

Higher Education Bubble Spawns Demographic Decline Among Educated Americans

by [Hans Bader](#) on August 28, 2012 · [1 comment](#)

in [Economy](#), [Employment](#), [International](#)

The *Washington Times* [takes note](#) of the burgeoning [higher education bubble](#) in a recent [editorial](#):

The cost of a college education has soared far in excess of the cost of health care. This is in spite of — or, more accurately, because of — massive government involvement in subsidizing and running schools. . . Doing more of the same isn't a realistic answer. America is in the midst of what University of Tennessee Prof. Glenn Reynolds calls the “higher education bubble.” As with the housing bubble, cheap credit is the primary culprit in inflating the price of schooling. Federal student loans subsidized by taxpayers have made learning more expensive, not more affordable.

The Cato Institute's Neal McCluskey estimates federal student aid increased by 372 percent between 1985 and 2010, from just under \$30 billion to almost \$140 billion. To put it another way, as Mr. McCluskey explains, “Taxpayer-funded outlays per degree rose from \$58,755 in 1985 to \$78,347 in 2010.” This flow of cheap money corresponded with rapid growth in tuition at rates well above average inflation. Mr. Reynolds reports that college tuition grew at almost 7.5 percent annually between 1980 and 2010, when average inflation was 3.8 percent. At less than 6 percent annually, even health care costs grew at a slower rate than the university tab.

Young people aren't getting much in exchange for this huge outlay. While enrollment has increased, completion rates remain dismal. Barely a third of students complete their degrees in four years, and less than 60 percent earn their degree in six years, according to Mr. McCluskey. That means at least two out of five enrollees don't finish and fail to reap the benefits of a post-high-school education. Even those who complete their programs of study and are fortunate enough to find employment find that in one out of three cases, their degree isn't required for their work.

Earlier, I wrote about how exponentially growing student loans are [driving up tuition and creating a demographic time bomb](#) as well as a higher-education bubble that could [explode](#) in taxpayers' faces.

As college costs and student loan debt soar (partly due to opulent university spending) and unemployment rises, young college graduates, crushed by student loan debt, are deciding not to have kids, resulting in demographic decline among the educated in America. In recent years, student loan debt has **skyrocketed from \$100 billion to nearly \$1 trillion**, creating a potential **debt bomb** for the American economy.

France and **England** now have **higher birth rates** than America. College-educated people in their 20s are definitely more likely to have kids there. “American fertility is now lower than that of France” and the United Kingdom, **notes** *The Economist*, even though American fertility was higher than France or England in 2007.

Why the recent change? Could it be because college graduates in England and France have less student loan debt? Tuition is lower there. Per capita expenditures are lower at their elite schools. France and England spend much less on physical plant for colleges and universities. Faculty salaries don’t get as high there.

The buildings at my French-born wife’s *alma mater* don’t look very impressive, although she studied and learned a lot there. If a French university outwardly looks more like a high school than a Harvard, that’s OK with them. What matters to them is the learning that takes place within, not whether it looks like a college marketer’s movie-set image of what a university should look like. French students also study a lot more than American students, so they may be more accustomed to not having spare time (something that may help prepare them to have kids after they graduate, since parents of young children have little free time).

U.S. colleges are borrowing lots of money for fancy, unnecessary facilities, **gambling** that they can pay the interest on their increased debt by increasing tuition on future students. This is already resulting in growing numbers of American universities facing “**financial trouble**,” notes *The Economist*.

As *USA Today* noted earlier, American college students **learn less and less** with each passing year, according to recently-released research. “Thirty-six percent” of college students learned little in four years of college, and students now spend “50% less time studying compared with students a few decades ago, the research shows.” Thirty-two percent never take “a course in a typical semester where they read more than 40 pages per week.” Less time spent studying gives students more time to work to pay their inflated tuition.

Actions by the Obama administration have **increased college costs** and **driven up tuition**. The **administration** has also **discouraged vocational training** needed for high-paid, skilled manufacturing work, contributing to a **severe shortage** of **skilled factory** workers — thus making it harder for factories to expand their operations and hire workers, including the unskilled workers among whom unemployment remains highest.

Countries’ success has little to do with how many of their citizens graduate from college. As *Washington Post* economics columnist Robert Samuelson **notes**, “Some robust

economies have workforces with a **much smaller share** of college degree-holders than the United States.” Tuition in American universities has also been driven up by the cost of **administrative bloat**, such as the **growth of a vast and costly “diversity machine”** in college administrations, and red tape that **results** in some colleges having **more administrators than teachers**.