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Separating Pomp from Circumstance: The Need for New Universities to Revitalize Higher Education

Exordium

For the past 2 years, you have spent your days grinding through schoolwork, eating cafeteria food, and sleeping in rundown old dorms. The summer before your junior year, you prepare for your return to campus, ready to make the most of your college experience. But just weeks before your return, you learn that your college is shutting down. Yet you remain determined to get your degree, transferring to one of the few colleges that will accept your transfer credits. But halfway through your spring semester, you learn that your new school is also shutting down. Do you power through the rest of the semester knowing the challenge of finding yet another college? Or should you even bother? Should you just give up? This is the story of Amanda Cooper, a junior at Notre Dame College facing this difficult decision. Unfortunately, Amanda is among a growing number of students who have been failed by the devolving condition of higher education (Alonso). A system that once guaranteed its students prosperous careers is leaving them in the wind.

Narratio

A century ago a college education was only for the wealthy elite, but after the Great Depression and two world wars, the US government began instituting reform to promote education in America. With the GI Bill of 1944, education for veterans became mainstream,

"enrolling just under 8 million veterans — 10 times the number the authors of the bill had predicted" (C. Sanchez). For years this bill was a success for the American education system, but in 1957 the US faced a new problem—the space race. On October 4th, 1957, the Soviet Union launched Sputnik, the world's first artificial satellite ("Sputnik"). Recognizing the US's dire need for new mathematicians, engineers, and scientists to compete with the Soviet Union, Congress passed the National Defense Education Act of 1958, pushing college enrollments even higher ("National Defense Education Act"). These bills contributed to significant growth in enrollment within higher education. In 1940, 1.5 million students were enrolled in a university; in 1960, there were 3.6 million; by 1970, there were 7.5 million ("Enrollment").

Yet with the rise of higher education, rose the demand for a decision-making aid. In 1983, *U.S. News and World Report* released the first publication of college rankings. The concept was a novel idea, so journalists struggled to select criteria for their ranking system. In the end, they concluded that: "If Harvard, Stanford, Princeton, and Yale came out on top, it would seem to validate their model, replicating the informal models that they and their customers carried in their own heads" (O'Neil 58). Yet they ignored tuition, concerned that if "cheap universities could barge into the excellence hierarchy… The public might receive the *U.S. News* rankings as something less than the word of God" (O'Neil 60). If these arbitrary rankings had never caught on, the higher education system might have gotten away unscathed. Unfortunately, these rankings spread like wildfire and colleges began spending extraordinary sums on amenities and administration to attract the highest-achieving students. (Simile) This system created a massive misalignment of incentives within higher education that is having effects to this day.

As spending in higher education began to ramp up, universities realized that they needed to adjust their budgets to pay for these new costs. It did not take them long to find the solution.

As universities gradually increased their prices, they discovered the Chivas Regal effect—a phenomenon pervasive throughout American culture that causes consumers to associate higher costs with higher quality. Previously the most prestigious universities utilized their large endowments to keep tuition costs low, but following this discovery, they began rapidly increasing their tuition costs, which counterintuitively led to a significant increase in applications (Tavernise and Lieber). Soon higher education institutions across the nation mimicked this behavior to improve their perceptions as "high quality" and pay for their prestige chase. (Tavernise and Lieber). Before long tuition inflation had reached an all-time high. According to the *National Center for Education Statistics*, the average annual cost of attendance in 1980 was around $10,000 (adjusted for inflation); in 2020 that number had almost tripled to around $30,000 (McGurran).

While college tuition costs were inflating rapidly, average income was not. Between 1989 and 2016, tuition increased almost eight times faster than wages (Maldonado). Furthermore, in 1984, public four-year cost of attendance constituted a mere 16.4% of median family income compared to 33.5% in 2011 (Delaney). This rapid inflation did not leave Americans unscathed. According to a survey of more than 14,000 people conducted by *The Princeton Review*: "98% of families said financial aid would be necessary to pay for college and 82% said it was "extremely" or "very" necessary" (Dickler). Having recognized the need for action as early as 1965, Congress passed the Higher Education Act, which authorized federal aid programs like the Pell Grant and student loan subsidies (United States, Congress 1219). However, these programs have been largely unsuccessful. Student debt has risen by almost 800 percent since 1995 (Welding). Understandably the fear of a lifetime of debt has deterred many prospective students. 62% now say that finances are the primary barrier to achieving or pursuing a college degree

(Stewart-Rozema). Facing this significant barrier, the number of college applicants has significantly declined, wreaking havoc for institutions across the country (Kanelos).

In the face of ballooning costs, misaligned incentives, and diminishing academic quality, the higher education industry is in crisis. Institutions are blinded by prestige. Students are drowning in debt. Now is the time for a new solution.

Propositio

To ensure the future quality and accessibility of higher education, Americans must found new universities. The prestige-motivated overspending, widespread financial failure of traditional universities, and forced homogenization of higher education necessitate this action.

Confirmatio

New universities must be established to reprioritize the wayward spending practices that have plagued higher education. For the past four decades, universities have chased high rankings in journals like *U.S. News and World Report* by spending exorbitantly on unnecessary amenities and administration. According to a study conducted by the American Council of Trustees and Alumni, “In 2018 alone, colleges spent $73 billion on student services and administrative costs unrelated to education” (Morris). Higher education is no longer a competition for the highest quality academics, but a spending race. Between 2006 and 2013, TCU spent almost $500 million on student amenities and facilities to boost its declining rankings from 104 in 2008 to 67 in 2015, effectively transforming its perceived prestige in the process (O’Neil 57-58). This behavior is not unique. A 2016 study published in *Administrative Science Quarterly* confirmed the trend of dramatically increased spending in American institutions following a decline in rankings, a disturbing consequence of the prestige chase (Askin and Bothner). Importantly, their increased spending was rewarded. The ranking systems incentivized institutions to spend more. So

naturally, universities followed suit, hiring administrators at a rapid rate to enable them to create additional prestige-influencing programs. (Metonymy) From 1976 to 1996, the number of non-faculty staff including administrators and assistants surged by 227% in institutions across the US (Martin). Administrative positions were growing 10 times faster than faculty positions (Campos). Instead of trying to improve academic quality with additional faculty, universities were spending students' tuition dollars on their prestige chase. While these spending practices are unsustainable and arguably unethical, many universities find themselves unwilling or unable to remedy the situation. If they choose to cut down on amenities and administration, their ranking and enrollment rates will drop significantly (O'Neil 53). If their enrollment rates drop, their financial stability will weaken and they may be forced to close. Traditional universities are caught in a self-restricting trap and the path forward for them is unclear. However, the possibility of new universities offers a solution for the higher education industry. New universities can start from the ground up, limiting the number of administrative staff and focusing spending on academic quality improvement rather than costly and unnecessary amenities (Kanelos). They have the unique ability to implement new measures to focus on improving the higher education industry rather than conforming to standard practices.

In the face of instability, American higher education needs new universities to pave a new path forward and to solve the failing financial model of higher education. For the past 40 years, tuition prices have skyrocketed. Yet sticker price inflation is only half of the problem. A much deeper problem lies below the surface. Traditional universities are struggling financially. Dr. Pano Kanelos, the founding president of the University of Austin and former president of St. Johns College, estimates that "80% of universities are financially at risk" (Kanelos). Aside from the costs associated with the prestige chase, the cost of tuition subsidies is a primary factor that

has destabilized colleges and universities. Many small institutions are forced to give students financial packages larger than they can financially afford as they struggle to attract a dwindling number of students. Unfortunately, schools are in a position where they would rather have students at a deficit than not have those students at all (Kanelos). Over the past few years, these deficits have compounded and the public is beginning to see the consequences. Several colleges have been forced to close in recent years after revelations that they had been significantly overspending on grants and scholarships (Moody). Even public universities like the University of Arizona and Penn State have recently revealed financial issues. After the University of Arizona announced budget cuts in February 2024, employees complained to the *New York Times*, blaming financial instability on overspending on administrator salaries, athletics, and no surprise: tuition grants and subsidies (Healy). While some universities have been fortunate enough to receive rescue funding, many have succumbed to their financial struggles. According to the State Higher Education Executive Officers Association (SHEEO), 48 colleges and universities closed their doors in 2022; an additional 30 closed in 2023 (O. Sanchez). Higher education needs a new financial model; new universities are uniquely positioned to do just that. The structure and budget models of new universities allow them to adapt and reprioritize spending far more easily than traditional universities. To put it simply: it is much easier to build up than cut down. Several new universities have announced their goals to make education as affordable as possible while prioritizing academic quality. Among them is the University of Austin, which aims to "reexamine legacy practices and dramatically reduce administrative and other costs, ensuring funds are directed as much as possible to academics" ("Scholarships"). The traditional university financial model is unsustainable. With so many institutions on the verge of collapse, universities must be founded to pave the way for a new financial model in higher education.

While traditional universities are confined by highly restrictive federal oversight, new universities have the unique ability to reprioritize academic quality and accessibility for their students. Currently, federal oversight takes its form through accreditation agencies. The Department of Education installed accreditors as gatekeepers for federal aid, requiring institutions that accept the funding to conform to federally regulated standards (Burke et al.). Unfortunately, many universities have built their budgets around this federal aid, tying a knot between the federal government and higher education (Metaphor). This complicated relationship incentivizes universities to focus on maximizing federal funding rather than the academic quality of their institutions, which has contributed to the further homogenization of education (Iglesias 13-15). Until this system is changed, schools don't have the ability or the incentive to reduce their tuition costs or try to improve their academic offerings. When looking at modern institutions, it is not hard to see this reality. When so many schools offer the same majors, the same classes, and similar mission statements at the same high prices, the question becomes: "Where's the distinction?" New universities offer a solution. They distinguish themselves by their freedom to choose—freedom to choose their accreditors, what aid they receive, and what standards they conform to. Several newly-founded colleges like Thales College in Wake Forest, North Carolina and St. Constantine in Houston offer tuition from $5,000 to $10,000 and buckling down on academics while deliberately refusing to accept a penny of federal aid. (Hyperbole) Market economists agree that change motivated and pursued by the public is far more effective than any federal regulation (Hall). Now it is time for the American people to respond to the crisis occurring in higher education. New universities must be formed to avoid federally mandated homogeneity, improve educational standards, and ensure affordable access to higher education.

Refutatio

Nevertheless, some argue that the government could improve higher education more effectively than new institutions. Since 1965, the government has invested heavily in the higher education industry, implementing policies that allowed the creation of interest-free student loans and Pell Grants. It has been their mission to make higher education accessible to the masses and they succeeded. Since 1965, total enrollment in higher education institutions has quadrupled ("Total Fall Enrollment"). In the face of rapidly increasing tuition, it appears that federal accountability measures have slowed the rate of tuition inflation. Over the past 10 years, net tuition costs have only increased by a few percent (Dua et al.). The federal government has proven policy success and the resources to implement new policies to help improve the quality and accessibility of higher education. Their ability to affect immediate improvements across all American institutions is unmatched by new universities.

At surface level, one could argue that the government has been successful. Yet, below the surface their failure is clear. Despite the vast resources of the federal government, their attempts to ensure accountability within institutions and promote academic quality have failed spectacularly. For years they have struggled to circumvent the 10th Amendment to the Constitution, which gives power over higher education to the states (Ravitch and Loveless). As a workaround, they installed accreditors as the primary accountability measure despite pushback by accreditation officials (Burke et al.). Yet even these newly empowered accreditors failed to hold institutions accountable. According to Dan Currell, a former senior advisor at the DOE, universities are required to disclose some of their finances, but these figures are never validated, allowing colleges to "effectively fill in any numbers they want" ("Department of Education"). This lack of true accountability allowed the rise of deceptive practices like price fixing within elite universities. From 1951 to 1991, the universities within the Ivy League and MIT conspired

to fix their prices and restrain price competition within their universities (“Consent Decree”). A strikingly similar scenario occurred in January 2024, when it was revealed that Yale, Duke, and Columbia were among several schools to settle for another charge of price-fixing, a further indication of the failure of accountability measures taken since then. However, accreditors' failure to prevent deceptive pricing models is not the extent of their failure. A 2015 study conducted by the New York Federal Reserve found a direct correlation between increases in tuition prices and increases in federal aid (Zhao). Furthermore, an article published in the *American Economic Journal* found that: “Institutions whose students qualify for Financial Aid under Title 4 of HEA 1965 are significantly more expensive [78% more] than institutions which do not have federal financial aid for their students” (Cellini et al. 201). Accreditors have not only failed to hold their institutions accountable but have allowed massive tuition increases that directly correspond to increases in federal aid, a direct violation of what they were given the power to do. Accreditors and the federal government cannot effectively promote academic or financial integrity within institutions.

Some argue that reforming existing universities is a more feasible solution than building new institutions. Building new universities is a formidable task, requiring massive amounts of funding and vast resources. According to Peter Wood, president of the National Association of Scholars, each new university would need $100 million in seed funding to get off the ground (Wood). Additionally, the effective build-out of a new university that could rival modern universities would likely take at least a decade to complete. In comparison, existing universities could use existing funding and resources to overhaul their programs to refocus on academic quality and accessibility. Over the past few years, several small liberal arts colleges have announced plans to dramatically reduce their tuition by as much as 62% as part of what the

industry is now calling “tuition resets” (Hartocollis). However, these tuition resets carry significant risk. Philip Levine, an economics professor at Wellesley College, calls these tuition reductions “a gamble” because of the adverse effects of the Chivas Regal effect (Palmer). Additionally, Dr. Kanelos, former president of St. John’s College, warns that institutional reform “isn’t a simple fix for most universities” (Kanelos). The difficulty of firing administrators, cutting down on programs, and facing public backlash would be too much for many schools (Palmer). Beyond feasibility, widespread resistance to change is another significant factor in the way of overhauling existing universities (Rosenberg). Brian Rosenberg, the president-in-residence at Harvard Graduate School of Education, is convinced that any significant change or improvements to higher education must come from the outside (Rosenberg). He said, “Obviously, the best option is… changes from within, that our institutions begin to innovate” but more than likely we will wait until our universities are “on the verge of collapse before we take steps to address the problem” (Rosenberg). Although institutional reform is a potential option for some small colleges, it is not a viable solution for industry-wide reform.

Peroratio

America has reached a turning point. For too long, misappropriated spending, misdirected interests, and misinformed practices have corrupted higher education. Institutions are collapsing. Students are suffering. Debt is rising. The future of America hangs in the balance. For the past century, Higher education has been an essential component of American society. Higher education has helped build America into the most prosperous country in the world. But education has lost its focus; its meaning; its purpose. To enable and preserve American prosperity, the people must establish universities. By refocusing higher education on academics and institutional

quality rather than costly amenities and a failing financial model, new universities will pave a new path forward. The time to act is now. The solution is in your hands.

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