

Runaway College Tuition

BY RALPH R. REILAND

A college education “could soon be out of reach to middle-income America,” warns Rep. Dick Zimmer (R-NJ). “Unless costs are controlled, by the year 2000 the average price tag for attending a four-year public university will exceed \$50,000 and the average four-year cost at a private university will exceed \$104,000.”

In its admission packet, Dartmouth conveniently refers to the availability of home-equity loans that permit parents “to tap up to 80 percent of the equity in their homes as an educational resource.” Indeed, as jumps in tuition outstrip increases in family income, it becomes ever more likely that parents will have to spend home equity to send their children to college. Between 1970 and 1994, the consumer price index increased a little under four times, but the average cost of tuition, room, and board at four-year public colleges went up nearly five times—and private college costs rose almost seven times, from just under \$3,000 to over \$20,000. (See chart.) By 1994, the average four-year costs at a private college equaled 156 percent of the typical family’s annual income.

What is driving these skyrocketing prices? College administrators can’t complain of a shortage of income. In fact, their abundant income might be largely to blame. Endowments, private gifts, and government aid to colleges all rose far faster than the inflation rate over the last decade and a half. Instead, the big problem on campus has been uncontrolled spending.

Chief among runaway expenses are administrative costs, which have exploded with the proliferation of non-teaching “academic support professionals”—people like auditors, counselors, affirmative action officers, grant writers, and systems analysts. Between 1975 and 1985, while student enrollment in colleges and universities increased by 10 percent, professional support staffs expanded by more than 60 percent, resulting in additional annual salary costs of close to \$4 billion. Administrative costs now consume 45 cents of every instructional dollar, compared with only 27 cents in 1950 and 19 cents in 1930.

On this front, educators complain of onerous government regulations. “Colleges must comply with a growing number of state and federal

laws, ranging from rules on the disposal of hazardous waste to measures meant to assure equal access to higher education for all students,” reports the *Chronicle of Higher Education*. Likewise, James Appleberry of the American Association of State Colleges and Universities decries the need to draw up six different reports on minority hiring in six different ways for six different agencies.

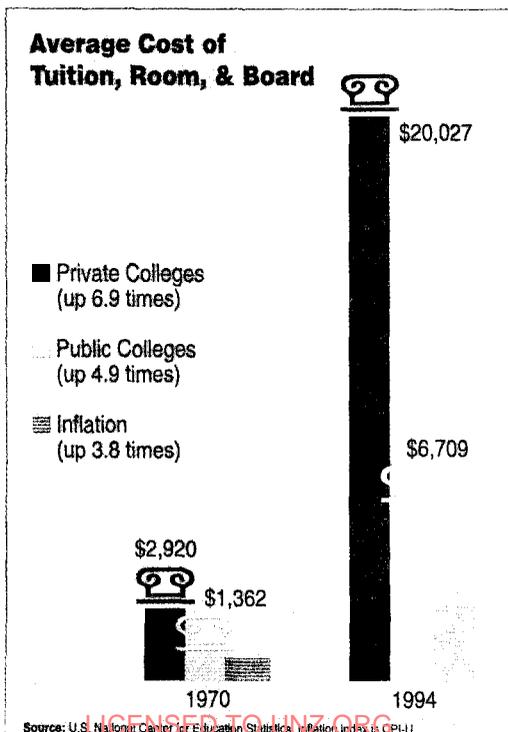
These complaints have some merit, but colleges also suffer under the costs of their increasingly padded workstyles. Average salaries for professors at public universities rose by 108 percent between 1980 and 1993, the American Association of University Professors reports, while those at private universities jumped by 134 percent, nearly double the accumulated inflation during the same period. On top of these salary increases, fringe benefits at universities increased by 104 percent between 1983 and 1993, reports Research Associates of Washington, with schools offering unprecedented retirement contributions, bonuses, travel compensation, and sabbaticals.

This rising remuneration does not reflect rising work effort. For example, since 1989 the number of students enrolled in Pennsylvania’s public universities has remained constant, the average undergraduate class size has declined—and the average instructional salary has increased by about a third. According to the Higher Education Research Institute, tenured professors in America now spend an average of 10 hours a week in the classroom, for 30 weeks a year, for an average of \$60,000 a year—that’s \$200 per class hour—plus pensions and benefits.

In the business world, higher prices generally correlate with higher quality. Consumers simply won’t pay more for a Lexus unless it outperforms a Ford. Yet in education, we’re witnessing exactly the opposite, with higher prices buying a dumbed-down curriculum and easier grades. “As college tuition has climbed, grade inflation has risen right along with it, perhaps muting complaints about what it all costs,” contends

columnist John Leo. “At Harvard in 1992, 91 percent of undergraduate grades were B- or higher. In 1993, 83.6 percent of Harvard seniors graduated with honors. Stanford is top heavy with A’s and B’s too; only about 6 percent of all grades are C’s. At Princeton, A’s rose from 33 percent of all grades to 40 percent in four years.”

Any proposed change in programs or courses, no matter how justified, is likely to spawn a faculty protest. At Columbia, 25 departmental chairmen threatened to quit in the face of proposed budget cuts. At the University of California, the Board of Regents’ recommendation to repeal racial quotas in admissions was met with bomb threats. In New Jersey, academics resorted to midnight tire slashing to demonstrate the evils of vouchers.



Colleges are increasingly assuming the role of Robin Hood, taking money from those who can afford it, both taxpayers and parents, and redistributing it to those who can't. Like monopolies in the commercial world, "private colleges and universities set an unrealistically high list price and then offer varying discounts," explains economist Thomas Sowell. "In academia, this list price is called tuition and the discount is called financial aid." And so, about half of all students at private colleges and universities now receive some form of non-loan aid, averaging \$3,000 to \$5,000 a year.

"Each year, for 35 years," Sowell explains, the nation's top schools "met to decide how much they would charge, as a net price," to every student who applied. Where the schools' estimates differed on what could be extracted, they were "reconciled in the meetings and the student then received so-called 'financial-aid' offers, which meant that the net cost of going to one college in the cartel would be the same as the net cost of going to another." This was a "price-fixing system that OPEC might envy," the *Wall Street Journal* concluded.

Tens of billions of government dollars slosh through America's ivory towers, and these subsidies rose over 30 percent in real terms between 1980 and 1991. They foster tuition hikes by making it easier for colleges to raise prices, thereby creating demands for still more assistance. "Subsidies have shielded colleges from the normal forces of the marketplace," agrees Hillsdale College president George Roche. And if a college does keep its tuition affordable, Sowell adds, it in effect forfeits millions in federal money that could provide income over and above what students can pay. In short, cash-hungry academics who regularly berate "greedy" businessmen don't just want parents' life savings; they want their tax dollars too, and without the strain of competition other businesses face.

Rather than throwing money at the problem of rising college costs, state legislators are beginning to consider the opposite approach. "The higher education community thinks they're above it all," says Ohio representative Wayne Jones. "They don't like to be told what to do, but if they want us to be their sugar daddy, there are going to be some rules." Already, professors at Ohio's state-subsidized schools must spend 10 percent more time teaching undergraduates than they did in 1990, and the legislature is also considering cuts in program duplication. "There is no need to have 13 Ph.D. programs in history," contends Scott Borgamenke, chief of staff to the Ohio Senate Republican Caucus. "Maybe we're better served to have two in the state, one in the north and one in the south."

Performance-based funding is currently working its way through the legislatures in Connecticut, Arkansas, Kentucky, Texas, Washington, Massachusetts, and several other states. Tennessee already has an accountability system that links 5 percent of the funding of state universities to performance criteria. In Colorado, after a vice chancellor in the state university received a sabbatical to "read Aristotle and Shakespeare and reactivate my sense of scholarship," the state legislature responded by tightening faculty leaves and abolishing sabbaticals for administrators.

"American universities teach what they do for the same reason Polish factories used to turn out pairs of boots with two left feet," writes David Frum, "because an absence of consumer sovereignty enables them to get away with it." But consumer sover-

eignty could return to higher education. The Heartland Institute recommends a system of college vouchers: "Instead of making direct appropriations to universities, the legislature should distribute vouchers, in an amount equal to the current per-student appropriation." This move would level the playing field between private and public schools by ending public schools' current advantage in public aid. (In Pennsylvania, for instance, private institutions of higher learning educate nearly half of all college students but receive only 12 percent of total state appropriations.) A voucher system would also produce tuition prices that more accurately reflect real costs and efficiencies.

"Competition for students would lead to cost-cutting and lower tuitions, and also to innovations and specialization that bring down the cost of a college education," the Institute adds. "Appropriations to smaller, less prestigious institutions would increase," while falling tuition costs would "improve the access of the poor," for whom the professoriate claims such compassion.

Investors Business Daily recently summarized the growing consensus about higher education in the United States: "It has been said that the only place where socialism lives is in academia. No doubt that refers to the ideology being taught, but it could also refer to how universities are run and financed. Indeed, most colleges and universities are quasi-socialist institutions, which helps to explain the soaring costs of higher education and why it delivers less and less."

Quasi-capitalism may be coming to America's campuses in response. Bottom-line analysis, performance standards, merit pay, downsizing, better teaching, a more sensible curriculum, and greater overall accountability will be demanded by parents familiar with increased competitiveness in their own work lives—and by politicians looking at empty public coffers.

Rather than address waste in education, however, President Clinton wants to raise subsidies higher still. In a recent speech at Princeton, he unveiled a hastily assembled \$25 billion "America's Hope Scholarships Tax Cut." This ploy was too much for the *Washington Post*, which retorted, "Would the real beneficiaries be the students, or would schools simply be freer to raise their fees?"

"Education at the typical community college will now be free," promised the President. But it can't be "free," of course, unless teachers, administrators, contractors, janitors, and secretaries all agree to work for no pay. It will be anything but "free" to those forced to pick up increased costs through higher taxes. "This is a jobs program for the political-correctness industry," opined the *Wall Street Journal*. "Mr. Clinton could just as well cut out the middle man and send the money directly to his friends in the liberal academic community."

And since the Clinton proposal only keeps the money flowing if students maintain a *B* average, a professor who upholds academic standards with strict grading will not only run the risk of empty classes, but of being scolded by financial aid administrators as well. In the 1960s, professors began passing out easy grades to keep students out of Vietnam. Under the Clinton proposal, an easy *B* will keep the federal gravy train running on track.

.....
Ralph R. Reiland is associate professor of economics at Robert Morris College.

It is April 1995 in Ithaca, New York. The computer has just printed out the list of 224 names accepted for admission to the Cornell University School of Industrial and Labor Relations for the fall semester, and Richard Wagner, the dean of admissions, is looking it over. He is a tall, distinguished man with white hair, a Vermont Yankee who thinks his efforts to place blacks, Hispanics, and Mexicans into the I&LR school may one day get him into heaven. But now as he stares at a copy of this list, his eyes show concern, perhaps a little sadness. "In terms of affirmative action, this is going to be a bad year," he warns. "We can offer only a few under EOP [the Equal Opportunity Program]. And there is intense competition for the ones that don't need EOP to get in."

Wagner hands the list to a visitor and begins to explain the letters under the heading "Ethnicity." *A* is American Indian. *B* is black. *C* is Hispanic, that is, any Central or South American who is not of Mexican ancestry or a Puerto Rican national. *D* is Asian—that counts as a minority but not an "under-represented" minority. *E* is Puerto Rican. *F* is Caucasian. *G* is Mexican-American. *J* is foreign. And *N* is not reported—applicants are not required to disclose their ethnicity, though Wagner is not above making an educated guess.

About three-quarters of the way across the page is a column marked "Academic Index." Wagner explains that it is derived by taking the average of an applicant's highest math and verbal SAT scores, the average of his three highest SAT achievement test scores, and his percentile class rank. Each of those three figures—combined math and verbal SAT, achievement SAT, class rank—is then translated into points, with 20 points reflecting the low end of the spectrum and 80 points the high end. The three scores are then added together to produce the "Academic Index." The lowest possible AI is 60, the highest, 240. Among those accepted for admission the highest score was 228, the lowest, 161.

That score, 161, could translate into 440 on the verbal SAT, 580 on the math, 400 to 480 on the achievement tests, and a 3.3 high school GPA, putting an applicant in the top 25-30 percent of his class. "I'll let you in on a little secret," Wagner continues. "This year the eight Ivy League presidents decided to make 161 the cut-off for athletes—anyone lower than that can only be admitted to an Ivy League school by the vote of a special review committee. So we decided to make it our affirmative action cut-off as well."

Wagner begins reviewing the list. He stops at a Jewish name in the top cluster. "This young man is from a high school in Long Island. Three of the top five in his graduating class applied to the I&LR school."

Did the other two get in?

"No. We can't have that kind of concentration; it has nothing to do with affirmative action."

Would you say that if they were "under-represented" minorities?

"I'll cross that bridge when I come to it. Right now I have trouble finding three from the same city."

The eighth name on the list has a Spanish surname. "This is my pride and joy," says Wagner. "Mexican. Her folks are migrant laborers from California. And look at that Academic Index, 218! Can you imagine that! She's also been accepted at Stanford. I'm holding my breath."

That is a big problem for Cornell and many other schools. The top under-represented minority high school graduates get into Harvard, Yale, Princeton, Stanford, and Duke on their own, just like any outstanding student. Then these schools move down a rung, accepting minority students who, in most cases, would not make the school if they were white. That, in a nutshell, is how affirmative action in the service of university "diversity" works. But it leaves top-flight institutions like the I&LR school with many minority students who, were they white or Asian, would be heading for Boston University, Syracuse, or Ohio State—fine schools all, but not the nation's most selective.

The migrant workers' daughter is not counted as an Equal Opportunity Program admission, since she was accepted strictly on merit.

Four places below her on Wagner's list is another Mexican-American girl about whom he is nearly as excited, and 18 places further down, an Hispanic boy; both are clearly merit admissions. Then the pickings become slim. The first black, a young woman, is the 124th name to appear on the list, but still with a solid academic index of 194. Below her name, there is only an occasional under-represented minority until near the bottom of the fourth and

final page. Of the bottom 13 names, one is Caucasian and one Asian. The rest are EOP admissions.

But of the 224 names on the list, only ten are black—half the 1994 total. The reason stems from a math course that was added to the I&LR curriculum at the insistence of the faculty, who judged that pre-calculus is a prerequisite for the sort of advanced statistics courses now required in the fields of personnel administration and labor economics. But when the 1994 freshmen took the "pre-cal" course, more than half of those admitted under I&LR's affirmative action program received grades no higher than D, and more than a third flunked outright. So the faculty snatched at least part of Wagner's discretionary authority from him and imposed a rule that no student would be accepted who failed to score at least 500 on the math portion of the SAT.

"That devastated our affirmative action program," says Wagner, who calls it "an example of a self-perpetuating white male culture. And," he sighs, "it's so unnecessary."

He has more paper to show, a list of the 33 EOP students selected for the classes of '92 through '98. So far, two have been dismissed for academic reasons, three others have dropped out for reasons that may or may not have anything to do with academics. "This year our graduation rate will be 100 percent. 100

Race and University Admissions

by **Bob Zelnick**