

Raising the Bar:  
America's Challenge to Higher Education

James J. Duderstadt  
President Emeritus and  
University Professor of Science and Engineering  
The University of Michigan

Presidents' Forum  
Center for the Study of Higher and Postsecondary Education  
The University of Michigan  
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## INTRODUCTION

My title, “Raising the Bar: America’s Challenge to Higher Education”, is actually the title Chuck Vest, David Ward, Bob Zemsky, and I proposed for the Final Report of the Secretary of Education’s Commission on the Future of Higher Education in America in an effort to head off the highly negative tone adopted during the early drafting phase by a lynch mob of consultants who tried to take over the Commission process. Here the effort was to set the very positive theme of challenge, by: i) Acknowledging that higher education in the United States was a world leader in many areas; but noting further that ii) a changing nation (demographics) and a changing world (global, knowledge-driven economy) required much more from our colleges and universities.

Actually, this was very consistent with the original charge of Secretary of Education Margaret Spellings, who a year earlier had stated at the first meeting of the Commission: “It is time to launch a national dialogue on our shared vision for higher education. Of course, the circumstances are far different from earlier studies such as *A Nation at Risk*. Rather than facing a ‘tide of mediocrity’, we’re starting our discussion with the finest system of education in the world—the very best. Our challenge today is to make it even better.” She went on to charge the Commission with addressing four key areas:

- **Accessibility:** How accessible is higher education? And who will be the college student of tomorrow?
- **Affordability:** Why is the cost of college rising so rapidly and how can we make college more affordable?
- **Accountability:** How well are institutions of higher education preparing our students for the workforce of the 21<sup>st</sup> century? Will our students have the skills to be leaders in the public and private sectors? How do we know what we’re getting for our investment in higher education?
- **Quality:** How can we ensure America remains the world’s leader in innovation and research?

Unfortunately, the “word-smithers” selected an alternative title for our final report: “A Test of Leadership: Charting the Future of U.S. Higher Education”. But I’ll go ahead and use my preferred title and theme for this talk. I’ll begin with a two-minute drill, reviewing the findings and recommendations of the Spellings Commission and, more important, provide you with a guide on how to interpret it. Then I’ll move on to update you on the status of its implementation. I’ll conclude with my own assessment of what you need to pay attention to, what you can safely ignore, and what we left out.

## THE CONTEXT

In its September 10, 2005, issue, *The Economist* summarized the status of higher education in America as follows:

*“There is no shortage of things to marvel at in America’s higher-education system, from its robustness in the face of external shocks to its overall excellence. However, what particularly stands out is the system’s flexibility and its sheer diversity...It is all too easy to mock American academia. But it is easy to lose sight of the real story: that America has the best system of higher education in the world.”*

Yet, while in the broadest sense this is probably true, it simply is not good enough. It is time to raise the bar for the performance of higher education in America.

Today the United States faces a crossroads, as a global knowledge economy demands a new level of knowledge, skills, and abilities on the part of our citizens. We have entered an era in which educated people, the knowledge they produce, and the innovation and entrepreneurial skills they possess have become the keys to economic prosperity, public health, national security, and social well-being. Hence the strength, prosperity, and leadership of a nation in a global knowledge economy will demand highly educated citizenry and hence upon a world-class system of postsecondary education. It will also require

leading research universities, capable of discovering new knowledge, developing innovative applications of these discoveries, transferring them into society through entrepreneurial activities, to educate those capable of working at the frontiers of knowledge and the professions.

More generally, it is clear that today the United States must demand and be prepared to sustain a world-class system of postsecondary education capable of meeting the changing educational, research, and service needs of the nation. Yet this goal faces many challenges, including an increasing stratification of access to (and success in) quality higher education based on socioeconomic status, questionable achievement of acceptable student learning outcomes (including critical thinking ability, moral reasoning, communication skills, and quantitative literacy), cost containment and productivity, and the ability of institutions to adapt to changes demanded by the emerging knowledge services economy, globalization, rapidly evolving technologies, an increasingly diverse and aging population, and an evolving marketplace characterized by new needs (e.g., lifelong learning), new providers (e.g., for-profit, cyber, and global universities), and new paradigms (e.g., competency-based educational paradigms, distance learning, open educational resources).

While American research universities continue to provide the nation with global leadership in research, advanced education, and knowledge-intensive services such as health care, technology transfer, and innovation, this leadership is threatened today by rising competition from abroad, by stagnant support of advanced education and research in key strategic areas such as physical science and engineering, and by the complacency and resistance to change of the American research university.

The good news from the Spellings Commission can be simply stated: Whether America's colleges and universities are measured by their sheer number and variety, by the increasingly open access so many citizens enjoy to their campuses, by their crucial role in advancing the frontiers of knowledge through research discoveries, or by the new forms of teaching and learning that they have pioneered to meet students' changing needs, these postsecondary institutions have accomplished much of which they and the nation can be proud.

But the bad news is disturbing. Again to quote the Commission's report: "Despite these achievements, however, the Commission believes U.S. higher education needs to improve in dramatic ways. As we enter the 21<sup>st</sup> century, it is no slight to the successes of American colleges and universities thus far in our history to note the unfulfilled promise that remains. Our year-long examination of the challenges facing higher education has brought us to the uneasy conclusion that the sector's past attainments have led our nation to unwarranted complacency about its future.

"We have seen ample evidence that some form of postsecondary instruction is increasingly vital to an individual's economic security. What we have learned over the last year makes clear that American higher education has become what, in the business world, would be called a mature enterprise: increasingly risk-averse, at times self-satisfied, and unduly expensive. It is an enterprise that has yet to address the fundamental issues of how academic programs and institutions must be transformed to serve the changing educational needs of a knowledge economy. It has yet to successfully confront the impact of globalization, rapidly evolving technologies, an increasingly diverse and aging population, and an evolving marketplace characterized by new needs and new paradigms."

In summary, the Commission found ample evidence to suggest two areas of particular concern: social justice and global competitiveness:

**SOCIAL JUSTICE:** For close to a century now, access to higher education has been a principal – some would say *the* principal – means of achieving social mobility. Much of our nation's inventiveness has been centered in colleges and universities, as has our commitment to a kind of democracy that only an educated and informed citizenry makes possible. Yet today too many Americans just aren't getting the education that they need – and that they deserve.

**GLOBAL COMPETITIVENESS:** The world is becoming tougher, more competitive, less forgiving of wasted resources and squandered opportunities. In tomorrow's world a nation's wealth will derive from its

capacity to educate, attract, and retain citizens who are able to work smarter and learn faster – making educational achievement ever more important both for individuals and for society writ large. Yet again numerous recent studies suggest that today’s American college students are not really learning what they need to learn. As Derek Bok summarized it, the education provided today by many of our colleges and universities is “not good enough and getting worse.”

To address these concerns, the Commission set as its goals the following:

1. A world-class higher-education system that creates new knowledge, contributes to economic prosperity and global competitiveness, and empowers citizens.
2. A system that is accessible to all Americans, throughout their lives.
3. Postsecondary institutions capability of providing high-quality instruction while improving their efficiency in order to be more affordable to the students, taxpayers, and donors who sustain them.
4. A higher-education system that gives Americans the workplace skills they need to adapt to a rapidly changing economy.
5. Postsecondary institutions capable of adapting to a world altered by technology, changing demographics and globalization, in which the higher-education landscape includes new providers and new paradigms, from for-profit universities to distance learning.

## THE FINDINGS OF THE SPELLINGS COMMISSION

*In today’s knowledge-driven society, higher education has never been more important.*

America's national capacity for excellence, innovation and leadership in higher education will be central to our ability to sustain economic growth and social cohesiveness. Our colleges and universities will be a key source of the human and intellectual capital needed to increase workforce productivity and growth. They must also continue to be the major route for new generations of Americans to achieve social mobility. The benefits of higher education are significant both for individuals and for the nation as a whole. Over a lifetime, an individual with a bachelor's degree will earn an average of \$2.1 million – nearly twice as much as a worker with only a high school diploma. Furthermore, the transformation of the world economy increasingly demands a more highly educated workforce with postsecondary skills and credentials. Ninety percent of the fastest-growing jobs in the new information and service economy will require some postsecondary education.

*Too few Americans prepare for, participate in, and complete higher education – especially those underserved and nontraditional groups who make up an ever-greater proportion of the population. The nation will rely on these groups as a major source of new workers as demographic shifts in the U.S. population continue.*

We found that access to higher education in the United States is unduly limited by the complex interplay of inadequate preparation, lack of information about college opportunities, and persistent financial barriers. While the proportion of high school graduates who immediately enter college has risen in recent decades, unfortunately, it has largely stalled at around 60 percent since the late 1990s. The national rate of college completion has also remained largely stagnant. Most important, and most worrisome, too many Americans who could benefit from postsecondary education do not continue their studies at all, whether as conventional undergraduates or as adult learners furthering their workplace skills. While there are important actions that can be taken both by colleges and universities and by their patrons (state and federal government, private support) to improve access at the margin, major

gains are not likely without a sustained improvement in secondary education. Dismal high school achievement rates nationwide have barely budged in the last decade. Close to twenty-five percent of all students in public high schools do not graduate – a proportion that rises among low income, rural, and minority students.

*We are especially troubled by gaps in college access for low-income Americans and ethnic and racial minorities. Notwithstanding our nation's egalitarian principles, there is ample evidence that qualified young people from families of modest means are far less likely to go to college than their affluent peers with similar qualifications.*

Only 8% of the bottom quartile will graduate from a four-year institution, compared to 75% of the top quartile. To quote Chuck Vest: "In American higher education today it is better to be dumb and rich than to be smart and poor." Shortly after our report, the Education Trust, headed by Commissioner Kati Haycock, released a scathing report labeling flagship public research universities as "Engines of Inequality" by "choking off college access and upward mobility for the poor by shifting away from the traditional need-based financial aid to merit-based programs that heavily favor affluent students, thereby abandoning their historical role as engines of social mobility through providing educational opportunities to students from low-income and minority populations." (The words were taken from a NYT editorial condemning this practice.) Nearly 40 percent of today's postsecondary students are self-supported; more than half attend school part-time; almost one-third work full-time; 27 percent have children themselves. But we are not expanding capacity across higher education to meet this demand. Just as dismaying, low-income high school graduates in the top quartile on standardized tests attend college at the same rate as high-income high school graduates in the bottom quartile on the same tests. Only 21 percent of college-qualified low-income students complete bachelor's degrees, compared with 62 percent of high-income students.



*Our higher-education financing system is increasingly dysfunctional. State subsidies are declining; tuition is rising; and cost per student is increasing faster than inflation or family income. Affordability is directly affected by a financing system that provides limited incentives for colleges and universities to take aggressive steps to improve institutional efficiency and productivity. Public concern about rising costs may ultimately contribute to the erosion of public confidence in higher education.*

There is no issue that worries the American public more about higher education than the soaring cost of attending college. Yet because students and families only pay a portion of the actual cost of higher education, affordability is also an important public policy concern for those who are asked to fund colleges and universities, notably federal and state taxpayers, but also private donors. The rapid increase in the price of a college education, driven in part by cost shifting from tax support to tuition in public institutions, by inefficiency and stagnant productivity gains, and by unbridled competition for the best students, faculty, resources, and reputations, is undermining public confidence in higher education. From 1995 to 2005, average tuition and fees at private four-year colleges and universities rose 36 percent after adjusting for inflation. Over the same period, average tuition and fees rose 51 percent at public four-year institutions and 30 percent at community colleges.

One of the reasons tuition and fees have increased is that state funding has fallen to a 25 year low, dropping to less than 20% of the operating costs of the nation's public colleges and universities, on the average. Although we strongly encourage states to continue their historic and necessary commitment to the support of public higher education, this may be difficult in view of the priorities of an aging baby boomer population which will emphasize health care, retirement, safety from crime, and tax relief rather than education for their tax dollars. The bottom line is that state funding for higher education will not grow enough to support enrollment demand without higher education addressing issues of efficiency, productivity, transparency, and accountability clearly and successfully.

College and university finances are complex, and are made more so by accounting habits that confuse costs with revenues and obscure production costs. The lack of transparency in financing is not just a problem of public communication or metrics. It reflects a deeper problem: inadequate attention to cost measurement and cost management within institutions. Next to institutional financial aid, the greatest growth has been in administrative costs for improvements in student services. A significant obstacle to better cost controls is the fact that a large share of the cost of higher education is subsidized by public funds (local, state and federal) and by private contributions. These third-party payments tend to insulate what economists would call producers – colleges and universities – from the consequences of their own spending decisions, while consumers – students – also lack incentives to make decisions based on their own limited resources. In addition, colleges and universities have few incentives to contain costs because prestige is often measured by resources, and managers who hold down spending risk losing their academic reputations. Another little-recognized source of cost increases is excessive state and federal regulation. Specifically, institutions of higher education must comply with more than 200 federal laws – everything from export administration regulations to the Financial Services Modernization Act.

*The entire financial aid system – including federal, state, institutional, and private programs – is confusing, complex, inefficient, duplicative, and frequently does not direct aid to students who truly need it. Need-based financial aid is not keeping pace with rising tuition.*

There are at least 20 separate federal programs providing direct financial aid or tax benefits to individuals seeking postsecondary education. The system is overly complicated and its multitude of programs sometimes redundant and incomprehensible to all but a few experts. This complexity has the unfortunate effect of discouraging some low-income students from even applying to college. Unmet financial need

among the lowest-income families (those with family incomes below \$34,000 annually) grew by 80 percent from 1990 to 2004 at four-year institutions, compared with 7 percent for the highest-income families. The Advisory Committee on Student Financial Assistance estimates that in the first decade of the new century, financial barriers will keep nearly 2 million low- and middle-income college qualified high school graduates from attending college. Nearly three-quarters of undergraduate students in private, non-profit institutions graduate with some debt, compared with 62 percent in public institutions. According to the most recent College Board figures, median debt levels among students who graduated from four-year institutions were \$15,500 for publics and \$19,400 for private, non-profits.

*At a time when we need to be increasing the quality of learning outcomes and the economic value of a college education, there are disturbing signs that suggest we are moving in the opposite direction. As a result, the continued ability of American postsecondary institutions to produce informed and skilled citizens who are able to lead and compete in the 21st century global marketplace may soon be in question.*

While U.S. higher education has long been admired internationally, our continued preeminence is no longer something we can take for granted. The rest of the world is catching up, and by some measures has already overtaken us. When compared to the 30 OECD nations, the U.S. has fallen to 9<sup>th</sup> in higher education attainment, 16<sup>th</sup> in high school graduation rates, and 24<sup>th</sup> in learning proficiency for 15 year olds. It has dropped to 12<sup>th</sup> in the fraction of its population with college degrees. It is also notable that U.S. public expenditures per student have been flat at about the OECD average, while most other nations have been increasing their investment in recent years (although strong private support keeps the U.S. at the head of the pack in 2.5% of GDP spent on higher education).

*There is inadequate transparency and accountability for measuring institutional performance, which is more and more necessary to maintaining public trust in higher education.*

Traditionally, institutional quality is measured primarily through financial inputs and resources. In today's environment, these measures of inputs are no longer adequate, either within individual institutions or across all of higher education. Despite increased attention to student learning results by colleges and universities and accreditation agencies, parents and students have no solid evidence, comparable across institutions, of how much students learn in colleges or whether they learn more at one college than another. Colleges and universities can also use more comparable data about the benchmarks of institutional success – student access, retention, learning and success, educational costs (including the growth in administrative expenses such as executive compensation), and productivity – to stimulate innovation and continuous improvement. Accreditation, the large and complex public-private system of federal, state and private regulators, has significant shortcomings.

A Sidebar Comment Here on Accountability: There was some disagreement among the commissioners on the prospects for enhanced public support. Some believed that an aging population will simply have higher priorities—e.g., health care, retirement, safety from crime, national security, tax relief. Others believed that in the knowledge economy, since education determines these other goals, the public will support further investment. However, most believed it was only prudent to expect that markets will increasingly drive (if not dominate) public policy.

The likelihood that the private sector will be the primary source of additional resources to meet the growing higher education needs of the nation, coupled with the highly decentralized and competitive nature of the postsecondary education enterprise, suggest that market forces will be more effective than public policy and regulation in stimulating and enabling higher education to respond to the needs of the nation. Moreover, market pressure and competition should drive not only quality

and productivity but also stimulate innovation and responsiveness. The challenge therefore is to enable the postsecondary education market to function efficiently and effectively, by empowering more informed consumers of educational services, eliminating unnecessary market constraints and monopolies, and providing the additional incentives and investments necessary for innovation and change. Key in this effort will be the adoption of standards for institutional disclosure and transparency of information such as learning outcomes, student flows (unit record tracking), financial data, and other measures of institutional impact (R&D, public service) aimed at providing both consumer information and evidence of public accountability.

*American higher education has taken little advantage of important innovations that would increase institutional capacity, effectiveness and productivity. Government and institutional policies created during a different era are impeding the expansion of models designed to meet the nation's workforce needs. In addition, policymakers and educators need to do more to build America's capacity to compete and innovate by investing in critical skill sets and basic research.*

Institutions as well as government have failed to sustain and nurture innovation in our colleges and universities. Reports from those working at the grassroots level in fields such as teacher preparation and math and science education indicate that the results of scholarly research on teaching and learning are rarely translated into practice. Little of the significant research of the past decade in areas such as cognitive science, neurosciences, and organizational theory is making it into American classroom practice, whether at the K-12 level or in colleges and universities. With the exception of several promising practices, many of our postsecondary institutions have not embraced opportunities for innovation, from new methods of teaching and content delivery to technological advances to meeting the increasing demand for lifelong learning. Accreditation and federal and state regulations, while designed to assure quality in higher education, can sometimes impede innovation

and limit the outside capital investment that is vital for expansion and capacity building. It is fundamental to U.S. economic interests to provide world-class education while simultaneously providing an efficient immigration system that welcomes highly educated individuals to our nation.

## RECOMMENDATIONS OF THE SPELLINGS COMMISSION

Here I will stay at the 100,000 foot level, since while there was unanimous agreement on the general recommendations, there was more diversity of opinion on their many details.

1. REMOVING THE BARRIERS TO ACCESS AND SUCCESS: *Every student in the nation should have the opportunity to pursue postsecondary education. We recommend, therefore, that the U.S. commit to an unprecedented effort to expand higher education access and success by improving student preparation and persistence, addressing non-academic barriers and providing significant increases in aid to low-income students.*

While there are important actions that can be taken both by colleges and universities and by their patrons (state and federal government, private support) to improve access at the margin, major gains are not likely without a sustained improvement in secondary education. A high school degree should signify that a student is college and/or work ready. States must adopt high school curricula that prepare all students for participation in postsecondary education and should facilitate seamless integration between high school and college.

2. RESTRUCTURE FINANCIAL AID: *To address the escalating cost of a college education and the fiscal realities affecting government's ability to finance higher education in the long run, we recommend that the entire student financial aid system be restructured and new incentives put in place to improve the measurement and management of costs and institutional productivity.*

Here the key is to focus financial aid at the national, state, and institutional level primarily to address need, rather than subsidize the well-to-do (as much of it does today through “merit” aid and tax benefits). We propose replacing the current maze of financial aid programs, rules and regulations with a system more in line with student needs and national priorities. That effort would require a significant increase in need-based financial aid and a complete restructuring of the current federal financial aid system. Our recommendations call for consolidating programs, streamlining processes, and replacing the FAFSA with a much shorter and simpler application.

The federal government, states and institutions should significantly increase need-based student aid. To accomplish this, the present student financial aid system should be replaced with a strategically oriented, results-driven system built on the principles of (i) increased access, or enrollment in college by those students who would not otherwise be likely to attend, including non-traditional students; (ii) increased retention, or graduation by students who might not have been able to complete college due to the cost, (iii) decreased debt burden, and (iv) eliminating structural incentives for tuition inflation. Federal grant programs should be consolidated to increase the purchasing power of the Pell Grant. Whatever restructuring of federal financial aid takes place, the Pell Grant will remain the core need-based program.

Policymakers and higher education leaders should develop, at the institutional level, new and innovative means to control costs, improve productivity, and increase the supply of higher education. At the same time, the Commission opposes the imposition of price controls. Federal and state policymakers and accrediting organizations should work to eliminate regulatory and accreditation barriers to new models in higher education that will increase supply and drive costs down. Federal and state policymakers should relieve the regulatory burden on colleges and universities by undertaking a review of the hundreds of regulations with

which institutions must comply and recommend how they might be streamlined or eliminated.

3. **TRANSPARENCY, ACCOUNTABILITY, AND PUBLIC PURPOSE:** *To meet the challenges of the 21<sup>st</sup> century, higher education must change from a system primarily based on reputation to one based on performance. We urge the creation of a robust culture of accountability and transparency throughout higher education. Every one of our goals, from improving access and affordability to enhancing quality and innovation, will be more easily achieved if higher education institutions embrace and implement serious accountability measures.*

To restore public trust and confidence, we suggest that higher education should emulate the capital markets through transparency and accountability that demonstrates their public purpose, e.g., agreeing on how to measure costs, prices, and values (analogous to FASB) and full public disclosure of both learning outcomes and financial performance (analogous to Sarbanes-Oxley). To this end we recommend the creation of a consumer-friendly information database on higher education with useful, reliable information on institutions, coupled with a search engine to enable students, parents, policymakers and others to weigh and rank comparative institutional performance. In addition to this new consumer-oriented database, more and better information on the quality and cost of higher education is needed by policymakers, researchers and the general public.

We believe that faculty must be at the forefront of defining educational objectives for students and developing meaningful, evidence-based measures of their progress toward those goals, but the philanthropic community and other third-party organizations are urged to invest in the research and development of instruments measuring the intersection of institutional resources, student characteristics, and educational value-added. Furthermore, accreditation agencies should make performance outcomes, including completion rates and student



learning, the core of their assessment as a priority over inputs or processes.

4. INVESTING IN INNOVATION: *With too few exceptions, higher education has yet to address the fundamental issues of how academic programs and institutions must be transformed to serve the changing needs of a knowledge economy. We recommend that America's colleges and universities embrace a culture of continuous innovation and quality improvement by developing new pedagogies, curricula, and technologies to improve learning, particularly in the area of science and mathematical literacy.*

We encourage broad federal support of innovation in higher education from multiple agencies (Departments of Education, Energy, Labor, Defense, and Commerce; the National Science Foundation; the National Institutes of Health; and the National Aeronautics and Space Administration) in order to align and coordinate federal investment of innovation in higher education. The Commission encourages the creation of incentives to promote the development of information-technology-based collaborative tools and capabilities at universities and colleges across the United States, enabling access, interaction, and sharing of educational materials from a variety of institutions, disciplines, and educational perspectives. Both commercial development and new collaborative paradigms such as open source, open content, and open learning will be important in building the next generation learning environments for the knowledge economy.

5. LIFELONG LEARNING: *America must ensure that our citizens have access to high quality and affordable educational, learning, and training opportunities throughout their lives. We recommend the development of a national strategy for lifelong learning that helps all citizens understand the importance of preparing for and participating in higher education throughout their lives.*

This is one of our most important recommendations! Just as in earlier critical moments in our nation's history when federal initiatives

expanded the role of education, e.g. the Land Grant Acts in the 19<sup>th</sup> century to provide higher education to the working class, universal access to secondary education in the early 20<sup>th</sup> century, and the G. I. Bill enabling the college education of the returning veterans of World War II, today a major expansion of educational opportunity could have extraordinary impact on the future of the nation. The Commission believes it is time for the United States to take bold action, completing in a sense the series of these earlier federal education initiatives, by providing all American citizens with *universal access to lifelong learning opportunities*, thereby enabling participation in the world's most advanced knowledge and learning society. The Secretary of Education, in partnership with state and other federal agencies, should develop a national strategy to develop such an effort.

6. RESPONDING TO THE IMPERATIVES OF A GLOBAL, KNOWLEDGE ECONOMY: *The United States must ensure the capacity of its universities to achieve global leadership in key strategic areas such as science, engineering, medicine, and other knowledge-intensive professions. We recommend increased federal investment in areas critical to our nation's global competitiveness and a renewed commitment to attract the best and brightest minds from across the nation and around the world to lead the next wave of American innovation.*

The Commission supports increasing federal and state investment in education and research in critical areas such as the STEM fields, teaching, nursing, biomedicine, and other professions along the lines recommended by the American Competitiveness Initiative, *Rising Above the Gathering Storm*, and the National Innovation Initiative. Moreover, in an effort to retain the best and brightest students and professionals from around the world, the federal government must address immigration policies specifically aimed at international students. The Commission recommends that these international students who graduate with an advanced STEM degree from a U.S. college or university should have an

expedited path to an employer-sponsored green card and also be exempted from the numerical cap for green cards.

To summarize these recommendations:

1. Demand (and assist) K-12 education in preparing every student for post-secondary education.
2. Refocus federal, state, and institutional financial aid programs on need-based aid.
3. Disclosure and transparency requirements.
4. Stimulate more innovation in higher education.
5. Make a national commitment to lifelong learning.
6. Endorse other major federal initiatives aimed at creating a knowledge economy.

## NEXT STEPS

The Secretary of Education is in full agreement with most of these recommendations, and she has indicated her intent to move immediately with those actions under her control. She has also begun a dialog with the higher education community, the White House, and the Congress on steps to achieve other long-term objectives. Some of the steps already taken include:

- Appointment of Commissioner Sara Martinez Tucker as Under Secretary of Education with responsibility for all postsecondary education (e.g., “all things grown up”), with the assignment of implementing recommendations of the Commission.
- Working with White House OMB on budget activities (particularly Pell Grants) (although intend to freeze budget at 2006 levels will create challenges).

- Working with new Congress to assess those areas requiring legislative action (e.g., “100 hours”, Higher Education Act reauthorization). (The Commission report has already created an understanding that there is a lack of understanding...“we now know what we don’t know”. Nobody seems dug in yet and are open to dialog.)
- Assessing where ED may already have sufficient regulatory powers or programs in place to make some things happen (e.g., accreditation, lending programs, etc.). For example, by extending the No Child Left Behind program to secondary education in the reauthorization of the program, the Secretary has accepted the premise that improving access begins with dramatically increasing the supply of “college ready” high school graduates.
- A major outreach effort will be launched at a national summit meeting scheduled for March 22 and 23. The Commission will stay active during the months ahead.

The Commission will also stay active (last week’s conference call with Sec. Spellings).

There has also been strong support for both the work of the Commission and many of its recommendations on the part of the higher education community—particularly national organizations such as the One Dupont Circle group (e.g., ACE, NASULGC, AACU, AAU), the accreditation agencies, and many of the states. The real effort, however, must occur at the institution level, where the recommendations are implemented.

#### A PARALLEL REPORT ON PRESIDENTIAL LEADERSHIP

Running in parallel with the Spellings Commission was a Task Force launched by the Association of Governing Boards to study the state of the academic presidency, on which I also served as a member. Our final report, “The

Leadership Imperative”, echoed many of the concerns of the Spellings Commission and suggested a number of recommendations for university governance. It agreed with the premise that for higher education to play the role it must in addressing the challenges of ensuring social justice and achieving competitiveness in the global knowledge economy, higher education must enjoy a strong sense of trust and confidence on the part of the American public.

Key in earning and sustaining this trust and confidence is the university president, working on concert with the governing board of the institution. No leader comes to personify an institution in the way a president does. A president must provide academic leadership at the same time he or she must assimilate and tell the institution’s story to build pride internally and support externally. The president has primary responsibility for increasing public understanding and support for the institution as a contributor to the nation’s continued vitality and well-being.

Yet here we face many challenges, as evidenced by some of the more visible collapses of university leadership over the past year or so (Harvard, Cornell, Case, Indiana, American University, UC, ...). The AGB Task Force on the State of the Presidency in American Higher Education concluded that colleges and universities continue to face impediments in their efforts to achieve effective governance and sustain capable leadership. Indeed, some argue that we are in a governance crisis.

To reestablish the ability of the presidency to provide the necessary leadership during a period of considerable change, challenge, and opportunity, we set out three imperatives:

1. To reconnect the president with the core academic mission of the university, i.e., learning and scholarship. We must resist the tendency to view the presidency as just another CEO role, dominated by begging for dollars or building winning athletic programs, and instead re-establish academic leadership as a president’s highest priority.

2. To urge boards and presidents to view university presidency not as a career or a profession, in and of itself, but rather as a calling of immense importance, similar to those of other forms of public service.
3. Integral leadership: A new style of collaborative but decisive leadership. A president must exert a presence that is purposeful and consultative, deliberative yet decisive, and capable of course corrections as new challenges emerge. Integral leadership succeeds in fulfilling the multiple, disparate strands of presidential responsibility and conceives of these responsibilities as parts of a coherent whole. Leadership of this sort links the president, the faculty, and the board together in a well-functioning partnership purposefully devoted to a well-defined, broadly affirmed institutional vision.

## WHAT IS MISSING?

Despite the early paranoia on the part of the higher education community, it is important what was NOT included in the report:

- No standardized testing.
- No tuition price fixing.
- No national (federal) accreditation process.
- No “No Child Left Behind” and No “Nation at Risk”!!
- And no federalization of American higher education!

Instead the report contains a few blockbusters intended to challenge and assist American higher education in “raising the bar”:

- A major new engagement of higher education with primary and secondary education.
- Restructuring public support for higher education to place a much higher priority on providing need-based student aid.

- A new level of transparency, disclosure, and accountability (e.g., cost structures, educational effectiveness) to earn public trust and confidence.
- A much higher priority given to experimentation and innovation.
- A call to establish lifelong post-secondary education as a “civil right” for all Americans.
- Meeting the needs of an innovation-driven nation in a global, knowledge economy.

Yet it is also clear that it leaves out some important issues:

1. It would have been great to have given a stronger challenge to the nation to increase its support of higher education. As I noted earlier, however, we were never able to agree on whether the glass was half-empty or half-full...that is, whether there will be any new capacity for reinvestment in higher education with public funds (particularly at the state level) or whether the private marketplace would have to provide most, if any, new resources.
2. The Commission’s efforts were focused almost entirely on undergraduate education—and general education at that—with little consideration of graduate/professional education or research.
3. We were never able to come to grips with the financial equation, the relationship between cost, price, and value of a college education.
4. Although tax policy came on the table from time to time, it was quickly swept aside to avoid sacred cows (e.g., the \$16 billion a year of foregone taxes associated with charitable giving and endowment earnings that primarily benefit wealthy individuals and institutions, amounting to a taxpayer subsidy amounting to over \$40,000 at some Ivy League universities).

Our inability to deal with these financial issues motivated the chairman of the Commission, Charles Miller, to fire off a letter to the Secretary following our final report in which he observed: “In my opinion, it seems likely that higher education will undergo major transformation in coming decades from the same forces which are changing the world in other economic sectors and at other institutions”. As noted in the Conclusion section of the Spellings Commission Report, ‘The future of our country’s colleges and universities is threatened by global competitive pressures, powerful technological developments, restraints on public finance, and serious structural limitations that cry out for reform.’ Of particular serious concern to me is the dysfunctional nature of higher education finance. In addition to the lack of transparency regarding pricing, which severely limits the price signals found in a market-based system, there is a lack of the incentives necessary to affect institutional behavior so as to reward innovation and improvement in productivity. Financial systems of higher education instead focus on and reward increasing revenues---a top line structure with no real bottom line.”

He also quoted one of my own observations in a book I had edited with Luc E. Weber, former rector of the University of Geneva, Universities and Business: Partnering for the Knowledge Society: “The highly competitive nature of higher education in America, where universities compete for the best faculty, the best students, resources from public and private sources, athletic supremacy and reputation, has created an environment that demands excellence. However, it has also created an intensely Darwinian, ‘winner-take-all’ ecosystem in which the strongest and wealthiest institutions have become predators, raiding the best faculty and students of the less generously supported and more constrained public universities and manipulating federal research and financial policies to sustain a system in which the rich get richer and the poor get devoured.”

Miller went on to observe that, “Effective accountability systems will be needed to develop the most productive financial structure for higher education. We cannot address critical issues of affordability effectively without dealing with this effectively. Today, the dysfunctional financial system combined with the lack of transparent systems of accountability leave higher education in a dangerous position. What particularly concerns me is the special resistance to



accountability exhibited by a large set of 'private' colleges and universities. There is resistance to measuring student learning. There is also strong resistance to financial and other accountability systems inherent in their opposition to a unit record system. What elevates this concern is the fact that so-called 'private' colleges and universities receive a large amount of support from the public, that is, from the taxpayer. These institutions receive on average an estimated twenty-five percent of revenues from the federal government in the form of financial aid and research funding. In addition, they receive a significant level of state and local support and benefit from tax policies regarding earnings and contributions. In financial terms, it is difficult to classify most institutions as truly private, raising serious issues about transparency, accountability and public trust. These are issues that need to be addressed by policymakers who appropriate and spend public funds, as well as those institutions who receive and benefit from public funds."

He concluded with: "Tying these elements together is the theme that there is a need to examine higher education in financial terms with full accountability for sources of funds: Which institutions get them and why and how productively those funds are utilized for the benefit to the public providers of those funds. This should mean an examination of the whole system, with no special rights for any recipient of public funds and no free pass for any type of institution, no exception for those ranking high in the "top tier," or no exception for those bearing the arbitrary and often inaccurate label as a 'private' institution."

## SOME FINAL OBSERVATIONS

Finally, I should note that I also penned a letter to the Commission expressing my own observations about its work: "As we enter the two-minute drill to prepare our final report, I wanted to share with you two observations:

Observation 1: First, I was very impressed by how easily our breakout group of six commissioners agreed in our June 28th meeting on both the key recommendations (at least at the 100,000 foot level) and findings for the report.

(I've attached the notes taken by Vickie and Archie at our session that summarize this work.) Although this very successful effort is owed much to our extremely effective chair (Sara), it also reinforces my belief that given the opportunity, the Commission could easily converge on a set of recommendations, findings/issues, and tone for the report in full public session.

Observation 2: While I strongly support the recommendations we developed together as commissioners and believe they will address many of the concerns about access, affordability, quality, and accountability we have considered, I have this lingering concern that we have not been bold enough. Let me explain:

I sometimes get in trouble with my engineering colleagues by observing that we appear to be attempting to prepare 21st century engineers with a 20th century curriculum in 19th century institutions. Let me extend this observation to suggest that our recommendations, as meritorious as they are, are really aimed at fixing flaws in an education system designed for the past, not for the future.

My own parsing of the forces driving change in our world usually boils down to three: changing demographics (an aging population, increasing ethnic diversity, and a return to our historic character as a nation of immigrants), globalization (economic, geopolitical, cultural), and disruptive technologies (info-bio-nano technologies that are creating a global, knowledge driven economy). My conjecture, shared by many both inside and outside the academy, is that educational institutions—schools, colleges, universities, learning networks—in a generation from now will be so totally different as to be unrecognizable within our current understandings and perspectives.

In fairness, the very short time horizon demanded by the nine-month gestation period of the Commission really only allowed us to consider higher education as it is today, not to examine in more depth what it is likely to become. Yet, had we had more time, we might have considered bolder recommendations that would have prepared our nation for unpredictable, indeed unknowable futures. Let me provide three examples that arose in sidebar discussions among commissioners (with particular credit to Jonathan Grayer, Bob Mendenhall, Rick Stephens, and Nick Donofrio), not as additional recommendations of the Commission at this late date, but rather to illustrate the boldness that might

characterize a longer-term study. I begin with the following premise: We have entered an era in which educated people, the knowledge they produce, and the innovation and entrepreneurial skills they possess have become the keys to economic prosperity, public health, national security, and social well being. Hence the strength, prosperity, and leadership of a nation in a global knowledge economy will demand a highly educated workforce and hence upon a world-class system of postsecondary education. Moreover, education, knowledge, and skills have also become the primary determinants of one's personal standard of living and quality of life. A truly democratic society must accept the responsibility as a matter of social justice to provide all of its citizens with the educational and training opportunities they need, throughout their lives, whenever, wherever, and however they need it, at high quality and at affordable prices

To this end, let me suggest three recommendations that I wish we had been able to consider in more depth:

#### 1) Learn Grants for the Millennium Generation:

Many disadvantaged students (and parents) really do not see higher education as an option open to them, but rather as a privilege for the more affluent. As a result, these students do not have the incentive to perform well in K-12 (nor do their parents have the incentive to support them), hence falling behind early or dropping out of the college-bound ranks. To provide strong incentives, the idea would be to provide EVERY student with a "529 college savings account", a "Learn-Grant", when they begin kindergarten. Although this account would be owned by the students, its funds could only be used for postsecondary education upon the successful completion of a high school college-preparatory program. Each year students (and their parents) would receive a statement of the accumulation in their account, with a reminder that this is their money, but it can only be used for their college education (or other postsecondary education). An initial contribution of, say, \$10,000 (say, a \$5,000 federal grant with a state \$5,000 match) would accumulate over their K-12

education to an amount that when coupled with other financial aid would likely be sufficient for their college education at a public college or university.

Beyond serving as an important source of financial aid, the Learn Grants would in themselves be a critical incentive for succeeding in K-12 and preparing for a college education. The program might be funded from any of a number of sources, e.g., from a federal plus state match, much of the federal revenue coming from the auction of the digital spectrum. Learn Grants would be provided to all students when entering K-12 (in order to earn broad political support) and could be augmented with additional contributions from public, private, or parental sources during their pre-college years. As to cost, if we assume roughly 4.5 million children enter K-12 each year (the estimate for 2010), then at \$10,000 per student, this would cost \$40 billion annually (\$20 billion each to the states and the federal government). While such a sum is, in fact, immense, it is about the cost of one year of K-12 education (or college education, on the average). It also should be compared to other public expenditures (Medicaid/Medicare, corrections, defense, and even student financial aid). From this broader perspective, it really doesn't seem excessive when viewed as an investment in the future of the nation.

## 2) Launching a Renaissance of Innovation in Education:

Recommend the removal of all barriers (accreditation, state and federal regulations) to experimentation in higher education in an effort to unleash an era of creativity and innovation (e.g., distributed learning, global universities, hybrid for-profit/non-profit enterprises, university-industry collaborative academies, new K-16 paradigms). Strongly encourage both public and private investment in these investments, tapping not only federal and state investment through efforts such as the American Competitiveness Initiative and new R&D programs in federal agencies, but also private investment through philanthropy and the capital markets. Provide strong incentives for propagating successful experiments (reducing regulatory barriers, public-private investments, high visibility awards and prizes, etc.).

### 3) Building a Society of Learning through a National Commitment to Lifelong Learning:

The nation should commit itself to the goal of providing universal access to lifelong learning opportunities to all its citizens, thereby enabling participation in the world's most advanced knowledge and learning society. While the ability to take advantage of educational opportunity always depends on the need, aptitude, aspirations, and motivation of the student, it should not depend on one's socioeconomic status. Access to lifelong learning opportunities should be a right for all rather than a privilege for the few if the nation is to achieve prosperity, security, and social well being in the global, knowledge- and value-based economy of the 21st century. Perhaps no other recommendation, if implemented, would drive a greater transformation in higher education in America, changing very dramatically whom it serves, how it is financed, and how it is provided. It would clearly transform higher education into a resource capable of serving a 21st century nation in a global, knowledge economy.

## APPENDIX

## Membership of the Spellings Commission

The Commission was unusually broad, with strong representation from business, industry, foundations, and government, as well as higher education. It also had as occasional participants several cabinet members and representatives (Energy, State, Commerce, NSF, NIH, and Education, of course):

## Business:

Charles Miller (Chair), Private investor  
Nicholas Donofrio, IBM  
Gerri Elliott, Microsoft  
Jonathan Grayer, Kaplan  
Richard Stephens, Boeing  
Catherine Reynolds, Lending Company

## Foundations:

Kati Haycock, Education Trust  
Arthur Rothkopf, U.S. Chamber of Commerce  
Sara Martinez Tucker, Hispanic Scholarship Fund

## Government:

James B. Hunt, former Governor of North Carolina  
Arturo Madrid, former head of FIPSI  
Louis Sullivan, former Secretary of HHS

### Higher Education:

James Duderstadt, U. Michigan  
Robert Mendenhall, Western Governors University  
Charlene Nunley, Montgomery Community College  
Richard Vedder, Ohio University  
Charles Vest, MIT  
David Ward, ACE  
Robert Zemsky, U. Pennsylvania

### Observers:

Sam Bodman, Secretary of Energy  
Joe Molina, Under Secretary of Defense  
Emily DeRocco, Assistant Secretary of Labor  
Michelle O'Neill, Under Secretary of Commerce  
Raymond Orbach, Under Secretary of Energy  
Sally Stroup, Assistant Secretary of Education

### The Process

For much of the last year the Commission has held hearings across the nation to hear from many constituencies—students and parents, business and industry, leaders of college and universities, and many others with strong interest or concerns. A series of background papers were prepared by consultants on many topics such as the cost of higher education, student learning outcomes, and student financial aid, while many individuals and organizations provided their own thoughtful analysis. In early spring the commissioners moved into their own deliberations to begin to converge on key findings and possible recommendations.

However, we suffered a bit of a setback when a group of consultants were asked to prepare an early draft of the report of the commission without adequate

consultation. This report, which bore little relation to the views of the commissioners or the hearings we had conducted, for that matter, largely reflected the highly negative and opinionated views of the consultants and unfortunately set higher education on edge when it was released prematurely.

After a minor revolt, in which the commissioners essentially repudiated the consultant draft, the Commission resumed its work and eventually came up with its own findings and recommendations, at least at the 100,000 foot level. Of course, the devil is always in the details, and the final draft of the report, to be released next week, represents considerable negotiation and word-smithing. While all of the commissioners support the final recommendations at the broadest level, each of us can point to areas of the report where we still have disagreement.