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ABSTRACT

During the last 50 years, American higher education has steadily grown in scale, wealth, and, stature. Despite its current status as the world's education superpower, however, it has begun to encounter public disapproval and consumer resistance. Colleges and universities have been able to ignore productivity concerns because a college education paid off so well in the job market, but that payoff appears to be decreasing while the costs continue to rise much more quickly than inflation. Government funding is decreasing, there are fewer students available to fill the seats, and consumers are becoming more cost-conscious. Higher education must develop a greater concern for productivity a willingness to serve consumers. Costs must be cut, including those for personnel. Specific ideas include alternative work schedules for faculty and the use of additional technology to replace expensive faculty, and stiffer admission requirements with resulting cost savings for remediation. There should be more emphasis placed on academic subjects with more core subjects and requirements. The faculty research imperative should be ended and all non-essential amenities cut. (Contains 32 references.) (JLS)

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American Higher Education: Behind the Emerald City's Curtain

By Chester E. Finn Jr. and Bruno V. Manno

- *During the last fifty years, American higher education has steadily grown in scale, wealth, allure, and, until quite recently, stature. Despite its current status as the world's education superpower, however, it has begun to encounter public disapproval and consumer resistance.*

- *Colleges and universities have been able to ignore productivity concerns because a college education paid off so well in the job market, but that payoff appears to be decreasing while the costs continue to rise much more quickly than inflation. Government funding is decreasing, there are fewer students available to fill the seats, and consumers are becoming more cost-conscious.*

U.S. higher education must develop a greater concern for productivity and willingness to serve consumers. Administrators should cut costs, stiffen entry requirements, and concentrate on serious academic subjects, but the public will have to push them to do so.

Introduction

At least since World War II, U.S. colleges and universities have been education's Emerald City, both for American citizens and for millions who have journeyed from distant lands to enroll on our campuses.

Dubbed the "multiversity," the university became a source of economic growth, defense preparedness, cultural enrichment, scientific progress, expert advice on everything imaginable, community service projects, and social reform schemes.

No matter that the rest of the U.S. economy runs a chronic trade deficit; that our mediocre primary and secondary schools have placed the nation at risk; or that other major institutions—government, media, even churches—have watched their authority and public respect seep away. Through all of this, higher education has steadily grown in scale, in wealth, in allure and, at least until the very recent past, in stature.

What American family doesn't want its children to follow the yellow brick road to college? What legislator will vote to close even the most obscure department of the remotest branch of a state university? What tycoon would decline the opportunity to serve as trustee of a well-known school or to have a building at his alma mater named for him?

It has been like this for a half-century. After World War II, Europe's ancient universities never fully recovered their prewar eminence. (Indeed, during the Nazi era they lost more than a few of their premier scholars to U.S. institutions.) Neither the communist world nor the Third World had much appeal as a site for higher education, save for people with no alternative. Schools such as Stanford, Princeton, Berkeley, and Wisconsin became magnets for students and intellectuals around the globe.

After World War II, the G.I. Bill underwrote a huge expansion of the higher education enterprise, and the postwar economy's appetite for skilled manpower placed an ever-greater premium on getting a college—perhaps even a graduate—degree. Corporate investment and high-tech jobs gravitated to communities with research facilities and a good supply of educated people. (Boston's "Route 128" led the way.) Campuses that in the 1920s and '30s had admitted pretty much anyone who wanted to enroll found themselves becoming more selective. Regional colleges went national. Community colleges—an American innovation—spread like the ivy that seldom graced their walls. Normal schools were transformed overnight into universities. Dozens of new—mostly state—campuses were founded, and communities vied to land them. Higher education's role also widened. No longer was the university solely a place of teaching and learning; dubbed the "multiversity," it became a source of economic growth, defense preparedness, cultural enrichment, scientific progress, expert advice on everything imaginable, community service projects, and social reform schemes.

There were tough moments, to be sure, especially during McCarthy's inquisitional heyday. But America's higher education superpower grew and grew.

Oh, how it grew:

- At the dawn of World War II, America's higher education system consisted of 1,700 institutions, enrolling 1.5 million students, employing 147,000 faculty members, and spending $675 million (approximately $450 per student per year).
- Twenty years later, it had swollen to 2,000 colleges and universities; more than doubled its enrollment, to 3.6 million; added 234,000 more faculty members; and pushed its budget up to $5.6 billion.
- After two more decades—in 1980—American higher education numbered 3,150 institutions, 11.6 million students, and 675,000 faculty members. By then it was spending $57 billion per year.
- Today we are looking at almost 3,700 colleges and universities enrolling 14.4 million students. The faculty complement has risen to 833,000, and the total budget to $213 billion—nearly $15,000 per student.[1]

In sheer size, our higher education system is indisputably the world's postsecondary superpower. Its budget equals the gross national product of Belgium. It enrolls approximately 22 percent of all "tertiary" students on the planet. (Some 440,000 of these are citizens of other countries. This export assists our balance of payments by some $7.1 billion per year.) In 1991, U.S. institutions conferred as many undergraduate degrees as those of Japan, France, Germany, and the United Kingdom combined.

Despite its awesome scale and reputation, however, American higher education is a troubled

More degrees were awarded in home economics (15,100) than in mathematics (14,812), more in "parks, recreation, leisure, and fitness studies" (9,859) than in philosophy and religion (7,781), and more in protective services (20,902) than in all the physical sciences (17,545).

enterprise today. Except at the very top, it manifests serious quality problems. Thanks to ever-rising costs, inefficient practices, archaic decision-making, self-serving incentive structures, and the depredations of political correctness, it has begun to encounter public disapproval, consumer resistance, and the scorn of elected officials.

Quality Concerns

Seen from afar, the Emerald City's tallest academic pinnacles still glitter. In terms of research and scholarship, our best-known universities are also the world's most eminent. Nobody is really surprised that two-thirds of all Nobel laureates in economics have been members of U.S. university faculties, as have nearly half of all postwar recipients of the physics prize, a quarter of the physiology/medicine laureates, and more than one in three winners of the chemistry prize.

This distinction spills over into graduate education in the arts and sciences and extends to the major professional schools, such as medicine and business administration.

Some graduate degrees, however, are remote from such intellectual rigor and world-class stature.

For example, more than 90,000 master's degrees in education are awarded each year, including 60 (in 1993) in driver education and slightly more than 3,000 in physical education and coaching. Most of these (and more than 7,000 education doctorates each year) exemplify the credential-mad compensation structure of American public schools rather than the kind of higher education accomplishments that government officials and business leaders like to boast of.

At the undergraduate level, moreover, although status-conscious parents will do anything to get their offspring into Brown, Duke, or Cal Tech, this impulse has more to do with careerism (and social standing) than assured academic quality. It is certainly true that the several dozen highest-prestige colleges attract able students and that a degree from one of them is a marketable asset later in life. It is less clear that those young people learn a great deal—at least about academics—during their time on campus. (Ask those hiring recent graduates as, say, newspaper reporters or research assistants.) Thus the familiar joke about why Harvard is such a great repository of knowledge: its students enter with so much and leave with so little.

Descending from the pinnacle—institutions whose names are household words—to the schools attended by the great majority of American students, there is ample evidence of a quality problem. As recently noted by the Wingspread Group on Higher Education, a panel of distinguished educators chaired by former U.S. Labor Secretary William Brock,

> 26.2 percent of recent bachelor's degree recipients earned not a single undergraduate credit in history; 30.8 percent did not study mathematics of any kind; 39.6 percent earned no credits in either English or American literature; and 58.4 percent left college without any exposure to a foreign language. Much too frequently, American higher education now offers a smorgasbord of fanciful courses in a fragmented curriculum that accords as much credit for "Introduction to Tennis" and for courses in pop culture as it does for "Principles of English Composition," history or physics, thereby trivializing education—indeed, misleading students by implying that they are receiving the education they need for life when they are not.[2]

One reason for the drought of liberal arts courses on those transcripts is creeping vocationalism. Barely a third of all 1993 bachelor's degrees were in the "arts and sciences." (Analysts who use a stricter definition of "liberal arts" place the fraction nearer one-quarter.) The number of degrees in home economics (15,100) surpassed those in mathematics (14,812); more sheepskins were awarded in "parks, recreation, leisure, and fitness studies" (9,859) than in philosophy and religion (7,781) or general chemistry (8,674); more in protective services (20,902) than in all the physical sciences (17,545); and more in dramatic/theater arts and stagecraft

Despite the evidence that many young people are not learning what they should in college—and that alarming fractions of them abandon the effort without a degree—the demand for higher education has remained strong.

(5,891) than in German and French combined (4,852).

This tendency has even stricken the "small liberal arts colleges" for which U.S. higher education was long celebrated. According to David W. Breneman, former President of Kalamazoo College and a recognized expert on these institutions,

> [W]e are indeed losing many of our liberal arts colleges, not through closures but through steady change into a different type of institution. . . . The shift from liberal arts to professional education was a dominant strategy followed by hundreds of private colleges since 1972 to ensure their survival. The change has been so pronounced that it seems mistaken to call such schools liberal arts colleges any more. [3]

Breneman estimates that only some two-hundred liberal arts colleges remain—in a higher education universe of 2,200 four-year institutions.

Vocationalism—in response to fashion, student demand, and the need to keep classrooms full—explains part of the quality problem. At least as significant, however, is the willingness of U.S. colleges and universities to confer degrees on people who simply have not learned much. The Wingspread Group, citing a 1993 federal study of adult literacy (NALS), is again trenchant:

> The NALS tasks required participants to do three things: read and interpret prose such as newspaper articles, work with documents like bus schedules and tables and charts, and use elementary arithmetic to solve problems involving, for example, the costs of restaurant meals or mortgages. The NALS findings were presented on a scale from low (Level 1) to high (Level 5) in each of the three areas. The performance of college graduates on these scales is distressing:
>
> - in working with documents, only 8 percent of all four-year college graduates reach the highest level;
> - in terms of their ability to work with prose, only 10 percent of four-year graduates are found in Level 5; and
> - with respect to quantitative skills, only 12 percent of four-year graduates reach the highest level.
>
> In fact, only about one-half of four-year graduates are able to demonstrate intermediate levels of competence in each of the three areas. In the area of quantitative skills, for example, 56.3 percent of American-born, four-year college graduates are unable consistently to perform simple tasks, such as calculating the change from $3 after buying a 60 cent bowl of soup and a $1.95 sandwich. Tasks such as these should not be insuperable for people with 16 years of education.[4]

Profitable Investments and the Growth Imperative

Despite the evidence that many young people are not learning what they should in college—and that alarming fractions of them abandon the effort without a degree—the demand for higher education has remained strong.

Some of this good fortune has to do with the status a college degree confers. The overpowering explanation for high and sustained demand, however, has been the sizable economic payoff of a college education.

Among Americans aged 25 to 34 in 1994, men with college degrees earned $11,838 more than those who had concluded their education with a high school diploma. Those who began college but did not get degrees were earning an average of $2,565 more. The corresponding figures for women were a $12,968 premium for those who completed college and $4,082 for those who had some higher education but no degree.[5]

Over the course of an entire career, according to Census Bureau projections, a person who graduated from college in 1992 could expect $600,000 more income (in constant dollars) than a person of the same age with only a high-school diploma. A master's degree adds nearly $200,000 more to estimated lifetime earnings.[6]

In addition to earning more, college graduates

From the individual's standpoint, college has been a terrific investment. That is why, even as it has grown pricier for students, parents, and taxpayers, U.S. higher education has continued to expand—and why it has not had to pay close attention to cost, efficiency, or productivity.

are more likely to have jobs. In 1994, the average unemployment rate for those (ages 25 to 64) with college degrees was just 2.8 percent, compared to 5.4 percent among high school graduates and 10.1 percent for high school dropouts.[7]

Growing Demand

From the individual's standpoint, college has been a terrific investment. That is why, even as it has grown pricier for students, parents, and taxpayers, U.S. higher education has continued to expand—and why it has not had to pay close attention to cost, efficiency, or productivity.

Some of that demand, however, has been induced by the institutions themselves, as their need for more students and revenue has overpowered their standards and judgment. For reasons of both economics and status, they have been eager to grow: to open branches, to add programs, and to furnish more services. That is because virtually all U.S. colleges and universities (save for a handful of research-centered campuses) derive the lion's share of their revenue from student enrollments, either directly in the form of tuition payments or indirectly through enrollment-based state funding formulae. More than half of all revenue at private colleges and more than three-fifths of public sector income is tied to students. Attracting more of them—and charging more for each one—are the surest ways to boost institutional income.

Nowhere in the U.S. economy is rising revenue more important than in higher education. This is due to what Thomas Sowell calls "the enormous elasticity of the concept of 'cost' as used in the academic world."[8] One of the peculiarities of collegiate governance and university administration is that the only changes these institutions can handle comfortably are those tied to growth. Essentially, every time such an organization does something differently, the change is handled as an additional cost. Hence meeting a new student yearning for more "relevant" courses, responding to changes in the labor market, accommodating a community request, attracting better-qualified applicants, luring a star professor, enlarging the football stadium, acceding to the faculty's ardor for doctoral students (and reduced teaching loads), pursuing the latest developments in microbiology, strengthening the program in gender studies, giving professors incentives for better teaching—you name it; everything calls for additional revenue.

If it were a corporation (or even a government agency), the institution would fund many of these changes internally, by closing an obsolete plant, branch, or bureau; cutting back nonessential services; selling unprofitable divisions; shifting personnel from one set of responsibilities to another; laying off people whose services are no longer needed; and effecting productivity gains of various kinds.

Universities, however, do not function that way. The combination of tenured faculty, unionized nonteaching staff, protest-prone students, nostalgic alumni, reverence for traditional practices, make-no-waves administrators, remote governing boards, and "collegial" decision-making block any efforts at change via substitution. Colleges and universities are very good at adding, however, and the same constituencies and internal pressures all push ceaselessly in that direction, like fish that must keep swimming forward in order to breathe. Only in the rarest of circumstances—when the burden of maintaining a costly program in the face of shrinking demand is just too heavy to bear—do universities actually divest themselves of functions. For example, although widespread fluoridation, the changing nature of dental practice, and wide-open immigration have withered the demand for newly-trained dentists in America, according to the American Dental Association, only six universities have shut their dental schools since 1978, and fifty-four remain.

Growing Enrollments

If additional revenue is deemed vital and enrollments are the primary goose that lays those golden eggs, it is understandably important for universities to grow. And grow they have. The average U.S. postsecondary institution enrolled 535 more students in 1993 than in 1974. (During those two decades, 600 more campuses also opened.)

The average private campus this year is spending $28,000 per (full-time equivalent) student, more than twice the sticker price. On state campuses, outlays average $15,500 per student, more than five times the tuition price posted.

Once a university grows, it must maintain its base. Above all, it must keep its lecture halls and dorms full, no matter what that requires. Today, admission offices will do almost anything to attract the requisite number of students: discounting their tuition charges; scrambling to boost their place in popular consumer guides such as the annual *U.S. News* rankings; even fibbing about the quality of their current students. The *Wall Street Journal* recently reported, for example, that for years New College of the University of South Florida deliberately inflated its SAT scores by lopping off the lowest-scoring 6 percent of its students, thereby lifting the average by nearly 40 points.[9]

The recruitment and admission of ill-prepared students is also common, sometimes justified in the name of diversity and social justice. Many schools try to "remediate" them after they arrive on campus. Others turn a blind eye to the problem and pass them along with a degree. That is why so many U.S. college graduates are semiliterate. It is also why 75 percent of U.S. campuses offer remedial courses in reading, writing, and math; why 30 percent of entering students enroll in at least one such course; and why, on a faculty survey in the early 1990s, only one U.S. professor in five judged undergraduate students to be "adequately prepared in written and oral communication skills."[10]

Even at lofty M.I.T, which suffers from no shortage of attractive applicants, just 17 percent of freshmen passed the institute's entry-level writing appraisal in 1995. Says geology professor Kip Hodges, who chairs the faculty committee that oversees the writing requirement, "The quality of writing of a lot of the students who come into M.I.T. leaves a little bit to be desired."

That deficiency, the economic pressures that cause many students to enroll on a part-time basis, and the spread of remedial courses—which often do not qualify for degree credit—explain why increasing numbers of college students are taking longer and longer to earn their sheepskins. Only 43 percent of today's adults who have bachelor's degrees completed their studies within four years of high school graduation. Among 1980 high-school graduates who entered college immediately, just 22 percent had earned bachelor's degrees within 4.5 years. (The corresponding figure for 1972 high-school graduates was 31 percent.) And among those who entered college in 1989, nearly half of those who had sought associate's degrees, and a quarter of those who aspired to bachelor's degrees, had dropped out (and not reenrolled) by early 1992.[11]

From the institution's standpoint, however, it is not an altogether bad thing when students spend an extra year or two on campus. It maintains enrollment, and those tuition (or state formula) payments keep rolling in.

The Tuition Challenge

In many cases, an institution cannot increase its enrollment or open another branch, and in many other cases—especially on high-status campuses—the institutional culture scorns these options. Then the obvious way to bring in more revenue is to boost the amount of money that accompanies each student.

Every autumn the media inform us that tuitions have again risen faster than the inflation rate. The 1995-96 school year was accompanied by a 6 percent average increase (in four-year schools), pushing tuition and fees to an average of $2,860 on public campuses and $12,432 on private ones. At elite Ivy League-style universities, the price of a four-year bachelor's degree (including room and board) approaches $120,000.[12] In most of the country, one can buy a pretty substantial house for that kind of money.

Tuition levels are the best-known marker of college costs. In the peculiar world of higher-education finance, however, they both understate and overstate the actual cost.

They understate it because virtually every college in the land also draws revenues from other sources to underwrite the budget. That is why the average private campus this year is spending $28,000 per (full-time equivalent) student, more than twice the sticker price. On state campuses, outlays average $15,500 per student, more than

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Yet the tuition levels that make headlines also *overstate* the price students actually pay for higher education, particularly in its private sector. On many campuses, most students pay far less than the posted price. In a year (1989) when the average "sticker price" of U.S. private universities was $11,735, actual tuition revenue per student averaged $9,071. The difference represented the discounts resulting from financial aid packages that are now widespread, discounts offered partly for reasons of equal opportunity but increasingly to draw in enough students to fill the classrooms and dormitories. One veteran analyst of higher education finances compares the way colleges "sell" student slots to airline marketing practices—that is, filling the available seats with people who pay sharply differing prices.

Tufts University, for example, which now charges $21,000 for tuition and fees (and $6,000 for room and board), aids 40 percent of its students with amounts averaging $15,000 each. The 60 percent who pay full price, of course, help underwrite this Robin Hood-style resource transfer. At George Washington University, the average student enjoys a 39 percent reduction from the sticker price (currently $18,300), almost twice the discount of five years ago. A family with an annual income of $120,000 and two children could receive as much as $7,000 in need-based grants for each child.

Private institutions can get away with this as long as each year's tuition boost brings in at least a little net revenue; that is, as long as some students' need—or astute bargaining—for financial aid does not eat up the entire windfall provided by students who pay the higher price.

Though their tuition levels remain far lower, state colleges and universities have also been turning to students for more revenue. In recent years their tuitions have escalated at least as quickly as those of their private-sector rivals.

The general pattern has been in place for a long time. A senior official of the American Council on Education estimates that college charges have risen by an average of 2 percent faster than the inflation rate throughout the twentieth century.[13] That is why (and how) institutional expenditures per student have also been able to rise faster than inflation—and people's incomes—for decades, why higher education has consumed an ever-growing share of family incomes, why tuition discounting is now so widespread, why the student (and parental) debt burden is soaring, and why so many students have opted for part-time study, thereby both reducing their college costs and making it easier to hold down a job while attending school.

Tuition and fees charged by public (four-year) institutions equaled 4 percent of the U.S. median family income in 1980; private (four-year) college charges came to 17 percent that year. By 1991, these had risen to 6 percent and 27 percent respectively. Today, they are approximately 9 percent and 38 percent.

High Living and Profligate Practices

As college has grown harder for its consumers to afford, life on campus has grown more pleasant for those who live and work there. The ratio of students to (professional) staff members improved from 9.8 in 1976 to 8.3 fifteen years later (a period when most other enterprises were slashing middle management and substituting technology for labor).

Salaries have risen and are now quite comfortable. During the 1994-95 academic year, the average full professor at a state university earned $62,000 for what is typically an eight- or nine-month year. At private universities, they averaged $73,160. Even at lower-status community colleges, the typical full professor drew a salary of $51,070.

The average salary for faculty members at all types of institutions was $49,490, an increase of 3.4 percent over the previous year. The rate of inflation for that period was 2.7 percent. Overall, faculty salaries have recently grown more quickly than consumer prices.[14] Moreover, some 64 percent of the nation's full-time faculty members (approximately 40 percent of all faculty) enjoy the near-total job security that comes with tenure.

Harvard University's budget is equivalent to $70,000 per student this year, or about $2,700 per student for each of the 26 weeks in which classes actually meet, approximately the same as the cost of a luxury cruise or chic spa.

Although million-dollar salaries are rare on American campuses, they do exist. In 1995 the *Chronicle of Higher Education* named nine individuals—medical school professors—who received them. Another thirty-six—all but two in the health fields—earned at least half a million.

Some university presidents also do pretty well for themselves. Six presidents earned more than $400,000 in 1993-94, and nineteen more were paid more than $300,000. Salary increases for college presidents have been well above the inflation rate, and, as some universities spin off functions such as investment management to private subsidiaries, pay can reach the stratosphere. One senior executive at Harvard Management Company, for example, earns nearly three million dollars per year, approximately ten times what Harvard paid the dean of its famed medical school.[15]

Course loads have fallen and school years contracted. Instruction now consumes only 40 percent of the average university budget. Senior professors typically spend approximately ten hours per week in the classroom and no more than eight hours advising students, according to a study by UCLA's Higher Education Research Institute. Michigan State University's 2,038 professors (one-tenth of whom earn more than $100,000 per year) spend an average of 5.5 hours per week in the classroom during the academic year. That presumably leaves ample time for research and writing. Yet the UCLA study also shows that, from 1991 to 1993, 41 percent of American professors published not a single word in professional journals. (Others are more prolific, raising the average output for full-time faculty members to about one article, one-third of a book review, and two "professional presentations" per year.)

Despite a hundred solemn studies and commission reports urging that faculty compensation be tied more to good teaching and less to research, the old ways persist. A 1988 government survey found that a professor's publications correlate positively with earnings but that teaching has an *inverse* relationship to compensation. Faculty members whose teaching activities comprised less than half their total university workload earned far more ($62,000) in 1988 than those who spent most of their time in the classroom ($41,000).[16]

The consequences are predictable: slipshod or inattentive instruction, particularly of undergraduate students; constant pressure from faculty for less teaching and more time for research; and tons of research that primarily serves the career needs of the professoriate rather than significantly enlarging human knowledge. Thus more than four hundred scholarly journals in modern languages and literature, most of them obscure and some bordering on the frivolous, were founded in the 1970s alone; more than half of today's journals in those fields did not exist twenty years ago. Hundreds of so-called "electronic journals" are appearing each year. (The soaring costs of such scholarly outlays also contribute to university expense escalation. Between 1970 and 1990, price increases for scientific and technical journals averaged 13.5 percent annually. Subscriptions to journals in the physical sciences now exceed one thousand dollars each.)[17]

Costly facilities sit idle for many weeks each year. Campus amenities proliferate. Indeed, institutions have tended to compete for students by adding amenities—such as elaborate recreation centers, dining options, cable television in the dormitories, and all manner of new counseling and advising services—rather than becoming leaner and cheaper. Some call this the "Chivas Regal strategy"—boosting sales by marketing one's product as the premium brand.

This strategy, however, is inefficient and costly. Harvard University's budget is equivalent to $70,000 per student this year, or about $2,700 per student for each of the 26 weeks in which classes actually meet, approximately the same as the cost of a luxury cruise or chic spa. Even those Harvard students who pay the full sticker price kick in just $27,575 of this—a little more than a thousand dollars per week.

This pattern would continue indefinitely if institutions could get away with it. Despite the left-liberalism of their political cultures, when it comes to internal decision-making these are deeply

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conservative places that resist change of every sort (save for growth). Their governance is incredibly weak and deliberately medieval, and, with the rarest of exceptions—Boston University's John Silber comes to mind—strong leaders do not last long. Placating factions on campus and putting a good external face on matters (which includes extracting maximum money from alumni and legislators) is the main work of a contemporary university president.

Not only is institutional governance weak, the economics of these organizations are truly peculiar. Celebrated higher education scholar Howard Bowen postulated that universities simply spend all they can take in. They determine their own costs. They set their own prices—and sometimes collude over them. They are more apt to compete by raising prices than by cutting them. They aren't really accountable to anyone for performance. They have no clear goals or measurable indicators of performance.

In the 1970s, there were forecasts that this bizarre industry would face its comeuppance in the '80s. That did not happen. "Rarely," writes David W. Breneman, "has a body of predictions been so wrong. Instead of a drop in enrollments, followed by college closures, as projected, the 1980s witnessed generally increased enrollments, sharply rising tuitions, and a few college closures."[18]

National prosperity had much to do with this, allowing enrollments to grow even as tuitions soared. State governments found their revenues rising. Inflation was moderate, and a vibrant stock market boosted endowment returns and encouraged alumni giving. And the Middle Income Student Assistance Act of 1978—which liberalized eligibility for federal grants and extended loans to students regardless of financial need—led to unprecedented increases in federal student aid and in the proportion of students who pay for higher education at least in part with Uncle Sam's help. Total student aid (from all sources) was $46.8 billion in 1994-95—equivalent to nearly one-fourth of all higher education revenues that year. Washington was the source of three-quarters of this sum, supplying 60 percent more money (in constant dollars) for this purpose than it had a decade earlier. Today nearly half of all college and graduate school students are receiving federal loans or other aid from Washington.[19]

Trouble Ahead?

In the past, such stratagems have largely cushioned higher education from the consequences of its own bad habits. Today, however, five ominous signs of trouble are unmistakable.

First, there just are not that many more students waiting to be recruited. U.S. college and university enrollments now exceed total high-school enrollments (grades 9-12). The number of first-time freshmen each fall equals approximately 90 percent of the previous spring's high-school diplomas—and nearly twice the number of high-school graduates who passed through the academic or—college prep—track.[20]

Postsecondary institutions have been able to accomplish this by opening their doors to older students, encouraging people to return for additional training, and recruiting foreign students. Like veins of coal that have been heavily mined for decades, however, the yield from these "nontraditional" populations will eventually dwindle. The number of college-attending women, for example, has outstripped the number of men since 1979; women today comprise 55 percent of total postsecondary enrollments. Although there is still potential for expansion among minority students, it is hampered by the miserable quality of many of their high schools and entangled in the affirmative action debate.

Second, from the student's standpoint, a bit of the economic bloom is fading from the college rose. Real median earnings of young male college graduates actually dropped by 4.4 percent between 1989 and 1993. Although the earnings of young men with no college plunged farther (13.7 percent), thus widening the gap, the actual "return" on an investment in college may have peaked, at least for men. (It continues to rise for women.) It may now be that, as columnist Robert J. Samuelson has written, "The reason that college grads seem to do so well is

By margins of seven or eight to one, the public reports that college is too expensive, is not a good value for the money, and is fast pricing itself out of reach. Elected officials are also beginning to push back.

that high-school graduates are doing miserably."[21]

Third, we are becoming increasingly aware of the malign effects on our elementary and secondary schools of greed at the tertiary level, especially the devastating impact of "open admissions" on school standards and pupil performance. Only about 50 of the nation's 3,600 colleges and universities are highly selective (i.e., turn away more applicants than they accept). Perhaps 200 more campuses admit between 50 and 90 percent of their applicants. The rest welcome essentially anyone who applies, sometimes not even requiring a high-school diploma. For young people aspiring to the more selective campuses, real stakes and consequences follow on their secondary school performance. For them, getting high test scores and good grades in hard courses pays off. For the rest, however—that mass of young people who know they can enter the college down the road no matter what their high school record looks like—the incentive to study hard is virtually nonexistent. School reformers can talk about higher standards until they turn blue, but rational sixteen-year-olds know that in the real world it simply doesn't matter. American Federation of Teachers president Albert Shanker notes,

> When you have a system that basically says, "It doesn't count"—a system where it doesn't make any difference whether your kid passes or doesn't pass; where he can go to college regardless; where no employer will ever look at his school record—you have a system that will not work. Right now, what students want—college admission, jobs, and job training—is disconnected from their school work.[22]

Fourth, much of what takes place on campus today repels the very people who are being asked to pay for it. Some of higher education's awesome capacity to extract more money from American society can be traced to a generalized belief that these funds are spent on worthwhile, even noble, activities. This impression has been severely undermined, however, by a decade and more of revelations of widespread "political correctness," multicultural excesses, curricular erosion, and amorality on campus. As the Wingspread Group noted in 1993, "The nation's colleges and universities are enmeshed in, and in some ways contributing to, society's larger crisis of values. Intolerance on campus is on the rise; half of big-time college sports programs have been caught cheating in the last decade; reports of ethical lapses by administrators, faculty members and trustees, and of cheating and plagiarism by students are given widespread credence."[23]

As Dorothy said to the Wizard after his curtain was rolled back: "You're a very bad man!" (He replied that he was a good man but a bad wizard.) Yale's return of twenty million dollars to a private donor is but one high-profile example of the widening gap between the values that rule the campus and those of the broader public. Thus public regard for higher education is ebbing. Today, 54 percent of Americans believe that higher education in their states needs a "fundamental overhaul." By margins of seven or eight to one, the public reports that college is too expensive, is not a good value for the money, and is fast pricing itself out of reach. These findings are consistent across a half-dozen polls conducted over a three-year period by different polling organizations.[24]

Elected officials are also beginning to push back. Says Ohio legislator Wayne Jones, a senior member of that state's finance committee, "The higher education community thinks they're above it all. They don't like to be told what to do. But if they want us to be their sugar daddy, there are going to be some rules."[25] (And Jones has successfully pressed his colleagues to impose some. For example, Ohio now requires professors in state-supported colleges to spend at least 10 percent more time teaching undergraduates than they did in 1990.)

Fifth, of course, money is getting scarce—and consumers and taxpayers more cost-conscious. The press to reduce taxes and shrink government is pinching higher education along with everything else. In 1980, more than 11 percent of state general revenues were appropriated for higher education; by 1992—with Medicaid, prisons, and other state

While states find themselves less able—or less willing—to maintain the pattern of increasingly generous subsidies, the federal gravy train is slowing as well. The federal share of higher education revenues fell from 15 percent in 1980 to 12 percent in 1993.

costs soaring—that had eroded to 10 percent. (In 1992, 1 percent of state general revenues was worth slightly more than $3 billion.) Though total state appropriations for higher education continue to rise in absolute terms, appropriations per student, adjusted for inflation, have slipped. That, combined with faster-than-inflation increases in institutional *spending*, is why the states' portion of public higher education's revenues fell from 46 percent to 38 percent between 1980 and 1994, and why tuition's share rose during the same period, from 13 percent to 18 percent.[26]

Derailing the Money Train

While states find themselves less able—or less willing—to maintain the pattern of increasingly generous subsidies, the federal gravy train is slowing as well. The federal share of higher education revenues fell from 15 percent in 1980 to 12 percent in 1993. Today's press to shrink the federal deficit, curb Uncle Sam's intrusiveness, devolve education obligations to the states, and make people shoulder greater responsibility for themselves is not apt to abate anytime soon. Some of the least popular agencies in Washington—such as the Department of Education and the arts and humanities endowments—have been the spigots through which much of higher education's federal largesse has flowed. As these gushers turn to trickles, colleges and universities will inevitably experience a drought. The "tax" that Congress recently almost decided to affix to student loans, for example, would have been unimaginable a decade ago. Even the reduction in defense spending—a goal dear to the ideological hearts of many academics—significantly affects university research budgets.

The one large exception to declining federal research support, at least for now, is biomedical research, where the spigot gushes still. But this makes essentially no financial difference to the 3,500 degree-granting institutions that do not have medical schools. (Even where universities have medical schools, other changes in federal policy—such as cost controls on health care delivery—are pinching their teaching hospitals hard.)

Significant figures on Capitol Hill have seen behind the curtain of higher education and are underwhelmed by what they find there. For example, take two ex-professors in powerful positions: Speaker of the House Newt Gingrich (once an assistant professor of history at West Georgia College) and House Majority Leader Dick Armey (once a professor of economics at the University of North Texas). In their recent (1995) books, each was critical of U.S. higher education. Gingrich wrote,

> Higher education . . . is out of control [because] campuses are run for the benefit of the faculty . . . increasingly out of touch with the rest of America, rejecting the culture of the people who pay their salaries. . . . There is also an acceptance of higher costs without effective management by administrators. . . .[27]

Armey says,

> The educator . . . may today turn his podium into an ideological pulpit and then get all huffy at the mere suggestion he's strayed from his responsibilities. Before tenure he is accountable only to his like-minded peers, after tenure he's accountable to no one, least of all the public or university supporters paying his salary.[28]

Congressional leaders such as these are unlikely to preside over a further acceleration of the higher-education money train. Already, the train is carrying a bit less academic pork than before. In 1995, higher education's share of such earmarked and non-competed grants came to $600 million—some $51 million (8 percent) less than in 1994.[29]

Running Out of Customers

If the states and the federal government refuse to come to higher education's financial rescue, the academy's one remaining large source of additional funding is, of course, its own students and their families. Tuition-payers, however, are also beginning to feel more oppressed by—and resistant to—rising prices. During the eighties—a time in which middle- and working-class incomes were stagnating—the average cost of attending a public college

Colleges are out-sourcing the management of bookstores, food services, and dormitories; janitorial work; printing; campus security; computer centers; and even student health care.

increased by 109 percent, and costs at private colleges rose by 146 percent. By comparison, medical care costs rose 117 percent, new home costs went up 90 percent, and the price of the average new car increased by 37 percent.[30]

Because many people simply cannot handle college costs on today's income, the debt burden is mounting rapidly. Between 1992—when Congress invited even more middle income students to obtain federally guaranteed loans—and 1994, borrowing under the federal loan programs rose 57 percent, to $23.1 billion. Of the $183 billion borrowed in the program's three-decade history, more than one-fifth was borrowed during that two-year period.[31]

More students, including those from well-to-do families, are deciding that their best option is a heavily subsidized state university which—despite the tuition hikes of recent years—still costs as little as a third the price of an elite private college. In some states today, the income level of students enrolled in public institutions actually surpasses that of students enrolled at private institutions. For example, the median family income of students at the University of Minnesota in 1991 was $48,250, almost $3,000 higher than the incomes of families with youngsters at Minnesota's private colleges.

Even this middle-class bargain may dry up, however, as taxpayers come to understand more clearly the "reverse Robin Hood" arrangement that underwrites it. Despite virtually open admissions policies and easy access to student aid, it is still true that the people most likely to avail themselves of state-subsidized higher education are better off than those who pay for it. Even in a state with as progressive a tax structure as Minnesota's, for example, people earning less than $35,000 per year ante up 31 percent of state revenues (from individual taxes), while their children comprise just 27 percent of the undergraduate students at the University of Minnesota.[32]

Belt-Tightening

If institutions cannot count on growing revenues, they either have to stop changing andbecome even more static and stodgy than they already are or they must tighten their belts, make tough "substitution" decisions of the sort that have been unthinkable in the past, or find other productivity enhancers.

Some have begun. Typically, the institutions do the relatively easy (sometimes shortsighted) things first. They give more and deeper tuition discounts to maintain enrollments. In the private sector, it is now common to find colleges where fewer than one-third of the students actually pay the sticker price. (On the margin, a student does not have to produce much net income in order to be more valuable to the institution than an empty slot.) They defer maintenance on aging buildings. They stop adding as generously to their library holdings. They are apt to cover new teaching demands with part-time or "gypsy" faculty members who cost less in benefits (and don't get tenure).

Harder decisions are, well, harder, particularly in view of the nature of university governance and the caliber of its current leadership. If demanded from outside—legislators with accountability or productivity requirements, for example—changes may be grudgingly made. For example, Ohio's mandatory increase in undergraduate teaching is being emulated by other states, as is Tennessee's practice of tying a small amount of its campus funding formula to institutional performance.

There are signs of entrepreneurialism, at least with respect to non-faculty items. Colleges are out-sourcing the management of bookstores, food services, and dormitories; janitorial work; printing; campus security; computer centers; and even student health care. A new directory lists some 2,000 private firms which provide more than a hundred different services to institutions of higher education. Virginia's George Mason University, for example, recently signed a three-year contract with a firm called Campus Hospitality to manage a 3,000-bed dormitory complex. The company receives a quarter-million-dollar management fee—and a bonus if it boosts the occupancy rate higher than the present 80 percent. In making such arrangements, universities' goals are both to save money

Whereas universities once migrated from the private sector to the public in search of more favorable economics, today a few campuses are flirting with moving in the other direction (foreshadowed by state universities' mounting emphasis on alumni giving and private philanthropy)

by cutting costs and improving efficiency and—sometimes—to share in the vendor's profits.

Other forms of cost-reduction designed to benefit both college and student are three-year degree programs, which are sometimes the result of year-round study or curricular compression, sometimes of heavier reliance on college-level work done in high school (and attested to by the Advanced Placement Program). Schools ranging from Harvard and Stanford to Middlebury and tiny Albertus Magnus have options of this kind.

A number of state universities are experimenting with pay-in-advance schemes such as those in Florida, Michigan, and Pennsylvania. Some institutions are trying to freeze prices or at least pledge that their increases will not surpass the inflation rate. Michigan State, for example, advised 1995 freshmen that their tuitions will not rise faster than inflation for four years as long as the legislature does not reduce the state's subsidy to the university. Temple University has frozen (for at least one year) its undergraduate tuition, for the first time in two decades—and it has trimmed the salaries of its president and senior administrative officers.

To speed students toward their degrees, Oregon is charging higher tuition rates to those who accumulate more credits than necessary. In North Carolina, the tuition surcharge is 25 percent for undergraduates who take more credits than are required for a degree. Some institutions are also giving themselves incentives to remove obstacles of their own making. Indiana University, for instance, will pick up the tab for students whose fifth year was necessitated by the university's failure to offer all the required courses during the first four.

Academic standards may be raised—and remediation costs cut—through more demanding admissions requirements. The California State University system, for example, is discussing whether to bar future entry by freshman who cannot handle college-level math or English. (Three-fifths of entering students now fail one or both of the university's tests, even though the system requires four years of high-school English and three years of math for admission.) The City University of New York and the state universities of Massachusetts are moving in the same direction.

A few campuses are turning the Chivas Regal strategy on its head and offering bargains. For example, the University of Rochester now gives an across-the-board $5,000 tuition discount to incoming freshmen who live in New York state. And whereas universities—such as Cincinnati and Pittsburgh—once migrated from the private sector to the public in search of more favorable economics, today a few campuses are flirting with moving in the other direction (a tendency foreshadowed by state universities' mounting emphasis on alumni giving and private philanthropy). UCLA Chancellor Charles Young has hinted that his university may abandon the state system in favor of a quasi-private status in which money from Sacramento would merely supplement support obtained from business, federal research funds, and private gifts.

Some students do their own bargain-hunting. The long-term enrollment shift from higher education's private to public sector (from fifty-fifty after World War II to approximately one to four today) is the premier example. But even within the public sector, we find situations such as this: 20 percent of Eastern Michigan University's students are simultaneously accumulating credits at other institutions, most of them at lower-priced Washtenaw Community College just down the road. In states that allow advanced high school students to take college courses—usually with the school system rather than the student footing the tuition bill—these "postsecondary options programs" are proving enormously popular.

Conclusion

Despite this ferment, most of higher education's tough challenges still lie ahead. Substituting technology for personnel. Biting the tenure bullet. Changing the internal incentive patterns for faculty. Altering the teaching week, academic year, and so on, to eke productivity gains from personnel and facilities. Stiffening entry requirements to cut the cost of remediation (and not admitting those most apt to drop out). Slapping real assessments

Among 833,000 faculty members, it's a fair guess that not more than 50,000 will ever produce "new knowledge" of any significance to the world. Why should the others be paid to go through the motions?

onto students so that academic "value added" can be measured. Cutting back the curricular smorgasbord and instituting more "core" requirements. Doing away with frivolous research and the publish-or-perish imperative. (Among 833,000 faculty members, it's a fair guess that not more than 50,000 will ever produce "new knowledge" of any significance to the world. Why should the others be paid to go through the motions?) Cutting amenities or at least making them optional: the collegiate equivalent of a no-frills basic-transportation automobile rather than the "fully loaded" model.

Most of these actions are essentially impossible for institutions to take on their own. And it is not yet clear whether the marketplace, elected officials, disgruntled alumni, and fretful employers will force them to do so. It is so much easier to play by the old rules and boast of American higher education being "the best in the world." Many people who are otherwise quite self-assured are intimidated by the academy's aura of superior knowledge, and they are wary of jeopardizing their children's chance to gain a degree from a high-status campus. It must also be said that although economic and political resistance to the old ways may finally be setting in, to date we can detect no powerful or purposeful move to change American higher education.

In the heart of the Emerald City, the Wizard also enjoyed an undeserved aura of power, wisdom, and superiority which dissipated quickly when he was exposed. Only then did he grant the wishes of Dorothy and her friends. Then he accidentally flew off in a balloon, leaving Dorothy to find her own way back to the real world.

Notes

[1]The main source for U.S. higher education statistics on enrollments, institutions, degrees, faculty, and finances used in this paper is the *Digest of Education Statistics 1995* (Washington, D.C.: U.S. Department of Education, National Center for Education Statistics, 1995). Additional and supporting information can be found in the following U.S. Department of Education publications: *The Condition of Education 1995; Federal Support for Education, Fiscal Years 1980-1995; Current Fund Revenues and Expenditures of Higher Education, Fiscal Years 1985 through 1993; Packaging of Undergraduate Student Financial Aid: 1989-90; Basic Student Charges at Postsecondary Institutions: Academic Year 1993-94; National Postsecondary Student Aid Study: Estimates of Student Financial Aid 1992-93; Profile of Older Undergraduates: 1989-90; Profile of Part-time Undergraduates in Postsecondary Education: 1989-90; Profiles of Faculty in Higher Education Institutions, 1988; Faculty in Higher Education Institutions, 1988; Faculty and Instructional Staff: Who Are They and What Do They Do?; State Comparisons of Education Statistics: 1969-70 to 1993-94*. Publications consulted for international comparative data were: Organization for Economic Co-Operation and Development, *Education at Glance: OECD Indicators* (Paris: OECD, 1995); The World Bank, *World Development Report 1995: Workers in an Integrating World-World Development Indicators* (New York, Oxford, 1995); UNESCO, *Statistical Yearbook 1994* (Paris: UNESCO, 1994).

[2]Wingspread Group on Higher Education, *An American Imperative: Higher Expectations for Higher Education* (Racine, WI: The Johnson Foundation, 1993), 5.

[3]David Breneman, *Liberal Arts Colleges* (Washington, D.C.: The Brookings Institution, 1995), 13, 139.

[4]*An American Imperative*, 6.

[5]*The Condition of Education 1995*, Indicator 30 (pp. 92-93) and Tables 30-1 through 30-4 (pp. 292-295). See also Eric Hanushek, *Making Schools Work* (Washington, D.C.: The Brookings Institution, 1995), 13-23.

[6]Robert Kominski and Andrea Adams, *Educational Attainment in the United States: March 1993 and 1992* (Washington, D.C.: U.S. Department of Commerce, Bureau of the Census, 1994), x; see also by the same authors the Census publication *What's It Worth? Educational Background and Economic Status: Spring 1990.*

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[8]Thomas Sowell, "Why College Tuition Costs So Much," *Consumers' Research*, September 1992, 17.

[9]Steve Stecklow, "Colleges Inflate SATs and Graduation Rates in Popular Guidebooks," *Wall Street Journal*, April 5, 1995, A1, A4.

[10]Meg Summerfield, "14-Nation Study Finds Faculty Agree Many Enter College Lacking Skills," *Education Week*, June 22, 1994, 12.

[11]U.S. Department of Education, *Beginning Postsecondary Student Longitudinal Survey 1992* (Washington, D.C., National Center for Education Statistics, 1995). For another analysis see Clifford Adelman, *New College*

Instruction now consumes only 40 percent of the average university budget. Senior professors typically spend approximately ten hours per week in the classroom and no more than eight hours advising students.

Course Map and Transcript Files (Washington, D.C.: Office of Educational Research and Improvement, 1995).

[12]The College Board, "1996 Increase in College Costs Averages Six Percent," *News from the College Board*, September 29, 1995; The College Board, *Trends in Student Aid: 1985 to 1995*; Michael S. McPherson and Morton Owen Schapiro, *KEEPING COLLEGE AFFORDABLE* (WASHINGTON, D.C.: THE BROOKINGS INSTITUTION, 1991); and Michael S. McPherson, Morton Owen Schapiro, and Gordon C. Winston, *Paying the Piper: Productivity, Incentives, and Financing in U.S. Higher Education* (Ann Arbor, MI: The University of Michigan Press, 1993), especially part 3, "Student Finance."

[13]William H. Honan, "College Fees and Tuition Increase 6%," *New York Times*, September 29, 1995, A20. See also William G. Bowen, *The Economics of the Major Private Universities* (Berkeley, CA: Carnegie Commission on Higher Education, 1968), especially pp. 16-21.

[14]Courtney Leatherman, "Outpacing Inflation," *The Chronicle of Higher Education*, April 21, 1995, A20-A26. The data is taken from the 1994-95 annual survey of the American Association of University Professors. See also Denise K. Magner, "Engineering and Accounting Professors Earn Most, Survey Finds," *The Chronicle of Higher Education*, April 28, 1995, A46-A47.

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[17]Anthony M. Cummings et al., *University Libraries and Scholarly Communication* (Washington, D.C.: The Association of Research Libraries, 1992), especially Part I discussing historical trends in collections, expenditures, and publications, pp. 1-99; see also Bernard M. Fry and Herbert S. White, *Publishers and Libraries: A Study of Scholarly and Research Journals* (Lexington, MA: D.C. Heath and Co., 1976); and Kim A. McDonald, "Too Many Co-Authors?" *The Chronicle of Higher Education*, April 28, 1995, A35-A36.

[18]Breneman, 2.

[19]U.S. Department of Education, Office of Postsecondary Education, FY 1993 Loan Program Data Book (Washington, D.C.: U.S. Department of Education, 1994).

[20]U.S. Department of Education, *A Profile of the American High School Senior in 1992* (Washington, D.C.: National Center for Education Statistics, 1995).

[21]Robert J. Samuelson, "The Value of College," *Newsweek*, August 31, 1992, 75. Samuelson based his analysis on work done by Daniel Hecker of the Labor Department. Richard Murnane and two of his colleagues argue another view. They believe that the point that a growing number of workers with college degrees are either unemployed or employed in jobs requiring only high schools skills is valid only for older, male college graduates—45-to-54-year-olds. Real earnings increased in the 1980s for 25-34-year-old males and females and 45-54-year-old females. Young college graduates (they say) improved their labor-market position during the 1980s by increasingly obtaining degrees in occupations which had high earnings at the beginning of the decade and which had the highest earnings growth during the decade. See also three articles discussing "The College Labor Market: Yesterday, Today, and Tomorrow," in *Occupational Outlook Quarterly*, Summer 1994, pp. 2-28.

[22]Albert Shanker, *Making Standards Count* (Washington, D.C.: American Federation of Teachers, 1994), 10.

[23]*An American Imperative*, 4.

[24]James Harvey and John Immerwahr, *Goodwill and Growing Worry: Public Perceptions of American Higher Education* (Washington, D.C.: American Council on Education, 1995), 13.

[25]Charles Mahtesian, "Higher Ed: The No-longer Sacred Cow," *Governing*, July 1995, 22. Elected officials are not the only ones offering critical comments. For an interesting collection, see John W. Sommer, ed., *The Academy in Crisis: The Political Economy of Higher Education* (New Brunswick, NJ: Transaction Publishers, 1995).

[26]In addition to the U.S. Department of Education publications on state data, see the following: American Association of State Colleges and Universities, *Report of the States 1995* (Washington, D.C., AASCU, 1995); The Finance Project and Center for the Study of the States, *State Investments in Education and Other Children's Services: Fiscal Profiles of the States* (Washington, D.C.:

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[27]Newt Gingrich, *To Renew America* (New York: Harper Collins, 1995), 219.

[28]Dick Armey, *The Freedom Revolution* (New York: Regnery Publishing, 1995), 122.

[29]Colleen Cordes and Dylan Rivera, "Trimming Academic Pork," *The Chronicle of Higher Education*, September 8, 1995, A36-39; A42-43.

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[32]Calculations are derived from data found in the following two sources: Minnesota Private College Research Foundation, *Ways and Means: How Minnesota Families Pay for College* (St. Paul, MN: MPCRF, 1992) and Minnesota Department of Revenue, *Minnesota Tax Incidence Study* (St. Paul, MN: Department of Revenue, 1993). Personal correspondence from James Scannell, Vice President for Admissions at the University of Rochester, provides some other interesting information on the income mix (adjusted gross income) of student families at the University of Rochester and the four-year colleges of the State University of New York. He writes, "[The families of] UR students are quite a bit poorer than [those of] SUNY students. We have about a third more students [whose families earn] under $40,000 and significantly fewer students [whose families earn] over $50,000."

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