I suspect some colleges and universities will go under in the wake of COVID 19, as they faced with bankruptcy and are having to deal with lower enrollments too. It might be a good time for military recruiters, at least in the US. The capitalist model is in dire straits, some claim is even falling, especially the business model for higher education.

But is it really worth obtaining higher education, especially now. Tuition and other costs are high and the job market is restricted, and why pay top dollar for distance learning?

Against this backdrop, President of Brown University, Christina Paxson, recently wrote in the New York Times that reopening universities in the fall should be a national priority. After all, students face practical, financial, and psychological barriers when it comes to remote learning; the sector provides about 3 million jobs, and education spending pumps near $600 billion into the national GDP.

The basic business model for most colleges and universities is simple — tuition comes due twice a year at the beginning of each semester. Most colleges and universities are tuition-dependent. Remaining closed in the fall means losing as much as half of our revenue.

Going deep in debt for it!

One friend who is completing an MA degree wrote to me, “I am working from home at a Midwestern university has not yet re-opened. Don't know what the future will hold - the university must take a $5 million budget cut this fiscal year and another $25 million budget cut next fiscal year (beginning July 1st). Don't know yet how they are going to
do it - some talk about early retirements but if they don't get enough "takers" then probably layoffs."

Recent history, especially in a US presidential election year has many people and policymakers asking hard questions. It is becoming clear that anyone keeping up with U.S. higher education in recent months will see that the sector is bracing for disaster with application dates coming, usually by May. Students and parents are both stressed out over how to pay for it, especially at higher tier universities and in light of the reduction in family incomes due to unemployment and a slowed economy.

One article makes it only too clear, A Global View of the Pandemic’s Effect on Higher Education, that university funding models that rely on international students for revenue will now have to brace themselves for tough financial times ahead and some are even in the danger of collapse because of travel restrictions.

Nearly one-fifth of all international students study in the United States, and of our total enrollment, they makeup around 5 per cent and contribute over 44 billion to the US economy. These students usually pay full tuition, which can average over 35,000 USD a year and another USD 15,000 to USD 20,000 as living expenses. Many funding models depends largely on foreign students to balance their books as they pay full tuition, and are less likely to be funded by scholarships and other university resources.

The paper chase impacts many segments of the economy, for instance, the University of Kentucky, this past year, landlords got big dollar signs in their eyes and jacked up rent twice and triple-fold, as student enrollments were at a record high. Now that they kicked out some of their renters, when their leases were up, demanding higher prices, and now they are losing money; tongue in cheek, it serves the greedy pigs right.

Karl Marx Lectures

There is hidden karma with capitalism too. Greedy landlords (at least sometimes) get their asses kicked when recession comes from around the corner without warning. One landlord kicked out a friend of mine, who had to move in with his girlfriend at his house. He has two kids. He’s good at repair and even remodeling houses and apartments, so that landlord doesn’t know what he lost...and now I don’t think he’ll be able to get double-rent payers.

Just a few weeks before the shutdown, real estate was at a feverish all-time high. Houses prices were sky-high, all 1/4-million-USD in Lexington, and selling immediately.

A friend in real estate was trying to push me to buy (but buy what? with what income?)--he said people were snapping them up as soon as they went to market. I knew it was all going to crash and burn and told him that I’ll only buy (and I’ll only be able to afford to buy) when there’s blood on the streets. That may be coming soon if jobs don’t return, and I doubt they will anytime soon.

All Things Considered

Things could definitely be worse, however for most, despite inconveniences, all things considered with some social benefits and support from government. They have their classes, or work on campus as teaching assistants; they have their stipend, many graduate students, and the supermarkets nearby have plenty to eat. Some have to teach from home, the social life and campus activities have come to an abrupt halt.

Many teaching and professional qualification examinations have been cancelled in light of the circumstances, and this may cause extra problems later on when tests results are needed and graduates must come back and sit for them.

COVID-19 has indeed hit institutions of higher education unexpectedly, as it has all colleges and universities across the United States and World. It came for many right around spring break - students were asked to consider not returning, and then were told outright that that would be it for the semester, much unexpected, very awkward, and especially worrisome for two populations.

One is international students. This came up as an issue across the country. Where could foreigners turn in such circumstances? Some had flown home, and had to accustom themselves to remote participation during uncomfortable time zones. Some received special permissions to stay on campus. And some were not able to come back because of shutdowns in flights and over public health concerns. A lot of creativity has gone into handling this point.

The second is graduating students. Unfortunately, their final weeks as students, with all the rituals that entail - from parties to formal ceremonies - all went in another direction. It must be emphasized that universities have been
accommodating and have kept the interests of their students at the forefront.

Normal job fairs are not being held on campus, as before, and the recruitment of new blood is another issue that will affect the business community. At the same time, there is only so much a university can do if it is constrained by public health concerns, budgetary restrictions, and government orders - more so when one considers public universities, and private universities and colleges of size and a scale.

A professor was sharing some thoughts the other day (via Zoom, of course) about the model of the university going forward. It will be a different experience for future generations, he speculated, with mixed methods of teaching and learning. The classic seminar of sitting around a table and discussing may go out of style.

Another professor contended that her experience coming into a university and making personal connections around a table was what changed her life. There will be a lot of discussions like this about the trade-offs in style and substance in the coming months, possibly years.

Financial models of universities will probably have to be re-imagined, for better or for worse. What is of immediate concern is how to move forward in the fall. Most are working to publish their plans, at least contingency plans by mid-June.

Presumably, other universities, other than the earlier examples, are going along the same pace as well in order to give enough lead time to prepare, both for themselves and for their students, faculty, and staff. Students too are reconsidering the opportunity costs of even attending a university. Some are opting to stay closer to home and pursue degrees on a part-time basis and continue with their lives the best they can during uncertain times.

Education, like many other institutions, has become nothing but another huge over-bloated scam and the return on investment is not as much as it is touted. The situation that is described here is not limited to the US or a specific region of the world. The main problem when it comes to UK universities is that the crisis had already started years ago, and all of this madness adds up to previous issues. The Oxbridge model is immensely expensive, and the main ways to sustainability - research funders, international students, the endowment, the press, executive education, and commercial activity - will all decline at a time when their costs will increase. As you probably know, in 2017 Oxford exposed itself to 100-year bonds for GBP 1 billion to avoid privatization; it worked, and they raised the debt to 3 billion. However, a shift in conditions will make the interest rate higher - how do you pay when things go wrong?

It is just impossible to take on more debt, for students and institutions of higher education alike. Going on the market is a short term fix but not a solution. Conversely, the most flexible and affordable universities in Europe are those like the Open University (or Oxford, which has earned a reputation with online learning, and has even more potential) and will continue and improve their performance. Others are investing a lot in distance learning, such as Exeter.

However, the terrible combination of the COVID emergency plus Brexit (ergo, losing the generous EU funds for research as well as the most skilled European students and lecturers) will make British Universities empty, and go bankrupt. UK Universities make money with post-graduate overseas students since Chinese and Asian people come here with very little English (not to say about their study skills) but willing to pay a fortune to get a piece of paper. Once back home, they can spend their qualifications very easily and get high positions. If students don't come or go somewhere else, the whole system fails.

There are several things UK and international universities can do, one is the Nottingham University Modelo, which has opened branches overseas. And instead of running after learners to come to the UK, learners can find branches close to home. Another option is to create partnership with other institutions so that they can add cherry onto the cake. For instance, additional lectures or certificate programmes, or by providing summer programmes around the world.

Another one is aiming at blended programs, which is quite hard since the competition from European universities will become unbearable. In countries such as the Netherlands, Germany, Belgium or Austria you can find some of the best institutions in the world with a spotless reputation (I am thinking, for instance, to Groningen or Berlin) which are nearly free! How can you compete with that?

It’s looking grim on enrolment but to be honest, we are all just waiting to see how many show up. A major challenge is international students - embassies are just not going to process visas. So we will have students who will be stuck here in the US and many who won’t be able to get here. It’s going to be a very large loss on top of lower domestic US numbers.
I suspect many students will take a gap year and see what transpires rather than do more online courses. For me, this situation is a real opportunity to radically rethink society. From that, I realize we need to really look at future-proofing and building a truly resilient society. Just like after WW II there was a progressive and radical rebuilding of society, and I think that’s what is needed now- a few bailouts will not be enough.

It looks that we know what to do but the leadership is lacking. I think the idea that after all of this madness there might be a restart is shared by many, but is misleading at the same time. Provided that giving things another go makes sense, we have to remember that one thing is a contingency and one is the social system we are all in – something that is very difficult to modify in the short term.

*Henry Kamens, columnist, expert on Central Asia and Caucasus, exclusively for the online magazine “New Eastern Outlook”.*