Students Pay the Ultimate Price:

An Analysis of Rising Tuition Costs in the United States

How much are you willing to pay for your college education? How much is too much? The notion that the costs of college will someday outweigh the benefits is hard to fathom, but it very well could be the case if tuition costs continue to rise like they have during the last 20 years. Currently, students are facing greater and greater challenges, not only academically, but also financially, in the form of increasing tuition at colleges across the country. Colleges seem to be teaming up against students, rather than for students, so that incoming and currently enrolled students must pay progressively more outrageous amounts for higher education, and this money is slowly shifting from paying for educating students to paying for extra administrators and research projects that serve roles not directly related to a vast majority of students at the school.

The problem with college and university tuition is that these institutions have few real restrictions save for what other schools are doing. They can all-too-easily raise prices because other colleges are doing the same thing, so it appears as if they are each just keeping up with the other, presumably to cover college costs. However, this is not the whole picture. John O. McGinnis of the Wall Street Journal says, “For the past 25 years the price rises for colleges have annually outpaced the consumer price index by more than 3.5%” (D14). This rise is additional to inflation, so students are not just being charged more because the dollar is worth less – many colleges are purposely charging more because they can. Government officials nationwide are trying to find ways to alleviate the substantial costs that students incur, but their efforts are facing difficulties. Virginia Representative J. Randy Forbes addresses the cost of tuition, saying:

This year, students and their families can expect to pay up to $1200 more for tuition than they did last year. The average total cost of tuition, room, board, and fees for public
universities jumped almost 7% since the 2005-2006 school year, with an average annual price tag of $12,796. Private universities costs far surpass that number with an average cost of $30,367 per year…. Additionally, nearly two-thirds of college graduates leave school with debt, up from less than half in 1993 and for those students with loans, the average debt has soared from $9250 in 1993 to $19,200 – a 58% increase after adjusting for inflation.

The price increases by sizable amounts every year, but government assistance can only do so much since it is primarily up to colleges to contain the extreme costs that they create. However, this is not to say that legislators can do nothing. While in office, Forbes helped pass the College Student Relief Act of 2007, which “cut the current 6.8% interest rate on federal subsidized loans in half over a five year period.” The problem with this is that, if the government charges less, this also means that it affords colleges to charge more. As Richard Vedder mentions in his book, Going Broke by Degree: Why College Costs too Much, there is nothing to stop colleges from seeing money not spent on loans will be available for tuition, and therefore they can raise costs without fear of overloading students any more than they already were.

In a sense, much of the attempt to make college more affordable to students is ultimately self-defeating. Increased financial assistance in the form of government or private loans and grants or tax credits makes it easier for universities to raise their charges—and to use the increased incomes for a variety of purposes, some of which have relatively little to do with enhancing the undergraduate learning experience. (Vedder 21)

Also, Vedder says that the money that colleges make is not necessarily spent on bettering the students’ learning experience. “[T]he proportion of revenues devoted to instruction declined sharply, from 43.7 percent of all spending in 1929-30 to 30.3 percent by the mid-1990s” (43),
while, “In 1929-30, 8.4 percent of university spending went for administration and general expenses, compared with nearly 14.6 percent two-thirds of a century later” (44). Essentially, colleges are paying less to educate students and more to hire extra administrators. Students are forced to pay higher tuition because so many of the colleges and universities nationwide are raising tuition to keep up with each other, but once the students pay the bill, they are seeing less of it come back their way in the form of better instructors or resources. “[M]ore universities’ funds are allocated for scholarship aid, which universities typically view as an expenditure item, but which in a real sense involves discounting student fees…. This is further evidence that universities are more aggressive in practicing price discrimination (charging individuals differing amounts for the same services) than previously” (Vedder 44). Teaching freshmen and sophomores is generally less expensive because they all take general classes, which allows colleges to place more students into each class. Since they are charged the same amount as juniors and seniors, but they receive less attention per student, they are effectively paying more for less (Vedder 81-2).

Students might wonder how colleges can raise prices without being restrained, but they may not realize that they are actually giving the college access to the means by which they can safely increase tuition. Vedder elucidates how this is possible:

Colleges use the device of scholarships as the means of getting the information necessary to price-discriminate—namely, family financial information—drawing on the fact that, other things being equal, wealthier families will be less price-sensitive than others.
By completing the FAFSA, students freely give their families’ incomes, enabling institutions to discriminate both with respect to the price of the university (the tuition) and the amount of loans provided to meet that cost (70).

It is little trouble for colleges to charge students more and then justify it by saying that they must save financial aid for those who truly need it. This practice has allowed colleges to charge more to some, thereby increasing total revenues, and since many parents are willing to pay more for their child to go to a big-name college, they are charged more. “Universities have increased ‘sticker prices’ aggressively to charge some students whatever the market will bear” (Vedder xvii). Therefore, it is not too hard to imagine how colleges can do it, but this does not address why. Besides for the increase in income, there must be another reason why colleges would risk the wrath of parents and students. That reason is college ranking. One of the key factors that helps students decide where they want to go is college standing, so it makes sense that colleges do what they can to make sure their standing is as high as possible. The problem with this is that two of the criteria that magazines use to judge schools rely on how many students apply to the college and how many students the institution rejects. McGinnis says, “Indeed, rankings focus on inputs, such as money spent on instruction, rather than outputs, such as the knowledge taught. Thus they actually give universities perverse incentives to splurge on unnecessary services rather than to concentrate on teaching students rigorously.” In addition, colleges can say that students are more likely to get better paying jobs because of their degree, but this is partially misleading. Vedder explains that the reason college graduates are so valuable in the workplace is because they had to push themselves to graduate (xix). The degree means that the student was accepted to a college, requiring a fair amount effort, which therefore serves as a “valuable way of identifying talented individuals” (Vedder xix). It also implies a certain level of “cognitive skills
and moderately good work habits—qualities not always present in typical high school graduates” (Vedder xix). These qualities, which are not inherent in everyone, can be more safely assumed accurate for college graduates, since they likely had to pay for all or part of their education and therefore would have taken their learning more seriously. If they take education more seriously, then the likelihood that they will also take their new job more seriously is fairly high, which translates to higher wages to attain these go-getters. Colleges can then take the fact that their graduates are earning higher wages and use it as a statistic to prove that college is important, as if it directly causes this relationship between graduating from their institution and higher wages. This is a case of post hoc ergo propter hoc, though, as Vedder explains:

[Employers] are buying not just specific knowledge and skills accumulated by students in pursuit of their degrees, but broader qualities of intelligence, integrity, perseverance, and leadership that have little to do with learning acquired in college. Much of the “human capital” of the typical college graduate was not acquired in college itself. (xix)

Thus, while students do learn valuable knowledge and problem-solving skills, many jobs do not rely on the degree the graduate earned or the school attended, but rather on the fact that they have demonstrated their drive to push themselves to succeed. A degree from a more prestigious institution might have more weight than one from a lesser-known college, but this has little to do with the actual degree and more to do with how rigorously the student had to work to succeed. Granted, there are many jobs that require certain degrees, and in this way they are important, but the point is not that degrees are worthless, but that many employers do not look at the degree as much as they rely on the fact that the graduate has the degree to determine eligibility for employment.
The relationship between school costs half a century ago as compared to now is just as troubling. Because students must pay an increased amount now, the ratio of family income to college tuition has decreased precipitously. McGinnis explains, “A family of median income works almost three times as many days to earn the money for a child’s tuition now as it did in the late 1950s. The rise in financial aid has only slightly moderated this effect.” In the past, one could work part-time and make enough money to cover most of the costs of college, but that has changed drastically now. Instead, if parents have not begun saving up money early on in their child’s life, they will either be overwhelmed by college tuition when their child enters college, or they will have to take massive loans. It is not reasonable to assume that parents can or should have to pay a large part of their annual income so that their children can get an education similar to what they the parents got for only a fraction of the relative price. Vedder addresses the difficulty that parents and students face, saying, “By any criterion, the burden of college costs grew faster than the capacity to meet that burden. Real tuition more than doubled relative to real median family income, and it increased by more than two-thirds with respect to real GDP per capita” (10). Working part-time is no longer enough for students who wish to tackle the costs that post-secondary schools generate, and saving early is now essentially required if parents wish to be able to help.

“In a recent poll commissioned by the Chronicle of Higher Education, 82 percent of respondents (adults) either agreed or strongly agreed with the statement, ‘It is very difficult for a middle-class family to afford college education.’ Similarly, overwhelming majorities indicated support for the view that students incur too much debt to finance college, and that the colleges could reduce costs without hurting quality. (Vedder 83-4)
These statistics illustrate how aware people are, as well as how frustrated they are becoming as they are forced to pay more for an education they are assured will serve them well in the future. Students are told that, to live a comfortable lifestyle, they must go to college and get a degree, but how can they be expected to benefit from the degree if they accrue so much debt that they must spend a decade – or more – paying off loans?

The cost of college is also affected by excessive spending on the college’s part. Paying wages and covering institutional costs is one thing, but many colleges and universities have to pay extra money for people who take more than they give or who hold jobs that are not even necessary. As McGinnis says, “The premium for intelligence is rising in the business world…. A university can offer its knowledge workers greater autonomy, but it finds itself having to raise salaries or cut teaching hours to make the entire package competitive with what many companies in the business world can provide” (McGinnis). Thus, competing for staff translates to more perks for teachers. While there is nothing wrong with teachers enjoying benefits, given the relatively low wages they make given the amount of time, effort, and money that they spent to earn their degrees and certificates, the fact that some teachers spend less time teaching and more time doing research means that students are paying for instructors they will never see. And while it is true that some of the research that professors perform is beneficial to society, if their ultimate goal in life was to do research, then they surely could have found a private research facility, rather than going to a university only to avoid teaching. McGinnis goes on to examine the excessive pay that goes towards the college president’s salary, saying, “As for college presidents, maybe their pay can be pegged to real performance – say, the percentage of students who, upon graduating, can parse a Latin sentence, solve a quadratic equation or just put the Civil War in the right century. Watch salaries drop precipitously” (McGinnis). McGinnis notes that college
presidents make hundreds of thousands of dollars, which is actually more than the President of the United States makes. Furthermore, Vedder notes some of the excessive offices held within many college administrations. “Not only is there a ‘senior vice president for academic affairs’ (also the provost), but there is also a ‘vice president for instruction.’ Not only is there a ‘senior vice president for external affairs,’ but there is also a ‘vice president for public service and outreach’” (Vedder 28). The titles seem almost synonymous, but with each new title comes another administrator, demanding additional money from the budget for his or her salary. Given how quickly these salaries add up, it is not wonder that colleges cost as much as they do.

Many people in the academic world would argue that all of this information is misleading. College costs go up every year due to increased spending on technology and up-to-date practices. However, how much of this spending actually goes to students, especially at larger universities that perform a lot of research, is markedly less than it was in the past. With an average of 3-5% increase in tuition at many colleges and universities every year beyond inflation, one must conclude that the technology and practices must be quite sophisticated indeed, considering how much revenue a hike like that creates. Others in academia point their fingers at the government as the cause to the increased tuition. “University presidents blame [price increases] on inadequate government support, but the evidence suggests that very little of the additional financial support recently given to state universities has actually been used to reduce the cost of undergraduate instruction” (Vedder xviii). As will be discussed later, the government is currently actively trying to find ways to soften the blow that tuition delivers, so the notion that the government is defeating itself is not the case.

Given the power that colleges hold, the search for solutions seems daunting. Vedder proposes one seemingly feasible solution and then goes on to explain why it would not work. A
college could cut tuition by “eliminating fifty administrative and fifty nonadministrative support positions, possibly including some faculty positions in areas of low student demand” (Vedder 30-1). The cut in expenses would mean a lower tuition price, but since it was less expensive, the school could give less in the form of financial aid. In the big picture, the school would not be losing money, but since it was cheaper, more students would apply, which amounts to more rejections, thereby making the school look more elite. Vedder explains that schools do not do this because all of the administrators are friends, and doing this would alienate them. No one wants to see his or her staff reduced, or perhaps even seeing ones own job in peril. In administrator’s eyes, it is better to just keep charging a lot, and then price-discriminating their way into more profit. (Vedder 31) However, Vedder does offer several ideas that would help save students money. For example, students pay about $500 each for sports through tuition. If schools that did not actually achieve “athletic greatness” were to drop or at least cut back costs for intercollegiate sports, students could save up to $500. (Vedder 84-5) The reason colleges have not done this is because they believe they can attract students who are interested in sports, but the number of students who benefit from the program, as compared to those who just see the program as an extra burden, is so low that Vedder sees no reason to keep it.

Moreover, respondents [of the Chronicle of Higher Education] had some suggestions how to cut costs: Two-thirds were opposed to the institution of tenure, and a similar proportion thought universities devoted too much attention to athletics. Moreover, only 8 percent of respondents thought it less than important for colleges to “prepare undergraduate students for a career”; some 15 percent felt that research was less than important; and 37 percent did not feel it was important for universities to “help attract new business to the local region”—a task some state universities have appointed to themselves. (Vedder 83-4)
This final detail only further emphasizes the disconnect between what students want out of the education for which they are paying, and what colleges are trying to bolster as their many achievements. Furthermore, several schools and government officials have recently come up with stop-gap solutions to assuage the higher costs. Jane J. Kim and Anjali Athavaley address this in their article, “As Tuitions Rise, More Colleges are Offering Help.” Some colleges have begun offering “guaranteed-tuition” programs, which means students pay the same tuition all four years; and other schools will “count only home equity, which is market value minus mortgage debt… cap[ping] that at 1.2 times income,” which differs from the current practice of ignoring whether houses are mortgaged and just charging a large amount based on the house’s value, as well as family income (Kim & Athavaley). The problem with this current practice is that parents who are paying off their homes have been hit doubly hard, as they must pay off their homes, while also paying what colleges think they can pay based on the house they own. Washington State Governor Christina Gregoire has also approved a bill that will “cap tuition increases for in-state college students at 7 percent a year through 2017” (Kim & Athavaley).

As a general rule, two-year institutions are better at keeping excess faculty at a minimum because they focus on instruction rather than research (Vedder 49). Walla Walla Community College’s Vice President of administrative affairs, Jim Peterson, emphasizes that the money that comes into the college goes towards directly benefiting the students. “Students expect a lot more technology,” said Peterson, which is why the school has worked on developing its science and writing centers and math lab. These utilities impact students personally, as they all can gain access to and utilize these resources. Furthermore, at community colleges like Walla Walla Community College, “Tuition rates … are controlled by the Legislature either through statute or the biennial operating budget” (AYR A-1). This means that they are more directly controlled by
actual operating costs, since their funding is essentially decided by the state. This, in tandem with the focus that four-year institutions place on instruction rather than research, means the colleges have markedly fewer administrators and faculty who work little but who receive abnormally large benefits. Thus, while community college prices have gone up at a relatively similar pace to that of four-year institutions, they have done a better job keeping excess expenditures to a minimum and student learning to a maximum.

As a whole, colleges and universities have driven up prices every year by about 5% since the 1980s, but the market may not be able to support the growth for much longer. These institutions must learn to rein in their exorbitant price increases lest students start looking for alternative means of post-secondary education, or worse, they may just deem it unnecessary.
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