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Higher Education in Crisis: Is the American Model Becoming Obsolete?

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Prologue: A walk around the Stanford campus

As an introduction to my talk, let me take you on a quick tour of the Stanford campus – for the benefit of those who haven't been there for a while: You will notice some rather remarkable changes, both completed and in the making. I'll focus on four major developments; there are quite a few others.

The Munger graduate residences – New state-of-the-art graduate residences, five buildings near the Law School and Stern Hall, 360 units for 600 Law School and other graduate students, major funding from Charles Munger, Chairman of Berkshire Hathaway and his wife and Stanford alumna Nancy Munger – architecturally a very successful new ensemble, with lovely inner courtyards and beautiful landscaping.

The Knight Management Center – Close to completion now, the new campus for the Graduate School of Business, on a 12-acre wedge of land between Campus Drive and Serra Street, providing the GSB with 360.000 sq. ft. (as compared to 260.000 before), half of the site open space, with major funding (\$100 million) from Phil Knight, founder of Nike.

The new Stanford Science and Engineering Quad – On the west side of campus – a major multidisciplinary concentration of state-of-the-art facilities, with the Huang Engineering Center nearing completion, with 550.000 sq. ft. floor space and major funding from Jen-Hsun Huang, founder of NVIDIA. In addition, around the new Engineering Quad, three other major facilities

- The Jerry Yang and Akiko Yamazaki Environment and Energy Building, already in place since 2008, headquarters of Stanford's major effort in energy research,
- the Bioengineering and Chemical Engineering Building (under construction), and
- the Center for Nanoscale Science and Technology (also under construction).

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The Medical Center – We could probably spend the rest of the evening just talking about the long-term development plans of the Stanford Medical School and its hospitals. Let me just mention two current projects:

- The *Lorrey I. Lokey Stem Cell Research Center*, which will be opened later this year and will then be the nation's largest stem cell research facility (with 200,000 sq. ft.), and the
- *Li Ka Shing Center for Learning and Knowledge*, funded by a Hong Kong entrepreneur and also due to open this year.

All of this, ambitious and costly as it is, is modest in comparison with the giant plan to totally reconstruct the Stanford medical complex over the next ten years in order to provide both badly needed seismic upgrades (to conform to the standards that will be required as of 2030) and appropriately modern facilities for both patient care and medical research:

- Rebuild Stanford Hospital and Clinics in their entirety,
- expand the Lucille Packard Children's Hospital,
- replace the building for the Medical School faculty, and
- renovate Hoover Pavilion.

Is there a crisis in American higher education?

I am mentioning these projects not just to keep Stanford alumni up to date on what's happening on their campus (and to generate some envy among graduates of other schools), but also as an introduction to my topic: With building and development projects on the scale that I have just described, isn't it rather presumptuous to speak of a "crisis in American higher education"? Aren't the construction sites on the Stanford campus (and elsewhere) ample proof that American higher education is alive and well and pretty prosperous? The answer, I am afraid, is no. The real picture – both inside and outside Stanford – is more complex and also much more worrisome, and that's what I want to talk about.

My argument is that there is indeed a crisis in American higher education, and that it is not only one crisis, but at least four. I do not use the term "crisis" lightly; on the other hand, I do not believe every crisis to be fatal. Crises are situations in which an institution faces an unusual array of challenges which, if they are not dealt with adequately, could seriously harm or even endanger the institution. The crises of the international financial system in the early 1930s or in 2008/2009 were of that nature, and there is every reason to think that many of our ecological systems face a genuine crisis right now as well.

At the same time, a crisis puts the strength and the resilience of a system or an institution to the test and provides it with an opportunity to respond to its challenges and to come out of the crisis stronger than it was before. As the Stanford Provost, John Etchemendy, put it in a letter to the Stanford faculty in October of last year: "We should use the opportunity of this crisis to assess, innovate, and change."² What we need to

² http://budget.stanford.edu/provost_efficiency_101909.pdf

ask ourselves is whether the crisis that American higher education faces does or can provide such an opportunity, and I will conclude my talk with some assessments of my own as to how serious the crisis is, what the crisis says about the viability of the American model of higher education, and what the chances are that American universities will come out of this crisis stronger than they were before.

There are, as I said, not one, but at least four major crises that American higher education has to face these days. Any one of them would be a tall order; to face these four crises simultaneously creates quite a formidable challenge indeed. Let me talk about each of them; some are more obvious than others, but there is ample evidence for all of them:

- A crisis of purpose,
- a financial crisis,
- a crisis of competitiveness, and lastly, and perhaps most seriously,
- a political crisis.

The crisis of purpose

A few months ago, Drew Gilpin Faust, a distinguished historian and President of Harvard University, published a remarkable piece in the New York Times entitled “The University’s Crisis of Purpose”³. This is not exactly a new topic, but Professor Faust gives it a much sharper edge against the background of the current economic crisis. She deplores “the growing dominance of economic justifications for universities” and takes critical stock of the rising tendency to measure the universities’ success more and more by the currency of their contribution to collective and individual prosperity:

“The economic downturn has had what is perhaps an even more worrisome impact. It has reinforced America’s deep-seated notion that a college degree serves largely instrumental purposes... But even as we as a nation have embraced education as critical to economic growth and opportunity, we should remember that colleges and universities are about a great deal more than measurable utility. Unlike perhaps any other institutions in the world, they embrace the long view and nurture the kind of critical perspectives that look far beyond the present.”⁴

She wonders whether “the market model (has) become the fundamental and defining identity of higher education”, and feels compelled to emphasize that universities also have a responsibility to serve as the critical consciousness of society, as a provider of meaning and as a constant source of questioning the assumptions on which our lives are predicated. „Human beings need meaning, understanding and perspective as well as jobs” is her concise and emphatic plea for a broader vision of the university’s purpose⁵.

³ Drew Gilpin Faust, The University’s Crisis of Purpose. New York Times, September 6, 2009

⁴ Ibid.

⁵ Ibid.

Incidentally, Drew Gilpin Faust was not the first to express concern over the invasion of corporate values into the university. In 1969, a young student at Wellesley College expressed herself in very similar terms: "There are some things we feel, feelings that our prevailing, acquisitive, and competitive corporate life, including tragically the universities, is not the way of life for us. ..." The name of the woman was Hillary Rodham, who later became known as Hillary Rodham Clinton and is now our Secretary of State⁶.

In the wake of the most serious economic crisis the United States has faced in over eighty years, this debate about the identity and the purposes of higher education has become widespread and has all the makings of a crisis of meaning. How does one reconcile the obvious economic utility of higher education with its fundamental commitment to pursuing knowledge for the sake of knowledge? And when resources get scarcer and scarcer, which of these is going to give? Stanford went through a great deal of soul-searching along these lines when it had to determine, a few years ago and well before the current economic crisis, the priorities for its current, \$4.3 billion fund-raising campaign, and ended up with what is clearly an attempt to reconcile these two principal functions of a university – including in its priorities human health (with a clear emphasis on stem cell research), the environment and sustainability, the further internationalization of the university, the role of the arts and creativity in human life, K-12 (i.e., primary and secondary) education, and the enhancement of graduate education⁷.

One stage on which this crisis of meaning in American higher education (and by no means only in *American* higher education) is going to be debated and acted out is the area of content and curriculum, i.e., the question of what, in this day and age, the American college and university should teach, and *why*. Stanford has just a few weeks ago appointed a task force of faculty, staff, and students to critically review the entire undergraduate curriculum⁸, and there are similar efforts underway elsewhere in the US⁹. This is not surprising, because nowhere does the question of meaning and of the purpose of a university become more tangible than in the question of what it expects its faculty to teach and its students to learn.

The financial crisis

This is where we are running again into the paradox to which I referred in my opening remarks: How can one speak of a "financial crisis" in American higher education when

⁶ Tom Hayden, We can't afford to be quiet about the rising cost of college, Chronicle of Higher Education, Online edition, March 28, 2010 (http://chronicle.com/article/Rising-Cost-of-College-We/64813/?sid=at&utm_source=at&utm_medium=en).

⁷ <http://annualreport.stanford.edu>

⁸ <http://news.stanford.edu/news/2010/february1/undergraduate-curriculum-taskforce-020510.html>

⁹ William M. Sullivan and Matthew S. Rosin, *A New Agenda for Higher Education: Shaping a Life of the Mind for Practice*. San Francisco: Jossey-Bass, 2008; Association of American Colleges and Universities, *College Learning for the New Global Century: A Report from the National Leadership Council for Liberal Education and America's Promise (LEAP)*. Washington, DC: AAC&U, 2007 (www.aacu.org)

one university alone is investing hundreds of millions of dollars in new building projects (in Stanford's case, \$647 million in 2009/2010 alone)? Again, the paradox isn't quite as paradoxical as it seems, because the financial dilemma of higher education is quite real and does weigh heavily on every university administrator's mind – at Stanford as well as in most other institutions of higher education. I don't believe the financial predicament is the most serious element in the current crisis of American higher education (which is why I didn't put it in first place on my list), but it is serious enough to speak of a crisis, and to have serious doubts as to whether higher education in the US as we know it is going to survive it without serious damage.

You have all heard some of the symptoms of this crisis: The endowments of the major private universities have undergone a serious erosion as a result of the financial crisis; in the case of Stanford, the value of the university's endowment fell in fiscal 2009 from \$17.2 billion to \$12.6 billion, a drop of 26.7% (just about the same as the S&P 500 index); Harvard had the highest loss with 27.3%, followed by Cornell (26%), Stanford, Yale, Duke, and Princeton.

The good news in this otherwise grim picture is that, over a five- and ten-year range, the annual gain for Stanford's pool of investments far outperformed virtually all other market indicators and came to 6.8% over 5 years and 9% over ten years (even though those years, for which the S&P 500 index recorded a decline of 2.2%, included the bursting of the "dotcom bubble" in 2000)¹⁰.

The bad news is, of course, that the precipitous decline in the value of the endowment has had immediate and serious effects on the operating budget of the institutions concerned. At Stanford as in most of its peer institutions, payout from the endowment provides about 30% of each year's operating expenses (at Stanford in FY 2009: \$1.1 billion of \$3.7 billion), so you can easily imagine how directly and massively a serious reduction in the endowment affects the operating budget: the Stanford Provost expects for the 2010 budget a drop in investment income of 16% over the previous year¹¹. In responding to this crisis, Stanford has embarked on a very serious budget reduction effort over the last 12 months, laying off some 450 staff members (about 4% of the non-academic workforce), freezing over 50 faculty positions, cutting the budgets of all university units by between 13 and 15 percent, and delaying or cancelling capital investment projects for a total of \$1.1 billion (but leaving intact the projects under construction to which I referred in the beginning). In addition, the university is seeking to enhance its revenue side by aggressively increasing outside research support which creates at least temporary staff positions and helps the university budget through the recovery of indirect cost¹².

¹⁰ <http://news.stanford.edu/news/2009/november9/faculty-senate-powers-110909.html>

¹¹ <http://news.stanford.edu/news/2009/june3/budget-060309.html>

¹² For data in this paragraph and the next, see the Provost's presentation of the 2009-2010 Stanford University Budget Plan to the Faculty Senate on May 28, 2009 (http://budget.stanford.edu/2010_budget_plan.pdf).

There are, of course, further and even more serious effects of the overall financial crisis that compound the budget picture for universities like Stanford. Philanthropic giving becomes more difficult in hard times, and there are hidden costs in seeking more and more outside research funds. One of the most dramatic effects, however, is in the area of financial aid for undergraduates where Stanford as most other leading institutions retains the principle of need-blind admissions, committing themselves to making up the financial shortfall of students who are found to be good enough to be admitted but unable to pay¹³. Over the last ten years, Stanford's budget for financial aid had grown by about \$5 million a year, reaching \$75 million in 2008; from 2008 to 2009, however, that budget jumped from \$75 million to \$102.3 million, or 36%, and is estimated to reach \$111.5 million in 2010. A major portion of financial aid used to come out of the earnings of the endowment pool; as these earnings shrink, even more funding is needed from other sources.

It is interesting to note that one thing one might have expected to happen in a time of crisis has not happened: A decrease in the demand for high-quality, high-priced college education. Virtually all major American universities, public as well as private, report for 2010 significant increases (between 4 and 20 percent) in their numbers of undergraduate applications over 2009; Stanford had an increase of just over 5%, Harvard just under 5%; even more spectacular gains were reported by the University of Pennsylvania (18%), Brown (20%), and Princeton (19%) – even troubled UC Berkeley had a plus of almost 4%. Almost necessarily, of course, this means that the “admit rate” (the percentage of applications admitted to a university) has dropped correspondingly (it's between 7 and 8 percent at the most competitive privates, including Stanford)¹⁴. It would be interesting to speculate about what may cause this increased demand; my own guess is that, in times of uncertainty, the long-term value of a good college education may gain in people's estimation – especially for as long as it is accompanied by a policy of need-blind admissions.

The overall financial crisis in *private* higher education in the US is very real and very serious, but it's only part of the story, and I am afraid not the most dramatic part. Even more dramatic is the financial predicament of America's public colleges and universities and their students. Faced with unprecedented budget deficits, state governments in the US – infamously led by California – have even further curtailed their often already modest budgets for higher education, forcing state universities to cut programs, faculty and staff while at the same time increasing tuition significantly without corresponding increases in financial aid. The situation is made even more dramatic by the fact that, just as funding for higher education is drying up to an unprecedented degree, many states are facing exceptionally large cohorts of high school graduates seeking higher education; states like Nevada, Arizona and Utah project growth rates in high school graduates between 19 and 26 percent, while all three states face major shortfalls in their state budgets and in their allocation to higher education – as a result of drops in tax

¹³ Stanford is maintaining its enhanced undergraduate financial aid program under which families with less than \$100,000 of income no longer pay tuition, and families with less than \$60,000 pay neither tuition nor room and board (<http://news.stanford.edu/news/2009/june3/budget-060309.html>).

¹⁴ Blog “The Choice”, The New York Times, March 31, 2010

revenue of up to 19% (notably in Arizona, New Mexico, Oklahoma, and Texas). Nevada alone, facing a shortfall in its state budget of almost 60 percent, cut its support for higher education by over 30% in two consecutive years, and now faces the prospect of having to close entire schools, departments, and degree programs (including, incidentally, French).

Nor is this an isolated picture. Ten states, from Alabama and Massachusetts to Utah and West Virginia, have cut their spending for higher education between 2008 and 2010 by percentages ranging from 8 to 20 percent¹⁵. Many of these and other states have relied heavily on federal stimulus dollars to make up the shortfall – from California, which covered 8% of its higher education spending from federal funds, to Colorado, where fully 18% of its higher education spending came from federal stimulus funds (the funds provided by the Obama administration's \$70 billion "American Recovery and Reinvestment Act [ARRA] of 2009")¹⁶. This is obviously a very dangerous course of action as funds from this stimulus bill are now almost spent, and the US Congress is very unlikely, given its concern over the mounting federal debt, to provide any more funds.

The net results of these developments are devastating: Hundreds of thousands of students turned away from colleges and community colleges, tens of thousands in California alone, over 5,000 at a single community college in Nevada; massive increases in tuition at public institutions (more than 30% in California) without any corresponding increases in financial aid funds; closure of entire programs with a loss of thousands of jobs, including those of tenured faculty; a serious degradation in the quality of the learning environment (one college offering some of its classes at midnight, the only time when classroom space was available; another college setting the thermostat in its classrooms to 15 degrees C in the middle of winter). Nor is help in sight: state budgets will continue to be hard pressed between support for Medicaid, long-term pension liabilities, and the rising cost of prisons, while there is absolutely no political appetite for raising taxes. Small wonder, then, that many observers see public higher education go "down a path to mediocrity"¹⁷, and that the outgoing Chairman of the Board of Trustees of California State University reaches the bitter conclusion that "California is on the verge of destroying the very system that once made this state great."¹⁸ In much the same vein, Stan Katz reports from a recent meeting of higher education leaders in New Jersey: "Everyone agreed that the next few years will be worse than the past couple of years – the federal stimulus money will be spent, state budget deficits will continue to grow, the easiest savings from cost-cutting will have already been taken"¹⁹.

¹⁵ Rare exceptions from the overall trend are North Dakota and Montana, the only two states in the US without a budget gap in the current fiscal year (The Chronicle of Higher Education, Online edition, March 21, 2010).

¹⁶ Sara Hebel, State Cuts are Pushing Public Colleges into Peril. The Chronicle of Higher Education, March 14, 2010

¹⁷ Ibid.

¹⁸ Press Release, San Francisco State University Alumni Association, November 13, 2009

¹⁹ Stan Katz, Can We Afford Our State Colleges? The Chronicle of Higher Education, Online edition, April 3, 2010

The crisis of competitiveness

Higher education has become, much more so than ever before, an intensely competitive business both nationally and internationally. Universities compete with each other within and across national boundaries for the best faculty, the best students, the best rankings, the most prestigious publications, the most gifts and the most opulent research moneys. Traditionally, everybody involved in this competition, especially we in the US, had more or less automatically assumed that in this competition, America always came out on top. Look at the Shanghai or the Times Educational Supplement rankings, look at where the most talented European or Asian graduate students and postdocs migrate, look at Nobel Prize winners, look at public and private funding spent on higher education – the US usually was at the top of the heap.

That, I believe, is changing, however imperceptibly. The American share of “highly influential” papers published in peer-reviewed journals has dropped from 63 percent in 1998 to 58 percent in 2003. Just four percent of American college graduates major in Engineering, compared to 13 percent in Europe and 20 percent in Asia. A recent study showed a strong relationship between a slowdown in scientific publications by American researchers and sluggish growth in state appropriations to public research universities. An alarming report on the dangers of America’s declining scientific strength (under the telling title “Rising Above the Gathering Storm”) appeared in 2005 and led to the “America Competes Act” of 2007²⁰ which authorized a doubling of public spending on research in the natural sciences; the only problem was that Congress never provided anywhere near the funds needed to implement the program²¹.

In the meantime, Europe has been making serious efforts to repatriate some of the scientific talent that it lost to the US and has made some significant investments, at the national level as well as for the EU, in internationally competitive research capacity; the German “Excellence Initiative” which identified in its first round nine “elite universities” and is about to go into its second round, is a case in point. The order of magnitude of initiatives like this, however, is so far rather modest: In the case of the German Excellence Initiative, the total volume of all the funding in the first round over three years (€1.9 billion or \$2.6 billion) does not even reach the volume of one annual (consolidated) budget of Stanford University (\$3.67 billion). In assessing Europe’s efforts, one also has to take into account developments like the recent decision by the British government to cut funding for its universities by \$877 million out of a total allocation of \$11.3 billion, or almost 8%²².

²⁰ Officially the „The America Creating Opportunities to Meaningfully Promote Excellence in Technology, Education, and Science Act (COMPETES)“ (H.R. 2272)

²¹ Karin Fischer, America Falling: Longtime Dominance in Education Erodes, The Chronicle of Higher Education, October 5, 2009

²² The Chronicle of Higher Education, Online edition, March 18, 2010

More serious in my view is over the medium and long term the competition from Asia, notably from China and India. In both countries, the efforts to both expand and improve their systems of higher education and research are nothing short of phenomenal; when you add to those efforts the tremendous reservoir of human resources in both countries, it is easy to plot a trajectory of growth that could lead to serious competition on the international level – especially since, according to both Larry Summers in the White House and Dominique Strauss-Kahn at the IMF, Asia should emerge much sooner and faster from the current economic and financial crisis than either Europe or the US²³. At a recent conference of higher education leaders from around the world in London, a leading Australian scholar of higher education predicted that the global dominance of “the Anglo-American university” would not last; “as everyone knows, the East is rising”, he said²⁴. The *Chronicle of Higher Education*, the major source of information for the field in the US, had a special report in October of last year that was entitled “America Falling, Asia Rising” and documented the breathtaking speed with which Asian countries, notably China, were expanding their systems of higher education while the US was laboring under the kinds of cutbacks and shortages that I have already described²⁵.

India is poised to go into overdrive in the development of its system of higher education. The National Knowledge Commission proposed, in its “Report to the Nation 2006-2009”²⁶, a massive expansion of universities – going from the current 350 institutions to ultimately 1500, including 50 “central universities” as centers of excellence, ten of them over the next three years. Following up on these recommendations, the new five-year plan provides a major first installment of public resources for the implementation of that vision, including a major increase in the number of central universities, Indian Institutes of Technology (IIT) and Indian Institutes of Management (IIM)²⁷.

Having taken a closer look at higher education in India myself²⁸, I am fully aware of the many obstacles the country has to overcome on its way to becoming truly competitive on an international scale. But it would be a mistake to underestimate either its potential or its resolve, especially once it succeeds attracting some of its better scholars to return from abroad – which it is actively in the process of doing.

Much the same can be said about China, but on an even larger scale and with an even steeper trajectory of current developments in higher education. Over the last five years, the number of public universities, the number of students, the financial resources allocated to higher education and the total square footage of universities have increased by factors between 100 and 300 percent – not to mention the rise of private universities,

²³ Spiegel Online, 30. März 2010 (<http://www.spiegel.de/wirtschaft/soziales/0,1518,686496,00.html>)

²⁴ The Chronicle of Higher Education, Online edition, March 25, 2010

²⁵ Special Report: America Falling, Asia Rising, The Chronicle of Higher Education, October 5, 2009

²⁶ National Knowledge Commission, Report to the Nation 2006-2009. New Delhi: National Knowledge Commission, 2009, 62-77 (<http://knowledgecommission.gov.in/downloads/report2009/eng/report09.pdf>)

²⁷ Mortgaging the Future: A Symposium on Reforming India's Higher Education System. Seminar # 587, July 2008 (<http://www.india-seminar.com/2008/587.htm>)

²⁸ http://www.stanford.edu/~weiler/Texts07/Notes_on_Indian_Higher_Education.pdf

the number of which has increased by over 1000 percent²⁹. The rate of scientists per 1.000 employees has more than doubled over the last fifteen years, from .79 to 1.9 – still percentage-wise a long way from the rates of the US and many European countries, but representing a huge resource in absolute numbers. The number of scholarly papers published by Chinese scholars in peer-reviewed journals has increased over the last ten years from 20.000 to 112.000, now outranking both Japan (80.000) and Germany (90.000); over the same period, the index for the US increased from 265.000 to 340.000; if you project those kinds of growth curves into the future, China will surpass the US by 2020. The annual growth rate of published articles over the last ten years in China has been 16.5%, compared with less than one percent in the US; in Chemistry, Engineering, Mathematics, and Physics, China now ranks second or third behind the US in the production of scientific journal articles in science and engineering³⁰. Key areas of Chinese scholarly contributions are in material science, chemistry, and physics; in material science, the share of Chinese publications in the worldwide total now stands at 21 percent. Not surprisingly, there are similarly steep growth rates in the number of patents registered by Chinese researchers and inventors; a recent report by Thomson Reuters concludes that “inventions from China have been growing at a faster rate than any other region”³¹. Even more aggressively than India, China is making a major effort to attract its scholars to return from abroad³²; a case in point is Andrew Chi-Chi Yao from Shanghai who, at age 35, was a professor of computer science at Stanford and a recipient of the prestigious A.M. Turing Award. When Tsinghua University offered him to return to set up the university’s Institute for Theoretical Computer Science, with virtually unlimited funding, he didn’t hesitate for a moment before accepting the offer³³. Looking ahead, China projects its budget for R&D to move from 1.4% of GDP in 2006 to 2.5% by 2020; together with the projected increase in GDP (between 7% and 7.5% p.a.), this should produce an overall increase in R&D funding of about 440% by 2020 over the level of 2006³⁴. There is no need to hold our breath while all this happens; China as well as India face serious obstacles on their way to world prominence in the world of research and higher education, but it should be clear that China is becoming a key international player not just in manufacturing and trade, but in the production of knowledge and the production of scholars as well.

The political crisis

²⁹ Chronicle of Higher Education, May 19, 2006.

³⁰ Scientific Research: Asian Countries Expand, U.S. holds steady, The Chronicle of Higher Education, October 5, 2009; see also Un Monde Chinois – Comment Pékin s’impose sur les cinq continents, Courrier International (numéro special), No 1014 du 8 au 14 avril 2010.

³¹ Thomson Reuters, World IP Today Report – China, 2008 (<http://science.thomsonreuters.com/press/2008/8494659>); it should be noted that the percentage of patents coming from universities (16%) is much higher in China than in any other country (US: 4%).

³² Chinas Forscher streben zur Weltspitze, Spiegel Online, February 6, 2010 (www.spiegel.de/wissenschaft/mensch/1518,674077,00.html)

³³ Mara Hvistendahl, China: Attract Talent First, and Outstanding Universities Will Follow, The Chronicle of Higher Education, October 5, 2009

³⁴ Thomson Reuters, op.cit.

Nobody in his or her right mind would seriously claim – as the Ashby Commission in Nigeria once did – that it is possible to keep higher education out of “the hot and cold wind of politics”; there is far too much at stake in terms of resources, prestige, and values to expect higher education to remain above the fray when it comes to the strong winds of politics. Higher education in France and in Germany has learned this lesson the hard way, as has American higher education in the conflicts of the 1960s, in the battle for civil rights, or in the various culture wars over evolution theory, political correctness, and affirmative action.

The reason I am speaking of a “crisis” with regard to the current politics of higher education in the US is two-fold. First, higher education is a key issue in the highly volatile current debate over the welfare state in the US or, even more generally, the debate over the role of the state in American society. Arguably, this debate over the role of the state has reached a fever pitch as a result of President Obama’s overall strategy of moving the United States, ever so gingerly to be sure, closer to what has become perfectly natural in most other Western democracies – the long overdue reform of the American health care system being a case in point. As far as higher education is concerned, there are various stages on which this debate plays itself out³⁵. One of the central stages has to do with financial aid for students where Obama had early on set one of his priorities. On that stage, several US senators, led by Senator Grassley (Republican from Iowa), have embarked on a campaign to force some of the more prosperous private universities to draw down their endowments more aggressively in order to provide more funding for student financial aid (which at a time of shrinking endowments is a particularly painful strategy). The Senator seems to be in tune with public opinion, however: In a recent poll, 60 percent of Americans believed that colleges are “more concerned with their own financial well-being than with giving students a ‘quality education’”, and a growing number of people ask whether many universities’ preoccupation with building and preserving endowment wealth (what one economist calls “the ‘mine is bigger than yours’ thing”) does not distort the educational mission of colleges³⁶.

Another stage was over the last several months occupied by the hassle over legislation on restructuring and improving federal aid for needy students (known as Pell grants) and, among other things, eliminating the banks (and their share of the funds) from lending programs for college students. Barack Obama had made that legislation the overall vehicle for a substantial federal investment in higher education, targeted particularly (and, in my view, wisely) at a significant expansion and improvement of two-year community colleges as an exceptionally valuable and severely underfinanced part of the American higher education system³⁷. On that score, however, and without doubt

³⁵ An important side issue in this kind of political debate is the issue of American federalism and the relationship between states’ rights and the rights of the federal government, where the constitutional norms of states’ rights in education collide forcefully with the fiscal realities of grossly underfunded state governments.

³⁶ Goldie Blumenstyk, Financial Affairs: Why the Endowment-Spending Debate Matters Now More Than Ever, *The Chronicle of Higher Education*, March 7, 2010

³⁷ A move that has led David Brooks, the conservative columnist of the New York Times, to call Obama “the most determined education reformer in the modern presidency” (*New York Times*, March 12, 2010).

under the impact from the bitter struggle over health care reform, Obama suffered a major defeat. His original bill had asked for a total package of \$87 billion over ten years, including (in addition to substantial amounts for student aid) \$12 billion for the support of community colleges. After all the political haggling was over, the bill ended up with less than half the funds he asked for (\$43 billion instead of \$87 billion), most of which went into the Pell grant program (\$ 36 billion); the portion earmarked for the Community Colleges, originally budgeted for \$12 billion so as to allow them to increase their annual output of graduates by 50%, was slashed to just \$2 billion over ten years – a reduction of 85%. With that result, the funds provided in the bill will hardly even help compensate for the cuts in funding for colleges and student aid at the state level, let alone expand college enrollment³⁸.

My second reason for speaking of a “political crisis” in American higher education has to do with the fact that American society is currently battered by a wave of anti-intellectualism that is, at least in recent memory, unprecedented in both scope and intensity. To be sure, some kind of anti-intellectualism has a long and persistent tradition in the United States; Richard Hofstadter has documented this tradition in his important 1963 book on “Anti-Intellectualism in American Life”³⁹. The late William F. Buckley, the famous and indomitable conservative commentator, is on record from the early 1960s to have said “I’d rather entrust the government of the United States to the first 400 people listed in the Boston telephone directory than to the faculty of Harvard University”⁴⁰. This kind of sentiment was echoed in a recent comment by Lamar Alexander, Republican Senator from Tennessee (and, after all, a former president of the University of Tennessee) when he was asked whether the health care bill just passed in the U.S. Congress would hurt the Republican Party in the long run, and he answered: “Someone at Harvard or in San Francisco might think that, but not the rest of the country”⁴¹ – singling out the favorite targets of anti-liberal and anti-intellectual sentiment, San Francisco and Harvard.

But what we are facing in the US today is a much more strident and vicious brand of anti-intellectualism where, as David Brooks recently observed in the New York Times, what started out as “a disdain for liberal intellectuals slipped into a disdain for the educated class as a whole”⁴². This new anti-intellectualism⁴³ has become one of the hallmarks of the Tea Party Movement, an extraordinarily radical and amazingly successful conservative movement that has taken an extremist stand in the current debate on the role of the state, actively militating for a return to the founding principles

³⁸ Paul Basken, Historic Victory for Student Aid is Tinged by Lost Possibilities, The Chronicle of Higher Education, Online edition, March 25, 2010

³⁹ Richard Hofstadter, Anti-Intellectualism in American Life. New York: Vintage Books, 1963

⁴⁰ Cited in Patricia Cohen, Professor is a Label That Leans to the Left, The New York Times, January 18, 2010.

⁴¹ From a report by Adam Nagourney in the New York Times, March 22, 2010.

⁴² David Brooks, The Tea Party Teens, New York Times, January 5, 2010

⁴³ It should be noted that this polarization is not at all in the tradition of conservative thinking in American politics, where for decades outstanding intellectuals, including William F. Buckley, but also Irving Kristol, Jean Kirkpatrick, and Norman Podhoretz were the dominant figures. See Mark Lilla, The Perils of „Populist Chic“, Wall Street Journal, November 8, 2008.

of the American Republic in the 18th century – its battle cry: “Less taxes, less state, more freedom!”. Its poster child and patron saint is Sarah Palin who, for a modest fee of \$100,000, gave the keynote speech at the recent Tea Party Convention in Nashville and who, as David Brooks puts it, is “relentlessly dividing the world between the ‘normal Joe-Sixpack-American’ and the coastal elite”⁴⁴. This movement is not to be taken lightly, and its profound hatred of a president who personifies more than most modern presidents rationality and intellectual discourse is likely to be a significant factor in American politics for the foreseeable future, especially as it has strong media support in the likes of Rush Limbaugh, Glenn Beck, and Sean Hannity. In a recent NBC News/Wall Street Journal poll, 41% of Americans have a positive view of the Tea Party Movement, while only 35% have a positive view of the Democratic Party and only 25% of the Republican Party. At the moment, and with renewed determination after Congress passed the health care bill, the Tea Party Movement is actively identifying and supporting candidates for the November congressional elections that subscribe to the movement’s anti-statist, anti-tax, and anti-intellectual program – people like Marco Rubio who, with Tea Party support, runs for the US Senate in Florida with the campaign slogan to give Americans “their freedom back”.

So much for the political crisis, and so much for four perspectives on the current state of higher education in the US. I should add, however, that those are by no means the only critical issues in American higher education; a more complete coverage would certainly have to include the problems faced in the realm of college athletics, the difficulties higher education has in coming to terms with educational technology, and the crisis in teacher education. But for now, I would like to get back to the two questions that I started out in the topic of this talk: First, is American higher education in a state of crisis? And secondly, does the current situation suggest that the American model of higher education is becoming obsolete?

Is there a crisis?

First, is there a crisis in American higher education? Considering my report, I don’t think there can be any doubt but that there is. Just how serious, how fundamental, how fatal the crisis is may be open to some argument, but I don’t think there is any way around the conclusion that this is indeed a crisis of rather major proportions. The question is how America’s universities and colleges will weather this crisis. Will it weaken them and sap their strength, or will they live up to the challenges and come out of the crisis stronger than they were before?

As Yogi Berra, our legendary baseball-philosopher, famously put it, predictions are difficult, especially about the future. But after having taken a close look at the problems that higher education in the US faces, let me conclude by saying two things: first and more pessimistically, that this crisis is surely going to do damage to the American system of higher education; and secondly and more optimistically, that America’s

⁴⁴ Ibid.

institutions of higher education – at least some of them – will come out of the crisis as strong as they were before, and perhaps even stronger. My pessimistic conclusion about the damage that the crisis will do has to do particularly with the public segment of higher education in the US; if you combine the continuing fiscal crisis at the state level, the considerable demographic pressure on the entrance to higher education, and the strong anti-state and anti-tax forces in American politics, it is hard to see how the problems in public higher education, and notably at the Community College level, will disappear any time soon.

The optimistic part of my prediction, on the other hand, is based on three observations. First, and notwithstanding what I have said about the political predicament of higher education, there continues to be strong support for higher education in the American public. Drew Gilpin Faust, in her article to which I referred earlier, mentions a recent survey of American citizens which revealed that 93 percent of respondents considered our universities one of the country's "most valuable resources"⁴⁵. The data on the growing demand for access to high-quality institutions and the fact that, even in times of severe financial crisis and diminishing personal fortunes, philanthropy for higher education institutions remains amazingly strong are further cases in point.

Secondly, and not unrelated to the first point, private higher education in the US seems to demonstrate a remarkable degree of resilience and flexibility under conditions of stress; the business model of most private institutions, with its strong but distributed reliance on endowment funding, outside research support with realistic levels of indirect cost recovery, philanthropy and student fees does seem to work well in times of crisis. It is interesting that some of the more prestigious public institutions, including UC Berkeley, are actively considering going private⁴⁶, and that the for-profit sector in American higher education (institutions like the University of Phoenix) is gaining rapidly in terms of both quantity and quality⁴⁷.

Thirdly, the kinds of synergies that have emerged in the US, more than in any other place in the world, between higher education and the world of business and technology remain an extraordinarily powerful ingredient in knowledge-based economic growth. Wherever in higher education these synergies are being actively and imaginatively cultivated (as they were and continue to be in Silicon Valley), there is likely to be further growth and innovation.

Is the American model becoming obsolete?

But now to our second question: whether the American model of higher education is becoming obsolete. This question loomed large at an international meeting of university

⁴⁵ Drew Gilpin Faust, op.cit.

⁴⁶ James C. Garland, *Saving Alma Mater: A Rescue Plan for America's Public Universities*. Chicago: University of Chicago Press, 2009

⁴⁷ Robin Wilson, *For-Profit Colleges Change Higher Education's Landscape*. *The Chronicle of Higher Education*, February 7, 2010

presidents in Seoul (South Korea) in September of last year. The meeting took note of the fact that a number of countries in Europe and Asia were pushing ahead with plans for expanding their systems of higher education while the United States was cutting back. There clearly was a sense of gloom among the representatives of US institutions, whereas other countries were reporting on significant expansion. Yves Poilane, representing ParisTech, set the tone of the argument in saying that “the largely state financing of most European universities has so far acted as a shelter”, and there was a widespread feeling at the meeting that the United States, relying in its higher education system more on private resources, might lose its status as a leader in higher education⁴⁸.

Let’s take a look at that claim, and at the more general concern that the current crisis reveals a basic weakness in the American model of higher education. First of all, let’s ask what the American model really is. For me, the American model in higher education consists of optimizing two sets of opposites: the public and the private, and the broad and the deep. In other words: The real genius of the American system of higher education lies in its ability, on the one hand, to combine public and private support, the logic of the state and the logic of the market and, on the other hand, to combine in one system the principle of high selectivity and the principle of broad access. A system that encompasses both rural community colleges and the likes of Stanford University, land-grant colleges and the Ivy League, small liberal arts colleges and large for-profit enterprises has an inherent elasticity and is structurally capable of satisfying the widest variety of individual expectations and social and economic needs. No system of higher education in the world has come even close to effectively bridging those gaps, to building those two sets of bridges, to reconciling those two sets of opposite dynamics. It is this model, even more than the singular accomplishments of places like Stanford, Harvard or Berkeley, that has made the American system something like the gold standard in higher education worldwide.

From Gerhard Casper, Stanford’s 9th president (1992-2000), comes a particularly appropriate assessment of the essence of American higher education: “In higher education in the US not everything shines, and not everything that shines is made of gold. The American system of higher education is a highly differentiated system where the ideal type is represented by tremendous institutional variation in response to widely different expectations and needs. Most importantly, it is a competitive system that works without the profit motive.”⁴⁹

That model is not only not obsolete, it is becoming even more functional in times of major change as labor markets diversify and fluctuate, as talent is both scarcer and

⁴⁸ David McNeill, In Tough Times, Government-Backed Foreign Universities Promote their Stability. The Chronicle of Higher Education, September 28, 2009

⁴⁹ “In der amerikanischen Hochschullandschaft glänzt bei weitem nicht alles und nicht alles, was glänzt, ist Gold. Das amerikanische Hochschulsystem ist ein hochdifferenziertes System, in dem der Idealtypus die verschiedensten Ausprägungen für die verschiedensten Erwartungen und Bedürfnisse gefunden hat. Es ist vor allem ein ohne das Profitmotiv auskommendes Wettbewerbssystem.” (Gerhard Casper, Eine Welt ohne Universitäten? Werner Heisenberg Vorlesung, 3. Juli 1996. München: Bayerische Akademie der Wissenschaften und Carl Friedrich von Siemens Stiftung, 1996)

more and more internationally mobile, as the knowledge needs of modern economies become ever more diversified and demanding, and as the mobilization of talent reserves from ever wider groups in a society becomes more imperative.

The problem, however, is that the current crisis as I have described it severely disturbs the delicate balance of this model. It's fine for Harvard to survive the crisis without a few more new buildings, but otherwise pretty much intact; it's bad for American society, however, if, at the same time, tens and hundreds of thousands of high school graduates cannot take their first step into higher education because their local community college has run out of capacity and money. The American model thrives on having both strong private and strong public universities, and on having both elite institutions and a wide open access gate for high school graduates; if the academic reputation of places like Berkeley is severely threatened by a dramatic curtailment of resources, and if at the same time community colleges can no longer absorb the demand of young people for entry into higher education, then the system as a whole suffers.

And I am presumptuous enough to claim that, if the American model of higher education does not live up to its fullest potential, the world of higher education as a whole is bound to suffer.