CHAPTER 13

Converging Paths: Public and Private Research Universities in the 21st Century

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INTRODUCTION

The American research university has been celebrated as "the greatest system of knowledge production and higher learning that the world has ever known" (Cole, 2009). As measured by any number of factors — international rankings, Nobel Laureates, publications in peer review journals, or impact on industrial innovation — the American research university has had a disproportionate impact on national and international welfare. The success of the American research university has led other countries, with varying degrees of success, to emulate the model.

Jonathan Cole, one of the leading experts on the American research university, has traced its preeminence to several factors, including its singular fusion of research, education and service; the premium it places on free inquiry and discovery; and the high levels of research funding that the federal government provides to faculty on a competitive and meritocratic basis (Cole, 2009). But surely another distinctive feature that explains the success

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of the American research university is its institutional heterogeneity. Unlike in most OECD nations, where state-owned research universities have constituted the dominant (although not exclusive) organizational structure, the U.S. system is more diverse, with private and public universities populating the landscape. This diversity in organizational forms undoubtedly has helped to fuel the innovative and responsive character of the American system.

However, as many have observed, America's public research universities now find themselves under enormous strain. Far and away the principal source of this stress has been a substantial withdrawal of state financial support. Between 2008 and 2013, state support for public higher education per student declined by 26.3% in constant dollars at the median public research university (AAAS, 2015a). Public research universities have responded by raising tuition, identifying alternate sources of revenue, and contracting educational programs and support services. And these responses have taken a predictable toll on the mission and the standing of the public university. For instance, there were eight public universities ranked in the top 25 in the U.S. News and World Report Rankings in the late 1980s, but today there are only two. The events of recent years have led a wide range of commentators to lament the privatization of public higher education in the United States, and to question whether — and how — the American public university can survive in its present form (Duderstadt, 2011; Lyall & Sell, 2006; Priest & St. John, 2006).

Although the privatization of the public university is a much discussed phenomenon, less appreciated is the opposite but equally significant trend in the United States — the "publicization" of private universities. In response to a variety of external forces, American private research universities have come to take on many new roles and responsibilities long associated with the mission of public research universities: enhanced socioeconomic diversity, local social policy goals, regional industrial policy, and, most recently, mass online education. Taken together, the privatization of the public research university and the publicization of the private research university suggest a marked convergence of these institutions. Indeed, we argue that there is now ample evidence of movement toward a single model of higher education in the United States that blends elements of two previously distinct institutions: a model that one might call the public-regarding private ("PRP").

The convergence among public and private research universities has been driven by a confluence of forces that exert a powerful effect on the competitive landscape of American higher education. These include: the expansion of the federal role in funding universities, the emergence of the innovation economy, the rise of third-party intermediaries that monitor university performance, and, finally, shifting societal expectations respecting the role and responsibilities of elite institutions. These forces have contributed to the integration of the distinct markets in which public and private research

universities have traditionally operated. Significantly, as markets have integrated, the level of competition between public and private universities for faculty, students and research dollars has increased.

But, while private research universities governed by not-for-profit stakeholder boards have been able to respond to these forces with relative ease, the same cannot be said of public research universities. Over the last decade, public research universities have confronted significant opposition to their efforts to preserve and enhance their academic mission in the face of dwindling financial resources and growing competition. In extreme cases, public research universities have been embroiled in wrenching and destructive governance conflicts that have pitted university boards aligned with state political overseers against university leaders. They have also been forced to contend with obtrusive and anachronistic bureaucratic regimes that have impaired their ability to adapt to emerging challenges.

Given the number of areas in which private non-profit research universities have shown themselves to be capable of vindicating public goals and interests with a much less burdensome governance model, the question for policy-makers is whether they are capable of conferring greater scope on public research universities to adopt aspects of the governance and regulatory regime adopted by private universities, which would enhance their capacity to compete on a more level playing field with privates. We will focus our attention on the public and private research universities that are members of the Association of American Universities (AAU), as the convergence has been the greatest among these institutions, and as the AAU publics are in the strongest financial position to persevere through forward-leaning structural reforms.

DEFINING THE PUBLIC OR PRIVATE UNIVERSITY

Although public and private universities are often discussed in the popular press, they are rarely defined. What does it mean precisely for a university to be public or private in the United States, especially as those lines have increasingly blurred? Although the precise nature and purpose of the public and private university have changed over time, one can point at the same time to a distinct set of *structures* and *missions* that define the public university. We will consider both categories of traits, as we chart the convergence of public and private research universities in this Chapter.

Structure

We start with the defining structural features that traditionally have distinguished the public university from the private not-for-profit university in the

United States. Robert Lowry has identified four such features, which we summarize briefly below (Lowry, 2009):

Ownership. The assets of a public university are owned by a state agency or publicly chartered corporation. By contrast, the private not-for-profit university is a private corporation, which owns all of its land and buildings.

Funding. Public and private research universities alike rely on revenue from a range of sources, including tuition dollars, philanthropy, federal research funding and state and local government. What distinguishes public and private universities is the mix of these categories, with public research universities having received a larger percentage of their funding from state and local sources, and private research universities relying to a greater degree over the years on private philanthropy, tuition, and auxiliary enterprises (Delta Cost Project).

Discretion. Public research universities traditionally are subject to a comprehensive system of state laws and regulations that specifically shape its conduct, as well as an array of other restrictions that apply to all state entities, such as freedom of information or sunshine laws and procurement rules. By contrast, the private university usually operates under laws of general applicability.

Governance. Public and private universities can also be distinguished in the design of their governing boards. The public university board is usually elected or appointed by political officials. The private not-for-profit university, on the other hand, is most often governed by boards that are self-perpetuating or elected by alumni — organizational theorists have described how such boards, aligned with various constituencies affected by the conduct of the institution, are essential in ensuring fidelity to the mission of the private not-for-profit institution and preventing erosion of quality of services.

It is important to emphasize that public and private universities do not operate in a world of absolutes, and the above categories are not necessarily binary. For example, with regard to *discretion*, some public research universities have obtained a greater degree of flexibility from state control in a variety of ways, and private universities are often subject to extensive regulatory oversight as a condition of funding. Even so, these four categories provide a useful construct for evaluating what it means for a university to be structured as a public or private institution.

Mission

At the same time, such a construct is not entirely complete. Traditionally, at least, public research universities have embodied not only a distinct organizational form, but also a particular set of civic-oriented objectives that they were understood to be in a unique position to advance.

One could distil that singular mission into four separate goals: First, public universities provide a guarantee of *affordability*, delivering education to those

who would otherwise find it beyond their means. Second, public universities have been committed to the goal of *accessibility*, or making the benefits of higher education available broadly, especially to underrepresented populations. Third, these universities have been singularly mindful of *community*, with their public character making them attentive and devoted to the particular economic and social needs of the citizens of their state. And finally, it has been argued that public universities enjoy greater *independence* than private universities from the distortions and biases that can be introduced by outside interests, and therefore that they are specially positioned to maintain a high commitment to the academic process and the common good.

Of course, notwithstanding these differences, public and private research universities have shared many of the same objectives over the years. Both have made it their mission to transfer knowledge to the next generation through education, to create entirely new knowledge through research and discovery, to inspire creative thinking and a love of learning among students, and to serve as a sanctuary for independent scholarship and thought. And yet, the celebrated position that the public research university has occupied in American society is due in no small measure to its success in achieving the distinct set of goals discussed above through much of its history.

CONVERGING TRAJECTORIES

Although private and public universities arose in response to different imperatives and followed different paths, their trajectories have started to converge in recent years. In this Part, we discuss this convergence through two lenses: the privatization of public universities and the publicization of private universities.

The Privatization of the Publics

The single most important catalyst of transformation in the public research university in the last several decades has been a profound decline in state funding. Between 2002 and 2010, state funding per student at major public research universities in the United States declined by 20% in constant dollars, reaching a 30-year low (NSF, 2012; Jackson, 2012). From 1992 to 2010, the percentage of public research universities' total revenue from state funding dropped from 38% to 23% (NSF, 2012). A number of large public research universities now receive less than 10% of their revenue from state funds (UW, 2011; AAAS, 2015b). The Great Recession was an especially harmful episode in this regard, one from which public universities have not fully recovered: Between 2008 and 2013, state support for public higher education per student declined by 26.3% at the median public research university (AAAS, 2015a).

As of 2014, 49 states were spending less money per student on higher education than before the recession, and more than half of states were spending more than 25% less (Hiltonsmith & Draut, 2014).

This decline in state funding has produced a number of consequences for public research universities, each marking a retreat from the traditional distinctive *mission* of a public university — providing an *affordable* education that is *available* broadly to the populace, tailored to the needs of the *community*, and *independent* from influence.

First, the withdrawal of state support has compelled public research universities to increase tuition. From 2001 to 2011 alone, tuition as a proportion of total operating revenue at public research universities has risen from 16% to 23% (Delta Cost Project, 2014). Those universities have tried to limit the impact of the withdrawal of state funds on the neediest students, seeking to support investments in financial aid through a renewed emphasis on philanthropic support and on auxiliary enterprises such as academic medical centres. Nonetheless, the decline of state funds has produced a considerable impact on the *affordability* mission of public universities. Average net tuition at four-year public universities — that is, the average price to those students on financial aid after removing the amount of aid their received — has risen by more than 93% in constant dollars since 2002 (College Board, 2015).

Indeed, when one considers that these price increases were imposed at a time when families were reacting to other economic shocks — unemployment, a real estate meltdown and a stock market correction, it is not surprising that many have highlighted the affordability issue as one of the principal areas in which public universities have seen their public character diminish. The cost of attendance for a public four-year institution, including tuition, fees, and room and board, increased from 32% of a state resident's disposable income in 2000 to 40% in 2009 (NSF, 2012). And although net tuition at most public research universities is still lower than at their private peers, that is no longer always the case: it is now more expensive to attend certain elite public research universities (such as the University of Pittsburgh or the University of Colorado, even as an in-state student) than it is to attend some of the elite private peers (such as Duke University or Stanford University).

Predictably, the decline in state funding has also affected the *accessibility* of higher education. Higher net prices are placing a public research university education out of reach for underprivileged populations. The share of financial aid received by low-income students at public colleges and universities has dropped from 34% in 1996 to 25% in 2012, while the share received by higher income students has risen from 16% to 23% (Wang, 2013). Beset by budget shortfalls, more than half of four-year public doctoral universities in one recent survey have said that they are actively taking steps to attract students who will pay the full tuition. And at other public research universities, the

enrolment of underrepresented minorities has fallen in recent years, sometimes by 10% or more (Kiley, 2013).

If one looks at students who received Pell grants (direct federal grants to students from low-income families), public research universities in California such as the University of California-Los Angeles (39% of the student body) or the University of California-Berkeley (35%) enrol far more of these students than private research universities in the state such as Stanford University (15%) or the California Institution of Technology (11%). However, many other public research universities now hover alongside their private peers: in recent years, publics such as the University of Virginia and the University of Wisconsin-Madison, and privates such as Northwestern University and Duke University, have all enrolled 13 to 15% of their student body as Pell recipients.

Another repercussion of the withdrawal of state funding for public research universities has been a shift in the composition of incoming classes from in-state to out-of-state students. Impeded by state regulations from raising in-state tuition, public universities have looked to increase the number of out-of-state students (to whom they can charge higher prices) and international students (who are often excluded from university financial aid policies altogether) in a bid for tuition dollars. According to one analysis, the average public research university increased its nonresident freshmen enrolment from 20.4% in 2002-03 to 24.7% in 2012-13 (Jaquette, 2015). This is yet another way in which public research universities have been compelled to drift away from an objective that traditionally had distinguished them from their private peers — here, providing an education that is targeted to the particular *community* in which they live.

There is one final aspect in which public research universities have come to lose their distinctively public character, and once again it is connected to the recent withdrawal of state funding. While a reliance on public funding might once have been seen as affording public universities greater *independence* from undue private or market influence, it has become apparent that public support is a double-edged sword. The decline in state revenues during the economic downturn has contributed to a climate in which public universities are the subject of ever greater political debate, scrutiny and intervention by public actors (or their agents). This in turn has led in recent years to a number of combustible, high-profile clashes between state political leaders and university leadership on a wide range of topics, including not only their budgets but also the day-to-day operation and even the academic decisions of their universities. Quite simply, there is no parallel among private research universities to this pattern of intervention into the core academic mission of these universities.

A few recent examples of the nature and magnitude of these incidents in the case of public research universities are illustrative:

- *Wisconsin*. Governor Scott Walker of Wisconsin this year proposed cutting $300 million in state funds for public universities, and

introduced legislation to make changes to faculty tenure protections and shared governance rules. Faculty members in the University of Wisconsin system rallied against the proposal, stressing that its passage would lead to a number of deleterious outcomes including a lower quality of education and a chilling effect on speech.

- *Texas*. The University of Texas has been embroiled in a years-long feud between the President of the university and the Governor and the Board of Regents over a range of topics including admissions policy, academic research, and the university's curriculum. The state legislature backed the president and initiated impeachment proceedings against a member of the Board of Regents who had attacked him. The faculty council for the university also came to the President's defense. Ultimately, the dispute led to a plan for the President to step down from his post this year.
- *North Carolina*. The President of the University of North Carolina recently came under withering criticism from lawmakers and others over academic programs and financial aid. These clashes ultimately led to the ouster of the president by the university Board of Governors, most of whom had been newly appointed by a legislature that had changed political parties since the president had taken office.

Whatever else might be said for these disputes, it is far more difficult to say that public universities find themselves free to pursue their mission independent of outside pressure or influence. Moreover, as the number and intensity of these conflicts have increased, so too has the frequency of senior executive turnover, which itself can compromise institutional effectiveness. One analysis of executive turnover at American Association of University research institutions revealed that 14% of member public research university presidents are replaced each year, compared to only 6% of their private counterparts.

This discussion should not be taken as a criticism of public research universities, which continue to play a critical role in higher education, research and service in the United States, even in the face of extensive budgetary and political pressures. We intend only to depict how the trajectory of public research universities has shifted over time in response to those pressures, and in particular how these institutions have been pushed away from their distinctive public mission in a number of significant ways.

Publicization of the Private Universities

At the same time that public research universities have seen their public mission compromised, private (non-profit) research universities have been becoming more public in nature. The capacity of non-profit organizations to show fidelity to the public interest should not be surprising — it is, in

fact, hard-wired into their stakeholder model of governance. What is striking, however, is how non-profit privates have moved to subsume so many of the distinct goals that were previously regarded as the unique preserve of the publics. As we shall argue below, the fact that non-profit privates are capable of demonstrating fidelity to these goals, but without many of the burdens associated with public universities, calls into question whether a strong normative case in favour of the traditional public model still exists today.

One area in which private research universities have moved towards once distinctively public goals is *affordability*. Over the last 15 years, private research universities have raised philanthropy, tapped their endowments and otherwise made a new institutional commitment to financial aid. According to one study, the average discount rate at private research universities — that is, institutional grant aid as a percentage of tuition and fees — rose from 32% to 43% from 2000 to 2012 (NACUBO, 2013). As a result, tuition and fees net of financial aid declined by nearly 10% at private non-profit universities in constant dollars from 2002-03 to 2014-15, compared to an increase of over 90% at public four-year universities during the same period (College Board, 2014). According to the American Association of Universities, the percentage of students graduating with no debt from AAU private research universities rose from 51 to 54% from 2003 to 2009, a figure that is higher than that for students at AAU public research universities (49%) or all universities (42%) (AAU, 2012).

Next, private research universities have acted to augment the *accessibility* of higher education in recent years, by entering the domain of mass education. Clearly, most public research universities enrol far more students than their private counterparts, and in point of fact, mass education has not traditionally been a strength of private research universities (Delta Cost Project). But the revolution in technology in higher education and a willingness to make their courses available more broadly to the public have carried these institutions into engagements with non-traditional constituencies. For example, private research universities are now among the major investors and participants in leading MOOC platforms such as Coursera and EdX. As of 2013, seven of the top ten courses on Coursera by lifetime enrolment were offered by faculty at private research universities in the United States, and each of those courses had reached more than 100,000 students These courses often are reaching students who might not otherwise have realistic access to education at an American research university: About one-third of their students are from the developing world.

It was also a private research university (MIT) that launched OpenCourseWare, an initiative to make course materials free and available widely around the world — 2,180 courses are now available online. And as of 2012, more than 18% of students at four-year private nonprofit colleges and universities took at least some courses online, a number only slightly less than

that at public universities (22%) (IES, 2014). Of course, there is still considerable uncertainty about the role that digital technologies will play in the future of higher education. And yet, it is notable that at least in these early days, private universities are embracing rather than shying away from the ways in which new digital media can expand the reach of education — another sign that they are assuming a role that was once the reserve of their public peers.

Finally, private research universities have also demonstrated a greater fidelity to traditionally public objectives through a renewed commitment to the welfare of the *communities* in which they live. Judith Rodin's *The University and Urban Renewal* describes the University of Pennsylvania's recent groundbreaking investment in comprehensive reforms to support the revitalization of its West Philadelphia neighbourhood, including employee housing programs, commercial development efforts and a local purchasing initiative through which they increased spending in the area from $2 million to over $90 million across 20 years. Other private universities have taken up similar efforts in recent years, including the University of Chicago's programs to transform surrounding neighbourhoods through workforce, commercial and residential development and an initiative to support businesses and residents in the city's South Side, and Johns Hopkins's commitment of more than $60 million to two separate areas surrounding its campuses, including the opening of the first new school in East Baltimore in 25 years. These initiatives vary in scope and impact, but they tend to emerge in common from a dawning sense that their fate is inseparable from that of the communities in which they are rooted.

Quite apart from efforts in community building, private universities have also paid far greater heed in recent years to licensing and entrepreneurial activities, which can have a salutary impact of their own on the surrounding region. With few exceptions, private research universities have not traditionally been seen as engines of regional economic development. And yet, in recent years, these universities have assumed a far more active role as licensors of technologies and therapeutics to existing companies, as well as incubators for new start-ups based on faculty research. Of the 20 universities with the most revenue from the licensing of research in 2013, a majority are private research universities. These activities have not only delivered a variety of new therapeutics and technologies to the world, but also contributed to significant economic development and job growth, with universities at the centre of clusters of economic activity in emerging industries.

One representative study concluded that the increase in university connections to industry in the last three decades produced a rapid growth in long-term employment and earnings per worker in areas surrounding universities, and the impact of these activities increased in geographic proximity to the university (Hausman, 2012). A separate study examined 11 regions abundant with the talent and resources that might have led to a thriving regional ecosystem in

the life sciences. Although firms in the biomedical sector were once scattered around the nation, today roughly half of these firms have gravitated to only three of these regions (the San Francisco Bay Area, Cambridge-Boston and North San Diego County). What explains the emergence of these three areas as life sciences clusters? Although there is no single cause, the authors did underscore that each of the regions had benefited from the presence of research universities and academic medical centres that had served as incubators and conduits for the intellectual capital that can pollinate these new economies.

Drivers of Convergence

The convergence discussed in this Part has been driven by powerful market, social and political forces in recent years, which have unmoored public and private research universities from the traditional roles they have occupied in the landscape of higher education in the United States. We take note of five such drivers briefly here. The first is the contraction of state funding for higher education, in favour of investment in other more politically urgent priorities such as Medicaid. The second is the expansion of federal funding for higher education, in particular in the form of research funding and financial aid, both of which have contributed to the creation of a single, integrated national market of research universities. The third is the rise of third-party intermediaries that facilitate the flow of information between prospective students and public and private research universities alike, inevitably drawing these universities in closer alignment.

The fourth is the rise of the knowledge-based economy and the move by the federal government in the Bayh-Dole Act of 1980 to imbue research universities with clear ownership rights over the intellectual property related to federally sponsored research conducted within these institutions, which have served as important catalysts of the emerging role of universities as central to urban policy and economic development efforts. And the fifth and final factor is the evolution in societal expectations surrounding the cost of higher education, and in particular the surge in political and media attention to the issue with regard to private research universities about a decade ago that spurred these institutions into action on this issue. Taken together, these outside pressures have propelled public and private research universities in the direction of convergence, and contributed to an increasingly competitive emerging landscape of higher education.

BARRIERS TO ADAPTATION

And yet, even as public and private research universities have converged, they have not been identically situated to adapt effectively to this emerging

landscape. Rather, the legacy of state ownership and significant regulatory control over public universities has left these institutions vulnerable as they seek to compete alongside their private peers in this newly integrated environment (Duderstadt & Womack, 2003). We discuss several of these barriers to adaptation in this section.

One of the leading obstacles facing public universities has been discussed already: the profound decline in state funding over the last decade. Of course, the withdrawal of state funding subverts the traditional academic mission of the research university. But it also has the collateral consequence of weakening the ability of these universities to pursue other public goals (such as investment in regional social and economic goals) because of a lack of available funds. Also, wholly apart from reductions in the amount of state funding, the vagaries of this funding — due to the unreliability of the state appropriations process, the rise and fall of state tax revenues, and the sometimes convulsive shifts in political control from one party to another — further undermine the academic mission. For instance, the difficulty of predicting the amount of even the next year's funding from the state — let alone the amount several years later — frustrates the ability of public universities to engage in the strategic planning that is essential to advancing their mission.

A number of other encumbrances affect the work of public research universities. For one, these universities are burdened by a "tight web of state government rules, regulations and bureaucracy." (Duderstadt & Womack, 2003). This regulatory regime extends to areas as far reaching as contracting, tuition setting, admissions standards and teaching assignments, to name only a few. Many states "still require prior approval for purchasing, dictate line-item funding in silos, and maintain fund management requirements that perpetuate bad habits such as year-end spending sprees rather than building prudent contingency reserves" (Wellman & Reed, 2011). In all of these areas, the state bureaucratic process can slow the activity, distort the decision-making, and "erode… the authority" of academic leadership in ways that simply are not felt by their private peers (Duderstadt & Womack, 2003).

Next, there are the political entanglements that accompany state ownership of universities. As U.S. politics has become more ideologically polarized, and the salience of concerns over the future of higher education has become more acute, the propensity of state politicians to focus their energies on highly symbolic (and we would argue, unproductive) attacks on the conduct and mission of state universities has increased markedly. This phenomenon is reflected in the litany of high-profile political clashes and crises involving public research universities, the rapid turnover in the presidents of these institutions, and the swings in public policy directly affecting state universities in recent years. The role played by the governing boards of public research universities — principally appointed by state elected officials — in exposing

state universities to political influence or external agendas cannot be overstated, and it is another way in which public universities are disadvantaged relative to their private peers (*ibid*).

Finally, public universities are burdened by the time and energy that leadership must commit to government relations and lobbying activities directed at state political officials. When public universities enjoyed high levels of financial support (relative to their operating budgets) and protection from competition with other institutions, the costs of managerial investment in these activities were frustrating but tolerable. But with increased competition, these activities come at a much greater cost to the institution. Leadership is forced to commit increasing amounts of time at the state capitol currying favour with public officials and their representatives and taking defensive actions aimed at forestalling unwarranted and dysfunctional state interference in their activities or protecting an ever-shrinking allocation of the state budget — rather than on forward-looking academic strategies designed to strengthen their research, education, and service contributions. Again, this distinguishes public research university presidents from private research university presidents: One recent study found that 77% of presidents of public doctoral universities named legislators and policymakers as one of three constituent groups who pose the greatest challenge to their operation of the university, compared to 30% of presidents of private doctoral universities. And 23% of presidents of public doctoral universities identified government relations as one of their three most time-consuming duties, while only 3% of presidents of private doctoral universities said the same (Song & Hartley, 2012).

These problems should not come as a surprise. Organizational theory tells us that public ownership can be vulnerable to substantial accountability issues, rent-seeking and politicization. This is not an argument for public bodies to remove themselves from involvement in higher education. Indeed, government intervention in the market for higher education is justified by factors as varied as the presence of human capital market failures, information asymmetries and externalities related to investments in basic research and education. It is only to say that the choice of how the government should intervene in a particular industry — through ownership, investment or regulation, and the particulars of how to advance each — demands a careful weighing of considerations, and that the ownership problem is especially susceptible to much that we have seen play out in recent years in higher education.

To be certain, several public research universities have succeeded in securing a greater degree of structural independence from the state. For example, some institutions such as the University of Michigan and the University of California enjoy substantial autonomy as a matter of the state constitution (Duderstadt & Womack, 2003). Others such as the University of Virginia and the University of Florida have struck deals that allow them to operate

with fewer restrictions on tuition and related decisions, often in exchange for funding cuts or an agreement to meet various performance targets. However, even these universities are still subject to ongoing state influence and interference in areas such as appropriations, auditing, and health and safety (UW, 2011). As a result, the disparities between private research universities and even the most independent public research universities continue to grow in areas such as faculty pay or expenditures per enrolled students (Duderstadt & Womack, 2003).

A PATH FORWARD

We began this Chapter by sketching the characteristics that define a public or private research university, and divided them into two categories: *structural* attributes such as ownership, discretion, governance and funding, and *mission*-oriented attributes such as affordability, accessibility, community focus and independence. One way of viewing the analysis that followed is that there has been a substantial convergence in the *mission* of public and private research universities, without an accompanying convergence in the *structural* attributes. Specifically, Parts I and II discussed the ways in which public universities have lost some of their public orientation when it comes to *mission*, and how private universities have gained much of that same character. And Part III addressed how the *structural* attributes of public research universities nonetheless persist, in ways that are detrimental to their functioning in a converging world.

One might very well conclude from the convergence in mission of these two institutions that there has been a natural evolution under way towards a new form for U.S. higher education. We could call this form the public-regarding private ("PRP"), a university that combines the uniquely civic-minded mission that was traditionally associated with the public research university and the not-for-profit structure of the private counterpart. And one might go farther yet, and argue that policy-makers should take action to speed our public research universities on their way to this new model, and end entirely the public ownership, funding, governance and operation of public research universities. The premise of this view would be that the non-profit governance model — coupled perhaps with light-handed regulation and earmarked state subsidies for students and research — has proven to be a superior approach to the present mix of ever expanding state interference and ever shrinking state funding now endured by public research universities.

Although we are struck by the capacity of the PRP to vindicate the public goals of higher education, we are not at the point of arguing for across-the-board privatization of public research universities for a number of different reasons. First, as noted earlier, the heterogeneity of our system of higher

education has been one of its great and abiding strengths, allowing privates and publics the freedom to compete and influence each other even as they innovated and adapted in different directions within their separate organizational forms. This feature of the U.S. system is not one that should be discarded lightly. Second, as discussed earlier in this Chapter, public universities were created for very important reasons, they have provided unique contributions over time, and they are deeply embedded in the economic and cultural fabric of their states, and policymakers should take care before denuding them of this historic status.

Third, although there has been a remarkable convergence to date in mission between public and private research universities, that convergence is not complete — we are still at a moment where public institutions continue to occupy a distinct role in the landscape of higher education. For instance, with regard to the goal of accessibility, although private research universities have expanded their reach considerably, their reliance on online media is still in its infancy, and public research universities continue to enrol nearly four times as many students as their private counterparts (Delta Cost Project). The same can be said for affordability: Although there has been a meaningful narrowing of the gap on average between publics and privates, public research universities still maintain a significant price advantage. These enduring features of the public research university still demand protection. And finally, even those who do favour the privatization of public research universities would do well to advocate for an orderly transition to that world, one that phases those changes incrementally over time to mitigate the impact on key stakeholders, test the assumptions behind the change, and modulate the final end state as needed over time (Trebilcock, 2014).

For all of these reasons, we do not believe that the optimal result is to usher in a complete convergence of private and public research universities. Our argument instead is that just as there has been a substantial convergence over time in the *mission* of the public and private research universities, so too should there be a substantial convergence in the *structure* of these universities, one that provides the public research universities with the autonomy and flexibility to adapt to this newly competitive environment alongside their private peers. Specifically, we are advocating for a sustained period of focused and thoughtful experimentation with the structure of their public research universities, to identify over time the right combination of structural changes that will empower them to advance their distinctively public mission in the coming years.

There are a number of mechanisms available to a state that would seek to unshackle public universities in this fashion. One option is to shift the governance boards of public universities to the not-for-profit model, in which members are selected largely outside of political channels and the effectiveness

of the board is seen as a key criterion of institutional accreditation. Another set of reforms involves new modes of providing public research universities with greater autonomy in areas such as tuition-setting, personnel, capital construction and purchasing, in exchange for agreements to reach certain benchmarks. As noted earlier, these initiatives have been adopted in certain states, and the challenge is to refine these efforts to ensure that the structural changes provide independent not only in form, but in practice. A third area of reform would be for states to provide guarantees of multi-year funding, in an effort to provide their public universities a modicum of the stability and predictability now enjoyed by their private peers (Duderstadt & Womack, 2003; Lyall & Sell, 2006).

A more aggressive option yet would seek to create a financial exit ramp for interested public research universities from the current path of ever-shrinking state support and expanding state politicization. One example of this approach is provided by the University of Oregon, which several years ago proposed that the state could use its roughly $65 million annual appropriation to the university to finance $800 million in new bonds over the next 30 years. The university would then match the bond with its own fundraising to create a new $1.6 billion endowment, payouts from which it estimated would soon exceed the expected state appropriation to the university, and possibly rise to as much as $235 million per year. The need for state support would then end entirely after the payments ended on the bond. The proposal ultimately failed for reasons far more political than substantive. And although the precise model proposed by the University of Oregon may not be feasible for every public research university — the philanthropic component in particular would be a challenge for bigger universities with larger state funding allocations — it is a creative option that could provide public universities with an exit ramp from a status quo of declining and unstable funding, one worthy of additional exploration.

Indeed, we underscore that the argument for a greater structural convergence between public and private universities should not be understood to abrogate the responsibility of state governments (and, equally, the federal government) to invest in public higher education. As discussed earlier, both levels of government have a clear and compelling responsibility founded on a range of rationales to support higher education. That role can and should manifest itself in part through financial support. Assistance in building an endowment as in the Oregon plan is certainly one possible approach, but no matter the specifics, states should take steps to ensure that public research universities have the financial capacity to advance their public mission. Put differently, the dramatic decline in state funding of recent years should not be seen as one element of the structural convergence of privates and publics. A true convergence in this regard would require action on the part of states to

provide public research universities with the same sort of financial independence and sustainability that are enjoyed by their private counterparts.

One final note is that — for a number of reasons — we would recommend that the most substantial structural reforms be confined in the first instance to the public research universities in the Association of American University. These are the schools where the convergence with private universities already tends to be the greatest. They are the schools with the most similar portfolios of funding sources and research activities, and in particular the schools with the greatest capacity to sustain themselves through a period of structural change with their own sources of external funding. Moreover, our public colleges and universities represent over 70% of the students enrolled in institutions of higher education in this country, but the public research universities in the AAU represent a small subset of those (less than 6%) (Delta Cost Project; Crow & Dabars, 2015). An attempt to steer public universities away from the current model should start modestly, to avoid any unintended harm to the capacity of our public institutions to meet the needs of students in their state. A collateral benefit of this approach is that if a path to financial independence for flagship universities is successful, it could free states over time to shift support to the financial and other needs of the remaining public colleges and universities.

CONCLUSION

The convergence described in this Chapter presents untold opportunities for public research universities in the United States, which are well-positioned to excel in the evolving landscape of higher education if given the structural freedom to act. However, they will need assistance to play this role, and the sin of inaction here is a grave one. There is every reason to believe that in the absence of corrective steps, the prospects for public research universities will be grim: they will continue to be buffeted by declining financial support and increased political entanglement, all while suffering the disadvantages of state regulation, at a moment when the competitive environment is heightened due to convergence towards the PRP model. We urge swift reforms to provide our public research universities with the structural independence, flexibility, and sustainability they need to continue to advance their emphatically public missions.

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