

**THE CENTRAL ROLE FOR HIGHER EDUCATION IN
DEVELOPING WISCONSIN'S NEW ECONOMY**

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November 14, 2000**

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Peter Drucker, noted management scholar, captures the relationships between higher education and economic development when he says, “knowledge is now the central capital, the cost center, and the crucial resource of our economy.” Others make reference to “human capital” as the essential piece of today’s information – and knowledge-based global economy. Whether we call it knowledge or human capital, our colleges and universities produce it, and it drives the new economy just as our plants manufactured energy fuels and steel to drive the industrial economy, which was dominant years ago.

Looked at this way, it is clear to me that a state’s economic prospects for the future are tied in large part to the performance of its schools, particularly its public higher education system. The University of Wisconsin System is already doing much to drive the development of Wisconsin’s knowledge-based economy. But we could do even more if the Wisconsin Idea were fully embraced and supported as a priority public policy initiative.

A public policy commitment would view the support of public higher education as an investment in the future, not simply another form of state spending. Stated more graphically, Wisconsin’s public university campuses would be viewed as investment vehicles, public agencies carrying out regional agendas for statewide development. They would be viewed as regional centers, focal points and catalysts throughout Wisconsin, not only for education, but for the arts, cultural activities, recreation and vehicles for community and economic development assistance.

In a study/analysis by the Federal Reserve Bank of Kansas City on the role of public universities in regional economic development, the following is stated as a general policy implication: “The general evidence linking university and economic development points to two general guidelines for policy makers. First, consistent support for higher education appears critical. Nearly all states exhibit strong support for university spending at one time or another, but due to the long-term nature of the university link to economic growth, those states that consistently invest in their universities during both good times and bad may reap the greatest rewards. Excellence in research and teaching takes time to develop, and the results of that

excellence also take time to filter into the economy. Once developed, however, such inputs provide ongoing, consistent benefits in the economy.”

The late 1980s and the decade of the 1990s have been extended periods of below average and inconsistent investing in public higher education in Wisconsin. The funding-related reductions in enrollment system wide that began in the late '80s and continued into the '90s, budget reductions system wide during the '91-'95 biennium and losing ground to inflation during the entire period have kept Wisconsin from fully capitalizing on the presence of an outstanding system of public higher education.

In a knowledge-based economy, it's our loss, Wisconsin's loss, when we fail to reach, retain and educate more and more of our citizens. Currently at UW-Eau Claire we must say no to aspiring teachers, nurses and computer scientists because our programs are filled to capacity. We have even been saying no to aspiring part-time students because of funding-related enrollment limits and, until recently, limited management flexibility in how/when we spend our tuition revenues.

On August 25 the Board of Regents of the University of Wisconsin System approved an operating budget request for the 2001-03 biennium which would amount to a modest annual increase of 3.7 percent (state support/tuition). In the current biennium (1999-01), the UW is enjoying its best budget in 15 years—a modest 3.3 percent average annual increase, which places Wisconsin 41st among all states. The national average increase by state was over 7 percent.

The 2001-03 budget request builds upon 1999-01 funding and is focused on delivering outcomes needed by our state to maintain economic growth and enhance our quality of life. The budget request is being viewed and applauded as an investment in Wisconsin's future. It includes, for example, an exciting Chippewa Valley Initiative, which would support the joint efforts of UW-Eau Claire and UW-Stout to further enhance “Wisconsin's Technology Valley” while working cooperatively with Chippewa Valley Technical College. And it includes enrollment growth, particularly in the form of part-time students who are already employed.

In the weeks and months ahead there will be tons of information and detail about the UW budget request with discussions extending through the 2001 legislative session. My

purpose here is not to preview the budget request, but instead to put in perspective what it means for Wisconsin.

The University of Wisconsin System's ability to secure two or more consecutive modest biennial budgets, coupled with the additional management flexibility approved by the Legislature in the last session, and hopefully to be enhanced again in the coming session, will enable the university and its campuses to contribute more significantly to Wisconsin's future as empowered partners with our state's decision-makers. But the statewide partnership must be expanded to include business, local government and all levels of education.

Wisconsin can create a bright future for the state, its communities, its businesses and its citizens. A vision, an acute sense of the actions that will make a difference and coordinating the work across our great state are primary among our challenges. A public policy initiative is in order, and the University of Wisconsin System must play a central role in developing Wisconsin's new economy.