Volume Title: How the Financial Crisis and Great Recession Affected Higher Education

Volume Author/Editor: Jeffrey R. Brown and Caroline M. Hoxby, editors

Volume Publisher: University of Chicago Press

Volume ISBN: 978-0-226-20183-2 (cloth); 978-0-226-20197-9 (eISBN)

Volume URL: http://www.nber.org/books/brow12-2

Conference Date: September 27–28, 2012

Publication Date: December 2014

Chapter Title: Front matter, table of contents, preface

Chapter Author(s):

Chapter URL: http://www.nber.org/chapters/c13847

Chapter pages in book: (p. i – xii)

How the Financial Crisis and Great Recession Affected Higher Education

A National Bureau
of Economic Research
Conference Report

How the Financial Crisis and Great Recession Affected Higher Education

Edited by Jeffrey R. Brown and Caroline M. Hoxby

The University of Chicago Press

Chicago and London

Jeffrey R. Brown is the William G. Karnes Professor of Finance at the University of Illinois at Urbana-Champaign and a research associate of the National Bureau of Economic Research. Caroline M. Hoxby is the Scott and Donya Bommer Professor in Economics at Stanford University, a senior fellow of the Hoover Institution, and a research associate and director of the Economics of Education Program of the National Bureau of Economic Research.

The University of Chicago Press, Chicago 60637
The University of Chicago Press, Ltd., London

Printed in the United States of America

24 23 22 21 20 19 18 17 16 15 1 2 3 4 5

ISBN-13: 978-0-226-20183-2 (cloth)
ISBN-13: 978-0-226-20197-9 (e-book)
DOI: 10.7208/chicago/9780226201979.001.0001

Library of Congress Cataloging-in-Publication Data

How the financial crisis and great recession affected higher education / edited by Jeffrey R. Brown and Caroline M. Hoxby.
pages cm—(A National Bureau of Economic Research Conference report)
ISBN 978-0-226-20183-2 (cloth : alk. paper)—ISBN 978-0-226-20197-9 (e-book) 1. Education, Higher—United States—Finance. 2. Education and state—United States. 3. Global Financial Crisis, 2008–2009. I. Brown, Jeffrey R. (Jeffrey Robert), 1968– II. Hoxby, Caroline Minter. III. Series: National Bureau of Economic Research conference report.
LB2342.H574 2015
379.1'180973—dc23
2014008637

♾ This paper meets the requirements of ANSI/NISO Z39.48-1992 (Permanence of Paper).

Relation of the Directors to the Work and Publications of the National Bureau of Economic Research

1. The object of the NBER is to ascertain and present to the economics profession, and to the public more generally, important economic facts and their interpretation in a scientific manner without policy recommendations. The Board of Directors is charged with the responsibility of ensuring that the work of the NBER is carried on in strict conformity with this object.

2. The President shall establish an internal review process to ensure that book manuscripts proposed for publication DO NOT contain policy recommendations. This shall apply both to the proceedings of conferences and to manuscripts by a single author or by one or more co-authors but shall not apply to authors of comments at NBER conferences who are not NBER affiliates.

3. No book manuscript reporting research shall be published by the NBER until the President has sent to each member of the Board a notice that a manuscript is recommended for publication and that in the President's opinion it is suitable for publication in accordance with the above principles of the NBER. Such notification will include a table of contents and an abstract or summary of the manuscript's content, a list of contributors if applicable, and a response form for use by Directors who desire a copy of the manuscript for review. Each manuscript shall contain a summary drawing attention to the nature and treatment of the problem studied and the main conclusions reached.

4. No volume shall be published until forty-five days have elapsed from the above notification of intention to publish it. During this period a copy shall be sent to any Director requesting it, and if any Director objects to publication on the grounds that the manuscript contains policy recommendations, the objection will be presented to the author(s) or editor(s). In case of dispute, all members of the Board shall be notified, and the President shall appoint an ad hoc committee of the Board to decide the matter; thirty days additional shall be granted for this purpose.

5.The President shall present annually to the Board a report describing the internal manuscript review process, any objections made by Directors before publication or by anyone after publication, any disputes about such matters, and how they were handled.

6. Publications of the NBER issued for informational purposes concerning the work of the Bureau, or issued to inform the public of the activities at the Bureau, including but not limited to the NBER Digest and Reporter, shall be consistent with the object stated in paragraph 1. They shall contain a specific disclaimer noting that they have not passed through the review procedures required in this resolution. The Executive Committee of the Board is charged with the review of all such publications from time to time.

7. NBER working papers and manuscripts distributed on the Bureau's web site are not deemed to be publications for the purpose of this resolution, but they shall be consistent with the object stated in paragraph 1. Working papers shall contain a specific disclaimer noting that they have not passed through the review procedures required in this resolution. The NBER's web site shall contain a similar disclaimer. The President shall establish an internal review process to ensure that the working papers and the web site do not contain policy recommendations, and shall report annually to the Board on this process and any concerns raised in connection with it.

8. Unless otherwise determined by the Board or exempted by the terms of paragraphs 6 and 7, a copy of this resolution shall be printed in each NBER publication as described in paragraph 2 above.

Contents

Preface

In the several years leading up to the financial crisis, there were moments when the finances of American postsecondary institutions seemed almost *too* good. The well-endowed institutions enjoyed high rates of return on their investments. The earnings allowed them to renovate their campuses, pursue costly scientific projects (like the human genome project), and offer increasingly generous financial aid. One of the editors of this volume (Hoxby) even recalls university leaders openly worrying about whether the large endowment returns could be spent as quickly as institutions were constrained to spend them.

Of course, everything was not rosy. Less well-endowed institutions worried about the widening gap between their resources and those of the richest institutions. Some colleges and universities that appeared to be doing well financially had actually committed themselves to a great deal of debt to finance building projects. Families often drew down their home equity to finance their children's college education—a procedure that would cause grave difficulties if house prices were to fall. Funding from the National Institutes of Health was in decline, causing much worry among universities that had invested heavily in medical research centers.

Nevertheless, the sky was sufficiently bright that the financial crisis and recession came as a shock to American higher education. The shock brought to the surface many economic, especially financial, issues in higher education. We believe that the surfacing of these issues created a unique opportunity to bring together economists who study finance and economists who study higher education. James Poterba, president of the NBER, was especially prescient in seeing the chances for great collaborations and intellectual arbitrage. We are especially glad to report that not only did this volume bring together economists who might otherwise speak infrequently but it brought economists and practitioners together.

After putting our ideas together, we approached the Spencer Foundation for support and obtained not only funding crucial to the project but also the astute advice of its president, Michael McPherson. We are immensely grateful for the Spencer Foundation being not just a funder but a true intellectual partner in this and many other research "enterprises" in the economics of education.

The NBER is fortunate in having very strong researchers both in finance and in higher education, so we had no difficulty turning our vision for the volume into a reality. Many conversations lay behind the chapters, with the most formative occurring at an authors' preconference held early in 2012. Several months later, we enlarged the discussion at a second conference that included higher education leaders and endowment managers. We describe the highly productive conversations that occurred there in the introduction to this volume. The second conference created relationships between university leaders and NBER researchers that have only grown since. We believe that these relationships will both accelerate and "ground" the NBER's studies of higher education for years to come.

We are grateful to all those who participated in the second conference. More than anything, they brought refreshing doses of reality and constructive criticism with them. We are immensely grateful for their insights, and we can personally vouch that they improved our own contributions to this book. We gratefully acknowledge the discussants: Lawrence Bacow, president emeritus of Tufts University; Nancy Cantor, chancellor of Rutgers University-Newark; John Etchemendy, provost of Stanford University; Scott Evans, senior advisor, TIAA-CREF; John Griswold, executive director of the Commonfund Institute; Stanley Ikenberry, former president of the University of Illinois, and professor and senior scientist at the Center for the Study of Higher Education at Pennsylvania State University; Mike Knetter, president and chief executive officer of the University of Wisconsin Foundation; Jane Mendillo, president and chief executive officer of Harvard Management Company; Morton Schapiro, president of Northwestern University; and Scott Wise, president and chief investment officer of Covariance Capital Management. For their lively insights that improved one or more chapters, we also thank Seth Alexander (MIT), Linda Bell (Haverford), Charles Clotfelter (Duke), Ronald Ehrenberg (Cornell), Alan Garber (Harvard), Susan Hockfield (MIT), Chris Kaiser (MIT), Kirk Kolenbrander (MIT), Tim Nguyen (University of Connecticut), Morton Schapiro (Northwestern), Michael Smith (Harvard), Luis Viceira (Harvard), and Burton Weisbrod (Northwestern).

We gratefully recognize the NBER working group in higher education which was, for many years, splendidly led by Charles Clotfelter before becoming part of the NBER's Economics of Education Program in 2009.

The discussions and research collaborations among the members of this group transformed the economics of higher education from something of a sleepy backwater to a booming area of research that employs vast administrative data sets and frontier methods. Finally, we, the editors, thank our stars every day for the great NBER leadership, publications staff, conference staff, and other staff who make the NBER an incredibly productive place to start and scientifically advance any discussion.