

PRESIDENTIAL PERSPECTIVES

*A HIGHER
EDUCATION
PRESIDENTIAL
THOUGHT
LEADERSHIP
SERIES*

2012-2013 Series:

Responding to the Commoditization of Higher Education

Chapter **2:** **Higher Education's
Non-Commodifiable
Public and Private Benefits**

Higher Education's Non-Commodifiable Public and Private Benefits

Dr. Andrew P. Roth: President of Notre Dame College

In the current higher education landscape, there may be no more deleterious trend than that which treats all of higher education as a commodity. The terms commodity and commoditization need to be defined. The latter simply means treating any product, program, or service as if it were a commodity. According to **Investopedia**, a commodity is “a basic good used in commerce that is interchangeable with other commodities of the same type...the quality of a given commodity may differ slightly, but it is essentially uniform across producers” (www.investopedia.com/terms/c/commodity.asp#axzz1vRYrhQR). More importantly, as **Investopedia** notes, “the basic idea is that there is little differentiation between a commodity coming from one producer and the same commodity from another producer” — an accounting (fill-in the blank here with your generic major of choice) is an accounting major is an accounting major is an accounting major.

So, if higher education is being commoditized, from the point of view of economic theory then that means that institutional programs and services are increasingly seen as undifferentiated (“undifferentiable”?) — they are interchangeable and, on the margin, one is as good as another. This perception has two very serious negative macro implications for the future of higher education — one from the overall perspective of who benefits from higher education and the public’s responsibility to fund it (the public-versus-private responsibility to pay for higher education issue), the other from the institutional perspective as individual colleges and universities grapple with how to differentiate themselves from the competition in order to ensure their survival. The first question, particularly when coupled with the increasing tendency to see higher education as a private benefit, has profound public policy implications. The second question is essentially a strategic marketing issue — how does one compete in a commodity market? This essay will deal with the presidential responsibility to make the case for higher education’s public benefit/value resulting from each institution’s unique, non-commodifiable mission.

“ If higher education is being commoditized, from the point of view of economic theory then that means that institutional programs and services are increasingly seen as undifferentiated.”



PRESIDENTIAL PERSPECTIVES

Current debates about how to fund higher education present a conundrum – policy makers of all persuasions seem fixated on higher education as an economic engine necessary for local, state, regional, and national prosperity. Yet, the same policy makers are increasingly disinclined to support it as states cut higher education funding and the US Congress locks itself in stalemate over student loan interest rates. A large part of this disinclination results from the increasing tendency to see the economic value of higher education from the narrow perspective of job training. Although such training has regional, state, and national benefits, policy makers focus on the fact that the immediate beneficiaries of the education/training are the students and their increased earnings power – i.e. the benefits are personal (private) and, therefore, the beneficiary should pay for it.

The debate over who benefits from higher education and, therefore, whose responsibility it is to pay has profound institutional implications. For if higher education is a commodity with only marginal or nonexistent differences in value between institutions and if the benefits derived from that education are largely private, then the public responsibility to subsidize higher education is greatly diminished, whether it be state subsidies for public institutions or student subsidies (financial aid) at either public or private institutions. This is precisely the logic leading to the current privatization of public higher education and the debates about student indebtedness and the overall value of higher education, which is always cast in a cost/benefit scenario between student debt levels and student earnings potential.

This is not a new debate. In fact, to slightly recast the Carnegie Commission's (1973) elegant succinctness, "who benefits, who pays, who should pay?" the debate is as old as the enterprise itself. It is as old as the Massachusetts General Court founding and funding Harvard College in 1636 to provide a learned clergy and educated citizenry. It is as new as the most recent *InsideHigherEd* blog posting questioning the value of elite higher education, lamenting student indebtedness or desecrating the most recent state funding reduction.

What is new is the retreat from a public responsibility to fund (or at least substantially subsidize) higher education, which is, as noted, as old as the enterprise itself with a proud lineage descending from the founding of Harvard, through the Northwest Ordinance's provision for public education to the Morrill Act and the founding of land grant colleges to the post-World War II GI Bill to the Higher Education Act of 1965 and its 1972 and subsequent amendments which created Title IV financial aid support for students. That is, what is new is the treatment of higher education as a commodity of undifferentiated institutional value whose benefits, if the benefits there be, are entirely private, that is they accrue to the student.

As a result, it is imperative that every president of a public or private institution be able to counter that argument by defining and describing the benefits, both public and private, that their institution and all of higher education provide. Every president needs to be able to answer the questions 1) what are higher education's benefits and 2) who realizes them? Is it the individual who directly receives the education? Or is it interested third parties (parents, spouses, children, society – the local community, the region, the state, the nation) who benefits from the individual's education. Although numerous commentators have attempted to address this topic, the Carnegie Commission's 1973 report "Who Pays, Who Benefits, Who Should Pay" remains to this day the conceptually most useful basic approach to the topic. The following table summarizes the arguments and can serve as a useful beginning guide for framing the topic and preparing to discuss it with others: boards of trustees, local leaders, state politicians, and national policy makers.

PRESIDENTIAL PERSPECTIVES

HIGHER EDUCATION'S BENEFITS: PRIVATE VERSUS PUBLIC		
	Monetary	Non-Monetary
Private/Individual	These are higher education's economic benefits that accrue directly to the students.	
Short-term	Minimal to none. Attendance at public subsidized institutions, receipt of financial aid (in particular the use of subsidized student loans to pay non-educational expenses), veterans' benefits and participation in paid job training programs could be construed as providing short-term monetary benefits.	Consumption benefits are those consumed at the time of purchase for immediate satisfaction. For higher education, these include all the things labeled "college life:" pleasant surroundings, friendships and social life, participant and spectator sports, cultural activities, student government and media, and all the other formal and informal academic and social activities included in campus life.
Long-term	1) Greater annual income 2) Wealth enhancement 3) Human capital	Although there is an extensive literature cataloging higher education's long-term benefits (greater intellectual, artistic and critical thinking skills, greater civic mindedness, greater marital stability, greater self-esteem, more successful children, greater ethnic and gender toleration, etc.), separating higher education's influence in creating these benefits from that of other factors impinging upon a student makes assigning a value to such benefits problematic. The research, however, consistently documents that college graduates surpass non-graduates on all of the above variables.

PRESIDENTIAL PERSPECTIVES

HIGHER EDUCATION'S BENEFITS: PRIVATE VERSUS PUBLIC		
	Monetary	Non-Monetary
Public/Societal	These benefits are referred to as externalities — the benefits of an activity above and beyond those that accrue to the activity's immediate beneficiary. Regarding higher education, these externalities encompass the benefits society in general gains from having an educated citizenry.	
Short-term	Negligible , although the removal of large numbers of people from the labor market has occasionally been identified as a short-term benefit resulting in a reduced demand for unemployment compensation and welfare transfer payments.	Negligible , although in a reflection of the hypothetical short-term monetary benefits, it has been suggested that involving a large number of people in post-secondary training reduces crime rates and other negative social activities caused by unemployment and idleness.
Long-term	1) Greater annual income 2) Wealth enhancement 3) Human capital	Higher education discovers and refines talent and leadership , contributes to an enhanced civic life by encouraging public service, generates an informed electorate necessary to democracy, leads to a reduction in crime, creates a specialized pool of talent, improves society's cultural life by the artists it produces and the appetite for the arts it instills. In addition, higher education also benefits society through the creation of public goods in the form of the discovery of new knowledge through faculty research.

For a president preparing a presentation to either policy makers or a board of trustees, this table makes two important points. First, even the non-monetary benefits of higher education, which are precisely the benefits that cannot be commoditized and around which institutional strategy must focus, have public benefits. College graduates provide at all levels of society the leadership cadre upon which communities depend. Educating for citizenship is that which colleges do — the mission statements of virtually every institution make that claim. A literature too vast to be cited here supports it — college graduates and even those who just attended college for a few semesters lead more stable and engaged lives than those who did not. Although those benefits are both private and public, it is of inestimable public benefit to have a substantial portion of the citizenry engaged with the community's welfare.

It is precisely from these non-monetary benefits that all institutions must draw future strategy, for it is here that the commoditization of higher education can be resisted. While the content of any major might be commoditized and digitized, the character forming and leadership development benefits that college's once proudly identified as their mission can't be. It is these benefits that college's must reemphasize and dedicate themselves to delivering.

PRESIDENTIAL PERSPECTIVES

It is here in the integration and fusing of academic and student life (perhaps it's academic life *into* student life) that individual institutions will find their market niche and bulwark against commoditization. In short, it is a return to mission.

The second point is the presence in both the private and public monetary benefit of an increase in human capital. From a private individual perspective, it means that college attendance and graduation increases an individual's repertoire of skills and talents enhancing their ability to both compete in and contribute to the community's economic welfare. Communities with large numbers of college educated individuals have a pool of human capital (enhanced talent) from which to draw. The presence of such individuals in a community is not additive — it is multiplicative because of the cross-fertilization of ideas resulting from the interaction of both talented and educated people. In this instance education does not mean mere job training, which can be commoditized, but the non-commoditizable nurturing of critical thinking, analytical and problem solving skills that are at the root of economic creativity.

Making the case that college is both a public and a private benefit is imperative or higher education risks finding itself indeed reduced to a commoditized job training assembly line of interchangeable programs lacking institutional vigor. Any mission focus beyond selling the next undifferentiated program unit disappears. Yet, the public benefits of higher education are so vital that it is each president's duty to make that case in clearest, mission-focused terms possible. And the time to make that case is now!



Dr. Andrew P. Roth was inaugurated in November 2003, he is the 13th president of Notre Dame College. Under his leadership, the College began a "Voyage of Discovery," defining the future of Notre Dame for the next generation of college leaders. Dr. Roth has decisively moved the College toward achieving this vision. He has secured record enrollment, rising from just over 300 in 2003, to more than 2,100 students today.

Dr. Roth introduced major improvements to the campus facilities in order to enhance the educational experience. During his tenure, ten new classrooms, 12 new faculty offices, and new facilities for the Nursing Program were built. The growth of Notre Dame's student population necessitated the construction of two new residence halls with a combined capacity of 288 beds.

Notre Dame College's progress under Dr. Roth's leadership has been the subject of two doctoral dissertations: Matt Whelan's "A Case Study in Academic Turnaround and Presidential Leadership at Notre Dame College 1990-2010" and Shawn Brown's current study of marketing adaptation and college turnarounds.

Dr. Roth has widely published on the topic of higher education recruitment and retention. He has delivered numerous papers and presentations on a variety of topics including strategic planning, the economics and history of the oil industry, administrative ethics, the impact of mass media on contemporary culture, and higher education finance and public policy. In 2001, he published *College Savings and the Tax Code: A New Spin On the "Who Pays for Higher Education" Debate* (NY: Garland Publishing, 2001), which the *Review of Higher Education* called "a major contribution to the literature of higher education finance."

A self-described "lifelong learner," Dr. Roth has a doctorate in Public Policy and Higher Education Finance from the State University of New York at Buffalo, an MBA from Gannon University, an MA from Case Western Reserve University, and a BA from John Carroll University.