

**From:** Larry L. Leslie[SMTP:lleslie@CCIT.ARIZONA.EDU]  
**Sent:** Saturday, 15 November 1997 4:34  
**To:** ARNOLD,Satis

Hi Satis,

The West Committee Report was read with great interest. Here are just a few reactions.

1. The framework for the Report is now much more palatable. It is relatively well balanced and the political reaction should be tempered, relatively.
2. Of course the "student as consumer" model is the centerpiece of the document and this will cause a great uproar on the campuses, as no doubt it already has. It will be interesting to learn of the Labor response.
  - a. The U.S. experience in this regard is of considerable help in anticipating events to come, but perhaps less than one might imagine, the latter being due to our incremental approach to public policy due to our "balance of powers" form of government. **Your plans to go at the student centered funding model full bore, I think, is a recipe for disaster. Here's why.**
    - i. The largest negative of this approach in the U.S., and it is a very large one indeed, was never anticipated in the early 1970s when we went in the direction of the student funding mode. What we failed to anticipate was the public reaction when tuition prices began--and continue--to increase at about twice the rate of inflation or more. Public universities came to be seen as money-grubbing institutions, far more concerned with their own self-interests than with the public welfare.

OF COURSE, TUITION WAS SUPPOSED TO BE RAISED DRAMATICALLY UNDER A STUDENT FUNDING MODE; THAT WAS AN INEVITABLE AND CENTRAL PART OF THE STRATEGY. BUT THE PUBLIC QUICKLY FORGOT THAT PART OF THE CONTRACT, IF IT EVER UNDERSTOOD IT IN THE FIRST PLACE. (That is, universities can capture the government subsidy to students, rather than institutions, only by raising their prices.)

**The result has been little short of a public disaster, with the large swing vote, the middle class highly disenchanted with public universities, as they raise their tuitions.**

HIGHER EDUCATION HAS COME TO BE SEEN AS JUST ANOTHER GOVERNMENT WELFARE FUNCTION, with the poor receiving subsidies and the middle class left to pay higher and higher charges, often through huge debt burdens by the time of graduation.

In fact, the headline in the Tucson paper just yesterday was the amount of debt carried by graduates of the University of Arizona, an amount that has more than doubled in about 5 years.

THE NET RESULT OF ALL OF THIS IS THAT HIGHER EDUCATION, WHICH IS CENTRAL TO ECONOMIC GROWTH, IS AT THE VERY BOTTOM OF THE PUBLIC PRIORITIES.

Even the public schools, for which there is absolutely no connection between funding levels and student outcomes are much, much higher in the public favor, as are the community colleges, which continue to receive favorable support not only from the states but also local tax authorities.

ii. I do think that your universities will be transformed dramatically. It is too bad that we could not share the results of our present NSF study along these lines. Simply put, because our changes are incremental for the most part, changes have not been large so far in most of the core departments of the universities; however, in states where the financial changes have been great and in departments away from the core, the changes have been dramatic--some good and some bad. On the whole I would say that we are likely to be experiencing both the good and the bad effects of the market. I fear that your approach will give you far more of the bad than you would wish for. This of course was the theme of my argument for the "Rule of 10%."

WITH 10% OR SO OF YOUR REVENUES BEING PUT OUT ON A COMPETITIVE BASIS YOU GET VIRTUALLY ALL THE BENEFITS OF THE MARKET, WHILE KEEPING YOUR ABILITY TO LOOK AFTER SOCIAL BENEFITS BY RETAINING PUBLIC CONTROL OVER THE REMAINING 90%.

(See my now admittedly NAIVE view of this issue in the following article: Leslie, Larry L., and Gary P. Johnson, "The Market Model and Higher Education," *The Journal of Higher Education*, Vol. XLV, No. 1 (January 1974): 1-20.

3. Just one other point. **The "anticipated" cost savings from technology and telecommunications will not happen.**

(I am reminded of Ben Bloom's admonition, "We have proven far more than we know.") Although there have been numerous experiences and much research on this topic, there is no supporting evidence for your expectation. Indeed, a careful analysis of the British Open University by two economists (they wrote this up in a book) showed both less-than-average learning effectiveness and higher-than-average costs; this some 20 years after its being instituted.

**Dream on!**

Good luck; I think you and Australia will need it, if not now, in the long run!

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