



Subsidies, not profits, have crumbled the ivory tower

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It's not looking good for higher education. Student-loan debt is approaching \$1.6 trillion, \$400 billion more than car loans and \$600 billion more than credit card debt.

A 2017 NBC News-Wall Street Journal Poll found that 47 percent of Americans think that a college degree is not worth the cost. Attacks on and cancellations of conservative speakers have made colleges seem intolerant of dissenting views.

A bribery and cheating scandal that ensnared celebrities and other wealthy people has shone a light not just on illegal ways the rich seek special access to elite institutions, but the many legal avenues, too.

What's wrong with the Ivory Tower? To listen to many politicians, it is openly for-profit colleges. But as explained in the new Cato Institute book, "Unprofitable Schooling: Examining Causes of, and Fixes for, America's Broken Ivory Tower," the problem is not profit, nor is profit-seeking restricted to people in schools with for-profit tax designations.

The problem is the entire Ivory Tower sits atop an ever-rising swell of subsidies. Between 1980 and 2018, inflation-adjusted state and local educational appropriations to colleges rose from \$50 billion to \$86 billion. Inflation-adjusted federal subsidies to students ballooned from \$34 billion to \$154 billion.

Why subsidize college? A primary argument is to spur economic growth by increasing the skills and knowledge that make people more productive. Many people credit the 1862 Morrill Act, which infused money into "land-grant" universities, with launching the United States to the world's preeminent economic power.

But there is little indication that the United States was suffering a shortage of institutions to provide useful training to future engineers and scientists.

Instead, Morrill-funded education crowded out many private institutions that were successfully training large numbers of people, and both college enrollment and the economy grew faster before the Act took root than after.

As subsidies have become far more ubiquitous, higher education has become dangerously bloated. This has increasingly caused faculty and administrators to wrestle for the steering

wheels of their Titanics. Or perhaps Carnival Cruise ships, as waterparks have become a growing presence on campuses.

When the federal government started replacing student's money with government grants and loans, it had to ensure that dollars weren't flowing to diploma mills.

In so doing, it took once collegial college accreditation and made it a live-or-die process, heavily controlled by Washington, through which institutions must pass to access students with now-essential federal aid, and that restricts what new models, such as low-cost online education, can viably enter the market.

The sector that has tried hardest to work with the people most poorly served by traditional institutions has been for-profits, with schools that offer classes in demand by non-traditional students and on schedules convenient for students often working and rearing children.

Is this charitable outreach or predation? It's neither.

Yes, for-profits have seen a lot of troubling outcomes, including high loan default rates and sometimes poor employment outcomes. But this is in large part because they work with students who on average have much greater challenges (they are usually older and poorer) than students in any other sector.

While many for-profits have been accused of impropriety, such as deceiving prospective students, we rarely get to see if the accusations point to pervasive problems or isolated incidents.

Schools facing prosecution have little choice but to settle, lest they suffer huge hits to their reputations and budgets as they battle taxpayer-funded prosecutors. Meanwhile, officially non-profit sectors also have atrocious outcomes or are havens for the rich and influential.

In the end, all colleges and the people in them are pursuing profit — making themselves better off. The difference is in who profits. In a business, profits in the form of money go to owners or investors.

In “non-profit” colleges, the people in the institutions get higher salaries, lighter workloads or greater prestige. It's why there are far more people looking for jobs in academia than there are jobs: Getting paid to study what you love is a pretty good gig.

It is not the profit-motive that has enabled higher-ed obesity, but subsidies that have destroyed the counterbalance: the desire of consumers to get the most bang for the buck. With so many of those bucks coming from someone else, the willingness to demand efficiency, or to scrutinize a program, declines.

The Ivory Tower is broken not because of profit, but because of so much taxpayer money.

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