

Student as Consumer: What Three Decades of Higher Education Policy Mean to K-12

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Within months of taking office in 1967, Governor Ronald Reagan overturned a hitherto stable tradition in his state by proposing that the University of California system charge tuition from Californian students. This fundamental shift in the state government's role in higher education accompanied a 10 percent funding cut, prompting protests from students and faculty alike. Reagan summarized in a sentence the philosophy guiding these reforms: The state of California has "no business subsidizing intellectual curiosity."¹ He carried this mentality to the White House by surrendering the federal responsibility to "intellectual curiosity." He insisted that states should determine the extent to which they would meet this need, as the federal Department of Education withdrew from commitments to higher education. In seven years, his budget proposals shifted \$3.3 billion in funding for education and higher education from federal to state responsibility.²

Both as a governor and as a president, Reagan heralded a new paradigm in state and federal policy priorities toward higher education. His proposal for a funding scheme in California based on grants to individual students rather than funding commitments to state institutions typified his abandonment of the

post-war Higher Education Commission's obligation for full provision of accessible higher education. At a fundamental level, Reagan's framework still structures higher education policy discussions, and the United States continues to suffer from its flaws.³

To see the tangible results of those flaws, one need look no further than the inviting water parks that college campuses have scrambled to construct in recent months. These parks, replete with lazy rivers and movie theaters, represent one more iteration in the collegiate arms race for more impressive and more inviting student amenities.⁴ As public and private colleges have relied more and more on individual students' tuition revenue since Reagan's funding overhaul in 1967, they have spent more to attract students — and their tuition — by branding themselves differently. Increasingly, that spending has gone to ornate dormitories, advertising campaigns and "dive in" movie theaters. Reagan asserted that California taxpayers need not finance "intellectual curiosity," but he said nothing of underwater obstacle courses.

An Education Gap in National Discourse

When policy makers and the general public alike discuss

education in the U.S., they do so within one of two distinct discourses: education or higher education. Each of these spheres attracts attention from different commentators, rouses sentiments from different parties and seemingly faces different challenges. Failing national scores in international standardized tests and the “achievement gap” amongst schools and demographics dominate discussions of K-12 education.⁵ The employment prospects of recent graduates and mounting student-loan debt feature prominently in discussions of higher education — that is, when the application process to the Ivy Leagues has momentarily released its grip on popular imagination.⁶ These discussions rarely overlap, and problems common to both don't receive a holistic treatment.

The outcomes of the student-as-consumer model of higher education funding, however, uniquely inform contemporary debates about the expansion of school choice within public education. The diminishing educational outcomes and academic rigor, which have come to define the American collegiate experience, result from a misguided economic policy that places students as consumers in an “educational marketplace.” The rhetoric of school choice, now so

prevalent in the public education sphere, will replicate the same undesirable results. An education is a commodity unlike any other, and when schools enter a marketplace, no vendors can offer much of value.

Three Decades of “School Choice”

In 1980, economists Milton and Rose Friedman heralded Reagan's election to the presidency with the publication of *Free to Choose*, a book that would guide Reagan's education policy. The Friedmans advocated for a voucher system in which public education funding would go directly to students who could then use that funding at independently administrated private schools. In that way, the student and her parents could select an education provided in a competitive market. The Friedmans applied economic theory to explain why the outcomes of this “choice” will

necessarily prove favorable, explaining, “If the consumer is free to choose, an enterprise can grow in size only if it produces an item that the consumer prefers either because of its quality or its price.”⁷ Reagan pressed this ideology first in his proposals for school vouchers, which would allow parents to transfer property-tax payments from local schools to private schools, and then in his more moderated advocacy for parental choice amongst public schools.⁸ In either case, the guiding ethos remained the same: Students and parents recognize a good education better than teachers, superintendents or state representatives can. The customer is always right.

Despite its origins in the ultra *laissez-faire* Chicago School of Economics, the broad notion of “school choice” attracted noteworthy supporters among Democrats when it had been made more palatable after the voucher movement lost support. School choice became

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synonymous with charter schools, publically-funded schools operated by independent administrators with more flexibility in curriculum, hiring and admission. These schools typically receive their revenue from tuition payments paid by the public schools that would have otherwise educated the student. The first of these schools opened in Milwaukee, and received its charter from Minnesota in 1990. Throughout the 1990s, more and more charter schools opened with the blessing and support of Bill Clinton's administration. Clinton maintained the rhetoric of entrepreneurialism that the school choice movement inherited from Reagan and the Friedmans: He wanted to "reward the best schools," "shut down or redesign those that fail" and replace them with "creative" charter schools.⁹ The marketplace that Reagan's Department of Education envisioned had been realized by the Clinton administration, except under the "New Democrats" vision, the educational commodities would all be financed entirely with money that would otherwise go to public schools.

This competitive model for school choice has found its best salesmen of the past two decades among high-profile urban school administrators, from New York's Michael Bloomberg to D.C.'s Michelle Rhee. President Obama and Education Secretary Arne

Duncan embrace the idea, and have spurred states to remove "artificial caps" on the number of schools they charter, lest they lose their chance at federal grants from the "Race to the Top" program.¹⁰ By 2010, 4,600 charter schools were educating 1.4 million students.¹¹

Of Used Cars and Universities

The heuristics heard in many introductory economics classes and political rhetoric have instilled the belief that open competition always leads to decreased prices. Unnecessary monopolies and frivolous government intervention can only lead to inefficiencies in the market, so one may think. These basic principles guided the Friedmans in the 1970s and 1980s — and the charter advocates today — in their challenge to one of the most convoluted bureaucratic systems in the country: public and higher education. The Friedmans targeted this "island of socialism in a free market sea" as a coherent landmass, rather than a fractured archipelago. They identified that the consequences of higher education policy could inform public education policy, insofar as both represented a system in which "the parent and child are the consumers, the teacher and

school administrators the producers."¹² They correctly identified that higher education policy could be mutually informative, but they didn't understand why. They considered the economic benefits of open competition and asked, "Why should schooling be different?" The answer, which they didn't consider, undermines the entirety of their argument.

That answer lies in an economic model that the economist George Akerlof outlined in his influential paper "The Market for 'Lemons,'" published in 1970. Akerlof argues that an "asymmetry of information" exists in some markets, in which the consumers can't evaluate the real value of a product they might purchase as well as the seller can.¹³ In such a situation, the price of the good will artificially increase, since sellers will price their products higher, knowing that the consumer can't easily estimate a more reasonable price. Moreover, a decrease in the price could give consumers the impression that a product, value of which they couldn't otherwise evaluate, must be lower. When the average consumer considers the value of two used cars, for instance, she won't look under the hood, but rather at the sticker price. A price that is drastically lower than competitors' would, in

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the consumer's mind, probably correlate to a worse product, which leads her to prioritize higher-priced goods for their supposed surety of quality. This, in turn, artificially inflates prices. To alleviate these asymmetries in the market, Akerlof suggests, "in some cases, governmental intervention may increase the welfare of all parties."¹⁴

An asymmetry of information exists in the market for higher education and the market for used cars alike. The sales pitches for both products ought to make any consumer equally wary. Try as one might, parents and students struggle to identify a "good" education. There are some standard measurements, such as class sizes, student-to-faculty ratio and career services, but those yardsticks can't measure precise differences in quality. One might look to the overbroad measurements of *U.S. News and World Report*, or to campus atmosphere during visiting students day, or to the sticker

price on tuition — just like the used-car shopper. David L. Warren, President of the National Association of Independent Colleges and Universities, identifies the misleading power of the up-front tuition price, explaining "Schools wanted a high tuition on the assumption that families would say that if they're charging that high tuition, they must be right up there with the Ivies," as quoted by *The New York Times*.¹⁵

Parents and students will also most likely look to the distinctive campus buildings and amenities on their guided tours. The rampant construction of lavish swimming pools and decadent dorm rooms testifies to the attractive power of cosmetic improvement on campus.¹⁶ None of this, however, correlates with any definition of a "good education," especially as state or federal governments would consider it.

The construction of rock walls, sports arenas and

dormitories does, however, correlate with the 43.6 percent increase in the average cost of tuition, in constant dollars, between 1982 and 2012.¹⁷ Not coincidentally, it also corresponds with Reagan's ascent to the presidency and the consequent withdrawal of state support from higher education funding. Between 1980 and 2011, the average share of the total funding expenditures for higher education that the states carried declined by 40.2 percent, from about 74.3 percent to 34.1 percent.¹⁸ When states and the federal government withdrew institutional funding and individual students' tuition payments took on a greater share of university revenue, administrators began treating students as customers. The price of an ambiguously valued good — in this case, a college education — increased considerably in a market defined by the asymmetry of information. There's no reason to believe the same consequences won't result from the empowerment of the student and parent as consumers within the public education system.

The notion that parents won't select the best possible available education for their children strikes many as arrogant, callous, over-reaching or some combination thereof. The Louisiana State Superintendent of Education, John White, concisely expressed this traditional yet

unrealistic sentiment: "To me, it's a moral outrage that the government would say, 'We know what's best for your child,' who are we to tell parents we know better?"¹⁹ White made that claim in support of a Louisiana school voucher program implemented in 2012. The fact that some parents chose to redeem those vouchers at schools that refused to teach evolution, assigned "Bible-Based math books" and boasted basketball teams and no libraries, belied his rhetoric.

Looking beyond the most egregious cases, there remains no reason why parents' undeniably good intentions and incomparable commitment to their children translate into knowledge of best educational practices. No one can claim ultimate knowledge on this issue, but professional organizations that measure test-based educational outcomes prove more credible than the intuitive heuristics that concerned parents employ to evaluate one school over another. A parent would require a considerable background in educational research and considerable free time to discover that, for instance,

cutting-edge pedagogical technology such as Smart Boards and iPads produce negligible improvements, according to the Program for International Student Assessment.²⁰ Those parents who can narrow the information asymmetry would disproportionately emerge from more educated backgrounds, with less financial obligations to work. In short, the only ones who will win out in the educational marketplace will be those children already privileged with parents financially secure enough to study that marketplace.

To fill the disconnect between parents and best pedagogical practices, some public charter schools have turned to robust advertising and marketing schemes. Like their collegiate colleagues in the post-Reagan paradigm, these schools rely on the tuition payments per student that they receive from the students' home districts. They have turned to the same marketing schemes as the universities for attracting those payments, even if those schemes use public schools' money to attract students and parents away from the schools

paying for the advertisements. In Pennsylvania, the PA Cyber Charter School spent \$4 million of taxpayer money on advertising campaigns between 2008 and 2010.²¹ It may only be a matter of time before charter schools begin enticing students with water parks featured prominently in their advertisements.

Parents and politicians ought to realize that their inability to select the best possible school for their children doesn't reflect on their intentions, only on the nature of education as a consumable good. Three decades of dismal higher education policy have illustrated this fact. Policy makers in public education ought to look across the discursive divide that separates them from their colleagues in higher education, and heed their warning against the student-as-consumer model. If the customer is always right, the taxpayer is always left with the bill, no matter the quality of the product.

¹ William F. Buckley, Jr., "Ronald Reagan: A Relaxing View," *National Review*, November 28, 1967, Internet (accessed September 21, 2014).

² Eric Hoover and Philip W. Semas, "For Better or Worse, Ronald Reagan Helped Shape Higher Education," *Chronicle of Higher Education*, June 7,

2004, Internet, (accessed September 21, 2014).

³ Ronald Reagan, "Landon Lecture: Higher Education: Its Role in Contemporary America," Internet, (accessed September 21, 2014).

⁴ Courtney Rubin, "Making a Splash on Campus: College Recreation Now

Involves Pool Parties and River Rides," *The New York Times*, September 19, 2014, Internet (accessed September 19, 2014).

⁵ For this difference in priorities in each discussion, see Kevin Carey, "Americans Think We Have the Best Colleges. We Don't," *The New York*

Times, June 28, 2014, Internet (accessed September 19, 2014).

⁶ Carey discusses the danger in the undue attention paid to elite colleges. For examples, see William Deresciewicz, "Don't Send Your Kids to the Ivy Leagues," *The New Republic*, July 21, 2014, Internet, (accessed September 18, 2014, and Steven Pinker, "Harvard is Broken and Only Standardized Tests can Fix It" *The New Republic*, September 4, 2014, Internet, (accessed September 18, 2014).

⁷ Milton and Rose Friedman, *Free to Choose: A Personal Statement* (New York, NY: Harvest, 1990), 156.

⁸ Diane Ravitch, *The Death and Life of the Great American School System: How Testing and Choice are Undermining Education* (New York, NY: Basic Books, 2010), 116-117.

⁹ Bill Clinton, *Between Hope and History* (New York, NY: Random House, 1996), 44.

¹⁰ "States Open to Charters Start Fast in 'Race to the Top'," U.S. Department of Education, Internet, (accessed September 22, 2014).

¹¹ Ravitch, *Death and Life of the Great American School System*, 132.

¹² Friedman and Friedman, *Free to Choose*, 152.

¹³ George A. Akerlof, "The Market for 'Lemons': Quality Uncertainty and the Market Mechanism," in *Quarterly Journal of Economics* 84, 3 (1997), 488-500, 489-490.

¹⁴ *Ibid.*, 488.

¹⁵ Tamar Lewin, "Getting Out of Discount Game, Small Colleges Lower the Price," *The New York Times*, December 25, 2013, Internet, (accessed September 29, 2014).

¹⁶ Andrew Martin, "Building a Showcase Campus, Using an I.O.U.,"

New York Times, December 13, 2012, Internet, (accessed September 29, 2014).

¹⁷ "Tuition Costs of Colleges and Universities," *National Center for Education Statistics*, 2013, Internet, (accessed September 29, 2014).

¹⁸ Thomas Mortenson, "State Funding: A Race to the Bottom," American Council of Education, 2012, Internet, (accessed September 29, 2014).

¹⁹ Stephanie Simon, "Louisiana's Bold Move to Privatize Education," *Reuters*, June 1, 2012, Internet, (accessed October 5, 2014).

²⁰ Amanda Ripley, *The Smartest Kids in the World* (New York, NY: Simon and Schuster, 2013), 16-18.

²¹ Benjamin Herold "Pa. Auditor General blasts cyber charter funding, again," *newsworks.org*, December 7, 2012, Internet, (accessed October 5, 2014).