

Feeding Frenzy

By Leslie Carbone

The cost of a college education continues to climb, despite—or, more likely, because of—skyrocketing subsidies. According to the College Board, tuition and fees for the 2003-04 academic year at private, four-year institutions reached \$19,710—up \$1,114, or 6 percent, from the previous year. Prices at public, four-year institutions shot up \$579, to \$4,694—more than 14 percent. By contrast, the overall Consumer Price Index rose by only 2 percent from October 2002 to October 2003.

These most recent increases are part of a decades-long trend, according to a recent report by the U.S. House Committee on Education and the Workforce, “The College Cost Crisis.” In the 1980s, the report says, tuition and fees not only began to rapidly outpace consumer prices but also rose more than three times as fast as median family income. Recent history suggests that the ’80s weren’t an aberration, but the kick-off of a persistent trend. Since 1981, the cost of a four-year college education has risen by 202 percent, one of the few statistics that can make the 80 percent rise in CPI over the same period look small.

Any number of theories can be advanced to explain the rapid rise of college costs. One of those most often cited is the idea that colleges must increase tuition because of a weak economy; this is particularly the case, the theory goes, with state schools that face budget cuts. Twenty-one percent of Americans consider “decreasing aid from state and local governments” to be a primary factor in soaring college costs, according to the

committee’s report. The weight of evidence refutes this notion, however. As “The College Cost Crisis” warns, “Tuition increases have persisted regardless of circumstances such as the economy or state funding, and have far outpaced inflation year after year, regardless of whether the economy has been stumbling or thriving... When times are tough, institutions increase tuition... when times are good, institutions increase tuition...”

Thirty-three percent of Americans believe that college waste is one of the two primary factors contributing to the high price of education; another 26 percent think that institutions are spending too much on construction projects, such as student common areas, dormitories, and sports facilities.

Time magazine recently reported that colleges are spending millions of dollars on luxurious living spaces in order to entice the demanding children of baby boomers. A \$28 million dormitory at Chicago’s Illinois Institute of Technology boasts a glass elevator that rises to a fifth-floor penthouse featuring a lounge with leather sofas and a 50-inch plasma television. A wireless Internet connection informs students when their laundry is done. Exclaims an 18-year-old resident, “I was, like, ‘Wow, this is so cool.’”

Stories like this certainly give credence to the waste theory, but monumental malfeasance needs an enabler. College administrators have found one in a federal government that for decades has responded to soaring prices by increasing subsidies. As then-Secretary of



Education William Bennett explained in 1987, “increases in financial aid in recent years have enabled colleges and universities blithely to raise tuitions, confident that federal loan subsidies would help cushion the increase.” And they have.

Until the mid 1960s, federal subsidies for higher education primarily underwrote items identified as national priorities, most notably security and defense. Subject areas range from engineering to the cultures and languages of areas deemed vital to national interests. The National Defense Education Act of 1958 provided large subsidies in the form of loans, grants, and fellowships, to states and institutions, as well as directly to students.

Then higher education itself was redefined as a national priority. As it did in so many other areas, President Lyndon Johnson’s Great Society program vastly expanded the federal role in education. His Higher Education Act of 1965 appropriated \$804 million to subsidize a panorama of para-educational activity including facility construction, community service, and library assistance, training, and research.

As John Andrew writes in *Lyndon Johnson and the Great Society*, “Too often Johnson deliberately understated the continuing costs of new programs and requested only modest funding, hoping that once under way neither Congress

nor the public would desert them.” Regrettably, Johnson’s political calculation and cynical view of humanity were right on the mark. By 1970, federal higher education spending had reached \$1.4 billion, and 1983’s \$14.5 billion represented a ten-fold increase over the 1970 number.

Twenty years later even that figure looks paltry, as federal higher education subsidies reached approximately \$90 billion in 2003, nearly \$65 billion of it paid directly to students, with \$15 billion in the form of grants and \$48 billion as loans. According to the College Board, the federal government now provides 68 percent of direct student aid.

Pell grants are considered the cornerstone of federal student aid. Intended only for students from low-income families, Pell grants are means-tested. Unlike loans, they do not need to be repaid. During the 2002-03 academic year, Pell grant funding reached \$11.7 billion, a 17 percent increase over the year before, which saw a 23 percent increase of its own the previous year. There is an upper limit to how much a student can receive in Pell grant aid. In 2003, the limit was \$4,050. Twenty years earlier, it was less than one half that amount at \$1,800, and total Pell grant funding was \$2.4 billion, roughly one-fifth what it is now.

Approximately 40 percent of all college loans—public and private—come through the federal government’s subsidized Stafford Loan Program. The government pays the interest on these loans while the student is in school and continues to subsidize it afterwards. Intended to make college more affordable, these giveaways have done the opposite. “The College Cost Crisis” states that in the

10-year period ending in 2001-2002, the Consumer Price Index increased by 30 percent, while median family income increased by 40 percent. *In that same time period, federal student aid increased by 161 percent.* There is no ques-

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tion that the federal contribution to student aid programs has been significant, and has increased much more quickly than the rate of inflation in order to keep pace with college costs. However, college costs have risen dramatically over the past three decades, and even the immense federal contribution has struggled to keep pace with skyrocketing tuition increases.

Herein lies the problem. As long as the government continues to give colleges what they ask for, they’ll keep asking. Like all idols, money never satisfies; on the contrary, it only increases the desire for itself. College administrators are not suddenly going to reach some level of tuition where they’re satisfied; they’re going to keep on increasing it as long as they know that the government will pay. High rates of taxation are going to continue to oppress families, particularly those of the middle class. And newly minted alumni are going to start their careers and their families under increasing burdens of debt.

The social and educational consequences will continue to be disastrous. Federal aid has already removed most of colleges’ accountability to students and parents. The result has been a mountain of absurdity, as colleges offer courses like “Fetishism, Gender, Sexuality, and Capitalism” (University of Chicago), “Lesbian Communities and Identities” (Stanford), and “Daytime Serials: Family and Social Roles” (University of Wisconsin). The less students and their families contribute directly to their educational costs, the freer institutions are to pass off this silliness as scholarship.

Individuals and families will continue to grow more and more dependent on government—and consider it a normal state of affairs. As with so many other necessities—health care, elder care, housing—bollixed by government meddling, federally funded education conditions the citizenry to expect a nanny state that provides every necessity—and more. Indeed, even faced with the facts that government involvement in these areas has *increased* costs while diminishing quality, the constant refrain is that government must support colleges because they’re so important. Of course they’re important—and that’s why government shouldn’t be allowed to continue to do them positive harm.

Ever-increasing taxes will make government aid more of a necessity, as people are unable to afford to provide for themselves. The result is what twentieth-century welfare state critic Wilhelm Roepke called “an absurd two-way pumping of money when the state robs nearly everybody and pays nearly everybody, so that no one knows in the end whether he has gained or lost in the game.”

On top of the tax burden comes the debt burden. Graduating five and six digits in debt, young Americans face limited choices. Some are forced to reject lower paying public service work, others delay marriage and children. Even worse, it accustoms people to living in debt, teaching that debt is a necessary evil of modern life, or even simply the approved pathway to instant gratification.

There is a better way. Continuing to feed educational institutions’ insatiable appetite for money only encourages more and more tuition increases—and all the woes that attend government giveaways. Congress must simply stop trying to keep up with rampant tuition hikes—and thereby force colleges to rein in their costs.

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Leslie Carbone is author of the forthcoming Slaying Leviathan: The Moral Case for Tax Reform.