Wealth Creation for the 21st Century: New Designs for Opportunity, Equity & Prosperity
HEPI 2016 Annual Lecture
Martha Kanter

Equality vs. Equity

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About the Author

Dr Martha J. Kanter is Senior Fellow at New York University’s Steinhardt Institute of Higher Education Policy and Executive Director of the College Promise Campaign.

In 2009, President Barack Obama nominated her to serve as the Under Secretary of Education, with responsibility for all federal post-secondary statutory, regulatory and administrative policies for the Department of Education. She focused on increasing college access, affordability, quality and completion rates to implement President Obama’s goal of having the best educated and most competitive workforce in the world by 2020.

Previously, Kanter served as President of De Anza College and then Chancellor of the Foothill-De Anza Community College District for sixteen years. She began her career as an alternative high school teacher. She holds a BA in Sociology from Brandeis University, an MEd from Harvard University and an EdD from the University of San Francisco.

*The lecture was kindly sponsored by Kaplan International, Pearson and Wiley.*

*Cover picture from the Interaction Institute for Social Change by Angus Maguire. See interactioninstitute.org and madewithangus.com*
1. Higher education in the USA

The USA is home to more than 325 million people, of whom nearly 21 million or 5.7 per cent of the population attend a US college or university. About three million are graduate students and the rest are undergraduates.

Of the 7,252 post-secondary institutions, about two-thirds or 4,726 are accredited, which enables them to provide students with federal government loans and/or grants.

- The great majority of US colleges and universities – about 80 per cent – are public institutions. Of these, two-thirds are state universities and one-third are community colleges.
- Eight per cent are private, including liberal arts and religious institutions, and 60 institutions or about 1 per cent are leading public and private research universities such as Harvard, UCLA or Ohio State.
- The remaining 10 per cent or so are for-profit institutions.

US higher education is highly decentralised and institutional leaders like to say they are autonomous. In truth, however, there are many stakeholders from national to local leaders who play a role in these institutions.
The student population is increasingly diverse.

### Higher education governance in the USA

<table>
<thead>
<tr>
<th>State government</th>
<th>Federal government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governor</td>
<td>President</td>
</tr>
<tr>
<td>Regents</td>
<td>Secretaries</td>
</tr>
<tr>
<td>Chancellor</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Individual institutions</th>
<th>Regions, cities and towns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trustees</td>
<td>Supervisors / Borough Presidents</td>
</tr>
<tr>
<td>Chancellors</td>
<td>City Councils</td>
</tr>
<tr>
<td>Presidents</td>
<td>Mayors</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Inter-state regional collaborations</th>
<th>National, state and regional accreditors</th>
</tr>
</thead>
</table>

### US higher education students

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-24 Years</td>
<td>12.0m</td>
<td>40%</td>
</tr>
<tr>
<td>25+ Years</td>
<td>8.2m</td>
<td>58%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gender</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>11.7m</td>
<td>57%</td>
</tr>
<tr>
<td>Male</td>
<td>8.8m</td>
<td>43%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td></td>
<td>58%</td>
</tr>
<tr>
<td>Black</td>
<td></td>
<td>15%</td>
</tr>
<tr>
<td>Hispanic</td>
<td></td>
<td>17%</td>
</tr>
<tr>
<td>Asian</td>
<td></td>
<td>7%</td>
</tr>
<tr>
<td>American In/Alaskan Native</td>
<td></td>
<td>&lt;1%</td>
</tr>
<tr>
<td>International/Non Resident</td>
<td></td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: http://nces.ed.gov/fastfacts/display.asp?id=372
The enormous range of challenges facing American higher education is comparable to that in the UK. They include:

Challenges facing higher education

<table>
<thead>
<tr>
<th>Finance</th>
<th>Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autonomy</td>
<td>Student debt</td>
</tr>
<tr>
<td>Academic preparation</td>
<td>Student versus business model</td>
</tr>
<tr>
<td>Funding</td>
<td>Persistence/retention</td>
</tr>
<tr>
<td>Innovation</td>
<td>Access and choice</td>
</tr>
<tr>
<td>Graduation/completion</td>
<td>Technological transformation</td>
</tr>
<tr>
<td>Educating diverse populations</td>
<td>Career preparation</td>
</tr>
<tr>
<td>Globalisation</td>
<td>Mismatch</td>
</tr>
<tr>
<td>Including academics in decision-making</td>
<td>Flexibility</td>
</tr>
<tr>
<td>Accountability</td>
<td>Faculty morale</td>
</tr>
<tr>
<td>Transparency</td>
<td>Political micromanagement</td>
</tr>
<tr>
<td>Communications</td>
<td>Economic changes</td>
</tr>
<tr>
<td>Governance</td>
<td>Student/consumer confidence</td>
</tr>
<tr>
<td>Disruption forces</td>
<td>Public perception</td>
</tr>
<tr>
<td>Free speech</td>
<td>Public and private contracts</td>
</tr>
</tbody>
</table>

But as the founding US fathers understood, the diffusion of knowledge is central to good government, freedom and democracy.
2. The new normal

After the US presidential election, it seems there are some things far more alarming than Brexit. Perhaps Winston Churchill said it best: ‘True genius resides in the capacity for evaluation of uncertain, hazardous, and conflicting information.’ Or better still: ‘If you’re going through hell, keep going.’

I am confident that our collective genius will get us through these uncertain times, as it has since the birth of our nations. I am confident that the building of bridges will ultimately dominate the building of walls.

But instead of dwelling on today’s uncertainties, I want to focus on the future of higher education and the importance on both sides of the Atlantic to ensuring that its benefits are available to a far bigger portion of the population in the face of increasing globalisation, technological change, stagnant wages and rising costs.

The true measure of a society’s prosperity is not the buildings it constructs, the technological accomplishments it achieves or the number of awards its elite members earn. It is how well it provides opportunity, equity, and advancement for all.

In our two democratic societies, providing better, smarter access to higher education represents far more than a first step on the ladder towards economic, social and civic success. It is a pathway for local and regional revitalisation and for building hope and confidence, which are essential
components that ultimately bind our nations — it is a formula or roadmap towards what I call wealth creation.

Benefits for Students, for Society, and Our Nations (US figures)
- Graduates are 24 per cent more likely to be employed.
- Graduates are 74 per cent less likely to be out of the labour force.
- Graduates contribute hundreds of thousands of dollars more tax over their lifetimes.
- Graduates use 39 per cent fewer government resources.
- Graduates are 44 per cent more likely to report having ‘good’ or ‘very good’ health.
- Graduates are five times less likely to be imprisoned.

I have been a secondary school teacher, a community college president and chancellor, a California state higher education official, a university professor and President Obama’s US Under Secretary of Education with responsibility for post-secondary education. As part of my duties for the Obama Administration, I was fortunate to work with leading higher education officials from the UK and education policy leaders from many other countries in my official capacity representing the US at OECD and UNESCO. We worked vigorously and rigorously on strategies to expand educational opportunity in a globalising, technologically advancing, diversity-rich world.
3. An alternative direction

Today, I serve as the Executive Director of the College Promise Campaign, which is an effort to build support across America for going beyond the US traditional guarantee of a free high school education for all, to one that meets 21st century needs for education and training after secondary school. Our goal is to ensure that a college education is available and affordable to everyone willing to make the effort to advance beyond high school, starting in America’s community colleges.

I have seen and worked with a full-range of students – from those who speed through high school and college entering the workforce from their elite networks with little or no debt, to part-time students in entry level jobs, as Starbucks baristas or call centre staff, and people who are struggling to find a place for themselves in a world where what they thought would be their lifetime employment was outdated by technology and competition from China, India or Sri Lanka.

I have worked with mothers and fathers committed to finding ways to pay escalating college costs for their children and very often themselves, even as they do two or three jobs. I have seen first-hand students’ difficulties paying for tuition, textbooks, living expenses, and, sadly, even food.

One of our greatest achievements in the Obama Administration was to increase the number of low-income students entering college by more than 50 per cent in just four years.
Despite the steps we have taken, I have seen indications around the world that what we are doing is just not enough. We have a lot more work ahead before equality of opportunity is real for what I call ‘the top 100 per cent of students’.

In the US as in the UK, there are real fears about rising college costs. Increasing cost-of-living expenses and less support for government aid programmes threaten to make the benefits of higher education increasingly unaffordable, putting higher education out of reach for many poor and middle-class families. Over the last three decades, average tuition costs at US public four-year colleges increased by more than 250 per cent compared to family income growth of 16 per cent.¹

The UK’s Social Mobility Commission makes the disturbing point that while ‘educational inequalities are narrowing’ and ‘disadvantaged young people are 30 per cent more likely to enter university in 2015 than just five years ago’, ‘only one in eight children from low-income backgrounds is likely to become a high income earner as an adult.’²

The same is true in the US where the Pew Charitable Trusts have reported on two distressing points. First, that while 96 per cent of US students from the highest-income quartile complete high school, only 63 per cent from the lowest-income quartile do. Secondly, that while 82 per cent of students from the highest-income quartile attain college degrees, only 8 per cent of students from the lowest-income quartile do.³
The lack of higher educational opportunity increased the disaffection of the hardworking middle class whose voices and votes were prominent in the Brexit and US election results.

The Social Mobility Commission warns about the emergence of a growing ‘two-tier labour market’, where ‘barely one in ten low-paid workers at the start of the last decade had escaped low pay by the end.’ Many US polls this year reported that normally Democratic blue-collar workers concerned about manufacturing jobs going abroad were a major factor in the election.

We need to move beyond shock, disbelief, and disappointment, close sharpening divides and create a vision of a shared future which we can all make happen. We must join forces to argue that providing more higher education should not be viewed as an expense but as an investment in current and future generations.
4. Wealth creation

We should apply a wealth-creation framework to higher education in the 21st century, which informs how we look at achieving success in life beyond how much money one earns. An internet search identifies more than three million entries to explain wealth creation, from hiring prosperity partners to an understanding of how Catholic social thought contributes to the wealth of nations.\(^5\)

I believe we need to redefine wealth in the context of higher education and use the best of our research to identify and distribute high-leverage educational opportunities that produce outcomes that better our lives.

Putting it another way, whether we look at America’s concerns about the evaporation of basic manufacturing and coal jobs or the UK’s concerns about globalisation and immigration impacting jobs, we need to make sure that our standard of measurement – whether in yards or metres – values providing meaningful and relevant educational opportunities as a high-priority investment, especially as we analyse our social, economic, and civic achievements, past, present – or future!

The *Oxford English Dictionary* says ‘wealth’ originated from Middle English ‘welthe, from well or weal, on the pattern of health.’ Today, we define wealth as ‘an abundance of valuable possessions or money; ‘a plentiful supply of a particular desirable thing’ or from the simply archaic ‘well-being’.\(^6\)
When we think about wealth in the context of higher education, we know there is no reasonable argument that a high-school education is sufficient for success in the 21st century. We know from numerous research studies and reports that earning degrees and certificates from a university, a community college or a trade school increases net earnings over a lifetime.\(^7\) Two-thirds of jobs will require a post-secondary education.\(^8\) But we often fail to value fully the contributions higher education makes through its graduates to creating new jobs, reducing the costs of government programmes, revitalising and improving our communities and contributing substantially to our nations’ social, civic and economic prosperity.

The wealth that accrues from tertiary education advances our social and civic, as well as our economic, capacities. More highly-educated people earn more, invest more and save more, and they are healthier, happier and generally more productive throughout their lives. Furthermore, they are employed at higher rates and rely less on government-funded services.\(^9\) They are also less likely to enter the escalating high-cost criminal justice system.\(^10\) These are just a few of the reasons why higher education should be considered an investment, not an expense.

Unfortunately, not all schools, community colleges or universities accrue these outcomes at the rates of our top US and UK institutions.
We must therefore make a robust case for improving the transparency of what students learn and accomplish during college and after they graduate as a way to make a strong argument for investing in evidence-based educational incentives and interventions that increase the outcomes of our nations’ students. Our best institutions should assume more responsibility for doing this and, concomitantly, our nations should make larger investments in research across the board.

Further, we must take more rigorous steps to apply the best of our research to increasing student success in our classrooms, adequately compiling and publicising these results for use by academics, students, families, public intellectuals, policymakers and politicians.

Wealth creation should be the goal of democratic societies across a range of evidence-based outcomes that are clearly tracked and understood by our publics. Our countries’ leaders can and should do this together.
5. Equity and personalisation

In taking on the challenge to broaden our definition of wealth creation, we should pay more nuanced attention to who has access to opportunity.

Past generations who lived outside the boundaries of discrimination and slavery paved the way for future generations to achieve success in life. Higher education was freely available to the few, not the many, but all of that has changed. What was free for the fortunate members of the baby-boomer generation and previous generations is now increasingly high cost and out of reach for the many.

It is more important than ever to shine a spotlight on the ethnic, gender, income, race and class composition of students moving through the education pipeline. Who gets in and who benefits from higher education must become far more transparent for the purpose of supporting talent, extending outreach, improving classroom teaching and more closely aligning our education systems, from the worst elementary schools to the ivory towers.

In tackling these enormous tasks, our governments should work to increase transparency, simplify the laws and regulations of politicians past and remove barriers to opportunity by setting smarter standards, expected outcomes and incentives and pushing the use of research-based interventions to lift the educational aspirations and outcomes of our underprepared youth and adults. These are
the investments in higher education that will yield long-term returns for our nations.

To do this, all sections of education and their partners in business, government, labour and philanthropy must work more closely together – across siloes. In engaging leaders across sectors, we must deepen and broaden our default definition of a college education to a shared understanding that success in life begins at birth. Higher education needs should assume more responsibility for the success of our elementary and secondary schools as well as for its own outcomes.

Our tertiary institutions produce the teachers, social service workers and police who should be encouraged to collaborate during college, in graduate school and in the communities in which they will live and work. Similarly, business, non-profit and government leaders should form deeper partnerships to design new mechanisms and reduce barriers to enable a higher-performing talent pipeline through each rung of education, supported by modernised social programmes to bring the full-range of students from diverse backgrounds beyond high school into and through higher education. We must redefine the education pipeline from birth through life, as we build the ladder from ignorance to knowledge, thereby doing our part to move people from poverty to wealth.

My hero, Thomas Piketty, helps us understand the causes of inequality that stem from the wealth divide that threatens the prosperity of our nations. He makes the point that investing
in education and training has the power to build wealth, reduce cost and ultimately strengthen the tenets of democracy: ‘Modern distribution is built around a logic of rights and a principle of equal access to a certain number of goods deemed to be fundamental.’ Increasing opportunity, equity and prosperity is perhaps the greatest challenge of our new century.

We must put our attention to ensuring that every student from the low and middle-income sectors of our nations secures a lifelong education equivalent to what the privileged receive at our world-class schools, community colleges and universities. Evidence of what works from the best of our institutions at all levels of education should be scaled throughout our communities, by applying the right combination of intellectual and financial resources that enable our teachers, professors and technologies to create and provide the personalised pathways to achievement and success for current and future generations. These are investments that will yield long-term results.
6. The Free College Movement

The ‘free college’ movement that is my passion is critically important to our future. Nothing worth doing is free; there is generally a price to be paid. But we pay for what we value.

In the case of the free college movement in the US, education, business, philanthropy and government are partnering in new combinations to fund the gap in tuition and fees for eligible, deserving students based on varying combinations of merit and need, some more inclusive and others more restrictive.

To date, more than 150 US cities and towns in 37 states as well as four entire states are making the College Promise available to their residents. The majority provide this benefit for high-school graduates to attend a two or four-year public college or university. The rest provide the benefit to adults who have not had a higher education. A few offer the benefit to private as well as public universities.
In the Midwest town of Kalamazoo, Michigan, a group of anonymous donors provided funds for an irrevocable trust to launch a College Promise programme in 2005. Over the years, this became a successful regional effort to revitalise a local economy beset by factory layoffs. To this day, local Kalamazoo high-school graduates receive up to four years of paid tuition at any 2 or 4-year public or approved private colleges and universities in Michigan.

In the southeastern city of El Dorado, Arkansas, the Murphy Oil Company, a local business, put $50 million into a trust to create the El Dorado Promise that funds up to five years of college tuition and fees for students who have been in local high schools since the ninth grade. Students may attend any US regionally accredited college or university, with the majority of students completing their two or four-year college degrees in Arkansas.

The Long Beach Promise in California was launched in 2008 with local public and private investments to guarantee a tuition-free academic year at Long Beach City College and college admission to Long Beach State University for qualified students. Key features include a college pledge and tours for K-12 students and families, access to Advanced Placement courses and community-based business internships.

In 2014, in the southern state of Tennessee, Governor Haslam put the Tennessee Promise in place, building on the Knoxville Promise where he formerly served as mayor. Seeking to increase the number of Tennesseans with a college degree or certificate by 2025, the Tennessee Promise offers all high school graduates the opportunity to attend the first two years of a community college education free from college debt. The Tennessee Promise leveraged government surplus funds from the state lottery combined with business and philanthropic investments. Today, 60 per cent of participating students are first-generation college-going and 70 per cent are from low-income families. Additionally, first-year college persistence rates have increased.
These leaders are willing to work across their individual sectors to offer multiple benefits that:

- increase the hopes, aspirations and confidence of students and their parents that higher education is expected if they make a serious effort in school;
- prove higher education is not just for the privileged;
- show high school is not enough; and
- provide evidence that a more educated citizenry produces economic growth and an increase in civic and social responsibility. We still call this the American Dream.

Over the next few years, researchers will be tracking the impact of College Promise programmes. As you can see, the College Promise is offering a new path forward to the American Dream with its keen focus on collaboration across education, government, business, labour and philanthropy, with serious commitments to increasing equity and including under-served Americans and to evaluating the progress of its recipients.
7. Implications for the US and UK

Our nations are graduating millions more students with higher amounts of burdensome debt than in decades past. Efforts to purchase a first-home, buy a car, and/or start a family have slowed. Over the past 50 years, we have reduced our investments in both educational opportunity and, specifically, in the provision of affordable higher education and its research imperative to drive breakthroughs to spur global health, technology, social and economic innovation and obtain new knowledge to tackle the most pressing challenges of the 21st century.

Big questions loom in both our nations:

• Will the realities of Brexit and the new US President and his Cabinet restrict access to higher education?

• Will it cost more for a UK student to enter and complete higher education in another EU country and will fewer EU students come to the UK to study?

• Will Brexit stifle UK research partnerships or not?

• Will the private loan market increase?

• Will public loans have more restrictions? Will proprietary higher education grow stronger?

• Will the public sectors of education at all levels and core research support see further disinvestment or new investments for risks taken and results achieved?

• What will be the intended and unintended consequences of our decisions?
Core to these hard questions are some further ones. Will we have the power to restore trust and faith in our nation’s leaders at all levels of government? Will our leaders work across their differences? Will they demonstrate respect for one another’s diversity of perspectives? Will they work together to craft meaningful paths forward for our communities and ultimately our nations? How will we ensure that the dreams of our people will have a fair chance of success through the education pipeline?

To answer these questions, we must make and continually renew a powerful, transparent, multinational commitment to the preservation and advancement of a middle class where everyone has access to opportunity if they work hard, irrespective of income, background, circumstance or place.

The US and the UK will need millions more college graduates to lead our nations forward who, today, are held back because of escalating college costs, the prevalence of loans, the barriers of poverty, the historic consequences of our inequitably-driven education systems and the failing abilities of our leaders to work together towards common goals, above their individual ideologies and interests.

We know that first generation and low-income students trail their privileged peers by more than 30 per cent. Simply said, students in poverty zones do worse in school and do not finish high school or college at comparable rates to their more privileged peers. Added to this, in the US we find ourselves with a national burden of $1.3 trillion dollars in student debt.
Seven in ten US students are graduating from college with a debt burden of more than $28,000. All of these realities combine to limit the promise, success and leadership of our democratic societies.

When the US and UK glance over our shoulders, we see other nations outpacing us in their commitment to invest in higher education as a critical means to ensuring their future competitiveness in an increasingly globalised world.

Today, under 50 per cent of US and UK adults between the ages of 25 and 34 have earned a college degree, though the UK is slightly ahead of the US. These numbers portend tragic consequences when our countries are significantly outpaced by Korea, Japan, and Canada, respectively.
8. Conclusion

We can and we must join forces to do far better than we have done in the past 50 years. Wealth creation must become our priority in all its dimensions. We need new designs for opportunity, equity and prosperity that take advantage of our world-class research and development initiatives in education, the economy and social programmes.

The words of the Robbins report from half a century ago should still resonate today:

*The difference, as regards economic potential, between a tribe of savages and a civilised community depends much more on education than on material equipment. If a series of nuclear explosions were to wipe out the material equipment of the world but the educated citizens survived, it need not be long before former standards were reconstituted; but if it destroyed the educated citizens, even though it left the buildings and machines intact, a period longer than the Dark Ages might elapse before the former position was restored.*

Let me conclude by noting three real benefits of investing in higher education.

First, for students and their families, expanding access and affordability and ensuring equity to a quality education opens the door to better jobs, better living standards and, in a real sense, more satisfying lives.
Secondly, for society, a commitment to achieving opportunity and equity for all from birth through higher education could be a response to the anxieties exhibited by disenfranchised young adults and middle-class working men and women in our most recent elections. It can be a shout-out, amidst rising disenchantment, that there are accessible, affordable and equitable pathways to success for all.

Thirdly, for communities, businesses and our nations, investment in higher education will not only create a workforce better prepared to compete on the world stage, but an economic development and social inclusion strategy to revitalise cities and towns hard hit by the impacts of globalisation and technology.

The question then is how best to identify and sustain these investments for the long term. We need to ensure that this and future generations are more successful than their parents and grandparents. I have been looking at that closely and through our work at the College Promise Campaign, we have identified a variety of funding mechanisms. But the truth is: there is no single method. Whether it is philanthropists providing start-up money for sustainability, government funds, investments from local and worldwide companies or a combination of these, it is time for all of us to come to a common table and figure out how our resources can combine to create the revenue streams that enable opportunity, equity and advancement for all.

This will redefine how we think about and create wealth in the 21st century.
Notes and references


www.hepi.ac.uk


15. Long Beach Promise — retrieved from http://www.longbeachcollegepromise.org


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In this wide-ranging lecture, President Obama’s Under Secretary of Education, Martha Kanter, explains how we can tackle today's global challenges by helping ‘the top 100% of students’.

Using her extensive experience as an educator, policymaker and campaigner, Dr Kanter challenges higher education institutions to improve the transparency of what students learn as a way of proving their value. She also shows how the College Promise campaign is transforming lives in most states in the USA.

It is only by extending opportunity that we can be sure of having the skills necessary to confront the world’s big problems.