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Op-Eds

Make Universities Accountable for What Matters

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This opinion editorial was written with Charles Miller, former chairman of the University of Texas System Board of Regents and the Secretary of Education's Commission on the Future of Higher Education. He is currently an investor and portfolio manager in Houston.

It's an article of faith that free markets have given America the greatest higher education system in the world. Unlike K–12 schools, colleges and universities have to compete for students and resources. As a result, the thinking goes, we're blessed with vibrant institutions that operate relatively free of government control and provide a crucial advantage in the global contest for economic supremacy.

Unfortunately, this is wrong on all counts. When it comes to their most important mission—helping students learn—American colleges and universities are badly underperforming and overpriced. That's because they don't operate in anything like a true free market. And the solution to this problem isn't less government involvement, but a stronger role of a different kind.

It's true that most of the world's top universities are American. But they focus on research, not education, and in any case represent only a small fraction of the higher education sector. Results for the whole system are disturbing—barely 60 percent of traditional collegians graduate within six years, and a recent study from the American Institutes of Research found that less than 40 percent of new graduates are "proficient" on a literacy test. Meanwhile, the cost of this lax performance is spiraling without end, with steep annual tuition hikes imposing a growing burden on students and families.

These are not signs of a truly competitive market where innovators can raise capital and challenge tired, entrenched institutions. Higher education has huge barriers to entry, with traditional campuses costing hundreds of millions of dollars to build.

Regulatory barriers, meanwhile, have stymied private support for lower-cost start-ups and innovators. Accreditors, who serve as the gatekeepers to higher education, essentially judge new entrants by their degree of resemblance to established universities, demanding adherence to long-established standards for curricula and faculty credentials while rejecting innovative ideas as unproven before they're even tried.

Markets function well when customers have a wide array of choices, know how much things cost and understand what they're getting in exchange. But consumer choice in higher education is more limited than it seems. Regulatory, cost, and geographic barriers effectively limit most students to a few local institutions, which too often provide the courses professors like to teach, not the courses students want or need.

Higher education pricing, meanwhile, is overly complex, nontransparent, and anticompetitive. Much of the true cost is hidden by myriad overlapping, often contradictory subsidies, aid programs, and tax policies.

Public university prices are tightly controlled by legislative appropriations and tuition caps, while private colleges seem to raise tuition in lockstep every year.

Higher education is also one of the few sectors where the seller requires the buyer to reveal incredibly detailed financial information—in this case, through student aid forms—before deciding how much to charge. And students have no way of knowing whether they'll actually get a good education in return, since colleges collect little information about student learning outcomes and reveal even less.

Concepts like "efficiency" and "productivity" are virtually absent in higher education—indeed, they're often seen as inimical to the academic mission.

All the incentives governing institutional behavior emphasize research over education and spending over efficiency, pushing colleges to simply raise and consume as much money as possible through constant price increases and never-ending fund-raising campaigns. Whether all that money is spent well at a given institution is unknown, since there is no outcomes-based "bottom line" for consumers to judge.

This last flaw—lack of transparency for results—points to the best solution to our dysfunctional higher education market and the proper role of government in collegiate affairs. Lawmakers shouldn't be in the business of telling college educators how to do their jobs. But they should provide consumers with more information about whether college educators are succeeding at their jobs. Publicly traded companies regularly disclose performance information to the public in return for access to capital markets. Yet universities, which are far more in the public sphere than private companies, are asked to do far less in return for public resources.

Greater transparency would create more informed consumers and reduce the need for rigid, process-based accreditation. Colleges would be accountable for what actually matters—student results.

Those outcomes shouldn't be defined in terms of simple tests, of course, but rather a broad array of rich measures that universities—self-proclaimed experts in knowledge creation—are more than able to provide.

Financial aid for college consists of a vast array of confusing and inefficient programs that have accumulated over decades and are in urgent need of a major overhaul by lawmakers. Scarce resources are spent on tax breaks and direct subsidies where they are not needed. Large numbers of students and families are unable to get needed aid and are inequitably denied college access and not afforded the most fundamental economic opportunity our higher education system should provide.

By opening the market to innovation, streamlining finance and increasing transparency for results, lawmakers would give students and taxpayers what they've lacked for too long—colleges and universities that are world-class in truth as well as name.