

Education



The Future of Higher Education in the United States (and the World)

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There is a long-standing tradition of making bold, and spectacularly mistaken, predictions about U.S. higher education. So it is with caution and modesty that we hazard a few of our own.

While economists tend to be overly optimistic about growth and prosperity, education experts tend toward unjustified pessimism. Around 1900, the founding president of Stanford, David Starr Jordan, predicted the imminent demise of the liberal arts college as research universities took their place. Tell that to Williams, Amherst, Pomona, and other top liberal arts colleges, now more selective and richer than ever. For other forecasters, the Great Depression portended the end of higher education as they knew it, with crumbling endowments and reductions in state funding and private giving supposedly leading to long-term educational disaster. The GI Bill, now celebrated as one of the most important pieces

of legislation, was at the time resisted by some prominent university presidents who feared the end of excellence associated with educating the masses. Next, educators warned that the large baby boom generation would threaten the nature of institutions unable to expand enrollment quickly enough without wreaking havoc. After that, baby bust pessimists foresaw massive excess capacity leading to fiscal disaster. In fact, college enrollment rose.

Today you can't open the paper without hearing about impending doom. There are no jobs for college graduates; loan burdens are prohibitive as graduates or dropouts struggle to pay off \$100,000 in college loans on barista-level salaries; and new technologies are driving the traditional four-year, nonprofit, residential model into oblivion. Either tenure will bankrupt the few institutions retaining it or "contingent" faculty with short-term contracts will replace tenured faculty. Exorbitant sticker prices have created a bubble resembling the tulip market of seventeenth-century Holland. Only the foolhardy will major in anything other than science, engineering, math, business, or economics. What's more, the days of substantial federal research support are numbered. Public flagship universities will continue to lose stature, while the United States will surrender its domination in rankings of the world's universities.

In short, if this is the golden age of American higher education as some say, by 2040 it will be long gone.

To address these points, we first establish today's facts, some of which will likely prove surprising.

Higher Education Today

Higher education in the United States is a big business.¹ There are around forty-seven hundred "firms"—about sixteen hundred public institutions, seventeen hundred private nonprofit ones, and fourteen hundred private for-profit schools. Because public institutions are typically much larger than private ones, they enroll almost three quarters of all students. The annual budgets of these forty-seven hundred institutions add up to around \$500 billion, 3 percent of the U.S. gross domestic product (GDP). These schools attract a total of twenty-one million "customers," eighteen million undergraduates and three million in graduate or professional schools. More than eight hundred thousand come from outside

the United States (half from China, India, and South Korea), making the United States the world's largest net exporter of higher education services. Various international rankings agree that the most prestigious institutions are disproportionately in the United States.

Nevertheless, the United States is falling behind other industrialized countries in college attainment. Each fall the Organization for Economic Cooperation and Development (OECD) releases its ranking of the percentage of twenty-five- to thirty-four-year-olds with a higher education degree, and each year the United States seems to lose a spot.² At 42 percent, we are at our all-time high, but because other countries have been increasing attainment rates more quickly, the United States currently ranks only fourteenth among thirty-seven developed countries. South Korea, the OECD leader, is at 65 percent.

It may be surprising to learn that of the forty-seven hundred schools in the United States, fewer than 10 percent could be considered "selective." At most institutions, students are free to enroll having met limited (if any) requirements. Consumers are used to being able to buy a product without proving their worth as potential purchasers. It is thought that colleges and universities are different—with a much larger group of willing purchasers than are allowed to buy. But except for a few schools, that is untrue.

Many of the 150 or so "national" colleges and universities (those drawing from the top students in the United States and abroad) have increased their draw—and their pricing power—over the past few decades. Some are major research universities, including the sixty U.S. members of the Association of American Universities (the AAU), the exclusive group of universities receiving the lion's share of federal research dollars. Some are prestigious liberal arts colleges.

Also surprising is that the "\$50,000 a year price tag" is far from the norm. The latest count shows that only 149 of the forty-seven hundred charge that amount, including room and board.³ They enroll fewer than six hundred thousand of the eighteen million or so undergrads—with more than half receiving a substantial discount. That leaves at most three hundred thousand students and their families actually paying \$50,000 a year, far fewer than media attention suggests.

Why pay such an amount? Another surprise is that the return to a college degree is at or near record levels.⁴ There used to be a cycle of high

returns inducing an oversupply of college-educated workers, thereby reducing the college premium (the ratio of earnings of college graduates to those whose highest degree is a high school diploma) until market adjustment led to a new rise in the premium. The nadir of the cycle took place in the mid-1970s, but then the college premium took off. Even after decreasing in the wake of the massive economic downturn of 2008, it quickly rebounded. By 2012, it reached a new high for women and was only slightly behind the 2008 record level for men. So even after the worst of economic times, the college premium recovered and set out again on its long-term upward path.

Clearly, the transfer of blue-collar jobs offshore has contributed mightily to this new phenomenon. More than half the increase in the college premium over the past several decades results from a decline in the denominator (wages for high school graduates). But even if a college education has become more of a defensive move, it is still an extraordinary financial investment.

There are unfortunate people with \$100,000 or more in college loan debt working away at jobs that pay little and do not require a college degree.⁵ But around 30 percent of college students graduate with no loan debt at all, and the rest average around \$30,000, an amount the college premium covers before long. Sure, there are exceptions, but the data speak for themselves. And at the most selective private colleges and universities, the majority graduate without any loans at all, while the rest average under \$20,000. We repeatedly hear that total college loan debt exceeds a trillion dollars, more than credit card debt! But credit card debt usually reflects consumption choices, while a college degree is an investment—for most, the best of a lifetime. Moreover, there is lots of evidence that college leads to more satisfying and healthier lives. Well-educated people tend to exercise more, vote and volunteer more often, and engage in more activities with their children. The graduate benefits, and so does society, one reason for government to cover some of the expense.

Finally, students who attend a top private institution might wind up paying less than they would at a public institution closer to home. The *San Jose Mercury News* reported in March 2012 that a family of four earning \$130,000 a year would be asked to pay—taking into account financial aid grants—\$24,000 a year at California State University at East Bay, \$33,000 at the University of California at Santa Cruz, and

only \$17,000 at Harvard.⁶ At institutions with the resources to enroll the most qualified students regardless of ability to pay—or at other schools that discount according to “merit”—the sticker price does not come close to indicating what the actual cost would be. In fact, only 29 percent of all undergraduates pay the sticker price, a number that falls below 15 percent for those attending private four-year colleges and universities.

Nevertheless, some significant headwinds may mean more difficult days ahead.

For three decades public universities have been receiving a declining share of state expenditures (with those dollars diverted mainly to health care). Most of the for-profit sector operates under increased government scrutiny because of high student loan default rates. And private nonprofit higher education is more stratified than ever—with the most prestigious colleges and universities benefiting from increasing cachet in global markets, while, at other privates, rapidly rising discounts off the sticker price have eroded tuition revenues, their principal income source.

Predicting the Future

So, where does higher education go from here?

We focus on seven topics relating to the pedagogy underlying the educational experience and to the economics governing it.

We categorize our predictions based on Supreme Court Justice Felix Frankfurter’s 1957 classic ruling in *Sweezy v. New Hampshire*, laying out the four essential freedoms of a university—“to determine for itself on academic grounds who may teach, what may be taught, how it shall be taught, and who may be admitted to study.”

Who May Teach?

One trend is clear: the prevalence of tenure in American higher education has been reduced dramatically. In 1975, 57 percent of all full-time and part-time faculty (other than graduate students) were in the tenure system, but by 2011 there were only 29 percent.⁷ Following the end of mandatory retirement for faculty on January 1, 1994, non-tenure-track professors at Ph.D.-granting public universities went from 24 percent of all full-time faculty to 35 percent and from 18 percent to 46 percent at private nonprofit ones.⁸ Some discern a potential blow to academic

freedom; others anticipate declining efficiency resulting from a changed distribution of authority.

Do undergraduates taught by faculty outside the tenure system learn as much? A recent analysis based on Northwestern data indicates that faculty outside the tenure system (most of whom are full-time) actually outperform tenure-track/tenured professors in the classroom, at least when considering introductory classes taken during freshman year.⁹ Non-tenure-line faculty not only inspire undergraduates to take more classes in a given subject but also lead the students to do better in subsequent coursework. We applaud the increasing attention being paid to the work conditions of non-tenure-line professors, especially those with full-time positions. Should they be treated in a manner commensurate with their value, the rise of designated teachers at U.S. colleges and universities may be less of a cause for alarm than some people think.

That gets us to our first question:

In 2040, what percentage of American faculty will be in the tenure system?

Some observers predict that tenure-track/tenured professors will bottom out at 15 to 20 percent of all faculty, with tenure largely limited to flagship public and private research universities and the wealthiest liberal arts colleges.¹⁰ A key question concerns attempts to institute posttenure review. The University of Texas Board of Regents, for example, has proposed that tenured faculty members be evaluated annually, with two unsatisfactory reviews leading to possible dismissal. Not surprisingly, the American Association of University Professors regards this proposal as an assault on tenure.

Unless such resistance abates, or Congress restores a mandatory retirement age for professors, the downward trend is sure to continue. Neither change is likely. As tenured professors retire, they will continue to be disproportionately replaced by faculty outside the tenure system. By 2040, our guess is that only around 10 percent of positions will be held by tenure-track/tenured professors.

Where will professors teach? Will the financial problems inflicting public colleges and universities finally abate, or will more and more professors leave publics for privates?

That leads to our second question:

Will public research universities continue to be able to attract a world-class faculty and student body?

Will the federal government restore the growth rate in sponsored research at public and private universities? And will states restore the historic percentage of their expenditures to higher education?

While some observers think that the current decrease in research support marks a new reality, we believe we are merely at a down part of a long cycle. There have been downturns before, but then federal research support resumed its long-term upward trend, with Congress and the public recognizing the contribution of research to scientific breakthroughs and economic growth.

On the other hand, public universities will still struggle to replace state appropriations with other revenues. The days when public higher education attracted a stable share of state expenditures—once 7 percent, now 5 percent—are long gone. These two lost percentage points amount to \$30 billion, more than a third of current state appropriations to higher education.

If we expect the federal government to see the light, why wouldn't states? Almost all of that \$30 billion has gone to health care, specifically to Medicaid. Harvard economist Tom Kane concluded that the future of public higher education depends on the containment of Medicaid costs. Our best hope is that the 1990s repeat themselves and state budgets rise faster than the higher education share of the pie declines. That would take robust economic growth along with reining in not just health expenditures but also state pension obligations.

Around three out of four college students attend public institutions, and we don't expect that to fall much by 2040. But we do expect that recent funding troubles at public institutions will not go away. Top public research universities have been losing stature and, regrettably, we foresee that trend continuing.

What May Be Taught?

Understandably, in times of uncertain economic growth prospects, politicians focus on skills translating fairly directly to employment. The

STEM fields (science, technology, engineering, and mathematics) are today's darlings, with the humanistic social sciences, the arts, and the humanities either forgotten or worse. Several governors have expressed skepticism about the wisdom of states supporting students studying the humanities given their presumed poor earnings prospects.¹¹

This approach is shortsighted. No one should confuse starting salaries with ultimate earnings. Looking a decade or so out beyond graduation, humanities majors generally have low unemployment rates and, in some cases, salaries mirroring those of workers with more technical training.¹² To be sure, data from the U.S. Census Bureau show that the lifetime earnings of engineering majors exceed those of arts majors by \$1.4 million. But work-life earnings of students who study the arts are nonetheless a robust \$1.9 million. And, of course, the payoff to higher education isn't limited to finances.

Still, the market test is whether students themselves are leaving the humanities in increasing numbers. Humanities skeptics are quick to point out that in the late 1960s nearly 18 percent of all bachelor's degrees were earned in the humanities. By 2010, it was only 8 percent.¹³ However, that decline took place many years ago, with the percentage in the humanities being quite stable since the early 1980s. On the other hand, a recent study of Harvard undergraduates shows a continuing downward trend, from 1954, when 36 percent of all majors were in the humanities (including history) to 20 percent in 2012, with the slide showing no signs of ending. At Stanford, around 45 percent of faculty members in its main undergraduate division are in the humanities; but only 15 percent of its students are.

Some observers cite the fact that student demand in the humanities is adversely affected by the disproportionate share of non-tenure-track instruction in those fields (the Northwestern results call this hypothesis into question). Others point out that the gap between professorial salaries in the humanities and other academic disciplines has been growing, leading perhaps to declining relative quality among faculty. Still others say the lack of student interest reflects changes in the field itself.

That brings us to question three:

Will anyone ever major in the humanities, arts, and nonquantitative social sciences again?

The decline in interest in the humanities likely reflects, at least in part, what humanists themselves have been doing. For the last three decades, predominant trends in critical theory have been teaching that there is no such thing as objective literary value and that Shakespeare is considered to be better than John Grisham (or a laundry list) only because of social power relations. (Of course, not everyone subscribes to this view of value.) As the editors of *The Norton Anthology of Theory and Criticism* observe when paraphrasing the position of cultural studies, “Literary texts, like other artworks, are neither more nor less important than any other cultural artifact or practice. Keeping the emphasis on how cultural meanings are produced, circulated, and consumed, the investigator will focus on art or literature insofar as such works connect with broader social factors, not because they possess some intrinsic interest or special aesthetic value.”¹⁴ In that case, why should great literature be studied at all? Students who come to this conclusion can hardly be said to be irrational. It has also become common to teach literature by measuring how enlightened the author was in terms of current values, which are presumed correct. But if current beliefs can only be confirmed, why should students put in the considerable effort to read difficult texts?

The future of the humanities would seem to depend on a shift, which may already be under way. Great literature does what no other university subject can. Sensitively read, it offers practice in empathy with people unlike oneself.¹⁵ When readers identify with a character from another social class, period, culture, or gender, they experience a new sense of the world. To do so, they must bracket, not presume, the values and social beliefs usually taken for granted. Other disciplines may recommend empathy, but only great literature offers constant practice in it.

In retrospect, it seems obvious that critical theory’s doctrines compromise the very reasons for studying the humanities. Within the profession, dynamics leading to status have gone one way, while external pressures have led in the contrary direction, toward making the humanities ever more important. Increasing globalization and social diversity put a premium on being able to understand other people from within.

Both trends will continue, but, at least for a while, the trend toward empathy will grow in relative strength. One sign this is happening will be a different understanding of “world literature,” a term that now usually means Western literature plus the literature of other countries re-

sponding to Western dominance and oppression. It is as if non-Western cultures were producing nothing of value before they encountered Europeans. Instead, world literature will include not primarily “postcolonial” literature but demand more attention to earlier non-Western classics, such as *A Dream of Red Mansions*, the *Bhagavad-Gita*, and *The Tale of Genji*. The Persian *Shahnameh* (*Epic of Kings*) will be widely known, along with classics from the Arab world when it was the hegemonic power invading Europe. To be sure, it requires more effort to grasp Confucius and Lao-Tzu than a contemporary English or French novel from the Third World, but the study of such authors, along with Shakespeare and Dostoevsky, will indicate that it is important to transcend the perspectives American academics easily take for granted. In that case, the future of these fields will be brighter.

Other nations are figuring out what some here want us to ignore—that training in the liberal arts does create economically viable citizens.¹⁶ Why did Singapore invite Yale to open a liberal arts college? Why in China and India is the adoption of a liberal arts curriculum very much on the table? How ironic if in our panic to match those countries in the production of engineers, they pass us by in the education of students with broader, less technical backgrounds!

That leads us to our fourth question:

Even if those subjects are still taught at research universities in 2040, will there be liberal arts colleges around to teach them as well?

More than two decades ago, the economist David Breneman made the startling discovery that the number of “liberal arts” colleges was far smaller than popularly believed.¹⁷ In 1990, schools without large numbers of graduate students were lumped together as liberal arts colleges. But Breneman took a close look at the 540 private schools with few or no graduate programs and found that fewer than half—only 212—had even a large minority of students majoring in the traditional arts and sciences fields. A recent study applying these criteria found that number had fallen to only 130.¹⁸

The others had not closed but had added more and more preprofessional subjects, and graduate programs, to their curriculum. This is not to say that students studying accounting, management, and nursing at

small baccalaureate colleges might not benefit from seminar-size classes and an undergraduate focus, but don't think that there are large numbers of philosophy and English majors at these schools.

The elite of the 130 remaining liberal arts colleges are stronger than ever, but others are undergoing substantial economic distress. Will they go under? Absolutely not. But they will probably introduce business majors and the like. Majoring in philosophy or art history at a world-renowned college (or research university) may not be thought to be all that risky in terms of job prospects. But elsewhere, market changes will make the true "liberal arts college" more of a rarity.

How Shall Courses Be Taught?

Massive open online courses (MOOCs) will supposedly replace the pedagogical model of a faculty member giving a lecture to, or leading a discussion with, physically present students. Some educators feel that soon most students will learn microeconomics—or Russian literature—from the world's greatest experts, signing up as one of hundreds of thousands who access the lectures at their leisure, relying perhaps on local instructors to answer their questions and run discussion sessions. There is something attractive about being taught by the very best and going at your own pace, and that model might supplement traditional pedagogy in a productive way. But replace it?

Think of it like this: could you do psychotherapy this way? Or learn to play the violin? If the humanities teach a skill such as empathy, they will require *presence*. For the student and professor, it will be important to put oneself on the spot (in all senses) with someone who is actually there. To be sure, if the humanities devolve into memorizing approved interpretations or confirming already held beliefs, MOOCs may play a relatively large role. But if the humanities change from current trends, they will not. Experience with MOOCs trying to teach literature may itself provide impetus for change in the humanities.

Even in a large lecture class, successful professors can truly engage and put themselves on the spot. Then they don't just provide information but model the process of thinking about literature, much as a physically present violin instructor or musician differs from a recording. After all, if presence did not matter, and a mere recording of a great performance would do, why do people still go to live concerts?

Whatever their use as a supplement, online technologies will not replace traditional courses. Despite their rhetoric, top colleges and universities act as if they agree. The premier schools are active MOOC producers. And yet, they seldom give the same credit for such courses to their own students. Such courses usually qualify for “alien” credit, the sort given to high school advanced placement courses and classes taken at summer or study-abroad programs run by other institutions. MOOCs rarely count toward the major, go toward the college residency requirement, or figure in a student’s overall grade point average. In short, there is something of a bait and switch here.

Even the most traditional of teachers—and that includes us—use technology in meaningful ways. There are excellent classroom management platforms that save teaching time while enhancing student learning. Long gone are the days when ten minutes of every eighty-minute class were spent on course mechanics. Plus, what a joy it is to be able to show a short video illustrating an important point or to bring in an off-campus expert for a real-time contribution to a class. But these changes enhance, rather than replace, the traditional course. They do not alter the very nature of learning, as MOOCs usually do.

This discussion suggests question five:

Will the residential undergraduate experience be replaced by MOOCs and other online teaching?

We don’t see the residential experience much imperiled by remote learning, especially at the nation’s selective colleges and universities. Faculty may be blissfully unaware that much learning takes place outside of the classroom: during discussions in common rooms or cafés; with friends on a team; or while running a community service organization or an a cappella group. Students reflecting on their treasured educational experiences cite favorite courses and the camaraderie of an intramural team. It is hard to believe they will ever cite beloved MOOCs.

Who May Be Admitted to Study?

College enrollment rates in the United States are the highest ever: 70 percent of high school graduates enroll at a two- or four-year college within twelve months of graduation. But gaps in enrollment by income

and race have persisted. OECD data show that the enrollment prospects for children of parents with educationally disadvantaged backgrounds are worse here than in almost all other developed countries.¹⁹

Moreover, not all college attendance is the same. Of students from families with income below \$60,000 who attended college in 1999, only 6 percent enrolled at elite institutions, compared with 26 percent from families earning above \$200,000.²⁰ More recent data suggest this disparity has been growing.

While college access for black and Hispanic students has been increasing, it has primarily been at open-access institutions. The sad news is that there are significant numbers of academically qualified minority students who would thrive at selective colleges if they chose to enroll there. A small subset of Chicago Public Schools (CPS) high school graduates have the records and standardized test scores for access to a very selective college.²¹ But only one in three of these match appropriately. The others wind up attending underresourced, nonselective institutions, where they cannot develop their talents as well and where their graduation rates are less than half as high as they would have been had they attended elite schools.

That leads us to our sixth question:

Will college enrollment rates in the United States continue to rise and will gaps by income and race attenuate?

We must first ask: will the college premium remain at record levels? And how will sticker and net prices change?

Many jobs that provided good wages to workers without college degrees still exist but are now located in Bangalore, Jakarta, and Shanghai rather than in Atlanta, Chicago, and Cleveland. Some such jobs will remain in the United States, but not many. On the other hand, generations of college graduates could expect to become richer than their predecessors, but those days may be over. Still, the college premium will continue to rise and so demand for higher education will grow.

That, however, will not translate into robust growth for college and university revenues. Tuition increases will continue to be eroded by increases in financial aid. As mentioned earlier, only 29 percent of all undergraduates pay the sticker price—with the percentage at private col-

leges and universities now down to under 15 percent. The number of families paying the sticker price will fall further, especially without federal antitrust protection allowing college presidents to end highly costly merit aid wars.

Even schools with the pricing power to increase sticker prices proportionate to the richest Americans' increase in income face increasing political pressure not to do so. For the past century, sticker prices have increased around three percentage points above inflation, but those days are about to end. Public scrutiny is putting the brakes on tuition increases even if the market is not. We expect that schools at the very top of the pecking order will disrupt price increases even further. When you have a \$4 billion operating budget and you only net \$150 million from undergraduate tuition, you might eventually question the entire sticker price/financial aid model. Why not let anyone who can meet your admissions standards come to college for free? That is already the norm in Ph.D. programs. If, say, Princeton did this for undergraduates, wouldn't Harvard, Yale, and Stanford follow? How would this affect the many other schools who couldn't possibly forgo all undergraduate tuition revenue? While the current funding model is not a bubble about to burst, a range of economic, political, and competitive pressures imply that net tuition revenues will become a smaller and smaller portion of all institutional revenues.

Might that lead to greater enrollment by low-income students? Evidence suggests that this is more a matter of sociology than economics. Recall the curious case of top CPS high school students eschewing selective institutions in favor of open enrollment ones. It is as much about not wanting to leave the local community, and not recognizing that colleges differ from one another, as it is about not realizing the net price most would face would be well below the sticker price. The focus on "going to college" obscures the fact that college is not a commodity—that is, not a good undifferentiated by quality.

We saw that where you go to school has a profound effect on your graduation prospects. But assuming you do graduate, does the higher selectivity of a school increase earnings?

Some observers point to the well-known study showing that many students attending the University of Pennsylvania would have had a similar earnings stream if they had attended Penn State.²² But the addi-

tion to earnings from attending a more selective institution is greater for students from low-income backgrounds and still greater for students of color. And don't forget that Penn State is not your typical public—it is one of the nation's thirty-four public universities in the AAU (out of a total of sixteen hundred public colleges and universities).

We think that the many college outreach programs put into place in recent years will begin to have a positive impact. More of those CPS students will take advantage of the opportunity to attend an elite institution. As it is, some changes in K-12 education are beginning to pay dividends. Longer school days, school choice, and charter schools are leading to higher graduation rates and at least modest increases in some test scores. Right now only 11 percent of the 130,000 undergraduates attending the most prestigious group of thirty-one private colleges and universities come from families in the bottom two-fifths of the income distribution, with fully 69 percent coming from the top fifth.²³ We predict that by 2040 those numbers will change dramatically for the better.

We come now to our seventh and final question:

Will the United States continue to attract large numbers of students from throughout the world, enticed by the prominence of top colleges and universities?

The eight hundred thousand foreign students among the twenty-one million students studying at U.S. colleges and universities include both undergraduates and graduate students. International students bring to the most prestigious programs not only the best talent in the world but also tuition revenues. Even at the most heavily endowed schools, foreign students receive little or no financial aid either as undergraduates or as students in master's degree programs. Those dollars are even more important, and in some cases critical, at the many less-prestigious colleges and universities that rely heavily on tuition. If foreign students stayed home, much of American higher education would feel the blow.

The trend is worrying. While the United States remains the global leader by attracting around 16 percent of all students who study abroad, ten years earlier the figure was 24 percent.²⁴ As long as the overall number of students enrolling in a country other than their own continues its rapid climb, the declining share of the United States need not be a

problem. But as other countries create new colleges and universities, and increase the prestige of existing ones, the attractiveness of studying at any U.S. institution without a global reputation will be reduced, and full-pay foreign students will be increasingly scarce by 2040. The drying up of this income stream will be one more in a long list of reasons contributing to the growing stratification in U.S. higher education over time.

Conclusion

Careful readers might now understand the reason behind the parentheses in our title around the words “(and the World).” This is not a review of worldwide higher education. Even with our knowledge of U.S. higher education, based not just on studying its finances and its curricular offerings, but on having spent all of our professional lives teaching in this country, we predict the course of change with great trepidation. It would be reckless for us to pontificate on Germany, India, and China. We do, however, consider the United States relative to worldwide higher educational developments. Will U.S. institutions continue to attract foreign students in great numbers and dominate world rankings? Will the United States be alone in the world in terms of a focus on the liberal arts? Will the United States continue to be passed by other countries in terms of college attainment and lag even further behind other nations in educating students coming from low-income backgrounds?

Contrary to the tenor of past predictions, we are optimistic about the state of American higher education in 2040. The best of today’s liberal arts colleges will thrive—and will actually be teaching the liberal arts. Some faculty will still be in the tenure system, but the many others who are not will do a fine job with undergraduate teaching and be better appreciated and supported than they are presently. Public flagships will still be prominent, if not quite the world leaders they are today. U.S. colleges and universities will continue to predominate, even if international competitors take away some full-pay foreign students. Many schools will lose some pricing power, undermined by increased price responsiveness at all but the elite institutions, and all colleges and universities will face increasingly challenging political realities. But a college degree will continue to be a great economic investment, and so enrollments will increase to record levels.

As knowledge grows, the need for those who provide it will grow as well. Pressure on the system will lead to changes and adaptations, but the United States will continue to provide the model for the world.

Notes

1. An excellent source of data on U.S. higher education, from which the following numbers are drawn, is *Almanac 2014–15, The Chronicle of Higher Education*, August, 22, 2014.

2. OECD, *Education at a Glance: OECD Indicators 2012* (OECD Publishing, 2012), Chart A1.1, 26.

3. *Almanac 2013–14, The Chronicle of Higher Education*, August 23, 2013.

4. A comprehensive piece on changes over time in the returns to higher education is David H. Autor, “Skills, Education, and the Rise of Earnings Inequality among the ‘Other 99 Percent,’” *Science* 344, no. 6186 (May 23, 2014): 843–51. Another illuminating look is provided in Sandy Baum, Jennifer Ma, and Kathleen Payea, *Education Pays 2013: The Benefits of Higher Education for Individuals and Society* (New York: College Board, 2013), <https://secure-media.collegeboard.org/digitalServices/misc/trends/education-pays-2013-full-report-022714.pdf>.

5. For an overview of college loan debt, see *Trends in Student Aid 2013* (New York: College Board, 2013). See also Sandy Baum, Charles Kurose, and Jennifer Ma, *How College Shapes Lives: Understanding the Issues* (New York: College Board, October 2013).

6. Matt Krupnick, “Believe It: Harvard Cheaper than Cal State,” *San Jose Mercury News*, March 4, 2012.

7. The American Association of University Professors website presents its Contingent Faculty Index summarizing data from the IPEDS Fall Staff Survey. <http://www.aaup.org/sites/default/files/files/AAUP-InstStaff2011-April2014.pdf>.

8. Ronald G. Ehrenberg, “American Higher Education in Transition,” *Journal of Economic Perspectives* 26, no.1 (Winter 2012): 193–216.

9. David N. Figlio, Morton O. Schapiro, and Kevin B. Soter, “Are Tenure Track Professors Better Teachers?” (working paper 19406, National Bureau of Economic Research, September 2013).

10. See, for example, Robin Wilson, “Tenure, RIP: What the Vanishing Status Means for the Future of Education,” *Chronicle of Higher Education*, July 4, 2010.

11. See, for example, Kevin Kiley, “North Carolina Governor Joins Chorus of Republicans Critical of Liberal Arts,” *Inside Higher Education*, January 30, 2013.

12. Anthony P. Carnevale and Ban Cheah, "Hard Times: College Majors, Unemployment and Earnings," Georgetown Public Policy Institute, May 2013, distinguishes between the economic experience of recent college graduates and those who are a numbers of years from graduation.

13. See, for example, Jennifer Levitz and Douglas Belkin, "Humanities Fall from Favor," *U.S. News & World Report*, June 6, 2013.

14. Vincent B. Leitch et al., eds., *The Norton Anthology of Theory and Criticism*, 2nd ed. (New York: Norton, 2010), 2478. This collection, with its influential selections, copious introductions, and extensive bibliography, is a key starting point for any study of theory and criticism. It is worth noting that the discipline used to be called "literary theory" or "literary criticism"; the dropping of the qualifier "literary" from the title reflects the trends described in the passage quoted.

15. Empathy, social perception, and emotional intelligence have been linked explicitly to reading literary fiction. See P. Belluck, "For Better Social Skills, Scientists Recommend a Little Chekhov," *New York Times*, October 4, 2013.

16. See, for example, Gerald A. Postiglione, "China Weighs the Value of American Liberal Arts," *Chronicle of Higher Education*, August 29, 2013.

17. David W. Breneman, *Liberal Arts Colleges: Thriving, Surviving or Endangered?* (Washington, D.C.: Brookings Institution Press, 1994).

18. Vicki L. Baker, Roger G. Baldwin, and Sumedha Makker, "Where Are They Now? Revisiting Breneman's Study of Liberal Arts Colleges," *Liberal Education* (Summer 2012).

19. *Education at a Glance*, Chart A6.1, 102.

20. Michael S. McPherson and Morton Owen Schapiro, "Opportunity in American Higher Education," Reflections on College Access & Persistence, In Honor of the 40th Anniversary of the Higher Education Act, Proceedings & Papers from a Symposium Held in Washington, D.C., September 2005, Advisory Committee on Student Financial Aid, September 2006.

21. Melissa Roderick and Jenny Nagaoka, "Increasing College Access and Graduation among Chicago Public High School Graduates," in *College Success: What It Means and How to Make It Happen*, ed. Michael S. McPherson and Morton Owen Schapiro (New York: College Board, 2008).

22. Stacy Berg Dale and Alan B. Krueger, "Estimating the Payoff to Attending a More Selective College: An Application of Selection on Observables and Unobservables," *Quarterly Journal of Economics* (November 2002).

23. For an excellent analysis of this topic, see Catharine Hill, Gordon Winston, and Stephanie Boyd, "Affordability of Highly Selective Private Colleges and Universities," *Journal of Human Resources* (Fall 2005); Catharine Hill and

Gordon Winston, “How Scarce are High-Ability, Low-Income Students?” in *College Access: Opportunity or Privilege?* ed. Michael S. McPherson and Morton Owen Schapiro (New York: College Board, 2006); and Catharine B. Hill et al., “Affordability of Highly Selective Private Colleges and Universities II,” January 1, 2010.

24. *Education at a Glance*, Chart C4.3, 364.