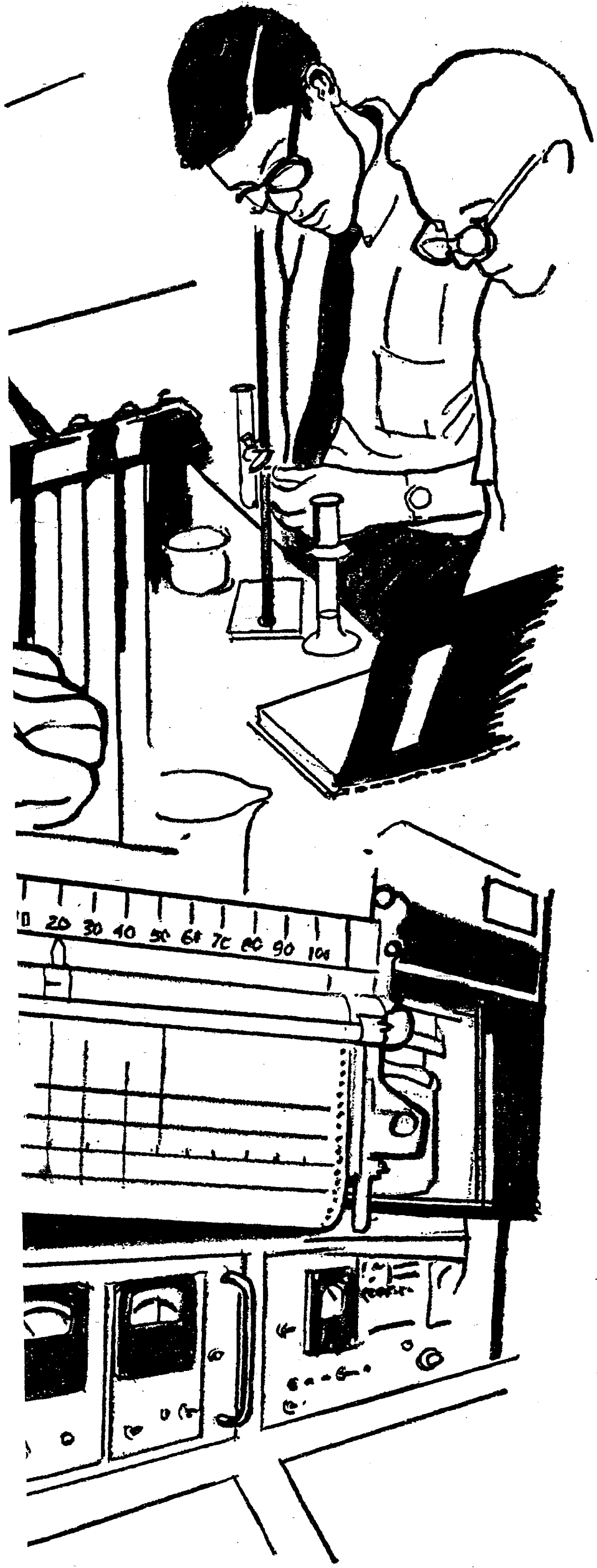
A Special Report

The Plain Fact Is...

...our colleges and universities "are facing what might easily become a crisis"

OUR COLLEGES AND UNIVERSITIES, over the last 20 years, have experienced an expansion that is without precedent—in buildings and in budgets, in students and in professors, in reputation and in rewards—in power and pride and in deserved prestige. As we try to tell our countrymen that we are faced with imminent bankruptcy, we confront the painful fact that in the eyes of the American people—and I think also in the eyes of disinterested observers abroad—we are a triumphant success. The observers seem to believe—and I believe myself—that the American campus ranks with the American corporation among the handful of first-class contributions which our civilization has made to the annals of human institutions. We come before the country to plead financial emergency at a time when our public standing has never been higher. It is at the least an unhappy accident of timing.

—MCGEORGE BUNDY
President, The Ford Foundation



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A STATE-SUPPORTED UNIVERSITY in the Midwest makes a sad announcement: With more well-qualified applicants for its freshman class than ever before, the university must tighten its entrance requirements. Qualified though the kids are, the university must turn many of them away.

▶ A private college in New England raises its tuition fee for the seventh time since World War II. In doing so, it admits ruefully: "Many of the best high-school graduates can't afford to come here, any more."

▶ A state college network in the West, long regarded as one of the nation's finest, cannot offer its students the usual range of instruction this year. Despite intensive recruiting, more than 1,000 openings on the faculty were unfilled at the start of the academic year.

▶ A church-related college in the South, whose denomination's leaders believe in strict separation of church and state, severs its church ties in order to seek money from the government. The college must have such money, say its administrators—or it will die.

Outwardly, America's colleges and universities appear more affluent than at any time in the past. In the aggregate they have more money, more students, more buildings, better-paid faculties, than ever before in their history.

Yet many are on the edge of deep trouble.

"The plain fact," in the words of the president of Columbia University, "is that we are facing what might easily become a crisis in the financing of American higher education, and the sooner we know about it, the better off we will be."

THE TROUBLE is not limited to a few institutions. Nor does it affect only one or two types of institution. Large universities, small colleges; state-supported and privately supported: the problem faces them all.

Before preparing this report, the editors asked more than 500 college and university presidents to tell us—off the record, if they preferred—just how they viewed the future of their institutions. With rare exceptions, the presidents agreed on this assessment: *That the money is not now in sight to meet the rising costs of higher education . . . to serve the growing numbers of bright, qualified students . . . and to pay for the myriad activities that Americans now demand of their colleges and universities.*

Important programs and necessary new buildings are

ALL OF US are hard-put to see where we are going to get the funds to meet the educational demands of the coming decade.

—A university president

being deferred for lack of money, the presidents said. Many admitted to budget-tightening measures reminiscent of those taken in days of the Great Depression.

Is this new? Haven't the colleges and universities always needed money? Is there something different about the situation today?

The answer is "Yes"—to all three questions.

The president of a large state university gave us this view of the over-all situation, at both the publicly and the privately supported institutions of higher education:

"A good many institutions of higher learning are operating at a deficit," he said. "First, the private colleges and universities: they are eating into their endowments in order to meet their expenses. Second, the public institutions. It is not legal to spend beyond our means, but here we have another kind of deficit: a deficit in quality, which will be extremely difficult to remedy even when adequate funding becomes available."

Other presidents' comments were equally revealing:

▸ *From a university in the Ivy League:* "Independent national universities face an uncertain future which threatens to blunt their thrust, curb their leadership, and jeopardize their independence. Every one that I know about is facing a deficit in its operating budget, this year or next. And all of us are hard-put to see where we are going to get the funds to meet the educational demands of the coming decade."

▸ *From a municipal college in the Midwest:* "The best word to describe our situation is 'desperate.' We are operating at a deficit of about 20 per cent of our total expenditure."

▸ *From a private liberal arts college in Missouri:* "Only by increasing our tuition charges are we keeping our heads above water. Expenditures are galloping to such a degree that I don't know how we will make out in the future."

▸ *From a church-related university on the West Coast:* "We face very serious problems. Even though our tuition is below-average, we have already priced ourselves out of part of our market. We have gone deeply into debt for dormitories. Our church support is declining. At times, the outlook is grim."

▸ *From a state university in the Big Ten:* "The budget for our operations must be considered tight. It is less than we need to meet the demands upon the university for teaching, research, and public service."

▸ *From a small liberal arts college in Ohio:* "We are on a hand-to-mouth, 'kitchen' economy. Our ten-year projections indicate that we can maintain our quality only by doubling in size."

▸ *From a small college in the Northeast:* "For the first time in its 150-year history, our college has a planned deficit. We are holding our heads above water at the moment—but, in terms of quality education, this cannot long continue without additional means of support."

▸ *From a state college in California:* "We are not permitted to operate at a deficit. The funding of our budget at a level considerably below that proposed by the trustees has made it difficult for us to recruit staff members and has forced us to defer very-much-needed improvements in our existing activities."

▸ *From a women's college in the South:* "For the coming year, our budget is the tightest we have had in my fifteen years as president."

WHAT'S GONE WRONG?

Talk of the sort quoted above may seem strange, as one looks at the unparalleled growth of America's colleges and universities during the past decade:

▸ Hardly a campus in the land does not have a brand-new building or one under construction. Colleges and universities are spending more than $2 billion a year for capital expansion.

▸ Faculty salaries have nearly doubled in the past decade. (But in some regions they are still woefully low.)

▸ Private, voluntary support to colleges and universities has more than tripled since 1958. Higher education's share of the philanthropic dollar has risen from 11 per cent to 17 per cent.

▸ State tax funds appropriated for higher education have increased 44 per cent in just two years, to a 1967–68 total of nearly $4.4 billion. This is 214 per cent more than the sum appropriated eight years ago.

▸ Endowment funds have more than doubled over the past decade. They're now estimated to be about $12 billion, at market value.

▸ Federal funds going to institutions of higher education have more than doubled in four years.

▸ More than 300 new colleges and universities have been founded since 1945.

▸ All in all, the total expenditure this year for U.S. higher education is some $18 billion—more than three times as much as in 1955.

Moreover, America's colleges and universities have absorbed the tidal wave of students that was supposed to have swamped them by now. They have managed to fulfill their teaching and research functions and to undertake a variety of new public-service programs—despite the ominous predictions of faculty shortages heard ten or fifteen years ago. Says one foundation official:

"The system is bigger, stronger, and more productive than it has ever been, than any system of higher education in the world."

Why, then, the growing concern?

Re-examine the progress of the past ten years, and this fact becomes apparent: The progress was great—but it did not deal with the basic flaws in higher education's financial situation. Rather, it made the whole enterprise bigger, more sophisticated, and more expensive.

Voluntary contributions grew—but the complexity and costliness of the nation's colleges and universities grew faster.

Endowment funds grew—but the need for the income from them grew faster.

State appropriations grew—but the need grew faster.

Faculty salaries were rising. New courses were needed, due to the unprecedented "knowledge explosion." More costly apparatus was required, as scientific progress grew more complex. Enrollments burgeoned—and students stayed on for more advanced (and more expensive) training at higher levels.

And, for most of the nation's 2,300 colleges and universities, an old problem remained—and was intensified, as the costs of education rose: gifts, endowment, and government funds continued to go, disproportionately, to a relative handful of institutions. Some 36 per cent of all voluntary contributions, for example, went to just 55 major universities. Some 90 per cent of all endowment funds were owned by fewer than 5 per cent of the institutions. In 1966, the most recent year reported, some 70 per cent of the federal government's funds for higher education went to 100 institutions.

McGeorge Bundy, the president of the Ford Foundation, puts it this way:

"Great gains have been made; the academic profession has reached a wholly new level of economic strength, and the instruments of excellence—the libraries and

Drawings by Peter Hooven

EACH NEW ATTEMPT at a massive solution has left the trustees and presidents just where they started.

—*A foundation president*

laboratories—are stronger than ever. But the university that pauses to look back will quickly fall behind in the endless race to the future."

Mr. Bundy says further:

"The greatest general problem of higher education is money . . . . The multiplying needs of the nation's colleges and universities force a recognition that each new attempt at a massive solution has left the trustees and presidents just where they started: in very great need."

THE FINANCIAL PROBLEMS of higher education are unlike those, say, of industry. Colleges and universities do not operate like General Motors. On the contrary, they sell their two primary services—teaching and research—at a loss.

It is safe to say (although details may differ from institution to institution) that the American college or university student pays only a fraction of the cost of his education.

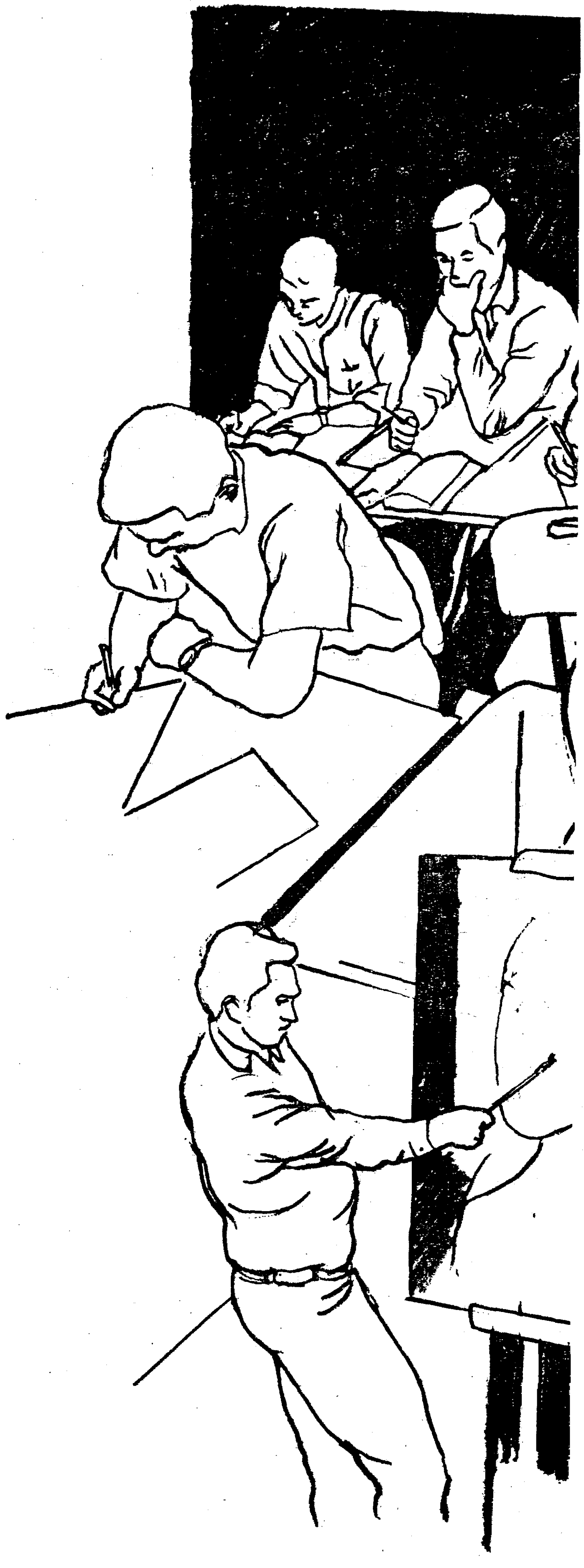
This cost varies with the level of education and with the educational practices of the institution he attends. Undergraduate education, for instance, costs less than graduate education—which in turn may cost less than medical education. And the cost of educating a student in the sciences is greater than in the humanities. Whatever the variations, however, the student's tuition and fees pay only a portion of the bill.

"As private enterprises," says one president, "we don't seem to be doing so well. We lose money every time we take in another student."

Of course, neither he nor his colleagues on other campuses would have it otherwise. Nor, it seems clear, would most of the American people.

But just as student instruction is provided at a substantial reduction from the actual cost, so is the research that the nation's universities perform on a vast scale for the federal government. On this particular below-cost service, as contrasted with that involving the provision of education to their students, many colleges and universities are considerably less than enthusiastic.

In brief: The federal government rarely pays the full cost of the research it sponsors. Most of the money goes for *direct costs* (compensation for faculty time, equipment, computer use, etc.) Some of it goes for *indirect costs* (such "overhead" costs of the institution as payroll departments, libraries, etc.). Government policy stipulates that the institutions receiving federal research grants



must share in the cost of the research by contributing, in some fashion, a percentage of the total amount of the grant.

University presidents have insisted for many years that the government should pay the full cost of the research it sponsors. Under the present system of cost-sharing, they point out, it actually costs their institutions money to conduct federally sponsored research. This has been one of the most controversial issues in the partnership between higher education and the federal government, and it continues to be so.

In commercial terms, then, colleges and universities sell their products at a loss. If they are to avoid going bankrupt, they must make up—from other sources—the difference between the income they receive for their services and the money they spend to provide them.

With costs spiraling upward, that task becomes ever more formidable.

HERE ARE SOME of the harsh facts: Operating expenditures for higher education more than tripled during the past decade—from about $4 billion in 1956 to $12.7 billion last year. By 1970, if government projections are correct, colleges and universities will be spending over $18 billion for their current operations, plus another $2 billion or $3 billion for capital expansion.

Why such steep increases in expenditures? There are several reasons:

▶ Student enrollment is now close to 7 million—twice what it was in 1960.

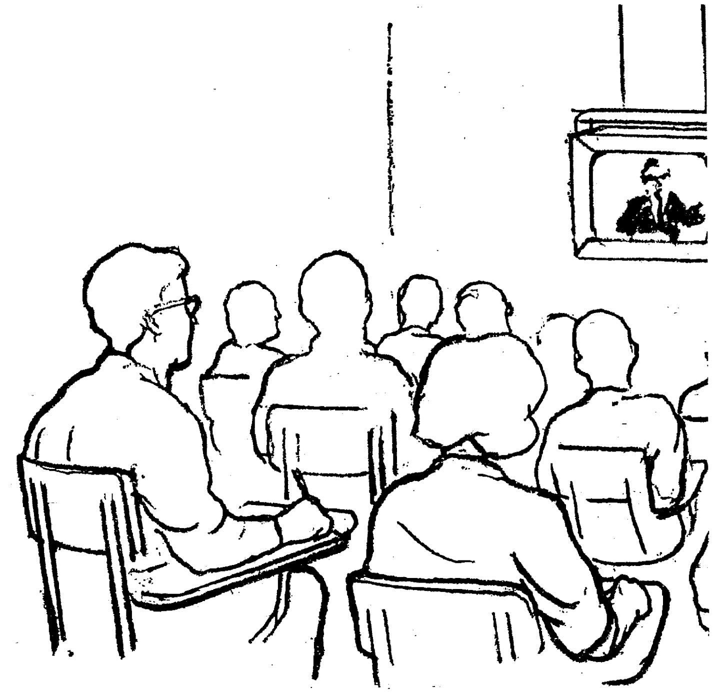
▶ The rapid accumulation of new knowledge and a resulting trend toward specialization have led to a broadening of the curricula, a sharp increase in graduate study, a need for sophisticated new equipment, and increased library acquisitions. All are very costly.

▶ An unprecedented growth in faculty salaries—long overdue—has raised instructional costs at most institutions. (Faculty salaries account for roughly half of the educational expenses of the average institution of higher learning.)

▶ About 20 per cent of the financial "growth" during the past decade is accounted for by inflation.

Not only has the over-all cost of higher education increased markedly, but the *cost per student* has risen steadily, despite increases in enrollment which might, in any other "industry," be expected to lower the unit cost.

Colleges and universities apparently have not improved their productivity at the same pace as the economy generally. A recent study of the financial trends in three private universities illustrates this. Between 1905 and 1966, the educational cost per student at the three universities, viewed compositely, increased 20-fold, against an economy-wide increase of three- to four-fold. In each of the three periods of peace, direct costs per student increased about 8 per cent, against a 2 per cent annual increase in the economy-wide index.



Some observers conclude from this that higher education must be made more efficient—that ways must be found to educate more students with fewer faculty and staff members. Some institutions have moved in this direction by adopting a year-round calendar of operations, permitting them to make maximum use of the faculty and physical plant. Instructional devices, programmed learning, closed-circuit television, and other technological systems are being employed to increase productivity and to gain economies through larger classes.

The problem, however, is to increase efficiency without jeopardizing the special character of higher education. Scholars are quick to point out that management techniques and business practices cannot be applied easily to colleges and universities. They observe, for example, that on strict cost-accounting principles, a college could not justify its library. A physics professor, complaining about large classes, remarks: "When you get a hundred kids in a classroom, that's not education; that's show business."

The college and university presidents whom we surveyed in the preparation of this report generally believe their institutions are making every dollar work. There is room for improvement, they acknowledge. But few feel the financial problems of higher education can be significantly reduced through more efficient management.

ONE THING seems fairly certain: The costs of higher education will continue to rise. To meet their projected expenses, colleges and universities will need to increase their annual operating income by more than $4 billion during the four-year period between 1966 and 1970. They must find another $8 billion or $10 billion for capital outlays.

Consider what this might mean for a typical private

university. A recent report presented this hypothetical case, based on actual projections of university expenditures and income:

The institution's budget is now in balance. Its educational and general expenditures total $24.5 million a year.

Assume that the university's expenditures per student will continue to grow at the rate of the past ten years—7.5 per cent annually. Assume, too, that the university's enrollment will continue to grow at *its* rate of the past ten years—3.4 per cent annually. Ten years hence, the institution's educational and general expenses would total $70.7 million.

At best, continues the analysis, tuition payments in the next ten years will grow at a rate of 6 per cent a year; at worst, at a rate of 4 per cent—compared with 9 per cent over the *past* ten years. Endowment income will grow at a rate of 3.5 to 5 per cent, compared with 7.7 per cent over the past decade. Gifts and grants will grow at a rate of 4.5 to 6 per cent, compared with 6.5 per cent over the past decade.

"If the income from private sources grew at the *higher* rates projected," says the analysis, "it would increase from $24.5 million to $50.9 million—leaving a deficit of $19.8 million, ten years hence. If its income from private sources grew at the *lower* rates projected, it would have increased to only $43 million—leaving a shortage of $27.8 million, ten years hence."

In publicly supported colleges and universities, the outlook is no brighter, although the gloom is of a different variety. Says the report of a study by two professors at the University of Wisconsin:

"Public institutions of higher education in the United States are now operating at a quality deficit of more than a billion dollars a year. In addition, despite heavy construction schedules, they have accumulated a major capital lag."

The deficit cited by the Wisconsin professors is a computation of the cost of bringing the public institutions' expenditures per student to a level comparable with that at the private institutions. With the enrollment growth expected by 1975, the professors calculate, the "quality deficit" in public higher education will reach $2.5 billion.

The problem is caused, in large part, by the tremendous enrollment increases in public colleges and universities. The institutions' resources, says the Wisconsin study, "may not prove equal to the task."

Moreover, there are indications that public institutions may be nearing the limit of expansion, unless they receive a massive infusion of new funds. One of every seven public universities rejected qualified applicants from their own states last fall; two of every seven rejected qualified applicants from other states. One of every ten raised admissions standards for in-state students; one in six raised standards for out-of-state students.

WILL THE FUNDS be found to meet the projected cost increases of higher education?

Colleges and universities have traditionally received their operating income from three sources: *from the students*, in the form of tuition and fees; *from the state*, in the form of legislative appropriations; and *from individuals, foundations, and corporations*, in the form of gifts. (Money from the federal government for operating expenses is still more of a hope than a reality.)

Can these traditional sources of funds continue to meet the need? The question is much on the minds of the nation's college and university presidents.

▸ **Tuition and fees:** They have been rising—and are likely to rise more. A number of private "prestige" institutions have passed the $2,000 mark. Public institutions are under mounting pressure to raise tuition and fees, and their student charges have been rising at a faster rate than those in private institutions.

The problem of student charges is one of the most controversial issues in higher education today. Some feel that the student, as the direct beneficiary of an education, should pay most or all of its real costs. Others disagree emphatically: since society as a whole is the ultimate beneficiary, they argue, every student should have the right to an education, whether he can afford it or not.

The leaders of publicly supported colleges and universities are almost unanimous on this point: that higher tuitions and fees will erode the premise of equal oppor-

TUITION: We are reaching a point of diminishing returns. *—A college president*

It's like buying a second home. *—A parent*

tunity on which public higher education is based. They would like to see the present trend reversed—toward free, or at least lower-cost, higher education.

Leaders of private institutions find the rising tuitions equally disturbing. Heavily dependent upon the income they receive from students, many such institutions find that raising their tuition is inescapable, as costs rise. Scores of presidents surveyed for this report, however, said that mounting tuition costs are "pricing us out of the market." Said one: "As our tuition rises beyond the reach of a larger and larger segment of the college-age population, we find it more and more difficult to attract our quota of students. We are reaching a point of diminishing returns."

Parents and students also are worried. Said one father who has been financing a college education for three daughters: "It's like buying a second home."

Stanford Professor Roger A. Freeman says it isn't really that bad. In his book, *Crisis in College Finance?*, he points out that when tuition increases have been adjusted to the shrinking value of the dollar or are related to rising levels of income, the cost to the student actually declined between 1941 and 1961. But this is small consolation to a man with an annual salary of $15,000 and three daughters in college.

Colleges and universities will be under increasing pressure to raise their rates still higher, but if they do, they will run the risk of pricing themselves beyond the means of more and more students. Indeed, the evidence is strong that resistance to high tuition is growing, even in relatively well-to-do families. The College Scholarship Service, an arm of the College Entrance Examination Board, reported recently that some middle- and upper-income parents have been "substituting relatively low-cost institutions" because of the rising prices at some of the nation's colleges and universities.

The presidents of such institutions have nightmares over such trends. One of them, the head of a private college in Minnesota, told us:

"We are so dependent upon tuition for approximately 50 per cent of our operating expenses that if 40 fewer students come in September than we expect, we could have a budgetary deficit this year of $50,000 or more."

▶ **State appropriations:** The 50 states have appropriated nearly $4.4 billion for their colleges and universities this year—a figure that includes neither the $1–$2 billion spent by public institutions for capital expansion, nor the appropriations of local governments, which account for about 10 per cent of all public appropriations for the operating expenses of higher education.

The record set by the states is remarkable—one that many observers would have declared impossible, as recently as eight years ago. In those eight years, the states have increased their appropriations for higher education by an incredible 214 per cent.

Can the states sustain this growth in their support of higher education? Will they be willing to do so?

The more pessimistic observers believe that the states can't and won't, without a drastic overhaul in the tax structures on which state financing is based. The most productive tax sources, such observers say, have been pre-empted by the federal government. They also believe that more and more state funds will be used, in the future, to meet increasing demands for other services.

Optimists, on the other hand, are convinced the states are far from reaching the upper limits of their ability to raise revenue. Tax reforms, they say, will enable states to increase their annual budgets sufficiently to meet higher education's needs.

The debate is theoretical. As a staff report to the Advisory Commission on Intergovernmental Relations concluded: "The appraisal of a state's fiscal capacity is a political decision [that] it alone can make. It is not a researchable problem."

Ultimately, in short, the decision rests with the taxpayer.

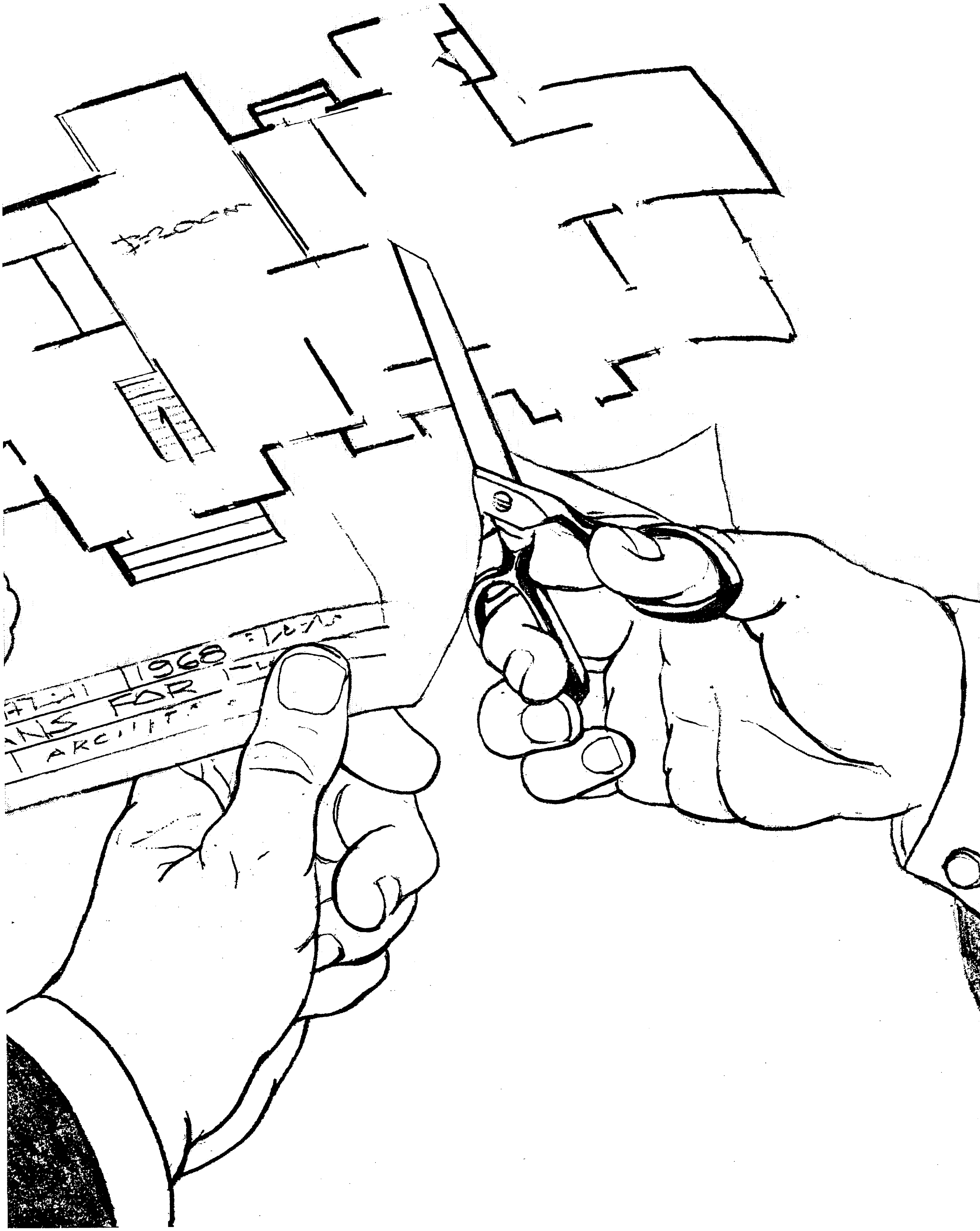
▶ **Voluntary private gifts:** Gifts are vital to higher education.

In private colleges and universities, they are part of the lifeblood. Such institutions commonly budget a deficit, and then pray that it will be met by private gifts.

In public institutions, private gifts supplement state appropriations. They provide what is often called "a margin for excellence." Many public institutions use such funds to raise faculty salaries above the levels paid for by the state, and are thus able to compete for top scholars. A number of institutions depend upon private gifts for student facilities that the state does not provide.

Will private giving grow fast enough to meet the growing need? As with state appropriations, opinions vary.

John J. Schwartz, executive director of the American Association of Fund-Raising Counsel, feels there is a great untapped reservoir. At present, for example, only one out of every four alumni and alumnae contributes to higher education. And, while American business corporations gave an estimated $300 million to education



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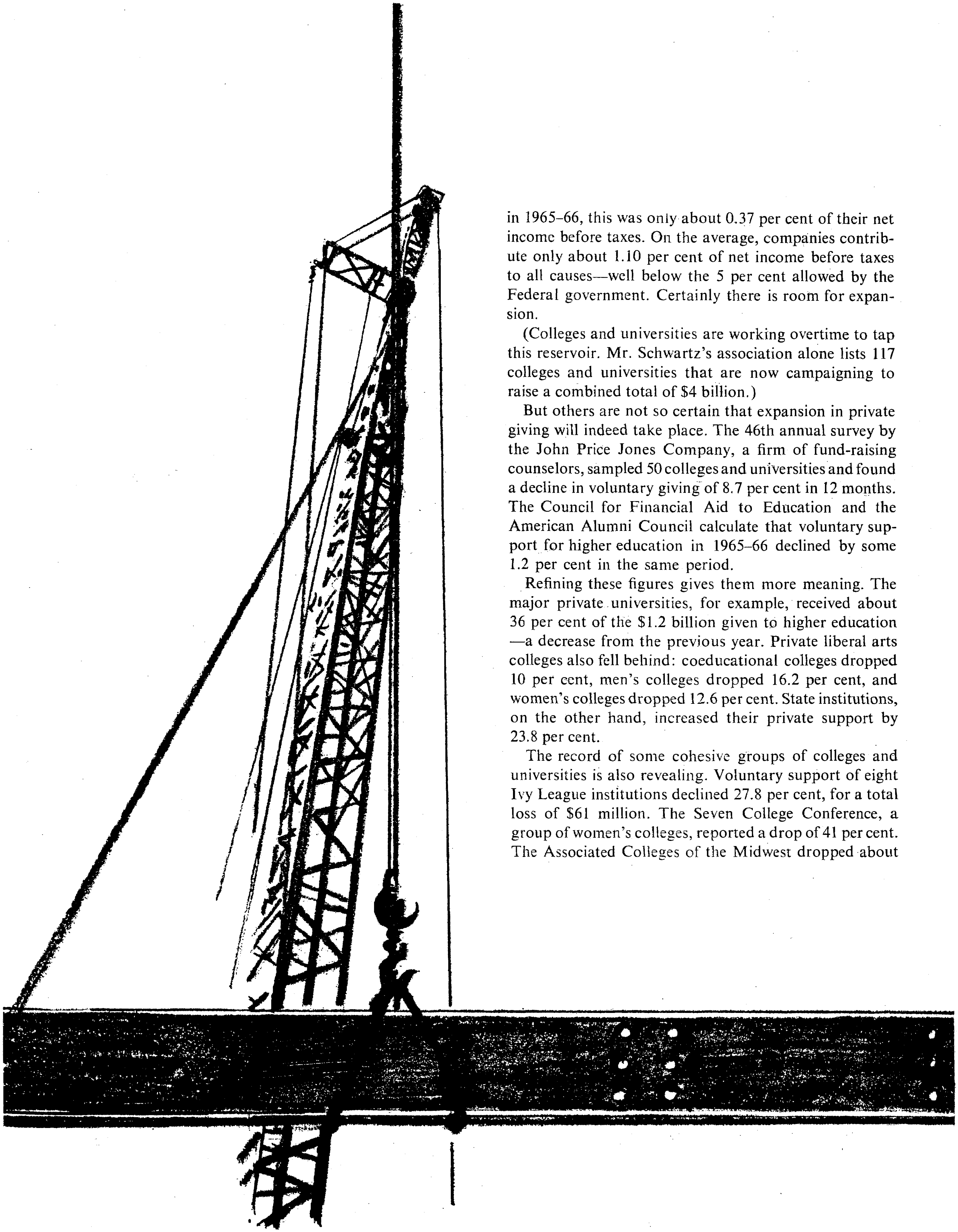

in 1965–66, this was only about 0.37 per cent of their net income before taxes. On the average, companies contribute only about 1.10 per cent of net income before taxes to all causes—well below the 5 per cent allowed by the Federal government. Certainly there is room for expansion.

(Colleges and universities are working overtime to tap this reservoir. Mr. Schwartz's association alone lists 117 colleges and universities that are now campaigning to raise a combined total of $4 billion.)

But others are not so certain that expansion in private giving will indeed take place. The 46th annual survey by the John Price Jones Company, a firm of fund-raising counselors, sampled 50 colleges and universities and found a decline in voluntary giving of 8.7 per cent in 12 months. The Council for Financial Aid to Education and the American Alumni Council calculate that voluntary support for higher education in 1965–66 declined by some 1.2 per cent in the same period.

Refining these figures gives them more meaning. The major private universities, for example, received about 36 per cent of the $1.2 billion given to higher education—a decrease from the previous year. Private liberal arts colleges also fell behind: coeducational colleges dropped 10 per cent, men's colleges dropped 16.2 per cent, and women's colleges dropped 12.6 per cent. State institutions, on the other hand, increased their private support by 23.8 per cent.

The record of some cohesive groups of colleges and universities is also revealing. Voluntary support of eight Ivy League institutions declined 27.8 per cent, for a total loss of $61 million. The Seven College Conference, a group of women's colleges, reported a drop of 41 per cent. The Associated Colleges of the Midwest dropped about

ON THE QUESTION OF FEDERAL AID, everybody seems to be running to the same side of the boat.

—*A college president*

5.5 per cent. The Council of Southern Universities declined 6.2 per cent. Fifty-five major private universities received 7.7 per cent less from gifts.

Four groups gained. The state universities and colleges received 20.5 per cent more in private gifts in 1965–66 than in the previous year. Fourteen technological institutions gained 10.8 per cent. Members of the Great Lakes College Association gained 5.6 per cent. And Western Conference universities, plus the University of Chicago, gained 34.5 per cent. (Within each such group, of course, individual colleges may have gained or lost differently from the group as a whole.)

The biggest drop in voluntary contributions came in foundation grants. Although this may have been due, in part, to the fact that there had been some unusually large grants the previous year, it may also have been a foretaste of things to come. Many of those who observe foundations closely think such grants will be harder and harder for colleges and universities to come by, in years to come.

FEARING that the traditional sources of revenue may not yield the necessary funds, college and university presidents are looking more and more to Washington for the solution to their financial problems.

The president of a large state university in the South, whose views are typical of many, told us: "Increased federal support is essential to the fiscal stability of the colleges and universities of the land. And such aid is a proper federal expenditure."

Most of his colleagues agreed—some reluctantly. Said the president of a college in Iowa: "I don't like it . . . but it may be inevitable." Another remarked: "On the question of federal aid, everybody seems to be running to the same side of the boat."

More federal aid is almost certain to come. The question is, When? And in what form?

Realism compels this answer: In the near future, the federal government is unlikely to provide substantial support for the operating expenses of the country's colleges and universities.

The war in Vietnam is one reason. Painful effects of war-prompted economies have already been felt on the campuses. The effective federal funding of research per faculty member is declining. Construction grants are becoming scarcer. Fellowship programs either have been reduced or have merely held the line.

Indeed, the changes in the flow of federal money to the campuses may be the major event that has brought higher education's financial problems to their present head.

Would things be different in a peacetime economy? Many college and university administrators think so. They already are planning for the day when the Vietnam war ends and when, the thinking goes, huge sums of federal money will be available for higher education. It is no secret that some government officials are operating on the same assumption and are designing new programs of support for higher education, to be put into effect when the war ends.

Others are not so certain the postwar money flow is that inevitable. One of the doubters is Clark Kerr, former president of the University of California and a man with considerable first-hand knowledge of the relationship between higher education and the federal government. Mr. Kerr is inclined to believe that the colleges and universities will have to fight for their place on a national priority list that will be crammed with a number of other pressing

COLLEGES AND UNIVERSITIES are tough. They have survived countless cataclysms and crises, and one way or another they will endure.

—A college president

problems: air and water pollution, civil rights, and the plight of the nation's cities, to name but a few.

One thing seems clear: The pattern of federal aid must change dramatically, if it is to help solve the financial problems of U.S. higher education. Directly or indirectly, more federal dollars must be applied to meeting the increasing costs of *operating* the colleges and universities, even as the government continues its support of students, of building programs, and of research.

IN SEARCHING for a way out of their financial difficulties, colleges and universities face the hazard that their individual interests may conflict. Some form of competition (since the institutions are many and the sources of dollars few) is inevitable and healthy. But one form of competition is potentially dangerous and destructive and, in the view of impartial supporters of all institutions of higher education, must be avoided at all costs.

This is a conflict between private and public colleges and universities.

In simpler times, there was little cause for friction. Public institutions received their funds from the states. Private institutions received *their* funds from private sources.

No longer. All along the line, and with increasing frequency, both types of institution are seeking both public and private support—often from the same sources:

▶ **The state treasuries:** More and more private institutions are suggesting that some form of state aid is not only necessary but appropriate. A number of states have already enacted programs of aid to students attending private institutions. Some 40 per cent of the state appropriation for higher education in Pennsylvania now goes to private institutions.

▶ **The private philanthropists:** More and more public institutions are seeking gifts from individuals, foundations, and corporations, to supplement the funds they receive from the state. As noted earlier in this report, their efforts are meeting with growing success.

▶ **The federal government:** Both public and private colleges and universities receive funds from Washington. But the different types of institution sometimes disagree on the fundamentals of distributing it.

Should the government help pay the operating costs of colleges and universities by making grants directly to the institutions—perhaps through a formula based on enrollments? The heads of many public institutions are inclined to think so. The heads of many low-enrollment, high-tuition private institutions, by contrast, tend to favor programs that operate indirectly—perhaps by giving enough money to the students themselves, to enable them to pay for an education at whatever institutions they might choose.

Similarly, the strongest opposition to long-term, federally underwritten student-loan plans—some envisioning a payback period extending over most of one's lifetime—comes from public institutions, while some private-college and university leaders find, in such plans, a hope that their institutions might be able to charge "full-cost" tuition rates without barring students whose families can't afford to pay.

In such frictional situations, involving not only billions of dollars but also some very deep-seated convictions about the country's educational philosophy, the chances that destructive conflicts might develop are obviously great. If such conflicts were to grow, they could only sap the energies of all who engage in them.

IF THERE IS INDEED A CRISIS building in American higher education, it is not solely a problem of meeting the minimum needs of our colleges and universities in the years ahead. Nor, for most, is it a question of survive or perish; "colleges and universities are tough," as one president put it; "they have survived countless cataclysms and crises, and one way or another they will endure."

The real crisis will be finding the means of providing the quality, the innovation, the pioneering that the nation needs, if its system of higher education is to meet the demands of the morrow.

Not only must America's colleges and universities serve millions more students in the years ahead; they must also equip these young people to live in a world that is changing with incredible swiftness and complexity. At the same time, they must carry on the basic research on which the nation's scientific and technological advancement rests. And they must be ever-ready to help meet the immediate and long-range needs of society; ever-responsive to society's demands.

At present, the questions outnumber the answers.

▶ How can the United States make sure that its colleges and universities not only will accomplish the minimum task but will, in the words of one corporate leader,

NOTHING IS MORE IMPORTANT than the critical and knowledgeable interest of our alumni. It cannot possibly be measured in merely financial terms.
—*A university president*

provide "an educational system adequate to enable us to live in the complex environment of this century?"

▶ Do we really want to preserve the diversity of an educational system that has brought the country a strength unknown in any other time or any other place? And, if so, *can* we?

▶ How can we provide every youth with as much education as he is qualified for?

▶ Can a balance be achieved in the sources of higher education's support, so that public and private institutions can flourish side by side?

▶ How can federal money best be channeled into our colleges and universities without jeopardizing their independence and without discouraging support either from the state legislatures or from private philanthropy?

The answers will come painfully; there is no panacea. Quick solutions, fashioned in an atmosphere of crisis, are likely to compound the problem. The right answers will emerge only from greater understanding on the part of the country's citizens, from honest and candid discussion of the problems, and from the cooperation and support of all elements of society.

The president of a state university in the Southwest told us: "Among state universities, nothing is more important than the growing critical and knowledgeable interest of our alumni. That interest leads to general support. It cannot possibly be measured in merely financial terms."

A private college president said: "The greatest single source of improvement can come from a realization on the part of a broad segment of our population that higher education must have support. Not only will people have to give more, but more will have to give."

But *do* people understand? A special study by the Council for Financial Aid to Education found that:

▶ 82 per cent of persons in managerial positions or the professions do not consider American business to be an important source of gift support for colleges and universities.

▶ 59 per cent of persons with incomes of $10,000 or over do not think higher education has financial problems.

▶ 52 per cent of college graduates apparently are not aware that their alma mater has financial problems.

To America's colleges and universities, these are the most discouraging revelations of all. Unless the American people—especially the college and university alumni—can come alive to the reality of higher education's impending crisis, then the problems of today will be the disasters of tomorrow.

The report on this and the preceding 15 pages is the product of a cooperative endeavor in which scores of schools, colleges, and universities are taking part. It was prepared under the direction of the group listed below, who form EDITORIAL PROJECTS FOR EDUCATION, a non-profit organization associated with the American Alumni Council.