

Commentary

The \$10,000 College Degree

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Whenever the cost of a good or service consistently rises above the rate of inflation one of two things is going on. Either the supply is fixed while demand is increasing or there is a cartel in operation.

With the immense increase and spread of wealth in the last 30 years (in 1982 it took \$82 million to make the Forbes 400 list, today it takes \$1.3 billion, a 650 percent increase net of inflation), such things as fine art, rare books, and caviar have soared in price because the supply of each is static. There are only so many Guttenberg Bibles, 18th-century dining tables, and Winslow Homer paintings in existence, after all, while the sturgeon of the Caspian Sea can supply only so much caviar without going extinct (which would make the price of caviar infinite).

But the supply of college degrees is not fixed. Regardless, tuition and other college costs over the last 25 years have increased 440 percent, about four times the rate of inflation. So there's a cartel in operation. Colleges don't compete with each other in terms of price, partly because most colleges are non-profit and therefore the bottom line is not of supreme concern. But that doesn't mean that non-profits don't make a profit. Many colleges, in fact, are quite profitable, but the money is invested in such things as research, larger faculty, more and more luxurious facilities, and, especially, an ever-expanding administration. The number of administrators at Perdue University has [grown 54 percent](#) just in the last decade, six times as fast as the number of professors. It's a beautiful example of the well-known political science dictum that, absent outside pressure (such as the profit motive), institutions tend to evolve in ways that favor their elites. Vance Fried, of the Cato Institute, explains at [some length](#).

But outside pressure is beginning, finally, to materialize. In 2011, Governor Rick Perry of Texas challenged his state's public colleges to come up with four-year degree programs that cost no more than \$10,000. He wanted this accomplished by using online courses and competency-based credits, (i.e., you can get credit for a course essentially just by passing the final.) The idea was, of course, pooh-poohed by the higher education establishment, and declared impossible. But it is beginning to [catch on](#). Governor Rick Scott of Florida is now calling for the same thing at Florida public colleges and universities.

With student debt now passing credit-card debt in this country and more and more people calling into question the value of a college degree, the outside pressure to cut costs is finally at hand.

That's bad news for the third assistant associate dean for diversity and feeling good about yourself, but it's very good news for students, parents, and the country as a whole.