"Is There a Bubble in the Liberal Arts College Market?"

“Tell me it’s worth it,” the voice on the phone said. “Tell me it’s worth it.” The caller didn’t identify herself but I recognized the voice of a friend and fellow parent. I also knew what the call was about. I had encouraged her daughter to apply to my alma mater and was delighted that she’d been accepted, but I knew that, on her schoolteacher’s salary, even with a good financial aid package, the Wellesley bill for tuition, room and board would require sacrifice. Deposits were due the next day. I could hear the apprehension in my friend’s voice and imagined her pen in hand poised over a checkbook waiting for my response.

I am sure that you and your families asked a similar question before you made the commitment to come to Pomona College. Articles in USA Today, The New York Times and the Boston Globe and other news outlets have pointed to the rising price tag for tuition, room and board at private four-year colleges, price increases that have outpaced the consumer price index, and have asked the same question: Is it worth it?

Her question and the current economic climate motivated today’s title. “Is there a bubble in the liberal arts college market?” An economic bubble is trade, buying and selling, at prices that exceed the fundamental or intrinsic value of a good.

Most historical examples of economic bubbles have occurred in real estate. (An exception is my favorite bubble, the Dutch Tulip Mania of 1637.) In fact, a real estate bubble even figures prominently in the history of Pomona College.

From 1886-1887, competition between the Southern Pacific and Santa Fe railroads fueled a population growth in the adjacent town of Pomona. Congregationalists decided the new population required a new college and founded Pomona College. During the same boom, a group of developers purchased land around the new Santa Fe rail station in Claremont, subdivided plots to sell to the general public and built a hotel to accommodate prospective buyers. Unfortunately for them, they were too slow. The boom ended in 1888 and the Claremont hotel and land became nearly worthless – just the right price for a new College. (So, now you know why Pomona College is in the city of Claremont rather than the city of Pomona.)

Given that most examples of economic bubbles involve real estate, one might legitimately question whether the concept of a bubble, assuming such things exist, is applicable to a liberal arts college education. What do real estate and a liberal arts education have in common? Both require a sizeable, up-front expenditure for something that yields benefits over time and into the future. In both cases, we can’t know if price exceeds the intrinsic value without asking what the intrinsic value is.
My colleague Gary Smith and his co-author Margaret Hwang Smith investigated whether the price of houses in Southern California exceeded their value by estimating the stream of rent that might be earned if the house was rented out. In a similar vein, economists define the return to a college degree by estimating the associated cumulative increase in lifetime income. This approach suggests an education has no value if you are not gainfully employed. Indeed a woman in New York State has filed a lawsuit against her alma mater because she hasn’t been able to find a job since her graduation last spring. She’s asking for $70,000, the amount she spent on tuition.

But she graduated from a business-oriented college, and we are a liberal arts college. One might argue that a business college has made an implicit promise to prepare you for employment. At Pomona, we don’t claim to train you for specific job or profession. According to our website, Pomona College strives “to create intellectual entrepreneurs—people who are equipped to lead, able to see beyond the status quo, and prepared to stake out new directions, whether in the arts, in business, in the academy, in government, in old or new media, or in education.” We offer no guarantees as to employability. (But, just for the record, the employers do hire liberal arts college graduates. Ask the Career Development Office.)

In addition, basing the value of a college education on the resulting increase in lifetime income omits an important benefit of the liberal arts education: the love of learning for learning’s sake, an appreciation for the beauty of a mathematical proof or a well-honed argument. As Professor Stephen Erickson framed it in his 2006 Convocation Address, “Pomona offers a special opportunity for an extraordinary kind of life.” Or, as I, with less eloquence sometimes put it, Pomona prepares you to be your own education and home entertainment center. It is difficult to convert the “extraordinary life” and the accompanying lifetime increase in mental acuity into a flow of dollars and cents.

Still another way to determine the value of real estate is to sell it, but this method won’t work for a liberal arts education because you can’t sell it. A Pomona College education can’t be transferred from one owner to another. You just might be able to sell your diploma. Incidentally, although there are no Pomona College diplomas for sale on E-BAY, the asking price for an antique 1870 Dartmouth College Diploma was $575.

A third method for defining the value of a house is to have it assessed. An expert comes to your house and collects data on the square footage, the number of bathrooms and bedrooms, some data on the local public schools, looks at comparables and assigns a dollar value to the house. The approach is not unlike that taken by The U.S. News and World Report in ranking colleges. The magazine collects statistics--student-faculty ratio, endowment per student, selectivity index, and so on--assigns weights and then calculates a composite score. Critics of The U.S. News and World Report ranking complain that it ranks colleges on the basis of inputs rather than outcomes. They propose instead that colleges produce a different type of data – direct evidence of student learning outcomes. The 2006 Spellings Commission Report, named from Margaret Spellings (Secretary of Education under President George W. Bush), concludes that colleges and universities “should measure and report meaningful student learning outcomes” (U.S. Department of Education, A Test of Leadership: Charting the Future of U.S. Higher Education, 2006, p. 24) and cites two examples of appropriate instruments. Both are standardized tests.
We are wary, and rightly so, of quantifiable indicators such as standardized test scores as measures of the value of a liberal arts college education. A focus on measurable and reportable learning outcomes tends to privilege rote knowledge over critical thinking. We worry that the use of standardized test instruments encourages what one observer has termed “thoughtless mastery” of the ideas of others. (Grant Wiggins, “Toward Assessment Worthy of the Liberal Arts: The Truth May Set You Free, but the Test May Keep You Imprisoned,” www.maa.org/SAUM/articles/wiggins_appendix.html)

We also resist thinking of education as a commodity and of you, the students, as consumers. Unlike most commodities, your education requires your active and personal participation. A house doesn’t. If you spend every evening stretched out on your couch watching “Dancing with the Stars,” it really doesn’t affect the value of your house much one way or the other. Yes, you have to paint it occasionally and fix a leaky roof but you don’t have to personally participate. You can hire someone to do it. If you sit in class every day without having done the readings or if you sit in your dorm room and play Guitar Hero, the value of your education will be diminished. You can’t hire someone to go to class for you and expect to receive the full benefit of the educational experience.

If you take only the classes that seem familiar, if you don’t reach beyond your known strengths, you gain a lot less. As a result, we’ve designed our general education requirements and structure our academic advising to nudge you beyond your comfort zone. Part of your journey here is to consistently challenge yourself without trashing your transcript.

By now, the upperclassmen in the room recognize a familiar pattern. A professor opens a class with a question and then proposes a series of possible answers only to reject each one. You may also feel some sympathy for my friend who had the misfortune to call an economist to answer “Is it worth it?” Imagine if she had called a philosopher! Imagine if you brought an economist, a philosopher, a postmodernist literary critic and a chemist together and asked “Is it worth it”. What fun we would have! How can we present “evidence of learning outcomes” when the notion of “evidence” itself is contested terrain?

Some of our resistance to the call for accountability in higher education is because of politics. The call for accountability in higher education is linked to the doctrine of “No Child Left Behind” and, as surveys show, few academics are Republican.

However, the challenge to document “what its worth” comes not just from politicians and pundits but also from parents and students. As the demographics of the population change, fewer will be willing to take it on faith that a Pomona College education is worth it. We can share the success stories of individual students but must acknowledge that not all our alums will claim prestigious fellowships or win Macarthur genius grants. As we push for greater diversity and access, we can’t rely on our branding within a social class, the assumption that “people like us go to places like Pomona”. To persuade a new demographic, we will need new kinds of evidence - creative metrics that are quantitative, qualitative, narrative and artistic. Collectively, faculty, staff and students, we must engage in an ongoing process of self-assessment and review so that we can articulate clearly what a Pomona education offers.

In the meantime, my friend is still on the phone. “Tell me it’s worth it,” she demanded. I took a deep breath and said, “It’s worth it.”