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## Why Perpetuate a Bad Policy?

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For the sake of argument, assume that federal tax exemptions of nonprofit colleges are curtailed in direct proportion to institutional wealth and that this new tax revenue is spent on student aid. What good would it do?

Total per-student aid has already [more than tripled since 1980](#), adjusting for inflation. This hasn't made college more affordable, it's just allowed colleges to raise their fees. Student debt, now roughly \$1 trillion, is at an all-time high.

The increased aid hasn't done much for the completion rate, either. Barely half of students at four-year public institutions graduate in six years — and many learn very little along the way. Nearly half of all college students made no significant gains in critical thinking, complex reasoning, or written communication after two full years of study, according to [research by Richard Arum and Josipa Roksa](#). Even among the more elite subset of students who stick around for four full years of college, a third made no significant gains in these areas.

It's true that college degrees boost income, on average, although the boost [is smaller than often imagined](#). But average benefits don't tell us whether an additional infusion of federal spending would help students. The average includes both academic all-stars who obtain degrees in high-demand fields and weak students pursuing degrees of little labor market value. The former earn huge premiums from their college degrees, the latter, even in the unlikely event they graduate, generally don't.

So the dramatic rise in student aid of the last three decades induced many academically weak students to shoulder huge debts pursuing degrees that taught them next to nothing, which they often failed to complete, and which were of doubtful value even when they did. It makes no sense to perpetuate that policy — particularly now that college-level courses and materials are springing up all over the Web, available at little cost whenever and wherever the motivated student wants.

Can a case be made that the tax exempt status of some non-profit colleges has become an inefficient way to advance higher education? Perhaps. But since increased tax rates usually lead people to report less income, it is likely that taxing endowment earnings would lead colleges to report less of them. So the new revenue generated would pale... in comparison to existing federal student aid. In any event, increasing the current inefficient and even harmful federal college subsidies would hardly be an improvement.