collected because of exemptions and deductions relating to education permitted under federal tax law. The Office of Management and Budget has prepared estimates of these tax expenditures and reported them in the Special Analyses of the Budget for the first time this year. Scholarships and fellowships are not counted as taxable income, resulting in tax expenditures of \$100 million; parents are allowed exemptions for their children over 16 years of age who are enrolled in college, resulting in tax expenditures of \$690 million; and contributions to institutions of higher education may be deducted, resulting in tax expenditures of \$590 million (\$435 from the contributions of individuals and \$155 million from the contributions of corporations). Thus, the total tax expenditures in support of higher education for 1976, as estimated by OMB, amount to about \$1.5 billion.

To put these tax expenditures for higher education into context: The estimated tax benefits to homeowners deducting mortgage interest and property taxes from their taxable income total \$11.7 billion; deductions for all other charitable giving total \$4.84 billion for fiscal 1976.

How do these proposed levels of support compare with those of the past? The answer to this question again depends on our frame of reference. These levels of support represent considerable increases over the troughs of the early 1970s. But from a longer time perspective, current levels of support appear to be far lower than historic peaks.

Most of us are well aware that federal support channeled to institutions has fallen off sharply in the last few years as a result of deliberate shifts in policy to the support of students; we may not realize that current levels of federal support for students are far below earlier peaks, even after a decade of new student aid programs. The real, if not the rhetorical, federal commitment to supporting college students was strongest directly following World War II, when benefits for returning veterans were first authorized. But, the GI Bill was not intended exclusively, or perhaps even mainly, as an educational program to compensate for opportunities lost because of the war. Rather it was part of an economic readjustment program in a nation fearing inflation, massive unemployment, and possibly even severe depression. In its peak year, 1947, the G.I. Bill helped nearly 1.7 million students -- or more than one out of every two students enrolled in colleges and universities. If the total educational expenses (both tuition and living costs) of all students enrolled in higher education at that time were added up, they would have totaled approximately \$2.5 billion. The GI Bill provided nearly \$1 billion toward these student expenses; indeed, the cash support provided was equal in dollars to more than the total amount paid for tuition by all students at all institutions.

The benefits paid to returning veterans, which covered about 40 percent of their annual cost of going to school, were not a function of their past, current, or future income; rather, they were regarded as an entitlement. But today, when federal assistance is directed toward broadening access to needy students--who presumably need a level of support relatively even greater than did returning veterans -- the proportion of total student expenses covered by federal support is less than 30 percent.

Comparison with spending for other social items. Total federal support for higher education, including assistance channeled to students and to institutions, represents a little more than a third of the Office of Education budget and about a sixth of the outlays for education, manpower training and social services, less than three percent of the total federal budget, and a far one-half of one percent of the gross national product.

The trends in federal spending for the various components of education and training are quite divergent. Historically, elementary and secondary education have been the largest component of this spending category. In the mid-1960s, they received between two and three times the level of support that was given to higher education. Support for elementary and secondary education has grown at much slower rates in recent years, slackening off completely for the last three, and it has now been superceded in aggregate federal support by spending for manpower training. A decade ago, support of manpower training was not much greater than that for higher education, but it has grown at a considerably faster rate, overtaking the level of support for elementary and secondary education, so that now both are at a level of support approximately double that for higher education.

Vocational education is only a small component of this spending category and was among the fastest growing elements, but it too has experienced no growth in support over the last several budget years.

After burgeoning in the early 1960s, outlays for higher education flattened out and moved virtually sideways from 1968 to 1974. In fact, outlays for higher education were actually lower in 1974 than in 1968. We might haul up a devil theory to explain the pattern and label these the "Nixon years" in higher education. But this charge would not be entirely fair. These sharp reductions in the rate of increase of support were, on the whole, the result not of explicit changes in stated policy directions, but of a vast number of individual decisions in many different agencies. These decisions, in part reflecting judgments about the usefulness of the outputs generated by continued research spending, had been made at the end of the Johnson Administration but the cutbacks took several years to effectuate.

Thus, while higher education languished, every other component of the education and training budget category grew, with particularly sharp and continuous increases in manpower training support.

The estimated budget outlays for higher education for the current fiscal year ending in July 1975 represents a startling break with the 1968-1974 no-growth trend with almost a fifty percent increase in outlays over the depressed level for the preceding year including, however, some forward funding into future budget years. The budget for the upcoming year incorporate much more modest increases, however.

During the 1960s, the growth of the federal budget can be attributed to Great Society programs. In contrast, during the 1970s, the growth of the budget has been largely in payments to individuals--as benefit levels have been augmented, and as new groups have been brought within the coverage of social programs.

The budget comparison many in higher education want to press, however, is how does spending for our programs compare with spending for defense. It is true, as the Defense Department claims, that the share of the budget designated for national defense has declined since the peak war years. We are, after all not now at war. In fact, national defense has, in recent years, taken a decreasing share of the federal budget (down from 24 percent in fiscal 1968 to 27 percent in fiscal 1974) and of gross national product (down from 2.7 percent in fiscal 1968 to 5.1 percent in fiscal 1974).

But the Ford Administration is proposing to arrest that decline. In fact, the full program cost of weapons systems, for which initial year funding is included in the current budget, is reported in the Congressional Record--and brought forcefully to our

attention by the Washington Bureau of the Rolling Stone; -- to be \$148 billion.

3. Federal shares of institutional revenues and student resources--The federal share of the revenue of colleges and universities peaked at a little over 20 percent, a little over 20 years ago. Federal revenues are a relatively much more important share of the total income of private colleges and universities than of public institutions, partly because graduate students make up a larger proportion of total enrollments in the former (30 percent at private institutions and 20 percent at public). That federal revenue share eroded significantly throughout the early 1970s for both sectors but more sharply for the private than for the public institutions. This is one of the many factors contributing to the financial crunch, which is being felt even more severely in the private more than in the public sector of higher education.

The federal share may currently be edging back up a little from the trough of 1970-1971, but it still does not approach earlier peaks. The slippage in the Federal share has been made up by increases in the state share and the student tuition share of total revenues.

Policy statements emanating from the Administration emphasize the shift of federal support to students. Consequently, we might easily expect that the federal share of institutional revenues would decline and that the federal contribution would show up instead in the form of student tuition, which are reported in financial surveys inclusive of student aid. Let us examine then, trends in federal support of students.

The Administration's proposed budget allots \$2 billion for the Office of Education student assistance programs. Actually, these funds cover two types of "student aid." The first type consists of funds paid to cover the costs to students of tuition and living expenses and includes programs of Basic Educational Opportunity Grants, College Work-Study, and Supplemental Educational Opportunity Grants. Together with the National Direct Student Loans, these programs account for about two-third of the total OE student aid funds. They are subject to annual appropriations limits.

The second type of so-called "student aid" consists of funds paid to banks to cover the cost of the loans that students take to cover the cost of expenses. These funds are intended to induce banks to lend to students by offering interest subsidies, special interest allowances, and coverage of losses due to defaults or to death and disability. Thus, the term "student aid" is not a consistent label as it is applied to different channels of support. This program differs from the first type in another important way: The payment of federal funds to the banks is obligated under contractual arrangement-- which is very close to an entitlement because if not enough funds are appropriated initially, a supplemental request must be made to supply the funds required. This year, the student assistance funds channeled through banks will be an astounding one-third of the total OE student assistance funds--\$654 million dollars.

If the increased amount of assistance obligated by contract to be paid to banks is subtracted from the total OE request for student aid (which is \$122 million less than last year). The net balance is \$190 million less for student aid this year than was appropriated last year. In view of the large increases in college costs to students, and expanded eligibility for assistance, this means that individual students may get substantially smaller packages of grant assistance this year than last, even after well-publicized increases proposed for the Basic Grant program.

The \$135 Million Mystery

The education community, students and institutions alike, were astonished to learn in the last several weeks that \$135 million remained unexpended of the \$660 million originally appropriated for the program of Basic Grants to students. How can the higher education community press for even greater appropriations when \$135 million of last year's funds were not even spent?

What happened? It is certainly incumbent on us to solve the mystery, because the explanation clearly affects the validity of determination of actual needs for student assistance and weighs on our ability to argue for greater support for students.

A number of different explanations for the underutilization of the program are possible:

1. Maybe we overestimated the number of students who were genuinely interested in college;
2. Maybe colleges and universities induced students to apply for the assistance, and then the students rejected the educational offerings made available by the schools;
3. Maybe the students found out how much of a grant they would be awarded, decided it would be too little, could not find other sources to make up the difference, and then decided not to apply for college;
4. Maybe the institutions assessed the amount of individual student grants, learned they would be less than the amounts needed to support the students in school, determined that the school could not provide additional funds from its own general revenues and decided not to accept the needy students who had already applied; or maybe, the institutions, did not encourage students to apply for Basic Grants as part of their aid package because these awards are not accompanied by allotments to cover the cost of administration or are the campus-based aid programs.
5. Or, maybe the program was badly administered; maybe prospective students did not know they were eligible for the assistance, or maybe the forms they needed were not easily obtainable or maybe they had difficulty in filling them out, or maybe the deadlines for submitting applications were hard to meet, or maybe they were uncertain about the amount of the grant that they would receive so they did not have a clear idea of what their educational options were;
6. Or maybe, a question could be raised about whether it is possible that the expenditure of the program funds was administratively deferred as a deliberate economic measure to hold down total federal spending when the route of executive impoundments and officially requested budget rescissions and deferrals was blocked by the courts and Congress, thus achieving indirectly what could not be achieved by more direct means.

The resolution of this mystery, with specific answers to these questions, is of fundamental importance, far beyond the \$135 million. The answers to these questions bear not only on what are the national priorities for higher education but who has the power to set them and to modify them.

State Support for Higher Education

Although this paper deals primarily with federal support for higher education, a balanced description must deal with state support as well. State support for higher education is fully twice the level of federal support. Many state programs are far more advanced than the federal. State higher education people rightfully challenge the federal centrism of Washington based officials as to which is the dog and which is the tail, especially in federal-state matching programs. 6

Expenditures for higher education often represent the largest single budget item of a state government, ranging from one-sixth to one-third of the total. In a number of state budgets, the share for higher education has declined from peak levels, but the absolute number of dollars appropriated in the last two years has increased in 49 of 50 states, representing a net increase for all states of 29 percent. Inflation has wiped out about two-thirds of the value of the increase, but even so, real dollar support has increased about 10 percent for all states, with 44 of the 50 states showing real increases.

Individual institutions may have lost support, however, as states have channeled funds into expansion of their public systems, particularly two year institutions, and increased, relatively their direct aid to students.

Revenue sharing. Precise delineation of the trends in state support may be muddled, moreover, by general revenue sharing, (the federal program inaugurated in 1972 to distribute \$10.2 billion, one-third to states and two-thirds to local governments, with wide latitude concerning its use). Large proportions of the revenue-sharing dollars are reported as being spent for education. But little detailed information is available about whether they were spent for elementary and secondary education or for higher education; or whether these funds are added to regular state tax funds or substitutes for them, permitting states to shift funds to other program areas or even to cut state and local taxes. Even state reports of intended use of the funds are not firm, because the funds can be reprogrammed almost without restriction. Until reporting is clarified, it is impossible to be altogether precise in characterizing the trends in state and federal funding for higher education.

It is a minor paradox that debate on federal aid to institutions often flounders on the issue of full accountability for the use of the public funds, whereas revenue-sharing with the state of relatively unrestricted funds is advocated for precisely the opposite reason -- that the states are in the "best position" to know what they need--thus overlooking that public accountability for the use of the funds is markedly less under revenue-sharing than under categorical programs.

National Support for Research

In this country, higher education and research are highly interdependent, and of great inspiration to each other. A comprehensive discussion of support for higher education should also touch on support for research.

National priorities for research, and sharp shifts in those priorities, have a significant impact on higher education -- both on the up-side and on the down-side--contributing to the instability of federal support, particularly within those institutions where it is especially heavily concentrated. More than two-thirds of all the basic research done in the United States takes place within higher education institutions, including a small portion in federally funded research and development centers.

Basic research has not been a growth industry since the mid-1960's, the trends in support often being affected by rapidly changing expressions of national concerns. A primary national concern in the late 1950's and early 1960's was international competition in the exploration of space. Activity in this domain had a technological base, but with moon landing missions completed -- landing almost a dozen human beings on the fact of the moon, space research was sharply curtailed. In the mid-1960's national concerns shifted toward equality and opportunity, issues requiring political and social resolution, rather than technological advance. They, of course, provided little stimulus

to technological research and did not succeed significantly in developing their own research base. By the mid-1970s the focus of our national concerns has shifted to environmental quality, energy independence, and adequate health care, with new technology forming a large part of the required response to those concerns. We might easily predict large infusions of research funds into higher education to deal with these concerns except for current budget constraints. But using ~~limited-resources-competing-demands~~ arguments to restrict the claims of higher education for greater priority for research funding may be extremely short-sighted and counter productive -- because it fails altogether to perceive the relationship between education, research, technology, and the expansion or more efficient use of those limited resources.

Priorities Expressed in Recent Policy Statements

On March 7, 1975, the Carnegie Council on Policy Studies in Higher Education issued its first official statement: it dealt with the Federal Role in Postsecondary Education, Unfinished Business, 1975-1980. The report calls for inauguration of new major programs of federal assistance to higher education. One program is tuition equalization grants to states to reduce the gap in tuition between private and public institutions; the funds are to be regranted to students attending private colleges and universities in amounts based on a formula granting them the equivalent of half the per student state subsidy in public institutions, with that student subsidy to be split in turn equally between the state and the federal governments. The second program is the creation of a self-supporting National Student Loan Bank, and third is for financial assistance for large research libraries.

The recommendations have been thoroughly debated and persuasively reported. They are likely to command widespread support, and be enacted into legislation.

The funds required to carry out the recommendations have been carefully calculated by the staff to increase the federal expenditures for higher education "modestly" from 64 hundredths of one percent of the gross national product in 1974-75 to 66 hundredths in 1979-80, five years later.

The report either does not deal with or completely capitulates on the issue of what should be the national priority for higher education. The report implies either that the higher education share should be no larger; or that the share should be larger but that it is not politically feasible to achieve a larger claim, given ~~limited-resources-and-competing-demands~~.

I would argue that whichever of these premises is operative, they should be debated openly.

The new proposals for restructuring student aid embodied in the O'Hara Bill also add to up to a level of support for students (although awarded in differing patterns) the same order of magnitude as that provided by the existing legislation -- again too early and too complete a concession to budget "realities."

Obstacles to Raising the Priority of Higher Education

Before higher education can be ultimately successful in pressing for a higher place among national priorities we have to do a much better job of making our case in the first place and documenting it in the second. I think we can do both. But this will

require vast amounts of conceptual, analytic work and improved measures of the needs of students and institutions. Student needs analysis actually originated not as a determination of "need" for assistance in an absolute sense, but as a mechanism for limiting competition among institutions in the award of funds and for allocating equitably the inadequate student aid funds available. Needs analysis has not altogether transcended those origins to become a technique for determining true student need, based on explicit value judgments respecting reasonable self-help expectations, and the roles of the state and federal governments--but it must.

On the institutional side, we are not likely to be persuasive in sharply increasing support until vast improvements are made in the measures of financial condition of education institutions. We need a financial assessment equivalent to industry's bottom line -- which education's current operating fund surplus or deficit is not.

Claims for greater support have in the past been based on comparisons with previous year's funding, on incremental budgeting -- "more is better" -- which is no longer persuasive before increasingly skeptical legislators and program administrators countering with "yes, but what are you willing to give up, you are never willing to give up anything."

After spending time just now detailing budget shares for higher education, we have to recognize that relative shares as such, are not truly an adequate measure of higher education objectives or priorities, at the federal or state levels. These must be framed in terms of the adequacy of resources needed to do specific jobs. We have to look beyond the absolute and relative shares of support for higher education, or survival of particular institutions, to the balance between the resources available and the missions to be accomplished.

This section of the paper deals with what I regard as limits we impose on ourselves in national debate directed toward reaching consensus on the values and missions of higher education. There are a number of obstacles including our own persecution complex.

Paranoia

Academic excellence is often measured in terms of critical intellectual abilities. Self-criticism within the higher education community is entirely healthy and productive in that it leads to continuing improvements of the teaching-learning processes and heightened efforts to relate curricular offerings to current student and community concerns. But this tendency to self-criticism is frequently turned inward in destructive ways. A form of paranoia leads academics to explain complex social phenomena too easily and too quickly and too exclusively in terms of the shortcomings of higher education. For example, it is frequently asserted that "declining enrollments" can be attributed in part to students' disaffection with college, to their reassessment of the value of a college degree and to its relevance to life goals. But there are two difficulties with this assertion. The first is that enrollments are not down -- they are up -- in both the public and the private sector. The demographic contraction of the college-age cohort will not hit until the early 1980s.

But students today are being asked to pay almost twice as much for a college education than they did a decade ago. Given that magnitude of cost increase--a level about half again greater than prices in general--it is amazing that enrollments have not in fact declined. When home buying slumps when automobile sales plummet, and when beef consumption goes down, no one argues that people no longer like housing, travel by car, or

eating -- rather, the explanation given is that the costs are too high. We need to pay much more attention to possible economic determinants of enrollment trends and to be more skeptical of broadside generalizations that young people are disenchanted with higher education.

Similarly, slumps in private giving have been attributed to dissatisfaction with higher education on the part of potential donors and to their concern about institutions' ability to govern themselves during an era of student unrest. But it is at least suggestive that the year to year trends in individual and corporate giving follow (with consistent time lags for the process of giving) almost exactly the trends in net corporate profits, one primary source of income for voluntary contributions. Once again, the paranoid explanations were too easily accepted.

Taxi-Driving College Graduates

Ominous reports of widespread difficulties experienced by college graduates in securing jobs related to their education, and encounters with taxi-driving college graduates have raised increasingly serious doubts about the need to stimulate, at least through public subsidy, even greater college rates. The Bureau of the Census projects a doubling - going of the number of college graduates (with a four-year degree) in the adult population (25 and over) by 1990 -- raising the number from 15 million to 30 million and the population share from 11 percent to 20 percent. All this has led some to speculate about the fate of unemployed or underemployed college graduates: hyper-extension of graduate education for those with baccalaureate degrees who can't get jobs, and even to wild scenarios of social upheaval led by the desperately over-educated.

The priorities for higher education depend fundamentally on convictions about the appropriate size of the higher education sector. Some old-style elitists assure us that we are already educating too many students now -- students who are not really interested in learning and who ought to be out working for a living. Others have offered unfortunate expressions about the competence of some of their colleagues whom they declare should also be otherwise engaged than in teaching. Again, the most severe criticism of education often comes from within. Clearly many of those who have not had opportunities for advanced education, value it extraordinarily highly. A major vehicle of escape by those not satisfied with their current employment is more education.

*According to the standard forecasts, we are in the process of switching from a period of excess demand for college graduates, to excess supply of them, leading to reductions in the economic returns to investment in additional years of schooling, and consequently a diminished demand for higher education.

Such arguments have been made by economists who derive from these premises, conclusions about the probable reduced level of required public funding for higher education. They base their analysis on human capital theory. I would argue that human capital theory, whatever its analytic elegance, is a weak, if not dangerous, basis for formulating public policy with respect to the size of the education sector. Its use for such purposes should be challenged -- whether it leads to conclusions that funding should be decreased in these times or that funding should be increased in other times.

First, the calculation of the economic returns may not be free of conceptual flaws. Differences in returns attributed to years of education may in fact result from differences in ability, experience, motivation, continuing opportunities for on the job learning, or restrictive labor practices. Further, there may be measurement errors in calculating the returns, particularly when comparing returns to investment in education with returns to investment in physical capital. For instance, in failing to adjust for

the capital bias in the tax structure, (which permits deduction of the expenses necessary to earn income in the case of physical capital, but not in the case of human capital; or depreciation of the asset value of physical capital but not of human capital; or capital gains treatment of the appreciation of physical capital, but only ordinary income tax treatment of the earned income of human capital even though it took years to gain the competence being rewarded).

Whatever use is made of economic rates of return to explain gross enrollment levels, they are not very adequate in explaining choice of degree earned, or choice of field. The computations grossly overemphasize economic determinants of education as a productive investment, and exclude what economists call the consumption value, or others might call the exhilaration of learning.

Even if the returns could be carefully calculated, economists have often implied that the policy implications of finding differential rates of return for different education cohorts were relatively straightforward. But consider, for instance, the general finding that returns to education of employed women are lower than those for employed men. Does this imply that less funds should be invested in the education of women and more in the education of men to bring their marginal rates of return into closer alignment -- or that we should attack the system of differential pay. Human capitalists have difficulty separating out the returns flowing from characteristics of individuals, and returns flowing from the characteristics of the economic and social system.

Actually, in a democracy, the question which precedes the question of the optimum size of the education sector is, rather, who decides who gets what opportunities for how much education. Calculation of the demand for and the supply of college educated people is the beginning but not the end of an inquiry about the appropriate size of the education sector.

But we are in a recession --

Wait until better times to press our claims. The inflation and recession has hit virtually every segment of our economy--some, such as housing, considerably harder than it has hit education. Times are tough and all must do their share of belt-tightening. Even so, we must be vigilant to make sure that higher education is not unnecessarily disadvantaged during this crunch.

On the negative side, when President Ford announced his energy and economic package, for instance, it involved a surcharge on imported fuel, which would increase the costs of fuel, which surcharge would be rebated by tax cuts for families and corporations, and grants to state and local governments and federal agencies adversely affected. The Administration, quite literally forgot the nonprofit sector, including the \$40 billion higher education industry, which we would bear the full brunt of the cost increase but would not be eligible for any of the rebates. Energy costs are not negligible items to colleges and universities, they can amount to hundreds of thousands, even millions of dollars. The higher education has asked for alleviation of these hardships but not yet received specific responses.

On the positive side, higher education can serve instrumentally in carrying out economic policy--for instance, in packaging educational assistance and public service jobs for part-time students/part time workers, creating opportunities to learn and reducing unemployment at a relatively smaller cost to the federal government than for full time public service or unemployment compensation.

The Government Can't Do It All

Deep philosophical concerns about the size of the public sector, fear about undue encroachment of government on the governance of institutions, and conviction that colleges and universities must first manage more effectively the resources already at their command, undergird the assertion that "the government can't do it all." Unfortunately, that pronouncement often forecloses real discussion of policy alternatives which consume any public resources.

Consider another proposition, equally meritorious, that the nonprofit sector, in our case, higher education, should be as advantaged, or at least no more disadvantaged than the profit making sector, in claims for public services:

For instance, the scope, quality, and timeliness of data available to higher education should be equivalent to that provided agriculture, manufacturing, construction and labor;

In negotiating contracts to perform research services, educational institutions should be permitted recovery of overhead and other funds to provide at least as much capacity to develop new projects and adjust to rapid shifts in funding as is permitted for industrial firms; and

The claims of institutions for consideration in offsetting special costs associated with providing educational services to disadvantaged students should be accorded at least as much weight as the claims of banks for consideration in offsetting special costs associated with lending money to disadvantaged students.

The higher education community understands very well that the government can't do it all. We are also beginning to assimilate the realities of the new budgeting process. At a recent meeting of the Education Commission of the States, Stephen Wexler, Counsel to the Senate Subcommittee on Education, explained that the Subcommittee had reappraised its approach to legislation and was proceeding with a much greater awareness of the budget process. Previously, he said, authorizing committees simply wrote the legislation and left it to others to find the money. Now the scope of programs is to be designed within attainable funding levels. These are indeed, salutary developments in public finance.

We can hope, however, that competency based learning about the workings of the budget process is not certified by the adoption of conventionally conservative attitudes toward public spending for human service programs. Perhaps it takes people less familiar with the budget process to escalate the level at which budget trade-offs are forced, to raise disquieting questions like, for example, the following:

How many millions of dollars should we spend trying to recover a Russian submarine?

How much does it cost to arm both sides in a war?

What funds are involved in covertly building up stockpiles of arms for allies?

Are improvements in our balance of payments related to shipments of arms?

What are the costs and benefits, or possible conflicts of interest, involved when the United States government contracts with a private firm to train the army of a country which could, in some eventualities, cut off their supplies of oil to us?

What is the price of domestic surveillance and international intrigue?

Strategies for Affecting the Allocation of Resources

The case can be made for increasing the claims of higher education to national attention and support. What are the strategies available? In our society, resource allocation strategies operate in three domains: economic, relying on market mechanisms; rational, incorporating planning processes, and political, using persuasion and voting power. Recent policy proposals in higher education have tended to focus exclusively on the economic domain; but that is likely to be less effective than conscious action in all three domains.

Market Strategies

The Newman Task Force, the Committee for Economic Development and the Carnegie Commission, proposed to raise tuitions and increase awards of assistance directly to students for the purpose of increasing total resources available for higher education and enhancing the role of the market in determining the size and composition of the higher education sector. But the "market," given its imperfections, is hardly better at making big decisions than little decisions, and certainly not any more adequate for determining the major national priorities we place on education than it is, say, for security. You may have noticed, too, that besides the economists, the most ardent advocates of the market solution to the allocation of resources in higher education are our greatly respected colleagues who happen to be heads of state higher education planning agencies, facing otherwise difficult questions of which schools to help and which to let succumb in the next decade.

It is not certain that the raw operation of the market would assure a diversity of offerings and a greater or lesser number of real educational choices for well informed students to select. The serious risks to survival of making wrong decisions on institutional specialization is likely to lead schools in the direction of being more similar than more different; perhaps even with the expense of more curricular offerings and more delivery options at each institution -- but fewer system wide -- than under a planned, coordinated educational structure. An unalloyed market mechanism is not the only, or perhaps even the best way to obtain information about student educational preferences.

Planning Strategies

Planning the allocation of resources is generally an underdeveloped art and science in education, with but few outstanding exceptions in individual states and institutions.

Vast improvements in the quality and timeliness of data available to higher education, as well as significant advances in the development of policy analysis and operating management models, greatly enhance our ability to plan in higher education.

Planning is yet to be adopted generally however, as an integral part of the educational managers style. And we have yet to develop a working understanding of possible active--not passive in the sense that they happen to us -- relationships between overall economic activity and activity in higher education both in the short run and in the long run together with a healthy skepticism toward our own long range economic forecasting based on our poor track record.

Greater efficiency in the utilization of education resources through planning; and lengthening, through planning, the time horizon relevant in making spending trade-offs can significantly increase the leverage of higher education in pressing for higher national priorities.

Political Strategies

Education associations and institutions are forbidden by law from engaging in outright political activity on pain of losing their tax-exempt status. That does not, however, prohibit us from underscoring the critical importance of politics to our future. Invited testimony providing information about the anticipated impact of alternative legislative proposals on higher education has, potentially, powerful effects.

Committee members and staff are generous in their willingness to listen to the concerns of their higher education constituents. They welcome solid information, succinctly summarized in a usable form. Genius is required, however, to anticipate the detailed issues to be debated far enough in advance to have the relevant data ready in time.

Political awareness and sophistication, and knowledge of political structures, processes, and personalities, is broadening and deepening on the part of the educational associations, state administrators, individual institutions, faculty, and students. Talk is heard about building constituencies.

It would be politically foresighted to organize information relating to higher education on the basis of Congressional Districts; very little such data exists at the present time, but it could quite easily be generated and maintained without great cost.

Enormous progress has been made recently in developing mutual understanding that the many segments of education share their destinies and that conflicts among those segments is ultimately counterproductive. As a result, most major differences are now resolved before reaching state and federal legislative chambers, whereas in earlier years one segment could often be pitted against another to the detriment of both. Representatives of different educational groups have learned that they do not reward questioners with answers when asked publicly or privately about places to cut budgets important to other groups, lest the technique be applied with equal force to them. Alternatively, attempts are made to reach and present a consensus on policy preferences and budget priorities.

To give a solid example of this awareness: Private institutions, which had previously been among the prime advocates of raising tuitions at public institutions, reversed their stance more recently as an act of statesmanship, having recognized that the earlier position would pit public institutions against private institutions. Even further, they have generously endorsed public institutions' solicitation of private voluntary contributions, a major source of revenue to the private institutions.

The other half of the implied bargain is that public institutions must now actively support appeals of private institutions for increased public support. The next item on the agenda for national debate on the financing of higher education is to consider not only whether but in what form federal and state governments might effectively support private institutions. Rhetorical commitments of mutual support have been made by leaders in both public and private sectors, but the difficult details have to be hammered out, preferably state by state, with the federal government in the role of the initiating, stimulating general partner.

Conclusion

People who forecast differing prospects for the future levels of support for higher education -- for the place of higher education among national priorities-- do not, in general, differ markedly in their characterization of the current situation. But they do differ radically in their assessment of what is possible -- in the academic, economic, and political spheres. The realities may be as harsh as the darkest forecasts. If the first step into the future is to limit our own horizons, to scale down our own expectations, to narrow our own choices to feasible but pinched alternatives, we will have taken a responsible course. But there is a more fully responsible course, toward a grander vision, truer to our own beliefs in the values of higher education--higher education made accessible to all who can benefit from it by recognized legal rights and entitlements. We have, I believe, only begun our pursuit of this course.