

EMPIRES OF EDUCATION The Rise and Fall of Great Universities

American universities are at a historic zenith. The only question is whether they have already passed their peak or are about to do so. A number of factors indicate that the turning point may be upon them, including rising competition from universities around the world, particularly in Asia, the high cost of American higher education, and the broad decline in worldwide opinion of the United States. Niall Ferguson, Laurence A. Tisch Professor of History at Harvard University, warns that the decline of Oxford and Cambridge, as well as the great German universities before them, offers a lesson for American universities about the transience of all worldly greatness. Ferguson discusses the effects of three major trends transforming higher education today—the centralization and privatization of funding, the democratization of study, and the globalization of elite education and research.

NOTEBOOK

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To avoid the devaluation of degrees, which have become so much more common as democratization of study has increased, elite institutions have had to establish their credibility as purveyors of high-value degrees. Thus, democratization has meant stratification.

Institutions that can achieve and retain elite status in national markets now also must do so in an integrated international market. In relative terms, the United Kingdom is attracting more foreign students than is the United States.

Oxford and Cambridge

When I talk about the rise and possible fall of great universities, I have, in large measure, Oxford and Harvard in mind as exemplars. Some of the recently published letters of Isaiah Berlin, the great Oxford political philosopher, and his contemporary, the historian Hugh Trevor-Roper, convey how Oxford once looked down its nose at Harvard. Berlin made a visit to Cambridge, Massachusetts, in 1940 and wrote home: "After Oxford, Harvard is a desert." Nine years later, Trevor-Roper echoed Berlin's sentiment after a visit to Harvard: "Their standard of education is really very saddening! Harvard depressed me a great deal."

It is worth bearing in mind that Oxford, 100 years ago or even just 50 years ago, was in many ways the training ground for the British imperial elite. As late as the 1930s, 75 percent of the members of the elite Indian Civil Service, which governed the entire subcontinent, were either from Oxford or Cambridge. Half the members of the colonial service that governed the rest of the British Empire—which at the time covered roughly a quarter of the world's land surface—were also Oxford or Cambridge graduates. Oxford was an integral part of the power of the British Empire and as such exerted worldwide influence. While Harvard and Yale today do not staff the "American Empire" to the extent that Cambridge and Oxford did that of the United Kingdom, Berlin and Trevor-Roper undoubtedly would be shocked to find the tables turned so decisively in Harvard's favor.

Transforming Trends

Three major trends already well under way will transform higher education in our lifetimes: (1) the simultaneous centralization and privatization of funding; (2) the democratization of study; and (3) the globalization of elite education and research. Much of the demise of Oxford and Cambridge flows directly from the consequences of the first of these trends. Indeed, the second and the third trends have not played out so badly for the ancient British universities.

Centralization and Privatization

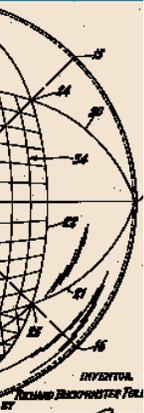
Centralization of financial management and resources allows institutions to exploit economies of scale. Oxford, however, has completely failed to centralize in this as in other respects. One critical juncture for the university occurred in 1912, when a bid to create a single board of finance to oversee the 27 colleges that then made up

Oxford was defeated. Consequently, all Oxford's endowments and fund raising are today managed separately, and as the number of colleges increased during the 20th century by yet another 10, to total 37, the number of discrete endowments and fund-raising initiatives increased as well. The argument that defeated the 1912 initiative—that competition between the colleges would be healthy—has proved to be completely fallacious. What has in fact occurred is that a few wealthy colleges subsidize the many financially unviable colleges, while the returns on multiple small endowments are almost certainly lower than would be the return on a single professionally managed endowment.

Oxford's other great failure was to make a Faustian pact with the British government. In 1919, after 750 years of complete financial independence, Oxford for the first time accepted a grant from the central government. It was not, however, until after the Second World War that Oxford became, in effect, dependent on grants from the state. Oxford's state funding grew exponentially—as it did for all British universities—in the 1950s and 1960s. A particularly disastrous turn of events came in the 1960s when it was decided that British students should receive mandatory funding from their local authorities if they earned university places, thus creating an incentive for the poorer colleges to expand their numbers in pursuit of state-paid fees. But the fees were never enough, and expansion funded by the state was a trap. It led Oxford into what turned out to be a costly building program in return for distinctly meager fees, which today amount to about one-sixth of the full cost of educating an Oxford undergraduate.

Today, Harvard, with an endowment approaching \$30 billion, is far richer than Oxford. The combined multiple endowments of the many colleges of Oxford and Cambridge approach \$8 billion at most (and I suspect that is an overestimate). As is well known, when it comes to convincing alumni to make generous donations to their alma maters, the ancient British universities have lagged behind their American counterparts. It was not only effective fund raising, of course, but also shrewd financial management that allowed Harvard's endowment to grow so spectacularly quickly in the last 25 years or so. But it is important to note that this time frame is relatively short: this great divergence in resources began as recently as the 1980s.

The encouraging news (for Oxford) is that, of the three trends transforming higher education, Oxford has misread just the first, centralization and privatization. The remaining two trends have not played out so badly for the ancient British universities.



Democratization of Study

Democratization of study will have the greatest impact on higher education in our lifetime. As recently as 1975, the proportion of adults in OECD (Organization for Economic Cooperation and Development) countries with higher educational qualifications was roughly one-fifth. In 2000, that proportion was 41 percent, and it continues to rise. Indeed, in some countries, it has already passed the 50 percent mark. Britain presents a particularly notable case because higher education in the days of Isaiah Berlin was an elite activity: 45 years ago, just 5 percent of British school leavers went on to university, whereas today that proportion is 45 percent.

Democratization has interesting and important implications for elite universities. To avoid the devaluation of degrees, which have become so much more common, elite institutions have had to establish their credibility as purveyors of high-value degrees. Thus, democratization has meant stratification. In the United States, this has led to costly competition for the best faculty, facilities, and students—an ongoing contest best likened to an arms race. The emergence of elite institutions has a direct effect on secondary education as well, sparking intense competition for places at the few elite universities.

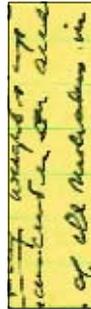
The only reason why Oxford and Cambridge cannot capitalize on their existing reputations as elite institutions is their dependence on government, which continues to determine the fees that they can charge. Disastrously, a confusion has arisen in many European minds between social “elitism” and educational elitism. To be sure, as the costs of access to elite institutions rise—insofar as private secondary education confers an advantage in the Oxbridge and Ivy League admissions systems—there is bound to be some degree of overlap between the two kinds of elite. But it is folly to try to prevent this by rigging the admissions system *against* private high schools and pegging fees at uneconomically low levels. The experience of Harvard is that high fees are compatible with “needs-blind” admission because students from wealthy families effectively subsidize those from poor families.

Globalization

Perhaps the most interesting of the three trends transforming higher education is the globalization of elite education and research. Institutions that can achieve and retain elite status in national markets now also must do so in an integrated international market. Today the number of foreign students studying in OECD countries, at

nearly two million, is about twice what it was just 20 years ago. In the last academic year for which data are available, the number of international students enrolled in American higher education institutions was roughly 565,000.

In relative terms, the United Kingdom is attracting more foreign students than is the United States. Not surprisingly, Oxford and Cambridge are among the dominant players in this respect. Jiao Tong University in Shanghai produces a list ranking universities according to a variety of academic and research indicators—in other words, the kinds of criteria that might attract an internationally mobile graduate student. In the 2005 rankings, Cambridge is third only to Harvard and Stanford, and even Oxford makes it into the top 10. The only other non-American university in the top 20 is the University of Tokyo at number 14. While *The Economist* published

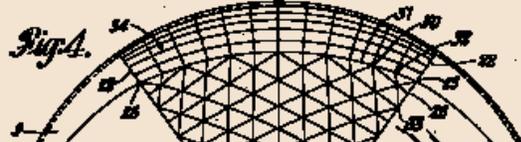


American universities currently employ about 70 percent of the world's living Nobel laureates and excel on many other measures. However, there may be a turning point in the offing. One important reason is that American universities are very expensive.

this list under the headline “America rules” (Sept. 2005), one could say that the list actually shows that Cambridge and Oxford are doing a tremendous job of keeping up with the much richer American institutions. Above all, they are proving to be attractive to internationally mobile graduate students. This is crucial: insofar as there is an international market for graduate students, the future belongs to the institutions that attract the best, for those students are the ones who will drive the knowledge frontier forward.

Britain attracts more foreign students than any other European country. Germany is not far behind, which is surprising given that German universities have vanished from the Shanghai rankings and that their international research impact is minimal. This may be due simply to the fact that they are very inexpensive.

American universities currently employ about 70 percent of the world's living Nobel laureates and excel on many other measures. However, there may be a turning point in the offing. One important reason is that American universities are very expensive. With tuition and fees at Harvard about \$32,000 a year—and Harvard is not the most expensive American university—the

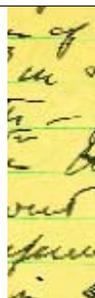


internationally mobile student does not have to do any complex math to realize that a degree from Oxford is far cheaper but not much less prestigious.

The geopolitical consequences of the so-called “global war on terror” also portend the weakening of American universities. The tightening of visa restrictions for foreigners who wish to study in the United States has led to a leveling off of the number of international students studying there, particularly of graduate students. The dramatic decline in the standing of the United States abroad in recent years is exacerbating the situation. Based on the astonishing levels of international hostility toward the United States, we may legitimately expect this to continue.

In some measure, Oxford and Cambridge have been beneficiaries of the unpopularity of the United States. For example, there are about 38,000 Chinese students currently studying in British universities. That number is steadily rising, while the number of Chinese students in the United States has changed little since 1994. The real shift we are likely to see in the years ahead, however, is most likely to be an expansion of Asian higher education.

The shape of things to come may well be personified by the Chinese postgraduates who elect to study at neither Harvard nor Oxford—but at Jiao Tong.



As Asian institutions grow in their self-confidence, and in their international and national stature, the number of doctoral degrees being awarded in China is likely to continue to rise. In 1995 fewer than 5,000 Ph.D.s were conferred. In 2003 the figure was nearly 20,000—just half the number awarded by U.S. institutions. That gap is set to close in the course of this decade.

To be sure, China’s universities are bound sooner or later to pay the price for their reliance on state funding—as they have in the past. But, for now, a regime commit-

ted to the expansion of higher education can do a lot to keep at home Chinese students who a decade ago would have headed to the United States.

Conclusion

Not so very long ago, the German universities were the best in the world. Their decline and fall is in fact far more extreme than the story of Oxford relative to Harvard. In the 1920s, anyone serious about being a scientific researcher had to do a tour of duty in Germany. Twenty-seven percent of the science Nobel Prizes awarded between 1901 and 1940 went to German scholars (and virtually none of those were won after 1933). What went wrong? The decline was certainly not due to a lack of funding, but stemmed from the excessively intimate relationship between German universities and the state. After 1933, and with the willing support of a great many German academics, the university system was destroyed in the name of National Socialism, and the spirit of open inquiry was snuffed out in the name of racial purity.

Like empires, great universities are liable to decline and fall. Heidelberg declined and fell, brought low by the fatal Faustian relationship between German universities and government. Oxford, less dramatically, has also suffered from the Faustian pact struck by British universities with the British welfare state after the Second World War. If there is a lesson here for American universities, perhaps it is a lesson about the transience of all worldly greatness. Harvard is, of course, free from the kind of political control that was so disastrous for Heidelberg and damaging to Oxford. But the shape of things to come may well be personified by the Chinese postgraduates who elect to study at neither Harvard nor Oxford—but at Jiao Tong.

NIALL FERGUSON is the Laurence A. Tisch Professor of History at Harvard University. He is also a Senior Research Fellow at Jesus College, Oxford University, and a Senior Fellow at the Hoover Institution, Stanford University. His most recent book is *The War of the World* (2007). Ferguson can be reached at nfergus@fas.harvard.edu.