THE DYNAMICS THAT ARE RESTRUCTURING HIGHER EDUCATION IN THE US AND FRANCE

By

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THE DYNAMICS THAT ARE RESTRUCTURING HIGHER EDUCATION IN THE US AND FRANCE

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Abstract

Over the past half century higher education has become an ever more important part of developed economies as an every greater number of young people need to prepare for a more complex world. This paper compares the response to this challenge in France and the US. This is a particularly interesting contrast since the two systems are different markedly in how they are structured: the US system is very decentralized and French system is very centralized.

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1 This collaboration came about because of the University of Delaware- Lyon2 program which Rene Sandretto was so instrumental in organizing and supervising over almost two decades. and because he has been so decisive in the recruitment and orientation of Université de Haute Alsace department of economics in 1988.
THE DYNAMICS THAT ARE RESTRUCTURING HIGHER EDUCATION IN THE US AND FRANCE

While institutional arrangements provide a framework within which we all function and carry out our daily routines, institutions also must change in response to outside forces. National higher education systems are no different than other institutional structures in this sense. Over the past half century higher education has become an ever more important part of developed economies. As our world has changed, higher education has been given the task to prepare young people for a more complex world where they have responsibilities as citizens in a democracy and the demands of the work place require creativity and training.

Almost every country has a different approach to its higher education system. A comparison of France and the US provide a particularly interesting contrast since the two different markedly in how they are structured: the US system is very decentralized and French system is very centralized. Yet, France and the US have faced similar problems over the past 50 years. Enrollments in higher education have expanded dramatically in both countries. This has increased the amount resources that are being directed towards higher education. These changes have increased the pressures on governments to pay for higher education and in the US the cost to families have also risen significantly.

In addition, in both countries the needs of the work place for new skills is constantly changing, and this has created a challenge as higher education systems need to adapt to these new demands.

In this paper we provide an overview of how the two systems are adapting or failing to successfully adapt to these forces. As in any comparative study both the results are mixed and there is much to be learned from viewing each system in terms of it has adapted in better ways than the other to different aspects of these common challenges.

The US: A new type of university is growing rapidly but is it providing the education society needs?

The structure of higher education in the US is changing. After several decades where publicly supported higher educational institutions grew much more rapidly than nonprofit private institutions, for-profit institutions are now growing more rapidly than either traditional publically-supported or nonprofit private higher education institutions.

For-profit institutions have been part of the postsecondary education in the US for many years, but in the past these schools were largely trade schools offering certificate programs. More recently these institutions have broadened their course offering. Some schools offer undergraduate degrees and even PhDs. Some of these schools have many branches all over the United States. For example, the University of Phoenix, which is the largest of the for-profit schools, enrolled 443,000 degree-seeking students as of August 2009. This is about seven times the enrollment of any other college or university. Between 2008 and 2009 enrollments at Phoenix by degree-seeking students increased by 81,000 students, which is more than the total
enrollment at the second largest college or university. In 2009 about 300,000 of these students were enrolled at the Phoenix “online campus”.

The growing importance of for-profit schools is best illustrated by how important they have become over the last four decades. As illustrated in Figure 1, the increase in enrollments in for-profits almost matches the increase in private non-profit enrollment over the period 1972-2008 and enrollments in for-profit schools has been growing much more rapidly than non-profits since the mid-1990s. The increasing importance of for-profit schools parallels the decline in relative importance of private non-profit colleges and universities at the undergraduate level. Where 22% of undergraduates attended private non-profit schools in 1972, only 15% of undergrads attended these schools in 2008. The percentage attending public universities is about the same in both years, as for-profit schools now enroll about 7% of undergrads.

How undergraduate enrollments are changing is strongly influenced by the rapid growth in enrollments at 2-year schools. (See Figure 2.) Between 1972 and 2007 total enrollments in higher education almost doubled. Of these approximately 9 million new students, 5.2 million were enrolled in 2-year institutions. Enrollment in 2-year institutions went from 29% of enrollments in higher education in 1972 to 35% in 2007. During this same period undergrad enrollments at 4-year institution grew by 3.6 million, only about two-thirds the increase in enrollments at 2-year institutions. Note that the increase in undergrad enrollments at for-profit 4-year schools is larger than the increase in non-profit private schools. Given the dynamics of the present environment, the increases in enrollments at 4-year for-profit schools is likely to continue to expand more rapidly than enrollments in public or private non-profit schools. (This may
change if the new Department of Education financial aid guidelines slow the growth of for-profit schools.)

**Figure 2**

<table>
<thead>
<tr>
<th></th>
<th>Public</th>
<th>Private Non-Profit</th>
<th>Private For-Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 year schools</td>
<td>4,946,071</td>
<td>(41,029)</td>
<td>274,683</td>
</tr>
<tr>
<td>undergrad enrollment in 4 yr schools</td>
<td>1,317,464</td>
<td>861,397</td>
<td>942,306</td>
</tr>
<tr>
<td>Post bac enrollment in 4 yr schools</td>
<td>638,769</td>
<td>716,865</td>
<td>231,153</td>
</tr>
</tbody>
</table>


What is creating this dynamic where for-profit schools are expanding so rapidly? Given the large subsidies provided by state governments to public universities, higher education would not appear to be a good sector to seek out profit opportunities. What the for-profit schools have exploited is an opportunity to provide educational services to an underserved population that has access to government support through federal grants and low interest loans.

Before the expansion of for-profit schools, the higher education sector was made up almost entirely of publicly-supported and private non-profit schools. Higher education, however, did not function like an Adam Smith economy where institutions naturally expanded to meet informed consumer demand. There was no profit motive so private universities did not expand enough to meet the increased demand. Private non-profit universities by definition have no profit incentive to encourage new private universities to open. New universities open primarily for other reasons – most commonly in the US, private schools are started by religious organizations. In 1972 there were 742 non-religiously affiliated private institutions; in 2008 there were only 731. By contrast the number of religiously affiliated institutions went from 778 to 895 over the same period. This
fall in the number of non-religiously affiliated private institutions occurred as overall enrollments in the US almost doubled.

This is not the entire story, as Gordon Winston has argued, existing private non-profit universities also have a disincentive to expand. The per student cost of education exceeds tuition for these schools so expansion means that the endowment which pays for much of this additional cost is spread across more students.  

As Figure 2 shows, what we have seen over the past four decades in the private non-profit sector is expansion at the post-baccalaureate level where the expansion has been even greater than in the public universities as private universities have sought to increase their prestige.

For many years, public universities expanded to meet the additional demand for higher education that the non-profit private schools were no longer prepared to satisfy. This was particularly true of the demand for 2–year schools. (See Figure 2). This is no longer the case. Higher education is one of the largest discretionary budget items in state budgets and as these state budgets have come under increased pressure, there is less money available to finance higher education.

These pressures have become particularly severe during the recent recession. Higher education is a counter-cyclical industry; as the economy gets worse the demand for higher education increases because young people who cannot find work use this time to further their education. So at the same time that demand for higher education is increasing state tax revenues are falling and it is extremely difficult to find funds to expand universities to meet this increased demand.

As private non-profits have expanded very slowly and public universities have come under increasing financial constraints, the underserved seeking places in higher education have grown. For-profit institutions have been filling this gap. Cellini has found that reduced state funding for community colleges in California has encouraged the expansion of for-profits.

For-profits have also filled a gap by innovating to reach out to this population. These universities have made it more convenient for students to attend class. They have provided more online instruction so that people can study at home. While the percentage of part-time students in for-profits is only slightly higher than other schools, more than half of their students are over 25 years old, compared with 37% of all students in higher education. For-profits have also broken the standard university model by trying to ensure more uniform instruction by preparing materials centrally and then having them delivered by lower paid teachers both in the classroom and online.

With these new approaches to higher education, a central question is whether students are getting a good education at these institutions. This is very hard to measure, but one possible approach is to compare enrollment rates and graduation rates. At 4-year institutions for-profit schools enroll

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10% of the students, but their graduates are only 3% of the total. At 2-year institutions the opposite relationship exists; for-profits enroll 4% of the students, but supply 14% of the graduates. (By comparison public 2–year institutions enroll 95% of the students but graduate only 78% of the students.) From these, admittedly very general measures, for-profits seem to perform much better at the 2-year institutional level, then they do with 4-year and graduate programs.

In spite of their for-profit model, these postsecondary institutions have considerable state support in the form of financial aid provided by the federal government. 73.7% of their revenue comes from financial aid to their students. While they are restrained from having more than 90% of their revenue coming from this source, some for-profits have been able to circumvent this constraint by admitting veterans and people in military service. For-profits are now receiving approximately 25% of federal financial aid money for students even though they are enrolling about 12% of students. This can be partly explained by the fact that these schools are providing opportunities for lower income students.

The financial aid being given to students at for-profit institutions should not be a major problem, after all public universities receive state support, but the default rate on the loans given to students at for-profit schools is much higher than at public universities and nonprofit private schools. This might be expected given that much of the student body at for-profits comes from low income families. Deming, et. al. have studied this issue. They have attempted to sort out possible differences between the population attending for-profit schools to see, if accounting for these differences, default rates differ at for-profit schools. While they have not been able to account fully for possible selection bias, that is, why some students may select a for-profit rather than a more traditional school, they find that default rates are still higher at for-profits had default rates of 20% where default rates of community college students was 12% and default rates 4% at nonprofit and public four-year institutions.

These high default rates have led to congressional hearings. The Harkin committee hearings in August 2010 heard testimony suggesting that there are problems with this for-profit model. Of particular concern to the committee at the meetings were the apparent abuses in the recruiting of students by for-profit schools. These were described in a Government Accounting Office (GAO) report presented at the hearing. David Hawkins (Director of Public Policy and Research, National Association for College Admission Counseling) pointed out that ‘information asymmetries’ between applicants and institutions created a need for a set of guidelines for admission counselors to prevent applicants from being misled; otherwise, aggressive recruiting, as the GAO report described in their investigation of for-profits, can lead to major problems like the high default rates on student loans for graduates of for-profit institutions.

The Harkin committee hearings also pointed to other problems. For students to access federal grants and loans, the institution must be accredited. It is not clear how well the accreditation process is working when it comes to the evaluation of for-profit schools. The GAO found the appearance of fraud in the admission process at some accredited institutions.

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5 Deming, Golding and Katz, op. cit.
With the rapid growth of for-profit institutions in higher education, there are significant structural changes taking place in higher education. These changes reflect important forces that have restricted the expansion of both public and private non-profit colleges and universities. For-profit institutions are filling this widening gap between supply and demand for higher education. It is not clear, however, that the profit incentives that are driving the expansion of the for-profit sector are leading to socially enhancing changes in higher education. While recent congressional attention to these issues is warranted, it is important to analyze the broader questions to evaluate how our present problems can be solved.

In the US the government is playing an important role in higher education, whether it is state support for public institutions, federal financial aid to students or support for academic research. In response to the problems of for-profit schools, the Department of Education has proposed limiting financial support for students attending for-profits that do not satisfy a ‘gainful employment rule.’

Higher education in the US is undergoing substantial structural change. Because of the decentralized nature of higher education in the US, in some sense the market is driving this change as existing institutional adapt to a changing environment. Government plays an important role, not only in providing financial resources in support of higher education, but also by regulating and providing a structure in which these institutions operate. In France the situation is very different as the government sees itself playing a different role in the restructuring of higher education.

The Organizational Structure of Higher Education in France and Its Implications for Meeting Society’s Needs.

The principles along which the French higher education system (HES) is organized are simple. Unfortunately many exceptions which have been introduced during the last two centuries have obscured the continuously evolving picture.

Like some philosophers and the majority of active revolutionaries, Napoleon favored a state system of public education and established in 1808 the Imperial University which encompassed the three levels of education.

Tertiary education was included in a special “order” and distributed into five faculties: among them, theology, law and medicine were devoted to train “practitioners”, arts and science were supposed to educate mainly teachers. The University has the monopoly on awarding three degrees, baccalaureat which was the first degree controlling the entry into the University, the licence (licencia docendi) which was a prerequisite for teachers, and the doctorate.

Napoleon kept alive or organized a series of “schools” adjacent to the university devoted to the training the military staff (Ecole polytechnique or Ecole Navale) or civil servants for agriculture, industry, etc. These schools were predominant in engineering studies and have a virtual monopoly in the admission in the “Grands corps de l’état” (senior branch branches of the civil
service). Later schools were created also for business administration and they provide the major part of the upper executives in large firms.

Thus modern French HES is divided into two branches, Universities and “Grandes Ecoles.” The former never enjoy the same prestige as the latter. Research was not considered as an activity of its own merit and was entirely left to the goodwill of the faculty

After the French Prussian war, the Prussian victory was ascribed to the superiority of the Humboldt model of universities and more attention was paid to higher education. It still took 15 years before in 1896 provincial universities were reestablished, but under the control and supervision of the recteur so they had no autonomy.

In the turmoil of the 1930’s there were two important changes which affected the HES. In 1934, a legal definition was given to the title of engineer and an evaluation and accreditation process was set up involving not only academics but also employers and engineers’ unions. Secondly, as the research output of universities (especially faculties of sciences) seemed insufficient, a special institution (CNRS) devoted to research was created in 1939, outside the universities. CNRS proved very effective, but it increased the divide between higher education and research.

After the events of 1968, a movement towards autonomy for the universities occurred in 1969 (loi Faure) and 1984 (loi Savary), but the changes were limited to a larger self administration by elected governing bodies while the curriculum, the openings and careers of the professors were decided by the Ministry. The pace of changes accelerated after four education ministers (France, Germany, Italy and UK) signed the Sorbonne declaration in 1998, committing themselves to "harmonizing the architecture of the European Higher Education system"; a first step toward the Bologna process which aimed to create a European Higher education area.

The basic framework adopted through the Bologna process is three levels of higher education qualification (Bachelor, Master & Doctoral degree) in order to make moves from one country to another for the purpose of further study or employment easier and to increase the attractiveness of European higher education. In addition, the French authorities probably expected that the Bologna process would change the balance of power between universities and schools.

By and large, the French universities complied very quickly with the new architecture in line with what can be expected from a highly centralized system but “schools” are reluctant to merge their own degrees into the new framework. In 2009 a new reform was passed which is intended to enhance the autonomy of universities and create PRESs (Pole of research and higher education) which should eventually include “schools” as well as universities and create more uniformity across the HES. This evolution was accelerated as criteria used to distribute funds to establishments changed. During the last two decades, the ministry in charge of universities tried to rationalize their funding. The distribution of credits used to be opaque, till 1994, when three criteria were developed under the acronym SAN REMO (système analytique de répartition des moyens). Enrollments, student-to-faculty and student to square meters ratios were taken into

account to determine the (funding) “needs” for each university. This “theoretical” budget was compared with the previous situation to determine the actual funding devoted to each university. Special attention was paid to the peculiarities of training in various fields (for example, it was considered that student-to-faculty ratio was “normally” lower in sciences than say in history or law.) In order to increase their means, these criteria created some incentives for universities to modify the set of their tracks but it is doubtful that these adjustments were efficient and in 2005 the criteria were discarded. In June 2008; the Senate proposed in a report a new system based on “activities and performances” rather on “needs”\textsuperscript{7}. The new system whose acronym is SYMPA was implemented from 2009 onwards. It distinguishes more clearly research and training and “quality” plays a major part in research funding but performance matters also in training funding. For example, of the enrollment figures the new criteria favored the number of students passing the exams and by various means incentives are given to the universities to care about the employability and integration into the workplace of the graduates.

At present the dualism Universities/Schools is still alive and is deeply rooted in French social structures. Actually schools encompass a great variety of establishments, but the French elites are trained almost exclusively in a few of them while universities degrees suffer from a lack of prestige vis à vis the certification provided by the schools.

The term engineer (ingénieur) is applied to some professionals whose activities imply high technical competencies (about 1,000,000 people), but in a narrower sense, the term is used for persons who have been awarded this title after they completed a special curriculum (around 450,000). While the state retains a monopoly on degrees, the title of ingenieurs depends upon a special body “commission du titre d’ingénieurs” created under the 1934 law. This commission which is appointed by the Ministry of education includes representatives of ‘schools’ professors, but also of employers unions and “ingénieurs” unions. Very clearly realism has forced a breach in the state monopoly vis à vis the degrees. This reinforces the schools’ autonomy. They can select their students and impose their own tuition fees so it is not so easy for the state to push them towards convergence with the Bologna process.

Convergence logically implies merging the “ingenieurs” title with the master degree. Some “schools” which were close to the university system are moving towards this but the most prestigious schools are more reluctant.

The government in 2010 intended to invest 35 billion euros in higher education, training, research and innovation (as part of the Big Loan, labeled “grand emprunt national”) As a decisive incentive to boost performances, the funds will be distributed only to establishments engaged in promoting “excellence”. This has proven effective as many establishments have merged and committed themselves to push forward the “perimeters of excellence”.

The French HES can now be divided into two levels – undergraduate and graduate. At the undergraduate level, there are several tracks:

\textsuperscript{7} The acronym (SYMPA) stands for ‘pour un SYstème de répartition des Moyens à l’Activité et à la Performance.. actually the order of letters is reversed so that performance comes prior to activities. \url{http://www.senat.fr/rap/r07-382/r07-382_mono.html}
1) Training of «technicians» (STS) (classes are provided in 1300 lycees scattered at 1000 sites); yearly inflow amounts to 120,000 students while 105,000 degrees (including lifelong training) are delivered. Among them 25,000 continue in the HES. These classes depend mostly upon the Ministry in charge of the secondary education system.

2) The «Institut universitaire de technologie » (IUT) were created in 1964, outside the universities despite their names, as the economy needed employees with better skills and competencies. They were allowed to select their students and their governing bodies include employers and employees representatives as well as academics. For three decades they have been a huge success, enrolling 50,000 students and awarding 48,000 degrees. Now only a minority among the laureates quit the HES and the majority continues either towards a graduate degree in a university or they enter a school (10,000).

3) The paramedical classes fall into a similar category. The yearly flow is around 40,000 for the entries and 35,000 for the laureates.

These three tracks award degrees similar to “associate degrees” and exhibit a very high rate of success, which explains the increase of HES degrees in the population. The remaining tracks are designed to lead to the graduate level where the divide between schools and universities is more obvious. 176,000 degrees are awarded at the master level - among them 35,000 are awarded by the schools (35%).

4) Medical studies are organized within the universities (PCEM). About 25,000 students enter each year without any selection and about 9,000 graduate. The students who do not succeed after two trials are eliminated from this track but usually switch to other tracks.

5) The Classes préparatoires to the Schools –(CPGE), scattered on 180 sites and organized in high quality lycees. They attract 38,000 students aiming to enter the best schools through their performance in national exams. There are around 500 schools which are mostly outside the universities. Almost 30,000 students will succeed. Those who do not enter the normal bachelor track in a university.

6) Eventually the remaining (almost 50% or 200,000 students) enter the first level in the universities which are obliged to enroll whatever students apply. For many students this is a second choice. Therefore it is not surprising that the dropout rate is around 40%. Many of the students who graduate pursue a masters degree.
Double left borders indicate that the relevant establishments can choose their students (first enrollments)
To describe the recent evolution of French HES, it is important to stress the difference between tracks for which establishments can choose their students and tracks for which establishments are compelled to accept enrollments whatever skills and competences exhibited by freshmen. By and large, schools, IUT and STS are allowed to select their students whereas universities are not. There is almost no for-profit institutions in the French HES therefore the relevant division to examine changes is between universities and other institutions, IUT which belong to universities but are allowed to select their students being included in the second category.

**Figure 4: Enrollments from 1960 to 2010**

When analyzing changes, one has to keep in mind that students\(^8\) display a great variety of strategies in order to enter their desired tracks, but as visible in table 1, the percentage of students enrolled in other institutions than « universities » increased significantly during these five decades. While it represented before the 1960’s a mere 30%, it went through a low during the 1970’s as the other institutions were unable to cope with the increasing numbers of students and maintain their high ratio of teachers to students whereas universities could not prevent enrollments now they receive a larger part of the student population than they did in the 1960’s.

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\(^8\) For example, a student who aims to become a physician knows that the special university track in medicine has a numerus clausus at the end of the first year. Students can only enroll two successive years at the first level if they are not admitted into the second year level. Therefore, because of the numerus clausus, they cannot come back for a third chance. Thus, instead of enrolling as a freshman in the track for medicine, students can choose to study one year, say in CPEG classes for biology or veterinary medicine where the content is almost the same as in the track for medicine. After that, they can opt out and enter the track for medicine, and since they have already studied much of the material, the chance of being admitted is higher.
The distribution of students by length of studies is also revealing. As the system Bachelors (three years), Master (two years) is relatively new and does not describe the changes over time very well, it is better to use the distinction between the two first years, then the subsequent two years.

Figure 5: Enrollments By Years of Study

The table shows clearly that the number of students enrolled in the two first years of university has declined from 1995 onwards; whereas the number of students in their third and fourth years was stable and the number of students in their fifth year and above increased. This is consistent with the previous observation: students if they can, avoid enrolling in universities after their “baccalauréat” and if they eventually enter the university (in the second or third year of bachelors coming from IUT or STS) they do better.

What is the explanation for these changes? Suppose a student wants a masters degree in economics. If she enters the “sciences économiques” track in the first year, she will be lost with six hundred schoolmates, a very poor ratio of faculty/students and only one third of freshmen succeed at the end of the first year. It takes generally four years to get the “licence” (= bachelor degree). Consequently many fail to get any diploma. On the contrary if she enters a STS or a IUT track, the perspective of success is 95% (or more) and after these two years, which gives them a degree, she can enter the university where she will be allowed to enter directly into the third semester level and probably she will become a bachelor after two years. It would still have taken her the same four years if she had entered directly into the university as a freshman, but this way she is certain to get a diploma and the expectations that she will get a licence degree in four year is far better. Because this other option exists, the number of students in “premier cycle” is declining.

Actually the changes would have been more important if only the supply side in the HES system could provide what is desired by the demand side. During the last decade, various attempts have been made in order to rationalize the distribution of freshmen (bacheliers) among the various institutions. It has long been recognized that as they are various « baccalauréats » the skills of the various « bacheliers » fit more or less what is required in various tracks. Misallocation is for the most part a function of the high rate of failure in the HES. Consequently bacheliers during their
last year at lycées levels are required to fill out a survey describing their top six choices for higher education. Tracks outside the universities are allowed to select their students while universities can just tell the candidates if their skills fit more or less what is required in the tracks they are willing to follow.

It is interesting to compare the selection that students make with the actual distribution of students. Unfortunately data about « wishes » don’t distinguish between the various populations whose wishes are stored. All students in their final year of secondary level are allowed to express their wishes but some of them do not obtain their « baccalauréat ». Besides wishes and/or applications from foreign students who intend to enter the French HES are taken into the database along with students already in the HES who intend to opt out of their tracks to enter a selective track into which they have not been allowed to enter previously. Consequently the number of « wishes » greatly exceed the actual enrollments (in 2010, 679,503 against 414,817).

Keeping in mind this caveat, it is nevertheless interesting to compare the actual distribution of enrollments between the various tracks and the preferred distribution as indicated by the « wishes ». Bacheliers would strongly prefer selective tracks if only they have a chance to enter them. Only 27.7% of wishes are directed towards the non selective university tracks whereas 72.3% wishes are aimed towards short selective tracks (STS +IUT).

<table>
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<tr>
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<th>First enrollments (2010/1)</th>
<th>Wishes 2010</th>
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<tbody>
<tr>
<td>Universities (non selective tracks)</td>
<td>186 327</td>
<td>44,92%</td>
</tr>
<tr>
<td>BTS</td>
<td>103 603</td>
<td>24,98%</td>
</tr>
<tr>
<td>IUT</td>
<td>44 001</td>
<td>10,61%</td>
</tr>
<tr>
<td>CPEG</td>
<td>38 991</td>
<td>9,40%</td>
</tr>
<tr>
<td>Ecoles d’ingénieurs, de commerce, d’architecture</td>
<td>15 745</td>
<td>3,80%</td>
</tr>
<tr>
<td>Other</td>
<td>26 150</td>
<td>6,30%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>414 817</strong></td>
<td><strong>100,00%</strong></td>
</tr>
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The huge discrepancy between first enrollments and wishes cannot be reduced directly in the French system by market forces, but it can be explained by various considerations about institutions related to HES in France. First it should be stressed that if HES is centralized and mostly organized by government, the latter is not a monolithic Leviathan. STS, which grant the BTS, belong to the Ministry of Education which has been distinguished more often than not from Ministry in charge of HES. Teachers also are organized in different unions in STS as in other parts of HES. The same holds for different schools related to different ministries (industry, agriculture, etc.). Consequently various branches of government compete to enroll students, but they all have budget constraints as expenses supported by households remain low.
Table 2: Expenses devoted to HES
(euros adjusted to 2009 prices)

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<td>11 180</td>
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<td>15 340</td>
<td>15 170</td>
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<tr>
<td>Universities (without IUT)</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>6 550</td>
<td>8 010</td>
<td>8 030</td>
<td>... (3)</td>
<td>... (3)</td>
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<tr>
<td>IUT</td>
<td>...</td>
<td>...</td>
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<td>10 150</td>
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<td>9 900</td>
<td>... (3)</td>
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<td>Universities (including IUT)</td>
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<td></td>
<td>9 110</td>
<td>9 870</td>
<td>10 220</td>
</tr>
<tr>
<td>HES (3)</td>
<td>7 450</td>
<td>7 990</td>
<td>8 190</td>
<td>8 400</td>
<td>9 550</td>
<td>9 680</td>
<td>10 670</td>
<td>11 060</td>
<td>11 260</td>
</tr>
</tbody>
</table>

(1) Definitions of series have changed in 1999, and after 2006, as a consequence of changes in the national budget
(2) After 2006 budgets of IUT were merged with the budgets of the universities in which they are included
(3) all parts of HES are included.

Sources: MENJVA-MESR DEPP/ Compte de l'éducation,

Unsurprisingly highly desirable tracks are also expensive because faculty per student ratios are higher. Students are not left alone to learn new fields, and it explains why they wish to enter these tracks, but it explain why the supply side does not adjust to the demand side. Actually it is misleading to speak of supply and demand in the French framework because prices (at least tuition fees) play a very small part in the adjustment process). As far as tracks under control of ministry of education are concerned, tuition fees are very small, yearly, 177 euros for bachelor (usually three years), 245 euros for masters (usually completed in two years), 372 euros for a doctorate (3 or 4 years). Students are compelled to take out health insurance, which is also very cheap (202 euros), whereas they enjoy several benefits including housing aids, subsidized meals and various grants. As long as credits to universities were mostly determined by enrollments “universities’ as well as students had incentives to increase enrollments. For students with a taste for student life, there were all the various benefits, for universities their funding increased mechanically with enrollments.

Before 2007, IUT were funded directly by the ministry so the tradeoff between selective and non-selective tracks was decided at the national level and completely invisible to any stakeholders at the university level. Similarly credits were targeted to various objectives i.e. salaries with determined amounts for each of the many categories of employees (faculties, administration), investments, buildings, etc ). Now the distribution of the budget is up to the governing local body. Credits are “fungible.” A university can decide to take credits for three “maîtres de conférence” (vacancies) and decide to hire two” professors.” The long term consequences of these changes are certainly very important as stakeholders at the local level now have a say in the design of the local HES. The consequences will be far more reaching once the process is complete. For example, the new University of Toulouse could decide by itself the allocation of funds among tracks, levels, research and teaching, etc.. It’s a huge upheaval that has been forcefully implemented and many vested interests are upset so some adjustments will be necessary to make the results workable, but the introduction of accountability seems very promising

Conclusion
In recent years both the US and France have struggled to find ways to adapt their systems to the increasing costs associated with higher education. In the US, the drawing down of public support for publicly supported institutions has produced an opening for for-profit universities to ‘enter the market’ and they are now serving a population that would not have been served otherwise. At the same time it is not clear that the profit incentive is creating a platform for an education that is really serving the needs of many of these students. The high default rates on student loans, which are providing a substantial part of the revenue for these higher education institutions, suggest that some additional reforms and regulations are needed.

In France, the entire education system had been organized by Napoleon on a military model and until 1968, changes, with the exception of the creation of provincial universities in 1896, have been very limited. After 1968, successive reforms (loi Faure 1969 and Loi Savary 1984) have organized some cooperation between stakeholders, who can meet in various assemblies to discuss day to day management, but decisions about buildings and budgets (including compensation of employees) curriculums and diplomas, continued to be managed by the central headquarters (Ministry) and establishments have no say on enrollments. From the 1990’s onwards, a system of incentives has progressively replaced the previous command system which prevented any adjustments to the decisions that were implemented from top down. In the new organization implemented since 2007, much red tape has been slashed in order to improve the quality of research and adjust to the changing demands of students for tracks that meet their needs. Fear is inducing the creation of large “universities” which can more easily rationalize the supply side. It remains doubtful if the governance and the flexibility of these regional mammoths can be adapted to the requirements of knowledge society of the XXIst century.