

**Testimony of Charles Kolb, President of the Committee for Economic Development
before the Senate HELP Committee, March 8, 2012**

Chairman Harkin, Senator Enzi and members of the Committee, thank you for the opportunity to speak with you today. The Committee for Economic Development is a nonpartisan, business-led public policy organization based in Washington, DC. We have close to 200 senior business leaders and university presidents on our Board of Trustees, and our current co-chairs are Roger W. Ferguson, Jr., the CEO of TIAA-CREF and the former Vice-Chairman of the Federal Reserve Board, and Donald Peterson, the former CEO of Avaya.

CED Trustees decide the policy issues we will address, participate in subcommittees to determine our findings and recommendations, and, increasingly, engage around the country to promote CED's recommendations. We typically do not lobby, and the Trustees who participate in our organization are deeply committed to finding strategies that will promote greater economic growth and opportunity for all Americans.

This year marks CED's 70th anniversary. Our early work in the 1940s led to the creation of the Marshall Plan which helped rebuild Western Europe after World War II. In recent years we have presented a business voice urging important reforms in areas such as fiscal and tax policy, health care, campaign finance, corporate governance, international trade and globalization. Throughout much of CED's history, one policy area, in particular, has been a major interest for our Trustees: education.

As business leaders, CED Trustees understand that how we invest in human capital will determine how productive and competitive we are in the global economy. These human capital investments will also determine how equipped our citizens will be to meet their responsibilities as citizens of a vibrant democracy.

It is because of these concerns that the Committee for Economic Development has become a leading business organization that focuses on the importance of education across the education continuum: the early years, kindergarten through 12th grade, and, more recently, postsecondary education. In fact, for the last decade, CED has become known around the country for its work in early childhood education. Our work with Professor James Heckman, a Nobel laureate in economics at the University of Chicago, has focused on efforts to quantify the returns on front-end investments in quality pre-K education.

This effort to consider education spending from an investment perspective that asks tough accountability-oriented questions about the returns on these investments has had a major impact on early education spending around the country in both the public and private sectors. We can point to efforts like North Carolina's "Smart Start" program and PNC Bank's renewed \$250 million support for its "Grow Up Great" initiative in communities across the nation as successful examples of solid support for early childhood programs.

A serious and sustained accountability movement began for K-12 education nearly 30 years ago with the publication of the widely read report on “A Nation at Risk.” That celebrated report led to efforts such as the National Education Goals of Presidents George H.W. Bush and Bill Clinton, President George W. Bush’s “No Child Left Behind Act,” and President Barack Obama’s “Race to the Top” challenge.

Until fairly recently, however, America’s postsecondary education sector has managed to avoid the types of accountability questions that have characterized K-12 education policy discussions. For much of the last 30 years, postsecondary education’s public policy debates have primarily concerned important questions relating to access and financing but relatively few questions about “access to what?” – about the quality of that American postsecondary-education experience and what our young people should know and be able to do as a result of their postsecondary-education experience.

In the last few years, however, that benign neglect has started to change. Today there are three factors that are driving this change and resulting in more questions being asked about American postsecondary education. These factors are cost, competition, and technology.

Let’s take cost first. From 1990 to 2009, college tuition and fees increased 274.7 percent – much more than health care costs and the consumer price index. George Washington University became the first university in the country at which total costs reached \$50,000, and recently Sarah Lawrence College announced a sticker price of over \$59,000 for a student to attend that institution. Most people purchasing a luxury automobile at that price (especially if they had to buy a new one each year for four years) would ask a lot of questions about how much car they were getting for that amount.

Now, I realize that because of grants, loans, endowment support, and other sources of funding, that cost figure may be different from what a typical student and his or her family pays, but the fact remains that inflation in postsecondary education is unsustainable, may be driving many young people to rethink the value of postsecondary education in terms of making an investment in their future careers, and has resulted in a debt load which has reached approximately \$1 trillion in student loan debt (exceeding credit card debt for the first time) and saddled our young people with financial obligations that often circumscribe their future career choices. For many indebted students, it is like having a mortgage but not having the house. Their hope is that the education and skills they have gained will enable them to become gainfully employed.

At the same time, one solid benefit of these unsustainable price increases has been to drive accountability questions similar to the ones that Rick Hanushek and others have asked about our K-12 education system: when we are outspending the rest of the world on our postsecondary system, why aren’t the results better? Why do so many young people who start a college degree drop out? Why are our completion and attainment rates not any better? Why are so many resources being wasted in this sector? Does this experience lower the motivation for young people at a time when they need to be getting as much education as they possibly can?

By the way, we see a similar challenge in America's health care sector. Why is it that a country such as France spends about half as much on health care as we do but experiences far better outcomes when it comes to longevity, infant mortality, and obesity prevention?

These accountability questions are at the heart of rising competition – competition that wasn't there 20 or 30 years ago. Moreover, that competition is for both supply and demand; it is also global in its nature. Read the excellent study entitled “The Great Brain Race,” by Ben Wildavsky, a fellow at the Kauffman Foundation in Kansas City, and you will appreciate that universities around the world are competing for both talented students and faculty. Countries such as China, India and the United Arab Emirates are making substantial public investments in postsecondary education – in some cases trying to emulate the best American research institutions through billions of dollars worth of infrastructure and human capital investments. Europe's Bologna Project is but one example of a continent-wide effort to harmonize degrees among many universities in a way that enables students to study in different schools in different countries and get a degree that reflects common standards of content and quality. Contrast that effort with the immense difficulty we now have in the United States of harmonizing credits and degrees between and among two-year community colleges and four-year institutions.

And finally, there can be little doubt that the information technology revolution of the last several years will have a major impact on both the cost of delivering postsecondary education and the manner in which such education is transmitted. In 2009, the Committee for Economic Development's Digital Connections Council, under the leadership of former IBM research chief Paul Horn, released an important report on the way in which the IT revolution was impacting American postsecondary education. Paul Horn, Chair of CED's Digital Connections Council stated that, “While other industries, such as finance and entertainment, have used openness to improve their business model, higher education has been slow to adapt to the digital information age. Creating, analyzing, and transmitting information is vital to teaching and learning, so it is a matter of concern that colleges and universities are lagging in utilizing technology to achieve greater openness to their core missions of teaching, learning and research.”

Today we can see precisely how such efforts are playing out, whether it is through online courses at various proprietary schools, MIT's open courseware initiative, or the success to date of Western Governors University's approach to online learning in certain disciplines where students can earn both baccalaureate and advanced degrees at a significantly reduced cost.

We are also seeing an increased focus on promoting greater transparency, efficiency, productivity, and innovation throughout America's postsecondary sector. These four words are not terms that have traditionally been associated with postsecondary educators and administrators – but that situation is rapidly changing. The change is being ably assisted by reports such as McKinsey & Company's 2011 study, “An economy that works: Job creation and America's future.” Likewise, the champion of the concept of “disruptive innovation,” Harvard University professor Clayton Christensen has partnered

with Innosight to write a must-read study, “Disrupting College: How Disruptive Innovation Can Deliver Quality and Affordability to Postsecondary Education,” that details the ways in which “disruptive innovation” is changing American education. This study also discusses how such innovations can be brought to scale in the near future.

In 2011, with funding from the Bill & Melinda Gates Foundation, the Committee for Economic Development launched a Trustee-led subcommittee to focus on ways in which greater innovation, productivity, and efficiency could drive needed reforms across the postsecondary sector. This CED subcommittee is co-chaired by Manpower Group Chairman & CEO Jeff Joerres and Bruce MacLaury, President Emeritus of the Brookings Institution. Another key member of this working group is Kelly Services President and CEO Carl Camden.

Both Jeff Joerres and Carl Camden lead global companies that offer what might be called a microeconomic window on workforce trends in this country and abroad. Their companies are effectively “canaries in the coal mine,” because they often detect what is happening in labor markets here and around the world before government institutions and the media see these trends. Moreover, their business involves, among other things, filling positions that range from entry-level jobs to more technical positions requiring advanced doctoral degrees in engineering and the sciences. So they are in a unique position to see the skills being demanded by employers around the world and the skills being offered by workers in the countries in which their companies do business.

Both of these CEOs will tell you that for America to be competitive at home and around the world, we need more people with more education. A high school degree is no longer enough and will be, in many instances, insufficient to qualify for many of today’s jobs that will compensate workers at middle class income levels and above. We also need more young people in America who pursue international studies and who demonstrate proficiency in foreign languages.

Achieving the 21st century version of the American Dream will require a much more educated citizenry and workforce. We are now a knowledge-based and skills-oriented economy, and our education investments need to be focused laser-like on programs, strategies, and partnerships that can address this constantly changing national and international dynamic. Our workers face a competitive environment in which their skills must be constantly evolving and increasing if we are to have a dynamic and efficient workforce.

The CED report, which we hope to release in New York City in late April, will highlight many of these trends and challenges. We will approach these issues from the perspective of looking at what we call broad-access institutions, the two-year, four-year, and proprietary institutions that will provide the facilities and courses that will serve most Americans seeking postsecondary education. We explicitly are not addressing the elite, research colleges and universities; they are important and are often referred to by many as our flagship postsecondary institutions, but because they serve a much smaller

population, they are not the institutions that will provide most of the opportunities that our future workforce needs.

The CED report will address issues that relate to state-level policies, in particular, state-level financing issues for the broad-access institutions. We hope to inform and mobilize business leaders across the country to become champions of postsecondary education reform in ways that will enable state officials to set outcome-related goals, develop strategic financial plans, adopt meaningful metrics and other approaches that will enhance educational outcomes for these institutions.

Now, I know that I'm being somewhat vague – intentionally so – because the final CED report is not yet ready for release. But I do pledge to this Committee that you and your Congressional colleagues will receive CED's report next month, and I know that our business and university Trustees will welcome your involvement as we try to engage business leaders in this effort in your states and around the nation.

And it is vitally important that business play a role in shaping postsecondary education policy. There's the obvious reason of self-interest: most CEOs with whom I speak are concerned about the future skills of the American workforce. These business leaders are also on the frontline when it comes to appreciating the skills that are needed in the workforce. And I would add that business leaders can be powerful change agents because they have all faced similar challenges and competition over the last 20 years in their own activities. They understand change, have had to embrace – not fear – it, and can help make change happen.

It is, in my view, a very positive sign, that within the last three years, there has been a growing interest in the way in which American postsecondary education – its opportunities and its challenges – will shape the future of our economy and our democracy. There has been an increasing number of studies and books on the topic by people such as Richard Arum; Derek Bok; Andrew Hacker & Claudia Dreifus; Pat Callan; William Zumeta; Joni Finney; Andy Rosen; Clayton Christensen; David Breneman; and, Ben Wildavsky. This development is a good sign, in my view.

The Obama administration and major foundations such as the Bill & Melinda Gates Foundation and the Lumina Foundation have announced important attainment goals that are designed to make America first in the world in terms of the percentage of our population that have quality postsecondary credentials. We clearly as a nation need to increase dramatically both the completion level and the educational attainment level of our people.

But what we've seen from time to time in our K-12 sector is that goals can be missed altogether or gamed along the way. We cannot afford to experience either of those outcomes anymore. As we strive to meet these important completion goals, we should also make sure that we have a national discussion – local, state, and federal – about what it is our postsecondary students should know and be able to do. Clearly the answer to

that question in 2012 has to be fundamentally different from what it was even ten years ago.

On behalf of the Trustees and staff of the Committee for Economic Development, I thank you for the opportunity to share these thoughts with you at today's hearing. CED looks forward to working with leaders in Congress, as well as in our states and local communities, to ensure that America offers the finest, most efficient, most productive, and most affordable range of quality postsecondary education opportunities in the world.