



The University Student in a Reflexive Society: Consequences of Consumerism and Competition¹

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Abstract:

In what follows I argue that, with the transformation from elite to mass university systems, the consumer role is ascendant, especially as higher education systems become more institutionally diverse, complex, inclusive and expansive. In this environment, students and their patrons (parents, governments, etc.) demand more responsive and flexible institutional forms, which some sociologists have argued reflects the advent of an increasingly 'reflexive society.' In the case of universities, the result of social reflexivity is an inevitable blurring of some important boundaries, especially those between the external and internal values of the academic culture. In this context it is not surprising that students are more directly and exclusively focused on the utilitarian value of education, and its role as a gateway to occupational opportunities and social prestige. However, I propose that student consumerism need not be a threat to academic communities, especially in a public university system like that of Canada's. In particular, wise government policies concerning student financing and institutional competition can help to avoid some of the crises emerging in market-oriented systems like that of the United States.

Introduction: The Problem of Student Consumerism

Portrayals of students as consumers provokes some of the most disdainful reactions within academic cultures. Whether the role is imposed or chosen, consumer-like students are said to be incapable of genuine membership in academic communities.² Rather than setting out to learn or change oneself, the student-consumer merely sees higher education as a utilitarian means to gain grades and occupational credentials. As education is commodified, plagiarism, apathy and narrow customer orientation (Newson, 2004) become the norms in the higher education arena. The resulting frustration on the part of teachers can often take the form of arrogance and condescension. Other academics make concessions to instrumentalism by adapting their instruction style and curriculum design in ways that distort academic and intellectual values. This can range from trying to score brownie points on student evaluation surveys to reducing knowledge to marketable information (Readings, 1996). Of course, as higher education prices increase many people fear that credentialism will reinforce many of these consumer attitudes.

One of the most common ways to critically address student consumerism is to try to use the distinction between private and public goods. If a good is private, the argument goes, it would be better for society to provide it through markets. In this way the price system provides incentives for providing the right amount and kind of the good to be produced. In the case of higher education the student would weigh the benefits of the educational service he or she is purchasing against its cost. Providers who are either less efficient or offer too little quality would have to adjust their service accordingly, or go out of business. However, there are good grounds for saying that higher education is at least partially a public good, which means that the value and benefits realized by educational processes are enjoyed by third parties, or society as a whole – or in ways that can't simply be measured by efficiency considerations. People who have received a university education are probably more capable of independent thought, analyzing problems, absorbing new ideas, all of which brings value to their fellow citizens, employers and others who cannot be expected to pay for these benefits. In this way higher education as we know it creates value and benefits that cannot be readily be priced or captured by the market, and which will not be fully realized if the choice and pursuit of higher education is treated like a consumer transaction. Indeed, much of higher education itself involves self-questioning and transformation, which calls into question whether, in the path toward higher learning, one can ever posit a rational consumer with pre-given preferences. Getting higher education “right” demands that we not assume that the “customer is always right” (McMurtry, 2004).

Despite the obvious need to regard higher education in terms other than that of the normal private market good posited by economic theory, today's trends are such that the consumer model is becoming predominant. Take, for example, some of the following discussion points of the consultation document published by the recent “Rae Review” of Ontario's post secondary education:

² The concerns outlined here are based on the distinction between the ‘consumer’ and the ‘member’ of a community. As a consumer, one's interests can be viewed in terms of pre-given preferences in need of satisfaction. By contrast, when we refer to the interests of community members we are speaking about preferences that are subject to modification or development through dialogue, interaction, learning and deliberation. Since the mission of higher education institutions like universities is in some sense to form a community which promotes the transformation of the person whose interests are meant to be served, it can be seen as a distortion of the institution's goals to speak of students as consumers.

- More students view themselves as active purchasers of academic services, and are calling for stronger quality assurance standards and “valued” credentials.
- Institutions are faced with more market pressures to differentiate/specialize in order to succeed as competition for students and faculty grows.
- [Should we] redirect additional public funding from institutions to students and their families in order to make the institutions more responsive to student needs? (Rae, 2004)

For many within the ‘ivory tower’, these propositions only add to the growing unease about current directions in today’s world of higher education and the ever-growing influence of market metaphors. Indeed, governments are more willing to introduce social accountability measures intended to shake-up the supposedly unresponsive and anachronistic ivory tower. Of course, both students and academic institutions themselves have already begun to internalize the new expectations (Newson, 2004). Financial pressures and new cultural norms mean that students are perhaps less likely to appreciate the goals of critical thought and the proud freedom from external power characteristic of liberal arts missions, and they are likely to approve of government policies that demand results measurable in market terms. For its part, the ivory tower has been the victim of its own success. Growing participation rates in postsecondary education, along with competing funding requirements such as health care, old age pensions and international competitiveness have meant that public universities have had to cope with declining per student grants and the need to find a higher proportion of their revenue from private and community patrons as well as their student clientele. As a result, sophisticated institutional branding and competition for good students has become more prevalent.

In what follows I argue that, with the transformation from elite to mass university systems, the consumer role is ascendant, especially as higher education systems become more institutionally diverse, complex, inclusive and expansive. In this environment, students and their patrons (parents, governments, etc.) demand more responsive and flexible institutional forms, which some sociologists have argued reflects the advent of an increasingly ‘reflexive society.’ In the case of universities, the result of social reflexivity is an inevitable blurring of some important boundaries, especially those between the external and internal values of the academic culture. In this context it is not surprising that students are more directly and exclusively focused on the utilitarian value of education, and its role as a gateway to occupational opportunities and social prestige. However, I propose that student consumerism need not be a threat to academic communities, especially in a public university system like that of Canada’s. In particular, wise government policies concerning student financing and institutional competition can help to avoid some of the crises emerging in market-oriented systems like that of the United States.

Social Reflexivity and Mass Higher Education

Part of my argument in this paper is that while on the one hand the rise of the ‘student as consumer’ model gives us grounds for concern, there is also a need to see this development as a response to social changes that cannot be fully captured by the usual laments about the marketization and corporatization of universities. In important respects student consumerism is merely one outgrowth of the increasing reflexivity of modern social relationships and practices, and also linked to the transition from an elite to a mass higher education system.

Social reflexivity refers to the consequences of the de-traditionalization of social relationships and the revisability of the “rules of the game” previously taken as constitutive of social institutions. In a reflexive society we witness a changeability of social practices as a result of new information and the availability of new, more individualized channels for influencing and learning about one’s opportunities relative to those practices (Giddens, 1990). Of course, reflexivity and its individualizing tendency do not mean that workers, citizens, students, and other social agents are somehow transported to a utopian level of empowerment and autonomy vis-à-vis institutions. Rather, the reflexive society is also a ‘riskier’ society for individuals in the sense that conditions of membership within social relations, groups and organizations cannot be taken for granted. The new rules for both service providers and service recipients are less easy codified.

Higher education is a perfect example of this dynamic of uncertainty and risk. On the one hand, higher education can be regarded as a public good, since many of its benefits are collectively, rather than privately, enjoyed. In many other ways the most valuable and worthy qualities of higher learning require a distance from the market which can only be achieved if consumerism and utilitarian motives are not allowed to trump the autonomy of the process of questioning and discovery. However, even if the state responds appropriately by subsidizing the higher education enterprise, the mere fact that students and their patrons experience higher education in a context of financial and career uncertainty, transforms higher education into a private good. In a reflexive society fewer practices and goods can be said to have natural or stable contexts. Boundaries such as that between private and public or autonomy and instrumentalism are harder to draw.

In a reflexive society there is more emphasis on personalization and individualization as people realize that satisfactory and enriching life-patterns are driven by active rather than passive access to resources. Knowledge and information saturate social environments and structures, as is shown by the social, political and economic importance of recent developments like the Internet and more savvy culture industries. There are still experts, trustees and intermediaries, but the need to have the knowledge of how to use them is just as decisive as their availability and reliability. According to Giddens (1994), experts and professionals have to adapt in a reflexive society as individuals become more clever and self-creative. For instance, we know what social reflexivity means in politics: parties and politicians can no longer use the standard scripts to compete for popular acclamation using the mass media, and must now contend with citizens who are cynical consumers of media and the meaning of political messages. What does reflexivity imply for universities? In the first place, social reflexivity itself is matched very closely with the so-called “knowledge society” in which intellectual capital is more widely diffused and can be used and accumulated outside of institutions specialized in the production and transmission of knowledge. In many ways research and scholarship is no longer monopolized by universities or controlled by academic professionals. This is implicitly accepted by many academics themselves, especially those whose ‘postmodern’ theories of knowledge recognize that scientific method itself cannot be divorced from politics or economics. As Peter Scott (1995) has noted, it is not simply that research and knowledge are directed and shaped by external and alien powers, but rather that social, economic and political accountability is now something that is not so much ‘external,’ but rather part of the university’s design.

This explains the ambivalent attitude that academic communities have toward social reflexivity. On the one hand universities have incorporated and captured more social functions as they have served broader constituencies, but at the same time universities appear to be ‘captured’

more by forces that seem to threaten their autonomy (Scott, 2000). From the standpoint of students in a reflexive society higher education is treated as an investment in their personal and individualized intellectual capital (Robertson, 2000). In terms of academic life itself this does not mean that students will always adopt the stance of active intellectual participants rather than passive clients, but it does transform the academic experience into an environment of heightened expectations with attendant problems of accountability and responsibility. Interest in how to relate the internal goals and external benefits of higher education remains high among students, even if academic professionals are perhaps less uniquely qualified to help them draw the lines between internal and external in a clear and legitimate fashion.

Students are also reflexively aware of the stratification effects of higher education achievement and opportunities. The increased private and public costs associated with the transition from elite to mass higher education raises the ante of career opportunities and choices, especially with respect to their potential economic returns. Today's participants in mass higher education are at least implicitly aware that they need to develop the capacity to cope with increasing income inequality and less stable and predictable economic returns to higher education. They are also aware that career patterns are changing from stable and linear to more flexible and fragmented. The person who is acquiring intellectual capital can no longer afford to think in the old, pre-scripted terms about jobs and positions within organizations and formal professional groups. This is because the value of one's intellectual capital is increasingly realized only in more fluid and disaggregated social forms such as webs and networks (Marginson, 2004). Indeed, students are aware that networks are not only disaggregating the occupational world, but also the functions of universities. They know, for example, that different programs and departments within the same university may have different levels of prestige, competitiveness and reputation relative to their fields. Those who want to be successful must resist the temptation to tie their identity to the older model of a "disciplinary and professional culture" (Scott 1995). While higher education has always been a mechanism of social sorting, the nature and dimensions of social sorting have become more complex and less understandable in terms of simple linear hierarchies and fixed boundaries among occupational categories and fields.

Mass Higher Education and Student Consumerism in Practice

The notion of social reflexivity helps us understand some of the sociological reasons for the ascendancy of consumer motivations and identities among today's university students. However, we can hardly afford to ignore the important macroeconomic dimension as well. As I mentioned before, it appears that one of the reasons for the rising price-tag of contemporary higher education is the rising participation rate, which means that volume is increasing faster than government revenues.³ When participation rates were lower student support in Canada came in the form of government transfers to postsecondary institutions. The era of low tuitions and highly subsidized prices was not an environment that encouraged rampant consumerism since most money didn't follow students (rather students followed the money). Since this was an elite system, where under-funded students were less plentiful, governments could offer means-tested grants to a reasonably high proportion of qualified students in need. Today, by contrast, tuition costs are higher, non-repayable government grants have declined and student loans have taken their place (Junor and Usher, 2004). Government spending has shifted

³ It is also important to note that Canadian participation rates vary considerably by province. Ontario has among the highest participation rates and the lowest per student funding rates of all provinces. It is no surprise that, until recent events in Q in Quebec, Ontario students have been the most active and militant in opposing tuition increases

more toward transferring tuition-offsetting aid – functioning largely like education vouchers - to eligible (admitted) students. Increasingly, therefore, universities find that money follows students, and institutions must therefore compete for enrolments (Slaughter, 2001).

It is arguable that the growing ‘voucherization’ of student support, as well as the inevitable differentiation and increased choice characteristic of mass higher education in a changing economy, has played a large role in casting students in the role of consumers. Of course in many ways students remain captive audiences of the academic professional who directs the learning environment, the creation and use of learning materials and the awarding of degrees. However, universities can no longer support their traditional values by taking for granted their old function of selecting and reproducing a singular cultural and socio-economic elite. In the elite university system students did not consume higher education exclusively as a platform for achieving career advancement. Rather, they were involved in attaining membership in a community, and not merely receiving a service. They were clients and apprentices first, consumers second.

With the decline of the elite system and the rise of consumer motivations we find that academics frequently complain about the decline of standards and critical thought as well as the rise of efficiency criteria that induce flexible ‘supermarket’ approaches to learning and mass credentializing. They also rightly worry that the concern to protect and serve narrow consumer interests can be used as a reason to subject teachers to increasing amounts of state and administrative discipline or other forms of auditing, each of which can often have perverse results.

Increased auditing and measuring can easily lead to one-dimensional portrayals of the value of what is measured and the ‘performance’ to be improved. It is not hard to see why. One of the most well-known drivers of competition in the Canadian system is the influence of major media publications like *Maclean’s* which produce exhaustive rankings of universities in the manner of consumer reports. These rankings are treated with great seriousness by nearly all universities, and those institutions that score well never tire of citing their results in university promotional material. An institution that is ranked lower than its peers will complain bitterly about the flawed methodology and blindspots of these consumer reports. Consequently, behind the scenes, many universities are eager to alter and adapt their image and academic practices to improve their scores. After receiving disappointing class size rankings the University of British Columbia decided to re-program its enrolment system to establish class size caps that would help it score higher on *Maclean’s* rankings (Shaker and Doherty-Delorme, 2004). *Maclean’s* also issues ‘reputational’ rankings, based on surveys of business and university leaders as well as school counselors. Attention to admissions standards such as grades cut-off points is high, and school counselors wield comprehensive indexes ranking programs and institutions by their selectivity. It is hard to see how such standards should receive higher attention than, say, the success of a less selective university that brings a high level of improvement to its more diverse student body. The American publication, *U.S. News and World Report* is perhaps even more influential in its market. One of the standards used in its rankings is success in attracting alumni donations, a standard that has prompted at least one university to delete the names of non-contributing alumni from its records. Another university succumbed to the pressure to omit SAT scores of economically disadvantaged students it had admitted (Kirp 2003). In many cases universities take great pains to boost their “peer assessment” ranking in *U.S. News* by sending each other specialized promotional material (Mathews 2003). In a well-functioning market rankings should help consumers become better informed so that they can make judgments that ultimately force

providers to offer better products and services. If it is doubtful that consumer interests are well-served by such publications, it is almost certain that the public interest is not, especially since the most influential consumer ratings provide a highly selective and sometimes distorted picture of universities' goals as well as irresistible incentives to recast their performance in opportunistic ways.

It is probably dangerous to regard this increasing consumerism in isolation, that is, as an infestation of petty marketing and materialism destroying the culture of the academy. After all, we cannot ignore the fact that mass universities are playing a large role in creating a society in which unthinking deference to science and the old patterns of cultural elitism are increasingly out of place (Scott, 1995). Students may be consumers, but they are not ignorant; as members of academic communities they expect a good explanation of the value of higher education – and especially liberal education – rather than having this value treated as self-evident (Kirp, 2003). The rise of the so-called “practical arts” has been one way in which universities have tried to respond to student consumerism, and it is not clear that this development necessarily implies a narrow instrumentalization or “dumbing down” of academic practices. More and more B.A. programs are being re-packaged in a way that aligns with the criteria associated with professional credentialing. More and more Arts and Science faculties are offering new curriculum areas such as information technology, practical ethics, professional writing and so-called ‘pre-professional’ streams and programs. In many cases of curriculum repackaging it is hoped that the declining market power of the liberal arts can be curtailed by such innovations. For these programs academic credibility and legitimacy requires students to be provided with a “respectable” liberal education, even if that is not what they believed they were buying. They must satisfy the same general education and breadth requirements, and liberal arts curriculum and faculty, for example, will continue to be needed.

Interdisciplinary programs perform the same function as practical arts programs. Newer fields such as Global Studies, Law and Society, Women’s Studies and Communications Studies are exceedingly popular at many universities. Virtually all such programs are sustained by synergies and cross-appointments with traditional disciplinary specialties. In some cases Ph.D. programs are spawned as a field develops and where journals and academic societies exist as normal avenues for credentialing professors. In either case, these post-disciplinary and interdisciplinary fields have become vital, largely because they reflect the diversity and experience of the membership of academic communities as well as the growing interpenetration of society and the university (Axelrod, 2002).

However, the blend between traditional disciplines with the more “marketable” orientations of thematic, problem based or occupational studies is not without its problems and challenges. Large departments that can spin-off occupational tracks have a large advantage over smaller programs when it comes to retaining and strengthening their identity (Kirp 2003). However, a new or hybrid discipline is in need of borrowing the intellectual prestige of liberal arts fields that can more readily produce their own journals and Ph.D.’s and lay claim to an area of general and reflective inquiry, theoretical sophistication, and so on. Such prestige is important to students as well since their ability to use their degrees in gaining admissions to graduate and professional programs depends on it. The largest practical arts programs may gain academic legitimacy and autonomy by spawning their own mini-replica of a liberal arts curriculum. It is increasingly common for smaller and ‘softer’ liberal arts disciplines to downgrade themselves – often quite grudgingly - to offer service courses for business and professionally oriented programs (Kirp, 2003). If a regime of internal competition exists within institutions, and if

revenue follows students, a cut-throat dynamic can occur and more enterprising or elitist strands can command greater resources at the expense of ghettoized sectors.

Credential Inflation and Positional Arms Races in Higher Education

The tensions caused by markets and consumer demands within universities are probably unavoidable. The question that remains, then, is whether the dynamic of competition and reform that seems to be emerging can be made to serve students and the public good. Some scholars, like Randall Collins, remain skeptical. Collins, a leading American sociological theorist, is famous for identifying credential inflation as the main source of tension and dysfunction in the American system of higher education (Collins, 1979, 2002). At the most basic level credential inflation means that the “social distinctiveness” of academic degrees declines as more opportunities in the job market are dependent on the possession of higher education credentials. According to Collins, where there are more open markets in education this can lead to a system-wide “compulsion of credentialing students for careers” (2002, p.26).

Collins argues that most portrayals of the so-called “knowledge society” are based on a misunderstanding of what is responsible for the drive to provide and acquire formal credentials. In his view the rise of mass credentialing is more functional for the maintenance of social, cultural, class and occupational hierarchy than it is for the economy itself or the changing skill demands of work. This is because the latent function of much of what goes on in the universe of higher education is to justify the distinction between the credentialed and the non-credentialed. The needs of the knowledge economy and the hope for democratic social mobility merely provide a convenient ideological cover for the more fundamental reality behind expanding higher education.

If Collins is right, one reason why the collegial form and ivory tower model of higher education is under strain is because of the way different constituencies respond to the increasing social expense of the expanded role of credentializing. In Collins’ view a highly competitive market for mass higher education must consume a higher proportion of public and/or private wealth in order to perform its function of social and intellectual sorting. The pressure to increase educational attainment adds a layer of cost for students, parents, taxpayers and governments that cannot be fully offset by the resulting social and economic benefits and returns. This inability to economize on “sorting” costs creates strains in many directions, whether or not we agree with Collins’ dismissal of the notion that expanded higher education is functional for democracy and the knowledge society. Students are more sensitive than ever of the need to channel themselves into the most practical and/or specialized programs, or in some sectors, into the most prestigious program or institution. Their effort to make their investment more productive creates conflicts with the collegial model that university communities would otherwise like to sustain. At best, in a public system, governments can try to rationalize their spending on a larger and more diverse system by seeking ‘value for money’ through performance-based funding, more intense monitoring and demands for specialization and concentration of resources.

One of the most worrying developments in this context is that universities must commit progressively more resources toward competing for students, largely because the competition for students is a competition for prestige and market power. In this connection, several observers have noted that universities find themselves locked into a “positional arms race” with each other (Frank, 2002; Winston 1999; Winston and Zimmerman, 2000). One obvious example of this phenomenon is today’s intensified competition for “star” researchers, especially in the United

States, but also in Canada. Big name professors have an enormous impact on the reputation of academic programs. What's interesting about the compulsion to spend large sums of money to attract big names is that it does not necessarily lead to efficiencies in the same way as "normal" processes of market competition. The strategy of attracting famous professors offers the prospect of acquiring more highly visible markers of prestige than one's competitors, and it can therefore force competing universities to pursue this strategy over less visible alternative investments, such as improving the curriculum or admitting more students (Kirp, 2003).

Of course those who support competitive pricing will reply by saying that markets are doing their job, rewarding the best and punishing the worst, so that consumers or society as a whole benefit. But the problem with prestige competition is that gains are normally offset by how much one must spend to keep up with others. Once again, this is because prestige is a positional good (the amount that exists can't increase, only some can have more than others), and, *by necessity*, competing efforts tend to leave the group as a whole worse off than if no competitor had spent resources on it in the first place. This is the classic prisoner's dilemma whereby each competitor must respond to its counterpart's success without the competition itself benefiting society.⁴ In fact, because at an aggregate level all programs must ratchet up the amount they spend on competing as compared to what they spend on improving their academic performance, this positional arms race can become a race to the bottom. Each will have spent more on elite professors and each will have to offset that expense by hiring more low-paid contract faculty and graduate students to teach courses and sustain the curriculum. Moreover, the elite professor, or the elite department, will have less interest in participating in and contributing to the collegial life and resources of the institution (Kirp, 2003).

Of course, the same kind of positional arms race occurs with respect to competition for the best students. Universities have an interest in attracting the best students in order to attain positional advantages over their competitors. By contrast to most consumer markets, the customer is not just a recipient, but also a vital input into the delivery of the service (Frank, 2000; Winston, 1999). In fact, the quality of educational experience one can offer depends in large part on creating these "peer externalities" whereby the value of the learning and credentialing each student receives is improved by the presence of other good students. This is why selective admissions standards signal high prestige as well as a better product. In some ways this kind of sorting may add value, creating advantageous groupings at all levels of the system, and perhaps sharpening the focus of each institution. In the process, however, universities compete extraordinarily hard to increase their relative share of 'good' students, of which there is a fixed amount within a given pool of applicants applying to a group of competing institutions. Since one is always most vulnerable to one's nearest competitor in the prestige hierarchy, and since that competitor might try to gain an edge through more aggressive recruiting, the costs of competing are likely to rise far higher than any offsetting benefits in terms of educational quality. Reciprocal and offsetting moves by competitors lead the sector as a whole to assume higher average competition costs – or average prestige-maintenance costs -without any corresponding increase in the quality of the product or service they offer to students or society at large.

One of the most socially problematic forms of competition for students is the awarding of merit aid to more qualified applicants (McPherson and Shapiro, 2002). Presently in Canada most non-merit financial aid to students – except for regressive tax credits and savings grants for parents - is awarded by government on the basis of need to students who have already made an

⁴ My formulation of this problem is indebted not just to Frank and Winston, but also to Joseph Heath's *The Efficient Society*.

enrolment decision. This type of assistance, whether through grants or subsidized loans, allows students from different socio-economic backgrounds to pay different prices for higher education. Clearly it is socially beneficial when prices are lowered for those in need, not only because of social justice concerns, but also because price incentives are less necessary to attract highly qualified students into the system (due to the high correlation between high academic achievement and high socio-economic status). Most importantly, because the government is the source of this assistance there is no competition-based incentive to shift student aid from needs-based aid to merit aid.⁵ Unlike individual institutions, government has no interest in boosting the relative peer quality of any given university over another. Once again, since prestige is a positional good, adding costs to the way the prestige orderings are achieved and maintained makes little sense for governments, especially since it will increase the overall demand for government funding. For this reason, when the previous Conservative government in Ontario allowed universities to increase tuitions, it also required those institutions to recirculate a portion of those revenues as needs-based student assistance. Although this was one of the few positive policies adopted by that government, the Rae report recommends it be dropped.

These universities place a far greater emphasis than that of their Canadian counterparts on competitive tuition discounting, or merit assistance awarded directly from institutional budgets, as well as other expensive practices such as direct marketing to high-ability students and sophisticated individualized bidding for these high ability students at the application stage (College Board, 2004). American university admissions offices will go to great lengths to identify which students they must attract with discounted tuition and which students will want to pay a higher price to be grouped with high-ability peers (Geiger, 2002). Because merit based price discrimination - and the credentialism that corresponds to it - is so pervasive, American college-bound students are hiring more university consultants (and spend far more on preparation for admission tests) in order to achieve admission to more selective institutions or win cheaper prices at somewhat less selective institutions. Universities have also been spending more on expensive on-campus amenities, and those who refuse to play this game pay a big price. (Kirp, Levine, Davies)

Practices like these have been identified as one of the main reasons that American universities have grown both more expensive and unaffordable to students from lower-income families, who are losing more than ever before by their continued exclusion. The average level of tuition discounting in the U.S. is 39% but, due to the increase in merit aid, the proportion of tuition discounts going to higher-income students has more than doubled since 1995 (Goral, 2003). Of course, one might argue that competition for merit-based tuition discounts may give greater incentives for students to improve their academic performance and for universities to improve the quality of services they provide. However, the practice has come under increasing criticism (Goral, 2004). The biggest impact may be the widening segregation of institutions in the prestige hierarchy (Reich, 2000). This is because competitive pricing compels 'high prestige' universities to use a higher proportion of their tuition revenue to attract better students and faculty, while low prestige institutions must compete on the basis of low price.

⁵ This is analogous to the advantage of Canada's public, single-payer health care system over that private insurance plans. Private medical insurance is not only unfair to those who are uninsured; it is also fraught with inefficiency due to the costs of managing moral hazards, or competing for the best part of the risk pool. See Heath (2002).

Getting Competition Right?

To a large degree consumerism and intensified competition in higher education can be explained by increased social reflexivity as well as the growth of the so-called “knowledge society,” which not only requires expanded provision and differentiation of higher education, but also raises the economic stakes of educational attainment and investment. Underlying the dominant pattern of student consumerism in the U.S. is a problem of an uncontrolled escalation of credential and competition costs in that country’s rather pronounced prestige economy of higher education. In the U.S. universities and students compete with greater ferocity than anywhere else over being selected and being selective (Reich, 2000). This suggests that some forms of higher education competition and consumerism have their origin in political and market structures. Over the next decade or two, the contrast between the Canadian and U.S. systems of higher education may provide an illuminating basis for observing the impact of these changes. As Davies and Hammack (2005) point out, there are many reasons why Canada’s system differs so markedly from the American pattern of extreme prestige hierarchy and competition. For one thing, Canadian universities are more closely linked to their distinctive regional economies. Students therefore have a greater propensity to remain in their local communities, a factor which explains less active competition among institutions on a national scale. They argue that competition exists, but it takes place among programs and levels of higher education rather than among institutions themselves.

Until recently, there has not been sufficient pressure toward U.S.-style competition to disturb Canada’s tradition of institutional equality, although pressures toward deregulated undergraduate fees have emerged. The twin dynamics of expansion (rising demand and participation rates) and differentiation has placed an increasing burden on both government budgets and institutional ambitions. This has led to increased pressure to adopt policies of tuition deregulation and to allow institutions and programs to differentiate themselves in the market. A recent submission by the Council of Ontario Universities provides a hint of the conflicting priorities and coming struggles. On the one hand, the COU document includes the usual prodding of the provincial government to boost per-student funding and to ensure the long-term operating and capital resources to accommodate higher participation rates in the province.⁶ However, the COU also asks the government to

introduce institutional flexibility in the determination of tuition fees, allowing each university’s governing board to exercise its authority to determine fees, program by program, based on analysis of the value of programs in a competitive market, the resources that are needed to provide a high quality learning experience for students, and the capacity of the university to help ensure that no student is denied access due to lack of financial means (COU, 2004).

In the end, the Rae report sided with the COU proposal for establishing fee-setting autonomy for standard undergraduate programs.⁷ The new policy would have some minor conditions attached. In particular, institutions charging premium fees must agree to supplement standardized government fee rebates for the (small number of) low-income students they would have to

⁶ Since this article was written the Ontario provincial government has indeed introduced a budget which would increase total university operating budgets by 35% by 2009-2010.

⁷ Such autonomy already exists for selected graduate programs and most professional programs in the province of Ontario.

accept. Beyond this, universities would be required to guarantee transparency and predictability of fees and available assistance at the point of admission.

The problem with flexible or variable tuition is that it encourages the positional arms races characteristic of the American system and its counterproductive spending increases on selectivity. It is undeniable that, until now, tuition regulation has been a large part of the reason Canada's universities are regarded as a "community of equals," all serving students across a sustainable range of quality programs (Davies and Quirke, 2002). To be sure, both quality and accessibility is now threatened by funding shortages. However, the pricing of higher education according to "the value of programs in the competitive market" will compel universities to use a higher proportion of their tuition revenue to attract better students. This will, in turn, increase the rate of competition expenditures thereby privileging those institutions that can cash in on their selectivity by raising tuitions further or promising more exclusive benefits to patrons and student-consumers. As Davies and Hammack have pointed out, it is true that competition already exists in Canada where it is more conspicuously manifest between fields, disciplines and programs rather than between heavily ranked and branded institutions, as in the U.S. Of course, there is no likelihood that selectivity and exclusivity could be eliminated as the currency through which 'consumers' and 'providers' transact with one another in higher education markets. However, the introduction of fee-setting autonomy for institutions in Canada will obviously encourage more of the kind of competition intended to boost the brand of the school, which, in turn, will lead to an escalation of the positional arms races which characterize the U.S. system. As an alternative, Canadian governments could introduce greater variation in regulated fee bands by discipline, program and level of education. However, if the Rae report is any indication, the current preference is to introduce market pricing.⁸

One way to avoid 'bad' consumerism and prestige competition in higher education is for governments to design and operate smarter and more targeted student finance schemes. The UK government has recently adopted such a plan, which I have discussed in greater detail elsewhere (Wellen, 2004). The cornerstone of the policy is to raise additional funding for both quality improvement *and* increased participation by modestly increasing government funding and allowing universities to raise tuitions from \$2300 to a maximum of \$6500, with little variation among programs. Most students would have the choice to defer payment of both tuition and living expenses by enrolling in government-run income-contingent loan scheme which would only be repayable if and when the graduate's income rises to the national average (with repayments at a rate of 9% of income above that amount). In addition, lower income students would have most or all of their tuition covered by non-repayable student grants, and universities would be required to provide enrolments and financial assistance for disadvantaged students if they want the full funding available to them. University funding would increase and fewer students will be deterred by high sticker prices. This approach is favored by the Rae report itself, although it appears to have taken a back seat to tuition deregulation.

⁸ The Rae report advocates market pricing, yet it employs a rationale that would support differentiated government mandated tuition bands as found in England and Australia: "Greater tuition fee variation will promote institutional and programmatic differentiation, by accommodating the unique revenue needs associated with different approaches to program delivery, student services and quality enhancements" (Rae, 2005, p. 102). The report's introduction claims that "the weight of evidence clearly points to the need to shift the locus of the tuition decision from central planning to the individual institution" (Rae, 2005, pp. 23-24). Unfortunately the remainder of the report does not offer any support or evidence for choosing market pricing over regulated tuition bands.

The advantages of this system of smart funding are many. In the first place, income contingent loans are the best means by which government can insure the costs and risks of students' investments in their own intellectual capital. Although total private costs will likely rise, a system of publicly insured student debt would guarantee that this burden would only be assumed by financially successful graduates. Secondly, it targets tuition discounts where they can do the most good - on the basis of financial need - and even penalizes institutions that pursue admissions policies that fail the test of socio-economic inclusion. Finally, it imposes caps on tuitions so that they cannot vary a great deal according to the presumed differential market value of programs. This helps to curb practices of prestige pricing that force both students and universities to narrowly focus their behavior on rankings and its exclusionary benefits.

Some may argue that any system which boosts private costs will inevitably transform higher education from a public good to a consumer good. This view is mistaken, especially when we know that in a fully tax-financed system the expansion of higher education beyond the levels of the old elite system is bound to be limited by the politics of state budgeting. A system which fails to meet demands for expanded participation will necessarily remain biased toward the participation of economically advantaged groups who possess the required levels of cultural and intellectual capital. The growth of private sector universities – or a more sharply tiered system - will almost certainly develop to fill the gap. To avoid these scenarios, we need a new kind of contract with postsecondary students, one which combines an honest acknowledgement of their interests as consumers with policies that seek to realize their potential to become citizens in a better, more inclusive society.

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