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Gratuitous graduations

By Mark Landsbaum

First, let's get the niceties out of the way: Congratulations to all college graduates.

Now, let's face reality. Graduates probably took too long to graduate, were taught a lot of stuff that doesn't apply in the work-a-day world, ran up humongous loan debts on top of cash out of pocket to pay for their stints within ivy-covered walls and, to top it all off, may not be able to find jobs, let alone jobs they were misled into believing they were preparing for over the past four to six years.

That's a pretty picture compared with their colleagues who fell by the wayside, dropping out rather than sticking it out to graduation, but in many cases still running up sizable student loan debts.

If grads find it difficult to wow prospective employers with their degrees in art history or musicology or women's studies, dropouts will be worse off. They aren't even credentialed with dead-end skills.

We don't mean to spoil the day for those fresh from sheltered campus life. But it's better to understand sooner, rather than later. Perhaps by this example, future young people can avoid the same sorry path. Our hunch is that no professor told the class of 2012 that they were guinea pigs in the experiment called life. But we digress.

We're going to present a bunch of statistics here, and some may quibble with a percentage point or two. Don't let that confuse the issue. It's grim out there.

"Fifty percent of recent college graduates are unemployed or underemployed," says Mitt Romney, who wants to be president. That's not exactly a pretty picture for grads, even if he's off by a dozen points.

Unless Congress acts, interest rates on 7.4 million student loans will double after July 1, says Barack Obama, who wants to remain president. That's not a pretty picture for those hoping to follow this season's grads, and his numbers are pretty much on the mark.

The New York Times two weeks ago pegged outstanding student loan debt at \$1 trillion plus, identifying the root of the problem as: "Now nearly everyone pursuing a bachelor's degree is borrowing." Some debts exceed \$100,000, which may be manageable - on a brain surgeon's salary.

The good news, or at least the *better* news, is that the average student debt is about \$23,000, the Times said, about the price of a new car. The worse news is that you can buy a spanking new car with a 2-percent or even zero-percent loan. But a comparable student loan well could be 6.8 percent after July 1.

So, how did things get so grim?

What we subsidize, we get more of. About 40 percent of Americans have college degrees, compared with 5 percent in 1940. This can be linked to government subsidizing higher education with direct funding and indirectly with low-interest student loans. As an Orange County Register editorial noted last week, "This has been mistaken for progress."

In reality, it is the victory of the entitlement-minded over those who foot the bill.

Second, the nation accepted the misguided notion that anyone who can pick up a pencil should attend college. As yours truly noted a couple years ago in this column, "Not only is a college education not necessarily all it's cracked up to be, it's not as necessary as you've been led to believe." If anything, it is even more so today.

Completely oblivious to Econ 101, those who perverted college ignored the fact that when government pumps more money into universities, universities respond as a well-educated economist might predict: They raise their prices.

"Inflation-adjusted tuition and fees have tripled over ... 30 years while aid quadrupled; and the aid is going up faster," wrote Mary Kate Cary in U.S. News & World Report. This, Cary points out, "has nothing to do with costs."

A **Cato Institute** study found it cost only about \$8,000 a year to educate a typical undergraduate. But typical prices including room and board range from \$37,000 a year at private schools to \$16,000 at public schools, which, we remind everyone, already are subsidized with tax money.

The feeding cycle is aggravated as government-backed loans and subsidies encourage colleges to accept more students because tuition is paid upfront, unlike tuition debts. The result is a lot of people are in college because they can pay for it on time, and not always the best and brightest.

"With subsidies now flowing for a wide swath of the college-age population, expansion really took off," wrote George Leef in the FreemanOnline.com: "Before World War II, only 10 percent of high school graduates enrolled in some sort of higher education. By the 1990s that figure was 70 percent."

Tuition inflation resulted, which, in turn, resulted in what Leef describes as "credential inflation," a mania fed by employers who made college degrees required for applicants, even for jobs that could be performed after a decent high school education.

"A B.A. is required for jobs that by no stretch of the imagination need two years of full-time training, let alone four," observe James Engell and Anthony Dangerfield in their book "Saving Higher Education in the Age of Money."

Aggravating the disconnect, American workplaces demand "much more specific preparation" than students get in college, according to Anthony Carnevale, director of the Georgetown University Center on Education and the Workforce. By this, he doesn't mean advanced degrees in gender studies. Sadly, too many of that ilk discover that their degrees qualify them only to teach students seeking those

degrees.

When the government intrudes, unintended consequences abound. Colleges reduced their aid, relieved of the responsibility by government largess, as a Columbia University study revealed.

Increasing reliance on government money, coupled with growing expectations that every sentient human is a potential bachelor or master of something or other, has contributed to too many people spending too much time in college, and more people attending than should, according to Steven Horwitz, economics professor at St. Lawrence University.

A Pew Research study found 70 percent of young Americans will take at least some college courses within two years of high school graduation. But the dropout rate is about 30 percent for those taking out loans.

"The economy is screaming that they need a degree," wrote Jordan Weissmann in the Atlantic. "They take up precious classroom space, shutting other students out of courses they need to graduate on time."

Unprepared students, many of whom don't necessarily want to be in college or who don't have a clear notion why they are enrolled have made the experience "incredibly wasteful," Weissmann wrote.

To say nothing of misguided. The Register's Mary Ann Milbourn reported last week that jobs go begging - but not jobs many young people are "educated" to fill. A Deloitte study found 74 percent of employers said the lack of skilled production workers hinders their ability to expand or improve productivity. That is to say, *skilled jobs*, such as taught at vocational schools.

This Gordian Knot of mistake laid upon mistake prompts calls for, you guessed it, more mistakes as a remedy. Government's solution for having done something dumb apparently is to do something stupid.

Pandering to the youth vote, Obama recently said that if loan rates go up, it amounts to "basically a tax hike for more than 7 million students." Obama would double down on the bad bets that have created this problem.

Instead, he should at least allow government interest rates to increase. That would dampen demand, and lessen the resulting debt. When students weigh real-time, out-of-pocket expenses, they should be less inclined to enroll as basket-weaving majors.

Definitely, government loans should not be forgiven. The relative immediate pain for student borrowers would be minimal measured against the potential moral hazard of forgiving debts. Future students shouldn't be deceived to think they can avoid huge financial obligations by stomping their feet in protest.

Finally, deemphasizing the college-for-all mania may motivate the private sector and employers to provide greater tech and vocational training for students, who care more about finding a job than what a piece of parchment says about them.