Financial Problems of the Private Universities

Friendly competition among the private and public universities of this country has fostered innovation and progress. In contrast, the monolithic European system has been slow to meet changing conditions.

Our dual system now seems threatened. Many of the private universities are finding themselves in a financial squeeze that may become crippling. Income has been increasing, but costs have been rising faster. These trends have been analyzed by Provost Bowen of Princeton.*

The major contributor to the financial bind is not general inflation or greater enrollments. The essence of the problem is that cost per student has been increasing at a rate of about 7.5 percent per year. A major factor is faculty salaries, which have been growing at the rate of 5 percent per year. At the same time, the size of classes at private universities has not increased very much, and a growing proportion of the student body has been engaged in graduate studies. At public universities the cost per student has not risen so fast. Greatly increased enrollments have been accompanied by a trend toward larger classes, and the proportion of graduate students has not changed much.

Some of the factors leading to increased costs are common to both types of institutions. For example, the costs of maintaining adequate libraries are advancing at a rate of more than 15 percent per year. Computer facilities, now so important to many studies, are a financial burden. The increasing complexity of fields of scholarship requires that larger staffs be recruited to provide adequate coverage. Looking to the future, Bowen suggested that cost per student will continue to advance at a rate of about 7.5 percent per year and that enrollment will grow by 3.4 percent per year. Thus the costs of operating a typical private university will nearly triple in a decade.

In attempting to increase income correspondingly the private universities face a difficult task. At one time endowment income supplied almost half of their needs. Today only about 10 percent of their funds come from endowments. Prime sources are tuition, annual giving, and the federal government. Private universities have already increased tuitions as much as is feasible, sometimes more. The total cost of attending a private university is more than twice the cost of attending a public one. This is true at a time when the private schools are attempting to democratize their student bodies. Prospects for large increases in annual giving are not good. An important factor has been a change in policy by some of the foundations, notably the Ford Foundation. Private giving is no longer growing at the rate of former years, and a significant part of it is being channeled to public universities. In principle, the government could and should help the private universities through mechanisms that would not destroy their independence. In practice, the government tends to behave capriciously while harassing its grantees with bureaucratic regulations.

If the current financial squeeze intensifies, as predicted, the private universities will cease to compete successfully with public institutions. Should this occur, higher education will lose much of its vitality and the nation will suffer accordingly.—PHILIP H. ABELSON

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