Journal of Collective Bargaining in the Academy

Volume 0 *NCSCBHEP Proceedings 2006* Article 3

April 2006

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Recommended Citation

Turkel, Gerald (2006) "Financing Higher Education: Privatization, Resistance and Renewal," *Journal of Collective Bargaining in the Academy*: Vol. 0, Article 3.
DOI: https://doi.org/10.58188/1941-8043.1022
Available at: https://thekeep.eiu.edu/jcba/vol0/iss1/3

Financing Higher Education:
Privatization, Resistance and Renewal

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Paper prepared for presentation at Annual Meeting, National Center for the Study of
Collective Bargaining in Higher Education and the Professions
New York City
April 3, 2006

Financing Higher Education: Privatization, Resistance, and Renewal

Introduction

The fiscal crisis of higher education currently is being resolved largely through a financing policy of privatization, a pattern that increasingly shifts responsibility to individual students and their families. The politics of privatization makes it ever more difficult for lower-income students to attend college and has become a major financial burden for middle-income people. Beyond the direct financial consequences, privatization has increasingly subordinated the research and educational missions of higher education to the countervailing imperatives of economic growth and competitiveness. Privatization has enhanced the entrepreneurial and corporate features of universities and colleges, increasingly shifting the values of higher education away from notions of common property and the common good to individual self-interest and careerism. The autonomy of higher education institutions has been weakened, both the economic status and professional independence of the faculty have been undermined, and students are increasingly defined as consumers.

In order to confront this epochal change and develop alternatives to it, we must analyze the fiscal changes that have taken place and more fully articulate their consequences. In addition, we must analyze the political terrain and its possibilities, differentiating between strategies of resistance and strategies of renewal. On the one hand, strategies of resistance aim at maintaining and enhancing funding in the milieu of legal and institutional frameworks that have been established through the Higher Education Act and other foundational statutes and policies. On the other, strategies of

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DOI: 10.58188/1941-8043.1022

renewal aim more broadly at constructing public policy that more fully democratizes higher education. This includes reorientation towards common goals and the common good, and enhancing the autonomy of higher education institutions and the faculty and professionals who serve them.

Legislating Privatization

The privatization of higher education has been neither absolute nor drastic, but rather accomplished by degrees over time and in relative terms. Starting with the 1972 Education amendments, Congress began to shift the financing of higher education from a focus on direct institutional support to a market-based approach that provided aid directly to students on the basis of need (Slaughter, 1998). Through the Pell grant program, Congress sought to emphasize student choice in a marketplace of higher education alternatives, allowing students to decide the allocation of federal support to higher education institutions. With the adoption of the Pell Grant Program, the Carnegie Foundation for the Advancement of Teaching and other national policy institutions began to articulate a “high tuition-high aid” policy (Colwell, 1980; Leslie, 1995). This was aimed at expanding Pell Grants, increasing the amount of funding allocated to them, and enabling students to select private institutions. By the 1980s, Pell grants and other sources of student funding were stable while tuition rose, leaving students to foot the bill either through their own resources, their families, or through borrowing.

While direct grants to students fostered privatization, statutes were enacted which made the research universities more entrepreneurial, corporate and profit-oriented. The Bayh-Dole Act (1980) gave universities and businesses the right to retain ownership of inventions made with federal funds. This made faculty-generated research a revenue source for individual institutions rather than a common source of knowledge made available to the scholarly community (Rhodes and Slaughter, 1991). Legislation such as the Stevenson-Wydler Act (1980) enabled fuller cooperation between private businesses and universities in developing marketable products from intellectual property owned by universities through license or royalty agreements (Slaugher and Rhoades, 1996). The National Cooperative Research Act (1984) changed antitrust law so as to enable cooperative funding of research and development by government, industry and universities. The Omnibus Trade and Competitiveness Act (1988), among other statutes, sought to enhance intellectual property rights, including those held by universities and by consortia of universities, government and corporations. In this way, university-based knowledge increasingly was constructed through property rights and in terms of profit-making and revenue enhancement rather than as a common good. Slaughter summarized this trend (1998):

> "In the 1980s and 1990s, universities participated in privatization, deregulation, and commercialization to a degree greater than any public institutions other than the federal laboratories. Federal legislative changes overturned universities' traditional position on intellectual property, in which intellectual property was the by-product of the quest for knowledge; instead it made knowledge, embodied in products and processes for global markets, the focus of science and technology. To a remarkable degree, the universities' public interest mission was defined as best served by fostering the pursuit of private profit."

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DOI: 10.58188/1941-8043.1022

Declining Government Support and Cost Shifting

The January 13, 2006, The Chronicle of Higher Education headline could not be much rosier: “State Spending on Colleges Bounces Back” (A1). The article goes on to document that state spending for higher education is growing at its fastest rate in five years, 5.3%, for a total of $66.6 billion. This is the highest increase since the 7% increase in 2001. The largest increase for the coming year is in Hawaii, at 20.1%, followed by Alabama’s increase of 14.9%. Twenty-seven states, including New York, New Jersey, Maryland, California, Virginia and Delaware, are increasing their higher education budgets by 5% or more, compared to fourteen states in 2005. Four states, including Connecticut, Illinois, and Michigan, are decreasing their higher education spending for 2006, compared to eight states in 2005. The Chronicle deems the actions of two Republican governors especially noteworthy. In California, Governor Schwarzenegger has proposed that the state allocate more than $129 million to prevent an 8% increase in undergraduate tuition and a 10% increase in undergraduate tuition. In Maryland, Governor Ehrlich proposed a $172 million increase in state funding, much of it going to the University System of Maryland, which has reduced expenditures over the past two years.

This relatively good news must be put in the perspective of the epochal change toward privatization. State Higher Education Finance FY 2005, a report published by the State Higher Executive Officers (SHEEO), provides context for the 2006 increases. The data presented and analyzed in this report demonstrate a steady increase in net tuition as a percentage of total higher education revenues. In 1981, net tuition was 21.5% of total educational revenues. This increased to 31% by 1995 and then declined slightly through the remainder of the 1990s, falling just below 30% in 2001. Since 2001, net tuition as a percentage of total higher education revenues has steadily increased to 36.7% in 2005. Over this twenty-four year period, net tuition has increased by more than 15% as a percentage of total higher education revenues.

In addition, the report shows that there are continuing pressures on higher education financial resources. Between 2001 and 2005, enrollment at public institutions grew by 14.3% while inflation increased by 14.2%. The increases in state funding over this period did not meet the increased enrollment and inflationary increases. The report concludes that "the combined effects of enrollment growth and inflation grew faster than state and local support" (2006: 12). In constant 2005 dollars, the state and local support per full-time student was $5,833, compared to $7,121 in 2001. In effect, there was a funding decline of $1,288 per full-time student between 2001 and 2005. In the face of "projected increases in the college age population" and "the increasing economic importance of higher education," the report states that the demand for higher education and the fiscal pressures will continue (2006: 12). Indeed, "if this trend continues both the American tradition of affordable higher education and student participation could be threatened" (2006:12).

The picture for federal funding of higher education also demonstrates a continuing trend toward privatization. In <u>Trends in Student Aid, 2004</u>, College Board analysts state that the federal government provides 67% of direct aid to students (2005). In 2003-2004, the federal government provided $81 billion, constituting a 10% increase over 2002-2003 after accounting for inflation. The composition of federal aid, however,

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was largely in the form of student loans. For 2003-2004, 70% of the aid was in the form of loans, about 21% was in grants, and 8% was in the form of tax benefits.

The increase in loans over grants was characteristic of sourcing funding outside of direct federal support. Between 1996 and 2001, grant aid was growing more rapidly than loans. This was also true from 1990 to 1993. From 2002 on, however, loans grew more than grants as a source of student financing for higher education. Indeed, between 1993-94 and 2003-04, the number of borrowers under Parent Loans for Undergraduates (PLUS) increased from 310,000 to 735,000. The average loan parents assumed increased over this decade to $8,839, a rise of 54% in constant dollars (2005: 5).

By 2004, "combined, unsubsidized Stafford loans, federal loans to parents, and tax benefits" comprised 45% of total federal aid. These loan and tax benefit programs, moreover, were benefits that went to middle- and higher-income families. By comparison, Pell grants increased by 6% in 2003-2004. In 2003-2004, Pell Grants "funded 5.1 million students with average grants of $2,466" (2005: 4). As a result of an increase in the number of Pell Grant recipients over the previous year, the average grant actually fell by 1%. This decline in inflation-adjusted value of Pell Grants was the first since 1999-2000. In addition, while the average Pell Grant covered 35% of charges at four-year public institutions in 1980-81, this declined to 23% in 2003-2004. The funding for Pell Grants did not increase sufficiently to meet the growing demand.

The College Board Report for 2004-2005 documents further movement toward privatization in higher education funding. In 2004-05, the fastest growing segment of student aid was private student loans (2006: 5). While half of student aid came in the form of both subsidized and unsubsidized loans from the federal government, PLUS loans grew fastest—by more than $1 billion. Between 2003-04 and 2004-05, "the number of borrowers and the number of loans in PLUS programs grew more rapidly than the number in either Stafford loan program. The unsubsidized Stafford Loan program grew more rapidly than the subsidized Stafford Loan Program" (2006: 5). Perhaps most disturbing, the College Board Report suggests that "as many as 25% of college students may be relying on credit-card debt to help finance their education" (2006: 3). By 2004-05, the average debt for a student financing a bachelor's degree at a public college or university was $15,500. 62% of students who received bachelor degrees at public institutions graduated with debt, compared to the 88% who graduated with a bachelor's degree from a for-profit institution (2006: 12). Moreover, the average Pell Grant declined by an additional 3% in 2004-05 in constant dollars.

This trend toward privatized financing has had dramatic effects on students, according to a report by the Higher Education Research Institute at UCLA summarized in The Chronicle of Higher Education (February 4, 2005: 1). According to this report, more than 47% of college freshman said that they would likely have to work during the academic year; this included a majority of men (53%) and 39.6% of women. The report explained these expectations on the basis of tighter state budgets and declining Pell Grants. Moreover, according to The Chronicle, "a number of studies have shown that working more than 20 hours a week increases the likelihood that a student will drop out of college" (February 4, 2005: A3). The College Board report, Trends in College Pricing (2006), states that "40% of all undergraduates and almost two-thirds" at two-year institutions are attending part-time (2006: 2).

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While privatization affects student and family finances at all income levels, lower-income students are most impacted (Reed and Szymanski, 2004). According to a study by Eduardo J. Padron, President of Miami Dade College, "increasing college costs have a severe effect on low income students and families. Compared to the 47% increase in costs (between 1994 and 2004), personal incomes have risen only 10%. Published charges at public four-year colleges registered an astronomical 71% of a low income family's earnings, compared to 5% and 19% for upper-middle and middle income families respectively. Up to 25% of academically qualified low-income students no longer even apply to college" (2005: 3). As privatization becomes more dominant and the financing of higher education falls more on students and their families, class privileges are enforced.

As indicated in the introduction, privatization impacts institutions of higher education beyond student funding. Shifting greater financial responsibility to colleges and universities alters the character and mission of higher education. As the sources of financial support change, so does the organizational culture and ethic of higher education institutions.

According to reports summarized in <u>The Chronicle of Higher Education</u>, private donations to colleges have been increasing over the past few years (March 11, 2005: 1). In 2001, private contributions totaled $24.2 billion. This declined to $23.9 billion each in 2002 and 2003. In 2004, private contributions grew to $24.4 billion, a 3.2% increase. Much of this funding, about 28%, came from alumni. Another 25% was donated by foundations. The overall 3.2% increase was about the same as the level of inflation. In addition, non-alumni individuals gave about 21% of the total contributions in 2004, compared with the 18% they gave in 2003. Corporate giving was 3.5% in 2004 compared to 2.8% in 2003. One problematic change was 12.8% of alumni contributed, a number that declined for the third year. While alumni contributions are increasing, the number of individual alumni contributing has been declining. John Lippincott, president of the Council for advancement and Support of Education, voiced another concern. Lippincott stated, "I'm concerned that when we applaud the results, there is a tendency on the part of some that it means that the state or federal government can reduce their support" (March 11, 2005: A3). In other words, success in raising private funds may lead to a decline in public funding.

In addition to the increase in private donations, college endowments have had "respectable" returns according to a report by The Chronicle of Higher Education (January 27, 2006: A1). While on average, endowments had losses in 2001 and 2002, there was a gain of 3% in 2003. The average return on college endowments was about 15% in 2004 and about 9% in 2005. There was considerable variation in rates of return in 2005, with the lowest at an 11% loss and the highest at a 22.3% gain (January 27, 2006: A30). Yale University, with the second largest endowment in the country, apparently posted the highest gain.

As a general rule, large endowments tend to have higher returns than small endowments; this is due, in part, to wider resource allocation, greater risk taking, and use of the best management. Scott Malpass, vice president and chief investment officer at the University of Notre Dame, said of the 17.9% gain in Notre Dame's $3.65 endowment, "Private equity, real estate, our private-energy portfolio investments in merging markets, venture capital, commodities – these are all things that did well for us" (January 27,

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2006: A30). Only 9.6% of endowment assets are managed internally; for the fifth year in a row, institutions are looking to outside professionals to manage their endowments. As senior managing director of TIAA-CREF Asset Management Nancy Heller stated, "There has been a general trend toward outsourcing. Asset classes are more complex, and some institutions can only afford to have one person internally."

Reporting on a survey conducted by the Association of University Technology Managers, The Chronicle of Higher Education states that "colleges and universities in the 2003 fiscal year filed more patents, identified a greater number of scientific discoveries, with commercial potential than ever, and signed a record number of licenses with companies seeking to turn academic inventions into drugs, devices, and other products" (December 3, 2004: A27). In 2003, 165 institutions received almost $1 billion in licensing revenues. These included rights to use university-owned inventions, settlements from patent infringement lawsuits, and "cashed-out equity in spinoff companies" (December 3, 2004: A27). About 25% of the licensing fees and spinoffs are concentrated in seven research universities. New York University, earning $86 million, ranked first with a 37% increase over 2002. The largest source of this income was from a drug, Romicade, which treats rheumatoid arthritis and Crohn's disease. There are about 20 drugs on the market which use NYU-owned technology. According to Michael Douglas, associate vice-chancellor and director of the Office of Technology Management at Washington University in St. Louis, being successful in this arena "all depends on bringing in a big deal" (December 3, 2004: A27). His university almost doubled its royalty earnings, from $6.5 million to $12.5 million, by getting a big upfront payment from a German pharmaceutical company.

Analyzing Sources of Privatization: Fiscal Crisis

In Ensuring the Nation's Future: Preserving the Promise of Higher Education in an Era of Fiscal Challenges (2005), a Task Force of the AAUP's Committee on Government Relations addressed challenges to higher education financing. They focused on the role of the state in funding. The causes of this crisis include unfunded mandates imposed on states by the federal government; sales taxes lost when customers shop from tax-free catalogues and Web sites; and revenues lost because federal statutes make the Internet tax-free. In addition, federal tax cuts enacted in 2001 impacted revenues for the many states which base their tax structure on the federal tax code. Citing a study by the Center on Budget and Policy Priorities, the AAUP report claims that states lost $9 billion over the fiscal years 2002-05, due to changes in the federal tax code. Furthermore, states face many pressures for spending on Medicaid, prisons, K-12 education, and post-9/11 security. These structural changes have long-term consequences for higher education funding, fueling the politics of privatization.

Such recent changes have occurred in a broader historical context of transformation. Just as the change toward greater privatization in higher education financing emerged in the early 1970s (Slaughter, 1998), so did James O'Connor's seminal work on the fiscal crisis of the state (1973). By analyzing the political and economic forces leading to fiscal crises, O'Connor provides a framework for the conceptualization underlying this shift in policy.

There are both structural and ideological dimensions to the fiscal crisis. Structurally, the fiscal crisis of the state results from contradictions among the three

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major sectors of the political economy: (1) the monopoly sector comprising capital and union-intensive manufacturing including automobiles, aerospace and steel; (2) the state sector comprising federal research and development, governmental agencies dealing with health and welfare, and education; and (3) a competitive sector comprised of low capital and technology service, agricultural and light manufacturing, combined with low levels of unionization. In O'Connor's analysis, the needs of the corporate monopoly sector for research and development, capital investment in infrastructure, and a healthy and educated work force depend upon the activities of the state sector. Displaced and retiring workers in the monopoly sector also depend on the state sector for a measure of economic security. The competitive sector has members of the workforce who depend upon government to compensate them through unemployment insurance, welfare and other programs for the weaknesses and dislocations of the seasonal and competitive tasks they fulfill.

These three sectors become contradictory with the stresses on and decline of state tax revenues provided primarily by workers in the monopoly corporate sector. In O'Connor's view, the revenue crisis is caused largely by growing productivity in the monopoly sector and a declining demand for labor. To the degree that state-sector workers are compensated in line with monopoly-sector workers—and that as monopoly-sector workers move to the competitive sector, their direct need for government support increases—the demand for government services tends to grow. These demands, moreover, grow in the face of a relative decline in revenues. As a result, there is a powerful structural gap between revenues and expenditures which takes the form of a fiscal crisis of the state.

This fiscal crisis proceeded with even greater ferocity than O'Connor anticipated during the mid- to late-1970s and 1980s. The gap between the revenue base for government and the demands for government expenditures exploded during that period as a result of the petroleum crisis; rapid inflation due to both federal deficits and major increases in the prices of basic commodities; and, perhaps most importantly, the collapse and "deindustrialization" of the monopoly sector of the economy due to foreign competition in domestic and international markets,.

There were, in O'Connor's view, several different directions for managing, if not resolving, the fiscal crisis. One policy direction was toward greater income equality among the different sectors of the economy. Greater equality would mitigate the economic distress of the competitive sector, thereby reducing expenditures. Associated with this approach was a policy of greater rationality in government programs and functions; this involves the streamlining of governmental agencies, combination of federal and state activities, utilization of better management techniques, and other efforts to make the government more efficient without diminishing its effectiveness. Another, more fateful approach, looked toward reducing expectations for government services, reducing governmental responsibilities in the areas of welfare provision, and reducing taxes. This final approach dominated the Reagan Administration's formulation of "supply side economics." This approach to fiscal policy is predicated on the idea that lower marginal tax rates and taxes on capital would spur economic activity and, ultimately, tax revenues. Combined with a right-wing social ideology of heightened individual responsibility and decreased community responsibility, traditional family and

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religious values, and limited government, the fiscal and ideological context for the politics of privatization in higher education financing was well established.

In their analysis of today's heightened fiscal crisis, Rubin, Orszag and Sinai provide a centrist analysis that stresses the contradictory features of privatization politics (2004). Their approach highlights the seriousness of the current crisis, lays considerable responsibility on the policies of the Bush Administration, and calls for both spending restraints and a rollback of tax cuts.

Both ideologically and politically, the current Bush Administration has bolstered privatization. A fiscal policy focusing on tax cuts favoring wealth and high-income households has been in place since 2001 (Rubin, Orszag and Sinai: 2004). The right-wing political agenda aims to use revenue limits to undermine the federal government's capacity to provide services, thereby "starving the beast." This, however, has been contradicted by actual political forces. "Despite assertions to the contrary, granting large tax cuts to some groups may thus make it *less* politically feasible to rein in the desires of other constituencies to obtain increases in spending programs" (Rubin, et.al, 2004: 15). The right-wing view that "engineering a fiscal crisis" would serve as a means to control and sharply curtail spending on entitlement and discretionary programs is fairly implausible. Such a "self-imposed" crisis is more likely to lead to a political impasse in which deficits grow.

Rubin, et.al., argue that "balancing the budget for the longer term will require a combination of expenditure restraint and revenue increases" (2004: 16). While opposing driving down revenues to curtail government responsibilities and spending, they do not move beyond the current political framework. In effect, the politics of privatization would continue to serve as the main political reality, albeit with somewhat less austere outcomes, due to a rollback of the most severe tax cuts enacted since 2001.

Key Policy Directions in Higher Education

Fiscal crises and the politics of privatization ground much of the contemporary policy debate around higher education funding and ideologies. There are three broadly defined ways to approach these fiscal problems, from a view towards: (1) cutting government support, in the belief that this would actually be beneficial; (2) balancing public and private spending; (3) maximizing government support by providing for free higher education.

The CATO Institute posits that cutting governmental higher education spending would actually be beneficial. Gary Wolfram, a George Munson Professor of Political Science, argues in Policy Analysis that "Congress should consider a phase-out of higher education over a 12-year period" (2005: 1). Wolfram maintains that such a phase-out would have a number of salutary effects. First, the withdrawal of federal funding would strengthen the independence of higher education institutions. Their autonomy would increase with less deference to federal monies and federal regulations. Second, Wolfram suggests that a decline in federal funding would lead to a reduction in tuition prices. Since the federal government is a third-party payer for higher education, its expenditures serve to increase demand for college attendance and, thereby, spur increases in tuition. Third, the "private market" would respond to a federal government phase-out by increasing private sector loans, providing additional private scholarships, and expanding "human capital contracts," which "would allow students to pledge a portion of future

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earnings in return for assistance in paying their tuition." In effect, cutting government subsidies to higher education would reduce taxes and expenditures, reduce the costs of higher education, and enhance private action and responsibilities.

Another approach, touted by the International Monetary Fund, emphasizes the importance of establishing a new balance between public and private spending. In a report prepared by Nicholas Barr based on generalizations from experiences in the United Kingdom, two key "economic" principles underlie this new balance: (1) central planning is no longer feasible or desirable; and (2) students should contribute to the cost of their degree. Barr argues that since both society and the individual benefit from higher education, both public and private benefits should be recognized and duly rewarded. The public benefits merit public financing, especially for those students who cannot afford to pay. The private benefits accrue to the individual and should therefore be paid by that individual. In order to fulfill the public role, access to higher education could be realized through scholarships and grants to "students from poor backgrounds" (2005: 6). In addition, there should be support for students with low earnings after graduation. Beyond need-based scholarships and grants, students should finance their education through a mixture of public and private sector loans aiming at an interest rate "broadly equal to the government's cost of borrowing" (2005: 3). This approach seeks to balance the social and individual benefits of higher education financially, through the provision of government funds enabling access and subsidies to control interest rates. This centrist position accords with the Rubin, et.al., position on fiscal crisis policies.

The third position, articulated by Reed and Szymanski in Academe (2004), calls for free public higher education. This approach takes into account how the politics of privatization exacerbate the crisis of access and affordability; more significantly, it assumes that public higher education is a right for "all applicants who meet admissions standards regardless of their ability to pay" (2004: 39-40). Claiming that such a program would cost an additional $60 billion beyond current government expenditures, the authors argue that it could be easily paid for, by "closing some corporate tax loopholes, eliminating some tax cuts for the very wealthy, or taking a slice from the $400 billion defense budget" (2004: 43). The proposal, modeled on the GI Bill of Rights, is self-consciously rooted in a populist politics of opportunity, greater equality, and collective identity. While farther away from the current ideological mainstream than either of the other two approaches, it makes access to higher education a political goal that is within reach and which "can be won in the foreseeable future" (2004: 43).

A Politics of Resistance

In a fiscal and political climate dominated by a politics of privatization, much of the higher education community has been engaged in preventing further erosion of funding and demanding restoration of prior levels of funding. While the Collective Bargaining Congress of the AAUP, several AFL-CIO state organizations, and other union and educational groups have endorsed the proposal for free public higher education, their practical efforts have been bounded by current legislative initiatives and debates. Therefore, the AAUP has mainly looked towards "full funding for student aid, institutional aid, academic research, professional development and other programs that strengthen the quality of higher education and promote broad access to our nation's colleges and universities" (AAUP Position Paper, 2005). Current policy focuses on

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exerting influence on the House and Senate subcommittees that provide funding for existing programs. For example, in regard to student aid the AAUP calls for an increase in the Pell Grant to $4,500, to "ensure that all students receive the maximum grant they are entitled to." The AAUP has called for increased research funding for the sciences through NIH, NSF and EPA programs, as well as "level" funding for the humanities through the National Endowment for Humanities. To help build coalitions around student funding and research funding, the AAUP has memberships in the Student Aid Alliance and the National Humanities Alliance.

Other efforts have apparently split some higher education advocates (Inside Higher Education, March 27, 2006). The National Association of Independent Colleges and Universities strongly opposes legislation approved by the House Education and Workforce Committee favoring for-profit institutions. They have sought to defend funding sources for traditional institutions by limiting the eligibility of for-profit institutions for student financial aid. The association also opposes weakening eligibility standards, which would require colleges to generate at least 10% of their revenues from sources other than federal financial aid programs. In the same vein, they oppose the creation of a "single definition" of a higher education institution that would enable for-profit institutions to become eligible for a variety of federal grants. Other groups, such as the American Council on Education, have not been as sharp in their criticism. They have sought to work with the Congressional leadership in an effort to soften their positions and work out a compromise for reauthorizing the Higher Education Act.

Despite defensive positions of strong opposition and "working with the leadership," abstract, systems-based rhetoric obfuscates the formulation of directions for higher education, as demonstrated by the tone of a report by The Commission on Public University Renewal (2005). This commission, established by the American Association of State Colleges and Universities, extols public higher education “as one of the true success stories in our nation’s history,” that has served “students, main streets, communities, and states from the Industrial Age to the Space Age and now to the Information Age” (2005: 1). Despite such glorifying language, every quote that follows here exemplifies the vague, catchphrase-laden style that utterly fails to impart any significant meaning.

The report recognizes the pressures on state treasuries, and places special emphasis on Medicaid and an aging population. “The share of the states’ general fund budgets dedicated to Medicaid has doubled over the past two decades, and now exceeds that of higher education. The share of the population 65 and older – which tends to rely more on public services – is projected to jump from 12 percent in 2000 to 20 percent in 2030” (2005: 5). In the face of these pressures, the report calls for “a long term vision,” and for “campuses and systems” to work “collaboratively to renew and update basic commitments, specifically, broad access to quality opportunity and partnerships for the public good” (2005: 6). Public higher education and government must “be prepared to give a little” to realize these commitments (2005: 28). While government should give up efforts to “micromanage,” “colleges and universities have to focus more on demonstrating outcomes and return on investment” (2005: 28). In demonstrating outcomes, there should be a focus “on products rather than the means of production” and “greater public entrepreneurship” that enhances “flexibility, agility, creativity and calculated risk taking” (2005: 28). In making these directions operational, the report calls

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on presidents and chancellors to "create incentives for entrepreneurial behavior and efficiency." Similarly, policy makers and administrators need to "more comprehensively account for student progress" through "accountability systems" that enable better measurement of "institutional outcomes" (2005: 31).

Directions for Renewal

The examples of resistance given above are sobering. They reflect that, indeed, the "higher education policy arena of the last century has fragmented into multiple arenas" reflecting a wide range of interests and constituencies (Parsons, 2005: B20). The policy arena of the past, featuring a bipartisan approach to higher education, no longer exists. With a "general shift toward viewing college as a private benefit instead of a common good," traditional advocates for higher education are newly in the minority. According to Parsons, they must seek to build coalitions around specific issues and view themselves as "just another special interest" (2005: B20).

Advocates for higher education must attend to the details of specific legislation and administrative rules, keep communications open with members of Congress and their staffs, and make every effort to inform the wider public of inequities in higher education funding and the particular burdens placed on students and families, especially those with low incomes. The AAUP Task Force on State Budget supports these approaches (2005). The Task Force has urged states to "update their revenue systems to reflect structural changes in the economy," and to "encourage faculty to work within institutional governance structures to ensure that colleges and universities deliver quality programs at top efficiency" (2005). We must be continually engaged in current political realities. In the everyday efforts of higher education policy formation, we should address issues at the limits of what is practical.

Yet, especially for faculty activists in the union movement, the present constraints must be confronted through greater efforts at organization, education, and imagination. As unionists, we do not report to the chancellor, the provost, or the board of trustees, but rather to our colleagues. We take to heart the interests of other stakeholders in higher education: employees, students and their families. If the politics of privatization defines this epoch, we must begin to build a new epoch from within it. Such an epoch would, to be sure, place high value on scientific knowledge and expertise. But it would do so in a way that viewed such knowledge as the common moral property of humanity. Such an epoch would value creativity, diversity and equality in the access to higher education not only as a career path for individuals, but as a way of building community, collective identities, and shared culture. Such an epoch would enable higher education faculty and professionals to address such key issues as national health care, ecological renewal, and economic justice in ways that directly relate to the interests and values of broad citizenry. As part of the broader social fabric, faculty and professionals in higher education institutions are uniquely positioned to articulate and help build a better future.

Building popular coalitions within the labor movement around shared values — among alumni, students and broader communities—is crucial if we are to break the current fetters on higher education. Such coalitions must be built by attending to the deeper sources of the fiscal crisis of higher education. Challenging the politics of privatization and providing a workable alternative requires bringing together expertise in a variety of areas that directly impact higher education costs. Such an agenda would

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resolve broader problems in the political economy, renew sources of funding for the public good, and provide directions for social renewal.

Medical care is the most pressing issue in such an agenda. As pointed out recently by Paul Krugman and Robin Wells, the provision of medical care in the U.S. pours huge amounts of money into disorganized, privatized institutions and corporations (March 23, 2006: 38-42). We should aim at building a single-payer, universal, and equitable health-insurance system. A second core issue is investment in energy research and development that has the potential to reduce costs, reduce environmental threats, and generate employment. Research universities in conjunction with local communities should be the crucibles for this research. A more equitable wage structure and employment security built on the foundation of a living wage would alleviate many of the stresses faced by state and federal budgets. A more humane and rational approach to the criminal justice system, including an end to the "war against drugs" that fills jails and prisons at enormous human and financial costs, must become a priority. A tax policy that restores the estate tax, fairly taxes financial transfers, and imposes sales taxes on internet sales would bring in revenues to better support public policies and commitments, including higher education.

Higher education advocates, and unionists in particular, must focus on immediate financial issues in legislative and regulatory arenas. Yet there must also be space and resources devoted to broadening coalitions and providing a vision of the structure and mission of higher education in a more democratic and humane epoch. As educators, professionals and scholars committed to the common good, this is our obligation and the source of our public purpose.

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