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EDITED BY
CHARLES T. CLOTFELTER



National
Bureau of
Economic
Research

AMERICAN UNIVERSITIES
IN A GLOBAL MARKET



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Research

Chicago



**AMERICAN UNIVERSITIES
IN A GLOBAL MARKET**

Edited by **Charles T. Clotfelter**



**AMERICAN UNIVERSITIES IN A
GLOBAL MARKET**

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In recent years, America's position of leadership in the world has been challenged in many ways. One significant shift is that the country's position as the preeminent global leader in higher education, particularly in the fields of science and technology, has come into question. *American Universities in a Global Market* addresses the variety of issues crucial to understanding this change. The volume examines the various factors that contributed to America's success in higher education, including openness to people and ideas, generous governmental support, and a tradition of decentralized friendly competition. It also explores the advantages of holding a dominant position in this marketplace and examines the current state of American higher education in a comparative context, placing particular emphasis on how market forces affect universities. The book also discusses the differences in quality among students and institutions around the world and sheds light on the singular aspects of American higher education.

American Universities in a Global Market



**A National Bureau
of Economic Research
Conference Report**



American Universities in a Global Market

Edited by

Charles T. Clotfelter

The University of Chicago Press

Chicago and London

CHARLES T. CLOTFELTER is the Z. Smith Reynolds Professor of Public Policy, professor of economics and law, and director of the Center for the Study of Philanthropy and Voluntarism at Duke University. He is a research associate of the National Bureau of Economic Research.

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Preface and Acknowledgments

Charles T. Clotfelter

It was the best of times, it seemed, for American universities, especially those at the highest echelons of world rankings. Through at least the last several decades of the twentieth century and into the first years of the twenty-first, the top US research universities enjoyed a collective international reputation unmatched by universities in any other country or region. Paradoxically, these American institutions held their exalted position at the same time the country's elementary and secondary schools were receiving considerably less praise. The nation's K–12 schools, buffeted at home by criticisms and exposed abroad to unflattering comparisons in international tests of science and mathematics, were increasingly viewed as America's educational Achilles' heel. American universities, at any rate, appeared to have no rivals and few worries.

But in the new century that brought with it a horrendous demonstration of terrorism and threats to American geopolitical ascendancy, there arose as well a newly articulated anxiety about the country's ability to compete in the global economy; in particular, its ability to produce the innovations and educated workforce necessary to remain economically competitive. Not since the Soviet *Sputnik* touched off a paroxysm of self-doubt in the 1950s had alarm over the inadequacy of American research and training in science and technology reached such a crescendo. In his 2005 book, *The World is Flat*, Thomas Friedman argued that the consequence of a shrinking American advantage in education could very well be the loss of American world lead-

Charles T. Clotfelter is the Z. Smith Reynolds Professor of Public Policy, professor of economics and law, director of the Center for the Study of Philanthropy and Voluntarism at Duke University, and a research associate of the National Bureau of Economic Research.

ership in high-tech industries.¹ Then in 2007 a prestigious committee of the National Academy of Sciences weighed in with its own call to arms, *Rising Above the Gathering Storm*, which emphatically echoed the alarm raised by Friedman.² It argued that, through decades of neglect, the United States had fallen behind in science and engineering, leaving the country in a weakened position to compete in knowledge-intensive industries. It issued an urgent call for boosting the number of college students who major in science and engineering. At the same time, some observers saw the continued dominance of American research universities as vulnerable, as the dramatic advances occurring in communication such as the Internet were diminishing the importance of physical proximity and thus lessening the advantage of established institutions.

I found these issues to be compelling in part because of my own interest and research in the economics of higher education. Another reason was an opportunity I had in 2002 to get a firsthand look at higher education in China, when I took part in a conference jointly sponsored by the National Bureau of Economic Research (NBER) and the China Center for Economic Research in Beijing. These things led me to consider organizing a conference to examine US research universities through a global lens, one that would ask how the changing market for research and advanced training in the world would affect American universities and their continued prominence. I proposed the idea to Martin Feldstein, then president of the NBER, in 2005. Over the next two years, I discussed the project with dozens of experts in an effort to identify important questions and knowledgeable scholars who could undertake new research to address them. From the first, and at many points along the way, I turned to two long-standing members of the NBER higher education study group, Ronald Ehrenberg and Paula Stephan, for advice. Their counsel and support has been invaluable to me. Others from whom I received helpful suggestions include William Bowen, Michael Bradley, Richard Brodhead, Kanchan Chandra, Mihir Desai, Craufurd Goodwin, Roger Gordon, Diana Hicks, Caroline Hoxby, Andrea Ichino, Charlotte Kuh, Peter Lange, Michael Rothschild, John Siegfried, and Shang-Jin Wei.

After securing financial support from the Kauffman Foundation, we held a preconference at the Bureau's Cambridge offices on September 28, 2007. This session, plus ensuing communication among the authors, allowed for active collaboration and communication among participants that, I believe, is a major reason why the resulting volume has cohered to become a single, integrated whole. Reaffirming the irreplaceable value of face-to-face com-

1. Thomas L. Friedman, *The World Is Flat: A Brief History of the Twenty-First Century* (New York: Farrar, Straus and Giroux, 2005).

2. US National Academy of Sciences, Committee on Science, Engineering, and Public Policy, *Rising Above the Gathering Storm: Energizing and Employing America for a Brighter Economic Future* (Washington, DC: National Academy Press, 2007).

munication, however, the authors met together again, this time in Woodstock, Vermont, from October 2 to 4, 2008, to present and discuss their finished papers. This meeting included a dozen scholars who had agreed to be discussants. These participants brought with them research knowledge of education, innovation, and labor markets; extensive experience in university administration, or both. The group included three former deans (Peter Doeringer, Michael Rothschild, and Debra Stewart), one former vice president and current university trustee (Ronald Ehrenberg), two former provosts (Paul Courant and Charles Phelps), and two former university presidents (Harold Shapiro and Hugo Sunnenschein). The remaining discussants (Elizabeth Cascio, Caroline Hoxby, Arvind Panagariya, Bruce Sacerdote, and Michael Teitelbaum), like the former administrators, have both worked inside universities and also figured prominently in research and public policy that touch upon the issues addressed in this volume. The dialogue these discussants engendered at the conference was lively, provocative, and constructive, and the resulting published chapters in this volume benefited greatly from their active participation.

A final and emphatic word of thanks is due to Martin Feldstein. As a distinguished economist who has spent most of his career working for the same university, he became an astute observer of universities as firms.³ But his impact on American higher education has been arguably greater in his role as president of the NBER, a position he held for some three decades. In that role, he left an indelible imprint on both the character of the economics profession and the nature of “competition” among universities in this discipline. Under his leadership the number of economists affiliated with the National Bureau grew tremendously at the same time that the organization retained its strong culture of free exchange of ideas. Together, these two features fostered enhanced scholarly communication and collaboration among active researchers in the profession, while paying little heed to institutional or national affiliation. For his early and sustained support of this project and its editor, I am happy to dedicate this volume to him.

3. See, for example, his written comment in Charles T. Clotfelter and Michael Rothschild (eds.), *Studies of Supply and Demand in Higher Education* (Chicago: University of Chicago Press, 1993), 37–42.

