Scrounge We Must
Reflections on the Whys and Wherefores of Higher Education Finance[1]

Nancy Cantor
Paul N. Courant

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If we had to pick one word to summarize the topic of this conference, the word would be "scrounging." Here we have a room full of economists and what you have been writing and talking about is a set of shifting and contentious and even vanishing sources of financing for higher education in the 21st century. Alumni, students and parents, the public sector, gifts from many sources, industry collaborations, all and more are in the mix. And more and more, private and public institutions are looking alike in their "scrounging" behavior. As traditional sources of financing become tighter, public institutions are facing mounting enrollment pressures in the context of state appropriations that are not keeping pace with growth in personal income, and private institutions are mounting generous financial aid packages while hitting some effective ceilings on tuition increases (Ehrenberg, 2000). Meanwhile, both types of institutions are looking to the same sources for new support – fundraising; for-profit educational ventures; internal cost-savings and efficiencies; entrepreneurial activity involving intellectual property and industry-university collaborations.

You have been talking about these issues in detail all day, and will talk about them in more detail tomorrow. We could obsess with you at any degree of intensity and length, especially about the financial prospects of large Midwestern public research universities, but instead we choose to play a different role, and assert the prerogative of a dinner speaker to consider a broader question: "As we scrounge for the resources to support higher education in the 21st century, to what extent do we risk losing sight of essential elements of higher education?" Put another way, let us consider the question of just what it is that we are trying to support, and why.

The Problem of Profit

We are called upon by our many constituencies to act more businesslike, to pursue goals that are measurable, at least in many cases, in the language of profit and loss. Public bodies, including boards and legislatures, ask for performance indicators, and sometimes

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[1] Nancy Cantor is the Provost and Executive Vice President for Academic Affairs at the University of Michigan. Paul N. Courant is the Associate Provost for Academic and Budgetary Affairs at the University of Michigan. *We would like to thank Shelly H. Martinez, Assistant to Associate Provost for Academic and Budgetary Affairs for her contributions in the preparation of this paper.*

base funding on things whose principal virtue is that they are easily measured. Tenure is difficult if not impossible to explain to governing boards populated from the business world; evaluated as an employment contract tenure is indeed hard to justify; as an essential ingredient of academic freedom it's hard to see how we could live without it. Yet the costs of tenure (and of the faculty's time necessary to do their best research) drive us more and more to use supplemental faculty of various kinds. At the same time, the regular faculty increasingly take the view that there is no conflict of interest or commitment as they market "their" intellectual property, including course materials that their institutions often would lay some claim to. (And try explaining that one to a board of trustees drawn from the business world.) Although the dotcom world is perhaps not the great engine of progress that it once appeared to be, we are asked repeatedly to follow the trend and produce and sell our products over the web, in part because the virtual university looks to be cheap. (Although we must point out that the evidence that the virtual university actually saves anyone any money is hardly conclusive, and may even be contradictory of the maintained hypothesis.)

We have adopted internal budgeting practices that focus on local bottom-lines and that are designed, in part, to mimic the private sector. We give our students increasing scope to pick their own courses of study, and these students are increasingly concerned with their own financial returns on investment.

We don't want to argue against the importance of profitability and efficiency in a room full of economists – indeed we believe that just the kinds of analyses you are engaged in here are essential to our success, and that the trends that we have outlined above are in some combination inevitable and well justified. But we do want to point to a few important examples where we believe that our responses to concerns with profitability are changing the University in ways that are potentially troubling. We then want to turn to a set of elements that we think are essential to good universities, whose value we believe to be great, but whose value is also difficult to measure.

You probably won't be surprised that much of what we have to say speaks most directly to large research universities, especially of the public flavor whose zip codes start with 4 and above, but the compass for most of this discussion is meant to be much broader, and includes most institutions of higher education.

Many of those universities with high zipcodes were founded pursuant to the Northwest Territories Act, enacted by Congress in 1787. While the specifics of the preamble are archaic, the general tone captures some of what we mean to convey here: "Religion, morality, and knowledge, being necessary to good government and the happiness of mankind, schools and the means of education shall forever be encouraged" (http://www.ohiokids.org/ohc/history/h_indian/treaties/nword.html). This is a broad view of the instrumental purposes of education, and it is that breadth of view that we want to preserve.

Worrisome Trends

There are at least three trends in university life that we endorse (or at least understand to be reality in this age of scrounging), all of which are sensible responses to concerns with cost and profit, but each of which has potentially disquieting consequences.

Virtual interactions. The first trend is our increasing penchant, in our scholarly and educational activities, for virtual interactions. We are all afflicted with what Robert Kraut, Sara Kiesler and their colleagues have dubbed: the "internet paradox" – that is, dependence on a social technology that often breeds social isolation (Kraut, Patterson, Lundmark, Kiesler, Mukophadhyay & Scherlis, 1998). Whereas life on the internet has certainly increased access to information, it has yet to substitute for our appetite for face to face contact, and we may not be served well as institutions if we forget the role that social interaction plays in the intellectual life of our campuses. Interestingly, disciplines like physics in which a great deal of information is exchanged over long distances on the internet have actually not done away with the need for face-face conferences; colleagues just come better prepared when they meet face-to-face. The same thing goes for education. The best distance learning programs that we know of are those that have an "on job, on campus" mix to maximize speedy virtual information exchange and real intense intellectual interaction. By contrast, delivery of education solely on the internet may rob students of experiencing the clash of ideas out of which emerges empathy with others and a desire for compromise. For example, the New York Times recently described just such a possibility in an article about on-line high schools entitled: "School Time, Minus the Face Time" (Guernsey, 2001). Students in this program can learn while avoiding hanging out with kids different from themselves; can learn while opting out of community norms that they don't like. Are these kinds of educational experiences likely to form the basis of good training for citizenship in our society? Moreover, the freedom of communication and the speed with which responses fly back and forth on the internet, while good for instantly spreading fresh ideas, inadvertently can undermine the thoughtfulness of discussion and the social consensus building that cements us all together as a community (McPherson & Schapiro, 2001).

Returns to education. Another prevalent trend with some possibly negative side-effects relates to the focus of students on maximizing the returns to their education, in light of the ever-escalating costs of higher education. Of course, it is not surprising that our students' course-taking preferences often focus on areas likely to maximize future returns (e.g., pre-professional, technology-intensive, globalization). Whereas these are surely exciting areas of inquiry, the (corollary) trend, seen on many university campuses, of eroding support for the humanities and humanistic social sciences (e.g., representation of superior humanities programs at public universities has dramatically declined in the period between the 1982 and 1995 according to rankings from the National Research Council, 1995; Darwall, 1997) is very worrisome. Arguably, these are the very courses and programs of study that provide the best preparation for democratic engagement and citizenship, not to mention for critical thinking. Therefore, to the extent that we see such preparation as part of the core mission of our institutions – that is, part of the public good we provide, then we must support such programs, even if the "marketplace" (of student preferences and sponsored research) does not.

(We cannot resist here quoting from an editorial published in the Ohio State Journal of 1870, at the time that Ohio State University was founded: "…the lawyer who knows nothing but law, the physician who knows nothing but medicine, and the farmer who knows nothing but farming are on a par with each other. They are all alike, starved and indigent in the requirements of true culture" (Cope, 1920). We will return to the issue of getting our public to understand the value of a liberal education later in this talk.)

Bottom-line budgeting. Returning to the "marketplace," a third trend in universities that may threaten our public good comes mostly from provosts' offices (and so we take a special blame here) and reflects well-intended efforts at accountability and cost containment. For example, at the University of Michigan, we almost went to a thorough-going responsibility-centered management system, in which units would get the revenues associated with their activities (teaching hours, indirect research returns), and would be "responsible" for the costs of their activities (e.g., number of books in the library). Unfortunately, this system threatened what is at the heart of our institutional identity, precisely because building the collective good is slow, expensive, shared, and not very profitable in the marketplace of student credit-hours or sponsored research (e.g., interdisciplinary or collaborative work is expensive; service learning and community-based research is rarely profitable; web-based coursetools are expensive to reproduce for each unit; a school of art will never make money; digital libraries can't replace the papyrus in our collections). So, we went to a hybrid model (some activity-based flow of revenues and costs and some taxation for the common good), and we watch very carefully that non-marketplace supported programs are fed (such as, interdisciplinary and collaborative courses, museums and libraries). We also remind the Law School or the Business School, when they complain that our taxes erode their resources, that they gain (privately, as an individual unit) by being part of the university collective – part of a university that enables law and business schools to be great by providing them access to libraries, museums, and the insights of many disciplines.

Public Goods

Why do we care about these trends – the proliferation of virtual over real interactions; the feeding of students' preferences for courses with tangible payoffs; and activity-based budgeting with a focus on marketable activities? Just as standard economic theory tells us that private markets will under produce public goods, so too may we begin to see this in our universities. That is, excessive concentration on profitability and businesslike behavior may lead to the underproduction of the public goods that make us something different from and more than a collection of smart folks each doing his or her own thing. Here are some things we may increasingly forget to do.

Build a diverse and engaged campus community. Most of our students come to campus never having had sustained contact across the boundaries in our country of race and ethnicity, class, and geography. Therefore, it is expensive, risky, and labor-intensive to build trust and common fate (e.g., Michigan has a wonderful, but very labor-intensive program in the residence halls called: Intergroup relations, conflict, and community). Yet we must do this because building an engaged community within our campuses is the basis for our contribution to civic engagement and democracy beyond our campuses.

Preserve while innovating. Much of what we do that is expensive, is to preserve the culture and history from whence we have come, even as we discover something new. Unlike Ford Motor Company – for whom it is reasonable to operate fully according to the principle of innovation by substitution – that is, to stop producing Model T's when Mustangs come along, we frequently need to keep the evidence of our past in order to understand it, as we build our future. With the advent of technology, many might argue that the preservation of the physical, of objects, becomes less vital – we think not, and that is why we support digital and traditional libraries, as well as provide internet access to the objects in our art museums, even as we mount those same objects in exhibitions.

Support cultural institutions on campuses. A significant part of our academic and public missions are served by cultural institutions on our campuses – libraries, museums, university presses, gardens, and the like, that are very expensive, more so than their private sector competitors, but that greatly enhance the scope of scholarly life and educational programming on campus, while also providing a great service to local communities. We could, of course, save money by jettisoning these "ancillary units," but the vitality of our institutions would be severely diminished.

Extend the boundaries of the classroom and the scholarly laboratory. Just as it is important to bring our neighboring communities into the life of our campuses, so too is an increasing share of learning and scholarship taking place beyond the boundaries of the traditional classroom and/or laboratory. These collaborations are very worthwhile, but very time-intensive, as anyone who has pursued a service-learning curriculum or carried out community-based research or built a research park knows all too well.

Explore the intrinsically valuable but non-profitable disciplines. Much in a liberal education involves a focus on areas of human endeavor that do not attract a lot of attention and/or external support. Yet we need to keep teaching lesser-known languages and the gamelon, and supporting disciplines in the Arts, in no small part because such activities remind us of our humanity.

Forge interdisciplinary alliances. In a world in which one wants to protect "market share," the free and oftentimes time-consuming exchange of perspectives on common problems from across the disciplinary tables might be at risk – though we think it is vital to the future of discovery. This is all the more expensive because it requires that the disciplines themselves be solid and secure.

All of these are very expensive to maintain, require significant time, labor, and risk (personal as well as financial), and may not be easy to accomplish virtually. They are also essential attributes, we would argue, to getting the most out of universities. Indeed, in ways that we do not fully understand, such public goods are likely essential ingredients of the long-term private gains that universities can help us to produce. They give us the ingredients necessary for new creation and the flexibility to use them.

Scaling up these public goods in a world of scrounging is possible (just as internet collaboratories can counter the internet paradox and technology can be used to open up worlds not to foster a digital divide), but it won't happen automatically, because it will be expensive. Perhaps the best way to say this is to ask the question whether we would have known to care about diversity, the arts, humanistic learning, or libraries (and by extension access), if we focused first and foremost on the bottom line? Probably not. But since we already have a grand tradition of caring about and fostering the public good, let us be vigilant to protect it as we embrace a profitable future.

Selling our Public Goods

How, then, can we persuade those whom we would have support the enterprise that the set of public goods outlined above (and others that we have not listed) are worthy of their support? In some cases, this need not be so difficult. In particular, we believe that the public continues to have a fair bit of tolerance for expensive and labor-intensive practices that can be seen to comprise a first-class undergraduate education. Let us give two examples of practices that may be relatively easy to sell.

Undergraduate education in a diverse setting. The vast majority of the public sees us as being primarily in the business of providing high quality and high value undergraduate education. They understand that the private return to undergraduate education is high, but we need to make the case that there is more to undergraduate education than working through a syllabus over the internet. In particular, we need to sell the fact that a great deal of importance about education is the experience of being in a community of scholars, learning to speak one's mind, to give and to receive criticism, to see the world through another's perspective, to change one's mind, and so on. In other words, what we are selling is not just our products, but also our community of practice, our ways of being and knowing.

Recently, we have come to see how valuable, though intangible, this aspect of the educational experience in modern American universities is seen to be by our colleagues in the business world. In helping to build a defense of affirmative action in admissions at the University of Michigan, we have been reminded of how few settings in American life, short of the American university and our military boot camps, provide laboratories for learning how to live and work in a pluralistic society. And, somewhat surprisingly, we have also learned that many corporations also see this as a rare but terribly important service. For example, among the many entities that filed *amicus* briefs in our defense is General Motors (http://209.61.155.43/news/releases/g000717a.html).

> Explaining why the Corporation is supporting the university, Harry J. Pearce, GM vice-chairman, said, "In doing research on whether GM should involve itself in this lawsuit, we have been impressed with a growing body of research that concludes that college students who experience the most racial and ethnic diversity in classrooms and during interactions on campus become better learners and more effective citizens. Those are exactly the types of persons

> we want running our global business -- better learners and more effective citizens."
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> "We call upon others in corporate America who share our concerns to step forward and articulate their position," Pearce added.

The GM brief cites two key arguments in support of the U of M's affirmative action policies:

* Consideration of race in university admissions furthers a compelling interest in educating students and training them to function in the global marketplaces.
* Elimination of affirmative action in leading educational institutions would deprive businesses of the well-trained minority candidates who are essential to our nation's economic success.

We couldn't have said it better ourselves. And we need to draw on these allies to champion our efforts.

Collaborations across generations and communities. A second example of an expensive practice that may actually be marketable is our fondness for collaborating in intergenerational learning communities. Although the incentive structures within universities are often very difficult with respect to collaboration, our research institutions are fertile ground for collaborative efforts, not just with other academic disciplines, but also among "generations" of students and faculty, and among the university community and the world at large. Most Americans live with us at some time in their lives, and our universities serve as unique social laboratories in which new forms of living and collective practice can be modeled.

We could talk about this topic forever, but we will limit ourselves to one idea that is somewhat contrary to a conventional view. We want to suggest that graduate students, <u>if</u> well-trained, should be seen as providing unique value to undergraduate education. We recognize that the question of training is not insignificant, but it is absolutely do-able, and with good training, our graduate students can play an enormously constructive role in undergraduate education at large research universities. Because they are closer to undergraduates than faculty are in critical ways -- demographically diverse, technologically facile, and of great collaborative spirit – they are wonderful role models for the newer students. The breadth of their fields and their openness to interdisciplinary fields of study – indeed, their enthusiasm for trying something new -- can be captured to bring to bear on the full range of possibilities in a curriculum.

Our graduate students, if we can think of them beyond the "TA" model, can play a key role in much of the learning outside the formal or traditional classroom, as we have learned at Michigan in a variety of programs. For example, graduate and professional school students play a key role in our "Arts of Citizenship" curriculum, in which students and faculty collaborate with public culture makers and K-12 educators on projects in neighboring communities. They have often been the "advance guard," finding opportunities for campus-community collaborations, from designing web-sites on the environment for school children to producing theater around oral histories of elderly citizens in Detroit. Contrary to popular belief, using graduate students as part of instructional teams in courses like Arts of Citizenship is anything but cheap – the growth of nontenure-track instructional faculty is in no small part a substitution for graduate student instruction, as well as for regular faculty. But also contrary to popular belief, graduate students instructors can provide educational benefits to undergraduates that are not available from any other source.

Now, in fact, there are also natural allies in communities beyond our campuses for this intergenerational training model. Graduate and professional school students often provide a ready link to communities beyond the campus. Community leaders, educators, and corporate sponsors, frequently see them as building a bridge of generational continuity between campus and community. Recruiters for companies, for example, like the idea that our undergraduate students have become accustomed to working in teams with many generations represented as they pursue the "best ideas." They like the idea that our graduate students may challenge the stodgy ways of their academic elders; and, they like the exposure to mentoring that this intergenerational model entails for undergraduates. In other words, somewhat ironically, this labor-intensive, expensive, teaching and learning model, makes good business sense.

For public universities, it is also important to be able to sell the intellectual capital that graduate and professional school students represent as potential citizens of the State. And, the more experience that these students have as instructors and collaborators, as well as the more intense their campus-community ties become, the better positioned they will be to translate their education into marketable contributions to the local economy. They won't all stay close by, for sure, but even if they leave, they will "present" the State in a more favorable light, having had a good experience on our campuses. So, it is even good business, as well as good educational policy, to create intergenerational learning and teaching teams. Expensive, but worthwhile.

Staying a Bit Away from the Bottom Line

These are but two facets, expensive facets, of the American University that we believe we need to keep selling to our many publics. Of course, there are others. We sell ourselves, quite appropriately, as engines of economic development at the regional level, through research and related technology transfer. The effect of universities on economic development is hard to measure and document, but we all believe that it is not trivial. It is important in the land grant history of many public institutions, but also important much more broadly. One of us is moving to a university that is proud of the local Silicon Prairie, far from its land grant roots in substantive content, but not far at all in basic purpose – to create local wealth. And university towns tend to be prosperous places, in no small part, we believe, because universities tend to be producers of a diverse and lively set of cultural institutions and events. There is always something to do in a university town, something for (almost) every taste. Here, too, we would argue, there is benefit to universities doing many things, and many things well. Benefit to allowing faculty, students and citizens to exploit intellectual activity of many kinds, rather than narrowly targeting towards excellence in just a few domains of either scientific or cultural production. Here, too, we have a reason for supporting activities whose independent value may not be directly obvious, but whose contributions to the whole may be great. (We recently observed one such example on our campus. The expertise of a humanist in the Department of Asian Languages and Cultures, who by the way teaches about ten students a year, made it possible for a colleague in the School of Natural Resources and Environment to successfully design an environmental intervention in rural Indonesia without interfering with local customs.) We want, although it is very expensive, to have the capacity for excellence across a very wide range of academic specialties, including those that may appear of little tangible payoff in today's world. We want this capacity in large part because of the synergies that will, and consistently do, surprise us.

We have already suggested that both the Ohio State Journal of 1870 and General Motors today "get it" with respect to these and other vital elements of why it is that universities should not adhere too closely to the bottom line. But if we are to garner public support, we must be prepared to talk persuasively and honestly about the value of a liberal education, of community, of strong disciplines and the ability to cross boundaries, of the good fortune that comes in places where many people are working hard across generations to learn and teach about a wide variety of subjects from diverse perspectives. This is the environment of the great American research university, which, perhaps unaccountably, but certainly consistently, has been a spectacularly great engine of material progress for its students, its regional economies, its nation, and the world. Thus, the bottom line, perhaps, is do not focus too much (or too little) on the bottom line. It may be a mistake.

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