HIGHER EDUCATION AND THE MARKET: SOME THOUGHTS AND REFLECTIONS

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1. Whether intentionally or not, Government policies are taking UK higher education in a market direction, with the introduction from next year of competition on price for full-time undergraduate students. America has of course had price competition for many years together with other features that make the whole system more competitive.[1]

2. This brief essay considers whether there are any lessons that can usefully be taken from recent American experience about the balance between public and private values. It draws in particular on participation in a major national research symposium[2] together with a number of recent writings on American higher education.[3] It comments implicitly on the greater marketisation argument set out by the distinguished economist Paul Ormerod in the *Times Higher Education Supplement* on 25 March 2005 (Ormerod, 2005). It ends with some thoughts about how the public interest in higher education may best be secured in Britain.

3. How relevant is the American experience? Clearly there are dangers in making comparisons between systems. There are as it happens major differences between American and British (which here means mainly English) higher education. These include:

    - the much greater American belief in, or tolerance of, market forces (as Martin Trow once famously said "in America the market preceded society");

    - the much larger number of private providers;

    - the much greater societal support for, and belief in, the opportunities afforded by higher education;

    - the much greater level – both absolute and relative – of financial investment in higher education;

    - the relatively greater autonomy of American institutions which are largely free of the state micromanagement that increasingly characterises the English system.[4]

4. Nevertheless the two systems have a lot in common, or are at least becoming more similar, and useful lessons can be learned from knowledge and analysis of current American developments. These are considered under the following headings:

    - funding;

- the challenge to public bodies and to the bodies that incorporate public values;
- access;
- competition and collaboration;
- quality and regulation;
- the quality of the debate.

5. In both countries public higher education institutions are under threat from a combination of forces that can be broadly characterised as “privatisation”. In both countries these are playing out in terms that might threaten – or at least not improve – effectiveness, whether or not they improve efficiency. In both countries too there are various responses public institutions can make. One is to become more commercial. Another is to reconnect (or even connect) the core university functions so as to show how public institutions can simultaneously serve both public and private interests. Yet another response is for institutions to collaborate to achieve together goals that they cannot accomplish individually. None of these is exclusive. In each country, but particularly in Britain, the formulation of a response will be greatly assisted by a proper debate on the options based upon adequate research into the phenomena in question.

Funding

6. In America, both state and federal financial support for teaching and, more recently, research, have fallen, as has state and federal financial aid to students. Britain has seen a similar phenomenon although recently research expenditure has recovered. In both countries the institutional response has been to raise tuition, seek out private funding and make cost savings. However the proportion of GDP devoted to higher education remains much higher in America than in Britain[5] and US public institutions are not yet in the same wretched financial state as those in Britain where the sector as a whole is making a surplus equivalent to a half percent of income (HEFCE, 2005a: 1)

7. In both countries one important impact of the funding squeeze is a growing gap between the best and least well-funded institutions, departments and individual members of staff[6]. This gap seems likely to grow still further on the principle originally enunciated by Jesus of Nazareth and enshrined in the Gospel according to St Matthew (25.29) “For to every one who has will more be given, and he will have abundance; but from him who has not, even what he has will be taken away." Thus in both countries it is the richest institutions that can afford to attract the ablest students, the best researchers, and the most generous private donors and thus continually reinforce their competitive advantage.

Public versus Private

8. The redirections in state funding are partly a reflection of other claims on tax resources and partly a reflection of a general shift in values that David Marquand (Marquand 2004) has called the “the decline of the public domain”. On this view, higher education is seen primarily as a private good and so it

should be privately resourced. Linked to it may be some suspicion of universities that are still seen as arrogant and complacent, that don't deliver students that are as well educated as they might be, and that even, at the same time, harbour critics of the current neoclassical consensus (hence in part the current interest in "accountability") (see below).

9. This presents the public institutions with a critical dilemma. Do they rearticulate and reassert their public values[7] or do they try to emulate the private universities by becoming more "commercial". The former carries the risk that no one may be listening. The latter carries the risk - well set out in David Kirp's book *Shakespeare, Einstein and the Bottom Line* (Kirp, 2003) – that they may lose what is most valuable about them. [8] At the same time, ironically, the privates seem to be becoming more like the publics.

10. At the symposium Stephen Brint (University of California, Riverside) showed how the "public" delivery model (low cost/high volume) is coming closer to the private one (high cost/low volume). The public universities are adopting similar policies to the privates (increased tuition, fundraising) whilst the privates are now receiving state aid (via their students) and getting involved in things like local economic development that were previously the preserve of the publics.

11. One response, enunciated at the recent symposium by Stanley Ikenberry (University of Illinois at Urbana-Champaign), proposed that the universities should proclaim and celebrate what being public actually means. Universities have to become more transparent, making clear the reasons for tuition increases and who is paying for what: what does it really cost to study here? Universities also have to study their "negatives": accountability, efficiency, productivity, cost containment. Universities need to respond to accountability not just accept it grudgingly. They must demonstrate that they provide high quality, do it at the best price, are professional, and control tuition costs. The social contract between American society and the American universities has to be reinvigorated. We have to stress the public benefits that aren't limited to private individuals. One somewhat cynical view, of course, is that the public does understand these things only too well and won't pay because they think the costs are excessive in relation to what is produced, given the resources available![9]

12. Another perspective on all this was provided by Roger Geiger (Penn State University). We could say that whilst private universities are most concerned to maximise prestige in specific areas, public universities are about training, spreading and sharing **expertise.** This is done most obviously through the education of students, but it is also done through research based technologies like biotechnology, nanotechnology etc., through federal programmes, through links with industry, through technology transfer and through state policies for economic development. Moreover this expertise may not be confined to the elite academic areas: Penn State has courses or research in turf grass management, making cement and making ice-cream: these may not help the University's rankings but they certainly make life better for everyone!

13. In Britain of course we do not (yet) have a significant private sector of higher education. Nevertheless, the private/public values argument underlies the gradual shifting of tuition costs away from the taxpayer and onto the student, with higher education increasingly seen as a private rather than a public good. In both countries any public university leader surely needs to constantly reiterate the public role of higher education, and the public benefits that come from a well-funded, confident HE system.

Access

14. One such benefit – at least until recently more evident in America than in Britain, or at least England – is the facilitation of social mobility.

15. The impact of recent changes in financial aid and raising tuition charges in America was illustrated at the Symposium by Donald Heller (Penn State University). An increasing share of the costs of higher education is borne by students and their families. As a result public university tuition falls very unevenly. For the wealthiest quartile it has increased from about 2.5 to 3 % of family income. For the poorest 20%, however, it has increased from 12 to 30%! Since 1965 the state has provided federal loan and grant programmes for students with exceptional needs. But the shift from grants to loans, and the increasing use of merit criteria rather than financial need, has made things considerably worse. There are very great differences in the targeting of various aid forms. The Pell grant (the main federal grant) reaches students from families with an average median income of $25,000. The state non-needs based grants take families with an average income of $65,000. There is a clear subsidy here to the middle classes and a reinforcement of the correlation – as strong in America as in Britain - between educational achievement and socio-economic status.

16. In turn there is increased social stratification. Students from the bottom 25% of the population by income represent 17% of all students, compared with 40% of the student population from the top 25%. Only 3% of students at public research universities are from the bottom income quartile compared with 74% from the top quartile. Although access is more than about finance, Michael Dooris (Penn State University) at the Symposium mentioned a study that showed that 97% of high achievers (by SATS) from the top income quartile went into higher education compared with 78% of the bottom quartile. This was the case thirteen years ago and it has got worse since. Should US universities be turning their backs on the lower income groups that stand to benefit most from what they have to offer?

17. Apart from being socially inequitable, not to mention disastrous for social cohesion, this has two other negatives. First, it can be argued that students that only mix with others from their own background are getting a worse educational experience. Second, unless ability is allocated by class, society must be wasting brains and talent that it is going to need in future. In this context USA Today recently carried an article by the CEO of Intel saying that India and China were putting more effort into training engineers and scientists

than is the US currently and warning that firms like his would increasingly invest there as a consequence (Barrett, 2005).

18. In Britain of course working class participation in higher education has traditionally been lower than in America. Although there was a significant increase in the late 1980s/early 1990s such progress now seem to have stalled. It isn't clear whether this is related to increases in tuition costs.[10]

Competition and Collaboration

19. At the institutional level a typical response to these pressures is to outcompete other universities and move up the ratings. However as Garry Rhoades (University of Arizona) pointed out at the Symposium, this is usually done through emulation rather than by creating a distinctive new "product" or niche. However it is hard to find a rational reason for this. The risks are high. Movement in and out of the top group is very limited, if anything indeed the top universities are even more distant, the wealth of the major institutions being truly staggering by any standard, and there are fearsome transactions costs.

20. In Britain too, competition through emulation is the name of the game as universities of all kinds prepare for the 2008 Research Assessment Exercise by creating lots of new Chairs and hiring expensive firms of head hunters to find people to fill them. Similarly the current pressure to lift the £3,000 tuition fee cap (as reported in the *THES* on 1 April 2005, Fazackerley, 2005) is largely fuelled by the urge to compete with (ie emulate) the leading American institutions. Will Britain then see a similar higher education arms race? (Duderstadt 2003, Goral 2003, Kirp, 2003, Winston, undated)

21. Another response – and one more likely than competition to produce genuine diversity of provision – is institutional collaboration. In America collaboration of a sort is obtained through various state systems that often constrain the missions of public institutions whilst requiring them to have formal links of one kind or another. In Britain, real collaboration, as opposed to exercises undertaken to relieve the Funding Council of its pocket money, is still limited though examples are beginning to appear, usually in response to changes in research funding.

22. A fundamental issue, perhaps, is what it is that universities are reproducing. Are leading universities in the business of reproducing knowledge (intellectual capital) or are they in the business of reproducing wealth (social and cultural capital)? By seeking higher rankings in *America's Best Colleges* universities are aping, and indeed encouraging, the positional approach to education taken by many of those students that apply to them. (Last month's *Atlantic Monthly* carries an article by a recent Harvard graduate saying how much more challenging it was to get to the University than it was to study there – Douthat, 2005)). Similarly, in Britain Vice-Chancellors that exploit their universities' position in the *Times League Table* may be feathering the publishers' nests but they are surely digging the sector's grave.

Quality and Regulation

23. One reason given for increasing marketisation is to improve quality ie levels of student satisfaction and achievement. Within this an important role is to be played by fuller information about levels of quality so that students and funders are able to make properly informed choices about where to put their "vote". In turn, institutions adjust (ie raise) their quality so as to maintain or improve their market position. In Britain this belief – one could even call it an ideology - has been reflected in the enforced publication on a national website of a suite of information about relative course quality (Teaching Quality Information).[11]

24. The limitations of this as a line of thinking, as well as the thinness of the evidence to support its efficacy in practice, have been well set out in a series of pieces by David Dill (1998, 2003, 2005) and it isn't proposed to recapitulate them here. However the inability of markets to raise standards or improve quality in higher education does not absolve the academic community, and the better resourced research universities in particular, of the need to pay greater attention to these matters, and in particular to see that staff research benefits rather than detracts from student learning.[12]

25. At the Symposium, Carol Colbeck and Lisa Lattuca (Penn State University) argued that the research universities need to give greater priority to student learning and put it on a par with staff learning: students have to be encouraged to see themselves as knowledge producers (not consumers), faculty to see themselves as expert learners. Pat Terenzini and Robert Reason (both Penn State University) outlined the factors that particularly assist student learning (see Annex). David Dill (University of North Carolina) argued for reforms of academic governance so that a more systematic approach is taken to quality improvement through the scrutiny of alternative delivery and assessment methods.

26. Common to or underlying these, is the need for universities to become (ironically) true learning organisations i.e. communities that are devoted to improving their effectiveness – the effectiveness with which they achieve their goals – through reflection on the basis of evidence. I have to say that this would be my own personal preferred response, not least because it would protect quality. However here we come to the final stumbling block: the need for universities to be curious about themselves and to be anxious to satisfy that curiosity in an appropriately scholarly fashion.

27. I attended the Symposium as a guest of the Center for the Study of Higher Education at Penn State. The Center is one of the leading, if not the leading, centres for the study of higher education in the US. It includes a number of scholars whose work is known internationally together with some outstanding graduate students and resources. It is hard to think of a UK centre of comparable scale, quality or importance. Several other US universities have comparable centres whilst many have units for institutional research. Coupled with the size of the system and the presence of significant private philanthropy this means that the many of the issues arising from privatisation are being

studied and discussed in a way that they are palpably not in the UK. This should make for a much healthier system.[13]

The Role of the Market

28. Leaving aside the question of whether the costs and detriments of making higher education more market-like are outweighed by the benefits, and also putting on one side the question of whether the market can anyway be "rolled back" in the immediate future, the underlying issue seems to be:

- what are the things for which some kind of public, non-market intervention is still required?

- who should be responsible for making it?

29. As regards the first, it would seem that there are at least four things that need to be attended to if the public interest in higher education is to be safeguarded. These are:

1. institutional diversity linked to consumer choice and producer innovation;

2. quality, at least in terms of minimum acceptable standards of provision;

3. access and equity as between different sub-sectors of the population;

4. information (about the interaction between markets and 1 – 3).

30. As regards the second, all knowledge, experience and pragmatism would suggest that 1 and 3 should be primarily a state responsibility, or secured through a partnership between the state and the institutions collectively with the state as the senior partner. 2 should be led by the institutions within a broad regulatory framework recognised by the state. 4 should be led by the institutions with state encouragement and support.

ANNEX

In their presentation Pat Terenzini and Robert Reason reported on their survey of the evidence about the main influences on student learning outcomes. The crucial factors are not category of institution but the following:

- class size: smaller is better for both content transmission and development of cognitive skills;
- instructional methods: learning for mastery, computer assisted learning, active/collaborative learning, service learning (where content is linked to external engagement);
- certain instructor behaviours e.g. clarity, organisation, use of feed-back, availability, rapport, class time management;
- curriculum: integrated, with an interdisciplinary core aiming at critical thinking including too interactions with peers and faculty;
- curricular influences and out of class factors also affect student's attitudes.

The message for public research universities is that they need to build on out of class experiences, reduce their perceived size, and recognise and capitalise on the synergy of the student's academic and non-academic experiences through organisational restructuring: they need to create learning communities through bringing together students' academic and social experiences.

The final plea was to rebuild institutional typologies around institutions that are educationally effective: excellence is what institutions do, not what they have.

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NOTES

[1] *The adoption of government policies encouraging private higher education, competitive research grants systems, greater student access to information about university quality, university ownership of patent rights, and contracting-out of university services and activities are…all examples of the application of market competition to academic reform.* (Dill, 2003: 138)

[2] The research symposium *Future of the American Public Research University* was held at Penn State University between 24 and 26 February 2005.

[3] Cf the special issue of *perspectives* (Douglass, 2005) which draws on papers from a symposium on UK and US higher education funding and access, which was hosted by the Oxford Centre for Higher Education Policy Studies in September 2004. See also Kirp (2003) and Geiger (2004).

[4] In a classic study Berdahl (1959) argued that institutional autonomy exists where universities control five functions:

- the admission and examination of students;
- curricula;
- the appointment and tenure of academic staff;
- the allocation of income among different categories of expenditure;
- the final authority in determining the proper subjects of research.

Taking these in turn:

- whilst in the wake of the Laura Spence affair there has been heavy Government pressure on universities to take into account a wider range of factors than just academic achievement, Government Ministers have also reiterated their support for the principle that universities alone should decide whom to admit to their courses;

- although there have been many Government led attempts to **influence** the curriculum, and whilst these may be expected to increase with the new Sector Skills Councils (DfES, 2003), there have so far been no Government based attempts to **control** the curriculum. Arguably a much greater threat to institutional autonomy here comes from the activities of a number of professional and statutory bodies;

- similarly, there have been no Government moves to influence individual staff appointments so far as I am aware;

- the principle that it is for institutions to choose how to allocate their funds between teaching and research has been maintained. But an increasing – though still in overall terms small – proportion of funding is tied to specific purposes, for example "rewarding and developing staff". But the argument against this is as much about the associated bureaucracy as about the influence on institutional behaviour;

- whilst, there has been no Government interference in the choice of research **topics**, there is little doubt that Government policies about selectivity and assessment of research funding strongly influence the **types** of research that are undertaken.

For a good recent discussion see Taggart (2004).

[5] According to the OECD, in 2001 the United States spent 2.73% of GDP on tertiary education whereas the UK spent 1.08% (public and private spending) (OECD, 2004).

[6] In 2002/2003 the most prosperous mainstream university (Imperial College) received over **eight** times the income (in terms of gross income per full-time equivalent student) of the poorest (Lincoln). There can be little doubt that introducing, or increasing, competition and private funding increases the differentials between institutions, subjects and individual faculty (Brown, 2005).

[7] At the Symposium Sylvia Hurtado quoting Bowen (1977) summarised the role of the public research university as being:

- advancement of knowledge: discovery, preservation, dissemination;
- discovering and encouraging talent: access, affordability;
- advancing the welfare of society: cultivating citizens, developing democracy;
- avoiding negative social goals: a critic of society, a guardian of social progress.
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[8] *Shakespeare, Einstein and the Bottom Line* is a series of case studies of the various forms that commercialisation is currently taking. Kirp is not as negative about the phenomenon as some other writers on the subject, but he points eloquently to the risk of higher education becoming "commodified". This is a "must read" for anyone interested in current trends in US and UK higher education.

[9] One potential ally in the battle in America to reassert public values (and also raise funds) is/are boards of trustees (governing bodies). But not all public research universities have separate boards and the appointments are anyway made by the State Governor (though one or two states have introduced bi-partisan screening panels prior to the appointment being made). There is clearly a good deal of disquiet on this issue amongst university leaders.

[10] A recent HEFCE study (HEFCE, 20005b), which looked at the impact of the introduction of a contribution to tuition fees in 1998, concluded that there was no evidence of entrants changing their behaviour to avoid tuition fees. Some earlier research (Callender 2003, HEFCE 2003) suggested that debt does deter working class students in particular. However more recent research indicates that this may only be a factor for students not contemplating higher education (Callender and Jackson, 2004). Hence variable fees will be unlikely to have a significant effect on demand. For a more detailed treatment see Brown (2005).

[11] The Teaching Quality Information site is still being developed and is due to be launched in Summer 2005. The site will contain key statistics and reports about the quality of teaching at all HEIs in the UK, giving official detailed quantitative data on students' entry qualifications, progression, completion of awards and subsequent employment; together with various qualitative reports provided by the institutions themselves. It will also contain the results of the first National Student Survey (http://www.tqi.ac.uk/home/index.cfm). Users can search by undergraduate course or browse institutions and subject.

[12] What kind of higher education will be provided will depend upon the motivations, values (including those inculcated through professional formation), resourcing and deployment, incentives (both positive and negative) and context of:

- academic staff (focus on student learning, development of the subject, personal development etc);
- managers and academic leaders;
- students (general education, career position, other).

It will also depend upon other "influencers":

- funders;
- regulators;
- employers;
- other public bodies;
- the academic community generally.

[13] Variable fees is a good recent example of poor policymaking. In my recent inaugural professorial lecture (Brown, 2005) I argued that there are at least six sets of important potential impacts of variable fees that do not appear to have been seriously addressed: the implications for the structure of the system; for higher education students who are part-time, mature and/or studying in FE colleges; for

future postgraduate enrolments; for recruitment to certain professions; for overseas (particularly EU) student recruitment; as well as the implications for regulation and quality assurance.