1. Introduction

This is a work of exploration. Like any explorer I have tools and a frame of reference, in this case from political economy and comparative public policy, in particular comparative methodology, and my own background in American higher education as a faculty member, dean and provost. I am experienced enough to be skeptical of predictions of dramatic changes in society at large and education institutions specifically. However, there are signs that the near future for American post-secondary education will not be like the past; there will soon be significant changes in the structure and functions of higher education.

We are experiencing dramatic increases in the number of people that attend some form of post-secondary education. Between 1997 and 2007, student enrollment in degree-granting institutions of higher education (post-secondary and higher education are used interchangeably throughout) went up by 26 percent (United States Department of Education, 2009a). Increasingly, an associates or bachelors degree is both necessary for individuals entering the workforce and for a robust economy. We are beginning to understand that human capital is our principal resource and education is the main venue for preserving and enhancing it. Many also understand that educational opportunity is the new civil rights battleground. Between 1984 and 2004 enrollment of undergraduates of color increased by 146 percent, from 1.9 to 4.7 million (Li, 2010). By 2007, students of color comprised 32 percent of the undergraduate student population (Office of Management and Budget, 2010). Hispanic and Asian/Pacific Islanders in particular have contributed significantly to this growth (Office of Management and Budget, 2010). Economic, social and political equality cannot be achieved without equal education opportunity for all citizens. The question becomes, what is higher education offering these students?

THE ISSUES

It is becoming apparent that students are not learning as much as they should once they get to college and not as many high school students go to college as they should and then graduate. Moreover, cost problems,
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decreasing resources, and the accelerating disruptive impact of internet-based education-relevant applications, especially in the form of for-profit online colleges, combine to make it more challenging than ever for leaders of the traditional post-secondary institutions to deal with this situation in a positive manner.2

Here is why these issues are important to deal with.

There is evidence that students are not prepared to meet the economic and social demands of today’s Knowledge Economy. A variety of indicators may be presented to make the case for alarm. First, there are approximately 47 million high school drop-outs, about one-sixth of the total US population.3 These citizens do not have sufficient qualifications to enter post-secondary education. Moreover, within these dropout statistics rest America’s ethnic/racial divisions.4 A disproportionate number of African-Americans and Latinos make up the high-school drop-out category while the Latinos, alone, constitute approximately 80 percent of the potential growth in post-secondary education over the next several decades (Murdock, 2003). Because the college-going rate of Hispanic and African-Americans is less than half of non-Hispanic whites and Asian-Americans, there is a serious shortfall in post-secondary education attendance. Concern about this problem is expressed from time to time, sometimes in poignant, passionate language (Kozol, 1991). Of course, political leaders, private sector leaders, education officials throughout the K-16 system, and many interest groups and concerned individuals often point to the seriousness of the problem as signified by the size of the high school drop-out number. Yet, the number of high-school drop-outs appears to continue to rise. Why is this issue not a critical public policy issue?

Secondly, the post-secondary access deficit problem is exacerbated by poor preparation and graduation rates of those who do go to college.5 Forty percent of students who enter college require remediation because they do not have minimum college readiness levels of proficiency in reading, writing and mathematics (National Center for Education Statistics, 2004). Despite the doubling of spending on K-12 education since the mid 1970s the scores of nationally normed tests such as the National Literacy test, the National Assessment of Educational Progress (NAEP), and the SAT and ACT have all been flat or declining for the past 25 years.6 Eighty percent of high school students recognize there are gaps in their preparations for college and 65 percent of college instructors report high schools are not adequately preparing their graduates for college course work (Hart Research Associates, 2006). Employer surveys report widespread dissatisfaction with the critical thinking, analytical reasoning, problem solving, and writing skills of the potential employees they screen.7 The post-secondary access deficit problem is exacerbated by poor retention
and graduation rates, causing much comment and new policy recommenda-
tions by the Lumina and Gates Foundations and the US Department
of Education itself through its Race to the Top and Improving Student
Success programs.8

And, finally, there are serious questions about the learning gains of
students who complete college at all levels. A study using a standardized
national measure of undergraduate learning outcomes indicates that the
quality of the learning produced at the nation’s campuses is much less than
we would hope to be the case.9 We will have to do much better if the next
generation of college graduates are to be productive workers and citizens,
particularly in a much more competitive and complex global economy.

These three factors – access, preparation and learning – are serious
issues that must be addressed if our citizens are going to develop the
skills necessary to compete in the Knowledge Economy. However, there
are those who argue that the premise of this is incorrect (Hacker, 2011).
Hacker argues that we do not need to improve our education system
because we have enough college graduates now to fill the high technol-
ogy fields for the next several years – so goes the argument. This scenario
ignores three important points. First, consider the nature of the jobs of
high-school drop-outs. They tend to be service jobs requiring little or
no skills. Thus, high-school drop-outs are limited to jobs at the bottom,
not the top, of the product cycle where high economic value added jobs
give our citizens opportunities to continue to innovate, creating the next
product cycle. Unfortunately, the forecasts of labor economists do not
have a good track record. Inevitably, their projections have a static quality
and miss out on the future impact threshold changes have on employment
needs. They cannot predict the future innovations that change the way we
work. In the 1970s books with titles such as *Japan as Number One* were
being published because the Japanese were out-producing the United
States in autos, steel, and other industrial goods. However, even as that
book10 was being published, two young men were inventing the personal
computer in a garage in Silicon Valley. The internet age soon took off,
producing hundreds of occupations we had never even heard of before.

Predicting job requirements for the future is a hazardous enterprise. The
best policy is to improve the skills and knowledge of our citizens to their
fullest potential so that they can take advantage of the new economic
opportunities that will present themselves. Education remains the best
investment because that means when new economic innovations based on
high-value economic opportunities occur an educated citizenry is there
to take advantage of them. This is the best way an economy can hope to
prosper at the top and not the bottom of the product cycle.

In addition to preparing students for the jobs of the future, we also
must consider the implications of those who are currently being relegated to these service positions. Disproportionately, they are African-American and Hispanics. Besides this being a serious human capital problem, it is also a serious impediment to equality in the American liberal democracy that promises equal opportunity to all of its citizens. Unless or until Hispanics and African-Americans fill jobs that require higher skills at percentages roughly equal to their non-Hispanic white and Asian-American counterparts, there will be demands that this goal be achieved. A goal of increasing the participation of Hispanics and African-American students in post-secondary education programs that prepare students to enter high value added occupations should be a major focus. This is because post-secondary education itself is a civil rights issue in the Knowledge Economy.

Finally, the Knowledge Economy clearly places an emphasis on the production and consumption of services not goods. There is also an emphasis on the quality not quantity of goods and services being produced.

The purpose of this volume, however, is not to present another ‘narrative of despair’. Rather than continuing to chronicle the problems in education, we need to adjust the paradigm through which we view the role of education. Addressing these issues requires a re-conceptualization of the goals and purposes of higher education on a societal level. It is only by doing so that we can begin to respond to the intellectual and economic needs of our citizens. I turn now to framing the issues using public goods theory, a different approach to the subject.

THE PUBLIC VERSUS PRIVATE GOOD DISTINCTION

Public goods or services are labeled indivisible because if they are produced for one individual they are produced for all individuals. National defense, health, environmental protection, fishing stock protection, agricultural policies – all are produced for large population groups, sometimes called catchments. If produced for one member of the community, they are provided to all members of the community. In contrast, private goods are considered divisible, subject to market rules, which means that if you agree to purchase a car from me and pay me the agreed-upon price, both the seller and buyer are presumably satisfied. Furthermore, there is no presumption that if one person receives, for example, a car that all people are entitled to it, as with public goods.

Public goods theory has yielded impressive insights into a number of important issues. However, in the real world, there are actually few, if any,
pure public or pure private goods that satisfy completely the conditions of divisibility or indivisibility. Free rider problems and negative externalities accompany the production and consumption of most public and private goods. Hence one sees terms such as quasi-public, quasi-private, or collective goods used to convey the fact that most goods are mixed – neither pure public nor pure private. Of course, no one minds having to consume positive externalities. For many, the smell of bread-making in neighborhoods adjacent to a bread-making factory is not a problem. Negative externalities are a different matter. As soon as groups recognize negative externalities that are byproducts of goods that affect them, they will resist, contest, and attempt to change the situation leading to the negative externality. Smoking is such an example. Why Americans rather suddenly decided in the 1970s and 1980s to no longer find it acceptable to consume secondhand smoke, is an interesting sociological question. So too are the collective decisions to reduce air and noise pollution.

Another important point concerns the nature of the goods being produced. In the industrial era, the goods produced and consumed are largely physical in nature. It is easier to distinguish the costs and benefits of such goods than is the case with respect to services which come to dominate in the Knowledge Economy.

. . . While the errors associated with the information transfers dealing with the problem of sewage disposal may not be large, this is not likely to be the case with education, or social, health, or welfare services. In addition, free rider problems tend to arise where there is confusion over who is to pay for services or where there are few negative sanctions or positive incentives for the individual to pay. (Benjamin, 1980, p. 15)

This can lead to underinvestment in capitalization which appears to be the case in the British National Health Service over the past three decades, or overuse of health services as appears to be the case in recent years in the United States. This is an example of the free rider problem. It should not be surprising that confusion ensues about who should pay what proportion of the costs and who should get what proportion of the benefits of health care under these conditions. When there is confusion about whether a good is predominately to be viewed as a public or private good, political arguments and conflict follow. This is because while economics is concerned with establishing the benefits over costs of alternative A versus the benefits over costs of alternative B, politics is precisely about who is to pay what proportion of the costs of such benefits and who is to receive what proportion of the benefits? The implications of the collective goods approach are as follows. We should visualize a continuum of goods from private to public with very few goods defined as strictly
public or private. If there are substantial disconnects between the institutions and the goods they are delivering, there will be substantial political problems. Common pool problems (CPP) are examples of collective goods that need to be solved because they are examples of collective good issues that threaten to become highly significant problems for the society and economy at large if they are not solved. Common pool problems arise whenever there is confusion or conflict over a public good about who pays what proportion of the costs and who gets what proportion of the benefits, and where one person’s use affects another person’s ability to use the good, and groups, public or private, fail to provide the resources, over-consume, and/or fail to replenish it. When a CPP becomes acute either bold action must be taken to solve it or the common pool problem becomes a permanent crisis – Grant Hardin’s tragedy of the commons (Hardin, 1968).15

THE COMMON POOL PROBLEM (CPP) IN POST-SECONDARY EDUCATION

It is appropriate to use the CPP concept to size the central problems facing undergraduate education because the concept places the spotlight on the confusion over undergraduate education as a public and/or a private good. With the establishment of the Land Grant universities in the 1860s, a clear path was set by the national government to provide post-secondary education as a public good to eligible citizens.16 Thus, post-secondary education came to produce two basic public goods, research and undergraduate education. Research may be considered a public good because the methods of research, data, data analysis and results of research are transparent and the returns on the research available for broad societal use. Undergraduate education may also be considered a public good. While there are distinct private returns of undergraduate education to the individual student, a) the production of undergraduate education is a joint product of many (collective) individual courses making it difficult to separate out the effect of one or another course, and b) the aggregate quality of undergraduate education has an important societal wide impact as well. Of course, private colleges and universities continued to provide undergraduate education as well as public colleges. Both private and public post-secondary education subscribe to the principle of equal access for all prospective students qualified as college ready. No one is to be excluded on the basis of religion or race/ethnicity. The private colleges and universities subscribe and are willingly regulated by the same constitutional principles ensuring equality and fairness that public colleges commit to. Thus, the
definition of post-secondary education as a public good focuses on the
whole not any one institution which may choose not to admit an appli-
cant. The question is whether the goal is for all citizens to have an oppor-
tunity of some form of post-secondary education. In today’s Knowledge
Economy this should be the case. Therefore, I argue the assumption that
post-secondary education as a public good is warranted. In any event, the
concept of undergraduate education as a public good was well established.
However, over the past four decades the clarity of the distinction between
public and private good has eroded. Public colleges no longer provide
significant tuition subsidies for students. Public colleges fundraise, just
as private colleges do. Private colleges are eligible for Pell grants for low-
income students, just as public colleges are. And private research univer-
sities succeed in winning about the same proportion of federal research
contracts and grants as their public research university counterparts. In
general, many now view post-secondary education as primarily a private
good because of the benefits to the individual student who gains a college
degree. It appears that privatization has triumphed. While it is appropriate
to point to the returns of post-secondary education to the individuals who
go to college, post-secondary education is clearly more than a private good
that benefits individual students. This becomes clear when one ponders
the impact of 47 million high-school drop-outs on the larger economy and
society they live within. The main point is that there indeed seems to be
confusion over who should pay for the benefits of post-secondary educa-
tion, the individual receiving it or the state that produces it? Or should
both the individual and the state pay for it? Secondly, who should be eli-
gible to receive post-secondary education? Thirdly, should the quality of
student learning produced be benchmarked? Should there be established
minimum levels of proficiency of student learning that graduating students
must reach?

To better understand the implications of the CPP concept consider
the following hypothetical example. The state budget retrenchment
requires the governor to authorize a 10 percent cut in the higher educa-
tion budget. What is the likely response of each of the presidents of the
higher education institutions in the state? Will they volunteer to cut back
10 percent? No. There is no incentive for them to go that route unless
compelled to do so or all the presidents agree to the cuts. Instead, they
will attempt to guarantee that their budget will not be cut through a
variety of imaginative strategies. In the original example of the tragedy
of the commons (Hardin, 1968), when the herd as a whole grew too large
and thus was in danger of starvation and decline, the rational behavior
of each individual farmer dictated actually increasing the number of cows
in his herd so as to guard against his herd sharing the same fate as the
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overall herd grazing on the commons. The problem, of course, is what is rational for the individual farmer speeds the decline of the commons’ herd. The same issue faces many state higher education systems. There are few examples of cases where a state authority had the discretion to compel behavior by individual colleges that was rational from the perspective of the state. For both access and fiscal reasons governors and state legislatures may well face the necessity of changing the rules of governance in order to come closer to creating a real commons for higher education in their states.

It is important, then, to question the argument to privatize college education (Lyall and Sell, 2006). The privatization argument has encountered other recent controversial applications in health care, agriculture and environmental policy areas. For education I will make the argument below that education must be the primary public good, the health of which is a prerequisite for the production and consumption of other public goods such as economic well-being, national defense and health. Ultimately, a successful national defense rests on an economy that features industries that drive technological change instead of receiving its gifts from other nations, and thus is an economy at the top of the product cycle (Kurth, 1979). In turn, the implications of the human capital school indicate that the quality of education is the critical prerequisite for robust economic growth sufficient to maintain an economy’s position at the top of the product cycle. I will use this position: (1) as a basis for framing the problem of the access deficit and the quality of undergraduate education to answer the question what would it take to solve these issues; (2) to suggest why undergraduate education will come to be seen as a significant common pool problem that must be solved; and (3) to indicate how institutional redesign, including use of evidence-based decision making that is anchored by assessment, might be used to assist in solving the problem. This is why I call this book *The New Limits of Education Policy*. The new limits will be redefined in reality over the next couple of decades.

What is essential to documenting the CPP in post-secondary education? First, we need a list of the major problems post-secondary education faces. Second, we need a list of the principal stakeholders, both inside and outside, but linked to post-secondary education. These two steps will be followed by chapters that characterize major parts of the CPP and propose solutions to the problems they present, or indicate the direction we need to take to develop solutions. I start with the development of a theoretical framework which argues that education policy and research should be the central policy arena the state should be concerned to ensure and enhance. However, I argue, today there is a disconnect – education policy
is a marginal subject at all levels. It is not anywhere near the new limits it should be focused on. Secondly, because institutional redesign appears to be the upcoming focus in post-secondary institutions, it is important to develop outcomes-based benchmarks to track the level of success we are having in post-secondary education. That means we need to develop stronger assessments of student learning outcomes. Thirdly, I present a case study of the City University of New York (CUNY) showing the implications of under-resourcing the good, post-secondary education, Fourthly, I then describe the department-based governance system that is organized to support the research-based incentives and sanctions in place for faculty promotion, tenure, and salary increases. Potential remedies are presented. Fifthly, an analysis and set of recommendations for the role of the faculty in assessment are presented. Finally, the implications of assessment and accountability for the CPP are discussed. I end the discussion by positing other major hurdles to framing and solving the CPP.18

A DISCLAIMER

The fact that education should be treated as an essential public good does not mean that education must continue to be dominated by the large, centralized public colleges and universities that fill the landscape today. Flatter institutions that take advantage of the internet-based technological advances in delivery of ancillary services should be in our future. Regulatory regimes, nestled in the large bureaucracies that govern our current large universities, should be replaced by a focus on outcomes achieved in student learning progress, including the minimum proficiency levels achieved by students before they graduate. Finally, the public good education may or may not be provided by the non-profit institutions, known so well, or new for-profit online colleges that are taking advantage of the new ways to be effective and efficient from new internet-based services becoming available, with the caveat that student learning outcomes of undergraduate education in both private for-profit and non-profit colleges should be assessed.

A focus on undergraduate education itself is important for two reasons, and, prospectively, a third one. First, the BA degree has replaced the high-school diploma as the minimum employment requirement for many jobs, including virtually all technical job opportunities. Secondly, without clear goals about the skill levels required of college graduates, how can teachers, students, and parents at earlier points in the K-16 system focus their attention on the right skills to learn? Finally, there is increasing evidence that to only focus on quantitative indicators such as access, retention, and
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graduation rates related to college is a mistake. Employers, policymakers, and observers of American higher education want to know if the students graduating have the skills they will need to find employment and lead a productive life as citizens.