Recession Amnesia

Prospects for New England higher education

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Among the very little that is truly predictable, I would forecast these three truths.

First is the inevitability of recessions. Whether the result of human folly or business cycles, the economy will contract—probably about once every decade, give or take, and probably in direct proportion to the degree to which we lived beyond our means before the crash. This could be called the "stupidity curve"—the fall is relative to its preceding and precipitating bubble.

Second is the sense during prosperity that the good times will just keep on rolling. We will declare this a new economy, with novel and perpetual characteritics that ensure eternal, linear growth. So, debt should be casually incurred, risks taken, commitments made, in the delusional fantasy that a rosy future will more than pay these present costs.

Third is the fall. Bubbles will burst, myths will shatter, plans will unravel and costs will sadly be borne unjustly by those who didn't have a hand in the decisions that put their organizations in harm's way. And then the next fantasy sets in—the new normal—the nightmare that this is a unique reality, the worst ever since 1929 and possibly the longest lasting. If we ever get out of this mess, we promise to live better, to be more cautious and conscientious with resources, and never again precipitate the giddy go-go mentality that got us into this free fall.

Then the cycle of recession amnesia repeats itself.

Universities are organized to assume uninterrupted growth in enrollments and endowments, steady public funding, an annual ability to inflict tuition hikes on students and their families, everlasting degree programs, vast building operations and permanent commitments to a senior professoriate. Lacking an agile and responsive governance structure, and with fixed costs mounting in a massive physical plant and labor-intensive enterprise, the modern university is brittle when suddenly confronted with changing realities.

Academe has trouble responding to wake-up calls—and by the time colleges and universities mobilize with imaginative ideas for new initiatives, it is too late to make a difference.

This past year, one academic sector hit hard has been well-endowed research universities, accustomed to living off investment returns. Their financiers were rewarded for how cavalier they are with other people's money and then crucified when their riskiest strategies soured. The goal was not to be prudent, but to compete successfully with other investment managers at other universities.

The second sector taking a disproportionate hit has been public institutions, particularly those aspiring to the stature of their state's flagship school. State schools are now struggling to juxtapose growing enrollments and declining financial support (especially with the forecasts of stimulus funds ending and tax revenues declining). It has been a rude awakening throughout public higher education to learn that faculty and staff are mere civil servants lumped into their state's budget-slashing plans. The price paid in lost governance control can suddenly seem high as the publicly funded share of their operating budgets erodes.

The remaining schools—tuition-driven without state support or large endowments—worry about whether recession-weary families will pay their prices.

Many would argue that higher education, at least in the broadest sense, is immune to recessions, or at least should be. Do cheaper providers secure more market share in a downturn, or does reputation take on even greater importance? Do students accelerate or decelerate their studies in bad times? Do adults return to college to bolster their credentials when their jobs are in jeopardy? The answer is likely some complex combination of all of the above. Demand might slow or hasten, and some schools might win or lose, but higher education, in aggregate, retains its value.

Still others would argue that New England is the world's Mecca for higher learning—that we can simply extend our global outreach to make up for local shortfalls. But will a growing number of indigenous institutions stem the brain drain from Asia and elsewhere to North America? Will India and China become more receptive to foreign universities on their soil? Will online distance learning eventually find a foreign market and reduce the need for students and academic resources to relocate to the United States?

The U.S., particularly New England, has concocted the secret sauce yet to be replicated elsewhere: a rich variety of institutions with their own strengths and identity, a diverse menu of disciplines and programs, a focus on the whole student, a respect for liberal learning in undergraduate education and for lifelong learners to reinvent themselves throughout their lives. And it's all seasoned by a pervasive belief that higher education is not a spectator sport— that courses and laboratories must be engaging, that work should be interspersed with learning, and that wisdom should be drawn from a total experience both within and beyond the conventional classroom. Even with rapid institution-building globally, those factors that marked our success will not be copied anytime soon, given the investment required to replicate an American-style education.

The key to the competitiveness of individual institutions, the region and the American academic system as a whole is to maintain their distinctive features, their vitality and connection to the world, and their focus on the myriad needs of students. How do we break the syndrome of recession amnesia? By recognizing our lack of historical perspective, while trying to make sense of our strengths and vulnerabilities in an otherwise perplexing world ahead.

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