

AMERICAN HIGHER EDUCATION:
HOW DOES IT MEASURE UP FOR THE 21ST CENTURY?

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WITH A FOREWORD BY
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FOREWORD

BY GARREY CARRUTHERS

These essays by former Governor James B. Hunt Jr. and business leader Thomas J. Tierney lay out in succinct fashion the requirements of both our nation and our states for new and higher levels of performance from America's colleges and universities. I cannot overemphasize the importance and urgency of meeting these high levels of performance.

The authors of these essays are not theorists writing from an ivory tower. Quite the contrary, both are national leaders and draw from their extensive experience in civic life, politics, and business. Both serve with me on the Board of Directors of the National Center for Public Policy and Education, and each of their essays brings fresh insights to the National Center's seminal series of report cards evaluating and comparing state performance in higher education. These report cards, called *Measuring Up*, were issued in 2000, 2002, and 2004; *Measuring Up 2006* will go to press this fall.

The context for these report cards is the dramatically changed environment of higher education over the past two decades. Today, the knowledge-based, global economy and major demographic shifts demand substantially improved opportunities for education and training beyond high school. This demand must become a major goal of national and state public policy. To an unprecedented extent, more Americans must prepare for, enroll in, and successfully complete degree and certificate programs. As the baby boomers—the most highly educated Americans in history—retire, their replacements will come primarily from the expanding minority and low-income groups, populations that have traditionally been the least-educated groups in this country. If this nation and its states cannot improve the education of these groups, the share of the U.S. workforce that is college-educated will shrink, and much of our past advantage in the global

marketplace will shrink with it. If we fail to mobilize our states and country—as well as our educational institutions—with a renewed urgency, our standard of living will decline and the historic American dream of opportunity will erode.

But there is also good news. America has successfully confronted similar needs in the past. It did so in creating the Land Grant colleges in the 19th century. Most pointedly, it did so in the 20th century with the G.I. Bill after World War II, first for the returning veterans and then for the baby boomers. In the 21st century, America must again ratchet up the educational level of its population. This time it will require concerted efforts by government, by schools and colleges, and—much more so than in the past—by the public and its leaders, based on widespread understanding of the realities of the competitive global economic environment.

These essays by two of America's most perceptive and influential leaders are valuable maps for charting our course through the critical economic and educational challenges and opportunities of this new century. I thank my colleagues for their work.

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EDUCATIONAL LEADERSHIP FOR THE 21ST CENTURY

By **JAMES B. HUNT JR.**

From the earliest history of our nation, there has been a recognition—albeit slowly and imperfectly acted upon—that higher education must be an “engine” of both our economy and our democracy. Thomas Jefferson advocated public higher education to foster an informed citizenry and also as an investment in the nation’s economic future. These two very practical public purposes inspired the Land Grant Acts of the 19th century and the G.I. Bill adopted after World War II, which spectacularly expanded the reach of American higher education. And now, I believe, the same public purposes must move us to action once again, for America today needs more from its colleges and universities than it ever has before.

The story of the G.I. Bill is particularly relevant today. It was proposed largely out of fear of high post-war unemployment, and it passed despite the reservations of leaders of many of America’s most prestigious universities. Under the G.I. Bill, the federal government promised to pay for college for any returning veteran who enrolled, and that dramatic increase in college opportunity was quickly matched by the veterans’ response to it. G.I.’s enrolled in massive numbers, and colleges and universities found that the returning veterans’ high aspirations and determination more than compensated for their years away from the classroom. An article in the *New York Times* in 1947 registered the general surprise. “Here is the most astonishing fact in the history of American

higher education,” the *Times* reported. “The G.I.’s are hogging the honor rolls and deans lists; they are walking away with the highest marks in all of their courses.”

To their credit, America’s colleges and universities ended up embracing these new students, but it’s good to remember their initial misgivings. Prior to World War II, only a small proportion of Americans attended college—in 1937, it was only 15% of 18- to 20-year-olds—and most of them came directly out of high school and directly from our wealthier classes. But the G.I. Bill permanently changed our conception of who could benefit from higher education. In the years that followed its enactment, enrollments increased enormously as the veterans and then their children, the baby boomers, went to college in unprecedented numbers. The half century after the G.I. Bill saw the expansion of community colleges; the development of the modern American research university and of comprehensive state colleges; and the beginning of national, state, and institutional investments in financial aid for students in private as well as public institutions. The era was defined by increased college opportunities for men and women of all ages, incomes, and ethnicities. Enrollment surged from 1.5 million in 1940 to almost 2.7 million in 1950 to more than 17 million students today.

To be sure, not all Americans have benefited equally from this expansion of opportunity. Particularly

students from low-income or minority ethnic groups have been, and still are, poorly served at all levels of education. Nevertheless, by any real-world standard, our nation led the world in higher education and its leadership was acknowledged even by its critics. There is no question that American higher education is one of the greatest success stories of the 20th century—a success that expanded the economy and built the American middle class. Our predecessors accomplished the improbable: They redefined higher education to include the previously underserved, those who were traditionally written off because they did not fit the conventional idea of a college student.

This is the rich legacy we must build upon today, as we try once again to further democracy and support our economy in circumstances that are once again greatly changing.

The challenge today, of course, is the emergence of a global and highly competitive new knowledge-based economy, which requires enormous numbers of workers with education and training beyond high school—and which, without a backward glance, locates its growth industries in whatever places provide such a labor pool. The challenge is compounded, moreover, because this new demand for educated workers is arising just as America's baby-boom generation, the largest and best-educated in our nation's history, is on the verge of retirement. Our economic prosperity depends, in other words, on the education level attained by the young workers who will replace the baby boomers in the American labor force. Yet demographers tell us that these new workers will come increasingly from those minority and low-income groups that our present education system is most likely to leave behind.

In the new knowledge-based economy, which relentlessly punishes the undereducated—the undereducated individual, the undereducated community, the undereducated state and nation—it is not just the country's economic position that we must consider. The implications for the future of our democratic values and institutions are also enormous. And I suggest to you that what our democracy and our economy both need is a dramatic increase in the number of Americans who have access to and who complete a high-quality, postsecondary education—an increase parallel to the one we saw in this country in the years after the G.I. Bill.

So if this is the direction in which the nation and the states must move, how are we doing? Are we making progress?

My answer draws primarily from *Measuring Up 2004*, the most recent in the series of national and state report cards on higher education from the National Center for Public Policy and Higher Education. In *Measuring Up 2004*, the National Center reports on the progress that the states and the nation have made since the early 1990s, and I'd like to share with you some of those findings.

PREPARATION

First, what progress have we made in preparing students for higher education? Are more of them graduating from high school? Are more of them taking a curriculum that prepares them to enroll in college and to accomplish their educational goals once they get to college? Compared with a decade ago, is the curriculum today more likely to be taught by qualified teachers?

The answer is that the nation has made some real gains in college preparation, even though they have been uneven. More students who graduate from high school today are taking the courses that are recommended and correlated with college success—for example, algebra in the 8th grade and upper-level high school math and sciences courses. In fact, 44 states improved on more than half of the indicators the National Center looked at in this area. More 7th to 12th graders are being taught by teachers with a major in their subject—and the higher education system can legitimately claim some credit for that. More high school students are taking Advanced Placement exams. Despite all the problems and issues that public schools face, we have made important, positive, and encouraging improvements in college preparation. And these improvements are the direct results of the reform efforts of states and of public school leaders.

However, the country still has a long way to go. Most young people still do not take a curriculum that prepares them for college. Many do not even graduate from high school. That is why reform of the American high school was the theme of the education summit of the nation's governors that was convened in Washington, D.C., last year. It remains a task uncompleted.

PARTICIPATION

Second, are we making progress in providing access to college—that is, in providing young people and working adults the opportunity to enroll?

The answer here may come as a shock to many of you, as it has to many governors, business leaders, state legislators, and educators across the country. While a small number of states improved on access measures, the nation as a whole has made no progress since the early 1990s. Smaller proportions of young people and working-age adults are enrolling in education and training beyond high school today than a decade ago.

Moreover, the gaps in college attendance between whites, African-Americans, and Latinos persist, while the gap between poor and affluent students has actually widened. The gaps exist even among high school graduates who are qualified for college, a fact which suggests that improving preparation for college—as important as it is—will not by itself bring us equity.

COMPLETION

Third, are we making gains in graduating college students? Do more of those who enroll in postsecondary programs persist in them and complete their associate degrees, certificates, and baccalaureate degrees?

Except at our most highly selective institutions, retention and completion have long been the Achilles heel of American higher education. In the past, far too many students who enrolled in college failed to graduate, and this remains true today, although some modest gains in completion rates, mostly in technical certification programs, were made in the last decade.

The general lack of progress on this score points once again to the need to continue working to bolster college preparation. But given the real improvements in preparation over the last decade and the fact that they did not bring improvements in completion rates, it seems that we must look also to the college experience itself—particularly to the quality of teaching and counseling. The entire responsibility for poor college completion rates can no longer be

attributed to high schools. Indeed, a recent report from the Education Trust shows that colleges that serve similar students and are similar in selectivity and size can have significantly different graduation rates, a sure sign that colleges and universities themselves can do a great deal to improve student retention.

Talent that could be developed to the benefit of individual students and society is lost because of the “college dropout problem,” as it was called at the recent governors’ educational summit. Clearly, more effort must go into resolving this problem.

AFFORDABILITY

Fourth, how affordable is college nowadays? Is it any easier today than it was a decade ago for students and families to pay for college?

Measuring Up 2004 leaves no question about our failure in this arena. Over the last decade, we have made it considerably more difficult for many families in this country to pay for college.

This is not just a matter of state budget cuts, as deplorable as those might be. Tuition at two-year and four-year institutions has increased faster than inflation and faster than family income, and it has done so even in the years when budgets have not been cut. Furthermore, financial aid has not been deployed to meet the growing need. The total amount spent on financial aid has increased over the decade, but the share “targeted” at low-income students has gotten smaller.

One consequence of escalating tuitions and untargeted aid is that for low-income families, the cost of a year’s attendance at a four-year public college or university now equates, on average, to 40% of family income.

Another consequence is that student borrowing and the indebtedness of college graduates have increased every year of this decade. Student loans may have become a legitimate and necessary part of financing college, but isn’t it time we asked *how much* debt young people should incur? At what level is debt likely to prevent a graduate from becoming a public school teacher, for instance, or from entering another public service career? Is that the effect we want our education policies to have?

LEARNING

Fifth, what gains have we made in our attempts to evaluate higher education's most important outcome—that is, what students learn?

Since the first *Measuring Up* report card was published in 2000, the National Center has asked whether college-learning outcomes could be evaluated and compared across states. The answer until now was “No.” The information that would make such comparisons possible was not available. Past report cards, as a result, gave each of the 50 states a grade of “Incomplete” in Learning. The purpose was to stimulate a more robust debate nationally and in the states about how meaningful state-by-state comparisons might be made.

Measuring Up 2004 reports on the first attempt to measure, for comparative purposes, what college-educated people know and can do. This first effort was undertaken by the National Forum on College-Level Learning, an organization established in 2001, headed by Margaret Miller and Peter Ewell, and funded by The Pew Charitable Trusts. The National Forum worked with five states—Illinois, Kentucky, Nevada, Oklahoma, and South Carolina—which volunteered to assess their student learning. The project used national assessments of adult literacy; an assortment of tests that students already take when they leave college, such as graduate record and licensure examinations; and specially administered tests of problem-solving and communications skills. The educational leaders in these five states deserve great credit for their pioneering and courageous leadership. Because of them, the question is no longer *whether* states and colleges can develop statewide profiles of their strengths and weakness in learning, but whether they are *willing* to collect this information and use it as part of their strategy for improvement.

If we cannot yet draw conclusions about college learning across the country, we now certainly can urge other states to follow these first states' example.

SHARED RESPONSIBILITY

Looking at all the *Measuring Up* indicators, we can also suggest some answers to the question I originally asked: How are we doing? You will no doubt draw

your own conclusions, but let me offer mine for your consideration.

I conclude that American higher education is even more central to the success of our economy and our democracy in the 21st century than it was in the 20th century, and we dare not rest on our laurels. Our past educational accomplishments are now being emulated and even surpassed all around the world. This is not something to bemoan. As Americans, we should welcome a global society and economy in which nations and states and communities compete to develop human talent, primarily by educating more people and educating them better.

On the other hand, if that's the competition, we must join it and win it. So far, not only higher education, but the country at large, lacks a sense of urgency about these issues. But all of us are in a position to change that. While it is true that higher education cannot unilaterally solve the problems of educational opportunity and attainment, unilateral action is not the only possibility. Colleges and universities—administrators, faculty, and trustees—can do something much more practical to bring about economic and social change; they can lead.

I am pleased, therefore, that many higher education as well as leaders in business and government are increasingly turning their attention to equity, college access for low-income Americans, student learning, and the “college dropout problem.” And I want to convey that the country and the states need explicit, informed, and sustained leadership from within and outside the academy on each of these issues. Particularly, we need to hear more voices and more advocacy for those Americans who presently are not served or are poorly served by higher education.

I said that colleges and universities alone cannot solve our educational problems, but it is important to recognize that neither can the federal or state governments or the public schools or the foundations. Responsibility for and authority in American higher education are broadly dispersed—as are the resources for solving major problems—and this has always been a strength of our system. But dispersion can also lead to paralysis or to a situation in which everyone waits for someone else to step forward. The educational requirements of our times, in my view, will only be addressed when we come to a new sense of *shared responsibility*—in which no one holds

back because someone else, in their judgment, hasn't yet done enough. For example:

- More public investment in education is needed, but we must also have better accountability for results and more attention to cost effectiveness and to constraining increases in college costs and prices.
- Colleges must work with schools to improve preparation, but they must also accept more responsibility themselves for the “college dropout problem.”
- The federal government and the states should invest their financial aid dollars where they will make the most difference in improving college opportunity, but so should the colleges and universities, regardless of the competition among them for the students who are most likely to enroll in college.

Shared responsibility is the way we get things done in America. I can testify as a former governor that the process is seldom tidy or elegant. But I remind you that we often accomplish great things this way.

The fundamental educational challenge of our times is to get *more* people *better* educated and get most of them through postsecondary education. I do not underestimate the magnitude of this task, but I am confident that America can do it. Why?

First, because we have done it before, as our history in the last half of the 20th century demonstrates so clearly.

Second, because the task is consistent with both the requirements of our economy and our democratic values.

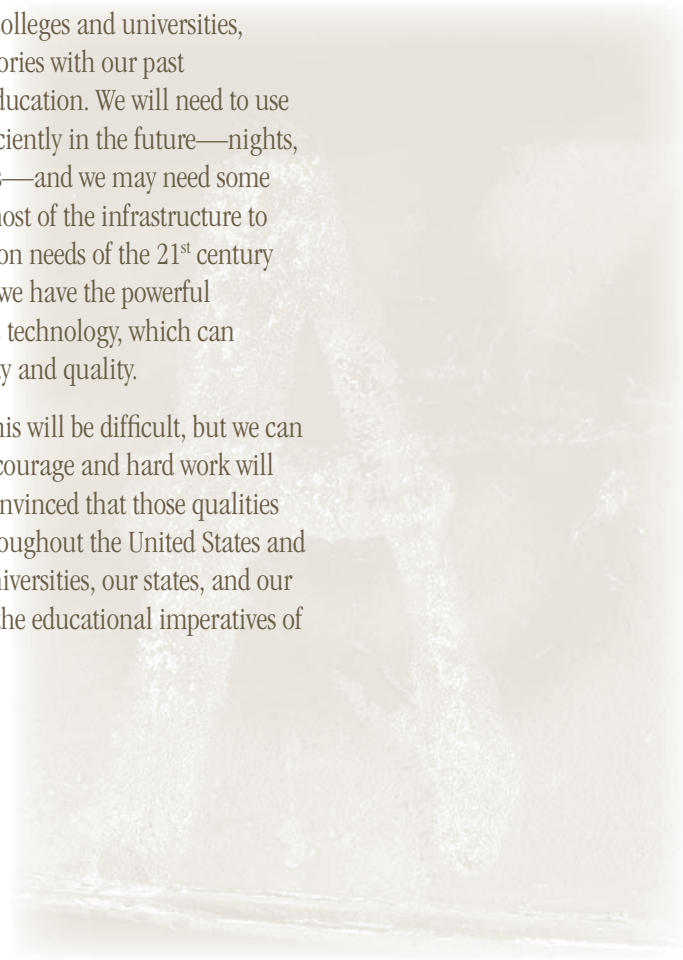
Third, because public opinion research consistently shows that American faith and confidence in higher education remains strong. Of course, the public believes we could do some things better—like holding down tuition—and its support does not always translate into dollar appropriations. But Americans believe in their colleges and universities; it is a strength we can lean upon.

Fourth, I am confident because the faculties and staffs of our colleges and universities have the intellectual firepower and the talent to address the issues I have

described. It is just a matter of engaging that capacity.

And finally, I am confident because we have built a vast infrastructure of colleges and universities, classrooms, and laboratories with our past investments in higher education. We will need to use these facilities more efficiently in the future—nights, weekends, and summers—and we may need some new construction, but most of the infrastructure to meet the higher education needs of the 21st century is in place. In addition, we have the powerful capabilities of electronic technology, which can contribute to accessibility and quality.

My message is that all this will be difficult, but we can do it. Imagination and courage and hard work will be required, but I am convinced that those qualities are readily available throughout the United States and that our colleges and universities, our states, and our country will respond to the educational imperatives of this new century.





HOW IS AMERICAN HIGHER EDUCATION MEASURING UP? AN OUTSIDER'S PERSPECTIVE

By **THOMAS J. TIERNEY**

I am not a leader in education, nor am I a government insider. My background is in the business world and more recently in the nonprofit sector. If I can contribute to the important work being done by the higher education board members and commissioners, it will not be by providing expertise in higher education, but by offering the perspective of an “outsider looking in.”

So let me take as my starting point not the American campus, but the American economy, which I must tell you is under tremendous new strain. From this vantage, what is clear to me and what I have to report to you is this: our country faces a new economic reality, which must significantly change what we expect from higher education.

THE NEW REALITY

We face, first of all, the emergence of a knowledge-based economy, whose demand for highly trained and educated workers is greater—and faster growing—than we have ever seen before. We also face fierce global competitors eager to meet this demand and land the good jobs and burgeoning opportunities that the new knowledge-based industries bring with them. Thus, the new reality: If our nation and our states can't assure employers a large and growing labor pool of people with competencies beyond those taught in high school, other nations assuredly will. With the “outsourcing” of high-end jobs, we are already seeing this happen. As Governor Mark Warner of Virginia,

chair of the National Governors Association, recently said, “Knowledge-based jobs are going to go where the knowledge workers are.” And the promise of economic growth and prosperity is going to go with them.

Indeed, the stakes could hardly be higher for the states and the nations in this competition. At issue is whose standard of living will rise and whose will fall in a global economic environment that demands ever larger numbers of highly trained and educated workers.

For the United States, the challenge is formidable and is rendered even more difficult by demographics—because the demand for more college-educated workers is converging with a sharp reduction in the growth of our labor force. Between 1980 and 2000, the U.S. workforce expanded by almost 50%. Baby boomers and the increased participation of women in the workforce accounted for most of that dramatic growth, which produced so many new workers that it didn't matter that our education system had moved only a fraction of them through post-high-school training or schooling. Even a small fraction added up to a lot of skilled and educated employees. But current projections forecast labor-force growth of only 16% over the next two decades. A report released in May, 2005 by the Committee for Economic Development put it plainly: “The prime-age, 25- to 54-year-old workforce that increased by 35.1 million workers between 1980 and 2000 will add only 3 million workers through 2020.” If I am correct that current

economic realities require us to increase the country's level of educational attainment—and by a significant order of magnitude—then nearly all of our new workers must have training or schooling beyond high school. This has never been required of our education system before, but now the health of our state and national economies depends upon it.

The stakes are equally high, of course, for individual Americans, as has become increasingly obvious over the past quarter century. In this period of overall prosperity for our country, two groups have been left behind. Americans with only a high school education have not, on average, improved their economic status; and those with less than a high school education have seen their real income actually decline. The jobs that once supported a middle-class standard of living for workers with a high school degree or less—often in the industrialized, heavily unionized sectors—are the ones that have been disappearing in the new economy.

Nowadays, people with no education or training beyond high school are unlikely to even be considered for jobs that support a middle-class life. Instead, they fill most of the nation's low-wage service jobs. "Education and training beyond high school" is a broad and inclusive concept, but whether we are talking about an educational path that leads to a specialist certificate or to a Ph.D., higher education is no longer just the most direct route to a middle-class life; it has become essentially the only route. It has become a necessity.

From an outsider's perspective, I can tell you that higher education has become economically pivotal. As a nation and as individuals, we need more Americans with education and training beyond high school—more than we have ever needed before. In the economic interest of all of us and consistent with our democratic values, we must assure that the opportunity to enroll in and complete college is available to every American who can benefit from it and who is motivated to learn.

But I must also tell you that in the face of this challenge, America is underperforming. The nation, the states, and our institutions of higher education are not making the gains in college access and completion that the new global economy requires. We are performing at a level that might have been adequate a quarter century ago, but that falls far

short of what is required for the future.

Some background is important here. Over the course of the 20th century, the United States became the world's unquestioned economic leader, and our two- and four-year public and private colleges and universities were central to that accomplishment. Particularly after World War II, these institutions extended higher education to a greatly expanded swath of the American population, creating the workforce that made our economic growth possible. The system had its flaws, of course, not least of which was its failure to include many low-income and minority Americans. Nonetheless, its successes were great, and we could claim without exaggeration that it was "the best in the world."

But what was once best is no longer good enough. In today's economic environment, two issues require particular and urgent attention:

1. First, our education pipeline leaks badly. Of every 100 ninth graders, only 18 come out the other end 10 years later with a college degree! Only 68 of every 100 ninth graders graduate from high school on time; of the 68 graduates, only 40 enroll directly in college; only 27 are still enrolled the next year; and only 18 of the original 100 ninth graders complete an associate's degree within three years or a bachelor's degree within six years of enrolling. Eighty-two out of 100 ninth graders don't make it.
2. The second issue requiring urgent attention is that, increasingly, the young people available to enter college and the workforce are coming from the population groups that are currently the least well-served and least successful at all levels of American education. Over the next two decades, all of the growth in the U.S. population is projected to come from minority groups, primarily from Hispanics. These are also our lowest-income populations. More than 60% of Hispanic and black families are in the bottom two quintiles of family income, earning less than \$42,000 annually. More than a third of black and Hispanic families are in the lowest income quintile, with annual incomes below \$25,000.

Thus, to produce the workforce we need, we will have to provide higher education to substantial numbers of students from those groups who have been least likely to enroll and graduate. The task is not easy. Besides serving the most heterogeneous student bodies in history, colleges and universities will have to work with public schools to assure that low-income and minority students are ready for college when they leave high school. And, by the way, we must also make sure that these students can afford college.

THE REPORT CARD

Perhaps the most powerful evidence that American attention to these issues is presently inadequate is found in the 10-year retrospective in *Measuring Up 2004*, the National Center for Public Policy and Higher Education's latest report card on higher education. *Measuring Up* focuses on how well the nation and the states are performing—not how well individual colleges and universities are doing—in providing education beyond high school and up through the bachelor's degree. In the 2004 edition, we looked back to the early 1990s and asked what progress has been made over the past decade. I'd like to discuss our most important findings in four of *Measuring Up*'s categories of performance.

PREPARATION

In the first category, college preparation, there has been some progress over the past decade, but not nearly enough. Compared with a decade ago, young people who graduate from high school today are much more likely to have taken courses that are correlated with college readiness. This is a real accomplishment. But far too many high school students are still not taking courses that prepare them for college-level work. And, as I mentioned before, nearly a third don't graduate from high school on time at all. Nonetheless, the bottom line is that those who do graduate are more likely than a decade ago to have taken a curriculum that includes, for example, upper-level math and science courses.

Unfortunately, the college preparation category of *Measuring Up* is pretty much where the good news ends.

PARTICIPATION

The second category is college participation. How well have we done in assuring college access to young Americans and working-age adults? The answer to this question is sobering. Although more students take courses to prepare for college than was the case a decade ago, and though more students than ever aspire to attend college, rates of participation in higher education have been flat. We might once have claimed proudly that every generation of Americans was better educated than those that came before. But this is no longer true. For an entire decade—and probably for the first time since World War II—we made no progress at all in expanding college opportunity. In a number of states—including California, Illinois, Oregon, and New York—the likelihood that ninth graders would be enrolled in college four years later actually declined. And this was during a decade that enjoyed the greatest economic growth of our post-war history.

COMPLETION

During a decade of exceptional economic prosperity, college preparation improved some, while participation rates stagnated. What about college completion rates? Bad news again. We have made only very small gains in associate, baccalaureate, and certificate program completion—nothing commensurate with the improvements we've seen in high school course taking.

AFFORDABILITY

Worse still is our performance on college affordability. The *Measuring Up* reports use family income in each state and the net cost of college attendance—after receiving financial aid—to assess the affordability of two- and four-year public and private colleges and universities. Our 10-year analysis asked whether it is easier, about the same, or more difficult for families to pay for college today compared to in the early 1990s. The answer was clear: State, national, and institutional policies have made it harder for many families to afford college. Measured against our 1992 benchmark, 47 states received a D or an F in Affordability.

Across the country, the cost of sending a child to college has outstripped the growth of family income. In part this is a reflection of financial aid, which now

covers a smaller portion of tuition than it did 20 years ago. And in part the problem is simply that tuitions have been rising steeply, even at public institutions. Over the last decade, while the nation's median family income increased by 6%, the average tuition at four-year public colleges and universities increased by 44%. For middle-to-low-income families, the results were particularly harsh. The median annual income of the bottom 40% of families was \$20,157 in 2003; the net cost of sending a student to community college averaged 34% of that income. It should come as no surprise, therefore, that the gaps in college attendance between affluent and poor students have widened in America.

THE CURSE OF MARKET LEADERSHIP

So here's where we stand: This nation, its 50 states, and its entire workforce now compete in a demanding, global, knowledge-based economy; and to succeed we must provide education and training beyond high school to a significantly greater proportion of Americans than we ever have before—including large numbers from groups that have been left behind in the past. Yet based on the track record of higher education over the past decade, it is apparent that America is not accomplishing this goal. And in my opinion, the country's current public policies will not enable us to achieve this goal in the future. I do not, let me emphasize, question the quality or effectiveness of many individual institutions. By virtually any criteria, many of our colleges and universities measure up to any foreign counterpart. In the aggregate, however, and measured by the civic and economic needs of society, American higher education is underperforming.

A business analogy seems relevant. One of my first lessons as a management consultant at Bain & Company was that every company in every competitive marketplace is gaining or losing share. Although the gain or loss might be slow and invisible, it is always happening. And the stronger the market leadership position an organization or industry enjoys, the less likely its individual leaders and employees are to appreciate that they may have to adjust to changing circumstances. The curse of a strong market leadership position is that it fosters satisfaction with what is actually underperformance—satisfaction with doing only

what's necessary to maintain the status quo, listening only to customers who are content with existing products, and failing to react to emerging needs, competitive risks, and potential new customers. We don't have to look any farther than our steel, consumer electronics, and automobile industries for examples. And I fear that this may also be the curse of higher education in America today. Rather than forcefully addressing the needs of the future, we are resting on the achievements of the past.

The consequences are already worrisome. In the 1990s, while our college participation and completion rates were flat, international indicators show that we lost our world leadership in both of these areas. Other countries, with greater urgency, are working to expand their educated population, while in the United States, uniquely among major industrial nations, the educational attainment of young workers is declining. We are, in effect, creating the opportunity for our economic competitors to catch up with us and surpass us educationally.

Last year, when IBM's personal computer business was acquired by a Chinese corporation and when Unocal, with its enormous oil and gas reserves, was courted by a corporation controlled by the Chinese government, the headlines were a surprise to most Americans. They should not have been. The year before, Chinese companies made 312 major acquisitions of foreign firms. In fact, China's GDP tripled between 1980 and 2003—growing from \$12 trillion to \$36 trillion. By 2020, it is expected to reach \$60 trillion, gaining market share in industry after industry.

This is no fluke. During a recent visit to Shanghai, I met with numerous business and government leaders and found them suiting up for combat and determined to win. They are hungry, not complacent, and their education policies reflect that. In 2001, China had about 50 million people with a college education—a small proportion of the overall population, though still a larger number in absolute terms than America's 31 million college-educated individuals. But by 2008, the college-educated population in China is projected to climb to about 90 million, almost doubling in seven years—while projections for the United States show a growing shortage of workers with postsecondary education. Of course, this American deficit is unlikely to manifest itself as unfilled jobs in America; instead, employers

will move jobs to the places in the world where they can find workers with college-level skills.

We must face up to our current educational underperformance—and turn it around. Otherwise, America, the world’s economic leader for most of the 20th century, will “lose share” in the decades ahead to nations that are more aggressively educating their future workers.

Perhaps even more important, unless we improve our educational system, many individual Americans will find that a middle-class life is hopelessly beyond their reach. Five years ago, I co-founded the Bridgespan Group, a company dedicated to improving the performance of the nonprofit sector. My work there has given me extensive experience with the portion of society that is most likely to be denied this American dream. I have worked at length, for example, with youth development organizations that are struggling to help disadvantaged youth graduate from high school, earn a college degree or specialist certificate, and productively enter society. From them, I have learned a thing or two about hope, which I would like to pass on to you.

I am thinking, in particular, of a Bridgespan client named Geoff Canada, who grew up in Harlem and now runs Harlem Children’s Zone, an organization whose mission is to improve the lives of children in America’s most devastated communities. For many struggling, low-income Americans, Geoff reminded me not long ago, hope is what gets them out of bed every day. Hope for a brighter future, if not for themselves, then perhaps for their kids. But where is the hope for tomorrow? For someone in the bottom reaches of American incomes, earning a high school diploma means struggling like hell, perhaps achieving what no one in the family has ever achieved before, resisting peer pressure, and studying hard. And the result upon entering the workforce with that high school diploma? A better chance to earn the minimum wage.

For a chance to share fully in the civic and economic benefits of a middle-class life in America, the struggle is much greater. It requires somehow navigating entry to our higher education system, spending savings that your family doesn’t have, taking on part-time jobs and mind-numbing debts. And only if you can stick that out for many years, often feeling totally alone and unprepared, can you possibly gain entry, at long

last, into the beckoning knowledge economy. Is it any wonder that so many lose hope? And what happens when entire segments of our society lose hope for their future? For their children? What happens when the ladder to a hoped-for better life is missing all the higher rungs? We are fostering a divided society of haves and have-nots. It’s a division easily seen in the economic statistics. But economic measures are cold reflections of a more critical division between those who have real hopes of climbing the education ladder to a better life and those who live without them.

As a businessman and as a citizen, I conclude that if we lose jobs and we lose hope, we will have a problem in this new century which reaches beyond the competitiveness of our industries. We will have a problem with the very future of our country.

But I also believe that this need not be our fate. New public policies for higher education, which respond to the new economic and demographic reality, can prevent it.

POLICY AND LEADERSHIP

I do not mean to imply that there are simple policy formulas that every state can or should follow. But it seems clear that three issues should be high on every state’s policy agenda.

- *The education pipeline.* We must repair it. Its leaks from beginning to end suggest that we would be well served by a K–16 approach to framing our educational issues. Focusing exclusively on one section of the pipeline at a time—as have most of the educational reform efforts of the past quarter century—won’t get a skilled workforce flowing.

For colleges and universities, repair of the pipeline will take closer collaboration with public schools to raise high school graduation rates and improve the college readiness of high school graduates. It will also require improving their own programs and increasing the proportion of college students who complete degrees and certificates.

- *College affordability.* The requirement here is twofold. The rate of increase of institutional

costs and prices must be constrained, and—at the same time—policy leaders must continue to advocate public investment in higher education, with, I suggest, particular emphasis on need-based student financial aid.

- *Accountability.* States need to hold themselves and their colleges and universities responsible for monitoring progress on the critical aspects of higher education performance on which the future of the nation and the states really depend. The State Higher Education Executive Officers-sponsored National Commission on Accountability in Higher Education has, I believe, made a major contribution to the rethinking of accountability. Its conclusion is that accountability must focus on explicitly stated, core public purposes and on reporting specific outcomes. The primary purpose should be to produce information that will lead to improvement at the policy level and at the institutional level.

These tasks are daunting indeed, but I believe we can accomplish them. America's past success may have led to present complacency, but it also has left us a strong foundation on which capable and committed policy leaders can build. You, in other words, can make an enormous difference, and our country needs you to.

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JAMES B. HUNT JR., who served as governor of North Carolina for four terms, has been at the forefront of education reform in his state and the nation for over 20 years. As governor, he focused on early childhood development, the development of high standards for public schools, and improving the quality of teaching in America. His Smart Start program is a nonprofit, public-private partnership rooted in each of North Carolina's 100 counties providing quality childcare, health care, and family support for each child who needs it. He also put into place one of the nation's most rigorous approaches to measuring and supporting student performance. The Rand Corporation reports that North Carolina's public schools improved test scores more than any other state in the 1990s.

Governor Hunt is currently a partner of the law firm Womble Carlyle Sandridge & Rice, practicing in Raleigh, North Carolina. He is also chair of the James B. Hunt, Jr. Institute for Educational Leadership and Policy, which was established in 2001 to work with current and emerging political, business, and education leaders to improve public education. He has received numerous national awards and has served as chair or founding chair of several national commissions and organizations working to improve education, including the National Education Goals Panel, the National Board for Professional Teaching Standards, the National Commission on Teaching and America's Future, and the National Center for Public Policy and Higher Education. He has a J.D. degree from the University of North Carolina at Chapel Hill, as well as a bachelor's and a master's degree from North Carolina State University.

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