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Financing Higher Education: Privatization, Resistance, and Renewal

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Introduction

Higher education's financial crisis is being resolved largely through a politics of privatization, changing patterns of financing that increasingly shift responsibilities to individual students and their families. The politics of privatization makes it ever more difficult for low income students to attend college and has become a major financial burden for middle income people. Beyond cost shifting, privatization has increasingly subordinated the research and educational missions of higher education to imperatives of economic growth and competitiveness. Privatization has enhanced the entrepreneurial and corporate features of universities and colleges, changing the values of higher education away from notions of common property and the common good to individual self-interest and careerism. The autonomy of institutions of higher education has been weakened, and the economic status and professional independence of the faculty have been undermined.

In order to confront this epochal change and develop alternatives to it, we must analyze the changes in funding that have taken place and more fully articulate their consequences. In addition, we must analyze the political terrain and its possibilities. We must differentiate

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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 hand, strategies of renewal aim more broadly at constructing an era of public policy that makes higher education more fully democratic, oriented toward common goals and the common good, and enhances 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. Rather, it is being 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 how federal support would be allocated 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) which 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 was rising. Students were left to foot the bill either through their own resources, their families, or through borrowing.

While privatization was being fostered through direct grants to students, 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 source of revenues for individual institutions rather than a common source of knowledge made available to the scholarly community (Rhoades & 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 (Slaughter & 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. Statutes like the Omnibus Trade and Competitiveness Act (1988) 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 was increasingly being 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.

Shifting Costs to Students and Families

The privatization of higher education funding has been largely accomplished through increasing net tuition costs borne by students and their families. Net tuition is the cost of tuition after grants and subsidies provided by governments, nonprofit agencies, and institutions of higher education to their students.

There has been a steady increase in net tuition as a percentage of total higher education revenues (State Higher Education Executive Officers (SHEEO), 2006). In 1981, net tuition was 21.5 percent of total educational revenues. This increased to 31 percent in 1995 and then declined through the remainder of the 1990s, falling just below 30 percent in 2001. Since 2001, net tuition as percent of total higher education revenues has steadily increased to 36.7 percent in 2005. Over this twenty-four year period, net tuition has increased by more than 15 percent as a percentage of total higher education revenues.

In addition, there has been continuing pressures on higher education financial resources. Between 2001 and 2005, enrollment at public institutions grew by 14.3 percent and inflation increased by 14.2 percent. The increases in state funding over this period did not meet the increased enrollment and inflationary increases. In concluding, the report states “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 in 2005 compared to \$7,121 in 2001. In effect, there was a 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 greater costs for higher education shifted to students and their families as a result of increases in net tuition are reflected in a decline in the “grant/loan ratio” presented by the College Board in *Trends in Student Aid, 2008*:

For graduate students, loans constituted 65% of these funds and grants 32%. In contrast, for undergraduate students, loans are 49% and grants 45%. . . Loans have not replaced grants, but have grown more rapidly than grant aid in recent years, as college prices have risen, family incomes have stagnated, and grant aid has not grown rapidly enough to fill the growing gap (2008: 5).

The privatization of costs is not only the result of government funding not keeping up with the growth in student enrollment but, also, a result of changes in the composition of support to students and their families. For example, while federal support of higher education has been increasing, the composition of federal support has been moving toward loans and tax benefits rather than grants.

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 which constituted a 10 percent increase over 2002-2003 after accounting for inflation. The composition of federal aid, however, was largely in the form of student loans. For 2003-2004, 70 percent of the aid was in the form of loans, about 21 percent was in grants, and 8 percent was in the form of tax benefits. The increase in loans over grants was characteristic of sources of 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 under parents were assuming increased over this decade to \$8,839, an increase of 54 percent in constant dollars (2005: 5).

By 2004, “combined, unsubsidized Stafford loans, federal loans to parents, and tax benefits” comprised 45 percent of total federal aid. These loan and tax benefit programs, moreover, were benefits that went to middle income and higher families. By comparison, Pell grants increased by 6 percent 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% of charges at four year public institutions in 2003-2004. By 2008-09, the amount of charges covered by Pell Grants recovered to 33% for public institutions (2009: 2). 5.4 million students received Pell Grants in 2007-08, and increase of 5% over the prior year.

Not only have loans increasing at a much higher rate than grants, but for-profit lenders have become the largest source of higher education loans. 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, the fastest growth was in PLUS loans which grew 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, “as many as 25 percent 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 percent of students who received bachelor degrees at public institutions graduated with debt compared to 88 percent who graduated with a bachelor’s degree from a for-profit institution (2006: 12). Moreover, in constant the average Pell Grant declined by an additional 3 percent 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). More than 47 percent of college freshman said that they would likely have to work during the academic year, this included a majority of men (53 percent) and about 40 percent of women (39.6 percent). The report explained these expectations on the basis on 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 percent of all undergraduates and almost two-thirds” at two year institutions are attending part-time (2006: 2).

While privatization affects student and family finances at all income levels, low 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 percent increase in costs (between 1994 and

2004), personal incomes have risen only 10 percent. Published charges at public four-year colleges registered an astronomical 71 percent of a low income family's earnings, compared to 5 and 19 percent for upper-middle and middle income families respectively. Up to 25 percent of academically qualified low-income students no longer even apply to college" (2005: 3). As privatization becomes more dominant and as the financing of higher education falls more on students and their families, class privileges are enforced.

The Perilous Growth of Student Debt

Due to cost shifting to students and their families, the increased debt incurred for higher education expenses has become unsustainable many students. It poses a serious financial threat not only to them but, also, to institutions of higher education which depend on student borrowing. A financial structure has been established which requires students and their families to take on greater debt in the hope and expectation of increased future earnings. Higher education increasingly rests on this financial futures game and the increased borrowing by students and their families necessary to sustain it.

A report prepared by State PIRGs (State Public Interest Groups) indicates student debt was becoming unsustainable in by 2000 (2002). Using the student loan industry's standard that monthly payments of 8 percent of pretax monthly income as the threshold for manageable debt, by 2000 39 percent of student borrowers graduated with unmanageable levels of debt. By 1999-2000, 64 percent of students graduated with student loan debt compared to 42 percent in 1992-93. Over this period, the average debt had doubled from 1992-1993 from \$9,188 to \$16,928. While 5 percent of students owed more than \$20,000 in 1992-1993, about 33 percent owed more than \$20,000 in 1999-2000.

The burden of debt fell most severely on low-income students, and especially those low-income students living independently. By 1999-2000, 71 percent of dependent student borrowers from families with less than \$20,000 graduated with student debt compared to 44 percent of students from families with incomes greater than \$100,000. 77 percent of low-income independent students with incomes less than \$10,000 graduated with student loan debt compared to 57 percent of independent students with income greater than \$50,000. The average debt for low-income independents was \$20,447 compared to \$17,583 for higher income independents.

Debt established by greater privatization was differentially distributed by ethnicity. By 1999-2000, 84 percent of African American students graduated with student loan debt borrowing \$2,000 on average more than the average borrower. Since they earned less than average after graduating, 55 percent of African American graduates who borrowed for their education had unmanageable debt. While Hispanic students graduated with lower than average student debt, they also tended to earn less so that 58 percent of them had unmanageable debt when they graduated. Because African American and Hispanic graduates typically come from lower-income families and are more likely to go into debt for their educations, they are more likely to graduate with unmanageable debt. “Nearly half of *all* African-American college students and more than one-third of all Hispanic college students” graduated with unmanageable debt in 1999-2000 (2002: 4).

This description of student debt, moreover, does not take into account other debts accumulated by college students. For example, 41 percent of college seniors in 1999-2000 carried credit card balances of \$3,071. Student borrowers were somewhat more likely to carry credit card debt (48 percent) and to carry a higher balance (\$3,176).

The increase in debt is associated with, in the words of the National Center for Public Policy and Higher Education, “the deterioration of college affordability throughout the United States” (“Measuring Up: 2008,” 2009: 8). From 1982-1984 to 2006, college tuition and fees increased by 439 percent while median family income increased by 147 percent. As a result of the growing disparity between tuition and fees and family income, along with declining financial aid in the form of grants, net college costs as a percent of family income have increased for all income groups, but most especially for income groups at the lower end of the continuum. For public four-year colleges and universities between 1999-00 and 2007-08, net college costs increased from 39 percent to 55 percent of family income for the lowest income quintile, from 18 percent to 25 percent for the middle income quintile, and from 7 percent to 9 percent for the highest income quintile. As income has stayed flat or declined for lower income and middle income families, and as net costs have increased, financing higher education through borrowing became increasingly prevalent. As the College Board shows in its analysis of student aid, the number of undergraduates borrowing through Federal Stafford loans has more than doubled and the amount borrowed in constant 2007 dollars has also more than doubled from \$41 billion to \$84 billion.

Privatization: Donations, Endowments and Patents

Privatization has impacts on institutions of higher education beyond their greater dependence on student debt. As greater responsibility for funding has shifted to colleges and universities, institutions have become more managerial in their efforts to raise private funds. The organization and culture of higher education institutions has been impacted by the need to raise greater amounts of money from private sources.

At least through the early 2000s, colleges and universities have aggressively sought private donations. According to reports summarized in *The Chronicle of Higher Education*, private donations to colleges increased in the early 2000s (March 11, 2005: 1). In 2001, private contributions totaled \$24.2 billion. This declined to \$23.9 billion each of the years 2002 and 2003. In 2004, private contributions increased to \$24.4 billion, a 3.2 percent increase. Much of this funding, about 28 percent, came from alumni. About 25 percent was donated by foundations. The overall 3.2 percent increase was about the same as the level of inflation. In addition, individuals who were not alumni gave about 21 percent of the total contributions in 2004, an increase of over the 18 percent they gave in 2003. Corporate giving was 3.5 percent in 2004 compared to 2.8 percent in 2003.

One problematic change was 12.8 percent of alumni contributed, which was the third year of decline. While alumni contributions are increasing, the number of alumni contributing has been declining. Another concern was voiced by John Lippincott, president of the Council for Advancement and Support of Education. 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. Success in raising private funding serves as a rationale for reducing government funding and increases the pressure on colleges and universities to seek out more private funding.

In addition to the increase in private donations, returns on college endowments through the early 2000s were a stable source of funding. Endowments 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 percent in 2003. The average return on college endowments was about 15 percent in 2004 and about 9 percent in 2005. There was considerable variation in rates of return in 2005 with the lowest at an 11 percent loss and the highest at a 22.3 percent gain (January 27, 2006: A30). Apparently Yale University, with the second largest endowment in the country, posted the highest gain at 22.3 percent.

As a general rule, large endowments tended to have higher returns than small endowments 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 percent 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, 2006: A30). Only 9.6 percent of endowment assets are managed internally. For the fifth year in a row, institutions are looking to outside professionals to manage their endowments. As Nancy Heller, senior managing director of TIAA-CREF Asset Management 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."

In addition to greater reliance on contributions and returns from endowments, institutions have sought to develop income sources from patents held in various combinations with private corporations and individual faculty members. 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 spin-off companies” (December 3, 2004: A27).

About 25 percent of the licensing fees and spin-offs were concentrated in seven research universities. New York University, earning \$86 million, ranked first income with a 37 percent increase over 2002. The largest source of this income was from a drug, Romicade, which treats rheumatoid arthritis and Chron’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

While it is beyond the scope of this article to attempt to fully explain the trend toward privatization in higher education, a broader analytic and historical context is necessary for developing alternatives to it. Three major economic forces establishing conditions for privatization: (1) A structural fiscal crisis at the level of state governments; (2) an ongoing fiscal crisis of the federal government that began in the 1970s and, with the exception of the late 1990s, has persisted with varying degrees of severity; and (3) A pattern of deepening household debt that increased in the early 2000s.

These forces, in turn, were given direction by conservative and neoliberal ideologies centering on individualism, careerism, and enhanced roles for markets across a wide array of social policy arenas, including higher education.

According to an American Association of University Professors (AAUP) report, unfunded mandates imposed on states by the federal government, sales taxes lost when customers shop tax free from Internet catalogues and web sites, and the loss of revenues from federal statutes that have made the Internet tax-free are major contributors to the fiscal crisis of state governments (2005). In addition, federal tax cuts enacted in 2001 negatively impacted state revenues for the many states that base their tax structure to the federal tax code. Citing a study by the Center on Budget and Policy Priorities, the AAUP report shows that states lost \$9 billion over the fiscal years 2002-05 due to changes in the federal tax code. In addition, states have been facing many pressures for spending on Medicaid, prisons, K through 12 education, and security after the 9/11 attacks. These structural changes have diminished sources of state revenues and established priorities that diminish higher education funding and have fueled the politics of privatization.

In addition to structural fiscal crises of state governments, there has been an ongoing fiscal crisis at the national level that emerged during the late 1960s. James O'Connor analyzed the structure and ideological dimensions of the fiscal crisis in his seminal work, *The Fiscal Crisis of the State*, published in 1973.

Following O'Connor, the fiscal crisis of the state results from contradictions among the three major sectors of the political economy: (1) the monopoly sector which comprised capital and union intensive manufacturing including automobiles, aerospace and steel; (2) the state

sector which comprised 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 and, ultimately, the decline of tax revenues provided primarily by workers in the monopoly corporate sector. For O'Connor, the crisis of revenues is largely caused by the growing productivity of the monopoly sector and the declining demand for labor. To the degree that state sector workers are compensated in line with monopoly sector workers and to the degree that as monopoly sector workers move to the competitive sector their direct needs from government support increases, demands for government services tend 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 late mid to late 1970s and 1980s (Bluestone and Bluestone, 1992). As a result of the petroleum crises of that period, 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 on domestic and international markets, the gap between the revenue base for government and the demands for government expenditures exploded.

There were, in O’Connor’s view, several alternatives for managing if not resolving, the fiscal crisis. One policy direction favored greater income equality among the different sectors of the economy. Greater equality would mitigate the economic distress of the competitive sector thereby reducing expenditures. In addition, greater rationalization of government programs and functions would lessen state expenditures: Streamlining of governmental agencies, combining federal and state activities, utilizing better management techniques, and other efforts to make government more efficient without diminishing its effectiveness.

Another, and more fateful approach, looked toward reducing the expectations for government services, including higher education. This approach became dominant with the Reagan Administration’s formulation of “supply side economics.” It 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, a restoration of family, traditional religious values, and limited government, the fiscal and ideological context for the politics of privatization in the arena of higher education financing was well established.

In their analysis of 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 for it on the

policies of the Bush Administration, and call for both spending restraints and a roll back of tax cuts.

Both ideologically and politically, privatization was bolstered by George W. Bush's administration. A fiscal policy focusing on tax cuts favoring wealth and high income household has been put in place since 2001 (Rubin, Orszag and Sinai: 2004). The right wing political agenda aims to use limits on revenues as a way of undermining 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, Orszag and Sinai, 2004: 15). The right wing view that "engineering a fiscal crisis" would serve as a means to control and, ultimately, sharply curtail spending on entitlement and discretionary programs has very limited plausibility and success. Such a "self imposed" crisis is more likely to lead to a political impasse in which deficits grow.

The ongoing fiscal crisis of states and the national government shaping privatization of higher education are the result of contradictory economic and political forces. In recent years, these crises have been heightened by increasing personal debt, not only for higher education, but more generally in relation to income and assets. From 1997 to 2007, personal sector debt increased by 159.1 percent (Turner, 2008: 26-27). Over this period, the debt to disposable income ratio grew from 93.4 percent to 139 percent, its highest level since the end of World War II. Over the same period, house prices more than doubled. While people were increasing their debt relative to their income, their higher debt was more than compensated for by the growth in

the value of the equity in their homes. This has all come crashing down with the bursting of the housing bubble and the decline of the stock market. Housing prices declined, on average, by 18 percent in 2007 and 25 percent in 2008. The Federal Reserve has reported that household net worth declined by 18 percent in 2008, falling by more than \$ 11 trillion (2009). In the fourth quarter of 2008, household net worth dropped by \$5.1 trillion, which would constitute a 31 percent annualized decline. Since its peak in 2007, household net worth has declined 20 percent.

Alternative Policy Directions in Higher Education

Financial crises and the politics of privatization have provided the grounds for much of contemporary policy debate around higher education funding and ideologies. There are three broad approaches that are responsive to both fiscal issues of higher education: (1) a view that cutting government support would actually be beneficial; (2) a view toward balancing public and private spending; (3) a view toward maximizing government support by providing for free higher education.

The position that cutting governmental higher education spending would actually be beneficial is represented by the CATO Institute. Gary Wolfram, 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 be increased with less dependence on federal monies and on federal regulations. Second, 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 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.

Establishing a new balance between public and private spending is a position exemplified by the International Monetary Fund. In a report prepared by Nicholas Barr which generalizes from experiences in the United Kingdom, two key “economic” principles are given as this basis for a new balance: (1) central planning is no longer feasible or desirable; (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. The public benefits are an outcome that merits public financing, especially for those students who cannot afford to pay. The private benefits are an outcome that accrues to the individual for which the individual should pay. In order to fulfill the public role, access to higher education should 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 scholarships and grants based on need, students should finance their higher educations through a mixture of public and private sector loans which aim at an interest rate “broadly equal to the government’s cost of borrowing” (2005: 3). This approach recognizes the social and individual benefits of higher education and seeks to balance them financially through the provision of

government funds enabling access and through subsidies to control interest rates. In effect, this a centrist position that accords with the Rubin, et al., position on fiscal crisis policies.

The third position, formulated by Reed and Szymanski (2004), calls for free public higher education. While grounded in the crisis of access and affordability that is being exacerbated by the politics of privatization, this approach begins with the “assumption” 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 or Rights, is self-consciously rooted in a populist politics of opportunity, greater equality, and collective identity. While more out of 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. In this light, much of the AAUP’s focus is “on 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). The focus is on exerting influence on House and Senate subcommittee's that provide funding for existing programs. With regard to student aid, the AAUP, for example, calls for an increase for the Pell Grant to \$4,500, and to "ensure that all students receive the maximum grant they are entitled to." The AAUP calls 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. The AAUP has memberships in the Student Aid Alliance and the National Humanities Alliance in the effort to build coalitions around student funding and research funding.

Other efforts have apparently generated splits among higher education advocates (*Inside Higher Education*, March 27, 2006). The National Association of Independent Colleges and Universities has been strongly opposed to 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. They have opposed the weakening of eligibility that required colleges to generate at least 10 percent of their revenues from sources other than federal financial aid programs and have opposed the creation of a "single definition" of a higher education institution that would enable for-profit institutions to be 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 the positions and work out a compromise for reauthorizing the Higher Education Act.

Even defensive positions of strong opposition and “working with the leadership” are obfuscated by abstracted, systems based rhetoric in formulating directions for higher education. This is captured in the tone of a report by The Commission on Public University Renewal (2005). The commission, established by the American Association of State Colleges and Universities, extols the role of 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). Recognizing the pressures on state treasuries, the report 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). In realizing these commitments, the report calls for public higher education and government to “be prepared to give a little” (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 on presidents and chancellors to “create incentives for entrepreneurial behavior

and efficiency” and for both policy makers and administrators 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” that reflect 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 on the “outside” and, according to Parsons, must seek to build coalitions around specific issues and view themselves as “just another special interest” (2005: B20).

To be sure, 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 the 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 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 constraints of the present must be confronted through greater efforts at organization, education, and imagination. Faculty unionists do not report to the chancellor, the provost, or the board of trustees, but, rather to their colleagues and to other stakeholders in higher education: employees, students and their families. If the politics of privatization defines this epoch, a new epoch must be built 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 faculty and professionals in higher education to address such key issues as national health care, ecological renewal, economic justice, and a society built on renewable energy 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 positioned to articulate and help build a better future.

Building popular coalitions within the labor movement, among alumni, students and broader communities around shared values 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 financial crisis of higher education. Challenging the politics of privatization and providing an alternative to it requires bringing together expertise in a variety of areas that directly impact higher education costs in an agenda that would resolve broader problems in the political economy, renew sources of funding for the public good, and provide directions for social renewal.

Higher education advocates, and unionists in particular, should 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. For educators, professionals and scholars committed to the common good, this is an obligation and a source of public happiness.

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