



Educational Policy Institute

**TESTIMONY OF  
DR. WATSON SCOTT SWAIL, PRESIDENT  
EDUCATIONAL POLICY INSTITUTE  
STAFFORD, VA  
BEFORE THE SENATE FINANCE COMMITTEE  
UNITED STATES SENATE**

**July 22, 2004**

Good morning, Mr. Chairman and members of the Committee. My name is Scott Swail, President of the Educational Policy Institute, an international think tank on educational opportunity headquartered in Northern Virginia. We conduct research on issues related to educational opportunity for students, especially those who are historically underrepresented at the postsecondary level.

I was invited to speak today about how the US compares with its global partners and competitors in higher education and how our system fares in preparing our citizens for an increasingly competitive global environment.

Over the past year there has been an increased awareness of the outsourcing of traditionally US-based jobs to countries overseas. A recent 60 minutes report cited estimates of as many as 400,000 jobs outsourced in the last three years. Most outsourced jobs have been in relatively low-tech areas, such as telemarketing and related employment. But that is changing. IT and engineering positions are now moving from US soil to countries like India, China, South Korea, and Taiwan.

The biggest reason these jobs are being outsourced is cost. Quite simply, US-based companies can find lower-cost skilled labor abroad. Simply put, if the sole interest is to create profit margin, an employer is more likely to hire a \$15,000 engineer in Delhi compared to a \$75,000 engineer in Reston. Both may have essentially the same credential, but whether that credential is equivalent is worthy of discussion in another forum. Some economists suggest that outsourcing may be the only way for American firms to remain competitive on the international market.

**Competition in Higher Education**

Higher education is a lever to scientific and technological competitiveness and productivity. As the world continues to open up economically, so does the transfer of information, technology, and the sciences. It follows, then, that our new competitors are becoming prolific in higher

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**Canadian Office** • 77 Bloor Street West, Suite 1701 • Toronto, ON M5S 1M2 • 1 (877) e-POLICY

education. Between 1990 and 2000, South Korean higher education enrollment over doubled from 1.5 million to 3.4 million; China enrollments grew by two thirds to 9 million between 1995 and 2000, and are likely to be above 12 million this year; and India's enrolment increased 36 percent between 1996 and 2002 to 8.8 million. Comparatively, our enrollment grew by 11 percent over the 1990s, or about 1.5 million students.

These international trends are fueled by the same factors that fueled our higher education growth in America—a clear understanding of the importance of a higher education to the individual and society. What we see in the Euro-Asian market is an opening of higher education much as saw here at home after World War II. Our troops were welcomed back from the battle field with the GI Bill, which almost single-handedly transformed higher education in America. A similar sea change is taking place on the other side of the globe, but the inducement is not war, but rather, economic prosperity. Places where higher education was reserved for society's elite has been expanded to a greater percentage of the population. And while it is true that China and India have post-secondary attendance rates which are only a fraction of what we have in the United States, the sheer size of these countries' populations mean that these countries are now producing as many, if not more, higher education graduates than the US

### **Preparing for a Brave New World**

Our best opportunity for continued prosperity and economic advantage in the United States is to continue doing what we do well. We produce more scientists and engineers than any country on earth. But in order to secure our competitive advantages in higher education and technology, we must exploit our own talent pool toward its fullest potential, and that can only happen if higher education is uniformly affordable for all. Unfortunately, recent budget cuts at the state and federal levels have left public colleges and universities in dire straights. Need-based aid is stagnated, federal loan limits are too low for many students, and early intervention programs for needy students at the middle and high school levels are dramatically underfunded and reach only a minimal level of students. Don't let this message get lost—assistance is needed to help our youth see a better future through higher education. If they make it, so will America in the global economy.

Second, we must also ensure that our quality of higher education remains uniquely high. There is worry that the quality of higher education is being diluted in the US because of shrinking resources. Institutions are being forced to cut or limit courses, services, and activities in order to balance budgets. This impacts instructor:student ratios, quality of instruction, and quality of the physical plant and classroom.

And third, and perhaps the most difficult challenge we face, is to turn around our K-12 system. We have pockets of excellence in our public schools from coast to coast, but no uniform stamp of excellence. Again, the budget crunch has hurt our ability to reinvest in education and truly reform how we teach our children, but the truth is that we weren't doing such a great job of reform during the stunning economy of the 1990s. Between our partisan quibbles about school reform and our fiscal challenges, we are doing a very poor job of finding ways to serve our youth better. If we can recommit ourselves to a high-quality education system, then we solve much of our outsourcing and competitive issues.

### **Conclusion**

In conclusion, I'd like to say that our ability to remain competitive and lead the world significantly depends on our support of the educational process, from kindergarten to post-

graduate education. Mr. Chairman, our competitors are not our enemies. Our enemy is here at home in our inability to come together to fund public education. I thank you for this opportunity to testify today.

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**Dr. Watson Scott Swail** is President of the Educational Policy Institute and an internationally-recognized researcher in the area of educational opportunity. Dr. Swail's work has been widely published in such education journals as *Change*, *Phi Delta Kappan*, the *Chronicle of Higher Education*, and the *International Management of Higher Education* (IMHE). Prior to founding EPI, Dr. Swail served as Director of the Pell Institute in Washington, DC, Senior Policy Analyst at SRI International, and Associate Director for Policy Analysis at the College Board. Dr. Swail earned a Doctorate in Educational Policy from The George Washington University, Washington, DC, a Master's of Science from Old Dominion University, Norfolk, Virginia, and a Bachelor's of Education from the University of Manitoba, Winnipeg, Manitoba.