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From the President: The Higher Education Cost "Bubble" May Not Burst, But It May Be Time For a New Model

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The Higher Education Cost "Bubble" May Not Burst, But It May Be Time For a New Model

Students on Mayflower Hill sometimes refer to their experience here as "living in the Colby bubble," by which they mean, usually, a place where the demands of "the real world" are absent. I hear the term frequently enough that I Googled it the other day, wondering if students at other colleges and universities use the same term to describe their environments. "College bubble," I typed, and in 0.12 seconds, Google returned 15.5 million results.

Nobody was talking about colleges standing apart from the real world.

At the top of the list was a June 2010 *New York Times* "Freakonomics" blog post that began, "For years, colleges have treated their students as consumers, building ever more elaborate facilities and hiring ever more dazzling star scholars to lure applicants." Although I didn't check each of the 15 million links that followed, I'm reasonably sure that most of them were defining "bubble" that way—as an expression of the tension between increasing demands for programs and facilities and a perceived diminution in families' ability to bear the costs.

Depending on whom you listen to, this bubble is either a monster that is about to burst or a mere figment of the American imagination, blown out of proportion by the world's frightening economic circumstances and sure to deflate gently when people regain a sense of security. My experience (15 years as a college president and 40 in higher education) tells me that both viewpoints are hyperbolic.

The traditional model of private higher education in the United States has been around for more than five decades, and it is an offshoot of the nation's general economic strength over those decades. To oversimplify, even including the recent recession, since the early 1960s the country has experienced an expanding economy. We've had ups and downs, we've had recessions and pullbacks, but on balance we have seen impressive growth in economic output and other measures of strength. At the same time, we have seen steady growth in wealth for Americans—not across the board, of course, and more episodically where wages are concerned, but real, measurable growth. In higher education, we have seen an impressive increase in federal support for research; even Colby, which doesn't compete as heavily as research universities for these government funds, currently administers about $1.5 million in federal grants, primarily for our science programs.

The meaning of all this American prosperity for a place like Colby is several-fold. First, the marketplace has allowed for regular tuition increases above the level of inflation, which we have used to dramatically enhance the experience for students. We recruit and retain top scholars to teach. We ensure that the student-faculty ratio hovers close to 10:1 so students receive intensive attention in classrooms and laboratories. We provide financial aid as one component of our commitment to exposing all students to the various forms of diversity (including socioeconomic diversity) they will encounter in their post-Colby careers. We build and maintain excellent facilities for academic work. And we make sure that residence halls and co-curricular facilities support a vibrant community.

Second, over the past few decades we at Colby have benefited from a powerful philanthropic movement, and this has given us ever-greater expectations for what we can ask of alumni, parents, and friends in the way of financial support.

Third, we have seen spectacular endowment growth. Between 1998 and 2008, Colby's endowment grew 150 percent, which meant more and more funds for our operating budget and the programs of the College.

With the steady growth in income came a steadily expanding expense base. In the past 20 years, Colby has added 10 academic programs, 30 faculty positions, and about 70 staff to support the academic program. We have seen a 32-percent increase in the size of our physical plant—400,000 square feet, at about $8 per square foot of embedded permanent cost—and a blossoming technology infrastructure that would have been incomprehensible to planners in 1960. Faculty compensation has grown in real terms, thanks to a dramatic increase in competition among the best colleges and universities for top scholars and teachers. Last but not least, in my 10 years as president, the number of students who receive financial aid in a single year has increased by 125 (from 642 to 767), the average grant has gone from $18,000 to $36,000, and the portion of the operating budget dedicated to aid has increased from 13 percent to 20 percent.

That's our model in 2011, honed over 50 years by market forces and carrying, I would argue, some very positive outcomes. The United States' system of higher education is the best in the world, and private institutions like Colby represent a notable and unique niche seen nowhere else. There is unparalleled intensity and richness to the experiences our students have, and those experiences affect their lives—profoundly and forever.

But the model has its flaws, and there are things about its evolution that have not been healthy for our institutions or the people they serve. With tuition as high as it is, it is natural for students and their families to consider themselves consumers of a product that we are "selling." And because we exist in the marketplace our model has created, where the number-one school and the number-fifty school (in whatever rankings list you peruse) are microscopically different in objective terms, we have become preoccupied with comparative and competitive outcomes, with emphasizing rankings and ratings, and with market differentiation. We have, in some ways, reduced the focus on our educational mission in order to concentrate more attention on competing with other, similar institutions. That in turn has created a good deal of anxiety among prospective students about getting into the "best" school rather than attending the best school for them. It is appalling to think that a student would forego attending a college with an academic program perfectly suited to her needs in order to attend a school that scores 10 places higher in some guidebook, but I suppose it happens.

If our model is under pressure—and those 15 million "bubble" hits say it is—what would a new model look like? Where are we going with private higher education?

I think some conditions for a new model are in place. We are in the midst of a tepid economic recovery, with underemployment and unemployment here to stay for a while. As these conditions persist, there will be downward pressure on fee increases and on our expectations for philanthropy, and there will be flat or decreasing endowment spending. So, all sources of revenue could become dramatically constrained over time. That will have profound effects on compensation and will slow the evolution of our infrastructures and our programs. At the same time, we can predict ever-higher needs for financial aid among students.

In that financial reality, our institutions will evolve, and new programs will come into existence—but by substitution rather than addition. For a culture that has been good at adding programs and not good at making choices among them, this will call for marked adjustments in the way we do business.

I'm reminded of something a professor I studied with in graduate school said: "The future isn't someplace we are going to; it's something we are making." If we are free to make a future in higher education, I think certain kinds of values would assert themselves. We may become places of less complexity and less richness, and that would be a loss for our students. But the new model, despite its basis in contraction, will give leaders of higher education institutions a chance to return some of our focus to our mission and to de-emphasize the consumerist dynamic under which we have been operating. We might find ourselves giving even more attention to our students and their particular needs when we aren't as concerned with what's going on at every other college of our kind.

The traditional model of higher education is very powerful, and it did wonderful things for our institutions. It will be easy for us to fall back into our old ways when the economy recovers. The market effects and patterns we've seen are very conservative, and they keep us locked into certain patterns. But given the prerogative to change—or given no choice—we could make the most of the opportunity. We could move away from external metrics and preoccupations. We could return to a central preoccupation with the educational experience and its outcomes for the students we care about most.

We could prepare for the bursting bubble by thinking about what, fundamentally, must survive: superior education for undergraduates in a residential, liberal arts environment.

That concept won't launch 15 million links. But it will continue to launch powerfully influential lives.

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The full Report of the President for 2009-10, with financial highlights and leadership lists, is online at www.colby.edu/president