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Matt Hicks

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Well-Rounded:
A Case for the Preservation of the Mid-Level Liberal Arts College

Matt Hicks

Abstract

Mid-level liberal arts colleges are failing, both to remain financially solvent and uphold their institutional missions. This paper examines the higher education marketplace before exploring the current strategies these colleges utilize to combat this two-fold issue. Following a review of the literature, the analysis portion presents two novel solutions these colleges could implement to improve student accessibility and stave off financial insolvency. Additionally, this section describes how mid-level liberal arts colleges offer superior return on investment in the long run compared to public universities. Lastly, this paper concludes by reasserting the value of a liberal arts education in the workplace and motivating future research on its two proposed solutions.

Key Words: Liberal Arts, College Accessibility, Endowments, Student Aid

Introduction

Liberal arts colleges are rapidly consolidating due to steadily rising tuition prices and consumer demand for immediate returns and tangible value. Following a boom in the 1960s, between 1972 and 1988, increased market pressures caused 334 liberal arts colleges to close or change their standing as liberal arts colleges (Ferrall, 2011). Today, less than 200 institutions remain, enrolling less than two percent of all undergraduate students in the US (NCES, 2019). Dominated by a handful of elite, well-endowed, highly selective institutions, mid-level liberal arts colleges are on the brink of extinction.

Lacking the government subsidies enjoyed by public universities, liberal arts colleges rely on tuition for three-quarters of their annual revenue and utilize endowment¹ funding to discount their services to students who could not afford to attend otherwise (Ferrall, 2011). This reliance coupled with tuition hikes across the board have solidified the integral role of endowment size in institutional survival. A product of pedigree, the oldest, most prestigious liberal arts colleges enjoy the lion's share of endowment resources in the market, providing a substantial competitive advantage and threatening the survival of their younger, less prestigious peers.

Top tier liberal arts colleges with large endowments have considerable discretion over who they admit and what they charge, creating an oligopoly among liberal arts colleges. In 1994, the twenty richest liberal arts colleges accounted for half of all endowments funding in the market and the forty richest accounted for three-quarters of the total (McPherson & Schapiro 1999). Today, the five richest liberal arts colleges (Williams, Pomona, Amherst, Swarthmore

¹ Endowments represent money or other financial assets that are donated to colleges. These assets are invested to grow the principal and provide additional future income.

and Grinnell) all boast endowment totals greater than \$1.5 billion while no college outside the top twenty-five has more than \$600 million in endowment funds (US News and World Report, 2012). These institutional powerhouses can use their substantial resources to finance amenity improvements and subsidize their education programs while providing deep student aid discounts. Leveraging massive endowments, flagships like Swarthmore and Pomona possess tremendous competitive advantages over colleges who cannot afford to provide comparable amenity improvements or tuition discounts. Unable to keep pace with their wealthy counterparts, many mid-level² liberal arts colleges are failing to remain financially solvent and effectively subsidize enough talented, low income students to remain in the market.

Founded on a set of common core principles, mid-level liberal arts colleges offer students a unique educational experience. Proponents of a wholistic education, these institutions value diversity of thought in education and focus on teaching students how to learn rather than providing specific vocational training. To achieve these goals, mid-level liberal arts colleges keep their enrollment sizes small (typically under 600 students per class), include on-campus living requirements and rely on tenure-line faculty to teach the majority of their curricula (Ferrall, 2011). Sadly, as evidenced above, these colleges are being forced to adapt their institutional missions due to their inability to attract socioeconomically diverse academic talent.

Experiencing drastic changes to their external environment and outmatched by their well-endowed counterparts, mid-level liberal arts colleges are failing in their mission to promote diversity of education and are at risk of financial insolvency. Given that mid-level liberal arts colleges are struggling to uphold their institutional missions and cover their costs, further

² Mid-level liberal arts colleges are classified as private non-profit colleges outside the top 50 in endowment resources.

research is warranted to investigate how these colleges allocate their limited resources to address these issues. This project will investigate the factors contributing to the failure of these colleges, examine their current solutions, reassess the value of a liberal arts education and offer alternative strategies these colleges can implement to combat this two-fold issue.

The first two sections will identify the external factors contributing to the financial challenges of mid-level colleges and the student accessibility challenges experienced by all liberal arts colleges respectively. Following this portion, the third and fourth sections will examine the marketability and revenue maximization strategies currently deployed by mid-level liberal arts colleges. Finally, the last two sections explore the future value of the liberal arts education and offer alternative solutions to these challenges.

External Factors

Brought on by substantial changes to their external environments, mid-level liberal arts colleges are forced to adapt to new market conditions or risk financial peril. Changing demographics and a shift toward careerism in the marketplace have severely reduced the number of students attending liberal arts colleges. In 2008, only 17% of eligible students chose to enroll at liberal arts colleges, a substantial decrease from 50% enrollment in 1960 (Burrell, 2008). As suggested above, an aging population and rising demand for career-oriented programs are the primary factors contributing to dwindling enrollment and increased competition among liberal arts colleges.

An aging population in the United States has reduced the number of college aged individuals, shrinking the collegiate recruiting pool and sparking fierce competition to acquire top academic talent. A 21 percent decrease in the number of high school graduates from 3.2 million in 1976 to 2.5 million in 1993, coupled with ebbing economic returns to a college

education in the 1970s due to the flood of baby boomers entering the job market reduced the number of potential college students in the marketplace (McPherson & Schapiro, 1999). Moreover, between 1977 and 1991, liberal arts college experienced a steady decrease in yield, the number of admitted students who chose to enroll, falling from 47.7 percent to 35.3 percent (Breneman, 1994). This trend suggests that all colleges -- particularly tuition dependent, mid-level liberal arts colleges -- need to recruit more students and increase their numbers of admitted students to meet their enrollment needs.

Rampant careerism and increased demand for “career-directed” or vocational higher education has drastically reduced the number of students seeking a “well rounded” liberal arts education. From 2000 to 2007, the percentage of high school seniors who were undecided about their career choice dropped from 21 percent to 6 percent (Ferrall, 2011). Often equated to “liberal arts susceptibility” the drop in undecided high school seniors correlated with another 2007 survey wherein only 8 percent of seniors found the availability of a liberal arts education essential to their college experience (Ferrall, 2011). Apparently, when seniors have clear career aspirations, they are less inclined to attend a liberal arts college.

A 2004 survey of University of California at Los Angeles typifies this shift toward careerism, reporting that three-quarters of all students gave as their reasons for going to college “to get training for a specific career,” “to be able to get a better job,” and/or “to be able to make more money” (Ferrall, 2011). These results demonstrate preferences of prospective student toward immediate returns and tangible value, causing the cornerstones of the traditional liberal arts education -- curriculum based primarily in arts and science fields; small classes and close student-faculty relationships; full-time study and student residence on campus -- to fall out of favor with an increasingly results-oriented student population.

Lacking career specific degrees or vocational training programs to provide direct links to profitable careers, liberal arts colleges are seen as an expensive luxury rather than a necessary investment. In response to a survey by noted pollster Daniel Yankelovich, 75 percent of high school seniors and 85 percent of their parents said college is important because it “prepares students to get a better job and/or increases their earning potential,” (Ferrall, 2011). This movement away from a generalized approach to education serves to diminish the perceived value of a liberal arts education, as 68% of student responses in the same survey were negative or neutral on the liberal arts education model (Ferrall, 2011). All told, the growth of careerism has sparked a movement of students to highly specialized vocational programs, reducing enrollment at liberal arts colleges and jeopardizing their survival.

Competition in the marketplace has increased due to changing demographics and consumer demand for vocational programs, pushing traditional liberal arts colleges to the brink of extinction. In 1994, Breneman classified 212 institutions as “true liberal arts colleges.” Since then, falling enrollment totals and rising tuition costs have pushed students and families to demand tangible increases to their undergraduate return on investment. Inherently difficult to quantify, the perceived value of a traditional, wholistic liberal arts education has deteriorated, giving way to vocational training programs career specific degree tracks (Zemsky, 1995). A 2012 reexamination of Breneman’s 212 liberal arts colleges revealed that 82 were no longer classified as liberal arts colleges, drifting away from the traditional arts and science model of a liberal arts education to broaden their appeal (Baker, Baldwin, & Makker, 2012).

Together, reductions in number of applicants and yield have served as catalysts for fearsome competition among liberal arts colleges for a limited pool of college applicants. Pressured to attract dwindling numbers of application, colleges attempt to maximize the return

on investment they offer students through improved financial aid packages and higher quality amenities. Especially problematic for less prestigious, tuition-dependent, liberal arts colleges, this competition marginalizes schools who simply cannot afford to compete with their prestigious, endowment rich counterparts. Facing dwindling applicant numbers and rising costs, many smaller, tuition-dependent liberal arts colleges are on the brink of insolvency, and as stated previously, many have already failed.

Student Accessibility

While mid-level colleges in particular are struggling to remain financially viable, the majority of all liberal arts colleges are failing in their mission to promote diversity in education. As the average sticker price³ of these private institutions rises to nearly three times the annual average for public universities, liberal arts colleges are losing ground to less selective public institutions despite awarding some form of financial aid to upwards of 70 percent of students (Zemsky, 1995). The following section will examine how increasing stratification of American higher education, together with dwindling number of low-income applicants to liberal arts education, has drastically reduced the number of low-income students at liberal arts colleges.

Despite rising return on investment for bachelor's degree holders compared to high school graduates, the compounding effects of increasing stratification and a lack of low-income applicants have increased student homogeneity at many liberal arts colleges. Unable to offset these rising tuition costs, liberal arts colleges are losing their socioeconomic diversity and becoming increasingly elitist. These colleges are missing out on swaths of high achieving

³ Sticker price refers to the posted annual price to attend a higher education institution before financial aid.

“income-typical” students who, lacking sufficient support, elect not to apply to these highly selective institutions (Hoxby & Avery, 2012).

Heavily tuition dependent private institutions, particularly liberal arts colleges, feel pressure to raise tuition annually to keep pace with their competitors. Although higher education tuition has increased overall, the average annual sticker price to attend a private, non-profit, four-year institution was \$43,921 compared to \$19,548 at public, in-state institutions in 2015 (Ma, Baum, Pender, & Bell, 2015). Unfortunately, increases in financial aid offerings have not kept pace with tuition hikes as the average net price⁴ in 2015 of a private, non-profit, four-year institution was \$26,400 compared to \$14,120 at in-state, public universities (Ma et al. 2015). In both cases, the cost of attending these private institutions is nearly double the cost of attending one of their public counterparts. This disparity locks many low-income students out of private higher education as net tuition (after student aid) as a proportion of family income at private institutions has risen to three times greater for low-income students than it is for high-income students (Neely, 1999).

Data on freshman enrollment practices from 1997 reinforces this notion, showing more than half of the students from the richest families enroll at all private institutions, while only 19 percent of students from the poorest families do (McPherson & Schapiro, 1999). While alarming, the relationship between attendance and income is more striking at highly selective private institutions, with fewer than one in a hundred students from families with incomes below \$60,000 begin their undergraduate work at a highly selective four-year college, while students from the richest group are more than six times as likely to do so (McPherson & Schapiro, 1999). This movement of poorer families away from expensive private institutions has increased the

⁴ Net price refers to the price of attending a higher education institution after taking financial aid into account.

proportion of wealthy students at these institutions, solidifying their reputation as “elitist” and limiting their ability to attract socioeconomically diverse academic talent.

Additionally, many low-income students elect not to apply for liberal arts colleges because they do not understand the liberal arts model, rather than due to price discrepancy, Overwhelmed by complex application processes and lacking a cohort of high achieving peers and the same resources as their more affluent peers, low income students typically do not possess the proper tools to make informed decisions about higher education. Characterized by high tuition and generous, yet complex, financial aid offerings, liberal arts colleges are losing low income students to their less selective counterparts because these students simply do not understand what a liberal arts colleges offer (Hoxby & Turner, 2015). Numerous individuals in Caroline Hoxby’s 2015 study expressed a lack of familiarity with the basic liberal arts model, stating “I don’t know what that is,” or “I am not liberal,” (Hoxby & Turner, 2015). These students, despite excellent test scores and grades, tend not to apply to liberal arts colleges, further reducing the number of low-income applicants liberal arts colleges receive and exacerbating the stratification process.

To understand why low-income students choose not to apply for enrollment at highly selective colleges, one must first identify the basis students use to formulate application decisions. Using individual-level SAT and ACT data, Caroline Hoxby classifies low-income students as either “achievement-typical”, those who base their going to college on achievement, or “income-typical”, those who base application decisions on their family income level (Hoxby & Avery, 2012). According to Hoxby, most income typical students are isolated from fellow high achievers, both in terms of geography and the high schools they attend, while achievement typical students are highly concentrated and attend high schools that factor exam scores or

previous grades into admission (Hoxby & Avery, 2012). As shown in the figure below, income-typical students attend high schools with fewer high achievers – 3.8% of their cohorts are high achievers compared to 11.2% for achievement-typical students – and live further away from other high achievers – need a 19.3-mile radius to gather 20 high achievers compared to 7.7 miles for achievement-typical – cutting them off from other college bound students (Hoxby & Avery, 2012). This isolation limits access of income-typical students to experienced counselors, teachers, college recruiters and talented peers, resources essential to potential college applicants. Deprived of these indispensable tools, the vast majority of “income-typical” students do not apply for highly selective institutions and are overlooked by college recruiters.

High School Characteristics of “Achievement Typical” vs. “Income Typical” Students (Hoxby & Avery, 2012)

	High-income	Achievement-typical	Income-typical
%teachers graduated from close match college	8.90%	2.90%	1.10%
%teachers graduated from safety college	14.40%	7.50%	5.00%
# applicants to top 10 colleges in each cohort (average of last 10 cohorts)	12.9	7.6	1.6
# admits to top 10 colleges in each cohort (average of last 10 cohorts)	12.3	7.4	1.5
# who enrolled at top 10 colleges each cohort (average of last 10 cohorts)	12.3	7.4	1.5
%high school cohort who are high achievers	17.10%	11.20%	3.80%
radius to gather 20 high achievers	2.6 miles	7.7 miles	19.3 miles
radius to gather 50 high achievers	4.1 miles	12.2 miles	37.3 miles

Unfortunately, as the United States moves further toward a service economy, many of these “income typical” high school seniors who elect not to attend college do not have access to

once prominent manufacturing and union-based jobs. According to the Bureau of Labor Statistics, the manufacturing section has lost nearly 7.5 million jobs since 1980 and just 10.5 percent of American workers were union members in 2018, the lowest mark since the Bureau began collecting the statistic (Hernandez, 2018). This reduction in manufacturing and movement away from unionization has severely limited the number of “good” jobs available to individuals without a college degree. As the job market for high school graduates thins, liberal arts colleges must refine their recruiting practice to convey their return on investment to “income typical” individuals who may not immediately recognize its necessity.

Rising tuition prices, coupled with a lack of high achieving “income typical” students have severely limited the amount of low-income applicants at liberal arts colleges. Lacking socioeconomically diverse applicants, liberal arts colleges are becoming increasingly homogenous and are seen as elitist, further reducing incentives for low-income students to enroll. To address this issue, colleges are changing recruiting practices and those who can afford to are increasing financial aid offerings to attract this marginalized group.

Marketability Strategies

Facing monumental changes to their external environment and outgunned by their elite counterparts, mid-level liberal arts colleges are on the brink of extinction. To stave off financial insolvency, these colleges have deployed a myriad of strategies aimed at improving their marketability, attracting more students and bolstering revenue. While potentially effective in the short-term, the three primary strategies deployed by mid-level liberal arts colleges -- changing recruiting practices, altering their identities and increasing amenity spending -- fundamentally alter the state of colleges who implement them and are not sustainable in the long run.

In promoting the unique value of a liberal arts education, liberal arts colleges have struggled to adapt recruiting practices in the face of daunting obstacles. The nationalization of college recruitment and changing concerns of high school seniors have forced these schools to update recruiting practices to address their apparent weaknesses. Despite their best efforts, many liberal arts colleges are consistently failing to draw in enough talented applicants due the unclear link between a liberal arts education and workplace success.

As previously discussed, obtaining a good job and stable income after college have become the top motivators for seniors and parents, forcing liberal arts colleges to alter their recruiting strategies to address the fact that many of their courses do not relate directly to employment. Lacking an obvious direct link to workplace success like their vocational counterparts, these colleges cite “critical thinking,” written and oral communication and strong work habits as tools liberal arts colleges provide to facilitate workplace success. Unfortunately, a 1997 national survey of high school juniors and seniors revealed that, overall, students believe that these goals can be achieved at any higher education institution and liberal arts colleges were unique only in providing “an appreciation for culture” and “basic skills in sciences, arts and humanities” (Ferrall, 2011). Despite their best efforts, liberal arts colleges are failing to demonstrate how attending their institution will yield a superior return on investment. Missing a clear link to career success, these colleges continue to lose talented students to vocational and career-oriented degree programs.

Failing to recruit enough students to fill their classes, mid-level liberal arts colleges are facing rapidly deteriorating market shares. Spurred by potential financial insolvency due to low enrollment totals, these colleges are altering their identities to accommodate a wider range of students, sacrificing many of the hallmarks of the traditional liberal arts education. Struggling to

make ends meet, mid-level liberal arts colleges, especially less those that lack the reputational and financial strength of their elite counterparts, are lowering enrollment restrictions, adding Early Decision programs and introducing more vocational programs to broaden their potential market.

Striving to attract a build more socioeconomically diverse student populations, liberal arts colleges are attempting to attract, admit and subsidize more low-income students by lowering barriers to entry. Implemented as early as the 1980s, liberal arts colleges have deployed enrollment driven strategies to attract and retain diverse students (Hartley, 2003). Claiming to fit their institutional mission, these colleges have deemphasized test scores in admission factors in an effort to promote applicant diversity while maintaining their academic standards (Shanley, 2007) . Although enhancing institution reputation, there is little evidence to suggest these test-optional policies increase the proportion of low-income or minority students.

Early Decision (ED) Programs can help colleges identify and admit students with inelastic demand. Typically belonging to an elite socioeconomic class, liberal arts colleges admit these students to generate additional revenue which, in theory, can be redeployed to attract more diverse students (Antecol & Smith, 2012). In a four-year study (2004-2007) of admission practices at 110 liberal arts colleges, an average of 29 percent of first-year students enrolled using Early Decision, with 100 percent of the top 25 liberal arts colleges utilizing some form of ED (Antecol & Smith, 2012). While effective in theory, OLS estimates indicated that ED is associated with higher student body homogeneity and supports the notion that these schools are using the extra revenue to fund other priorities rather than student diversity (Antecol & Smith, 2012).

The most common strategy to meet student demand and increase enrollment is to add vocational programs to the curriculum. Based on his 1994 study of 212 liberal arts colleges,

Breneman identified the refusal to shift curricula toward more vocational subjects and the “commitment to their central educational mission” as a defining characteristic of liberal arts colleges. However, striving to bolster enrollment and subsequent tuition revenue, less prestigious liberal arts colleges have substantially increased their vocational degree programs in recent years. In his examination of 327 liberal arts colleges, Delucchi concluded that the institutional missions of many of these colleges were inconsistent with the vocational curriculum they offered (Delucchi, 1997). Historical champions of the wholistic, well-rounded education, these increases in vocational offerings facilitate the survival of liberal arts colleges at the expense their long held educational philosophies.

Examination of 1987 and 2008 panel data suggests that survivability pressures have altered the traditional generalist approach to liberal arts college curricula. As suggested earlier, in an effort to meet demands for a career-oriented education, many liberal arts colleges have broadened their curriculum, including more vocational requirements and specialized degree tracks. These changes caused vocational degree completions at liberal arts colleges to rise dramatically, increasing the number of colleges with 30 percent or more vocational completions from 33 in 1987 to 118 in 2008 (Ferrall, 2011). Disproportionately affecting lower tier colleges, more than 80 percent of tier III and IV liberal art colleges awarded vocational degrees to more than 30 percent of their students compared to just over half of tier I and II liberal arts colleges (Ferrall, 2011).

Lacking the wealth of high-quality applicants and endowment resources of their prestigious counterparts, mid-level liberal arts colleges are unable to ignore the rising demand for vocational education. While helpful in some instances, the addition of vocational programs at these mid-level colleges has produced mixed results (Ferrall, 2011). Sadly, even if these colleges

succeed in bringing in more students, increases to vocational programs run counter to the central mission of liberal arts colleges and endanger the reputation of the institutions who choose to implement them.

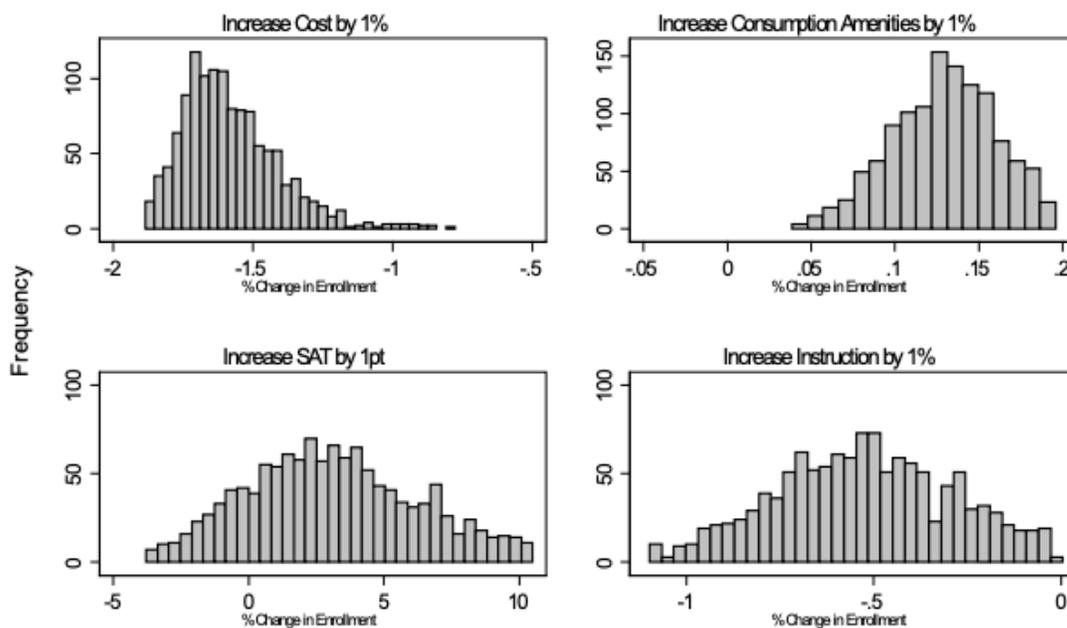
Faced with financial peril, mid-level liberal arts colleges are deploying enrollment strategies in an effort to increase enrollment and subsequent tuition revenue. Sacrificing one of their hallmarks – the small class size – these less prestigious colleges admit more, less qualified students than their well-endowed peers. Panel data on average undergraduate enrollment in 1987 and 2008 saw enrollment grow significantly for all liberal arts colleges, with the less affluent colleges increasing enrollment by ten percentage points more than their prestigious counterparts (Ferrall, 2011). Top tier liberal arts colleges typically possess large endowments and attract high quality applicants in droves, allowing them to limit their growth and protect their prestigious reputation by not admitting less-qualified students. By contrast, lower tier colleges have smaller endowments and attract fewer high achieving applicants. To remain competitive, these colleges have lowered enrollment barriers, added Early Decision programs and increased their vocational offerings. These changes have caused them to admit more, lower quality applicants and contribute to the stark differences in enrollment growth between high and low tier liberal arts colleges.

Finally, increased competition in the market, coupled with rising demand for tangible return on investment have caused liberal arts colleges to divert more funding to on campus amenities and facility improvements in an effort to bolster enrollment and subsequent tuition revenue. Especially problematic for heavily tuition dependent liberal arts colleges, this final marketability strategy places tremendous financial strain on colleges who simply cannot afford to provide robust financial aid and keep pace with competitor improvement projects. Facing these

difficult spending tradeoffs, liberal arts colleges are left with two unattractive options; sacrifice academic and financial aid spending to boost revenue through improved amenities, or neglect amenity improvements, foregoing potential enrollment increases and risking financial insolvency.

Clamoring to attract an increasingly disinterested student population, liberal arts colleges across the country are ratcheting up on campus amenity spending in an effort to draw prospective students away from vocational programs. Using micro data from the high school classes of 1992 and 2004, Jacob, McCall and Stange found that a broad base of students value spending on campus consumption amenities – student activities, sports and dormitories – while demand for academic quality was confined to high achieving students. As shown in the figure below, Jacob et al. go on to posit that this demand shift can account for 16% of the variation in the ratio of amenity to academic spending, suggesting colleges can increase their enrollment share by increasing on-campus amenity spending (Jacob, McCall & Stange, 2013).

Distribution of Percent Change in Enrollment Share (Jacob et al. 2013)



In response, liberal arts colleges have increased on campus amenity spending in an attempt to “purchase” students who see a liberal arts education as a luxury rather than an indispensable service (Ferrall, 2011). This practice has ignited a destructive “arms-race” as liberal arts colleges rapidly increase their amenity spending in an attempt to improve enrollment totals. Although their spending on instruction is comparable to that at other types of private colleges, liberal arts colleges have increased their amenity spending beyond their private institutional counterparts. In 1999, spending at liberal arts colleges on student services and “institutional support” for the administrative infrastructure accounted for well over a third (37 percent) of all spending, compared to just 18 percent at private research and doctoral universities (McPherson & Schapiro, 1999). Unfortunately, amenity increases do not solve for the lack of demand for the wholistic style liberal arts colleges provide. Rather than drawing more students to the liberal arts education model, these spending projects tend to cannibalize smaller liberal arts colleges, drawing students away from smaller colleges who cannot afford amenity improvements.

Revenue Maximization Strategies

Despite implementing the previously stated marketability strategies to improve their market share, many lower tier liberal art colleges do not attract enough students or generate enough tuition revenue to stimulate growth. Endeavoring to remain solvent, these colleges have begun to actively shape their financial aid offerings and trim operating expenses to make ends meet. While potentially helpful in the short-term, these risky, borderline unethical measures negatively impact the health and image of the colleges that implement them in the long run.

Traditionally reliant on strong regional, local or religious denominational appeal, the nationalization of college recruitment, coupled with growing disinterest in the liberal arts model

have stratified financial aid offerings among liberal arts colleges. Charging nearly three times the tuition of their in-state, public counterparts, mid-level liberal arts colleges lack a strong customer base that is willing and able to cover the costs of their enterprise (McPherson & Schapiro, 1999). While many institutions have responded to tuition increases by bolstering financial aid, these aid offerings have been used more for strategic enrollment management purposes rather than boosting access for low-income students (Summers, 2004). To address this shift in aid uses, McPherson and Schapiro offer three classifications for financial aid types. Reserved for top tier, wealthy liberal arts colleges, the “need-blind, full need” policy admits qualified students without regard for financial need (McPherson & Schapiro, 1999). In the second approach, budget stretch, schools operate from set budget and try to fill their classes with as little regard to financial need as possible. Finally, unable to easily fill their classes, low tier liberal arts colleges have adopted “strategic maximization,” shaping their aid packages to maximize the revenue they receive from their shrinking pool of applicants rather than award aid to the extent of student need (McPherson & Schapiro, 1999).

The “need-blind, full-need” approach to financial aid is the ability to admit students without regard for financial need (McPherson & Schapiro, 1999). Today, this ideal type of student aid operation is reserved for a handful of elite, well-endowed colleges who have considerable discretion of who they admit, what they charge and how they distribute their student aid. These schools attract scores of qualified, full-paying customers and could easily fill their freshman classes with little to no financial aid spending (McPherson & Schapiro, 1999). Possessing larger endowments and a wealth of highly qualified applicants, these rarified colleges can afford to make more moderate aid increases, generating larger net-revenue gains from the subsequent enrollment increases (Redd, 2000). Classified as “need-blind, full-need” as they are

the few schools who can truly say they admit students without regard to financial need and they fund all students to the extent of their need (McPherson & Schapiro, 1999). Awarding financial aid reflects a choice by the college to give up revenue to promote socioeconomic diversity rather than a necessity.

McPherson and Schapiro's second classification of student-aid operation, "budget stretch," accurately describes the strategy of many liberal arts colleges in the 1970s and 1980s. Striving to implement the ideal "need-blind, full-need" approach, these institutions simply did not possess the endowment resources and applicant pool necessary to operate as the top tier colleges (McPherson & Schapiro, 1999). Instead, these schools set a fixed budget for student aid and try to stretch those funds to fill their classes with the best possible students while endeavoring to ignore the ability to pay (McPherson & Schapiro, 1999). While not ideal, the budget stretch approach represents an ethical approach many second and third tier liberal arts colleges could implement to fill their freshman classes.

Unfortunately, mounting financial pressures and dwindling applicant numbers have pushed non-elite liberal arts colleges to adopt the "strategic maximization" approach to student-aid. Lacking the resources of their selective counterparts, mid-level liberal arts colleges set out to deliberately shape their financial aid strategy in an effort to admit the best students while gaining as much revenue as possible (McPherson & Schapiro, 1999). Unlike top liberal arts colleges, these institutions have small endowments and do not have long waiting lists of talented applicants. Endeavoring to boost enrollment and revenue as quickly as possible, these colleges are increasing their aid offerings at a faster rate than their competitors, offering deeper discounts and generating smaller revenue increases due to their larger aid packages (Redd, 2000).

Fully implemented, strategic maximization borders on unethical. A student's willingness to travel for an on-campus interview can signal an eagerness to attend and allows recruiters to offer a smaller financial aid package. Applicants who demonstrate athletic excellence or possess high SAT score may receive better aid offers as they can help fill stadiums and attract other full-paying applicants (McPherson & Schapiro, 1999).

Although few schools practice full strategic maximization, the already small number of institutions who can afford to utilize the "need-blind, full-need" and "budget stretch" approaches continues to decline. Unable to attract the same number of high-paying students, mid-level colleges have begun to rapidly increase their aid and move significantly toward strategic maximization. To generate net tuition revenue while offering more aid, these colleges are increasing aid packages and tuition in tandem. While effective in theory, a 2000 study by Redd found that schools with the largest aid increases actually lost net tuition revenue (Redd, 2000). Corroborated by Neely, this practice can further harm these financially vulnerable institutions as "no student pays the full cost" (Neely, 1999).

While this paper is primarily focused on the long-term solutions implemented by mid-level liberal arts colleges, some ineffective short-term budgetary strategies should be noted. Lacking substantial endowment funding, these institutions have implemented short-term tactics aimed at controlling budgets and generating additional revenue internally in addition to the aforementioned long-term strategies. The most common short-term strategy, hiring greater numbers of adjunct faculty, sacrifices the long-term education quality of these mid-level liberal arts colleges for short-term financial relief.

Traditionally, liberal arts colleges have relied on tenure-line faculty to teach the majority of their courses while deploying adjunct faculty only sparingly to fill specialized gaps in

instruction. However, in an effort to manage their strained budgets, mid-level liberal arts colleges are hiring more adjunct faculty to teach previously tenure-line required courses and balance the budget (Marcy, 2017). With a median price of \$2,987 for a three-credit course (Goldstene, 2015), these temporary faculty members cost drastically less than the average tenure-line professor (\$141,476 annually) and can theoretically alleviate some of the financial burden these colleges face in the short-term.

Unfortunately, dramatic increases in the adjunct population have not caused decreased spending, as many colleges are using their savings to bolster their administrations rather than subsidize potential students. Following the Great Recession, the ratio of adjunct to tenure-line professors inverted, with the percentage of adjunct faculty rising from 20 percent in the 1970s to 75 percent in 2008 (Goldstene, 2015). Despite citing financial considerations as the primary reason for driver for adjunct reliance, overall expenditures on salaries and benefits have risen over the last two decades, with the number of university administrators growing 60 percent between 1993 and 2009 (Goldstene, 2015). Rather than hiring more tenure line faculty or covering their expenses, these institutions are allocating their resources to their administrations, reducing the supply of tenure-line jobs and worsening their financial troubles. This reduction of tenure-line faculty erodes the traditional liberal arts value of quality teaching, reduces the collegiality and quality of faculty work life and sacrifices educational quality (Marcy, 2017).

Proposed Solutions

As suggested earlier, despite changing recruiting practices, altering their identities, increasing amenity spending and reallocating financial aid offerings, mid-level liberal arts colleges are struggling to attract low-income students and generate enough revenue remain financially solvent. These colleges are sacrificing many of the traditional liberal arts hallmarks,

endeavoring to adapt to changing market conditions and meet student demands. Unfortunately, the aforementioned strategies have provided mixed results at best, while jeopardizing the financial health and eroding the core values of the liberal arts institutions who choose to implement them. Facing both financial insolvency and the loss of their liberal arts status, these mid-level colleges must implement new long-term strategies to remain viable in the market. The following section provides justification for the preservation of these mid-level liberal arts colleges and proposes two novel solutions to the two-fold failure of these institutions.

At its core, the liberal arts model provides students with an education, rather than with training or instruction. Technological advances have consolidated the job market and led to rapid obsolescence of detailed technical skills, creating demand for adaptable workers capable of independent thought (McPherson & Schapiro, 1999). A number of scholars agree that a liberal arts education prepares students to thrive in this changing marketplace, teaching students to respond to new situations and challenges, conceptually apply their quantitative skills and fostering a life-long commitment to learning rather than honing one particular skill (Neely, 2000, McPherson & Schapiro, 1999, and Ferrall, 2011). These skills facilitate the learning of new processes and can provide more diverse career opportunities and a better return on investment than career-oriented degree programs.

Attained through a liberal arts education, this broad base of competence allows individuals to succeed in a variety of job functions and meet employer demands for adaptable problem solvers. As the world becomes increasingly complex, the value and benefits of a liberal education will be in greater demand (Jones, 2005). Employer data from 2005 revealed that employers spent more than \$40 million for remedial programming on employees who lacked basic academic preparedness in math, writing and social science, could not apply analytical skills

and were ill-prepared in the areas of teamwork, diversity, ethics and life-long learning (Jones, 2005). As referenced above, the liberal arts education solves for these deficiencies because the value of a liberal arts education lies in the approach to learning rather than the subject matter (Ferrall, 2011).

Employers prefer to hire workers with learning mindsets who can adapt to new challenges in the workplace. David Kearns, former chief executive officer of Xerox, offered the following on the advantage of a liberal arts education: “We are reminded that the real challenge of today’s economy is not in making things but in producing creative ideas. Today, the race goes not just to the swift, but to the inventive, the resourceful, the curious. And that is what a liberal education is all about,” (Kearns, 2000). By equipping students with learning processes to tackle novel problems, the liberal arts education model, meets these employer demands, facilitates career longevity and provides a better return on investment than a vocational training curriculum.

While public colleges offer substantial benefits in the short run, mid-level liberal arts colleges provide superior return on investment in the long run. Using net price and median earnings data, a recent study by Georgetown University ranked more than 4,500 public, private non-profit and private for-profit colleges on net present value of degrees obtained (Seltzer, 2019). Due to high initial debt, public colleges tend to return more over 10 years, but private non-profit graduates experienced greater returns in the long run. Graduates at private non-profit institutions returned an average of \$838,000 over 40 years compared to \$765,000 for public college graduates (Seltzer, 2019). These findings reassert the value of the liberal arts education, providing evidence that, on average, the liberal arts model provides a superior return on investment compared to public institutions.

Unfortunately, as demonstrated earlier, mid-level liberal arts colleges are struggling convey their value to an increasingly career-oriented population during the recruiting process. While many of these institutions possess a network of successful alumni, recruiters typically do not utilize this network to support their efforts. Instead, these individuals rely on the traditional cornerstone of a liberal arts education – critical thinking, problem solving and communicative skills – to demonstrate the value of liberal art model (Ferrall, 2011). As evidenced above, this approach to recruitment has not proven successful as the majority of prospective students believe these skills can be attained through any higher education program (Ferrall, 2011). Rather than continue to apply these ineffectual methods, the following section suggests that mid-level liberal arts colleges should focus on supporting their alumni to foster greater involvement and leverage their alumni networks in the recruiting process.

The application of social exchange theory can help determine whether alumni choose to provide support to their alma mater and identify how colleges can improve alumni engagement. In the context of higher education, social exchange theory suggests that alumni compare the costs of serving (volunteering, institutional advocacy) to the benefits the alumni has received (career accolades, quality of education, social connections) and decide whether or not to “give back” based on the analysis of this exchange (Weerts, Cabrera & Sanford, 2010). Weerts et al. go on to identify indicators such as quality of undergraduate education, extent to which the institution prepared them for a career, and the degree to which faculty members exerted a positive influence, as factors that could predict whether an alum deems their institution worthy of their support (Weerts et al., 2010). To garner greater alumni involvement, administrators, faculty and staff at mid-level liberal arts colleges must work together ensure the benefits alumni receive outweigh the costs of their service.

When the benefits alumni received outweigh the costs they incurred, they are motivated to give back. These engaged alumni participate in recruiting efforts, raise the perceived quality of their alma mater and draw in more students. Based on the relative cost and quality of the institutions in their choice sets, prospective college students typically choose their higher education destination based on the perceived quality of the institution (Kealy & Rockel, 1987). Reliant on admissions officers for the bulk of student recruitment, mid-level liberal arts colleges are losing students because these officials are not well-positioned to credibly explain the value of the liberal arts education and are perceived as salespeople (Ferrall, 2011). By contrast, alumni are prequalified to speak both knowledgably and objectively about their educational experience.

Use of alumni experiences can provide authenticity and positively impact the perceived return on investment of the college among prospective students. As shown in the figure below, a sample of 1424 accepted applicants at Colgate University cited Colgate alumni as the most credible source of information on for their college decision (Kealy & Rockel, 1987).

Corroborated by Weerts et al. these findings suggest that the formalization of student recruitment programs for alumni could provide significant value to struggling institutions (Weerts et al., 2010). While difficult to quantify, incorporation of alumni in the recruiting process could help mid-level liberal arts colleges better convey the unique value and superior return on investment they provide.

Ranking of Information Sources by Colgate Accepted Applicants (Kealy & Rockel, 1987)

Variable Name	Description	Range of Values
<i>Sources of Information</i>	Ranking by the student as to the effectiveness of each source from very negative to very positive	1-5
1. Colgate alumni 2. Colgate students 3. High-school students 4. Parents 5. College Board search mailing 6. High-school guidance counselors 7. High-school faculty 8. Colgate faculty 9. Colgate admissions officer 10. General college guides 11. Colgate catalog 12. Parents of current Colgate students		

Although the incorporation of alumni in the recruiting process may help mid-level liberal arts colleges admit more applicants, these colleges are missing out on talented “income-typical” high school seniors who elect not to apply for higher education institutions. As shown above, these students do not enjoy the same developmental resources as their high income or “achievement-typical” peers and often do not apply to selective colleges (Hoxby & Avery, 2012). To encourage income typical students to apply, mid-level liberal arts colleges should allocate resources to provide higher quality information to low income students regarding their financial aid offerings and the application process.

Despite their desire to attend a selective institution of higher education, many income-typical students lack adequate information about application processes and choose not to apply. As suggested earlier, overwhelmed by complex information and without support from trusted advisors, Hoxby and Avery posit that it is at the application stage – not admissions or matriculation – where low-income individuals diverge from their wealthier counterparts (Hoxby & Avery, 2012). In a longitudinal study of 2004 high school seniors, 80 percent of high school seniors with a family income below \$35,000 planned to continue their education immediately after high school (Chen, Wu & Tasoff, 2010). Unfortunately, separate 2009 data on 25 to 29-year-olds revealed that just 31 percent of all individuals in this age group had completed a bachelor’s degree or higher (McKillip, Rawls & Barry, 2012). This disparity highlights the need for improved information access for income typical students.

Income-typical students with access to customized college enrollment information apply to and attend higher education institutions at a higher rate than those without similar information. In a follow up to her 2012 study, Caroline Hoxby provided tailored collegiate information to target students – those who scored in the top decile of SAT and ACT takers, had an estimated

family income in the bottom third of the income distribution, and did not attend a “feeder” high school – to test whether income typical students have a hard time digesting and applying complex application processes to their individual circumstances (Hoxby & Turner, 2015). The subsequent treatment effects were substantial as, relative to control students, treated students submitted 48 percent more college applications and were 56 percent more likely to be accepted (Hoxby & Turner, 2015). These findings suggest that, to attract more of income typical students, mid-level liberal arts colleges should allocate resources to providing accurate, accessible information to low-income, high achieving students.

As previously discussed, many mid-level liberal arts colleges lack the prestige, brand recognition and subsequent applicant totals of their elite counterparts. Struggling to successfully convey their value to two key groups – career-oriented applicants and income typical high schoolers – these institutions are unable to fill their freshman classes and are failing to protect the liberal arts core principle of diversity in education. In both cases, although mid-level liberal arts colleges offer superior return on investment in the long run, and employers value a well-rounded liberal arts education in the modern workplace, current strategies deployed by these colleges do not present this information in an accessible format. Shown above, research suggests that by mobilizing alumni in the recruiting process and providing accurate personalized information to students, mid-level liberal arts colleges can better express their superior return on investment to career-driven applicants and income typical students.

Limitations

Due to its limited scope as an undergraduate thesis and some dated information, this paper should not be considered an all-encompassing analysis of mid-level liberal arts colleges. Reviewed sources were restricted to well-documented strategies these colleges implement and

other less utilized strategies were not considered in detail. Additionally, some authors of the reviewed sources are outspoken proponents of the liberal arts model, creating potential research bias in their results. Therefore, this paper is not a complete assessment of mid-level liberal arts colleges and instead aims to reassert the value of these institutions by providing an overview of their current state. Further empirical research is warranted to support the findings of this paper.

Conclusion

On the brink of extinction, mid-level liberal arts colleges are failing to uphold their core principles and remain financially solvent. Despite their best efforts, these colleges are outmatched by a small group of elite institutions whose history, prestige and wealth of endowment resources affords them tremendous control over the marketplace. The deployment of aforementioned marketability and revenue maximization strategies have failed to generate enough financial support to offset the effects of changing demographics, dwindling demand and rising costs.

To stave off insolvency, this paper presents two novel solutions to reassert the value of a liberal arts education in the modern workforce. As suggested above, by leveraging alumni in the recruitment process and providing low-income students with personalized collegiate information, mid-level liberal arts colleges can better present their superior return on investment to two key groups of students. While further research is warranted to investigate the effects of these practices, employer survey data and the return on investment study from Georgetown University demonstrates the integral role of a liberal arts education in the workplace and reaffirms its vital position in the higher education landscape.

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