

## UNDERSTANDING HIGHER EDUCATION FINANCE

### INTERVIEW WITH D. BRUCE JOHNSTONE DIRECTOR, THE INTERNATIONAL COMPARATIVE HIGHER EDUCATION AND FINANCE PROJECT

As part of a project on higher education finance supported by the Bill and Melinda Gates Foundation, Nate Johnson interviewed a number of experts and leaders to gather different perspectives on how major budget choices are made. The interviews have been condensed for publication so that the key insights are available to anyone who is interested.

This interview with D. Bruce Johnstone, an internationally known expert on higher education finance and governance, addresses shifts from public to private funding of higher education, the uniqueness of undergraduate liberal arts in the U.S., the transformation of privilege and wealth inter-generationally, and income-contingent loans.

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***It's really kind of an interesting path to where you ended up working on really a strong specialty in international higher education finance.***

International comparative higher education finance is largely based on a study of the increase in tuition fees worldwide. Whether one likes it or not, it is happening and that raises all sorts of questions of the ideology and politics behind tuition fees, which is a hot button topic politically, more so elsewhere in the world than the U.S. even, and yet the exigencies of the enormous increase in enrollments worldwide, fueled by the underlying increase in per student costs, has led to a revenue need in higher education that in almost all countries, Norway excepted, simply cannot be met by governments. Countries throughout the world are turning in some fashion or in different fashions to students and parents, and to a much lesser degree to philanthropy.

***Is the United States so different from other countries that there is not much we can learn, or do you think that there are parallels, both in the political system and in the way higher education is set up, that we could learn something from other countries?***

We are distinctive, obviously, because of our size and our wealth, but we are distinctive, in part, because of the absence of any national centralized ownership or control over public higher education, so the states differ quite substantially. We are different because of a long, long history of reliance on private higher education going back, as you probably know, into the eighteenth and nineteenth centuries and certainly twentieth century through World War II, the private was unquestionably dominant, particularly at levels of prestigious universities and colleges.

Another distinctive difference that really sets us apart from Europe and the rest of the OECD countries is the kind of unique differentiation between undergraduate and graduate and advanced professional work, where only in America can a student, to make it more stark, I say can a girl go to an undergraduate

college and still aspire to a medical degree. It is unheard of in Europe, for example. If you want a medical degree, go to a university. This notion of undergraduate liberal arts elite colleges taking much of the cream of high school graduates is unknown elsewhere in the world because of this separation where, if you want the graduate or advanced professional work, you typically apply to a different institution.

These things are all different. Those differences go into matters of governance and financing. We are also distinctive in our use of the volunteer lay governing board and such that the administrative head of a U.S. university or college is generally substantially more powerful, although sometimes more precarious, than the European rector counterpart who is essentially from the faculty and elected by the faculty and will return to the faculty. All these things, again, provide a different kind of administrative budgetary control over higher education in the U.S. compared to most other countries.

***Maybe we have a different mix of public and private benefit than other countries do because of the way we have set up our higher education system that demands a different financial mix than you would get in a place where you had a more direct path from the education to the career.***

It is more costly, there is no question about that, to have the undergraduate liberal arts. It is more indulgent. We believe strongly, I think, maybe idealistically, but we believe that students ought to be able to experiment with different majors. Again, almost unknown in France or Germany or Holland or Sweden, where you go into a program and you stay in the program, graduate from the program. The notion of changing majors is quite unusual and maybe indulgent, but I think that we believe that it is both more equitable in allowing students who are particularly first-generation students that don't necessarily have that lifetime career pipeline in their heads until they start postsecondary education of some kind. It is more equitable, and it also is more fair to the student.

Another thing that is being replicated around the world, modeled much after the American system, is the American community college and what I would call the horizontal transferability of community college credits. Elsewhere in the world, you have short-cycle, more vocationally-oriented degrees, but they don't count for anything. You can't move horizontally, or you couldn't, into a university. You had to start anew if you wanted to start.

If you think what can we learn from other countries, we probably can learn a few things. The fact of the matter is we have not necessarily strategically, but stumbled into, a lot of patterns that seem to be working right now because many more of the OECD countries are looking like us.

***I am curious whether you think we could learn from what other countries are doing, the way that tuition as the primary source of finance for institutions may be driving institutions to try to serve students who can afford to pay, rather than the students who most need or could benefit from the education.***

I think that yes, there is no question about that, and that it is a revenue source. One of the dominant factors of higher education worldwide is, in most countries, surging enrollments, which are a function both of underlying demographics, the expansion of the college-age cohort, and then further driven, accelerated by the expansion of participation rates.

***Florida is still relatively low-cost, but the University of Florida, the flagship here, is also extremely hard to get into. If you get in, you can get a pretty highly subsidized education, or if you are from Florida and you don't get in there, if you can afford it, you can meet slightly lower standards and send your kid to UCLA, but that is not available to people who can't afford to send their children to California.***

You have certainly put your finger on the enormous equity problem, that accessibility.

That is the fact that by age 17 or 18 or even 16 or 17, the college/university preparedness, meaning both the amount that you know, but additionally the learning skills that you have and the incentives, are pretty well-set. It is awfully difficult to take a 17-year-old from a rural or poor family, and put them in a university, and have them succeed other than the very, very, very bright. Yes. This is happening worldwide.

This transformation of privilege and wealth inter-generationally is something that is pervasive everywhere, maybe especially in the more aggressive capitalistic countries, certainly US, England, to a less degree, but to a substantial degree, I think also Canada, France, Germany, elsewhere.

How can we counter it? Is higher education any good at somehow coping or equalizing incomes when the product that they begin with is already 17 or 18 years old, and it is arguably simply too late. That's giving up. I don't mean to give up, but the fact of the matter is I believe higher education, in its natural state, makes its students more different than more equal.

***Do you see other countries using their higher education systems to either remediate problems of their lower grades, their secondary education, or provide more equal access to opportunity than we may in the U.S.?***

I really don't. I have been retired for a number of years, and I haven't been traveling as much, and I may be missing something. My sense is that the United States probably does, and I hate to say this, but a better job at this, this problem of how do you take students that lack that culture of knowledge and learning and attempting to ameliorate it. I think we need to do a whole lot better.

There is an awful lot of talk, as I'm sure you are aware, of what is wrong with remedial education. It isn't working. I don't think you have that kind of dialogue.

***The last thing I wanted to talk about was your first book was on income-contingent loans. I am curious what you think about the system of income-based repayment that we have created.***

Income contingency, as a way of relieving the unmanageability of debt for some students, is a very good idea, and that's, I think, what we have, an income-based repayment schemes. It only becomes income-contingent if your income is relatively low. Otherwise, it can be a regular conventional loan until that loan exceeds a certain percentage of your income, which triggers the income contingency. That makes sense. In fact, I have been proposing that for 30 years.

Private university presidents still cry out for income-contingent loans coupled with great increases in public higher education tuition fees, but that is a different thing. That is strictly to reduce the price disadvantage of the private sector.

Although what people are saying, and I've said and most analysts, I think, have probably said, it is probably better to base subsidies on the actual low-level earnings of the student than to base large subsidies on the low incomes of their parents.

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