Chicago Tribune, Tuesday, Oct. 3, 1989

Tuition and the price of bread

By Arnold R. Weber

For most of us, the term "higher education" evokes misty visions of a dedicated community of scholar-teachers working in intimate consort with eager students, dedicated to the pursuit of truth and contributing to individual and national well-being. Higher education nurtures and fiercely protects this idealized view of its role in American society.

Even the most detached administrator, however, must appreciate that this special status has been eroded in recent years and that we have been subject to widespread and often harsh criticism for various deficiencies and failures of purpose.

The most vexing current issue in higher education is rising tuition rates, which have soared in recent years. In the 12-year period since 1977-78, tuition and fees at public four-year institutions have risen 152 percent. For private colleges and universities, the increase over the same period has been an eye-popping 211 percent. This inflation of tuition has been far in excess of both the Consumer Price Index and the Higher Education Price Index.

To a considerable extent, tuition increases in the last decade have reflected efforts to repair the economic damage wrought by the hyperinflation of the 1970s. Salaries have risen rapidly to restore the faculty's real income. The escalating costs of energy, supplies and library materials exerted great pressure on tuition. Enormous capital expenditures have been necessitated by the construction of new facilities and the purchase of computers and scientific equipment. Once these costs are covered, administrators can descend into the maw of "deferred maintenance."

These economic realities have been embellished by a set of less credible considerations. Institutions of higher education seldom conform to the economist's concept of "comparative advantage." Instead of developing a portfolio of programs tailored to student needs in a defined market for educational services, there is an irresistible tendency to develop a full line of offerings, often augmented by parallel research efforts, so that it can gain an elusive "prestige" and stir the pride of alumni and local legislatures. Among public institutions, there are powerful urges on the part of "developing campuses" to have the same academic firepower as the "flagship" campuses and to enjoy parity in competing for scarce resources.

These circumstances help to explain the assertion heard with increased frequency that tuition must be raised by some double-digit percentage "in order to meet competition." Since most of us associate competition with pressure to reduce prices or to improve the quality of goods provided at a constant price, this rationale flies in the face of common sense. A few imaginative administrators have invoked the so-called "Veblen effect" whereby prices are raised above competitive levels to persuade the consumer that the higher price indicates a higher-quality product. This reasoning will not soothe tuition-paying parents.

The ultimate justification for generous tuition increases is the contention that these charges almost never cover the actual cost per student. This argument, however, has philosophical and logical difficulties. As a matter of policy, public tuition is rarely expected to cover the full cost of education in public institutions. Rather, the price of educational services to a student is set at a level significantly less than cost in order to reduce the barriers to educational opportunity. The gap between price and cost is filled by state grants derived from tax revenue.

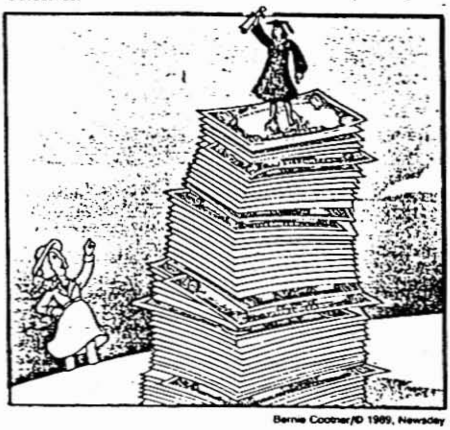
Private colleges and universities historically have enjoyed subsidies from religious organizations and wealthy, philanthropic individuals. A major appeal of the unending cycle of fund-raising campaigns is to keep tuition charges at a level that will permit the institution to attract the brightest students by maintaining a need-blind admission policy. Instead of the uniform subsidies that characterize public institutions, independent colleges will differentiate the actual price charged on an individual basis through the application of a complex system of financial aid.

Anxious parents frequently ask me if tuition will double the current level by the year 2000. I answer evasively that it all depends on the price of bread at that time. Undoubtedly, tuition will continue to rise, propelled by the forces of inflation and other economic exigencies. However, we should accept the moderation of tuition rate increases as a salient management goal and not treat tuition increases as if they are a disagreeable consequence of noble aspirations.

If the public, acting through Congress, has been unwilling to accept rising medical costs in the interests of extending human life, it is unlikely that it will tolerate what it perceives to be excessive tuition increases to attain that state of excellence we all cherish. Already, several states have made the limitation of tuition increases a condition for the appropriation of additional resources. Federal financial aid programs constitute a potential lever of control equally applicable to private and public institutions.

The criticisms of higher education, especially on the topic of cost, have caused consternation among trustees, administrators and faculty. Any anxieties should be allayed, however, by the knowledge that these concerns reflect deep public support and a commitment to our success, rather than hostility or indifference to our purposes. Similar debates about the role and goals of higher education that took place almost a century ago led to a "Golden Age," when colleges and universities became vital institutions in the development of a productive, democratic society. If we respond to current criticisms with discipline and creativity, there's every reason to believe we can usher in another Golden Age. We should demand no less of ourselves.

Arnold R. Weber is president of Northwestern University. This is adapted from an address to the Council for Advancement and Support of Education.



Bernie Cootner/© 1989, Newsday