The University of Virginia, the child of Thomas Jefferson's old age, is a university of national stature. Its historic core, the Lawn, has been placed on the U.N. World Heritage List and once topped an American Institute of Architects poll to name the "proudest achievement in American architecture." Jefferson wasn't just interested in pavilions and rotundas, though; his goal was to build a scholarly community that would rival Yale and Harvard.

Yet this national treasure, founded with dreams of academic greatness, is also a state university subject to the dictates and financial resources of the Commonwealth of Virginia. In the past decade, these constraints have made it difficult for "Mr. Jefferson's University" to approach even the leading public universities with which it is often compared, such as Michigan or the University of California at Berkeley, let alone Harvard or Yale. Although the widely publicized U.S. News rankings rate Virginia's undergraduate program with Berkeley's, the overall standing of any university also depends on the scholarly reputations of its graduate programs and professional schools. By this measure many of Virginia's departments, including my own department of economics, fall short of their counterparts at those schools. And the prospects for closing the gap are dimming.

All of Virginia's higher education institutions have suffered as the state's budget lurched from the expensive car tax rollback in the late 1990s to revenue shortfalls when the tech bubble burst. But to understand the University of Virginia's particular situation, we have to look back to the 1960s, when it was a good regional university with a fine law school, but was not a national player. Then, university leaders took advantage of strong state financial support to build some first-rate departments in the humanities, while private funding pushed Virginia's graduate business school, the Darden School, to prominence. By the '90s, U-Va. was part of the way to becoming a top national university as measured by strength of research and scholarship.

In a sense, though, that was the easy part. Humanities faculties are relatively inexpensive, and law and business schools are able to attract substantial private support. Virginia needs stronger science, engineering and quantitative social science departments -a much greater challenge. (University administrators nationwide say that the three most difficult fields in which to hire faculty members are biology, computer science and economics/finance.) In the late '90s, university leaders resolved to take further steps toward becoming a top national university by improving the natural sciences and engineering.

Earlier, however, beginning with the recession and revenue shortfalls of the early '90s, the university had lost the strong support of the state. Taxpayer funding per in-state student stayed flat from 1993 to 2001, while its real buying power, as deflated by the consumer price index, fell by about a quarter. By 2003, the contribution of tax funding per in-state student had fallen essentially in half since 1990. State universities nationwide have seen tax support decline, but Virginia provides U-Va. little more than half the funding per student that North Carolina does for its flagship Chapel Hill campus.
and only about 60 percent of what Berkeley receives from California. To make matters worse, in 1995 the state froze and later reduced the amount state schools could charge for in-state tuition.

The university responded with a fundraising campaign that raised $1.4 billion. Unfortunately, only a small portion of the funds raised were for those academic disciplines that must be improved if the university is to attain top status. And then came the recession and the collapse of the tech bubble. By 2001, Virginia's tax revenues had fallen far below expectations, and tax funds supporting the university dropped sharply. At the same time, the stock market slump made private fundraising much more difficult. To compound the problem, the state continues to rein in tuition for in-state students. As a result, faculty hiring has virtually ceased, salaries are frozen and budgets have been trimmed in smaller but noticeable ways.

How harmful has this latest dip in the revenue rollercoaster been?

The good news is that fewer faculty members have left than in the relatively prosperous late '90s. Virginia's budget problems are echoed in other states, diminishing opportunities for our faculty to move to other jobs; even so, my department will lose roughly a sixth of its members this year to retirement and resignations. And students have begun to recognize that tuition caps may not be in their best interest. It is not often that customers complain about low prices, but the editors of the student newspaper, the Cavalier Daily, have called for higher tuition rates. Once that message sinks in to students' parents, perhaps politicians won't be so afraid to let students pay more for the quality they want.

However, it is clear that vaulting the University of Virginia into the top tier of national research universities will not be nearly as easy as it appeared in the optimistic late '90s— and it didn't look particularly easy even then. State support will probably remain a small portion of total university funding even after we pass this particularly bad patch. Moreover, unless the stock market rebounds soon, private fundraising is likely to be more difficult in the future. And unless the legislature relents on tuition caps, this third revenue source will not be forthcoming either.

The more serious risk facing the university is that the academic gains made between 1960 and 1990 will slip away and it will gradually slide back to its former status as a good regional school.

Greatness in a university is very difficult to attain and easy to lose. At bottom, as Jefferson knew, academic greatness requires recruiting and retaining top faculty members, and providing them an environment in which to flourish. In the competition for such people, the University of Virginia has several assets but also some obstacles to overcome. Talented students, a beautiful location and its history are certainly attractions. But highly cyclical revenue sources mandating "stop-and-go" hiring policies make it tough to maintain, let alone improve, faculties, especially in the hard-to-hire fields so crucial for national prominence. Truly outstanding scholars are scarce and difficult to hire. Moreover the best people are attracted to departments with able colleagues, so a department can collapse if a few leading faculty members leave. And, as Humpty Dumpty proved, it is hard to put the pieces back together again.

Virginia competes for faculty members not only against good public universities, some of which have been targeted for improvement by their states and have generous resources to
accomplish that goal, but also against well-endowed private universities. As a former department chair, I felt fortunate to get a "yes" from a third of those to whom we offered faculty positions.

The top private universities, while affected by the stock market slide, have not seen their endowments slip as much as the support for public universities. Not only are their resources greater than those of most public universities but their revenue seems to be more stable. Stability allows a gradual approach to improvement. Volatility and stop-and-go hiring in the academic market are extremely wasteful because it is difficult to hire intensively in the "go" periods, when many other institutions are trying to do the same thing.

The future of the University of Virginia is in the hands of the citizens of Virginia. Continued tuition caps and depressed state funding will, in the absence of phenomenal private fundraising, surely defeat the goal of advancing to the top tier of national universities, broadly defined. Just lifting the tuition caps will help - and it is appropriate that our students pay a larger share of the costs of their own educations. But if Virginians want a public university of the quality of a Michigan or a Berkeley, they must have the political will to finance it. For years the state has been lucky in getting a leading university at bargain prices and may be lulled into thinking that it always will, but eventually you get what you pay for.

Our neighboring states have committed themselves to excellence in higher education. The University of Maryland has improved markedly in the past decade because of a strong state commitment to building a public university of national prominence. Penn State offers a similar example, as do the University of North Carolina and the University of Kentucky. In my field, economics, the most popular undergraduate major at Virginia, aggressive hiring of high-quality faculty members by Maryland has boosted its economics department above ours in the U.S. News rankings of graduate programs. It would be ironic if those states whose efforts were originally motivated by a desire to emulate the University of Virginia passed us going up as we were on our way down