

In Pursuit of Prestige: Strategy and Competition in US Higher Education

Dominic J. Brewer, Susan M. Gates, and Charles A Goldman

Transaction Publishers, New Brunswick and London, 2002

Book Review by H. Lorne Carmichael

June 2002

The postsecondary education industry in the United States is the strongest in the world. By any standard it attracts better faculty, generates more research, and enjoys a higher participation rate than any comparable system. This book reports on a two year descriptive study of this important sector by three RAND economists.

The main contribution is a taxonomy. There are four basic sources of revenue for universities – student tuition, government funding for teaching, research funding (public and private) and alumni giving. Universities must compete in each of these markets by being better or by being different. Broadly, they pursue either prestige or reputation. Prestige is generated by excellent faculty and students, world class research, and successful sports teams. It generates revenue in every segment. Reputation is based on student demand for programs and leads mainly to tuition revenue and enrollment based government funding. In particular, it is not much use for alumni giving. A third important category is for prestige seeking institutions. These universities are investing in the prestige generators but have yet to (and may never) achieve the enormous benefits that come to those at the very highest ranks.

Both kinds of institution attract students, but for different reasons. Reputational schools try to meet student needs. They offer programs that give students market skills and they focus on teaching them well. Prestige institutions try to increase the selectivity of their admissions process. This increases the value of attendance to students by improving the peer group, but it also just improves the signal associated with graduation.

The heart of the investigation consisted of site visits to twenty-six campuses. The book reports in detail on six of them. Three are financially healthy and three are

struggling. Successful universities exist in every category. The unhealthy ones are almost always institutions that have decided to enter the battle for prestige and have yet to see the benefits. Prestige is expensive to seek, and the rewards come only to the victor.

The authors do not advocate for any particular policy interventions. To the extent that normative issues arise at all it is in a short discussion of why universities decide to pursue prestige and whether this benefits society. None of the for-profit universities in their sample expressed any interest whatsoever in prestige, so they conclude that even from the private perspective its pursuit does not generally lead to financial health. However faculty at for-profit universities have virtually no say in university governance and it is faculty who have the most to gain from prestige. Among other less tangible benefits they get better students, less teaching, and higher salaries. So it is the self interest of faculty that drives the competition. Does it benefit society? The authors do allude to some of the external benefits, but in general they consider it a zero sum contest.

An industry as complex as this one can be sliced up in many different ways. For example, one could study the motivations and interactions of the various stakeholders – faculty, students, administrators, and government; or one could slice according to governance – public, private non-profit, and private for-profit. The authors' decision to look instead at market strategy gives the book its own niche in a rather crowded field. To their credit they do not subsume entirely the insights one can get from other perspectives – it is really just a matter of emphasis.

The authors clearly admire the reputational institutions for their pedagogical innovation and rightly credit them for the very high university participation rate among American youth. But perhaps they are too hard on the others. One reason a profit making institution would not pursue prestige is that success for them will never lead to alumni giving. And the authors could have spent a bit more time discussing the external benefits from the competition. If several universities are racing for a major breakthrough in the fight against disease, should we really care if their motivations are less than pure? Even those universities that pursue prestige through sports create external benefits. A

tremendous service accrues every four years to people outside the United States who get to see their US trained athletes win Olympic medals.

To a foreign observer the truly remarkable aspect of the US university system is in the way its top institutions maintain their unrelenting focus on excellence. The best faculty, graduate students and athletes are recruited literally from around the world. This is not altruism. Top universities want performance, and if this is because performance builds prestige then so be it. It's still the best system in the world.