

## CAN LESSONS FROM ABROAD HELP SOLVE THE CRISIS IN U.S. PUBLIC HIGHER EDUCATION?

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Public universities in America are in crisis. A sector that once served to reduce inequality now operates in ways that tend to exacerbate it. Tuitions and student indebtedness are skyrocketing; administrators grab disproportionate salaries; and partisan gridlock has opened the door to for-profit providers who waste public funds. As U.S. public universities head ever further down unsustainable paths, other countries may offer models for cost-effective higher education.

### Universities and Increasing Inequality in U.S. Society

No longer are U.S. universities, especially our great public institutions, opening doors to wider opportunity in American society as a whole.

- Paying for college is increasingly a struggle for most American families. Between 2009 and 2011, average tuition at public higher education institutions rose by five percent per year in inflation-adjusted dollars, followed by a whopping 8.3 percent in 2012 alone.
- Outstanding student-loan debt now stands above \$1 trillion, up nearly half of what it was a few years ago (adjusted for inflation) and now reaching twice the level of two decades ago.

Together these trends bring deeply troubling consequences. College attendance has increased for the affluent, but has barely gone up for students from families in the bottom half of the U.S. income distribution. America loses a great deal of educated human potential. Although half of *average-test-scoring* high school seniors from high-income backgrounds enroll in four-year colleges, only 44 percent of *high test-scorers* from low-income backgrounds go to such institutions! The picture is even bleaker for college completion. Close to 90 percent of students from families in the highest income quartile complete their degrees by age 24, but only roughly a quarter of those from the lower half of the income distribution obtain degrees by then.

### Growing Gaps within Universities

Inequalities are growing within universities too.

- Skyrocketing salaries flow into the pockets of many university administrators and professors in select disciplines that compete with private industry and finance. Nine public university presidents earned more than \$1 million in 2012, and average compensation for presidents at the 25 highest-paying public universities rose by a third in the last three years.
- Meanwhile, compensation for most faculty members is being squeezed. As universities hire increasing numbers of adjunct and part-time instructors, the share of tenure-track appointments has fallen to less than a third across all higher education institutions and to below half at public

research universities. Average full-time faculty salaries at public research universities have failed to show any significant real increase since 2002.

### **Public Discontent, Partisan Gridlock, and Profiteering**

Americans are clear how they feel about these conditions. A majority thinks of colleges and universities as being more interested in their bottom lines than in providing a good education, and three-quarters tell survey researchers that higher education is now too expensive for most.

As the public worries, policymakers are mired in partisan gridlock. Emboldened right-wing forces aim to slash funding for public higher education, arguing that private-sector training can be cheaper and more competitive. The left wants to reverse the trend of falling state and local support per full-time student in public higher education. At below \$6,000, it is now less than 70 percent of what it was in 2001. Only if students are more adequately supported, progressives argue, can the cycle of ever-increasing tuitions and receding access be broken.

In the absence of clear public policy solutions, costly waste has taken hold. For-profit higher education providers have used connections with Republicans *and* Democrats to rake in over \$30 billion per year in federal student aid. Many such institutions could not function without this largesse, and roughly 17 percent of public support to for-profits ends up as profit returns to investors. While educating fewer than 12 percent of students in 2009, for-profits received a disproportionate 26 percent of all federal student aid. Yet they graduated students at below-average rates and left enrollees responsible for a whopping 44 percent of student loan defaults.

### **Inspiration from Abroad**

As inequalities and inefficiencies spread in U.S. higher education, European countries have found innovative ways to increase enrollments and moderate costs while retaining a high degree of public support. Although countries proceed differently, European reforms have avoided simply tying public funding to enrollment growth. Utilizing market forces very differently than the U.S. model of throwing money at profiteers, they encourage institutions to compete for public funds and give universities autonomy to deploy resources efficiently.

When public and private spending is added up, the United States spends the most of all wealthy democracies on higher education. But the results are not the best, because public funds are deployed differently on the two sides of the Atlantic. With public spending at almost twice the U.S. level, selected Scandinavian countries have overtaken the United States in rates of college graduation. Other countries spend less public money, but more efficiently. Without charging tuition at public institutions, for example, Germany attains four-fifths of the U.S. college graduation rate at less than half the public cost. Moreover, Germany's output in scientific publications is actually higher than America's relative to population size.

Other advanced countries certainly face their own special challenges in higher education, yet cross-national comparisons show that many have recently managed to outperform the United States by enlarging access and limiting student financial liability while curbing wasteful college spending and unwarranted rent-seeking by providers. Reformers who want to revitalize public higher education in the United States for the 21<sup>st</sup> century have much to learn from abroad.

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Read more in Tobias Schulze-Cleven, "Liberalizing the Academy: The Transformation of Higher Education in the United States and Germany," Research and Occasional Paper 1.15, Center for Studies in Higher Education, University of California, Berkeley, January 2015.