Investing in Institutional Reputation: A Recipe for Human Capital?

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Mired in the ambiguity and imprecision of popular rhetoric, conventional wisdom dictates that an investment in postsecondary education will instigate a corresponding increase in human capital, which will then generate a positive impact on the economy. Despite its oversimplified and inherently faulty logic, this spurious association is often entangled with the notion of institutional reputation, where an investment in this or any other area within the postsecondary organization will automatically result in a corresponding increase in desirable output (i.e. the production of competent graduates poised to enjoy the benefits of an affiliation with a high-profile institution). Yet as Wolf (2002) notes, “the links between education and growth are far less direct than our politicians suppose” (p. 14). Unfortunately, however, popular beliefs about these correlations continue to dominate current policy.

Conventional wisdom hinges on the misperception that the postsecondary system operates as a nearly flawlessly efficient machine whose input yields a directly proportional output, potentially leading some to believe that more tuition will simply produce more competent graduates. After all, as Vedder (2007) argues, “paying for a college education is investing in human capital” (p. 5). Given the apparent simplicity and logic of this statement, one could easily extrapolate and mistakenly assume that a greater ‘investment’ in a postsecondary institution’s reputation would constitute a correspondingly robust investment in human capital, which would be of benefit to both the student and the society (p. 5). In reality, however, the student may choose to pay higher tuition fees with the belief that he or she is making an investment in institutional status, but this ‘private investor’ would not have control over how his or her tuition is ultimately spent: “newly appropriated funds may go for a variety of non-instructional purposes—administrative personnel, student services, intercollegiate athletics, research, higher compensation levels for key personnel, etc." (Vedder, 2007, p. 6). Although additional revenue will undoubtedly benefit the institution's infrastructure, there is no guarantee that these particular resources will bolster its reputation and even less of an assurance that they will directly contribute to the production of a postsecondary graduate who is more knowledgeable, creative, or organized.

In an era that Goldin (2002) characterizes as the "human capital century," the knowledge economy is increasingly characterized by public policy initiatives that reinforce the importance of continued investment in higher education (p.2). In many instances, investing in higher education is equated with the somewhat lofty notion of contributing to the economic success and strength of the nation: "In announcing the American Graduation Initiative, President Obama specified that an additional five million college graduates were needed because the nation's economy depended on the education of its workers" (Cohen, Kisker, and Brawer, 2013, par. 1). Yet, as Wolf (2002) notes, one cannot definitively conclude that a greater investment in education will "automatically [spill] over into benefits for society at large" (p. 14). By the same token, one cannot assume that a private investment in the form of more tuition that is supposedly earmarked for the betterment of an institution's reputation will produce more human capital, especially within the context of a modern institution. As Vedder (2007) notes, it takes more resources to educate a modern postsecondary student than it did a generation ago because of both a growing need for non-faculty professionals to perform administrative and infrastructural support functions, and an increasing emphasis on the construction and maintenance of impressive (and expensive) institutional facilities. Since

Vedder (2007) argues that universities are "becoming less efficient, less productive, and, consequently, more costly," it is unlikely that private investments in the form of higher tuition fees will increase human capital but will instead be used to mitigate the rising operating costs associated with the modern postsecondary institution (p.8).

References

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