

The Thomas Willis Lambeth Distinguished Lecture

*How Much
'Higher'
is Higher
Education?*

THE HONORABLE MITCHELL E. DANIELS, JR.
President, Purdue University, and former Governor of Indiana

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It's a bad way to start a speech, but I really shouldn't be here. Since coming to higher education as a raw rookie just seven years ago, I have turned down what seems like a hundred requests to talk about our sector and its future. When asked about things we have done or attempted at Purdue University, I always stress that our approaches are ours alone; we make no claim that they are right for any other institution. Our records show that I have declined at least two kind invitations to come here to North Carolina.

So you're owed an explanation. At the evening's end, those of you who wish you'd gone to a movie instead have Governor Jim Hunt to blame. My respect, reverence really, for him is boundless, and he is one of those people to whom I have always found it nearly impossible to say no. I'll bet some of you know the feeling. So against my better judgment, here we are.

And I must add, if I was going to make an exception to my 'keep it to yourself' policy, this is the place to do so. The excellent record of your university represents a positive exception, as I'd like to think Purdue does, to the problems I'm about to discuss. More on that in a few minutes.

I try to avoid titling speeches, because usually I don't know quite what's coming until I hear myself say it. But this occasion called for a text and therefore a title, so I plagiarized one from George Will, who ended a scathing column on today's higher ed with the question "Higher than what?" The essay joined bookshelves of recent criticism of a sector that until recently had seemed sacrosanct and immune to rebuke, asking a host of tough new questions: Are too many young people going to college? Are they learning anything useful or meaningful while there? How can one tell who the best talents are when it seems everyone gets straight-As? Are students being taught to think for themselves or told what to think? And underneath it all, why does it cost so darned much?

It's probably useful to start by reminding ourselves what we are and are not talking about today. Consider the question, "What percentage of today's postsecondary

students graduated from high school and within one year entered a four-year, residential college or university?" Odds are, you're way too high: the answer is about 20%. Addressing America's looming talent challenge in a knowledge economy is really more about better community colleges, vocational training, and adult remediation than about improvements at the schools most of you attended.

But what happens on the traditional campuses like yours and ours still matters, maybe more than ever. Because this is where the career readiness, social attitudes, and fitness for citizenship in a free society either are or aren't developed in the stratum of talent destined to drive our economy and lead our institutions. The news isn't good. Our higher ed institutions, which we need to be the world's finest, are seriously challenged by threats both external and internal, which in turn threatens our nation's prosperity and, even more important, our civic life as a free and self-governing people.

The U.S. may have slipped in some dimensions of international influence and competitiveness, but at least until recently no one quarreled with the notion that we lead the world in the quality of our higher educational institutions. Globally, families who can do so send their children here to study, some one million of them this past academic year. Think of it as a \$40 billion export industry. This has come in the face of a run-up in price that after years of observation still astonishes.

If we had set out to design a system certain to cost too much, it would look a lot like the one we've wound up with in higher ed. We're selling a product deemed a necessity: "you just can't make it in life without that diploma." No one has devised a method of determining quality, so accountability for results is near zero. Our market is lavishly subsidized by government, desensitizing our purchasers to price increases. In fact, it's better than that: we have complete pricing power. You can raise prices at will and not lose customers. In the absence of any objective measurements of what kids are learning, buyers have associated sticker price with quality: If it costs more, it must be better.

The outcome, if predictable, has been extreme in degree. The only three consumption items in the entire economy that have risen in price faster than health care are college tuitions, college fees, and college textbooks. And we all know how student debt has exploded to meet these charges, almost tripling over the last decade, to a total exceeding one and a half trillion dollars, far outstripping credit card and every other form of borrowing except home mortgages. This has a documented negative impact on rates of household formation, childbearing, income independence, housing, business startups, and more.

There are multiple analyses of what caused this escalation. The party line on the public school side is “The state made us do it.” It’s true that the share of university budgets funded by state governments has fallen by almost half over the last few decades. It is now below 10% at places like Colorado and Pennsylvania. But I sat for eight years on the other side of that table. Given the rate of spending increases at most such schools, it would have been impossible for a prudent state government to keep up. And, even if persuasive, this excuse would not explain the escalation on the private school front, up 110% after inflation the last twenty years.

There is the Baumol-Bowen theory of service productivity, which holds that in certain service occupations, productivity increases cannot keep pace with those in other sectors, but to remain competitive for talent, salaries must do so. Centuries later, it still takes four musicians to play a Beethoven quartet. Fine, but it’s not clear that, in a wired age, we should still need as many professors per student as we once did.

A more persuasive case was made by Bill Bennett, who hypothesized as early as the 1980s that the flood of government grants and loans would be pocketed by the higher ed sector in steadily higher prices, leaving the student no better off (in fact, worse). Experience, and a parade of studies, have confirmed Bennett’s conjecture. In 2015 the New York Fed found that, for every dollar of additional student aid, college costs rise at least 60 cents. It’s one of many reasons that notions of so-called “free” – I trust you can hear the quotation marks – college tuition are nonsense. As P.J. O’Rourke said of health care, “If you think it’s expensive now, just wait ‘til it’s free.”

Each of these explanations has validity, but as usual a quick cut with Occam’s Razor produces the clearest answer: Schools raise the price because they can. And because at least some parents accept a stratospheric sticker price as a proxy for excellence. And it has allowed schools enormous margins with which to dress up their class demographics, through hidden cross-subsidies and backdoor discounting. Generous, ego-flattering scholarships, many of them to wealthy students, this year reached 50% of the surface price.

A friend of mine attended a symposium at which one speaker was the president of a small, very pricey Eastern college. An astute member of the audience posed a question all such officials should be asked annually: “How many of this year’s freshmen paid the full tuition?” The speaker hemmed and hawed before answering “Uh, one.” It so happened that my friend had a niece in that class. He went out to the hallway and called his sister to ask what percentage of the stated price she was paying. When she said, “All of it.” and he told her what he’d just learned, her reply was justifiably unprintable. As poker players say, if you can’t tell who the sucker is, it’s you.

At Purdue, we have opted for a different approach. During my first month on campus, I suggested that we call a one-year timeout from the yearly tuition hike. There had been one for 36 straight years, a pattern more common than not across the sector. I argued that particularly for a land grant school like ours, created by Abe Lincoln and his allies to throw open the doors of higher education beyond the wealthy and the elite, it would be appropriate to signal that we were listening to the growing concern about cost. I said to my new colleagues, “Rather than demand that our students’ families adapt their budgets to our spending, why don’t we try adapting our spending to their budgets?”

Well, there were those who warned that we’d never make ends meet, we’d have to turn out the lights, the usual bureaucratic response to any proposed economy. I knew better than to listen to that. But the more interesting reaction came from the enrollment staff, who said “If we stand pat while all our competitors go up, people will think there’s something wrong with our product.” Yes, really.

Six years later, we still have not raised tuition, and we have pledged to extend the freeze through at least an eighth year. By then six classes will have entered and graduated from Purdue without ever seeing a tuition increase. In fact, because we have also reduced the cost of room, board, and books, it will be less expensive in nominal dollars to attend our university in 2021 than it was in 2013. Incidentally, total student debt is down 33%, mainly because of the tens of additional millions we didn't charge them.

And the customer reaction? It turns out a reputation for affordability sells. Applications surged to a record 55,000 this past year, up from 31,000 in 2013. Each spring, those same enrollment people welcome an early announcement of the freeze extension, because it has proven to boost acceptance decisions. Our Fall 2018 and Fall 2019 classes were the two largest ever. Despite their size, each arrived with a record academic profile.

But no other school I know of has chosen quite the same path. There has been some deceleration of tuition growth, and in a few places, as here in North Carolina, state governments have mandated some restraint. But prices overall have continued their upward climb, up about 3% per year above inflation over the last decade. A new trend is to take moderate tuition increases while adding so-called fees for athletics or various student activities. All this leaves many institutions as classic candidates for the disruption to which businesses in the real world of the economy have long been accustomed.

It's easy to see the potential disrupters of a sector as insulated and complacent as today's higher ed. No business is more easily disintermediated in our wired age than one that sells information. Ask newspapers, record companies, or big-box bookstores. Predictably, a host of new entrants has arisen, offering to deliver the information we call education in far less expensive ways.

I tell my co-workers that our biggest assignment is to pass the pajamas test. Some very smart people, backed by some very big money, are telling our potential students, "Whaddya wanna do that for? Move somewhere, spend four or five years and a ton

of money? I'll bring the best professors in the world right into your living room: Just sit there on your couch in your pajamas and take it all in." I always say that the stay-awake issue for a person in my job is, how are we going to add value so clear and unquestionable that, twenty years from now, bright young people will continue to make the decision to get off that couch?

Some scholars in the field of economic dynamism assert that an incumbent business is simply incapable of transforming itself sufficiently to ward off a genuine disrupter. The danger rises with the incumbent's level of dominance; it's hard to believe that what has worked well over time won't keep on working. "Surely those foreign economy cars, or digital photography, or Internet book sales, are just fads. Just wait 'til those customers discover all the shortcomings, they'll be back."

Higher ed's ability to respond to its looming disruptive challenges is hampered by its antique, ponderous decision processes. General Motors or Eastman Kodak were gazelles of nimbleness compared to today's university. Process is sacred, committees are rampant, action when it happens at all is tediously slow.

Shortly after assuming my duties, I was in a meeting including several of our faculty when a genuinely good idea surfaced. "Terrific," I said. "Let's do it. How long will that take?" The group went into a huddle and said "Six or eight months." "Six or eight months?!" I said. "I was thinking next Thursday." Suddenly an old joke leaped to mind: A turtle is mugged by a gang of marauding snails, and when the cop comes and asks "Who did this to you?" the turtle says "I don't know, officer, it all happened so fast!" I told my new friends, we have a frame of reference problem here. What you think is fast and the world calls fast are two different things.

The chances of establishment higher education responding in time to its new challenges are further reduced by the thick layer of self-righteousness that pervades so much of its leadership. "That'll never happen" is reinforced by, "How dare they?" Roll all these factors together and you have a classic portrait of a sitting duck.

Most of the attention in terms of threats to traditional higher ed has been captured by tech-savvy, online upstarts. But a different menace may cause even greater trouble, and sooner. That is the growing awareness among employers that many college diplomas tell very little about the bearer's readiness for either work or life.

Widely publicized research has found that today's college students demonstrate little or no growth in critical thinking skills between their freshman and senior years. In one major study, 36% of students demonstrated no intellectual growth after four years of college. Employers increasingly report that new hires show up with credentials from well-regarded universities but without basic skills or work habits. Companies have learned that the diploma may be a proxy for the intelligence to get admitted to college in the first place, but that it often proves nothing about a student's degree of growth while there.

High grades are equally deceptive. The phenomenon called grade inflation has debauched the currency of a high GPA. The average grade at Florida is 3.35; at Middlebury 3.53; at Brown 3.64. One wonders, how bad do you have to be to get a B?

A startling 43% of recent college graduates are now in jobs that do not require a college degree. And that is when they have found work at all. You will have heard that a record percentage of recent graduates are back living with their families. When I tell parents of prospective students, "If you send your child to Purdue, I promise you he won't move back in the basement," it's my most popular and probably persuasive line.

Meanwhile, other paths to family-supporting incomes are increasingly apparent. Twenty-eight percent of two-year associate degrees lead to starting salaries higher than the median 4-year liberal arts grad's. Certificates in fields like emergency medical technician, auto mechanics, and computer specialist recover their cost twice as quickly as 4-year degrees in psychology or women's studies.

So, the single greatest disruption to which the system is exposed is that large businesses and business sectors will decide to seek out or devise their own alternative credentialing or qualification processes. Today's CPA, CFA, and bar exams could soon be joined by a host of others as the gating mechanisms for various occupations.

Already, some units of Ernst and Young blind their recruiters to applicants' college history, using an on-line test instead. Apple, Google, IBM and Penguin Random House now largely consider college degrees optional.

Amazon is quietly recruiting high-profile academics to "scale and innovate workplace learning." What happens when other companies begin accepting Amazon credentials as qualifications? If the time comes when young Americans conclude that quality careers no longer require the time and expense of college, our institutions may shrink to quaint finishing schools where the children of the most privileged go to extend their adolescence. Or to become, as someone recently put it, "the debutante cotillions of the 21st Century."

Reviewing this array of threats – a smug, complacent incumbent industry with little inclination or ability to reform itself; a product of questionable and seemingly declining quality; prices that have soared beyond the bounds of reasonableness; ingenious new technologies that promise better for less; innovative business models unencumbered by the ossified practices of a millennium-old establishment – it is tempting to conclude, as many have, that higher ed is on borrowed time: that a shakeout of massive proportions is in the offing.

One prominent analyst is estimating that as many as half of today's colleges will be bankrupt and defunct within fifteen years. Others, such as Moody's, predict that the closure rate of small schools will triple. The two lead articles in the *Chronicle of Higher Education* two weeks ago were titled "Enrollment Shortfalls Spread" and "The Great Enrollment Crash."

Though one should never doubt the power or the swiftness with which creative destruction can visit its effects on its victims, I think these forecasts are only directionally correct. A wave of closings and consolidations is likely and indeed has already begun. All to the good. Nothing concentrates the mind like a hanging, and the pressure of competition may be the only impetus sufficient to jar most institutions into motion and toward a concern for delivering value.

The inertia in the system, plus the luxury a rich society enjoys to subsidize inefficiency, I am guessing will enable most of today's universities to survive and lumber on indefinitely. That leaves the question: Do they deserve to? Because all the external challenges are matched by internal failings that call into question the self-justifications and the claims of higher ed to a place of honor among our nation's institutions.

A standard academy response to criticism is that college is not vocational school. That it is not about the acquisition of skills, which will have limited shelf life in today's world, but about how to think critically, and "learning how to learn." Additionally, we are told, our universities are there to prepare citizens for leadership in a free society.

Leave aside that some 85% of applicants say that getting a good job is their primary motive for going to college, and accept the validity of these defenses. It is hard for the apologists to assert that their promises are being delivered on.

We have already dealt with the scarcity of evidence that critical thinking and intellectual growth are occurring at many of our schools. How about citizenship, and the ability to evaluate and compare judgments on the important public questions which a free people must contemplate and decide?

In study after study, young people (and, by now, those not so young) cannot answer the simplest questions about our system of government. On a truly basic civics test, asking stumpers like "Who has the power to declare war?" and "Name a right guaranteed by the First Amendment," college grads average 54%. Ivy Leaguers scored a whopping 64%. At many schools, freshmen did better than seniors; researchers call this "negative learning."

At Purdue we gave entering freshmen a simple exam on American history and civics, with results only a little better than these national figures. Our faculty Senate is now working with us to devise a graduation requirement that each student demonstrate at least a basic knowledge of our free institutions.

On most campuses, so-called "diversity" reigns as the supreme, cardinal virtue, except for the form that should matter most, diversity of thought. At one prestigious Eastern university, a friend recounts that, when he asked the history department chairman if he had any conservatives in his faculty, the answer was "Have any? We don't know any." Perhaps politeness should preclude my mentioning it, but a recent examination of 1300 faculty on this campus could uncover only 49 Republicans. Seventeen entire departments, including public policy, had zero.

A life-tenured, self-perpetuating guild, selecting its own successors through two or three generations now, guarantees, many believe, that no return to balance can be expected. In the places where the free exchange and collision of ideas should be most prized and prevalent, too often an enforced, dreary conformity has descended. Students – not often at Purdue, I should mention – report the need to regurgitate an ideological catechism to satisfy their professors and sometimes to avoid academic punishment.

In a recent national survey of self-described conservative or Republican-leaning students, more than 70% reported that they refrain from expressing their views for fear of hurting their grades. Verbatim responses used words like "yelled at", "crucified", and "get myself killed." One respondent wrote "I'm a conservative, but my essays are very liberal."

A monotonously one-sided view of the world deprives students of the chance to hear and consider alternatives, and to weigh them for themselves in the process we call "critical thinking". But something even larger is at stake. The entire enterprise of knowledge advancement depends on the clash of competing ideas.

John Stuart Mill wrote "Both teachers and learners go to sleep at their posts as soon as there is no enemy in the field." Former Stanford Provost John Etchemendy has written that intellectual homogeneity, and its frequent enforcement through personal attacks on dissenters, mark "the death knell of inquiry." Princeton's Keith Whittington states it bluntly: "Ignorance flourishes where free inquiry is impeded."

Worse still, students are being encouraged to see the silencing of disapproved viewpoints as legitimate. Many are seizing the opportunity to do the silencing themselves. A recent Knight Foundation study found that 51% say it is always or sometimes acceptable to shout down speakers, and 41% said “hate speech” should not be protected by the First Amendment.

Each recent school year has brought its ration of little outrages. Dangerous radicals like Condi Rice, Christine LaGarde, and George Will disinvited from campuses. Michael Bloomberg, Israeli Ambassador Michael Oren, and NYPD Commissioner Ray Kelly shouted down when they do show up. Presidents’ offices and other campus spaces “occupied” and defaced. A startup company called “Crowds on Demand” now offers to organize protests for profit.

On a matter this fundamental, there really is no room for equivocation, or as was once “demanded” of me by a student, “negotiation.” At our institution, we believe it is the duty of university leadership to show great respect, but not deference, for the opinions of the young people who, after all, are paying us a lot of money because there is so much they don’t know.

If universities are willing to disgrace and embarrass themselves by permitting or even encouraging trespasses of basic American freedoms, that’s their problem. But if they are spawning a generation of little authoritarians, drilled in one ideological philosophy and socialized to trample on the freedom of those who disagree, that’s everybody’s problem. This pattern has led some observers to decide that the situation is beyond repair, and to root for the disrupters to take down the whole structure.

Let’s earnestly hope not. With all its flaws, our complex of higher ed institutions remains the world’s finest, and we need it to be. And there are some positive signs. Serious incidents of speaker harassment and disinvitations began to decline in 2017, although one cannot know how much of the improvement is the result of hosts avoiding potentially challenging speakers in the first place.

Maybe one reason the fever has abated is that assaults on free expression have now begun to affect not just outside speakers and administrators but faculty in

their classrooms. One professor, writing in summer 2018 in an avowedly left-wing publication, said “I’m a liberal, and my liberal students terrify me.” A *Lord of the Flies* environment no longer seems so amusing when it’s you at the stake.

In 2015, the University of Chicago promulgated a statement reaffirming its commitment to free inquiry and free expression. It contains provisions like “... debate or deliberation may not be suppressed because the ideas put forth are thought by some or even by most members of the University community to be offensive, unwise, immoral, or wrong-headed.” Our trustees promptly adopted it verbatim. Congratulations to your university for doing likewise. The spread of what we call the Chicago Principles, especially by widely admired schools like UNC, can do much to generate a movement back toward a climate of genuine intellectual openness.

Essentially defensive actions like tuition restraint and reaffirmation of basic principles are necessary down payments but hardly a sufficient response to the legitimate concerns now swirling around our sector. A restless and dissatisfied marketplace will expect new options, and genuine innovation, if it is to extend higher ed’s tenure as society’s economic gatekeeper.

For us at Purdue, this has meant experiments like starting our own inner city high schools, to build our own pipeline of lower-income and minority students; measuring and reporting the intellectual growth of our students during their time at our institution; creating 3-year versus 4-year pathways to a large majority of our degrees, along with other changes to enable faster progress to graduation; making Income Share Agreements available as an alternative to student debt; launching on-line education aimed at adult learners who missed their first opportunity to achieve a college diploma; converting the historic four-year experience into “Purdue for Life” by offering continuing education, professional networking, and other services to Boilermakers in their adult lives; certifying that our students have demonstrated a basic understanding of civics and American history before they graduate; and so on.

I prescribe exactly zero of these ideas for your outstanding school. Your history and current stellar record shows that UNC will continue to lead and to innovate in ways that fit your own mission, culture, and student clientele. It was a delightful non-surprise earlier this month to find UNC, once again, ranked by the Wall Street Journal among the top handful of public universities for overall quality and even higher for value. Purdue was there, too, proud to be grouped with a place so exemplary as this. Our mutual challenge is to actualize our new ideas swiftly enough to maintain the confidence, and the patronage, of the students on whom our future depends.

For reasons I've talked about here, moving vigorously and rapidly enough will probably be even harder in our context than it was at Eastman Kodak, Borders Books, or Newsweek magazine. My neuroscientist colleagues at Eli Lilly and Company knew, to my knowledge, only one joke, but I liked it. They asked, "How many psychiatrists does it take to change a light bulb?" to which the answer was "Just one. But the bulb has to really want to change." Therein lies the question in front of us, and all our sister institutions, in what remains the finest higher education network in the world.

I've probably painted too grim a picture in some respects, and obviously I've not taken time to praise all the remarkable teaching and research that happens to some degree on almost every American campus. But the national importance of primacy in this realm mandates urgency. As a society we must resolve that higher ed won't cut it; only the highest ed will do. Your great university is in so many ways showing the way forward. May you "go forth and multiply."

Mitchell E. Daniels, Jr.



Mitch Daniels has had a distinguished career both in public service and in the private sector. Currently the president of Purdue University, he was twice elected governor of Indiana, and previously served as director of the U.S. Office of Management and Budget. Prior to his public service career he held appointments as CEO of the Hudson Institute and president of North American pharmaceutical operations for Eli Lilly & Company. As governor he introduced a series of innovative reforms aimed at improving the performance of state government and fostering Indiana's economic development, including major initiatives in health care, education, infrastructure investment, and budget and tax reform. At Purdue he has launched a series of initiatives called Purdue Moves that address some of the greatest challenges facing higher education today: affordability and accessibility, transformative education, world-changing research, and STEM (science, technology, engineering, and mathematics) leadership. He is the recipient of multiple awards for good governance, and a frequent contributing columnist to the *Washington Post*.

Thomas Willis Lambeth



The Lambeth Distinguished Lecture honors Thomas Willis Lambeth, who led the Z. Smith Reynolds Foundation as its executive director for more than two decades until his retirement in 2000. Born in Clayton, North Carolina, Lambeth graduated from the University of North Carolina in 1957 with a bachelor's degree in history, and served as Administrative Assistant to Governor Terry Sanford and to U.S. Representative Richardson Preyer before being named to lead the Foundation

in 1978. Described by one journalist as “the state’s do-gooder-in-chief,” Lambeth throughout his career has exemplified the qualities of personal integrity, a passionate devotion to education, democracy, and civic engagement, and wholehearted pursuit of the ideals of the public good and of progressive and innovative ways of achieving it.

During his tenure, the Reynolds Foundation awarded grants totaling more than \$260 million to address many of North Carolina’s most pressing public policy issues, particularly social justice and equity, governance and civic engagement, community-building and economic development, education, and protection of the state’s natural environment. Tom Lambeth also has made a strong personal impact on many key public policy issues in North Carolina and nationally, including leadership of the Public School Forum of North Carolina, Leadership North Carolina, the North Carolina Rural Center, and a task force of the national Institute of Medicine on the problems of people who lack medical insurance. He also has been a national leader in improving the management and effectiveness of family philanthropic foundations themselves.

The Thomas Willis Lambeth Distinguished Lecture in Public Policy

The Lambeth Distinguished Lecture was established in 2006 at the University of North Carolina at Chapel Hill by the generous gift of an anonymous donor. Presented annually, its purpose is to bring the UNC campus distinguished speakers who are practitioners or scholars of public policy, particularly those whose work touches on the fields of education, ethics, democratic institutions, and civic engagement. The Lambeth Lectureship Committee, composed of faculty, students and distinguished individuals engaged in public policy, provide overall leadership in collaboration with UNC Public Policy, College of Arts & Sciences.

