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# Reaching for the Brass Ring: The U.S. News & World Report Rankings and Competition

Ronald G. Ehrenberg  
*Cornell University, rge2@cornell.edu*

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# Reaching for the Brass Ring: The U.S. News & World Report Rankings and Competition

## Abstract

[Excerpt] The behavior of academic institutions, including the extent to which they collaborate on academic and nonacademic matters, is shaped by many factors. This paper focuses on one of these factors, the *U.S. News & World Report (USNWR)* annual ranking of the nation's colleges and universities as undergraduate institutions, exploring how this ranking exacerbates the competitiveness among American higher education institutions. After presenting some evidence on the importance of the *USNWR* rankings to both public and private institutions at all levels along the selectivity spectrum, I describe how the rankings actually are calculated, then discuss how academic institutions alter their behavior to try to influence the rankings. While some of the actions an institution may take to improve its rankings may also make sense educationally, others may not and, more importantly, may not be in the best interest of the American higher educational system as a whole.

In the final section of the paper, I ask whether the methodology that *USNWR* uses to calculate its rankings prevents institutions from collaborating in ways that make sense both educationally and financially. My answer is, by and large, no, although I indicate that *USNWR* could encourage even more such collaborations by fine-tuning its rankings system. In short, although *USNWR* rankings cause institutions to worry more about the peers with which they compete than would otherwise be the case, the rankings should not prevent institutions from working productively towards common goals. Put another way, *USNWR* is not the "evil empire" and academic institutions should not blame *USNWR* for their failure to collaborate more.

## Keywords

U.S. News & World Report, college rankings, competition, higher education, private institutions, public institutions

## Disciplines

Education Economics | Higher Education | Labor Economics | Labor Relations

## Comments

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# Reaching for the Brass Ring: The *U.S. News & World Report* Rankings and Competition

*Ronald G. Ehrenberg*

The American system of higher education is the envy of the rest of the world. A mixed system of over 3,600 public and private institutions, it is noted for its competitiveness. An institution's geographical location, selectivity, size, whether it is church related, the degrees that it offers, and the range of its curriculum, determine the specific institutions that are its competitors. Against these competitors, institutions vie in a variety of ways—for undergraduate, graduate, and professional students, for faculty members, for research dollars, for state and federal appropriations, for private philan-

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RONALD G. EHRENBERG is the Irving M. Ives Professor of Industrial and Labor Relations and Economics at Cornell University and Director of the Cornell Higher Education Research Institute (CHERI). He presented an earlier version of this paper at the Macalester Forum on Higher Education on "Comparative Advantage and Common Purpose in Higher Education, Macalester College, June 2001. He expresses appreciation to the Andrew W. Mellon Foundation and the Atlantic Philanthropies (USA) Inc. for their support of CHERI, to Michael McPherson, and to two reviewers for their comments. His most recent book is *Tuition Rising: Why College Costs So Much* (Cambridge, MA: Harvard University Press, 2002). His current research interests focus on public higher education, higher education governance, the growing cost and importance of science to universities, and the implications of the growing dispersion of resources across academic institutions within both the public and private higher educational sectors as well as between the two sectors. Address queries to him at Cornell University, 256 Ives Hall, Ithaca, NY 14853-3901; telephone (607) 255-3026; fax: (607) 255-4496; e-mail: rge2@cornell.edu.

thropy, and for other sources of revenues such as those generated by distance-learning activities and the commercialization of faculty members' research. Institutions may have different competitors along different dimensions. For example, Cornell University competes directly with a much smaller number of institutions for students than it does for faculty.

At the same time they are competing, academic institutions also understand that their resources are limited and that there is much to be gained by collaborating with these peers. For example the five academic institutions in the Pioneer Valley region of Massachusetts (Amherst College, Hampshire College, Mt. Holyoke College, Smith College, and the University of Massachusetts) have long permitted students from one institution to take courses at any of the other four, thereby increasing the range of courses that students from each institution can access.

The behavior of academic institutions, including the extent to which they collaborate on academic and nonacademic matters, is shaped by many factors. This paper focuses on one of these factors, the *U.S. News & World Report* (*USNWR*) annual ranking of the nation's colleges and universities as undergraduate institutions, exploring how this ranking exacerbates the competitiveness among American higher education institutions. After presenting some evidence on the importance of the *USNWR* rankings to both public and private institutions at all levels along the selectivity spectrum, I describe how the rankings actually are calculated, then discuss how academic institutions alter their behavior to try to influence the rankings. While some of the actions an institution may take to improve its rankings may also make sense educationally, others may not and, more importantly, may not be in the best interest of the American higher educational system as a whole.

In the final section of the paper, I ask whether the methodology that *USNWR* uses to calculate its rankings prevents institutions from collaborating in ways that make sense both educationally and financially. My answer is, by and large, no, although I indicate that *USNWR* could encourage even more such collaborations by fine-tuning its rankings system. In short, although *USNWR* rankings cause institutions to worry more about the peers with which they compete than would otherwise be the case, the rankings should not prevent institutions from working productively towards common goals. Put another way, *USNWR* is not the "evil empire" and academic institutions should not blame *USNWR* for their failure to collaborate more.

### IMPORTANCE OF THE *USNWR* RANKINGS

In a relatively short period of time the *USNWR* annual ranking of the nation's colleges and universities as undergraduate institutions has become the "gold standard" of the ranking business. Perhaps this occurred because

the *USNWR* ranking has the appearance of scientific objectivity (institutions are ranked along various dimensions with explicit weights being assigned to each dimension). Perhaps this occurred because institutions at the top of each category—for example, the top 50 national universities—are ranked numerically within their categories; and the American public wants to know which institution is number one.

Because of year-to-year changes in their rankings on the various dimensions that *USNWR* considers or year-to-year changes in the weight that each dimension is given in computing the overall ranking, an institution's ranking within its group may change from year to year. It is the change in the numerical rankings of institutions near the top of each institutional category, as well as the changes in the quartile rankings of some lower-ranked institutions from year to year that sells lots of copies of magazines. After all, if the ranking of institutions did not vary over time, there would be no need for families to have the most recent year's issues.

College and university presidents repeatedly publicly pronounce that the *USNWR* rankings are not a measure of the quality of their institutions, that an institution's quality cannot be measured by a single number, that changes in an institution's rank are often due to *USNWR*'s periodically changing the way the rankings are calculated, and that their university does not pay any attention to the rankings. Increasingly sensitive to the criticism that its rankings have received, *USNWR* has appointed a college advisory board that annually suggests changes in its methodology. While such changes invariably lead to changes in the rankings of institutions and to the sales of more magazines, in one of its recent rankings *USNWR* also explicitly advised readers: "Since we may change our methodology from year to year, we do not invite readers to track colleges annual moves in the rankings" (Morse & Flanagan, 2000, p. 28).

However despite the pronouncements of the presidents and the recent advice of *USNWR*, the rankings of institutions do matter and the institutions are very concerned about what the rankings show. And well they should be! A recent study by James Monks and me (Monk & Ehrenberg, 1999) that focused on top national private universities and liberal arts colleges found, other factors held constant, that when an institution improves in the rankings the next year it receives more applicants, can accept fewer of them, sees a greater proportion of its accepted applicants enroll, shows an improvement in the average SAT scores of its enrolled admitted applicants, and can reduce the amount of institutional grant aid that it spends to attract its class. For example, with other factors held constant, improving 5 positions in the ranking was associated with a drop in the institution's admit rate of about 2.0 percentage points and a yield (percentage of those accepted who actually enroll) that increased by almost 1 percentage point. In contrast, when its rankings worsen, just the opposite occurs. Other factors held constant,

the next year the institution receives a smaller number of applicants, must admit a greater fraction of them, has a smaller fraction of its admitted applicants enroll, sees a drop in the average test scores of its enrolled admitted applicants, and must increase the amount of institutional grant aid that it spends to attract its class. In short, changes in an institution's *USNWR* rankings affect measures both of its academic quality and its financial aid bill. A change in a selective private institution's ranking greatly complicates the life of its administrators in charge of enrollment management.

The Monk/Ehrenberg study dealt with only selective private colleges and universities. Even if critics accept our findings at face value, they might argue that it is only the applicants to the most selective of our nation's private colleges and universities that pay attention to the *USNWR* rankings. Inasmuch as the vast majority of American college students are educated at public institutions or at less selective private institutions, critics might continue that it is only a small minority of academic institutions that pay attention to the *USNWR* rankings. Moreover, they might add that *USNWR* publishes precise numerical rankings for only the top 50 or so institutions in a category; other institutions are grouped into broad tiers. So they might ask how the *USNWR* rankings could be relevant for any but the most selective private institutions.

Anecdotal evidence from several private institutions that immediately follows suggests that an institution's *USNWR* ranking *is* important to private institutions regardless of which selectivity tier they occupy. Subsequent sections will provide similar evidence for public institutions in several selectivity tiers. This evidence suggests that private and public institutions at many levels of student selectivity do worry about their *USNWR* rankings.

For example, Hobart and William Smith Colleges had long been ranked in the second tier (quartile) of national liberal arts colleges. When the 2001 *USNWR* rankings were published in the fall of 2000, the institution found itself ranked in the third tier (quartile), because a senior administrator at the institution failed to report current year data to *USNWR*. *USNWR* was forced to compute the institution's ranking using year-old data, which understated the institution's current performance on a number of dimensions. This fall in the rankings occurred even though Hobart and William Smith Colleges was ranked higher on academic reputation by academic leaders than 18 of the 29 national liberal arts colleges placed in the second tier in the 2001 rankings. Needless to say, academic reputation is a critical component of the ranking methodology (Brownstein, 2000).

The administrator was fired and Hobart and William Smith's recently appointed president took vigorous steps to repair the damage. After several discussions with the institution, *USNWR* sent Hobart and William Smith a letter saying that, if the correct data had been reported, Hobart and William Smith likely would have been ranked in Tier II for that year. The college

promptly distributed this letter and the reason for the institution's erroneous fall in the rankings to guidance counselors at high schools that were regular feeder schools to the institution. Concerned that the morale of current students (which might affect retention), of faculty, and of alumni might also fall, the president and the trustees also vigorously conveyed this message to all of the college's constituents. A new president clearly felt that his institution's *USNWR* ranking was critical to the institution and that he had to spend a good part of his first months in office on damage control.<sup>1</sup>

A second example comes from a small liberal arts college located in a Middle Atlantic state. (By agreement, its name cannot be disclosed.) Ranked in Tier 4 (the bottom quartile) of national liberal arts colleges, the college actively explored ways to improve its *USNWR* rankings as part of its strategic planning process. Because an institution's average faculty salary has significant weight in the ranking formula, an early draft of a strategic planning document called for an increase in average faculty salaries to improve the institution's ranking.

The fact that an academic institution considered its *USNWR* ranking in its strategic planning process confirms the importance of the rankings in the institution's perception of its external image. However, the document did not discuss whether raising faculty salaries would be expected to improve the quality of faculty members that the institution could attract, improve retention of existing faculty members, or improve faculty members' performance. Similarly, the document did not discuss whether the funds that would be spent on increasing faculty salaries could be better used in other ways to actually improve the educational experience of its students. The college was planning to spend more with a single goal in mind: an improved *USNWR* ranking. I mentioned how strange this seemed to me to a member of the college's board and am happy to report that the final version of the college's strategic plan made no mention of spending more to improve rankings. It is clear, however, that the trustees of the institution believed that enhancing the institution's *USNWR* ranking would allow the institution to attract more and better applicants and to improve its financial position.

### THE 2001 *USNWR* METHODOLOGY

*USNWR* divides academic institutions into categories based on the 1994 Carnegie classification of colleges and universities (Carnegie, 1994). Carnegie

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<sup>1</sup>Conversation with President Mark Gearan of Hobart and William Smith Colleges on October 20, 2000. Hobart and William Smith returned to the second tier of national liberal arts colleges in *USNWR*'s 2002 rankings.

Research I, Research II, Doctoral I and Doctoral II institutions are all included in the *USNWR* National University category. Carnegie Liberal Arts I institutions are included in the *USNWR* National Liberal Arts College category. All Carnegie Comprehensive I and Comprehensive II institutions are reported by quartile rankings in the *USNWR* Regional University category, with the country divided into four regions for reporting purposes. Finally, the Carnegie Liberal Arts II institutions are all classified as *USNWR* regional colleges, with quartile rankings again reported for the four regions.

The *USNWR* methodology considers seven broad categories of measures that relate to college quality: academic reputation, student selectivity, faculty resources, graduation and retention rates, financial resources, alumni giving, and graduation rate performance. The weights assigned to each of these broad areas vary across *USNWR* categories, as does the number of factors included in each category and the weight assigned to each factor. The formulae for national universities and national colleges are identical but differ from the formulae for regional universities and regional colleges. For ease of exposition, I will focus on the national college and university formula below. Table 1 summarizes the ranking criteria and weights used in *America's Best Colleges: 2001*.

### *Academic Reputation*

The first criterion that *USNWR* uses is the institution's academic reputation; this factor gets a weight of 25%. *USNWR* gives this criterion such a weighting because it recognizes the role of an institution's academic reputation in gaining high-paying jobs and admission to top graduate and professional schools for its graduates (Brewer, Eide, & Ehrenberg, 1999; Eide, Brewer, & Ehrenberg, 1998). *USNWR* surveys presidents, provosts, and deans of admission of schools in each category for information on academic reputation. They are asked to rank each institution in their category on a scale of 1 (marginal) to 5 (distinguished), or to indicate that they are unfamiliar with the institution. *USNWR* reported a response rate of 67% for its 2002 survey.

Many presidents and provosts at major institution refuse to fill out this survey because they do not like participating in a "beauty contest." Others may realize that it is in their best interest to rank institutions close to them in selectivity very poorly, although this clearly would not be an ethical way for senior academic administrators to respond.

### *Student Selectivity*

The second criterion that *USNWR* uses is student selectivity, weighted at 15%. Student selectivity is assumed to have four components. The smaller the fraction of freshman applicants that a school accepts, the more selective it is assumed to be. Similarly, the higher the yield rate, the more selective it

**TABLE 1**  
**CRITERIA AND WEIGHTS USED IN USNWR 2001**  
**RANKING OF UNDERGRADUATE INSTITUTIONS**

<i>Ranking Category</i>	<i>Category Weight</i>	<i>Subfactor</i>	<i>Subfactor Weight</i>
Academic reputation	25%	Academic reputation survey	100%
Student selectivity Fall '99 entering class	15%	Acceptance rate	15%
		Yield	10%
		High school class standing top 10%	35%
		High school class standing top 25%	0%
Faculty resources ('99)	20%	SAT/ACT scores	40%
		Faculty compensation	35%
		Percent faculty with top terminal degree	15%
		Percent full-time faculty	5%
		Student/faculty ratio	5%
		Class size, 1-19 students	30%
		Class size, 50+ students	10%
Graduation and retention rate	20%	Average graduation rate	80%
		Average freshman retention rate	20%
		Average educational expenditures per student	100%
Financial resources	10%	Average educational expenditures per student	100%
Alumni giving	5%	Average alumni giving rate	100%
Graduation rate performance	5%	Graduation rate performance	100%

Source: *America's Best Colleges, 2001* (Washington, DC: U.S. News & World Report, 2000).

is assumed to be. Student selectivity also is assumed to be positively related to the proportion of its freshman class that were ranked in the top 10% of their high school classes and the average SAT (or ACT) scores of its entering students.

There are numerous ways that an institution can influence its acceptance rate and yield rate. The president of one midwestern flagship public university which consistently ranks in the top tier of national universities, told me that his institution currently discourages applicants who have little chance of being accepted at the institution from applying. However, repeatedly expressed concerns from trustees about the institution's not being ranked high

enough within the top 50 group of *USNWR* national universities may force his admissions office to actively solicit more applications from lesser-qualified students. The result will be added expenses for the admission process and more unhappy rejected applicants throughout the state.

A private college president told me about an applicant to his institution who was the son of an influential alumnus. The student had also applied to a large northeastern public university that is currently ranked among the second tier of national universities by *USNWR* and is aggressively trying to improve its *USNWR* ranking. Although the applicant's credentials (test scores, rank in class, grade point average) were far above the typical applicant's credentials at the public institution, it rejected his application. However, the alumnus reported to the private college president that his son also received a letter from an admissions officer at the public institution indicating that, if the applicant would declare his intention to attend if admitted, the public university would admit him. Clearly this behavior is designed to lower the institution's acceptance rate and improve its yield, but one must wonder how ethical it really is.

Lest one think that it is only the publics that would stoop to such behavior, a recent *Chicago Sun Times* article reported that Franklin and Marshall College rejected 140 of its top applicants for the class of 2005, relegating them to its waiting list, because it believed that they really wanted to attend more selective Ivy League institutions (Golden, 2001b). In the process, it and a number of other private institutions that are behaving in a similar manner have increased high school students' uncertainty, as the concept of a "safety school" has become much less certain.<sup>2</sup>

A simple way to improve an institution's yield and lower its acceptance rate, which many selective institutions have aggressively pursued, is to increase the proportion of an institution's class that is admitted through an early-decision process. In this process, an applicant applies to one institution by early November of the applicant's senior year in high school. At most institutions, the applicant is required to sign a statement to the effect that he or she will enroll if admitted and will withdraw any other applications that have been submitted. The institution typically gives the applicant a decision by mid-December, which takes the form of an acceptance, a rejection, or a deferral of the applicant to the regular decision process. If admitted, the applicant has a brief period of time within which to notify the institution that he or she has accepted the offer of admission and withdrawn applications pending at other institutions.

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<sup>2</sup>According to Golden (2001a), Franklin and Marshall is only one of a number of private institutions that include, as part of their admissions criteria, their estimates of the probability that a student will actually enroll if admitted.

Expanding the fraction of an institution's class admitted by the early-decision route lowers the institution's acceptance rate and increases its yield because early-decision applicants accept offers of admission with a probability of close to one. Thus, to attain any given size class, the institutions can admit fewer students overall. Consequently, expanding early admissions relative to one's competitors will improve one's *USNWR* rankings.<sup>3</sup> *USNWR* penalizes institutions that pursue alternative policies, such as early action (early notification of students of their acceptance but no requirement that the student commit to the institution early) or rolling admissions.

Enrolling students through an early-decision process benefits both institutions and applicants. Institutions most frequently identify as a benefit having its freshman class composed of students for whom the institution was their first choice. Some students who enroll through the regular admission process may have been rejected from their first-choice schools and arrive at their second choice with less enthusiasm.<sup>4</sup> This factor may affect their overall attitude towards the institution and also their likelihood of persisting at the institution until graduation. Even if they do graduate, they are less likely to be attached alumni who devote time and money to helping the institution to prosper. Put simply, an institution benefits greatly from enrolling students who really want to attend it. Students who are sure about which school is their first choice also clearly benefit from the early-decision process. Being admitted by the early-decision route allows them to avoid the tensions associated with waiting until their senior spring to learn whether they will be admitted to their first-choice school.

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<sup>3</sup>Suppose that an institution initially has 10,000 applicants, admits 4,000, and enrolls 2,000. Its acceptance rate is 40% (4,000/10,000) and its yield is 50% (2,000/4,000). Now suppose that it offers an early-decision option, 2,000 of its applicants choose this route and it accepts 1,000 of them, all of whom enroll. If the yield rate on its regular applicants remains at 50% to attain a class of 2,000, it only needs to admit 2,000 students from its pool of 8,000 regular applicants and the early decision applicants that it has deferred. Hence, its acceptance rate will fall to 30% (3,000/10,000) and its yield will rise to 67% (2,000/3,000).

<sup>4</sup>An example from my own university illustrates this point. Cornell's Arts and Science and Engineering colleges' entering freshmen have the highest average test scores in the university. They also have among its lowest yield rates because there are many high quality engineering and arts and science colleges in the nation. For many of the students enrolled in these colleges, Cornell was not their first choice. In contrast, the yield rates at Cornell's School of Industrial and Labor Relations and its Hotel School are among the highest in the university because these schools are the preeminent places in the nation to study their subject matters, and most of the students enrolled in them are attending their first-choice institution. On average, students from the latter colleges rate their Cornell experience better than students from the former colleges. Granted, the student body is also larger in the former two colleges, which decreases student satisfaction.

A second reason that institutions like early-decision applicants, although this is rarely mentioned publicly, is that early-decision applicants are more likely to come from upper or middle-income families and thus require less institutional grant aid than typical applicants.<sup>5</sup> The intuitive explanation is that applicants who are very concerned about financial aid will apply to several institutions to see which one gives them the best offer. An early-decision applicant eliminates this possibility for himself or herself. Hence, increasing the proportion of the class enrolled by early decision is a strategy that institutions can use to dampen the growth rate of their financial aid budgets.

Of course, to the extent that financial need is correlated with race and ethnicity, early admission applicants and acceptances are likely to be more heavily white and Asian American than the institution's total applicant pool (Avery, Fairbanks, & Zeckhauser, 2001). Being admitted for upper- and middle-income White and Asian American applicants will probably be higher in the early-decision pool than in the regular decision pool. Increased awareness of this tendency among high school students, parents, and guidance counselors will put additional pressure on students to opt for early-decision applications. Another factor intensifying this trend is that some institutions now explicitly tell applicants that they give preference to early-decision candidates.

Consequently, to the extent that an institution values socioeconomic and racial/ethnic diversity, it will have to give extra attention in its regular admission process to underrepresented minority and lower-income candidates. In fact, when the University of North Carolina did not enroll a first-year class for 2002–2003 which was sufficiently representative of North Carolina's lower-income and minority populations, it announced that it was eliminating its early-decision program, making it the first major university to do so (Flores, 2002). Public universities face much severer political pressures to enroll a representative classes than private universities. Thus, while Richard Levin, president of Yale, proposed in 2001 that selective private colleges and universities as a group agree to abandon or reduce their dependence on early-decision applicants, to date no private institution has (Hoover, 2000).

USNWR is thus contributing to the pressures that institutions and students face to expand the early-decision application process and it is not clear that this is in either the institutions' or the applicants' interest. (See Roth and Xiaolin, 1994, for this tendency of markets to "unravel," with transactions occurring earlier and earlier.) More high school students will be making decisions on where to apply earlier in their high school career, and these decisions may not be informed by as much information on institutional characteristics as the students should have. They will be forced to

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<sup>5</sup>Avery, Fairbanks, and Zeckhauser (2000) provide supporting evidence from 14 selective private colleges and universities during 1991–1997.

worry about higher education options earlier in their high school career before many of their interests are fully formed, thus putting unnecessary extra pressure on them.

All students contemplating early-decision application to a selective private college or university will face very difficult decisions. Should one make early-admission application to the institution that one really desires or to a slightly less selective institution? It will be more difficult to be admitted to the slightly less selective institution during the regular admissions process than during the early-decision process, a fact that may discourage some students from applying to the highly selective institution that they want. If these students enroll at the slightly less selective institutions, they will be less satisfied. Even more dissatisfied will be the students who stretched and made early-decision applications to the highly selective institutions, were turned down, and then found that they could not be admitted to the slightly less selective institutions during the regular admissions process. They will be forced to enroll at even less selective institutions. As a result, it is reasonable to hypothesize that, as the proportion of early-decision admissions expands, more and more freshmen may transfer after their first or second semesters.

The third criterion included in student selectivity ratings is the proportion of entering students who were ranked in their high school's top 10%. Using class rank as an admission criterion is currently fashionable at public universities in a number of states, including Florida, Texas, and California. This criterion, however, penalizes students who attend tough schools with highly competitive student bodies. In addition, many high schools no longer rank their students. For example, in a recent year, 80% of the freshman students whose high school class rank was reported to Cornell were ranked in the top 10% of their classes but 35% of Cornell's entering freshman had no rank reported.

Perhaps more disturbing, the class rank variable used by *USNWR* is only for new freshmen who enroll in the fall of the year. Neither freshman students who first enroll in the spring or transfer students' class rank are included. Thus institutions that are interested in expanding enrollments have an incentive to admit more January freshmen or transfers rather than expand their fall freshman enrollments. Such a strategy may make financial sense for institutions with limited on-campus housing or constraints on the number of sections of widely required courses they can offer. However, it makes less sense to the admitted January freshman and transfer students who would benefit from being integrated into the institution's community at an earlier stage of their college careers.

A similar argument can be made about the use of SAT or ACT average test scores as the last criterion in the student selectivity category. A number of selective private institutions—including Sarah Lawrence, Mount Holyoke,

Bowdoin, Dickinson, Franklin and Marshall, and Connecticut College—have made SAT scores reports optional for their applicants. Several institutions made this change in the early 1990s before the *USNWR* rankings had achieved the prominence that they now have. However, several made the change much more recently at times when they were known to be unhappy about their *USNWR* rankings. In each case, the institution explained the change as prompted by concern about the possible unfairness of the test to low-income and underrepresented minority applicants, wanting to judge applicants on a much wider dimension of their accomplishments, and encouraging high schools students to spend time on other activities than preparing for tests.

Obviously, if the test is optional, only students who score well will report it, causing average test scores for admitted applicants that are reported to *USNWR* to rise. Inevitably, these institutions will see their *USNWR* rankings improve. In addition, because SAT scores are no longer required, students with weaker SAT scores (and, arguably, weaker academic preparation) who previously would not have applied to these institutions may do so. An increase in applicants will permit the institution to reduce its acceptance rate, which in turn will further improve its *USNWR* rankings. The magnitude of the rise in the rankings experienced by many of these institutions in the years after they made SAT score reporting optional has already been documented, and these increases in rankings are not restricted to institutions that started off in the top selectivity tier (Yablon, 2001).

This is not to say that it was wrong to make the test score reports optional. However, it is worth noting that a recent meta-evaluation conducted by researchers at the University of Minnesota concluded that SAT test scores are highly correlated with a wide range of educational outcomes at many institutions (grade point average, rank in class, persistence to graduation) so one wonders why institutions would not want to have the information on all applicants' test scores and at least be able to consider them in their admissions process. Because the College Board financed this study, some observers have challenged its findings (Jacobson, 2001). A recent proposal by Richard Atkinson, president of the University of California system, to eliminate SAT scores in admissions decisions is not subject to the same criticism because Atkinson proposes replacing the SAT by a set of criteria, including SAT2 or similar tests that measure subject matter achievement (Selingo & Brainard, 2001). How *USNWR* would alter its rankings methodology if large highly selective institutions, such as Berkeley, did not consider SAT scores in their admissions processes is not known.

### *Faculty Resources*

The third criterion that *USNWR* uses in its methodology is faculty resources, giving this criterion a weight of 20%. The factors included in it are

average faculty salaries (deflated by a regional cost-of-living index), the percentage of faculty with terminal degrees, the percentage of full-time faculty, the student-faculty ratio, and the percentage of classes with fewer than 20 students (good) and more than 50 students (bad).

While no professor in his right mind, including me, will argue against having more full-time faculty, more small classes, lower student-faculty ratios, more faculty with terminal degrees, and higher paid faculty, the heavy weight that faculty salaries get in this criterion (35%) provides an incentive for institutions to continue increasing faculty salaries even if market conditions do not warrant such increases, as long as they have the resources.<sup>6</sup> Indeed, this factor may provide part of the reason that faculty salaries in private research and doctoral universities have risen so substantially relative to those in public research universities during the last 20 years (Ehrenberg, 2000, chap. 2). While salary increases for faculty at public research and doctoral universities have been constrained by limitations on state funding, private institutions have vigorously increased their spending to enhance their activities and their reputations.

### *Graduation and Retention Rates*

USNWR's fourth criterion is the institution's six-year graduation rate and freshman retention rate. This criterion receives a weight of 20%. All academic leaders should be in favor of improving their students' retention and graduation performance. However, such success can be achieved, not only by improving students' educational experiences and financial support but also by watering down requirements for academic progress. USNWR focuses on these outcomes, not on the methods by which they are achieved.

### *Financial Resources Per Student*

USNWR's fifth criterion is financial resources per student, measured by the average educational expenditures per student and weighted at 10%. USNWR has paid considerable attention to improving this variable's measurement in recent years, including giving less weight to expenditures on research and adjusting for the fraction of an institution's students enrolled in graduate programs.<sup>7</sup>

Use of this measure places academic institutions in a very difficult position. On the one hand, they would like to hold their expenditures down to

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<sup>6</sup>USNWR's use of average faculty salaries also ignores the fact that average salaries may differ across institutions because of differences in their faculty's field and age distributions. For example, if two institutions offer the same average salaries for faculty members in any given field, but the first hires a much larger fraction of its faculty in high-paying fields, such as law or business, the first will have a higher average salary overall than the second.

<sup>7</sup>Changes in measuring the expenditure per student variable resulted in much of the variation in the rankings that my own institution experienced in the late 1990s (Ehrenberg, 2000, chap. 4).

reduce increases in undergraduate tuition. On the other hand, if any institution unilaterally reduces its rate of growth of expenditures per student, let alone cuts the level, its *USNWR* ranking would fall because of the weight placed on expenditures per student in the ranking methodology. You can imagine the reaction of the Cornell Board of Trustees' Finance Committee, who were berating the Cornell administration to behave more like a business and hold the university's costs down, when I explained to them one year that the university could not unilaterally do so because of what it would do to our *USNWR* ranking and, in turn, to our ability to attract high-quality students. Put simply, *USNWR* encourages institutions to spend more, not to spend less.

### *Alumni Contribution and Graduation Rate Performance*

The final two criteria—the fraction of alumni who make annual contributions to the university and an estimate of graduation rate performance that controls for the quality of an institution's entering class and the generosity of its financial aid policies—are minor, receiving a combined value of only 10% in the ranking scheme. I have discussed elsewhere the actions that Cornell took to try to improve its performance on the alumni giving measure (Ehrenberg 2000, chap. 4). Some of these actions were "improvements" in the quality of the underlying data that made the institution look better.

Virtually every academic institution engages each year in a process of examining all of the data it is planning to submit to *USNWR* to see if it can make legitimate adjustments to the data that will improve its ranking. Of course it is a rare institution that carefully examines whether it unintentionally erroneously reported something that overstates its position. One may well wonder if the resources that each institution devotes to preparing, checking, and adjusting its data could more productively be either saved or used to educate students.

## EVALUATING *USNWR* RATINGS

There is a tendency among some academic leaders to blame *USNWR* for many of the ills that their institutions suffer. However, the *USNWR* rankings are probably more symptomatic of the increasingly competitive environment in which academic institutions find themselves than its underlying cause. While I have indicated that the *USNWR* ranking methodology provides incentives for institutions to take actions that are not always socially desirable, the methodology does not penalize institutions for cooperating in ways that improve the education they are providing for their students or for increasing the efficiency of their operations. Some concrete examples illustrate this point.

A consortium of 15 institutions associated with the Associated Colleges of the South has created a virtual department of classics (Morrell, 2001).

Prior to this development, the department at each member institution had at most three or four faculty members—not enough to provide a rich range of undergraduate classics' courses to each institution. Most classics faculty members at the institutions devoted the majority of their time to teaching a few basic courses, and enrollments were seldom large enough to justify offering a large number of elective courses. Now a faculty member can offer a course simultaneously to students at his or her own institution and also to students at one or more other consortium institutions through distance-learning technologies. As a result, other faculty members' teaching time is freed up, enabling them to offer a wider range of electives in the same manner. The classics courses had small enrollments to start with, and combined enrollments across institutions in any one course are still probably less than 20. So unless *USNWR* gets in the business of counting courses taught by faculty from other institutions by distance-learning technologies as courses taught by part-time faculty, no consortium member's *USNWR* ranking will be hurt by this change. The education of students at all of the institutions will be substantially improved.

Professor Sarah Turner of the University of Virginia and I each teach a course on the economics of higher education. During the fall of 2001, we taught a number of classes simultaneously to Cornell and Virginia students using a two-way compressed video system transmitted over the Internet. Students enrolled in the course listed at their home institution with the faculty member from that institution as the instructor. Class sizes at each institution did not change, and no revenue passed between the institutions. However, students from each institution benefited from interacting with two faculty members who had somewhat different perspectives on a number of issues and from hearing the views of students from a different institution.

Two or more institutions located close to each other can, and do often, collaborate in making courses taught at one institution available to students from other institutions—as the institutions in Massachusetts' Pioneer Valley already do. Class-size limits may be necessary not to spoil an institution's *USNWR* ranking on the proportion of classes it teaches that enroll 20 or fewer students, or *USNWR* may be encouraged to change its ranking system so that institutions will not be penalized if their reported class sizes increase when such collaborations occur. Still, such student exchanges clearly benefit students and allow institutions to diversify their curriculum by drawing on neighboring institutions.

As distance-learning technologies improve, such exchanges will increasingly transcend the limitations of geography. For example, a Cornell law professor regularly teaches a course on a very specialized legal topic to law students enrolled at Cornell and three other law schools. Interest in the subject is not sufficient at any one institution to warrant regularly offering the course and the other three law schools do not have a professor capable

of teaching it. By sharing the cost of providing the course at Cornell, all four institutions benefit from it. This course is taught by a combination of real-time two-way compressed video classes and Web-based lectures, readings, and discussion groups. Each student receives course credit at his or her own institution.

To take another example, in the fall of 2001, ReCAP (the Research Collections and Preservation Consortium of Columbia, Princeton, and the New York Public Library) built a single off-campus storage facility to house rarely used books from the three libraries. During the initial five years of operations, this consortium plans to build a joint collection of over 6 million items with delivery of a needed book guaranteed to users at each consortium institution within 24 hours. (See <http://www.columbia.edu/cu/lweb/indiv/recap/index.html>.) By pooling their collections in one place, the three institutions can deacquisition duplicate copies and thereby achieve considerable savings in preservation and storage. The savings can be redirected towards other educational uses at each institution, and deacquisitioned books can be donated to other libraries. In addition, the joint collection effectively becomes the "property" of each library, so each can claim to have more books in its collection than it did before the project began.<sup>8</sup> While library collection size does not enter into the *USNWR* rankings, libraries use it as a standard in their national comparisons.

Academic institutions can share resources in many other ways. Administrative savings could result from combined "back office" operations. For example, if multiple institutions develop a common purchasing department, they can probably achieve economies of scale and negotiate better prices for suppliers. The savings that they achieve can be redirected towards improving the education that they provide to their students.

The bottom line is that the *USNWR* ranking methodology does not discourage academic institutions from collaborating with their competitors to improve the educations they are offering undergraduate and graduate students. Currently, however, *USNWR* does not reward institutions for doing so. *USNWR* would perform a real public service if it changed its ranking methodology in a way that encouraged institutions to collaborate on academic matters.

Nor should the *USNWR* rankings methodology be seen as discouraging institutions from collaborating on nonacademic operations to achieve financial savings. While its methodology rewards increased spending, it does not penalize institutions for reallocating financial savings from nonacademic

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<sup>8</sup>For example, if each of the three institutions had 2,000 rare books and 1,500 of these were unique (held only by a single library) while 500 were triplicates (held by all three libraries), the collection held in the combined storage facility would be 5,000 books, while 1,000 books (two copies of each of duplicated 500 books) could be deacquisitioned and donated to other libraries.

operations to academic operations. Again USNWR would provide a valuable public service if it modified its ranking methodology to explicitly give colleges and universities credit for devoting a greater share of their resources to their academic enterprises.

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