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Despite praise, SAFRA could still go sour

By [Ed Innace](#) September 25, 2009

The U.S. House of Representatives recently passed the Student Aid and Fiscal Responsibility Act. The bill is lauded for having the power to increase federal aid to students while simultaneously saving the government money, some of which may be used to pay off the ever-growing national debt. This seems almost too good to be true. Does this bill really have no downside? The overwhelming response to SAFRA has been positive, especially from students and universities. However, there are some dissenting voices that doubt whether such a bill would not have adverse side effects.

Neal McCluskey, an associate director from the Cato Institute — yes, a right-wing think tank, but that is no reason to summarily dismiss his views — has raised several objections to the bill. First, increasing federal aid to students will push many more into colleges, some of whom are unqualified to attend institutions of higher education. Already, American institutions have many students who fail to reap the benefits of their education. One-third of students must take remedial courses, and only 56 percent graduate within six years. Now, if they were footing their own bill, they would only be hurting themselves. However, through federal aid, the government and ultimately taxpayers incur the cost of their tuition and the risk of their possible loan default, a likely result if they cannot complete college and secure a high-paying job.



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SAFRA does attempt to address this issue. For instance, it directs the secretary of education to provide grants to states that “implement activities and services that increase students’ persistence and completion of post-secondary education.” Whether or not these measures will succeed is as unknown as the bill’s language on these points is vague. It is unclear if these measures will have the teeth to push students to a timely graduation.

Another objection to SAFRA is that 29 percent of American’s hold bachelor’s degrees, while only 25 percent of jobs require B.A.s. As I stated previously, more loans will increase the number of students who attend institutions of higher education and, as a result, more and more graduates will be unemployed or underemployed. This represents a waste of government investment in their education and again increases the chances of loan defaults if they cannot find high-paying jobs.

The validity of this critique is questionable. Recently, the Council of Economic Advisors predicted that job growth in the next decade will be most rapid in professional fields that require B.A.s, outpacing growth in sectors that only require a high school diploma by a two-to-one margin. It is, therefore, a sound strategy to attain a college education, even if the job market for college graduates is currently daunting.

The most serious critique of SAFRA is that it allows institutions of higher education to continue raising tuition costs. Since federal aid causes students to be less sensitive to tuition increases, schools do not have to worry as much about driving students away with high tuition rates. Over the past decade, growth in the cost of higher education has been consistently higher than inflation. During the same period, federal aid programs have also grown dramatically.

Whether these two trends are causally related is as yet an undecided question. There have been studies done supporting both sides of the argument. Another explanation of the dramatic increase in tuition could be that in order to remain competitive and attract students, institutions of higher education must keep up-to-date with the latest research, which includes extremely expensive scientific equipment, and must provide state-of-the-art recreation facilities and comfortable living conditions. Thus, perhaps the actual cost of providing an education is the main force driving tuition prices upward.

My point is not to argue that SAFRA is detrimental; I have detailed both critiques and defenses of the bill. Rather, I wish to show that there are certain aspects of the bill that deserve our attention. Before we embrace SAFRA wholeheartedly, we must examine it closely and remember that there are very few things that offer a benefit without a cost.

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I think if you look closer

Submitted by Neville on Fri, 09/25/2009 - 08:34.

I think if you look closer at the trend of increasing higher education cost and increased access to money you will see that they are inextricably linked. The cost of higher education has risen 10-times the rate of inflation, but is it 10-times better? 10-times more enriching? No, universities continue to squander 'free' money, this is where the reform is needed, until then the cost hemoraging will continue.

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