Commodification of Higher Education through Changing Policy in the United States

Christopher Dahl, Lana Delasanta, Marissa Hedman, Thomas Hendrickson Jr., Sita Nyame, Matthew Przybysz

University of Connecticut

ANTH 3210

Due: December 8, 2017

Commodification of Higher Education through Changing Policy in the United States

Introduction

Throughout its history, the United States government has enacted a series of policy changes that have fundamentally changed the higher education system in the country. This became especially apparent beginning in the 1970s, when changes to policy created a system of loans that allowed more students to access higher education than ever before. As more students enrolled, the cost of college tuition began to rise, and started to outpace the interest rate. It was thought that the new government programs would cover the difference in cost. However, in the 1980s, funding for those programs began to plateau, while the cost continued to rise, forcing students to take out private loans at a higher interest rate to make up for the cost of their education (Bennett, 1987). Today, student loan debt in the United States has surpassed $1 trillion, and there is no indication that the situation will improve anytime soon.

As enrollment increases, demands accompany a larger student population – increased funding, more programs, better food, larger dorms, and more (Trow, 2007). Colleges have to grow at a rapid pace to appeal to students and continue to expand and thrive while also staying competitive. In an effort to meet demands, colleges inadvertently hurt the very people they were trying to recruit. While these universities had a great deal of amenities, it comes at the expense of the students; many of whom would have a difficult time paying (Trow, 2007).

The students certainly do not benefit from higher tuition and more student debt, but other people do. As the cost of college is rising, so are the salaries of university administrators. For example, Robert Brown, the president of Boston University, earned an annual salary of $1,218,869 in 2014 (Guerra, 2016). The salaries for public university administrators are equally

staggering. The highest-paid public university president in 2014 was Rodney Erickson from Pennsylvania State University, who earned $1,494,603 that year (Fox, 2015). UConn's own president, Susan Herbst, is slated to earn $831,070 in 2019 (Rabe Thomas, 2016).

It is not just university administrators who benefit from the rising costs of a college education. To attract and retain more students, universities frequently create amenities that force the cost of attendance up. For example, they will create new state-of-the-art buildings, or expand on their athletics programming. The people involved with these amenities benefit from them greatly. The head coach of the UConn Women's Basketball team, Geno Auriemma, will earn a salary of $2.4 million in the 2017-2018 season. His contract also stipulates that he is eligible to earn a variety of bonuses based on the success of the program (Associated Press, 2013). In fact, he is the highest paid government employee in the state of Connecticut (Connecticut Office of the State Comptroller, 2016). It is evident that those benefitting from high tuition rates are not the students.

In this paper, we will argue that the increasing commodification of public higher education has had three main implications – legislation has been changed, institutions raised costs of attendance, and ultimately the socioeconomic demographic of higher education has been transformed. We will first present historical background on the public higher education system in the United States and the federal legislation that has been enacted and fundamentally changed the system. Next, we will argue that the increased availability of government money that was offered through government legislation indirectly led institutions to increase their costs. Finally, we will present our analysis of the implications of the commodification of higher education on the amenities provided to students by colleges, how the structure of the collegiate system changed to

resemble corporations, and lastly, how the socioeconomic demographics of who attends college have changed.

Historical Background

Student loans date back to Western Medieval Universities. In the western medieval universities, financial aid was either church-paid, student-paid, and crown or state paid. During this time period, students hired professors for their services – a professor only got paid if a student saw the class as worth taking. This system not only ensured professors offered relevant, well-taught, and supportive courses, it led to an institutional economy driven by the proverbial invisible hand of competition (Fuller, 2014).

Students' financial needs also led to a unique system of pooling financial resources. A prime example is a system that was established at the University of Bologna due to an influx of international students. As Bologna became crowded with both international students and local citizens, professors imposed rules aimed at drawing down the number of international students (Long, 1994). Under this system, international students were held responsible for the debts of fellow countrymen. For example, if an English student owed money to a Bolognese citizen but left the country before paying the debt, other English students had to pay the original debt of that one English student. As a result, international students banded together to pool resources from members of the country and keep a loan chest by senior students (Long, 1994). This pool eventually grew to be able to assist students that couldn't afford a full course of study. Here we can recognize the early practice of need-based financial aid to help students achieve their educational goals. However, the way in which a student obtained a scholarship was very different from today's society. For example, in medieval times, scholarships were gifts between wealthy families whereas in today's society scholarships are awarded through competition or

based on merit (Sears, 1922). Aid to poor students also resulted in differentiated services such as lower-cost housing, dining facilities for poor students and higher-cost facilities for wealthy students. Aid also dictated how curriculum and programs were specialized, typically according to socio-economic status (Wilkinson, 2005). Before the American colonies were established, a system of aid to students was well underway in Europe, providing a general pattern for American colonial colleges.

The American system of higher education continued the tradition of sponsorship, charity, and patronage established by European universities. It was not until 1639, with the passing of Charlestown, MA minister John Harvard—who left New College his entire library and half of his wealth, or £780—that New College had sufficient means to hire faculty, erect buildings, and attract students. New College was rechristened as Harvard College in 1639 and Newtown was renamed Cambridge, after the English university John Harvard attended (Fuller 2014). However, when it came to financial support in colonial America, wealthy colonists contributed to the formation of aid for poorer students to pursue an education. Acts such as the Old Field School Laws established an overarching ethos of charity and support of schools as the standard way of life among wealthy colonists (Fuller 2014). This all changed during the Revolutionary War, which caused funds to divert from student to military support. The war influenced student support in by causing colleges to maintain a reasonable price range to attract students and it also discredited hereditary privilege and aristocratic exclusiveness (Fuller, 2014).

In the late 1800’s and throughout the 1900’s, the American government began to take action to help the country gain access to a higher education. Specifically, the Morrill Act of 1866 diversified higher education by providing public lands to states with the intention of forming schools (Williams, 2014). Many of these schools specialized in areas such as agriculture, aquatic

space research, and sustainable energy. In addition, the GI Bill of 1944 provided a plethora of benefits to veterans, including government funded higher education (Williams, 2014). As opportunities to attend college increased, more people attended with the hopes of learning and opening up doors to more career options.

The Higher Education Act of 1965 was a highlight in President Lyndon Johnson's legislative accomplishments and stands out as one of the seminal moments in American higher education. The Higher Education Act cemented the federal government's involvement in higher education and permanently established a philosophy of higher education as an issue of national interest. The Higher Education Act created nine titles outlining the administrative structure for a variety of programs in higher education while requiring institutions accepting Title IV funds through students to adhere to recognized accreditation standards and report data on institutional quality and operations. Title IV of the Higher Education Act of 1965 provided for a guaranteed loan program by backing the loans between student and private lenders with the full faith of the federal government. Under early direct loan programs, students borrowing money were doing so by borrowing U.S. Treasury funds. In contrast, this 1965 act established a guaranteed loan program that carried with it the full promise of the U.S. government to repay private lenders if a student defaulted on their loan (Fuller, 2014).

In 1972, the Educational Opportunity Grant was established to support students who demonstrated financial need to gain access to higher education. This brought about the Guaranteed Student Loan Program, now known as the Stafford Loan, where the government pays interest on loans taken out by students still enrolled in college. The 1972 reauthorization is said to have cemented the "basic charter of today's federal student aid system" with students as the intermediaries of funds between the federal government and institutions (Fuller, 2014). The

1980 reauthorization saw the proposal of a new form of national aid as a part of the Basic Educational Opportunity Grants Program. Unlike federal lending programs, this student-based grant program, ultimately named after Senator Claiborne Pell, did not require repayment and was a substantial investment in the educational futures of low- and middle-income students. In 1980, Pell Grant recipients had to have a total family income of less than $25,000 annually, and nearly 2.7 million students took advantage of this need-based grant program (Fuller, 2014). In 1989, the Stafford Loan Program accounted for 26.8% of all federal loans. However, by 2007, the percentage jumped to 45.5% due to rising costs in tuition and fees throughout the 1980s and 1990s (Fuller, 2014). The Pell Grant and Stafford Loan programs solidified the federal government's role in aid to students, ensuring access to higher education. (Fuller, 2014).

The Power of Academic Capitalism

Despite the legislation and attempts at increasing aid to students, the rise of enrollment rates throughout colleges in the United States created many problems for the student. With the rise in enrollment, colleges sought to attract as many students as possible. As a result, there is increased competition. With more options for students, the average number of students would theoretically shrink at each school; thus, there was an intense effort to attract students. With the rise in attendance, the need for higher education became more apparent (Williams, 2014).

Institutions seek to make themselves as attractive as possible to prospective students as competition among schools increases. This is approached in a variety of ways such as renovating dorms and buildings, investing in departments and adding other resources such as a writing center or transportation system (Williams, 2014). However nice these attractions may seem, they come at a high cost. Typically, the onus of covering costs falls to the student, typically because of the dilution of state budgets (Williams, 2014). Each state has a limited amount of money and

designates a certain amount of aid they will provide to each program at a public university. As more programs are added, each gets less funding as the sparsity of money increases. Therefore, in states that want more programs, funding for education lessens. Financial performance in a state also affects public education – the better the school performs in terms of success rate, the more funding it receives. Because of this, a poor performance means less taxable revenue, which, in turn, means less state funding (Williams, 2014). Essentially, state funding is a fixed cost, which leaves the students to cover the difference. This is the case in public universities that are funded by the government - private universities have other various sources of funding which we will not discuss in this paper.

We see academic capitalism more than ever in the university structure, as the competition of degrees has been rising steadily. With competition rising, universities begin to seem like for profit-organizations. We know this as neoliberalism – a way of reordering social reality, and the transfer of economic factors to the private sector from the public sector (Hanley, 2005). Competition, commercialization, and casualization encourage the fiscal realities of higher education. The internal resources shrink as universities compete for external sources, such as funding. As tuition quickly rises, financial aid tends to match tuition increases, but it has been shifting from grants to loans. In fact, "loan volume has increased by 137% in the last decade" (Hanley, 2005, pp. 73). Costs coincide with commercialization as students are the ones typically paying off loans, unless they have wealthy family members able to take on the burden. Hanley (2005) writes, "Those who benefit most from the broader neo-liberal agenda – corporate sectors, certain fractions of the professional-managerial class – must also benefit from the transformations of academic capitalism" (Hanley, 2005, pp 73).

The consequences from spending money on the seemingly least important aspects of universities lead to the removal of essential faculty members from decision making. Now, the control over research agendas is increasingly external, just as most corporations do the same. No longer are universities looking internally for suggestions to improve their campus academic life, instead they are looking outwards and upwards to those who hold power in the branding of the university. One could argue that universities and corporations have become increasingly similar as the universities seem to have one main goal: profit.

While universities seem to be swimming in profit, especially those making fiscal decision, students face the burden of the necessity of a degree. In America today, a college degree is typically an obligation to climb the labor ladder – especially jobs related to business, science and education. Thus, this is another concern with the rate at which higher education is growing (Trow, 2007). According to Williams (2014), in 1900, just 4% of people pursued higher education and a degree wasn't necessary for most careers. College was considered a tool used only to pursue an interest and become an expert in a field – it wasn't always necessary to be successful, it was simply for those who wanted to enhance their understanding of a particular subject or pursue a very specific career. In contrast, today universities know that students need a degree and don't have much bargaining power (Williams, 2014). The combination of rapid growth, emphasis of a degree and the growing financial burden of students morphs higher education from a helpful opportunity into an inevitable hardship.

Increases in Tuition Mean More Debt for Most

Because of increased competition amongst universities, since 2010 there has been an increase in tuition that has been detrimental to those who cannot afford sticker-price. Between 2005 and 2013, student loan debt increased 13.3% per year (Craig & Raisanen, 2014). In

addition, there is a nonlinear relationship between the income levels of students' families and the debt with which they graduate, with "middle-income students and families being the most heavily burdened by debt" (Craig & Raisanen, 2014, pp. 661).

Students are facing the burden of the rising costs of tuition, which is then accompanied by the level of debt accumulated over their college careers. With these high costs and increasing difficulty to return the money borrowed, students begin wondering if the cost to go to school is worth the upshot, if the return on their investment will result in future employment, or if they will have the ability to pay off their debts (Elliot, 2014). Student loan programs prevents loan-burdened four-year college graduates from receiving equal returns on their education as opposed to their more privileged peers who graduate debt free. This "is not simply because of loan payments, but because of a differential capacity for capital accumulation." (Elliot, 2014, pp. 31) This issue touches upon the differences between low and high-income students and families. The advantage of leaving school debt free or with little debt allows for better-off students to achieve more compared to low-income students burdened by loan debts. This phenomenon enables the students who are well off to reap the benefits of their college degree and make a positive return on their investments, compared to low-income students who will face challenges repaying their loans in the years after graduation.

It is clear that college has also become increasingly less accessible to students over time because of the growing gap between tuition costs and income (Washington & Salmon, 2014). Over the past 30 years, tuition at public universities has increased about 250%, while income has only increased 16% (Washington & Salmon, 2014). In addition, in 2014 alone, tuition increased about 4% for in-state students in the United States. Less funding from the government increases the amount that students and their families have to pay for education. This combined with the

growing divide between income and tuition causes education to become more difficult to pay for. In fact, around two-thirds of dropouts left school to support their families, while 48% could not afford the expense at all (Weissmann, 2012).

Unfortunately, the poorer a person is, the more of an obligation college becomes (Trow, 1976). Those with less income and who are without stable jobs do not have the advantages of social connections or money to support them or their family in advancing their career. Due to the economic and capitalist nature of the American system, they cannot simply *choose* to resist societal change. Because of this, it seems as though college is the only opportunity for upward mobility. Ironically, because one of the best ways to gain traction in a society revolving around capitalism is to gain access to a better job through education, it puts the most disadvantaged students in America in the hardest position to afford it. Because the cost of higher education is no longer as accessible as it once was due to the rising costs, only the well-off can enroll without incurring debt. In fact, in 2010 only about 54% of low-income students enrolled in a two-year or four-year college after graduation as opposed to 82% of high-income students (Elliot, 2014). The gap between those of high-income versus low-income students and families is truly staggering. If only about half of low-income students are entering higher education, they are not truly using education as their tool to economic success and mobility – what the sole purpose of higher education was initially for.

Conclusion

The legislation enacted by the United States government has irreversibly changed the higher education system in America. Laws such as the G.I. Bill, the Higher Education Act of 1965, and the Educational Opportunity Grant program have made higher education more accessible to American citizens. These programs and others like them made it easier for students

to get loan money with low interest rates, which initially made it easier for them to fund their education. The increased demand created by these acts, ironically, is directly responsible for institutions raising the cost of their tuition faster than the interest rates. Now, funding to public universities and federal programs have slowed. The increased financial burden falls to the students, who are forced to take out private loans or make other sacrifices to keep up and fit into the new standard expected by employers.

In many ways, college has branched out from its intended mission around educating the young generation and has transitioned into selling them an expensive lifestyle. How people lived their everyday lives and how they were educated were once separate entities because college was simply meant to supplement knowledge for formal life. Now, college is a normal part of life and higher education is expected for most individuals. Before the GI Bill (1944) and the Morrill Act (1862), college was seen as a luxury. Barring the pursuit of a medical or law degree, higher education was designed to further education. College is now seen as a rite of passage – a transition from adolescence to adulthood. Instead of solely focusing on education, more elements factor in including learning life skills, independence, networking and mental preparation for adulthood. While education is extremely important, college is the point where students are made to distance themselves from home. It can be considered a social milestone where one truly becomes an adult. In addition to social aspects, college is a requirement for most professions and is now necessary to keep pace with peers. The pathway to success runs through higher education and becomes another rite of passage in life. While college is wonderful opportunity to learn, experience and grow as a person, success is much less attainable without it, at least in an increasingly capitalist country. Now, it seems as though the *appeal* for students to attend a university is even more important than the actual education they will receive.

With individuals struggling to pay off loans, it is likely that enrollment will decline (Washington & Salmon, 2014). There are those who argue that a degree is not necessarily required to be successful. While this may be true in some cases, attaining a degree can provide more employment opportunities to a larger population of people. Higher education provides people with an opportunity to strengthen their understanding, learn from brilliant people in a certain field and improve their critical thinking (Washington & Salmon, 2014). While there are other options, college is a strong resource that should be taken advantage of by people from *all* backgrounds. A greater investment must be made in education in order to make it affordable. While there are many important social programs created by government legislation that attempt to aid those who cannot afford the same amenities as their higher-income counterparts, education should not be overlooked. The state and national government must allocate more of the budget to education. By allowing people to learn at an affordable price, more people will have an opportunity to be successful and self-sufficient, contributing to the future of the world as a whole (Washington & Salmon, 2014).

It is clear that the government has played an important role in forcing the increased cost of higher education. Legislation, especially laws created in the late 20th century, have fundamentally changed the university system in the United States. Politicians on both sides of the aisle have proposed solutions to help alleviate the burden of paying for college. Unfortunately, the issue is so complex that there is no clear resolution that all parties can agree on. For the time being, the cost of college will continue to rise, and students will continue to be forced to cover the cost of tuition themselves.

References

Associated Press. (2013, March 27). Geno Auriemma signs new deal. *ESPN*. Retrieved from http://www.espn.com/womens-college-basketball/story/_/id/9105319/geno-auriemma-signs-new-contract-stay-uconn-huskies.

Bennett, W. J. (1987). Our greedy colleges. *New York Times*, *18*, A27.

Connecticut Office of the State Comptroller. (2016). Payroll Summary 2016. *Connecticut Office of the State Comptroller*. Retrieved from http://openpayroll.ct.gov/#!/year/2016.

Craig, J. D., & Raisanen, S.R. (2014). Institutional determinants of American undergraduate student debt. *Journal of Higher Education Policy and Management, 36*(6), 661-673.

Elliott, W. (2014). Student Loans: Are We Getting Our Money's Worth?. *Change: The Magazine of Higher Learning*, *46*(4), 26-33.

Fuller, M. B. (2014). A history of financial aid to students. *Journal of Student Financial Aid*, *44*(1), 4.

Fox, E. J. (2015, June 8). The highest paid public university presidents. *CNN Money*. Retrieved from http://money.cnn.com/2015/06/07/pf/college/highest-paid-public-university-presidents/index.html.

Guerra, C. (2016, December 16). BU's Robert Brown tops college leader pay in region. *Boston Globe*. Retrieved from https://www.bostonglobe.com/metro/2016/12/04/leads-pack-again-terms-total-compensation-for-private-college-presidents/kW2cPUoS5rb4r02TWWDMgP/story.html

Hanley, L. (2005). Academic capitalism in the new university. The Radical Teacher, (73), 3-7.

Rabe Thomas, J. (2016, July 18). UConn President's Compensation 12th Among Flagship Schools. *Hartford Courant.* Retrieved from http://www.courant.com/education/hc-herbst-salary-ranking-20160718-story.html.

Trow, M. A. (1976). *Problems in the transition from elite to mass higher education*. University of California, Institute of International Studies.

Trow, M. (2007). Reflections on the transition from elite to mass to universal access: Forms and phases of higher education in modern societies since WWII. In *International handbook of higher education* (pp. 243-280). Springer Netherlands.

Washington, A. T., & Salmon, B. M. (2014). STICKER SHOCK. Diverse Issues in Higher Education, 38.

Weissmann, J. (2012, March 29). Why Do So Many Americans Drop Out of College? *The Atlantic.* Retrieved from https://www.theatlantic.com/business/archive/2012/03/why-do-so-many-americans-drop-out-of-college/255226/.

Williams, Jeffrey J. (2014). The Remediation of Higher Education and the Harm of Student Debt. Comparative Literature., *66*(1), 43-51.