

EDUCATION NEWS

An Interview with Neal McCluskey: Buying Votes by Lowering Interest Rates?

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Michael F. Shaughnessy -

1) Neal, apparently there is a lot of hoopla about student loans. Now, when I went to college (when dinosaurs still roamed the earth) I washed dishes to pay for tuition, books, and room and board and fees. What's going on currently?

For the most part, people are using lots of subsidies to pay for a college education. There are state and local subsidies going directly to public colleges. There are federal subsidies to students in the forms of grants and cheap loans. And there are state and federal tax credits for consuming higher ed.

Basically, we have an ever-growing third-party payer problem, with taxpayers or someone else other than students paying for college. This increases student demand for frills and social time, and allows colleges to raise prices with near impunity. It's why college prices rise at rates exceeding almost any other major good or service.

2) I do know of some scholarships that are waived if you teach in a low income urban area. Is this still in place?

That's generally a state matter, and I know some states have it. Couldn't tell you which ones off-hand, though.

3) In YOUR mind, how responsible should parents be for a child's college education, and how responsible should those people in Washington be ?

The second part of the question is easy: Washington – meaning living, breathing taxpayers – should have no responsibility for paying other people's college costs. It encourages massive waste, rampant price inflation, and it is ultimately unjust to take money from one person and give it to another so the recipient can earn more money. It's also unconstitutional since there is no enumerated power allowing Washington to provide student aid.

As for parents, I think that all depends on the child and parents' means. A child might have no demonstrated aptitude or real desire to do college-level work and probably should get no parental support. Another might have great promise and pretty well-healed parents and mom and dad should pay a fair amount.

Of course “should” is a value judgment, and we can’t ignore reality. With cheap student aid ubiquitous and college prices reflecting that, parents would often be foolish to scrimp and save for college. The price would be too high because the assumed use of taxpayer funds is baked-in. So even if we think the right and noble thing to do is for parents to pay for college, it may be an impossible or irrational thing to do.

4) There are many private colleges that charge more than state universities, and many that charge less. Should students or prospective students “shop around“?

Definitely shop around, and that means looking far beyond sticker prices. It means factoring in likely aid to estimate actual prices, as well as figuring out which schools offer the best program in the major you want, which have the nicest atmosphere, which seem to have students you could get along with, and myriad other factors that are ultimately very, very personal.

5) MANY, many students I know go the “ community college “ route to take a bunch of general education electives that they realize or believe they will never use (music appreciation, art appreciation) etc This cuts costs substantially. Is the general public unaware of this?

Certainly more and more students are going to community colleges, and there is rising recognition that spending two years in a community college and then transferring to a four-year school can be a big money saver. How deeply that message has penetrated, however, I don’t know.

6) Neal- let’s face it—this is an election year—what is going to happen to these interest rates in a year or two after Romney gets elected ?

I don’t know, but I wouldn’t expect a President Romney to change federal student aid all that much. The reality is that few people in either party seem willing to talk straight to the public and say that aid fuels tuition inflation, encourages wasteful overconsumption of higher education, and should be cut for the good of students and taxpayers alike. They simply don’t want to be tarred as “anti-education” as Governor Romney is – despite embracing the interest-rate freeze – in a new video from the PAC American Bridge.

7) Certainly, students should be given a certain period wherein they can find a job after graduation. Is this happening?

Subsidized federal loans include a six-month grace period after graduation in which the government pays interest on the loan. Not all loans, however, have that.

😁 I gotta tell you—I wish I could get a 3.4 interest rate on my house...OR even a 6.8 mortgage rate....Is this somewhat discriminatory?

The intent of the federal loan programs is to give students cheaper loans than they could get from private lenders. It’s discriminatory in that it is for college students and not other people, but the federal government certainly has programs encouraging and subsidizing a whole lot of other things as well. I don’t think the intent is to discriminate, but to give

things away to motivated interest groups, and in the case of student loans, it is college students and their families.

9) Some colleges seem to be steadily increasing rates for various “fees “—computer use, library use, basketball court use, etc etc etc.....Is this some sort of gimmick that colleges and universities play? Tacking on all these fees—instead of raising tuition?

It certainly seems to be, as well as increasing prices for housing and lots of other thing people don't look at when they just focus on a school's tuition price.

10) What have I neglected to ask? Or what would you like to add regarding this ?

I think that gets everything.