

Academe Online

Avoiding the Coming Higher Ed Wars

Myths about how research is funded and why the humanities are impoverished need to be overturned if public higher education is to thrive again in the United States.

By Christopher Newfield

For the past thirty years, conventional wisdom has held that cutting public funding will make public institutions more efficient. This idea has profoundly altered support for higher education. Two generations of higher education leaders, even when they did not believe this notion themselves, have felt obliged to go along with it. Public university boards of trustees now raise tuition as often as do boards at the most expensive private institutions. And they have muffled the concerns of students, staff, and faculty with regular tributes to the growth in revenues from fundraising and sponsored research. University leaders have regularly assured legislators, and the general public, that business-oriented science, fundraising, and sophisticated financing could make up for per-student declines in the public funding of the educational core.

The results of this social experiment are in. According to economists Claudia Goldin and Lawrence Katz, after 1980 American educational attainment grew at half the rate that it had enjoyed during the public funding boom of the four previous decades. High-income countries, along with many middle-income ones, have caught up to U.S. levels of educational attainment, and they are now passing us by.

The Centrality of Public Funding

California, one of the world's wealthiest places, has seen one of the world's most astonishing declines in college achievement. The state's continuation rate, the proportion of students starting college who complete it, fell from 66 percent to 44 percent in just eight years (1996–2004). California's rank among states in investment in higher education [declined](#) during the same period from fifth to forty-seventh, according to Tom Mortenson, a higher education policy analyst. The state has cut its investment in higher education by close to 50 percent since 1980, forcing tuition increases like the 60 percent rise at the University of California from 2004 to 2008 and an anticipated 32 percent rise between 2009 and 2011. Meanwhile, half of California's K–12 students are now eligible for the federal school lunch program, up from one-third in 1989. As Mortenson notes, these students will have no personal resources to cover the costs of attending college, which at UC is nearly thirty thousand dollars a year.

You don't need a calculator to see how these numbers add up: the college future for more than half of California high school students is nil.

If there's a silver lining to the California budget cuts of 2009, it's that many of the state's citizens are finally demanding a restoration of strong public funding. Strong public funding built the unparalleled U.S. university system. It will be essential to the system's continued quality.

Public funds cannot be replaced by private monies in three major areas. First, public funds are essential to maintaining low fees and thus broad access at a time when more low-income students than ever need access to higher education. It is becoming clear to all but the most entrenched partisans of "high tuition and high aid" that financial aid has not sustained access the way low fees did. Second, and perhaps less obviously, public funds are indispensable to support for research. Research is vital, but it is a cost—not a cash-generating asset. Third, public funding is essential to the student-centered, creativity-generating instruction associated with the liberal arts, which has been a unique strength of the U.S. system for two hundred years.

If we cannot make these real funding needs of public universities visible to the public, we are threatened with a domino effect, in which locating funds to offset funding cuts takes money from both research support and instruction, lowering the quality of both, which in turn reduces public support for further tuition or state funding increases. The public university is facing "massification"—mass quantities of standardized educational products that threaten individualized instruction—at the exact moment when individualized instruction and cutting-edge research are more needed than ever before.

I have analyzed research costs in detail in other essays, and I will not discuss here what we would learn if we had transparent budgets and collaborative budget discussions. Instead, I am going to focus on what Californians learned in the last year: that higher education leaders are still unable to demonstrate the necessity of rebuilding public funding.

Crisis in the Funding Model

To see the enormous stakes of this still embryonic campaign, we need to appreciate the structural nature of the funding crisis. California's appalling decline predated the most recent cuts and was produced not by economic downturns but by the American funding model that has reshaped higher education over the past thirty years. The United States relied on low tuition to ensure mass access when it led the world in measures of educational quality and attainment. The American model, however, depends on private funds from students and their families to a greater extent than any other national funding model, and U.S. colleges and universities now charge some of the highest tuitions in the world.

The American funding model has done well at raising tuition and donations and poorly at raising educational attainment. Having the best of both worlds—families willing to pay a premium to send their children to elite colleges and taxpayers willing to provide generous public funding—held the model together. While public funding was high, public universities could function as part of one differentiated but still relatively integrated and generally superior tertiary system. But public funding per student has been flat or falling for nearly thirty years, and this has gradually eroded quality and affordability for the 80 percent of college and university students who attend public institutions. Recent drastic cuts now threaten to make U.S. higher education a tale of two systems: one rich, one poor, much like our mediocre K–12 schools.

The California experience needs to be pondered carefully. It reveals the unvarnished truth that the American funding model isn't a synthesis of opposites but a now unraveling self-contradiction. That is because its success on one side causes its failure on the other: its success with private funding, especially with tuition increases, has helped reduce public funding.

When Arnold Schwarzenegger became governor in 2003, in the middle of yet another three-year reduction in state higher education funding, his budget director, Donna Arduin, privately told university leaders that she would push for continued state funding cuts to force the University of California and the California State University to implement major hikes in tuition. Arduin got much of what she wanted. Partly inspired by fear, university leaders signed a "compact" with the Schwarzenegger administration that built in 7–10 percent annual tuition increases between 2005–06 and 2010–11. This meant that tuition would inevitably rise at two to three times the 3–4 percent increases targeted for state funds. These tuition increases have become so ritualized that California's nonpartisan Legislative Analyst's Office has opposed any restoration of public funds for UC and CSU in fiscal year 2011, arguing that if they need more funds they should once again raise tuition.

The Public Kept in Its Place

Although CSU and UC leaders are now criticizing the state legislature, they are not yet confronting the privileged place accorded the allegedly private side of the operation. A rude awakening awaited anyone who believed that the nonstate side of UC would help out the public side in its moment of greatest need. Following the announcement of furloughs and operating cuts in June 2009, some faculty and staff members suggested that a portion of the huge cash flows from research, fundraising, and "auxiliary enterprises" be temporarily shifted to the state side of the operation to avoid class cancellations, pay cuts for lower-income employees, and giant tuition hikes.

Looking at the budget documents, faculty and staff could see that "sales, services, and auxiliaries" funded almost twice as much of UC's \$20.1 billion total expenditures as did "core" campus funds in [2009–10](#). They began to ask questions about internal redistributions of funds during the state of financial emergency that the system president, Mark Yudof, had declared.

The Office of the President rejected this suggestion categorically: neither research nor donor money could legally be reallocated, nor could anything be done with any of the nearly \$9 billion in noncore cash flow. This was indeed true for most, but by no means all, of the money in question. Philanthropic gifts cannot be reallocated, nor can funds that pay for the direct costs of research. But indirect-cost money is relatively fungible (\$274 million in fiscal year 2009), as is interest on the short-term interest pool (\$360 million in fiscal year 2008), to name two of the

largest single sources. No such short-term reallocations were openly discussed. After decades in which the state-funded side of the university sponsored and helped fund UC's businesses, the businesses would provide no help for the public side.

Making matters worse, UC leaders imposed furloughs on statepaid employees but not on those paid by extramural funds. Faculty members with outside grants were allowed to top-up their reduced salaries if their grants would allow it. These decisions, although influenced by legal considerations, installed as a practical outcome the administrative logic of a two-tiered system in which public education is second-class.

In this context, how were the state's citizens supposed to revere public functions enough to contribute more funds to them?

The November Protests

The question was raised all over again in November 2009, when thousands of students turned out to protest the 32 percent fee increases made in response to the state budget cuts. "Budgetary transparency" became an unlikely rallying cry. Protesters went to bat for the public sector with a fervor not seen in many years.

Media coverage was remarkably sympathetic: "If we all share the medical, economic, and cultural benefits of the university, shouldn't we also all share the costs?" This pitch for seeing the university as a commonwealth came from a [local television news editorial](#). Even Arnold Schwarzenegger, having proposed the huge higher education cuts in the first place, and having built his political career on denouncing government spending, acknowledged the turning of the political tide and called for a constitutional amendment to guarantee more funding for higher education than for prisons—starting promptly four years after his departure from office.

Well, better late than never, thought most of us who had spent years trying to convince academic managers and everyone else that reports of the death of public funding had been greatly exaggerated. We hoped that November would be the time to proclaim public funding as both a necessity and an opportunity—the glorious moment in which California would start digging itself out of its hole through public investments in public universities so universities could fulfill their public mission. We could call this the equal-partnership model, in which adequate public funding would put the "big three" back on top: (1) full student access through low fees and simple, inexpensive financial aid; (2) full support for the indirect and other hidden costs of research; and (3) full support for active student learning in tune with the twenty-first century.

Unfortunately, senior university managers muddled the pitch to the public by sticking with the orthodoxy of the American funding model. They kept insisting that low-income students would pay no tuition (true for fees, not true for the students' actual bill, which is the total cost of attendance). California citizens would naturally wonder, if high tuition won't hurt needy students, why rebuild public funding to reduce tuition hikes? Similarly, senior managers blurred points 2 and 3 in ways I will discuss below. The president's office was often in the news defending high executive salaries, high administrative growth, and the payment of executive bonuses, all the while rejecting calls for independent audits of practices such as pledging student fees as collateral for construction bonds. So while the public was primed to support some kind of change, university leaders did not develop a message clear enough to be acted on. The focus still remains the tuition increases, cloaked in widespread anxiety about general decline.

The Costs of Being a Business

A key problem was that UC leaders kept private funding on a pedestal, and this backfired in predictable ways. A recent poll by the National Center for Public Policy and Higher Education asked which of the following two statements was closest to the respondents' view: (1) "Colleges today care mainly about education and making sure students have a good educational experience" or (2) "Colleges today are like most businesses and care mainly about the bottom line."

Sixty percent of respondents said the latter. If public universities are essentially businesses, selling a product that the public also views as overpriced, why should financially struggling citizens give them another dime of public money? Sure enough, when respondents were asked about how any new public money should be used, only one in four wanted the funding to go to maintaining university operations, while two in three wanted to use that funding to hold down fees—in effect preferring to give public money directly to students rather than to universities.

University leaders have not picked up on this shift in public opinion; instead, they continue to celebrate business cash flows as a clear educational good. For example, when Yudof went on the [PBS News Hour](#) in November to explain the need for fee hikes, he remarked, “Many of our, if I can put it this way, businesses are in good shape. We’re doing very well there. Our hospitals are full, our medical business, our medical research, the patient care. So, we have this core problem: Who is going to pay the salary of the English department? We have to have it. Who’s going to pay it in sociology, in the humanities? And that’s where we’re running into trouble.”

In one short statement, Yudof foregrounded the university as a business, claimed that much of it is making money, singled out medicine as especially lucrative, identified two of the high-enrollment fields in the humanities and social sciences as needing subsidy, and described public money as subsidizing these money losers. He thus confirmed citizen fears that university leaders focus more on revenues than on education. He confirmed faculty fears that these leaders see cultural and social fields as a burden, even though they normally have the large majority of undergraduate enrollments. A viewer would reasonably conclude that the university could support both research and teaching by spending the profits it makes on its own knowledge industries, without asking the public for additional help.

In short, the 2009 funding cuts raised public awareness of the negative impact of tuition hikes on students. But mixed administrative messages prevented wider awareness of the need for more public funding.

Open Books for the Social Mission

To make expanded public funding understood as the absolute necessity that it is, two separate changes in administrative thinking need to occur. First, the university’s social good missions need to be put front and center, well ahead of its business goals. One of the “big three” missions I noted above is to prepare undergraduates for a lifetime of innovation and of democratic self-rule in a challenging world that will demand new powers of autonomous inquiry and self-transformation. Research universities must confront and fully disclose the extent to which they need to rebudget in order to support small-scale, question-based, active learning experiences. These have been best developed through liberal arts traditions at independent colleges. Institutions like Reed College, Williams College, Dickinson College, and Ursinus College do not show up in world rankings but are world-leading masters of the arts of learning-for-doing, developing personal capabilities that can operate across many economic sectors at a time when precise evolution is unknown. How can public universities develop intensive instructional conditions on a mass scale? The low-tuition version of active learning should be a central purpose of restored public funding, and it must be explained as such.

The second change affects the equally important social mission of advanced research. Here university leaders need to clear up the standard false accounting of their businesses. Most people think the word “business” refers to a financially self-sustaining enterprise that receives no public subsidies. This is a myth about businesses in general, which depend on all sorts of public expenditures, but it is especially mythical for university businesses. More than [40 percent](#) of the revenues of UC’s hospitals come from Medicare and Medicaid. Similarly, three-fourths of UC’s research revenues are a mixture of state and federal funds. Extramural sponsors of research never pay the full costs of that research: a research campus with \$200 million in outside grants is likely to spend \$7 million to \$33 million of its own money, and private sponsors generally require it to pay the most. We need more research, not less, and that means we need open accounting of its real costs so we can figure out realistically how to pay for it.

Budgetary secrecy has been straining internal campus relationships for quite some time. Yudof’s remarks about the humanities and social sciences needing subsidies provoked firestorms on faculty e-mail lists. These fields are tied to all others in a maze of commingled cash flows that would give migraines to armies of accountants. Universities are held together by “cross-subsidies,” and the general rule, as explained to UC officials last fall by Jane Wellman, executive director of the Delta Project on Postsecondary Education Costs, Productivity, and Accountability, is that cheap programs subsidize expensive ones. Cheap programs include English and sociology. Expensive ones include medicine. This means that in the real world of higher education funding, English and sociology make money on their enrollments, spend almost nothing on their largely self-funded research, and then, in the cases I have reviewed, actually have some of their “profits” from instruction transferred to help fund more expensive fields. Without these cross-subsidies, plus the everincreasing clinical labors of its own overworked faculty, medical research would be losing money, as the research enterprise always does.

Opening the books on cross-subsidies would allow the public to understand exactly why universities cost as much

6/1/2010

AAUP: Avoiding the Coming Higher Ed ...

as they do. It would allow universities to honor the financial as well as the intellectual contributions of their cultural and social disciplines. It would enable all the disciplines to interact peacefully and intelligently as the ensemble we call “the university,” this astonishing thing that cannot be replaced by government or business or churches or volunteers. Open-budget dialogue would head off the cold war looming over academia, the one now becoming increasingly likely as administrators lose their financial ability to buy temporary truces with new resources and departments sink into fighting over what is left.

History is replete with nations that declined not so much because of a military invasion or an environmental collapse, though these were familiar symptoms, but because they came to undermine their own best institutions. The United States is on the verge of undermining a higher education system that has been a model for the world. It’s not too late to turn back, but the way forward lies through understanding and addressing the dire need for public funding for the university’s three major public missions: egalitarian access, advanced research, and transformative learning.

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