

1996

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Recommended Citation

Singh, Hari (1996) "Trends in Higher Education: Crisis or Opportunity?," *Grand Valley Review*: Vol. 15: Iss. 1, Article 7.
Available at: <http://scholarworks.gvsu.edu/gvr/vol15/iss1/7>

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Trends in Higher Education: Crisis or Opportunity?

Hari Singh

Adrian Tinsley's article raises a wide range of issues related to higher education. The Academic Leadership Roundtable participants discussed these issues from different vantage points.

A long time ago, a wise old man explained something I have found to be quite profound. If you take any complex issue which society has been struggling with for some time, the surface of it generally has strong political overtones. Scratch the issue a little bit and you will find significant economic imperatives impinging on the problem. Delve more deeply into the phenomenon and you will find that the core of the issue is influenced by sociological factors: historical antecedents, psychological biases, and family structure all intertwine in a Gordian knot. Education is an issue which fits this mold of a triple-decker sandwich: economic imperatives of education are wedged between the political and sociological dimensions. We should recognize that education is a complex product with many different aspects. Having said that, let me tweak some of the issues from an economist's point of view.

Adrian Tinsley poses two basic questions, questions that she is often asked. Why is education important and who should pay for it? Economists have often calculated the economic returns to higher education for an individual because of higher productivity and wages. A reasonable estimate of the individual (or private) return on a bachelor's degree is a ten percent increase in lifetime earnings, although estimates vary significantly depending upon initial assumptions and methodology. Consequently, education is important because it improves our earning capacity and standard of living. The public policy implication is that we should continue to make loans available to those who lack the means to support their education, simply because they will be able to pay back the loan many times over. Education, therefore, is a good economic investment.

Who should pay for it? Here we have to look not at the individual, but the social rate of return from education. There are indirect benefits to education that accrue to the individual, his or her family and society at large: better health, higher savings, less crime, improvements in raising children, easier job replacements, more charitable contributions and greater social cohesion. These indirect benefits to education have been documented quite extensively.¹ In fact, Haveman and Wolfe point out that a conservative dollar estimate of these indirect benefits will probably double the private return to education (In 1984 they estimated the value of the

¹ For a citation of studies on the indirect benefits of education, see "Schooling and Economic Well-being: The role of non-market effects," Robert Haveman and Barbara Wolfe, *The Journal of Human Resources*, XIX, 3, 1984, pp. 377-405.

indirect benefits to be \$4500 - \$5000 a year). In terms of public policy, this would imply that public funds should pick up at least fifty percent of the cost of education because of the indirect benefits that accrue to society. It is interesting to note that, presently, the state's contribution amounts to approximately 50% of the total cost of education at Grand Valley.

In terms of the long term trends in education, economic pressures are building. In general, the cost of education has been rising at a rate higher than inflation, and the ability of the middle class to pay for it has been increasingly compromised. This cannot go on forever: something has to give. On the demand side, the increasing cost of education is making it more and more inaccessible for the middle class. On the supply side, there is bound to be more consolidation of higher education institutions to reduce projected cost. At this point it is not clear what shape this consolidation will take. However, I will go out on a limb and speculate on the nature of things to come:

- (1) Liberal arts education is a great way to broaden one's horizon, encourage critical thinking, and provide a foundation for professional careers. However, the emphasis in education is shifting to the provision of the direct practical skills required for the market place. Liberal arts education will continue to be a critical building block for some proportion of students, but an increasingly persuasive case will be made about the need to transit a higher proportion of high school graduates directly into vocational skill training.² Cost constraints and market demand will fuel this trend towards direct vocational training.
- (2) The technological changes underway in the delivery of education are governed by two major factors: lowering costs and increasing accessibility. I think, right now, the expectations about what can be done with this technology are overtly optimistic. In the long run, there will be a "sorting out" of what can be accomplished by distance learning versus on-site teaching and training. Certain things need not be re-invented on site every semester and can be piped in from, perhaps, the best universities. Each discipline's constraints and teaching environment will influence this sorting-out process. One fallout of this type of consolidation may be the requirement for fewer full-time faculty, once the overlaps between what can be piped in and what has to be done at the site are reduced.
- (3) Although a strong case can be made about subsidizing education by public tax dollars, the private sector will play an increasingly important role, both as a substitute for and as a complement to public education. This development is part of a larger trend towards privatization and efficiency. The contributions of the private sector can cover a wide array of activities: provision of practical on-site training, more research and development efforts tied to patent rights, feedback

² In other words, we will move closer to the German and Japanese models of education, in which practical training is interfaced by wide ranging cooperation with the private sector for a larger proportion of high school students.

about new curriculum changes, and more educational activities conducted by the private sector itself.

- (4) Taking cues from the private sector, universities will be under pressure to revamp their decision-making structures so that they will be more responsive to the dynamic environment. A conservative attitude to changes in curricula may be warranted, but changes need to be made in a timely fashion.

I know that thinking about these changes makes us uncomfortable, and some of them may play out in a different way. Perhaps, only the “good” things will happen, and my worst fears will not be realized. One luxury we do not have is to ignore the new trends and hope they will go away. If we reflect on these issues candidly and engage in constructive dialogues with those outside the education community, we can not only be prepared for the changes, but can have the opportunity to influence the nature of change to some degree.