

WHERE THE US GOES TODAY...

We are going to ask ourselves whether really there is anything of practical value to be got from studying foreign systems of Education (Bereday, 1964)⁽¹⁾

Despite the accomplishments of American higher education, its benefits are unevenly and often unfairly distributed (James B. Hunt Jr., then Governor of North Carolina quoted in Carey, 2008)

A story of growing gaps between rich and poor institutions, greater clustering of low-income students in poorly financed institutions, and disinvestment in teaching (Wellman, 2008)

1. The American system is widely regarded not only as one of the largest but also one of the most successful, if not **the** most successful, higher education systems. It is increasingly the model for systems elsewhere. It also has some weaknesses. The UK Government is currently conducting a review of higher education prior to the review of the fee cap later this year. What ‘lessons’ are there for the UK and other systems that are moving in a market direction?

2. This paper is based upon a visit to the US in April/May 2008 together with an extensive survey of current American writing on these issues. The author would like to acknowledge the help and advice of Professor Don Heller, Director of the Centre for the Study of Higher Education at Penn State University, Professor Vaneeta D’Andrea of Central St Martins School at the University of the Arts, and David Palfreyman, Bursar of New College Oxford. However the author remains entirely responsible for the findings and conclusions.

The US system

3. Before coming to the main argument, a quick sketch may be in order. American higher education is daunting in its scale and complexity. Total US expenditure on higher education is nearly \$ 400 bn. There are some 4000 degree granting institutions. These range from world famous private research universities and liberal arts colleges through public flagship and regional universities to 2-year community colleges and the equivalent; there is also a growing number of ‘for profit’ institutions, of which the University of Phoenix is probably the best known. This in itself provides for a very wide range of choice although the great majority of students attend local (within 100 miles) institutions. Student choice is further facilitated by a credit-based system: 60 per cent of all students who gain a 4-year degree have transferred courses from one college to another, mostly from 2- to 4-year institutions (Schneider, 2005: 70). America still has one of the highest participation rates in the OECD and still one of the highest proportions of graduates in its population. The strength and attractiveness of the US system is reflected in the numbers of students and faculty it recruits from other countries, its dominant position in university-based research, and the strong position of the leading American institutions (mostly private) in the various international league tables.

4. America spends nearly 3 per cent of its GDP on higher education. The UK spends less than 1 per cent. The difference is mainly accounted for by the flow of private income and wealth which has no parallel in Britain or elsewhere. However in overall funding terms, the US system is a mixed one. Public universities receive appropriations from states to help with their educational and general costs. Both public and private institutions benefit indirectly from federal and state backed grants and loans to individual students (which can be used to defray the costs of tuition) as well as tax breaks. Finally, as in most higher education systems, government is a major funder of university research. This mixed funding system reflects the fact that American universities and colleges, public and private, are expected to fulfil broader public purposes – particularly, access and social mobility – as well as providing private benefits for students and employers.

The rise in tuition

5. One significant feature of US higher education in the past 20 years or so has been the seemingly endless rise in tuition fees:

The Consumer Price Index (CPI) has increased 119 per cent since 1980 while public university tuition has increased 543 per cent, or more than four times faster than the increase in general prices (Heller, 2007: 37)

6. Some 80 per cent of students attend public colleges. There has been a comparable, though (over time) relatively smaller, rise in tuition at private colleges.

7. A number of caveats need to be entered at this stage. These are the fees paid by full-time students. According to the College Board (2007), almost 40 per cent of all undergraduates are enrolled part-time but accurate data on charges and costs is hard to find. Second, these are average figures. There are enormous variations across institutions, states and regions as well as between in- and out-of-state students (the latter now comprising 14 per cent of full-time students in 4-year institutions according to the College Board) and between students in different years of study and/or different programmes. Finally, these are the published charges (the ‘sticker price’). Institutional aid makes the net cost much lower. On average, full-time students in public 4-year institutions receive about \$ 3,600 of aid per year in the form of grants and tax benefits; the average published fee is \$ 6,185 (the comparable figures for private 4-year institutions are \$ 9,300 and \$ 23,712) (College Board, 2007).

8. However it also needs to be borne in mind that these are the charges for one year and many students take longer to achieve an award (see Note 6). Also, the total cost of attending college includes the cost of living and earnings foregone. As the latest College Board report says (2007: 4), it is these costs (room and board, books and other expenses as well as earnings foregone) that present the greatest financial barriers for many students.

9. At the same time as costs have risen, family income inequality has been growing. Heller (2007: 39) reports that the Gini Co-efficient – a measure of the inequality of household income distribution – increased steadily from 0.399 in 1967 to 0.466 in 2001 (if all income were equally distributed amongst households, the score would be zero, and if it were all concentrated in one household, the score would be 1).

10. As a result, and in spite of increases in financial aid (in the form of grants, loans and tax credits), this has meant that higher education in America has become relatively much more expensive, particularly for those from the poorest backgrounds:

For those at the 20th percentile of all households, those with incomes of \$18,000 in 2003, the proportion of income required to pay public university tuition increased from 12 per cent of income in 1967 to 30 per cent in 2003. In contrast, for families at the 95th percentile the proportion of income required grew from 2 per cent to only 3.5 per cent (Heller, 2007: 39)

11. These price rises, the impact on affordability and access, and the difficulty of establishing value for money, were a central issue for the Spellings Commission (US Department of Education, 2006).^{(2),(3)}

12. The rise in tuition may be a major reason, though not the only reason (high school achievement rates are also levelling off), why American participation rates have begun to stall. Even more significant is the increased differentiation of college attendance by social class and ethnicity. Historically, there was a tendency for high and upper-middle income students to attend more prestigious, i.e. more selective institutions, and for lower-middle and lower class and lower income students to attend less prestigious, less selective institutions. This stratification has been reinforced (Astin and Oseguera, 2004; Douglass and Thomson, 2008) as have the participation differentials between different ethnic groups (American Council on Education, 2002-03). However it should be noted that significant numbers of African American students continue to attend historically black institutions (both public and private) which means they are not available for other universities and colleges.

13. Heller and Rogers (2006: 113) refer to the finding of McPherson and Schapiro (2002) that in 1999 over 40 per cent of students coming from families with incomes above \$50,000 (just above the median) attended either medium- or highly selective 4-year universities, while less than 16 per cent of students from families with incomes below \$15,000 per year enrolled in this sector. In contrast, 39 per cent of these lower-income students were enrolled in community colleges, while less than 15 per cent of the upper-income students were enrolled there. A *Chronicle* analysis last year found that the proportion of students with Pell Grants at the 75 wealthiest colleges actually fell between 2004/5 and 2006/7 (from 14.3 per cent to 13.1 per cent). There was a similar dip in the share of low income students on the flagship campuses of the 39 best endowed public universities (Fischer, 2008).

14. As well as reinforcing differences in access, enrolment and achievement⁽⁴⁾ between different social groups, the increases in tuition have accentuated the economic and status differences between different categories of institution and, indirectly, since research is cross-subsidised in most institutions from tuition payments and donations, between the core activities of teaching and research. Success in research is seen as the key to attracting 'better' i.e. better qualified students, which in turn reinforces the status and funding differentials between institutions.

15. A key factor here is the power of the leading private universities and colleges to capitalise on their status, location (generally in the most prosperous parts of the country), reputation and wealth to, literally, charge what the market will bear. The leading public institutions have had little choice but to follow them in raising tuition and becoming more selective and less local in their intakes. This is the ‘academic arms race’ that has been described (and deplored) by so many commentators (e.g. Winston, 1999). This in turn has affected the market for academic staff, with growing differentials in salaries, terms and conditions, and working environments between private and public institutions. ⁽⁵⁾

The impact on quality

16. Before looking at the possible causes of the rise in tuition, it may be worth considering whether there is any evidence that at the same time as prices have risen, there has been an improvement in the quality of student (and especially undergraduate) education.

17. Quality is of course an extremely difficult thing to write about: we should never forget Martin Trow’s famous injunction that higher education is ‘a process masquerading as an outcome’. On the basis of a study of average Graduate Record Exam (GRE) scores (the GRE is a standardised test taken by bachelor’s degree recipients applying for graduate school), as well as Scholastic Aptitude Tests (SAT) results, Vedder (2004: 54-6) found no significant changes since the mid-1960’s. Other evidence suggests that the overall quality of student education has not increased, and may even have declined. ⁽⁶⁾

Causes of the rise in tuition

18. There appear to be several possible explanations for the rise in tuition, not mutually exclusive:

1. Increased demand
2. Increased competition
3. Increased financial aid for students
4. Increased costs, possibly linked to
5. The increased importance of research
6. Declining government support for institutions, especially state appropriations.

Increased demand

19. Clearly, institutions would not be able to raise their prices, and go on raising them, in the absence of sufficient demand. In spite of the huge increase in student numbers since the early 90s, there continues to be a substantial earnings differential between baccalaureate and high school graduates (this may be due more to the depression of high school graduate salaries than to the elevation of baccalaureate salaries). As in many other countries, a bachelor’s degree is now the unavoidable pre-requisite for a well regarded and remunerated job. So it will be interesting to see what happens when demography kicks in and, as in most of Europe, the 18- to 24-year old cohort that provides the bulk of full-time students begins to diminish, with those sectors that are

still growing being those currently least represented in higher education, notably the Hispanic population (Strauss, 2008).⁽⁷⁾

Increased competition

20. It may seem odd to include ‘increased competition’ as a factor since this is usually seen as depressing or controlling prices. However, given the nature of higher education as a positional good (Hirsch, 1976), in a society which increasingly sees positional competition across many sectors (Frank and Cook, 1995), it is predictable that the cost of higher education, particularly at the elite institutions, has actually increased, especially as the elite institutions have also not expanded their enrolments in line with demand.

Increased financial aid

21. There can also be little doubt that the increased availability of financial aid as demand has increased has been a factor in enabling institutions to raise their prices. About a quarter of student funding comes from private lenders, the amount of which was virtually unlimited. This means that the credit crunch may have more effect in constraining price rises than the Spellings recommendations, as an article in the *Chronicle* last February (Basken, 2008) suggested.⁽⁸⁾

Increased costs/increasing importance of research

22. In a free market critique, Vedder (2004) argues that beyond increases in demand, the main reason for the increases in tuition has been increases in expenditure. Increased revenues have simply lead to increased costs, especially in the research institutions. This reflects the dominant position of the producers in a market where one of the crucial conditions for effectiveness – valid, reliable and accessible information about product quality- is just not available (Brown, 2007). Vedder argues that the additional revenue from tuition has gone not into improving quality but into increasing faculty compensation, reduced productivity and more non-instructional personnel, many of them engaged in research or research-related activities. All this is on top of dysfunctional expenditure on college sports, luxurious dormitories and other facilities designed to impress potential students, parents and sponsors (Dowling, 2007; Jones, 2008; Kelderman, 2008; Wolverson, 2008, amongst many others). Third party payments (gifts and donations), which have also increased, have not helped. His remedy is to increase the degree of marketisation (see below, paragraph 29).

23. A contrary view is given in a recent issue of *Change*. Robert Archibald and David Feldman argue that higher education’s costs reflect its production function and its inability, at least without apparently sacrificing quality, to make significant productivity improvements, the benefits of which can be passed on to purchasers in the form of lower charges (Archibald and Feldman, 2008).⁽⁹⁾

Declining state appropriations

24. Traditionally, levels of state appropriations have varied cyclically. Nevertheless, Bowen et al (2005: 204) quote Kane and Orszag (2003) to the effect that between 1977 and 2002 state appropriations fell from an average of roughly \$8.50 per \$1,000 in personal income to an average of about \$7.00 per \$1,000. Looking at college costs

and prices in 2001, the National Centre for Educational Statistics confirmed that over the period 1988/9 to 1997/8, at both public and private non-profit institutions, average tuition increased over inflation and over most categories of institutional expenditure. The tuition share in revenue had increased. Revenue from state appropriations had decreased as a share of the income of the public institutions. The proportion of educational and general revenue represented by endowment income and private gifts, grants and contracts had also increased.

25. The report noted that on the expenditure side, instruction remained flat or had diminished as a share of educational and general expenditures (instruction, research, service, academic support, student services, institutional support, plant operations and maintenance, scholarships and fellowships, and transfers). The report concluded:

Decreasing revenue from government appropriations (in which state appropriations make up the majority) was the most important factor associated with tuition increases at four year public institutions over the period of analysis.

Although increases in instruction expenditures were associated with increases in tuition at public four year institutions, they did not explain as much of the variation in tuition charges as decreases in state appropriations revenue did (viii). (US Department of Education, 2001)

26. Looking at the private ‘not for profit’ sector, the report found no single overriding factor as strongly related to tuition as state appropriation revenue in the public 4- year sector. The factors identified included higher costs in the form of changes in institutional aid and average faculty compensation levels, and lower revenues from philanthropic sources. So once again, it appeared that the purpose in raising tuition was to protect income rather than to protect expenditure. However, Longanecker (2006) argues that increases in public tuition have exceeded the levels necessary to replace ‘lost’ state revenues.

27. State appropriations are of course used to fund research and scholarship as well as teaching. It appears that over the past 10 years Federal research funding has remained level in real terms; the industry share in R & D spending has increased (Geiger, 2004: 135).

Discussion

28. It is a moot point whether the Consumer Prices Index is a relevant measure so far as the benchmarking of universities’ costs is concerned. There is a Higher Education Prices Index which measures changes in the cost of university inputs; it has risen faster than the CPI (Vedder, 2004: 42). But even if the broadest measure – the GDP deflator – is used, expenditure per student has still risen very substantially since 1980. But is it expenditure we should be focussing on?

29. Vedder draws attention to the low workload (and SSRs) of faculty as well as the diversion of resources to graduate education and research, including the over-production of PhDs. His solution is to privatise universities either directly (by making all institutions ‘for profit’ organisations) or indirectly (by converting state

appropriations into vouchers and indexing changes in voucher value to some general measure of inflation; to protect access, the vouchers would be means tested). He argues that this would make universities much more cost sensitive whilst having a neutral effect on research (the implicit subsidy for research would be maintained because the starting level of the vouchers would be set at the current level, whilst federal funding for research would be unaffected).

30. Whilst at least some criticisms of the American universities seem valid – the system does seem to be both excessively expensive⁽¹⁰⁾ and unnecessarily inefficient – it is impossible to see how Vedder’s solution would not make things worse. He acknowledges but never really confronts the fundamental difficulty in applying market solutions to higher education. This is the impossibility of finding a secure and universal measure, a ‘bottom line’, for the quality of student education (and, it should be recognised, many/most categories of research). As many commentators (e.g. McPherson and Winston, 1993) have pointed out, this makes it inevitable that attention will focus on proxies for quality such as resources and reputation, and that these in turn will reflect and (unless powerful countermeasures are taken) reinforce, the crucial but usually unacknowledged role of higher education in allocating status not only externally in society but also within the academy (Collins, 2002; Calhoun, 2006). It is in this sense that the pathologies of the market can reinforce the pathologies of the academy, with the individual pursuit of status supplanting the collective pursuit of truth.⁽¹¹⁾

31. A wiser approach might therefore be to reaffirm the public benefits arguments justifying subsidies for both institutions and students, and to relate levels of state appropriations (more precisely, **increases** in state appropriations) to fairly crude levels of demand and resource usage. At the same time, the public universities at least should find some way to limit, and if possible agree to, common tuition levels or increases (within states). As the College Board says:

If college education is to become more affordable for more students, institutions will have to find ways to offer high-quality higher education in a more cost-effective manner, and state and federal governments will have to improve their systems for supporting both postsecondary institutions and the students they serve (College Board, 2007: 4)⁽¹²⁾

32. This would still leave the privates outside the system but since they also receive substantial public financial support, including tax breaks both for themselves and for donors, there is a way of reining them in if the will is there (parallels can be seen between the current Congressional efforts to get Harvard and Co to shell out more of their endowments for educational purposes and the efforts which the UK Charities Commission is making to ensure a genuine public benefit to compensate for the tax breaks that the public schools in Britain currently enjoy). In this way the market-based character of American higher education would remain but some of the more societally dysfunctional features could be dealt with.⁽¹³⁾

Lessons and Issues for the UK

33. A number of issues would seem to arise for the UK:

1. We need to understand the main limitations of markets as a basis for organising higher education, especially the lethal combination of the seemingly unavoidable absence of proper consumer information about product quality (Brown, 2007) and the competition for status on the part of both purchasers and suppliers. Together these can lead to wasteful positional competition, greater stratification (of both institutions and groups within society), and (ironically) poorer value for the resources which society invests in higher education⁽¹⁴⁾
2. We should be very cautious about any further transfers of funding from institutions to students or any increases in price competition between institutions. Market entry conditions should also be kept under review.
3. We should at the same time be vigilant with regard to institutions expenditures and costs. Expenditure which does not directly support student education or staff research and scholarship should be scrutinised especially closely.
4. Although our student aid regime appears to be superior in some respects, we need to work even harder at focussing aid on where it is really needed for participation, attainment and subsequent achievement.
5. Similarly, although we pay greater (or more explicit) attention to academic standards, the growth of markets poses considerable challenges to quality assurance in its present form (Brown, in preparation).
6. In both countries there continues to be a problem about the relationship between academic research and scholarship and student education, and the much greater prestige still accorded to the former to the detriment of the latter (Research and Teaching Forum, 2008).
7. Both countries are having problems with the preparedness of secondary/ high school students for degree level study. This may stem from inappropriate policies being adopted in the compulsory sector as well as wider changes in society.

Envoi

34. Allowing for the difficulties in controlling the expenditure side, rising tuition in the US, due in large measure to reduced state appropriations, and leading to or exacerbating inequalities in access and education between social groups, as well as to resourcing, and possibly quality, differences between institutions, are all functions of an increasingly unequal society. This in turn reflects a conscious societal choice to go for a low tax, low public expenditure regime, what Nicholas Lemann (1998) has called ‘the new American consensus’ (‘government of, by and for the comfortable’). Only when those choices are changed can the position be stabilised, and perhaps reversed. In the meantime, though, universities could perhaps do more to educate people to the undesirable consequences of present policies for the public benefits that are still associated with higher education but which are increasingly under threat, and not only in the US:

Public higher education benefits many more citizens of the state than those attending the institutions or those directly receiving services from the extension services of the institutions. Research indicates that there is a social return to higher education that includes increased income for non-college graduates, increased state revenues, increased intergenerational mobility and lower welfare costs. If a high-tuition policy for public higher education reduces the fraction of the population going to and completing college, we will all be worse off (Ehrenberg, 2006a: 53).^{(15), (16)}

Notes

1. I am very grateful to Dr David Post of the Centre for the Study of Higher Education at Penn State University for this reference.
2. The Commission's main findings were that too few Americans, especially from non-traditional groups, participated in higher education; that the funding system was 'increasingly dysfunctional'; that the financial aid system was 'confusing, complex, inefficient, duplicative, and frequently does not direct aid to students who truly need it'; that quality may be declining; and that there was inadequate transparency and accountability for measuring institutional performance. The main recommendations were that there should be 'an unprecedented effort' to expand access, with significant increases in aid to low income students; that the entire student aid system should be restructured, with incentives for institutional cost control and productivity; and that institutional accountability should be enhanced through the creation of a database enabling institutional performance to be compared, together with a much greater focus on 'meaningful student learning outcomes'. For a transatlantic critique of Spellings which draws some UK parallels see Alderman and Brown, 2007.
3. It seems reasonable to argue that tuition prices (sticker or net) are best understood in relation to ability to pay, usually determined by some measure of income or resources (so that in theory, if incomes grew as quickly as tuition there would be no decrease in affordability). Heller (2001: 33) also raised the issue of absolute affordability: is college affordable enough? He noted that tuition prices at public 4-year institutions and community colleges increased more than 750 per cent from 1971 to 1998. During the same period, the Consumer Price Index increased 297 per cent, the increases in its major categories ranging from a low of 107 per cent (for telephone service) to a high of 550 per cent (figures from the US Bureau of the Census). Heller notes (personal communication to the author) that these discrepancies would now look worse given the continuing increases in tuition and the stagnation of most families' incomes.
4. Whereas in 1975 around 7 per cent of students from the lowest income quartile gained a baccalaureate degree by age 24, compared with 40 per cent from the upper quartile, in 2000 the figure for the lowest quartile was still 7

per cent but the upper quartile figure had risen to 60 per cent (Allen et al, 2005).

5. According to the College Board (2007: 2), expenditures on instruction averaged \$ 16,300 per student at private doctoral universities, \$ 9,400 at public doctoral universities and \$ 5,000 at public 4-year undergraduate colleges. An article in *The Chronicle* in April (Byrne, 2008), based on the annual review by the American Association of University Professors, reported that the average salary for a full professor at the top of their range at a private research institution in 2007 was \$ 144,256, compared with the average at a public research institution of \$109,569. This is leading to a 'brain drain' from public to private institutions and also from poorer to richer public colleges (Williams June, 2008). Ehrenberg (2002: 23-26) argues that because they do not have to account to state legislatures or executives, the major private institutions are under much less pressure to constrain their costs and their spending. Bowen et al (2005: 205) quote a paper by Kane and Orszag (2003) suggesting that educational spending per full-time equivalent student had declined at public institutions relative to private institutions from about 70 per cent in 1977 to about 58 per cent in 1996. In fact, the leading private institutions could probably charge a lot more, such is the demand for their wares, but everyone enrolled gets a subsidy from endowment earnings, annual gifts etc (Breneman, 2008). It is the disparity in endowments, with some 50 institutions educating 2 per cent of students but controlling half of all endowment money (Maguire and Butler, 2008) that is the real dividing line in US higher education. Winston (2000) calculated that institutional savings (a school's accumulation of wealth, physical and financial, with which to support future non-tuition income to pay for future student subsidies and/or educational spending) varied over the previous decade between \$ 8,754 and \$ 1,175 for the top and bottom deciles of private institutions, with a sector average of \$ 2,676, and between \$ 1,335 and \$ 334 for public institutions, with a sector average of \$ 577. These disparities were likely to grow as the wealthier institutions in each sector used their resources to increase their attractiveness to students and donors. (There are of course indications that the credit crunch will have a major impact on endowments).
6. According to Carey (2007: 29), while 6-year graduation rates have crept up slightly since the 1970s, they still hover at two-thirds overall, and are significantly lower for low-income and minority students. There appears to be abundant evidence of grade inflation (Johnson, 2003; Geiger, 2004). The length of time taken to achieve a degree has increased. More than 40 per cent of freshman at 4-year institutions do not graduate in 6 years (Nemko, 2008). According to Vedder (2004: 56) the length of time to a PhD now averages 10 years on the part of the 50 per cent of students who do not drop out. Some of this is almost certainly due, as in the UK, to greater numbers of less well prepared students entering higher education, which in turn reflects increasing inequalities in the high schools (Richardson, 2008). Nevertheless, considering the overall costs, the quality of the facilities, the low SSR's etc, this does seem to be an underfunctioning system. Ehrenberg (2006) refers to a number of studies associating high drop out rates with increasing use of contingent faculty and lower levels of expenditure per student.

7. Amongst high school graduates who enrol in some kind of post-secondary study, Hispanic students are only half as likely as white students to finish with a baccalaureate degree (Suro and Fry, 2005). Kelly and Prescott (2007) show how by 2020 a much larger proportion of the workforce will be members of minority ethnic groups, some of whom (especially Latinos but also African Americans and Native Americans) have lagged in degree attainment, mainly because of their failure to graduate from high school. At the same time the fastest growing sectors of the economy generally require at least an Associate degree. Yet minorities, apart from Asian Americans in science and engineering, earn degrees in science, engineering and health at lower rates. A recent report by the Higher Education Research Institute (Higher Education Research Institute, 2008) found that within Latino Freshmen entering 4-year colleges there was a huge and growing gender imbalance, with the proportion of males to females dropping from 57.4 per cent in 1975 to 39.2 per cent in 2006. In 2004 28.4 per cent of Latino males aged 16-24 were high school dropouts compared with 18.5 per cent of Latina females.
8. We should note here the increasing proportion of financial aid that is merit- or non-need- rather than need-based. Heller and Rogers (2006: 110-111) comment that minority and poor students receive a disproportionately smaller share of merit scholarships, while white and upper-income students – the groups with the highest college-going rates – receive a larger share of the grants. The increased emphasis on merit aid reflects the shift from the pursuit of access to the pursuit of prestige as the key driver of institutional aid. The switch to merit aid comes on top of the switch from grants to loans, which do not actually reduce the cost of college but just postpone when it is paid for. A similar trend can be seen in the development of university scholarships in the UK since 2006.
9. For a similar argument see Ehrenberg, 2002:6. Bowen et al (2005: 206-7) say that it is the ‘handicraft’ nature of university instruction, especially at the graduate level and in small group settings for undergraduates, that has caused increases in university charges to exceed increases in general inflation for at least a century. Bowen refers to this as the ‘chamber orchestra’ phenomenon. It would be interesting to know how increases in faculty earnings in recent years have compared with those of, for example, physicians, dentists and lawyers.
10. According to OECD figures, the US spends \$24,074 on each student compared to the OECD mean of \$11,254 (2003, at Purchasing Power Parity rates) (Vincent-Lancrin, 2007). Only Switzerland spends more. The UK figure is \$11,866.
11. Vedder argues that pushing more of the costs on to the consumer would reduce the quantity demanded, forcing institutions to be more cost conscious to retain students. But of course in a positional market high prices are actually an attraction, as denoting high levels of ‘quality’, rather than a disincentive. This is what Douglass and Keeling (2008:4) call the ‘Prestige Equals Pricing Rule’. As we have already seen, at least prior to the credit crunch the leading

universities and colleges could actually charge far more for their custom. This is precisely what would happen if the fee cap here were raised or abolished.

12. The recently renewed Higher Education Act requires the Secretary of Education to publish annual lists of the institutions with the highest and lowest tuition, fees and net prices, by sector, as well as those with the largest percentage increases in net price and in tuition and fees over the previous 3 years. Institutions appearing on the percentage-based lists would be required to submit reports to the Secretary. The Act also empowers the Federal Government to withhold College Access Challenge Grant funds from states that fail to raise spending on higher education each year by at least as much as they increased it, on average, over the previous five years.
13. There also needs to be a better coordination of federal and state funding. Alexande (2006) argues that federal student aid policies actually militate against healthy levels of state appropriations to institutions. Increases in aid also need to keep pace with increases in family incomes. The College Board has recently published far reaching proposals for the reform of federal student aid (College Board, 2008).
14. Winston (2000), using 1995-6 figures, calculated that whilst at community colleges 9 cents delivered a dollar of educational expenditure, at private doctoral universities 56 cents was needed (at a doctoral public university the figure was 24 cents). Winston added that community colleges usually charged a very low net price and most of the student subsidy came in the form of a reduced sticker price whereas private doctoral universities not only charged far higher net prices but gave half their subsidy in financial aid.
15. The dilemma is well set out in a recent report in The Chronicle:

Californians believe affordability and a lack of government support are the top issues facing colleges and universities in the state, but a majority are unwilling to pay more taxes or tuition to support higher education, according to a statewide survey conducted by the Public Policy Institute of California and released this month (Keller, 2008)

16. This report was written when the world economic crisis was not as apparent as it has since become. There are suggestions that as well as reinforcing some of the inequalities and inequities already noted, it may create additional ones between institutions and groups in more and less prosperous regions (Gill, 2008).

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