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"EQUITY AND EXCELLENCE IN AMERICAN  
HIGHER EDUCATION"

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[TRANSCRIPT PREPARED FROM AUDIOTAPE RECORDINGS.]

## PROCEEDINGS

MR. ORSZAG: Good morning. My name is Peter Orszag. I am a Senior Fellow here at Brookings, and on behalf of the Andrew W. Mellon Foundation, the Association of American Universities, the Council of Independent Colleges, the Princeton Club of Washington, and the Woodrow Wilson School of Public and International Affairs, I would like to welcome you to this discussion this morning.

We are going to be discussing a new book, "Equity and Excellence in American Higher Education," that was co-authored by Bill Bowen, Martin Kurzweil, and Eugene Tobin. The book, if you are interested in it, there are fliers that would allow you to purchase the book that are available outside, I believe, or in the back of the room. In addition, in case you haven't seen it, the book was the highlight of a significant story in this week's U.S. News and World Report, which Bill Bowen tells me did get one thing wrong, but other than that was pretty good.

The book examines the relationship between socioeconomic class and higher education, and I have read the entire book. It is not surprisingly outstanding.

One of the things it emphasizes is that the impact of socioeconomic class on education in general is really a continuous process. At one point in the book, there was a quotation that it is more like nutrition, an ongoing process, rather than inoculation, a one-off event, and I think you will hear more about that this morning.

So what we are going to do is hear from the authors, to start with, and just to briefly give their bios, most of you probably know Bill Bowen who has previously served as president of Princeton University and is currently the president of

the Andrew W. Mellon Foundation. I think the other presidents of universities are encouraged by the example that Mr. Bowen has set after his university presidency by being so active and productive and socially beneficial in a wide variety of areas, and this book just reinforces that.

His other two co-authors, Martin Kurzweil is a student at Harvard Law School and, by all accounts, an outstanding young talent, so we look forward to hearing from him, and Eugene Tobin who was formerly the president of Hamilton College and is now a program officer at the Andrew W. Mellon Foundation.

After we hear from them, we will get two comments on the book, first from David Breneman who is the university professor and dean of the Curry School of Education at the University of Virginia, and I would note also a former Brookings Senior Fellow in economic studies during the late 1970's and early 1980's, and then hear from Amy Gutmann who is the president of the University of Pennsylvania and was previously provost at Princeton University.

So we have a very exciting panel here this morning, and we will have time for questions and answers.

With that, Mr. Bowen.

MR. BOWEN: Thank you, Peter.

I hope everyone will take comfort from knowing I have five lines of handwritten notes, and that is it. I am delighted to be here, to be back at Brookings, to be with so many old friends again and to be part of what I hope will be a very interesting conversation. Since it should be a conversation and it should be interesting,

I am going to be very, very brief, hoping then to have an opportunity to chime in near the end.

To provide some personal context, I have been interested in the dual topics of excellence and opportunity in American higher education essentially all of my adult life. When I was in the president's office in Princeton all those many years, I worked hard, both to build the quality of the faculty, but also to raise a lot of money for student aid, which we did because I did not want it to ever be in doubt that the university could afford to do what it needed to do to enroll students who were qualified, but just did not have a lot of money.

We were also active in my days there in recruiting minority students aggressively, in doing something later than the university should have about the welcoming it offered to Jewish students, the whole process of becoming co-educational, which now seems, gee, how could it have ever been otherwise. All of those things happened.

Much effort was expended. I think much was accomplished. I am not speaking now about Princeton. I am speaking about higher education generally. Much was done, and much was accomplished, but it is evident, and that is the message of the book, the main message of the book. There is so much more to do, particularly in the area of socioeconomic status.

I need to answer a question that I am often asked, which is in the various topics we have worked on with the aid of this huge database that we have built, why do we come to socioeconomic status now.

The answer is very simple. We felt, I felt, that the Supreme Court consideration of race-sensitive admission policies, which we all knew was coming, is really what prompted Darrell Bock and me to write the book on the shape of the river because there was evidence that there was going to be a case. We guessed that it was going to be Michigan, and we were right, but what we did not want was a hugely important discussion at the constitutional level to be confused by claims that if you only paid attention to class, you wouldn't have to pay attention to race. That is, of course, not true. It is not true at all, but it was enough in the ways, as it were, in the wind that we thought it was better to let the race question, the constitutionality of considering race on an individualized basis be settled before we turn to the question of socioeconomic status. So that is the reason these things played out as they did.

I will say only one other thing, which has to do with the reasons why paying more attention and being more effective in addressing socioeconomic status seems so important to me today. There are two reasons, fundamentally. One is a matter of social policy, political relationships within the country. It is just not a good thing for the country to be as fragmented as it is today, divisions by income and social class and all the rest growing rather than shrinking, and what happens in the education system all up and down the line from pre-collegiate education through the colleges and universities. It is going to have an enormous impact on where this country goes over time in that respect.

Secondly, in terms of the economic position of the United States, its competitive stance in the world, the U.S. is simply going to have to do a better job than

it does right now of moving through the system people of talent and ability and energy who come from less traditional groups.

Martin will explain this in more detail, but if we fail to do that, the ability of the United States to fill key positions, to compete effectively is going to be jeopardized. So, if my first consideration is an argument for those of us who have certain political and social values, the second argument is for those who care a lot about productivity and money. This, then, is a topic that really ought to resonate across the board if we can articulate it properly.

That is all, Peter, that I want to say to get us started, and I will now yield to my colleagues.

Gene?

MR. TOBIN: Good morning. The histories of America's oldest and most vulnerable colleges and universities are filled with iconic tales of efforts to admit students across a wide variety of barriers posed by race, gender, religion, ethnicity, and class.

From the poor, but hopeful future ministers of New England's agrarian countryside who are inspired by the revival of spirit of the second great awakening to the courageous efforts of women galvanized by the abolitionists and women's rights movements who sought full citizenship through single sex and co-education to the late 19th- and early 20th-century struggles by African Americans and Southern and Eastern Europeans against racial and ethnic quotas, the history of American higher education has been marked by occasional tension between quality and opportunity.

It would be very difficult, however, to imagine having this kind of discussion, the one we are having this morning, much earlier than a half century ago because the pursuit of equity and excellence on a national level and a commitment to the complementarity of educating the largest number of students to the highest standard, regardless of background, is a product of the late 20th century.

Very few of this Nation's antebellum institutions could afford the luxury of focusing on either excellence or equity. Survival was their main concern, and their precarious existence, barely one out of five colleges survive their founding, explains a great deal about why these institutions discounted tuition, subsidized room and board, and tailored their academic calendars to meet the needs of working students.

For the greater part of the 19th century, with the notable exception of the ministry and to a lesser degree the teaching of school, most Americans, including those who practice law and medicine and those who served in the emerging managerial class, would have agreed that a college education was neither gratifying nor useful.

Indeed, the perceived lack of utility in attending college, even among the financially able, suggests that the principal constraints on college going well into the 19th century were not due primarily to a lack of academic preparation or even to the absence of funds, but rather to widespread doubts about higher education's quality, value, and relevance to social and economic mobility.

One is reminded of the skepticism with which Henry Adams described the faith in education of the upperly mobile middle-class students he encountered in Harvard in the 1870's. What seemed to perplex the ever-cynical Adams was his students' absolute certainty that their education had a purpose and a utility.

When he finally asked an undergraduate what the young man intended to get out of his studies, Adams was stunned by the answer. "The degree of Harvard College is worth money to me in Chicago," the student observed. "A good answer," Adams concluded. It settled one's doubts.

Still at the beginning of the 20th century, almost four decades after Congress passed the Morrill Land Grant Act, which authorized the States to use proceeds from the sale of public lands to establish State colleges of agriculture and mechanical arts, only 2 percent of the college-age population between the ages of 18 and 24 attended a college or a university. There simply was no student pipeline that connected the Nation's public schools and the State universities, and none would appear in this country until the 1920's.

The rapid development in the United States after World War II would have been utterly impossible without the pools of candidates prepared by the Nation's elementary and secondary school systems.

Secondary school enrollments doubled between 1890 and 1940, and on the eve of World War II, close to half of the population had graduated from high school, but it is important to note that popular acceptance of the college degree as the apex of educational achievement and the past key to success is an even more recent development.

Enrollments in higher education among those traditional college-age population remained below 5 percent well into the 1920's before rising to 15 percent in 1949 at the height of veteran activity under the GI bill.



Higher education enrollment increased three-fold between 1910 and 1940, and quadrupled between 1940 and 1970. Today, approximately 60 percent of the 18-to-24-year-old population attends some form of tertiary education, but the rise of a credential-driven society guarantee that issues of character and fitness would emerge as significant factors in determining access to higher education.

By the 1920's, the appearance of discriminatory admission policies at the Nation's most elite institutions aimed primarily at limited the number of Jewish and, to a lesser degree, Catholic students and the passage by Congress of legislation restricting immigration from people of Southern and Eastern Europe accurately captured the xenophobia and the nativism that existed in America at the end of the first world war and the red scare that followed.

Today, almost 2 years since the Supreme Court affirmed that colleges and universities have a compelling interest in obtaining a diverse student body, we recognize the diversity of American higher education as one of the great strengths of this democratic society, but for much of the 20th century, most colleges and universities placed limited value on the importance of admitting students from different racial, religious, ethnic, and socioeconomic backgrounds.

Indeed, many of the most selective institutions, fearful of alienating their traditional constituencies, consciously chose to limit access. Determined efforts to make higher education in America more inclusive, especially in terms of the racial composition of the student bodies, go back only three or four decades at most.

In 1966, one year after Yale President Kingman Brewster had appointed R. Insley "Inky" Clark as director of Admissions, the Fellows of the Yale Corporation,

Yale's trustees, summoned the new dean to explain his efforts to diversity the incoming freshman class, efforts that already had led to an unprecedented number of rejections for the wealthy white Anglo-Saxon protestant applicants who came from preparatory schools, including many alumni sons who had been Yale's longtime constituency.

Jeffrey [inaudible] brilliantly captures this scene in his recent book, "The Guardians," and I quote, "Let me get down to basics," said one of the Fellows. 'You are admitting an entirely different class than we are used to, and you are admitting them for a different purpose than training leaders.' Dean Clark responded that in a changing America, leaders might come from non-traditional sources, including public high school graduates, Jews, minorities, maybe even women."

"His interlocutor shot back, 'You are talking about Jews and public school graduates as leaders. Look around this table,' and he pointed to President Brewster, to Bill Bundy, and to the distinguished men seated there, 'These are America's leaders. There are no Jews here. There are no public school graduates here.'" Needless to say, in 1966, there were no African-American members of the Yale Corporation either.

Nonetheless, Brewster, Clark, Yale persevered, and together with the leaders of other institutions provided tangible leadership in overturning long-held presumptions about who did and who did not belong at the Nation's selective colleges and universities.

Today's barriers to entry are vastly different. Although explicit policies to keep certain people out on the basis of race, gender, and religion have been eliminated, more organic barriers such as poor academic and social preparedness,

information deficits, and outright financial hardship are limited college opportunities for students from socioeconomically disadvantaged backgrounds, a group that contains more white students than minority students, even though racial minorities are disproportionately represented.

These barriers are just as troublesome in their effects and in many ways much more difficult to overcome than the explicit exclusion of individuals with unwanted characteristics.

The editors of "The Economist" recently observed that the United States likes to think of itself as the very embodiment of meritocracy, a country where people are judged on their individual abilities rather than their family connections. To be sure, the editors observed, America has often betrayed its fine ideals. Yet, today most Americans believe that their country does a reasonable job of providing opportunities for everybody, but are they right. Such statements cry out for careful empirical study, and thanks to the cooperation of 19 highly selective colleges and universities and the assistance of the college board, we now have a rich new dataset at our disposal that allows us to provide answers to some of the most complicated questions about equity, excellence, and their interaction.

Our colleague, Martin Kurzweil, will now provide an overview of our major findings.

Martin?

MR. KURZWEIL: Thank you, Gene, for that really wonderful history.

Before launching into the results of our study of 19 selective colleges and universities, I would like to put some numbers to the national trend that Gene mentioned, which will really put our research into perspective.

I should say I will be showing some figures and tables, but there aren't that many of them. I will walk you through it. There is no reason to be afraid.

[Laughter.]

MR. KURZWEIL: Figure 1 shows the average educational attainment of the U.S. population by birth cohort over the past 130 years or so. As you can see, the rate of increase slowed down beginning with those born in the 1950's. It is now at a virtual halt, at a level below completion of a 4-year college degree.

This is discouraging for two reasons. First, other countries have sustained or increased their educational attainment during the same period. In an increasingly globalized and knowledge-based economy, this is problematic. Second, the economic returns to higher education continue to increase at a great rate when these cohorts were attaining college age. Our conclusion from these and other data is that there is a supply-side block that is preventing American young people from attaining the level of education that would be in their economic best interest and in the Nation's.

Figure 2 shows what we believe to be the source of the problem. College attendance rates over the past 30 years are highly stratified by parental income, and the gaps have barely narrowed. If we are to increase college attendance in achieving going forward, we simply have to bring more students from the bottom lines in this graph into higher education.

As Gene mentioned, our research suggests that the major reason for the gap in access is lack of what we call college preparedness, by which we mean academic, but also informational, skill-based, and motivational shortcomings.

Young people whose parents' income is in the top quartile are twice as likely as those whose parents' income is in the bottom quartile even to take the SAT, which is a tough proxy for 4-year college eligibility. Among those who take the SAT, the young people from the top income quartile are three times as likely as those from the bottom income quartile to score above a 1200. Those of you who are mathematically inclined will have already realized this. This means that the more privileged students are six times more likely than the more disadvantaged students to be in the pool of competitive candidates for a place at a selective college or university.

The only way in the long run to solve the college preparedness problem is to attack it directly through improvements in the schools that disadvantaged young people attend, in the neighborhoods in which they live, and by providing them health care and other services that they desperately need.

However, there is much that can be done right now to improve the prospects of the current generation of disadvantaged young people who are at the college age. Changes in national policy, including financial aid policy, are certainly in order, and of particular importance will be efforts at the diverse array of public higher education institutions where most of our students are enrolled, but today, I am going to focus on a group of 19 selective colleges and universities that are truly among the Nation's most selective.

Figure 3 shows the 19 institutions we studied with the number of applications they received and their enrollments for the 1995 entering cohort. These institutions account for relatively few students, but they loom large in the national consciousness and are still very much pathways to economic, social, and political power.

Figure 4 shows the fraction of young people from disadvantaged backgrounds in the applicant pool, among embedded students, enrolled students, and graduates. Here, we used two measures of socioeconomic disadvantage, the bottom income quartile, and those whose parents have no more than a high school diploma, first-generation college students.

There are two important things to note about this figure. First, although there is some variation, there is very little difference between the shares of students who come from disadvantaged backgrounds by either measure as we progress through the stages of a college career. This equilibrium is indicative of the fact that students with low socioeconomic status are treated the same in the admissions process as their peers are and behave the same as their peers do from the time they are admitted until the time they leave school.

To explore this phenomenon, which is really a sort of dog-that-didn't-bark phenomenon, a bit further, Figure 5 shows the acceptance rates at each SAT level of four different types of applicants: recruited athletes; under-represented minorities, which we define as African-American, Hispanic, and Native-American students; legacies, and then all other non-minority applicants.

Note the large gaps between the special categories and the all other non-minority line. These gaps are what we refer to as admissions advantages. Applicants in the special categories have a better chance of being admitted at each SAT level than other students with the same scores.

Figure 6 takes the all other non-minority line from Figure 5 and breaks out the low income and low parental education students. There is hardly any space between these lines, no admissions advantage.

A more sophisticated statistical analysis confirms this key point. Students from low socioeconomic backgrounds are neither preferred nor at a disadvantage compared to other students of the same race with similar scores in the admissions process. Almost all of these institutions claim to be need-blind in admissions. They don't consider an applicant's income when they are deciding on admissions, and these data suggest that they are, in fact, need-blind.

Without going into detail, I can tell you that the pattern continues for probability of enrollment, selection of major field of study, academic performance, graduation rates, and even later life outcomes like career choice and civic engagements.

A major finding is that low income and first-generation college students do not under-perform academically. They receive exactly the grades we would expect them to based on their other characteristics unless, for example, under-represented minorities and, to an even greater extent, recruited athletes.

In sum, once disadvantaged students enter the applicant pool at these schools, their socioeconomic status has very little bearing on their college experience or their later-life outcomes.

Of course, it is exceptionally difficult for students from poor and undereducated families to make it into the applicant pool at these selective institutions in the first place, and this is the second major take-away from Figure 4.

Only about 11 percent of applicants and enrolled students at these institutions are from the bottom-income quartile, and only about 6 percent are from families without college experience.

Nationally, the bottom quartile is, of course, 25 percent of the population. About 38 percent of 16-year-olds do not have a parent with more than a high school diploma. Given this dramatic under-representation, the question is can these institutions continue to rely on need-blind admissions. We think not.

We believe that it is time for selective colleges and universities to consider providing at least a modest admissions advantage to students from low socioeconomic backgrounds, and we decided to see what would happen under one such system of preferences by applying the admission probability at each SAT level of legacy applicants to the low-income applicants at the same SAT level.

This had a nice symmetry to it. We gave the most disadvantaged applicants the same advantage in the admissions process that the most privileged applicants currently received. First, we ran the simulation while maintaining an admissions advantage for minority applicants, maintaining race-based affirmative action, and we found that the share of students from the bottom income quartile would increase from 10.6 percent to 16.7 percent, more than a 60-percent increase.

If current financial aid programs were maintained, this policy would entail a cost of about \$460,000 per class, per year, at the smaller liberal arts college that



we studied and a cost of about \$1.4 million per class, per year, at the larger private universities. Both of these represent a roughly 12-percent adjustment. These are substantial amounts, to be sure, by the program could be phased in over time, and the advances in equity would be important.

As Bill mentioned, there have been suggestions that income-based preferences could be a replacement, a less controversial replacement for race-based preferences, and to test this, we next ran the simulation of income-based preferences, again, using the legacy admit rate, while eliminating the admissions advantage for minority applicants.

The result was a decline of about 50 percent in the share of students from minority groups. The reason is simple demographics. As Gene mentioned, while minorities are over-represented among the bottom quartile, the vast majority of students in the bottom quartile are non-minorities.

Our conclusion, income-based preferences are not a suitable substitute for race-based preferences. However, as a complement to race-sensitive admissions, a carefully designed income-based admissions advantage can achieve the important goal of increasing the representation of socioeconomically disadvantaged students at America's highly selective colleges and universities at a dollar cost and I should also mention at an academic cost that at least some of these institutions can certainly afford.

Thank you.

MR. BRENEMAN: Thank you, and good morning. It is a pleasure to be back here at Brookings, also a pleasure to be a participant in helping to present this splendid book to an important audience. Also, I have to say at the University of

Virginia and indeed the Curry School of Education played a modest role, and we are very proud of that role that we played in helping to encourage the authors to do this book and to bring it to fruition.

No good deed goes unpunished. So, as a result, I was assigned and asked to talk briefly this morning about the public sector of American higher education and how the thesis of the book is playing out in that very important sector, the sector which we know educates roughly 80 percent or so of the Nation's students.

The drama has to start briefly with the funding of public higher education right now. For those of us in the room who are graying, we can still remember when the model was high State appropriations and universally low public tuition.

The last two decades, however, have witnessed a decided shift toward a policy or a model of lower State appropriations, at least as a share of total expense, to increasingly higher tuition and indeed a paper authored by Peter Orszag and Tom Kane, a Brookings publication, highlights that as well as anything I have seen.

This has led in turn to a growing emphasis on the part of the public institutions that have market power and high selectivity and strong alumni basis to a growing emphasis on private fund-raising. I don't know how many universities are in the midst of billion-dollar campaigns as we speak, or larger. This is, of course, particularly true in the public flagship institutions, and as a result of all of these forces playing out slowly over the last 10 or 15 or 20 years, I think one is definitely seeing now increased socioeconomic stratification in the student bodies of these, particularly

the so-called public ivies, places like UVA, Chapel Hill, Ann Arbor, Berkeley, Miami and Ohio.

Indeed, at my university, the University of Virginia, which is not an inexpensive institution and has roughly a third of the students from out of State at essentially private college prices, three-quarters of the students that are registered have no financial need. So we are dealing with a rather wealthy population in this part of the public sector.

In light of this growing unpredictability of funding in a kind of boom-bust cycle of cuts and tuition freezes and one thing or another, a number of the institutions around the country, again led mostly by the flagships, have started a set of efforts to renegotiate their relationship with their States, and probably one of the best known of these was the attempt made recently in Virginia on the part of traditionally three of the public universities, UVA, William and Mary, and Tech, to transform themselves into charter status, which would have meant that they would literally have no longer been State agencies. They would have been a different subdivision of the State. It would have given them the right to set their own tuition without having to have it approved or interfered with by the legislature or the governor, and it would have reduced a number of the regulations that govern everything from building, design, and capital construction to personnel acts and the sort.

In one form or another, some version of this attempt to rethink the relationship of particularly the leading institutions publicly to their States is going on all around the Nation.

One of the tradeoffs that was proposed that was supposed to make this more publicly attractive was the notion put forward, which actually didn't in a sense survive the final bill, but it was the notion that we would at UVA, for example, given these freedoms, given a greater opportunity to set tuition and avoid certain regulations, we would give up a claim on a certain amount of the ever-dwindling State support we nonetheless were still getting, and the idea was that that in principle could be used to shift or allocate resources to the regional institutions, the regional public institutions, the less selective institutions. In a sense, we would forego a chunk of our State support, and that could be allocated to institutions that have greater need. This was never a large amount, mind you, but it was put out there as an idea.

The bill passed, and it was signed. To be perfectly honest with you, we are still sorting out what finally happened. We did not get charter status. We are still a State agency. The employees of the university are still State employees.

In fact, the other public universities wanted in. So, finally, they set up sort of a three-tiered system, and the top tier, the three institutions who initially proposed this now have the opportunity to negotiate a 6-year management plan with the State which will govern enrollment projections and plans. It will govern what we propose to do with tuition, but it still has to be signed off by the governor and the heads of the two legislative bodies, and we literally are at a stage where we do not know how that is going to play out. So I would say we got out of this process from the standpoint of the institutions something more than half a loaf; not the full loaf, however.

Part of the process of the charter initiative was a concern for the very issues that motivate this book, namely what would happen to very low-income students

in Virginia in particular, in our case, if tuition at UVA and at Tech and at William and Mary went soaring up. It wouldn't ever probably hit private tuition rates, but much higher than now.

Chapel Hill, about a year before we did this, introduced a plan to try to aim full aid packages, grant aid packages to students in the very lowest income portion of their student bodies, and we adopted a similar plan a year later. In fact, this current admission season is the first year we had actually rolled it out and are waiting to see the results. It is called Access UVA.

A couple of interesting findings about this, we originally wanted to maintain a full grant package, basically a free ride, to any students whose income was at or below 150 percent of the poverty level for a family of four, which was a little over \$28,000. It simply became apparent, and I think this happened in Chapel Hill also, there was just nobody in the applicant pool at that level. To keep that as the bar simply made this thing inoperable virtually.

So it was raised in January of this year to 200 percent of the poverty line, which is about \$37,700, and we are still sorting out what has happened. I think one conclusion, again, is clearly foreshadowed in the book. It is that financial aid at this level is perhaps unnecessary, but by no means a sufficient condition to achieving anything like a more balanced entering class.

Our admissions office, to their credit, have gone out and recruited in places they had not recruited before. I spent an hour with the admissions director yesterday, and he said there are just insuperable barriers, social, historic, cultural barriers, to getting young people, even when you introduce a full package for a young

person like this, to get them to apply much less than get them admitted and much less get all the financial forms filled out and get them enrolled.

So, at this point, we are still in the final. The students don't have to declare their decisions until right about now, the end of April. I can't give you firm figures on how Access UVA has worked, and it is, as I say, its first year. I am sure we will improve upon it, but I think overall in this first year, the results are not as encouraging as one would have hoped.

We are still in a learning more, and I guess if I have a final message about the relationship of the public sector to the issues covered in this book, it is that we are very much a work in progress. Things are changing in this sector in ways that are much greater than I have seen in my lifetime. So you will simply have to stay tuned.

Thank you very much.

MS. GUTMANN: I applaud the whole focus of equity and excellence in higher education and, indeed, everything that the Mellon Foundation has done to stimulate this very important discussion about what is, in fact, something that is basic to this Nation's greatness, which is the belief that diversity and excellence or equity and excellence go together and that there are ways of bringing it together.

In many ways, some of the arguments that Bill and Martin and Eugene have made in this book, that I have made in "Democratic Education and Color Conscious" which argue for race and economic status being taken into account, ought to be self-evident, but that reminds me how important it is to harp on self-evident truths because my favorite, favorite of all New Yorker cartoons showed a little boy tugging on

the coattails of Thomas Jefferson, looking up at Thomas Jefferson and saying, "If you hold these truths to be self-evident, then why do you keep harping on them so much?"

[Laughter.]

MS. GUTMANN: Well, the reason is you have to harp on them because if you don't know what the arguments are for them, they won't remain self-evident truths, and that is, in fact, where we have come as a Nation, which is that the self-evident truths that were written into the founding documents have never been practiced as such, but have been extraordinarily controversial.

Those of us, I have to say, who take them as self-evident do so at our peril if we don't keep harping on them, and harping on them and giving arguments for them.

So I want to give some of the arguments, moral arguments, political arguments, practical arguments, for why these things should go together, but also, and this will be perhaps the surprising conclusion, for why this argument in some sense proves too much. It will require us to do even more, much more than give preference to the lowest quartile of income. So let me just really run through this because I think it is so important.

Excellence in American higher education demands diversity of perspectives, and diversity of perspectives demands diversity of backgrounds, economic as well as racial and ethnic and increasingly diversity of nationality. If we are closed to more and more international students who are excellent, wanting to come into the best higher education system in the world, we will lose our competitive advantage, and we will lose our openness to the kind of diversity that, for example, in the Ima Gray

generation of my father where refugees from Europe came to this country and really enriched this country in multiple ways. If we don't continue that, we are at a great loss.

SAT scores and grades are highly correlated not only with race, as this book shows, but also with family income, and not because students of high-income parents are genetically superior. Although there may be some who dispute that, there is no evidence for that, rather because they have been given a host of advantages, wonderful advantages, advantages we should want more and more people, more and more students to have for educational accomplishment.

It is a great testimony, by the way, to high-income families that they give these children educational advantages. It is a testament to their value of education as well as their value of their kids getting really good jobs.

So why not put a thumb on the scale that is to give preference to low-income students who don't have these advantages, but clearly from this correlation, many of whom who have succeeded quite well, despite the disadvantages, have untapped potential? The strongest arguments for doing this, equal educational opportunity, diversity of backgrounds, tapping talents for the economic marketplace, those are very strong arguments, and in decreasing order, equal educational opportunity, no doubt a strong argument. Diversity of backgrounds, it depends on what the student is like. Tapping talent for the economic marketplace, it is not clear you have to go into the lowest quartile given all of the other talent that there is out there, but it is an argument as well.

All of these arguments are good arguments, but—and here is my first point—they are not at all specific to the bottom income quartile. All of the arguments



in this book, all of them apply also to the second and third quartiles of income that are also under-represented in the 19 highly selective colleges and universities, and not under-represented in a small way. They are highly under-represented at Penn, at Princeton, at Columbia, at UVA.

Indeed, what is striking about the publics is if any of you have followed what has happened in New York State, the publics in New York State have a higher average income, the income among students than the privates, than Columbia and than NYU.

So why not apply it to the second and third quartiles? Put your thumb on the scale. Give preference to students not only from the bottom quartile, but the second and third quartiles. There are far more students in the middle quartiles who are highly qualified. There is a simple, but powerful message here. We have no good reason to diss the middle class.

[Laughter.]

MS. GUTMANN: Really, we are talking about families in the second quartile with incomes between \$30,000 and \$60,000. We are talking about families in the third quartile with incomes between \$60,000 and \$96,000. That tells you something about the income distribution of the U.S. versus the income distribution in our selective universities and the correlation between income and academic accomplishment.

All three quartiles are under-represented. Yet, as you move to the higher-income quartiles, you find more and more highly qualified students who are either not applying to our colleges or not getting in because it is so competitive on an educational accomplishment basis for getting in.

Think of those income numbers. If you think of those in the abstract, 30- to \$96,000, you are talking about the solid middle of the United States. If you think of them compared to the \$40,000 total fees per year that every student pays at the most selective privates, you can see you are talking about big-time sticker shock. Right? We who have need-based financial aid are absolutely committed, for example, at Penn to meeting the full financial need of all the students we admit.

We do need blind admissions. What the logic of this book tells us is that we should be giving preference to everybody, but the non-minorities, non-legacies, non-athletes, although Bill would take the athletes off here, but when he was president of Princeton, I defy him to have done that.

[Laughter.]

MS. GUTMANN: What the logic of this book says is, as in Lake Willbegone, everybody is above average, everybody should get preference, but the members of the top quartile who are not legacies, who are not minorities, who are not athletes.

I say this not to diss this argument. It is an excellent argument. I say this to highlight the deep dilemma that we are in, in this society, because of the failure of our elementary and secondary school systems because of the fact that the second and third quartiles are not being served by our public educational system as well as the bottom quartile.

Remember what we are seeing here in admissions. At Penn, for example, the daughter of a mechanic and secretary from New Hampshire applies. She is not in the bottom quartile. Her parents' combined income is in the next-to-the-top

quartile. She is on full financial aid at Penn because their combined income is \$80,000 a year. That is a mechanic and a secretary.

We also see applicants—and this is a partial critique of using income along—in the bottom quartile of income, all of whose income is from assets. It is income on assets. They have almost a million dollars of assets, but their parents are not working. I ask you, who will more diversify the University of Pennsylvania?

[Laughter.]

MS. GUTMANN: I use that, and it is an example, but it is not all that uncommon. So, when you see the announcement that everybody with an income under \$30,000 a year will get a free ride, our admissions officer says if we say that, we are wasting some money, and we are an institution that is much more typical of the selective institutions than Harvard and Princeton are. We take 90 percent of our financial aid out of our operating budget. Whereas, there are three universities and only a tiny number of colleges that have the endowment that can almost fully fund financial aid.

So we are talking about a real struggle here as to how to compensate for the failure of public education in this country. That is not a reason for us to stop doing more. It is a reason not to focus just on the bottom quartile.

If we focused just on the bottom quartile, I predict in a decade we will have the same kind of resentment that now exists against race-based preference against income-based preference because we will be squeezing out, to use a technical term, "dissing" the middle class, and that is wrong as well as politically stupid.

It is wrong. It is the wrong thing to do. These kids from those two middle quartiles have an awful lot to contribute to our country and to our campuses. They represent the sons and daughters of incredibly hard-working, what we really call, if there were the term used in this country, "working-class people." They are middle class because we are all middle class in this country, unless we are on welfare.

So let me conclude with one other message. The first message is don't diss the middle. The second message is we can't leave it to government alone to help fix the elementary and secondary school problems of this country.

I wish that government would fix it, but we at Penn, for example, partnered with our local school district and created a neighborhood public school called the Penn Alexander School that is a model elementary school in our West Philadelphia District. That school is 65-percent African American. Its average income is very low, but our school of education did what I wish more schools of education would do, which is show that they know how to create excellent public educational systems.

I very much hope under my presidency that we will be able to do—that school goes from K to 8. Now we have to do something from 9 to 12. Our mission is higher education. We can't do an awful lot for elementary and secondary education, but just imagine if every institution the size of Penn with the kind of resources that Penn has in expertise, because we are not rich per capita, did something in its local catchment area to improve public education. That would be an enormous change in what we are doing as a nation. We also need government to help. There is no doubt about it, but we can't leave it just to government because it is not going to do enough.

So my two messages are yes, let's do everything we can do to increase the economic diversity of our student body, but don't diss the middle, and two, let's all, all of us who are members of institutions that believe and ought to believe in this mission, do something, however small, but significant, to improve public education at the elementary and secondary levels.

I thank these authors so much. Bill has done an absolutely amazing job in highlighting this very important issue.

Thank you.

[Applause.]

MR. ORSZAG: We now have about a half an hour or so for questions. We are going to have microphones coming around.

I make two requests. One is that you identify yourself and your affiliation and second that you actually ask a question.

[Laughter.]

MR. ORSZAG: Shocking that I do have to mention that, yes.

Just to start off, I wanted to ask the authors one question myself, which is that in the book, you call for, at least with regard to the public universities, a moving towards a high tuition, high aid kind of strategy. The question is the following, which is in the absence of the other kinds of outreach programs that you also call for, assuming that those aren't going to be immediately available on a broad-based basis, is there a danger of discouraging kids from the lowest quintile or even up into the middle class from aspiring to higher education because they don't understand the financial aid that comes along with that?

MR. BOWEN: There absolutely is such a danger, and I think myself that the argument for raising charges in public universities for people who could really afford to pay, not your bottom three quartiles, but your top quartile is really compelling, particularly if those resources are then devoted to increasing access down the line, which is what I think they should be. I think that is the kind of deal that needs to get struck.

Is there a danger that the deal will become unstuck? Sure, but I think more and more of the public university people—certainly the people at UVA, Dave, that I talked to when I was down there—understand entirely that this is a package, and that if you are going to take more resources from the people who can afford to give you more resources, they ought to be allocated to doing something about the lack of attention, adequate attention to people in your own catchment basis who are really qualified.

Let me just say one last thing while I have this opportunity. A major misunderstanding, which I hope the book, certainly the data in the book, should clear up is that there are today, even with all the defects of K-through-12, substantial numbers of well-qualified candidates from below the top quartile who are not being admitted; that it is a mistake to argue that there are no such people. The data demonstrate—[audio break].

[Side B of audiotape begins.]

MR. BOWEN: [In progress]—simply wrong.

MS. GUTMANN: Could I just say one thing about that? The data do demonstrate on the basis of SAT scores and grades that that is wrong, but for those of us

who are part of universities that have never considered just SAT scores and grades—and Bill would be as fervent an offender of this as I am—when you look at what the highly qualified candidates who are applying to our universities look like in terms of their other amazing assets like world-class violinists and so on, you do find that the better-educated, higher-income students look better.

When you look at the numbers, for example, with SAT scores above 1400, only 600 students from families with incomes under \$20,000—I mean, that is just staggering—that is just staggering—have SAT scores above 1400. It increases 17 times when you get to incomes in the second quartile.

MR. BOWEN: Absolutely.

MS. GUTMANN: We don't want to go to an SAT grade-only basis, and that is the problem.

MR. BOWEN: No.

MS. GUTMANN: The good news is that when you don't take income into account, there is no under-performance. If you do take income into account, there may start to be some under-performance, and maybe we should just live with that for the sake of increasing access.

Right now, there is no evidence of under-performance.

MR. BOWEN: No, none.

MS. GUTMANN: None, but we don't give any preference either. We are need-blind.

MR. : I just have a quick comment about the chilling effect question of increasing the tuition.

Contrary to what President Gutmann said, although \$40,000 is the official price tag at most of these institutions, many of the students at these institutions, perhaps most of the students at these institutions, aren't paying that much, and there is no reason that they shouldn't know about that before they apply.

I think there are some technical solutions where you could create, for example, a grid that gives an estimate of what your contribution would be, and if those were publicized, those were advertised, instead of the price tag that only the very wealthy students were paying, I think then you might be able to at least mitigate the chilling effect that you mentioned.

MS. GUTMANN: We have to acknowledge. I have gone around the country. We have to acknowledge there is a problem of sheer communication.

A lot of students do not know that there are groups of highly selective, highly expensive institutions which if they got into by virtue of the fact that they are in those three quartiles, they will get a huge amount of financial aid.

The reason that a lot of people don't know it is that the publicity is about the sticker shock. It is an enormous amount. You read whenever tuitions go up, which they always go up every year, the publicity isn't about there are 36 institutions in this country that are going to siphon all of that money back for financial aid students, that one-for-one dollar of increase goes back to financial aid students, because we have a system that has 4,000 colleges and universities, and a tiny percentage of them have this policy that we have. So it is not surprising how few people know about them. We have to do a better job, but it is swimming upstream against the media coverage.



MR. ORSZAG: There are lots of hands up, and I think that final point, the media coverage is crucial. So our friends in the media who are here, I think could play a very constructive role in making sure that students know about the aid that is available.

MS. GUTMANN: Absolutely.

MR. ORSZAG: Why don't we start right here.

MR. LOWEN: I am Jim Lowen. I am Professor Emeritus of Sociology at the University of Vermont, which was included in the book, "Public Ivies," although those of us on the faculty thought that that was totally unwarranted.

[Laughter.]

MR. LOWEN: The University of Vermont, when I was last there in 1995, had a median student family income for its in-State students of \$102,000, median. In that year, Vermont was thirty-eighth in the country in median income by State, and the median income for the State was \$29,000. If you do an income curve and it peaks up here at \$29,000, by the time you get out to \$102,000, ain't nobody there, and yet, half of all University of Vermont students came from that little tale. So that is how elite we are, and we are not even in this group that you all are listing. So this is a much bigger problem than you are implying.

I just wanted to say there are two reasons, and I do have a question.

[Laughter.]

MR. LOWEN: The two reasons are the folks from the lower half of the State of Vermont feel, number one, they would be socially out of place and, number two, they would be intellectually out of place.

They feel that they would be socially out of place. I think the answer to that might be this Posse concept that has been promoted for, for instance, black and Latino higher education. It might be good for this matter, too, admitting a whole bunch of folks from a given area, let's say, and a given social class, but the point of the question is the reason they feel intellectually or academically out of place in large part is due to the SAT.

A lot of these folks still think that "A" in "SAT" stands for "aptitude" like it used to, and, of course, SAT long ago gave up this because it is not defensible intellectually, but they still think that if they get a bad SAT score that they are stupider, and a lot of the discussion up here has kind of implied that when you talk about these 1200's and 1400's and so on. Yet, there is absolute class bias in the SAT in some of the items, and that is one of the reasons, not the only, but one of the reasons why folks in the lower half of America score so low on it.

Given that one of your funding folks is the college ordinal, is there going to be any effort to reduce class bias on the SAT?

MR. BOWEN: David, do you know?

[Laughter.]

MR. BRENEMAN: I haven't got a clue.

MS. GUTMANN: Ask the SAT.

MR. BRENEMAN: Leaving the SAT aside for the moment, there are efforts around the country, some of which the Mellon Foundation is supporting, one of which is by the Posse foundation, an attempt to create alternative means of identifying

predictors that are better than those currently used by the SAT. We have some hope that they are likely to produce models that can be used around the Nation.

MR. : Actually, the appendix to this book, which is written by some of our colleagues from the University of Capetown in South Africa, describes a program that they have there, an alternative admissions program where they have developed a test that they think is a more accurate measure of potential than it is of achievement. So that could have some lessons as well.

MR. BOWEN: A number of selective institutions over the last decade or so have stopped requesting or requiring the SAT score. I think it started at Bates College and moved on.

I don't know. I haven't studied or looked at the effect of that overall, if there are enough of them doing it now that it is making a difference, but at least there has been some movement to try to diminish a dependence.

MR. ORSZAG: Way there in the back.

MS. : I am a Princeton graduate from 1990, and when I was at Princeton, there was a lot of negative backlash about the affirmative action issues with admissions.

So my question is, particularly coming from an environment like Princeton, when you look at socioeconomic background and you start admitting more students in that area, what is going to happen socially to those students because you mentioned academically that they fare well in terms of the performance at the college and ultimately graduation, but socially those students are so completely different from the type of student that you find at an institution like that. So I wondered if there was

any look at that kind of aspect in terms of the social isolation that those students might feel being so different from the type of the norm.

MS. GUTMANN: Having been at Princeton for many years and now at Penn for a short period, I am struck by the difference in the social climate at Princeton and Penn, frankly.

I don't think the three quartiles coming to Penn, more of them—and we have, despite the fact that Penn has a hugely lower endowment. Many people impressed that on me before I left.

[Laughter.]

MS. GUTMANN: Believe me. In fact, our chief investment officer kept emphasizing how the increment in one year at Princeton was greater than the whole of the Penn endowment. That is not quite true, but it is close.

The interesting thing is the social climate at Penn is such that, despite the fact that we have much less money, we get more low-income students. It is just the way students feel when they are in a very apparently diverse urban environment, but I have to say that if we do more of this at the Princetons as well as the Penns, the climate will change over time.

MR. : Absolutely.

MS. GUTMANN: So you cannot be too shortsighted about this.

MR. : A, it is a problem, and read the U.S. News story that was mentioned earlier which focuses on the social aspect of this to a considerable extent for a good discussion of that topic.

We should remember that in the early days of aggressive efforts, to include the increasing number of minority students, dramatic problems of this kind were everywhere. They were painful for everybody, but particularly, of course, to the minority students themselves.

As the numbers grew over time, the situation has improved. It hasn't gone away. It is still a problem, but numbers do matter.

One of the things that I thought was encouraging about the Supreme Court decision in the Michigan case was that the Court recognized that numbers matter, and they were really willing to talk about phrases like "critical mass" which a lot of people didn't want to hear anything about.

So is there a problem? Yes. Is there a long way to go? Yes. But is it something we should give up on? Absolutely not.

MR. ORSZAG: By the way, just as a quick aside, the U.S. News article, which you really should take a look at, in terms of showing that equity and excellence are not incompatible and, in fact, are fully consistent, there is a discussion about why people join the military. The wealthy kids in the classroom were talking about the prestige of the military academies and duty and this, that, and the other thing. The lower-income student who is the focus of the beginning part of the article basically said that was just wrong. She knew a dozen people from her hometown, and they did it to get out of Ewing.

[Laughter.]

MR. ORSZAG: The point is you are missing a huge, just substantive perspective if you don't have that perspective represented.

How about right over here? In the back.

MR. UNGER: Hi. I am Sandy Unger, president of Goucher College in Baltimore.

I want to address my question particularly to Gene Tobin and David Breneman, both of whom are former presidents of liberal arts colleges, small liberal arts colleges.

This is a particularly apt season to have this conversation, of course, because, as David pointed out, deposits are due in the next few days, and everybody is watching the trends very interestingly.

We, like many other liberal arts colleges who are not at the very top of the chain, have been moving very aggressively to cut back on merit financial aid and increase need-based financial aid. In our case, we are trying to do it quite dramatically. As someone said, no good deed goes unpunished for this.

We have a dramatic number of people, I would say in the first and the top and the second quartiles who previously might have gotten merit aid, likely would have gotten merit aid from my college and quite a number of others who are not getting it now and are bombarding us with phone calls and pleas about why. It is generally the parents, of course, not the children calling about why their children are not getting this merit aid.

I would like Gene and David to address this, but I think it is indicative of a real values crisis that we have provoked through merit aid. We have encouraged people to believe that higher education is just one more commodity that is to be bargained over and not to be paid for.

I have a friend who has recently come up with a startling observation that the cost of college tuition when he went to college in the mid '60s, as many of us did, was about the same as a mid-sized automobile, and the cost of college tuition today on average, at least in liberal arts colleges, is about the same as the cost of a mid-sized automobile, even though it has gone up so much. People would prefer to spend that money on the automobiles and on frequent changes of them than on a college education.

I think that this is going to take not just government. This is a profound national crisis.

My question to Gene and David is: How do we deal with the very real need to address this access for lower-income groups while we have this extraordinary pressure from people who, to a considerable extent, can well afford to pay or can manage to pay and they are not willing to do so?

MR. TOBIN: Let me tackle it first. All of us have had those kinds of conversations. I think one of the great joys of sitting at this table is that I am not having that kind of conversation anymore.

[Laughter.]

MR. TOBIN: One of the points that I think Martin alluded to and certainly all of us appreciate is that every student at each of these colleges and universities is subsidized to one degree or another by the endowments given by alumni.

My argument, though, was in talking to parents who are questioning why the amount of the grant was not as high as they would like it to be. Think of the equity across the board. The purpose of being at an institution, in my case, such as Hamilton was to benefit from the diversity of the experience provided by all of the individuals.

If I was there right now, knowing what I know and having a much better sense of the data than I did frankly when I was seated at the president's desk, I would question the amount of money that my institution was spending, for example, on college athletics as opposed to using funds that might more preferentially be used to assist the core educational mission of the institution.

In general, Sandy, I would simply say to those parents, "It is a privilege to be here. We are doing as much for your son or your daughter as we possibly can, but you are not buying a car. You are buying a lifetime of enduring education that will accrue over time, and it can't be parsed out in terms of increments of '\$1,000 more will enable my son to make the decision much more comfortably,'" and I would leave it at that. It seems to me it was always much more a fundamental decision about why are you coming to this college. It is to get our kind of education as opposed to "this is a better deal than I am receiving from some other competitor."

MR. BRENEMAN: I will just add, when I was president of a small private college back in the '80s, this phenomenon was really just getting started. It was fairly minuscule at that point. You would get a handful of calls from parents on this. Of course, remember during those days, we were in a period of fairly sharp drops in the 18-year-old population, and frankly, I think a lot of colleges didn't like having to go down that slippery slope of more and more merit aid, but that became the smart thing to do, and you have got high-paid consultants wandering around to these colleges, as you know, teaching people how to do it, how to violate every norm of vertical and horizontal equity and that is the smart way to do it, and it was a survival mechanism.



It is nice to sit here and say that that was immoral and stupid, but those colleges would have folded, to some degree, if they hadn't done it.

I think in the world we are in now where we are riding a slight demographic upwind, I am delighted that Goucher and schools like that are backing off from some of those ridiculous things, ridiculous in the abstract that we got into. The next downturn, though, I don't know. I am not sure. It is not good to lecture to people when what your alternative is, is that they go out of business.

MR. ORSZAG: David?

MR. WEINER: Thanks.

I want to talk a little bit about the applicant pool issue.

MR. ORSZAG: Can you identify yourself?

MR. WEINER: I'm sorry. Josh Weiner with the Jack Kent Cook Foundation.

One of the issues that you have raised is that there are a lot of students who aren't prepared today, and of those who are prepared, many aren't applying. There is another pool that hasn't been discussed here today, and those are students who are in community colleges.

We note three things. One is that 45 to 50 percent of all undergraduates are in community college. Second, a disproportionate number of those students are from low- to moderate-income backgrounds. Third, we have sponsored some research along with Lumina and Ellie Mae which shows that at the top 36 private schools, fewer than one in every 1,000 students started at a community college. Some of the issues seem to be the practices at the school, just as it was I was struck, Gene, by your

comments about what was happening around the table in terms of who we admit. They don't look like us.

Well, I can imagine that same conversation when you raise this issue being that these students didn't start here, so they won't have the full 4-year experience, we won't accept them. There are some of the schools, like Princeton, that take no transfers at all. There seems to be an issue with regard to process.

In light of this, can we really expect that without changing the transfer policies of these schools and really dipping more deeply into the community college transfer class that schools will be able to remediate this problem? And then my question is: What are the impediments to this happening? Why hasn't this been looked at to date, and how can this be solved? Is this an important part of the strategy?

MS. GUTMANN: We at Penn do take transfer students, and they are remarkable students. We integrate them very quickly by inviting them to convocation along with first-year students. They are incredibly impressive students.

The question is how do we get more applicants from community colleges? It really goes to getting the word out about what this very small universe of colleges and universities that are committed to giving financial aid based on need are doing when we have colleges and universities who are not inherently full of less virtuous administrators, but for financial reasons have gone to merit-based aid and really are financially and ideologically in a position which is saying to the vast universe of students, "You really should go to community colleges, not to the elite places."

We take transfer students, and when transfer students who are highly qualified apply, we are delighted because they have proven themselves in often a

tougher environment, not academically tougher, but tougher and less support systems than our environment.

MR. ORSZAG: What I would like to do, if we can try, we only have a little over 10 minutes left, and I would like to try to shorten the questions and perhaps shorten the answers, if we can.

[Laughter.]

MR. ORSZAG: We are all at fault here.

Why don't we go right here.

MS. GREEN: My name is Margaret Green, and I am connected with the Smith College Club of Washington's Partnership with an inner-city school, Martin Luther King Elementary School.

I am aware that about 20 years ago, there was a group of college presidents who had a commission to look into how they could assist in cultivating the elementary level, so that they would be getting more qualified applicants from inner-city areas. This was a small outgrowth of that, but I am wondering if there are any other examples of schools of education that have set up charter schools because we have lots of universities here, and I am sure they have some education departments.

I think that your second point, Amy Gutmann, about what can higher education do to further this difficulty is most important.

MR. : Just a quick response, one of the leading foundation presidents right now, Vartan Gregorian who came from Brown University, recently has written that the most imperative demand on the American university is to work with the schools, but I think it is fair to say that most American universities simply haven't

chosen to take that on. They have marginalized it over in schools of education, and then they look down on that. It has not been something that has been a centerpiece, but Gregorian has put his money in, and he has funded a number of us to try to develop programs that have, among other things, a major induction requirement for us to be in touch with our students as they are doing their student teaching and in their first 2 years and to work closely with the schools in our area.

So I think there are moves afoot that we will begin to see some evidence of improvements in this regard, but it is a little bit of an uphill row, I would have to say.

MR. : One of the most cost-effective investments that colleges and universities can make is in providing information more effectively than it is provided now. We have right now several projects in which we are investing that are going to prove, I think rigorously, that the returns on those kinds of investments are very substantial. The failure of communication, the need for people to understand what they have to do when, how to fill out a firm, is enormously important.

MR. ORSZAG: Right there in the back.

MR. JAITLEY: My name is Rishi Jaitly. I am a current trustee of Princeton University, and I work for College Summit, an organization that tries to broaden the pool of low-income applicants in American high schools.

A quick question for President Bowen or President Gutmann, what do you think of the implicit pressures on American colleges and universities to ensure that their enrolled students have high test scores and high grades, particularly from publications like U.S. News? Of course, universities won't explicitly say that that is

something they think about, but what about that? What about the fact that the lowest second and third tier has lower numbers?

MR. BOWEN: I will answer first quickly, and then Amy can add whatever she wants.

I think this obsession with rankings is ludicrous, embarrassing, and stupid.

[Laughter.]

MS. GUTMANN: Other than that, he has no opinion on it.

[Laughter.]

MR. BOWEN: But other than that, I have no opinion on it.

One of the things at Princeton that I used to argue relentlessly with the admissions people was forget yield. It doesn't matter what the yield is. What matters is who comes. What matters is what the class looks like that you end up with. That is what you ought to be focused on.

MS. GUTMANN: So, as a sitting president, I can tell you I get asked all the time as a new president, "So what is going to happen at Penn?" We are now number four in U.S. News and World Report. We came up from 17 over a decade. That is incredible. The alumni are really proud of that, and I say, first, the margin of error is plus or minus 5. So we might be off the charts.

[Laughter.]

MS. GUTMANN: Secondly, I will judge how good we are over my tenure as president to the extent that we don't talk about our rankings.

MR. BOWEN: Hear, hear.

MS. GUTMANN: That will be a true sign that we are really confident about the kind of education we are providing, the diversity and quality of not just the students we take in, but how we launch them in the world, what the value-added is of our education.

It is true that those rankings have an influence on students. Students look at them, but it would be a foolish student who pays attention with this large margin of error in that regard, and most of the students I meet, I talked to them and I say, "Why did you come to Penn?" Most of them say, "We came and visited, and we fell in love with the place."

So the real lesson here is how do we get the word out to a broader network of students other than the usual suspects. That is the real challenge we have.

MR. ORSZAG: Right over there.

MR. MOORE: Thank you. I am Ned Moore with the Virginia Foundation for Independent Colleges.

A question for the authors, of the recommendations and action steps you propose, which one or two would have the most fundamental impact on the topic at hand?

MR. : I think, without question, the recommendations we have for the K-through-12 level would have the most fundamental impact, but I think those are longer-term proposals. I am not sure that we really explained practically and politically how you can get them to come about. So I think those would have the most fundamental impacts, but they may not be in the short term at least particularly realistic.

I think among our recommendations for higher education, most students in the country, as several people have pointed out, are at public universities, and most of them are not at public flagships either. Most of them are at regional universities and community colleges. I think probably some of our recommendations about the financing of public higher education, we don't discuss it that much, but the principle that we support is a steady shift of State money from the more selective State institutions to the more regional, more community colleges, money and other resources, and I think that could really have a profound effect.

MR. : I would like to add just this qualifier. Each of us has two arms. That means we can do more than one thing at once. Much as I appreciate, as I do, the thrust of the question, I think that it is really important for each organization and each player, wherever he work, whether it is effecting government policy towards student aid, whether it is at the State level, whether it is at the institutional level, you use the levers you can use, and I think that is really at least for me the practical answer to what do you do.

MS. GUTMANN: Let me just give the answer from the perspective of a private university. Again, I have two hands, but I also have a large number of other people who can go out.

My highest priority from what the privates can do is raising more money for financial aid because that will multiply what we can do.

Getting the word out about need-based financial aid, I just went to LaGuardia High School in New York, Fame High School, and they look like a cross-section of greater New York, all the boroughs. Many of them commute in 2 hours to

go. They know about the State university systems, which will serve many of them well, but they don't know, so getting the word out, and thirdly—and Sandy said it—really decreasing merit-based financial aid, which is on a collective level totally counter-productive.

MR. ORSZAG: We are nearing the end. What I would like to do is maybe collect three questions and then the panelists can answer.

So how about if we go right there.

MS. MILLER: Hi. I am Marian Miller, and I am at an educational association right up the block.

I am your poster child for sticker shock. I was applying for colleges 10 years ago, and my parents were very honest with me and said, "Look, we have so many resources. We can afford to send you to a place that is going to give you a lot of aid." I was fortunate to get into a school that gave me a lot of aid, but I am also drowning in loans right now, and I know that a lot of people are absolutely terrified of that.

I know people are saying let's give need-based financial aid, but are loans really the answer, because people are terrified of being in debt, and when you are taking a look at students and aid for tuition, are you looking at some of the hidden costs of attending college, of travel, of social expenses, that people need to fit in other factors that are beyond just that tuition base that may predicate people attending a school?

MR. ORSZAG: That is question one.

MR. GASTWIRTH: I am Joseph Gastwirth, professor of Statistics at George Washington.



I guess I was wondering whether we should advocate a program that works with the middle schools and high schools, but even younger that try to identify bright kids and work with them and their families because then they can take the SAT preps and everything else, and I think that might be a cost-effective way. What do you think?

MR. ORSZAG: A third question right here.

MR. SHEA: I am Chris Shea. I am with the Boston Globe IDEA Section.

Given that the support for affirmative action in its current incarnation is pretty tenuous—well, that is the premise, not in this room—reading President Bowen's books, I am also struck by how many applicants get some kind of preferential treatment. By the time you count up athletes, minority students, legacies, you are pushing 50 percent or more of the class. The more groups that you add to some kind of affirmative action regime, the more pressure you put on the remaining groups.

I am wondering if even the current affirmative action system can withstand more stories of, say, an Asian student with fantastic grades and test scores getting turned away. Can affirmative action survive more pressure than it is currently under?

MR. ORSZAG: Anyone who wants to answer attorney?

MR. : I will take the first question. The question was about repayment of loans to begin with.

One of the things that we describe in the book briefly are other possibilities of addressing those issues, including, for example, in Great Britain where

the Higher Education Act passed last year by Parliament is advocating basically an income-contingent basis. You wouldn't begin to repay the loans until you had hit a certain income.

This has been tried out in Australia. We think it has some real merit, and we suggest it is a possibility that deserves further scrutiny in this country.

Other colleagues on number one?

MS. GUTMANN: Let me just say that need-based financial aid does take into account incidental expenses, the whole variety, and I think the issue with loans that can be simply communicated is we have to keep the loan burden down to a manageable level. That takes more fund-raising on my part and other presidents' part to do that.

MR. ORSZAG: The second question was about highly qualified income.

MR. : I wish I had something really good to say about that.

Julian Stanley out at Johns Hopkins for years ran a talent search exercise aimed at seventh graders. My guess is, though, that probably attracted and identified some of the very kids that are in that top income quartile.

I think you have a very good point, and I don't think we have the institutional structure out there right now to do it very well.

MR. : Just to add something, there is a Federal program actually which used to be called "Gear Up," and I am not sure what it is called now.

MS. GUTMANN: It is still called "Gear Up."

MR. : It is still called "Gear Up," which I actually tutored for when I was in college. That is I think sort of what you are talking about. Schools would

identify particularly promising students. Middle schools would identify particularly promising students, and college students would go and spend time with them. We would do enrichment lessons. We would talk with them. We would take them to different campuses, and it is probably too early to tell, but I think that has the potential for doing what you were talking about.

MS. GUTMANN: Just so you know, it, along with several other such programs, are scheduled to be totally cut in the present budget. Congressman Fattah, one of my congressmen, is one of the leaders of that, and if you saw the group of kids that that serves, you would really be asking yourselves, "Why are we cutting this?"

MR. : I will answer the affirmative action question.

I don't agree that affirmative action is in trouble as a concept when it is properly interpreted. I think a lot of people don't like race-exclusive programs. They don't like by-the-numbers programs. The Court said you can't have programs like that. I myself think that was a correct decision by the Court and that the individualized consideration which was endorsed by the Court seems to me exactly right.

I think it is astonishing how much support there is for that policy, not only among people in higher education, but in all of the various walks of life who leaned in very effectively when the case was argued.

I think there has been, again, a lot of not very good reporting of the situation post the Supreme Court. So I don't accept the premise.

Now, how much weight all of this can bear, which is the second part of the question, I think there is a limit, and I think myself that if you look at the areas where the most preference is being given now and the most people are involved now,

you have to say athletics. You have to say athletics, and several college presidents especially have said to me over the last few weeks very bluntly, yeah, we need to do something more about economic diversity, and the way we are going to do it is collectively in a group of schools, not one by one. We can't do it that way. We are going to take spots away from athletic recruitment—which contrary to what is generally thought does nothing for racial or socioeconomic diversity. It is simply not true—and award those spots in other areas where students perform better and where the social utility is higher. So that would be my answer to your question.

MR. ORSZAG: All right. I want to thank everyone for coming this morning and thank the panelists.

[Applause.]

MR. ORSZAG: Those of you who are interested in reading more, again, there are fliers available for the book at the table out back.

MR. : Peter, can we thank the audience? This has really been a wonderfully engaged and responsive group, and we thank you all for coming.

MR. ORSZAG: Yes, a great audience.

[Applause.]

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