

THE COST of a college education is skyrocketing. From 1981 through 1987, it rose 99 percent faster than median family income and three times as fast as the cost of living. On average, a four-year public-college education now costs over \$20,000; at some elite schools like Harvard and Stanford the bill can exceed \$80,000.

Though a majority of young people continue to go to college, the burden on families is tremendous. Parents' life savings dwindle under the strain. Young men and women go deeper into debt than ever before, hoping that their future earnings will make repayment relatively painless. Meanwhile, more and more taxpayers' dollars are routed through state and federal programs to fund grants and guaranteed loans.

Ironically, a chief cause of the escalating price of higher education is this government aid, for as colleges and universities have received billions of dollars in subsidies, they've been encouraged to boost prices and waste money.

Federal aid to higher education increased from \$9.7 billion in 1981 to an estimated \$14.4 billion in 1988, a 48-percent increase, while the Consumer Price Index rose only 25 percent. Not to be outdone, state governments also have let the bucks flow: state subsidies went from \$20 billion to an estimated \$34.7 billion during the same period.

More important, student aid has become largely predicated on need, linking the availability of federal

Today's sky-high fees are simply what it takes to get the best teachers, educational equipment and facilities, right? Wrong

Must College Cost So Much?

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JOHN HOOD

and state subsidies to students' ability to pay. Many colleges have taken the bait and made school more expensive to attend, thus boosting their federal dole. This, in turn, has fueled political pressure on government to increase its need-based student aid. The result is a vicious circle.

Says Eamon M. Kelly, president of Tulane University, "We set our tuition as high as possible and then allocate most of the extra money to financial aid." Adds Michael O'Keefe, president of the Consortium for the Advancement of Private Higher Education, "At some colleges, institutional student aid now exceeds expenditures for the entire educational program."

Waste has become rampant. "As colleges raise their costs, they collect additional federal aid," says Charles S. MacKenzie, president of Grove City College in Pennsylvania and former president of the American Association of Presidents of Independent Colleges and Universities. "There is a great deal of fat in higher education, and the government pays the price. Because of government money, schools have not had to be as fiscally responsible as they otherwise would have been."

Even Rep. Chester G. Atkins (D., Mass.)—a former member of the House Subcommittee on Post-secondary Education and a strong supporter of federal aid to higher education—notes, "College administrators have used federal support to avoid the kinds of cost controls on capital spending that just about every other institution in our society has instituted in the past few years."

Northern Illinois University, for instance, opened a new engineering school in 1986 at an estimated cost of \$19.3 million spread out over the next decade. This year a second college, Illinois Institute of Technology, began planning construction of yet another engineering school—just 35 miles away from Northern Illinois University—with a start-up cost of \$7 million.

At Cleveland's Case Western Reserve University, recruiters spend an astounding \$2700 per incoming freshman. Harvard University managed to spend \$50,000 building a

guardhouse that a nearby hotel later duplicated for a fraction of the cost.

Gov. Mario Cuomo of New York, a champion of government spending, seems exasperated at the tenacious bureaucratic waste of college administrations. At a budget presentation last year, Cuomo blasted the State University of New York. "They couldn't identify a single budget-cutting measure—not one penny's worth," he said. "I found it really inexplicable. The whole mentality was: 'You get whatever you can.'"

One factor behind these costly extravagances is the virtual absence of price competition. Pricing high to boost prestige has long been accepted in the Ivy League; now it has become general practice. At a Washington higher-education seminar in 1988, one Michigan college administrator joked that he was considering writing an honest tuition-increase letter to parents, saying that the school is maintaining high tuition for prestige rather than, as previously asserted, to offset rising costs.

In fact, there is an added irony: many colleges rely on steep tuition hikes to fuel their expenditure binges, while keeping the proceeds of other fund-raising activities—such as charitable donations, grants and investments—"in reserve." Even as college administrators justified price increases on the ground that more money was needed to meet operating expenses and fund student scholarships, there was an increase in private gifts, grants and research contracts to

higher education—from \$3.2 billion in 1981 to \$5.4 billion in 1986; endowments of higher-education institutions also grew, from \$23.5 billion to over \$50 billion. The money was there, but the cushion provided by government subsidies allowed administrators the luxury of raising prices instead.

Many in higher education claim that other factors besides federal and state money are responsible for rising prices. The most common argument is that since higher education is so labor-intensive, prices tend to rise more readily than in private business, because technology and other means of reducing costs are not applicable.

To some extent, this is true. But from 1982 through 1987 costs in higher education rose faster than costs in other labor-intensive industries. Furthermore the extra funds raised through price hikes are funneled increasingly to administration, not instruction. Although the final amount spent on instruction is higher, the portion of total funds allocated to instruction at U.S. colleges and universities declined by 1.9 percent between 1976 and 1986, while the administrative portion increased by 4.3 percent, according to the Higher Education General Information Survey conducted by the U.S. Department of Education.

Another increasing portion of the academic pie during that period was "student services"—a dubious category including not only institutional financial aid but everything from college-run counseling services to "safe sex" kits. Exempting student services and administration, the share of expenditures for almost everything else—research, libraries, instruction, operation and maintenance—went down.

Indeed, tuition increases have not improved higher education in any measurable way. Academic standards have remained constant or have even fallen during the 1980s.

Has the real value of a college degree increased so much since the beginning of the decade, or are parents simply paying too much for their children's education?

The available evidence indicates the latter. Robert V. Iosue, president of York College of Pennsylvania, points out that many colleges have raised prices even more than the gross numbers show by providing less education per dollar—trimming the school year, requiring and offering fewer classes, arbitrarily changing three-credit courses to four credits, shortening classroom periods, and spending less on libraries and educational programs. Says Iosue: "I think students are getting ripped off."



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