Why aren’t there more economists in the higher education field? Higher education accounts for approximately five percent of U.S. gross domestic production. More important, it is the source of much of the nation’s human capital, and thus affects the future growth rate of the economy. In economics departments, research on education at any level is a low-prestige endeavor, and research on the economics of higher education is no exception. John Siegfried, professor of economics at Vanderbilt University, addresses the relative dearth of research in the field, and proposes a number of ideas to stimulate research and attract young scholars to higher education economics.
Why a Lack of Research?

Much research on the economics of education was accomplished in the 1960s and early 1970s. By the late 1970s, however, interest in the field waned, and during the 1980s contributions to the literature were sparse. The last 10 years have seen some increased activity. However, research on the economics of higher education has not gained the prominence accorded to research on other sectors of the economy of comparable significance, such as health care, welfare, and urban economics.

The complexity of higher education makes formal theoretical analysis and modeling—the pinnacle of status in economics—problematic. It is difficult to identify a straightforward goal for colleges and universities, much less the locus of decision making on campus. Yet conventional maximization techniques require an objective function subject to a production function constraint. Educational production functions for learning are poorly understood, however, and vary across individuals. To describe a single production function when many exist is not particularly convincing. In short, because the operation of colleges and universities does not fit well into the framework of existing economic analysis, most theoretical analysis has been limited to important but narrow questions about higher education.

The diversity of higher education and its organization primarily into not-for-profit entities hinder research in the field. The sophistication of economic models of the not-for-profit sector lags significantly behind those of the for-profit sector, and even behind models of government behavior, thus hampering economic research on the subject.

The fact that much of higher education’s value is realized as a flow of services over a long period of time means that measuring the output of higher education is difficult. If one waits long enough to observe the deferred services, one might draw outdated conclusions. If one bases analysis only on contributions that are immediately apparent, one risks overlooking the most significant outputs.

Further, colleges and universities depend on inputs contributed by their “customers,” or students, thereby confounding efforts to identify the marginal product of inputs to the educational production process. And, finally, a college education is an experience good that can be evaluated only after it is purchased, and whose value varies across individuals. Both of these attributes seriously challenge traditional economic models.
Developing Infrastructure to Encourage Research

To advance our understanding of the economics of higher education, we must apply either more inputs, improved “research technology,” or a combination of both. The current research infrastructure consists of the existing literature and methods, human resources, time, and information (data). We need incentives to attract more of these resources to study higher education.

The stock of existing literature on the economics of higher education is cataloged and accessible. Those who work on questions that have implications for higher education policy are primarily in economics departments and in departments of educational leadership and policy located in schools of education. They could improve the value of existing literature by increasing the flow of knowledge between the two groups. There is surprisingly little contact between the scholars and the literature used by these two groups—a mixing of these schools of thought—could benefit both groups.

Retreat for Economists and Policymakers

There are various models to increase interaction among economists and education leadership and policy scholars, as well as among junior and senior economists. One approach would be to hold a week-long retreat, bringing together 15 to 20 scholars interested in higher education policy, supplemented with 5 or 6 policymakers from, for example, higher education organizations and the U.S. Department of Education, as well as university deans, provosts, or presidents. Each academic participant would present a research paper. Papers would be available in advance, and everyone would be expected to have read them. There would be a short presentation, but the majority of the time would be devoted to discussion.

Additionally, a short course or two on specific research methods might be fit into the schedule, based on the interests of the participants. The retreat also would be a time for participants to share working or concept papers among colleagues for comment and advice. Finally, participants would be a mix of younger and older scholars in both economics and other fields.

Dissertation Fellowship Program

Dissertation fellowships are an obvious means to attract intelligent young scholars to work on the economics of higher education. To be effective, a fellowship program must minimize the risk students confront when contemplating a thesis proposal on a higher education topic. The program should also be both flexible and stable. The focus of the program would be on understanding the economics of higher education and the welfare implications of various higher education public policies. An essential component would be an annual meeting of fellows, thesis advisors, the program steering committee, and a few other scholars invited on the basis of their expertise and interest in the dissertation topics. To the extent possible, different scholars would be invited to successive meetings in order to foster relationships among the younger and older scholars and between those from economics and policy.

Incentives and Visibility

Economists are acutely aware of incentives, and perhaps more sensitive to relative rewards in making personal decisions than are scholars in other fields. One incentive that could motivate young economists to do research in higher education is the promise of a highly respected outlet for their work. Perhaps one of the leading general economics journals could be persuaded to publish a special issue on the economics of higher education. With enough advance notice, scholars might be inclined to work on such topics. The *Journal of Political Economy* published such an issue in the early 1970s that included articles by young economists who are now established
scholars. Along similar lines, a survey article by a highly respected economist could be commissioned by the *Journal of Economic Literature*, which could increase visibility and attract interest in the field.

**Data Collection**

The resolution of many issues in the economics of higher education depends on empirical data. What is the internal rate of return to an additional year of college? Do students respond differently to corresponding changes in tuition and need-based aid? How high can universities raise tuition before revenues begin to decline? Theoretical and econometric techniques alone cannot improve our understanding of such questions. We need primary data, but data collection is an extremely low prestige activity in the economics profession.

The Andrew W. Mellon Foundation’s College and Beyond (C&B) data set has provided valuable information about 34 selective private and public institutions and their applicants and graduates. To complement C&B, a similar data set for public comprehensive (regional state) universities and open enrollment private institutions is needed. This would entail a massive data collection effort at a cost of about $4 million.

Additionally, a committee could be formed to focus on higher education data needs, and to try to improve the usefulness of various important data sets such as the Department of Education’s IPEDS, the National Longitudinal Survey, and High School and Beyond. Because higher education is so heterogeneous, longitudinal databases must be large in order to distinguish variations in the impact of different educational experiences.

**Conclusion**

It is probably unwise to attempt to develop a full-status field in economics based on higher education. Like health economics, the economics of higher education has to date made few theoretical or empirical contributions that are unique to the field. Yet much is to be gained by bringing models and methods from the mainstream economics fields to bear on the peculiar problems posed by the institutional framework of higher education. Only by encouraging more research in this realm can we begin to address many of the important questions confronting higher education today.

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