Chapter 4
Higher Education

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10 Principles of Higher Education Policy

1. Higher education in the United States isn't working.
2. Make students foot a larger share of the bill.
3. Promote free expression of ideas.
4. Increase transparency of costs and results.
5. Promote alternatives to college.
6. Emphasize instruction and raise academic standards.
7. Restructure university ownership and governance.
8. Revamp or eliminate federal student financial aid.
9. End destructive government regulation.
10. Reform or eliminate accreditation.

Introduction

A national survey released by the Pew Research Center in 2017 found only 55 percent of Americans said higher education had a positive impact on the nation (Pew 2017). This is hardly a ringing endorsement of an institution that spends $500 billion a year, much of it given involuntarily by taxpayers. Even more telling, only 36 percent of Republicans and Republican-leaning independents said colleges and universities have a positive effect on the country, and a stunning 58 percent said higher education has a negative effect.

Republicans, and more generally conservatives, used to support higher education. In just two years, according to Pew, their support plummeted from 54 percent 36 percent. Anyone paying attention can guess why this has happened.

The political left's conquest of higher education has been documented and lamented for many years (e.g., Bloom 1987; Bok 2006). Eight years of President Barack Obama emboldened many liberal activists who happen to be college professors to lecture the country on the correctness of progressive causes (Fish 2012) … and most recently, the terrible evil of candidate and now President Donald Trump.

With their professors' implicit or explicit approval, students on some campuses are shouting down conservative speakers, demanding enforcement of bans on politically incorrect speech, and even wearing masks and carrying bats on campuses to threaten those who don't agree with their extremist political views (*Modern Age* 2017; Kabbany 2017).

The failure of higher education in the United States is on the front pages of our newspapers and on the evening news on television. Past methods of governance and finance simply aren't working anymore. This chapter documents the problem and offers a policy agenda to fix it.

Recommended Readings: Alan Bloom, *The Closing of the American Mind* (New York, NY: Simon and Schuster, 1987); Derek Bok, *Our Underachieving Colleges: A Candid Look at How Much Students Learn and Why They Should Be Learning More* (Princeton, NJ: Princeton University Press, 2006).

1. Higher education isn't working.

Higher education in the United States costs too much, often produces a low-quality educational experience, and is resistant to reform.

The United States spends about $500 billion per year on various forms of postsecondary education—the equivalent of 3 percent of the nation's total economic output—triple the proportion of a half-century ago (NCES 2014a). Higher education costs per student are greater in the United States than in any other large country (IPEDS 2014). Increasing evidence suggests much of this spending is wasted:

- "[C]olleges and universities have done a poor job of ensuring the civic literacy on which our nation depends. Too many institutions fail to require courses that ensure civic knowledge and often allow community service projects, well-intentioned as they are, to substitute for deep learning about our nation's institutions of government and their history" (ACTA 2016a).

- A 2015 survey of employers found "just 23 percent of employers say that recent college graduates are well prepared when it comes to having the ability to apply knowledge and skills in real world settings, and 44 percent rate them as not that or not at all prepared" (Hart Research Associates 2015).

- Although difficult to quantify, by any reasonable measure productivity in higher education is at best stagnant and probably falling (Vedder 2004).

- Falling teaching loads have led to a proliferation of articles published in obscure academic journals that few people read (Bauerlein *et al.* 2010).

- Forty percent of students enrolling in bachelor's degree programs full-time fail to earn a degree within six years (NCES 2009b).

- Although college graduates have a higher level of reading comprehension than their counterparts of a decade ago, they still have fallen from the comprehension levels of 1993 (PIAAC 2012).

- Students are burdened with excessive debt from college, sometimes larger than can be sustained on their modest post-college incomes (Leef 2016b).

- The cost of obtaining a four-year degree has more than doubled since 1975 in inflation-adjusted dollars (NCES 2009a).

- The typical college student of today spends about 25 percent less time on academic pursuits than his or her counterpart of a half-century ago, as grade inflation makes it easier to perform well with less work (Babcock and Marks 2010; NSSE 2015).

- Universities devote more of their budgets than previously to non-instructional pursuits, such as swollen and highly paid bureaucracies, country club-like recreational facilities, and research with low value outside the academic community (Martin 2009; Fried 2011).

- Upwards of one-half of college graduates are "underemployed," taking jobs requiring far fewer skills than are usually associated with people of their educational level (Vedder *et al.* 2013).

Policy Agenda

Higher education in America isn't working for students, their parents, or for taxpayers. Public policies ought to reflect this reality:

- We spend hundreds of billions of dollars on colleges and universities every year. Making more efficient use of those resources should be a high national goal.

- Many colleges and universities are failing to deliver the quality of educational experience that would justify their high spending levels.

- Colleges and universities are failing to prepare their graduates for the marketplace, resulting in excessive levels of underemployment for college graduates.

- At a time when national and state government deficits are increasingly viewed as unsustainable, higher education deserves to be on a short list of candidates for spending reductions.

Recommended Readings: Richard Vedder, *Going Broke by Degree: Why College Costs Too Much* (Washington, DC: AEI Press, 2004); Charles Murray, *Real Education: Four Simple Truths for Bringing America's Schools Back to Reality* (Washington, DC: Crown Forum, 2008).

2. Make students foot more of the bill.

Government and private subsidies to higher education have caused spending to soar and disempowered students, who should be the real consumers.

Higher education has become politicized, bloated, and unproductive because students are paying too small a share of the cost of the services provided. When someone other than the customer is paying the bills, producers have little incentive to cut costs or make the customer happy.

Are Public Subsidies Justified?

Government and private subsidies to colleges are often justified on two grounds. First, it is argued that higher education is a "public good" that confers benefits not just on the individual educated but on the broader society as well. However, the empirical evidence relating to these positive spillover effects is murky at best, and some of it even suggesting government subsidies have a negative spillover effect: lower rates of economic growth (Vedder 2004; Alchian 1968).

Second, subsidy proponents contend higher education is a means to achieve the American Dream: to ensure anyone, no matter what their economic or family circumstances, can succeed in the United States. Yet here too the evidence that third-party payments have brought about educational equality is scant. Among all college students earning bachelor's degrees, the proportion of those from families in the bottom quartile of income has actually decreased over 45 years, despite large increases in federal student aid in the form of Pell Grants and college loans (Mortenson 2009). The number of bottom-quartile degree-earners has grown by only 3 percent, while the other three quartiles averaged almost 20 percent growth (Sherman 2015).

College graduates benefit from having their degrees, with the earnings differential between college graduates and high school graduates averaging well over 60 percent since 1980 (O'Keefe and Vedder 2008). Given that higher education is a good investment for many, why not let students pay the costs just as we do with other personal investments?

An Opportunity to Save Taxpayers' Money

Reducing public funding of higher education by both national and state governments would result in students—the real consumers of higher education—footing a larger share of the bill. This would make colleges and universities more accountable to students and their parents. Since the economic benefits of higher education are largely captured by the college graduate, not by the rest of society, students can rightly be asked to foot the bill themselves.

Some students from low-income families benefit from government and private support of higher education, and some or all of that aid could continue, but most federal aid goes to students and families who are well-off and could afford to pay tuition without public assistance. As former Education Secretary Bill Bennett (1987) hypothesized and others have demonstrated empirically (Lucca *et al*. 2015; Gordon and Hedlund 2016), federal student aid has contributed to tuition price inflation, so much federal support indirectly goes to the providers in the form of higher salaries and more administrative bloat.

As state government budgets are squeezed by rising costs of Medicaid, corrections, and other functions, many are starting to resist new higher education spending. State appropriations fell in the aftermath of the 2008 financial crisis and have not fully recovered in many states—15 states spent less on higher education in 2016 than in 2011 (Palmer 2016).

Perhaps the time has come to begin to privatize some public universities. Institutions such as the universities of Colorado, Michigan, and Virginia now get 10 percent or less of their budgets from state appropriations (IPEDS 2014). Why not phase out the state subsidies and related bureaucracy altogether?

Another big subsidy is the tax breaks for those who give money to a college or university, even if the money goes to fund non-educational facilities, such as stadium renovations or luxury dormitories. Perhaps allowing deductions only for donations to activities, facilities and equipment—laboratories, computers—would be a better approach. Such a move might also dampen down rising costs of the "academic arms race" of schools spending ever-larger amounts of money to entice good students to attend with nonacademic inducements.

As paradoxical as it may seem, the best thing taxpayers can do for higher education is to stop funding it. A system that relied more on tuition and profits, and less on government subsidies and tax-advantaged charity, would be more efficient and more responsive to the needs of its customers.

If despite the arguments above, governmental student aid is continued, put limits on support in five ways. First, limit assistance to genuinely lower income students who likely otherwise would not attend college. Second, put some time limits on receipt of aid—to four or at most five years for a full-time student pursuing a bachelor's degree. Third, insist on some minimal academic standards as is common with private scholarship grants. Fourth, severely restrict aid for graduate or professional school education, which tends to be exceedingly expensive and primarily benefits recipients financially. Why should the federal government fund middle class students seeking MBAs that lead to high paying jobs? Fifth, pass legislation supporting privately funded Income Share Agreements (ISAs) rather than federal grants and loans. Under ISAs, students give up a percentage of postgraduate earnings to a private investor who finances part of undergraduate college costs.

Policy Agenda

Over-reliance on third-party payers for college tuition is at the root of many of the problems facing higher education. The following reforms would directly address that problem:

- Reduce federal and state aid to higher education while allowing public institutions to raise tuition or cut spending as necessary to balance their budgets.

- Focus aid on students from lower-income families who genuinely need financial support to achieve the American Dream.

- End state funding altogether of public universities that already get the lion's share of their income from sources other than state funding.

- Restrict tax deductions for private contributions to universities that are earmarked for non-educational facilities such as stadium renovations and athletic programs.

Additionally, aid, in the form of vouchers should be:

- Targeted to undergraduates, who often are overlooked and shortchanged by today's universities.

- Limited to four years, encouraging students to finish their degrees on schedule.

- Awarded in amounts reflecting both financial need and academic success.

- Available to alternatives to traditional state-supported colleges and universities.

Also, private forms of financing, such as Income Share Agreements (ISAs) should be encouraged.

Recommended Readings: Milton Friedman, "The Role of Government in Education," Chapter 6 in *Capitalism and Freedom* (Chicago, IL: University of Chicago Press, 1962); Richard Vedder, *Over Invested and Over Priced* (Washington, DC: Center for College Affordability and Productivity, 2007); Andrew Gillen, *Financial Aid in Theory and Practice: Why It Is Ineffective and What Can Be Done About It* (Washington, DC: Center for College Affordability and Productivity, 2009).

3. Promote free expression of ideas.

Universities receiving government aid should face adverse consequences for condoning restrictions on peaceful expression of opinions.

Colleges should be sanctuaries where individuals can utter unpopular, often heretical thoughts without fear of intimidation. Campuses thrive on the give-and-take of debate and ardent but peaceful discussion.

Yet on numerous campuses that vital debate has come under assault. Invited guest speakers are being "disinvited" or physically prevented from speaking, protestors shout them down, etc. Jane Shaw reported on one such episode for *School Reform News*:

> A group of people protesting an event featuring a conservative speaker at the University of California-Berkeley committed numerous acts of assault and vandalism and succeeded in having the event canceled.
>
> Masked and dressed in black, approximately 150 rioters streamed into the area around the student union of the university on the night of February 1. The rioters threw rocks and fireworks at police, set fires, broke windows, and threw Molotov cocktails, causing $100,000 in damage and minor injuries.
>
> The rioters' stated goal was to disrupt a speech scheduled for that evening by a controversial editor of *Breitbart News*, Milo Yiannopoulos. They succeeded; the university canceled the speech (Shaw 2017).

University administrations often tacitly or even explicitly support these efforts at suppressing First Amendment rights. That must stop at schools receiving substantial state or federal support.

To be sure, campus independence from the political process is highly desirable, and care must be exercised so the cure to the problem is not worse than the disease. Yet it is not unreasonable to require schools receiving government aid to protect peaceful speakers from disruption, denying funds to schools failing to honor that commitment.

Policy Agenda

Colleges and universities can be incentivized to promote free expression of ideas by adopting the following policies:

- Reduce significantly federal and state aid to schools and their students for verified violations of the principle of free expression for students, faculty, and campus speakers;

- Encourage colleges to approve as official institutional policy a statement similar to that elucidated in the Chicago Principles adopted by the University of Chicago, Princeton, Purdue and several other major universities.

Recommended Reading: Harvey A. Silverglate, David French, and Greg Lukianoff, *FIRE's Guide to Free Speech on Campus*, Foundation for Individual Rights in Education, 2012.

4. Increase transparency of cost and results.

Students and their parents need better information to make informed decisions about their higher education plans.

Making informed decisions about what college or university to attend and what degree to pursue without good information on costs and performance is impossible. Did Harvard have a good year in 2015? Who knows? Do its seniors know more than its freshmen do? Is the research of its humanities faculty read by many people? Has it materially improved our understanding of the human condition?

Do students graduating from Harvard get good jobs, and does that vary greatly by major? Does it cost more to educate a historian than a sociologist? How much time do students spend studying, as opposed to partying or pursuing other nonacademic activities?

How much of the university's resources are used for Ph.D. training relative to undergraduate learning? How does its performance compare with five years ago or with competing institutions, such as Yale and Princeton? By and large, the answers to these questions are unknown.

One effort to increase transparency in higher education is *What Will They Learn?,* an annual survey produced by the American Council of Trustees and Alumni (ACTA) of core requirements of more than 1,100 colleges and universities (ACTA 2016b). The latest survey found "twothirds earn a 'C' or lower for their general education requirements, leaving large numbers of graduates with significant gaps in their knowledge and ill-prepared for their careers."

With only a few exceptions, all postsecondary institutions receive significant amounts of government or private philanthropic aid. Yet those subsidies are provided blindly, with taxpayers getting little information about how efficiently their hard-earned money is being used. Colleges often have valuable information from instruments such as the National Survey of Student Engagement and the Collegiate Learning Assessment about how students use their time or what level of critical thinking skills they have obtained. This information is rarely shared with the public.

The College Scorecard (DoE 2015) provides useful data about student debt loads and default rates and postgraduate earnings, but the earnings data are skewed by incomplete reporting. The Internal Revenue Service can and should provide earnings information on 100 percent of those completing college.

Likewise, there is a lack of precise information on faculty teaching loads, the salary and fringe benefits of key employees, and the allocation of resources among undergraduate and graduate teaching and nonteaching activities. Information on teaching loads in Oklahoma and Texas, obtained under public record laws, shows many faculty do scant teaching, receive hefty salaries, and seldom publish (Vedder and Hennen 2014).

Extremely costly nonacademic facilities receive little evaluation on cost-benefit grounds. NC State's $120 million Talley Student Union building has a 1,200-seat ballroom, fireplace lounges, and nine upgraded dining choices, not to mention installed pieces of art works (Robinson 2017). Princeton constructed Whitman College, a residential housing facility for about 400 undergraduates, for a cost of $136 million—at least $340,000 per student (Marks 2002). For that money, you could buy 400 houses!

Classroom space is wasted. According to a higher education consultant who specializes in facilities management, on average only 49 percent of classrooms are being used at any one time during a school week, Monday through Friday, 8:00 am to 10:00 pm (Cheston 2012).

States could readily obtain and publicly report performance and cost data about their institutions. Why shouldn't universities publish the teaching loads, salaries, and research grants received by their faculty, as the governments in Oklahoma and Texas compelled their state universities to do? Why not do the same for administrative staff? Perhaps this would shame universities into putting more emphasis on teaching and reveal excesses in compensation.

Given that they support public universities and community colleges, state governments have a responsibility to collect and report the data needed to hold higher education's leaders accountable for results. Simply supplying students and their parents with accurate outcomes information alone would force the state's colleges and universities to be more responsive to students.

If students and families were really in charge of their spending on higher education, they would demand this information. In addition, making institutions directly accountable to students would allow the state to reduce its oversight role, thus saving taxpayer dollars and reducing government intrusion.

Policy Agenda

Colleges and universities that receive public funding should be required to disclose the following information:

- student graduation rates, debt loads, default rates, and postgraduate earnings;
- teaching loads, salaries, fringe benefits, and research grants received by their entire faculty;
- job descriptions, salaries, and benefits of administrative staff; and
- allocation of resources among undergraduate and graduate teaching and nonteaching activities.

Recommended Reading: Derek Bok, *Higher Education in America* (Princeton, NJ: Princeton University Press, 2013); Richard Vedder and Anthony Hennen, *Dollars and Sense: Assessing Oklahoma's Public Universities* (Oklahoma City, OK: Oklahoma Council of Public Affairs, 2014).

5. Promote alternatives to college.

A college education is not for everyone, and public policy should not skew students toward choosing a college education if they don't need or want one.

President Barack Obama (2015) and many other federal and state elected officials promoted or still promote efforts to increase college enrollments, saying the percentage of young adults with college degrees is lower in the United States than in many other nations. But college education is not for everyone, and public policy should not skew students toward choosing a college education if they don't need or want one.

College Education Not Required

It is often argued that increases in college attendance will increase worker skills, "human capital," and economic growth. This attempt to increase college enrollment has at least three major drawbacks.

First, there are wide variations in human cognitive skills and motivations. Many of those who choose not to pursue college education do so for a perfectly rational reason: They consider it unlikely they will succeed. Even among those already going to college, more than half drop out or take longer to get a degree than anticipated (NCES 2009b). Expanding the pool of those entering college will increase the number of disappointed college dropouts.

Second, as greater numbers of less academically qualified people enter college, remedial education costs rise and the standards of rigor decline in order to maintain respectable graduation rates. Data already show low critical thinking skills and basic knowledge growth among U.S. college students (Arum and Roksa 2011; PIAAC 2012).

Third, Bureau of Labor Statistics job projections suggest most new jobs created over the next decade will *not* require skills of the type acquired in traditional college and university programs (Vedder *et al.* 2013; Employment Projections 2015). For example, the U.S. Department of Labor projects some 348,000 more home health aides, 331,000 more retail salespersons, and 180,100 more construction workers will be needed by 2024. Their skills are best learned mostly on the job or in specialized postsecondary career schools, not through a college degree program (Employment Projections 2015).

Wasted Degrees

The United States is beginning to accumulate large numbers of college-educated people who perform jobs for which they are overqualified. It was reported in 2012 that more than 13 percent of the nation's parking lot attendants and more than 14 percent of hotel clerks have at least a bachelor's degree (O'Shaughnessy 2012). "Credential inflation" has led many people to pursue degrees to try to stay ahead of other applicants, even though the jobs for which they're applying do not require such training (Vedder, Denhart, *et al*. 2010).

The use of postsecondary education vouchers would provide greater incentives for students to attend nontraditional institutions offering training in skills such as truck driving, plumbing, or welding. For many, a six-month course in learning how to drive large semi-trailer trucks is likely to have a bigger payoff than a four-year course resulting in a bachelor's degree in, say, sociology. Less debt is incurred, the probability of successfully completing the program is greater, and the postgraduate earnings are likely to compare favorably with the four-year college alternative.

Microsoft co-founder Bill Gates dropped out of Harvard. So did Facebook creator Mark Zuckerberg. Apple co-founder Steve Jobs spent less than a year at Reed College. All three revolutionized communications and information, became among the richest men in the world, and proved colleges degrees are not a prerequisite to success. Indeed, Paypal co-founder and venture capitalist Peter Thiel—Facebook was one of his investments!—argues not only against the dogma that college is for everyone but that we are in an "education bubble" that could pop, leaving those who invest too much in it at a big monetary and career loss (Thiel 2014; Vedder and Denhart 2014).

Alternatives to College

Public policy has provided more subsidies and recognition to the high-priced elite private institutions and flagship public research universities than to others (NCES 2014b). Accreditation has proven to be a major barrier of entry to for-profit firms and other less-expensive alternatives, and government regulations have attacked innovative for-profit providers primarily using online instruction (see Principles 9 and 10 below). Yet there is evidence that online education very often is better than traditional classroom instruction (DoE 2010).

Private online programs cost state governments nothing at all and would often cost relatively little under a voucher plan. The move toward including inexpensive online courses (such as massive open online courses, known as MOOCs) as part of low-cost degrees is an encouraging development.

Some of the proposals discussed above—in particular higher education vouchers—could help reduce the excessive public investment in very expensive schools. States giving vouchers might make them usable only at relatively lower-cost schools, such as community colleges and some proprietary institutions, for students whose academic profile suggests a high probability of academic failure at four-year schools. This would reduce the financial exposure of taxpayers in cases where students fail to take advantage of the academic resources provided to them. Students completing courses with a satisfactory academic record at, say, community colleges or for-profit private schools could then receive vouchers for an additional two years at a four-year university.

States moving to student-centered funding of higher education might consider funding higher education investment accounts for eligible students. For example, each K–12 student who performs satisfactorily could withdraw up to $25,000 over a lifetime, at a rate not to exceed

$5,000 a year, from his or her account. Those attending a community college that costs $4,000 in annual tuition for two years and then for two more years at a four-year school costing $8,000 annually would need a total of $24,000. The program could allow them to keep all or a portion of the amount below $25,000 after graduation, giving students an incentive to attend low-cost schools and finish their studies.

Students can demonstrate high school-level proficiency by passing the General Equivalency Diploma (GED) examination. Why not have a similar College Equivalence Examination, a several-hour test examining for critical reasoning capabilities (perhaps using the Critical Learning Assessment instrument) and the basic knowledge well-educated people should have? Students doing well on such an exam could be viewed as having capabilities equivalent to those of a bachelor's degree holder, allowing some to demonstrate competency to employers by using an alternative to a college diploma, at a much lower cost.

Policy Agenda

By focusing too much attention and too many resources on conventional colleges and universities, countless billions of dollars have been wasted on worthless degrees that leave graduates unprepared for the workforce. This can be changed with the following policy agenda:

- Make higher education vouchers usable only at relatively lower-cost schools, such as community colleges and some proprietary institutions, for students whose academic profile suggests a high probability of academic failure at four-year schools.

- Allow postsecondary education vouchers to be used to pay tuition at nontraditional institutions such as six-month training programs in welding, computer programming, and the like.

- Remove accreditation barriers to for-profit firms and other less-expensive alternatives.

- Remove government regulations that stand in the way of for-profit providers using online instruction such as massive open online courses (MOOCs).

- Allow students to demonstrate college-level proficiency by passing a College Equivalence Examination, modeled after the General Equivalency Diploma (GED) examination for high school proficiency.

Recommended Readings: Richard Vedder, Christopher Denhart, and Jonathan Robe, *Why Are Recent College Graduates Underemployed?* (Washington, DC: Center for College Affordability and Productivity, 2013); Richard Vedder, Andrew Gillen, Daniel Bennett, *et al.*, *25 Ways to Reduce the Cost of College* (Washington, DC: Center for College Affordability and Productivity, 2010).

6. Emphasize instruction and raise academic standards.

Too many institutions of higher education have de-emphasized instruction and should refocus their attention on educating students.

The single most important mission of higher learning should be educating students, yet incentive systems within universities often downgrade instruction. Big salary increases go to those who write articles for obscure academic journals that often go unread and uncited.

Anything But Learning

Surveys show the critical thinking skills of graduating seniors are little better than those of entering freshmen (Arum and Roksa 2011). One reason is simply time on task: College students average fewer than 30 hours a week on academics, over a period of just 30 weeks a year—less time than eighth graders spend learning.

Grade inflation has reduced college work effort and almost certainly learning (Leef 2016a; Babcock and Marks 2010). Many universities and colleges must devote class time and resources to remedial education to make up for the failures of K–12 schools and popular pressure on mediocre and unmotivated students to attend college.

Political correctness is also reducing time spent on learning at many colleges and universities. Self-described Progressives increasingly stifle free expression and discussion of ideas, the very core of what higher education is all about. Speaker dis-invitations and attempts to marginalize some forms of speech undermine the quality and diversity of academic life and exemplify the loss of free inquiry and scholarly independence (Young 2017). Worse, individuals with conservative or perceived “non-progressive” views must also worry about violence directed at them by leftist thugs who, rather than being expelled, are often coddled by college administrators (Timpf 2016).

Most comprehensive universities, and even some liberal arts colleges, engage in many activities unrelated to the academic experience. They operate restaurant and lodging facilities, conference centers, hospitals, entertainment enterprises (notably intercollegiate athletics), and recreational facilities such as golf courses and weight/conditioning operations, etc. These ventures have little to do with the twin goals of any university: the dissemination (teaching) and production (research) of knowledge.

On average, universities are not as effective and efficient as private restaurant and lodging companies at food and housing services. To their credit, many schools have outsourced these activities, but they could, and usually should, outsource maintaining buildings, teaching remedial courses, running hospitals, and many other things they currently do that have little or nothing to do with college-level teaching (Vedder 2014).

Similarly, an explosion in university bureaucracies has increased costs and reduced emphasis on instruction. According to Benjamin Ginsberg, a professor of political science at Johns Hopkins University, in 1970 U.S. colleges employed more professors than administrators, but in 2011 teachers made up less than half of all college employees. Since 1970, "the number of full-time professors increased slightly more than 50 percent, while the number of administrators and administrative staffers increased 85 percent and 240 percent, respectively" (Ginsberg 2011).

Also according to Ginsberg, adjusted for inflation, from 1947 to 1995, overall university spending increased 148 percent, administrative spending by 235 percent, and instructional spending by only 128 percent. The average pay of heads of public universities, according to the *Chronicle of Higher Education* (Bauman 2017), was about $464,000 in 2016. However, if the numbers are limited to presidents who served the whole year (a differentiation that reveals the turmoil that can surround a president's job), the average president pulled in a little more than $521,000.

The Publications Racket

Teaching is often devalued on college and university campuses in the name of research. Many faculty members would rather devote time to their own research than teach in a classroom, and as a result, many classes at major universities are taught by graduate students and associate or adjunct professors rather than tenured faculty.

Much of the research done by faculty at higher education institutions is of dubious value. A significant decline in teaching loads has occurred over the decades to allow time for more research, and the number of academic journals has multiplied several-fold to accommodate the flood (Vedder 2004). Diminishing returns on research have set in: More than

35,000 articles have been written about William Shakespeare since 1950. Have the last 34,000 of those articles really added much to our understanding of either Shakespeare or the advance of Western civilization (Bauerlein 2009)? Weren't 1,000 articles enough?

"Publish or perish" is a bizarre racket in which professors obtain tenure or salary increases simply for turning out papers no one reads but which cite other scholars who, in turn, cite those professors so they can demonstrate their faux influence. There certainly is research that might appear useless to nonspecialists and nevertheless be influential and well-regarded in a small community of scholars. Still, research should be subject to cost-benefit scrutiny, which would lead to increases in teaching loads, allowing for a reduction in college costs (fewer faculty members would be needed to provide any given amount of instruction).

Having aid money follow the student instead of being given directly to institutions would help ensure research, when it takes place, is concentrated on areas that enhance learning and increase educational value to students instead of being a vehicle for professors' professional advancement.

Measures of Success

Having funding directed to students instead of institutions should increase the attention paid to actually educating students. Forcing universities to share payments for federal loan defaults would lead to more rigorous admission standards and more effective instruction.

Holding colleges accountable for maintaining high standards is difficult, largely because of the lack of transparency and failure to measure academic progress discussed earlier. For that reason, value-added measures of academic performance are needed, and third-party financial support should be made dependent on demonstration that colleges are positively adding to the learning, critical thinking skills, or other desired qualities expected in a college graduate. Policymakers could compare, for example, first- and fourth-year student performance on a well-accepted exam such as the Critical Learning Assessment.

A special issue is intercollegiate athletics. Some would argue it has contributed to the downplaying of academics, while others attribute to it whatever public support higher education still has. Huge scandals at highly regarded schools such as Penn State and the University of North Carolina hint at widespread corruption taking place unobserved at other universities. Other legitimate issues include the overpaying of coaches and the underpaying of student athletes.

It is time for a new, collective effort to contain exploding athletic costs, perhaps by ending the tax-deductibility of gifts earmarked for athletic programs, divesting commercial sports from university operations, and implementing multiuniversity agreements to contain costs and redirect commercial sports revenues to core academic activities. In any case, government budget and tax policies should be changed to stop encouraging the waste of resources on intercollegiate athletics.

Policy Agenda

Colleges and universities can be incentivized to focus on instruction by adopting the following policies:

- Track and report to parents and funders the average amount of time students spend on academics and make increasing that amount of time an institutional priority.
- Require faculty to teach and increase the teaching load of tenured faculty.
- Reduce the weight given to publication records in faculty hiring, compensation, and retention decisions.
- Critically review activities that divert attention and resources from the core mission, such as operation of restaurants and lodging facilities, conference centers, hospitals, and athletics.

Recommended Readings: Richard Arum and Josipa Roksa, *Academically Adrift: Limited Learning on College Campuses* (Chicago, IL: University of Chicago Press, 2011); Benjamin Ginsberg, *The Fall of the Faculty: The Rise of the All-Administrative University and Why It Matters* (Oxford: Oxford University Press, 2011).

7. Restructure university ownership and governance.

> The way universities are currently structured—unclear ownership and "shared governance," for example—stifles innovation and increases costs.

Most American universities are organized on a management model, called "shared governance," originally developed in the Middle Ages and essentially unchanged over the past century. It is not clear at all who "owns" the university and has the right to govern it (Martin 2009). This vagueness leads to costly, often delayed, and timid decision-making (Vedder 2004). Bold innovations are stifled by interest groups and the politics associated with them.

It also leads to flamboyant spending in the name of education. One commentator says nonprofit colleges actually do make profits, but they "take their profits in the form of spending on some combination of research, graduate education, low-demand majors, low faculty teaching loads, excess compensation, and featherbedding" (Fried 2011).

Shared governance is much revered by faculty. Faculty members with lifetime appointments face little consequence from obstructing changes that might reduce their power or increase their teaching loads. Most university decisions are made by committees with various interest groups each given a limited veto power, forcing costly and illogical compromises; e.g., adding faculty in department A as a condition of approving new programs for department B.

Conflicted Role of the President

At a typical university, the president is pulled in several different directions. He raises funds to placate …

- faculty (high salaries, low teaching loads, good parking);
- students (decent housing, low academic expectations, plenty of free time, and easy access to recreational facilities);
- alumni (good football and basketball teams, a nice alumni/ conference center, and prestigious faculty superstars);
- senior administrators (high pay and perks such as international travel, a fancy office, and lots of assistants to do the heavy lifting); and
- trustees (nice perks, luxurious facilities for meetings, and travel).

The president may or may not be an entrepreneur, but instead of seeking to put resources to their highest and most productive use in order to satisfy customers, he spends his time coaxing funds from third parties to pay what economists call the "economic rents" (payments beyond what is necessary to provide the service) to all those who could create trouble. University trustees ought to be aware of this hazard and support presidents who buck the tide, but they typically are ignorant of campus practices and disengaged (Schmidt 2014; Martin 2009).

A Better Model

Competition from for-profit institutions has the potential to force traditional universities to at least partially abandon the inefficiencies of the current management model. Institutions such as Apollo Corp. (University of Phoenix), Kaplan Higher Education, Bridgepoint Education, and others have clearly defined ownership and management. Institutional priorities are concentrated on improving the bottom line (profits, perhaps stock price or market share), something traditional schools cannot do since they have no clearly defined bottom lines.

Successful institutions are organized in ways that reward decisions leading to cost-effective, high-quality goods and services sold to willing customers. Colleges and universities too often are organized in a nearly opposite way, as if cost-effectiveness doesn't matter or is to be avoided, quality cannot be or shall not be measured, and students and their parents are not to be viewed as customers, but only as inconveniences and distractions from achieving other objectives. For-profit colleges can teach by example, even if nonprofit and government-owned institutions can't necessarily adopt the same governance model.

Removing barriers to the spread of market-based education and letting that sector absorb future enrollment increases would reduce the ownership and governance problems. Fortunately, the Trump administration is acting to remove some of the rules and regulations adopted by the Obama administration that discriminate against for-profit schools.

Policy Agenda

College and university ownership and management need to change if higher education is ever going to be made to work again for students, their parents, and taxpayers. Some guidelines for this reform include the following:

- Communicate to all stakeholders the central goal of the institution—instruction—and the most important customers—students and their parents—and adopt policies and budgets that move resources to them and away from anything else.

- Move away from the doctrine of "shared governance" to more clearly place authority in the hands of an executive team.

- Limit the authority of department chairs and faculty to their own departments and refocus their goals on instruction.

- Repeal regulations that discriminate against for-profit colleges and graduate schools.

Recommended Readings: Daniel L. Bennett, Adam R. Lucchesi, and Richard K. Vedder, *For-Profit Higher Education: Growth, Innovation and Regulation* (Washington, DC: Center for College Affordability and Productivity, 2010); Robert Zemsky, *Making Reform Work: The Case for Transforming American Higher Education* (New Brunswick, NJ: Rutgers University Press, 2009).

8. Revamp or eliminate federal student financial aid.

Federal student aid programs have mostly failed, contribute to the upward spiral in higher education costs, and should be revamped or ended.

The Pell Grant program, the largest of the federal student financial aid programs, has exploded in size in the past decade, going from $15 billion in 2005–06 to $30.3 billion in 2014–15. Originally designed to expand access to college for low-income Americans, it instead has caused tuition to spiral upward, increased dropout rates, and burdened millions of students with debts they will never be able to repay.

Evidence of Failure

Federal aid programs have dramatically contributed to the tuition price explosion (Lucca *et al.* 2015). In the several decades before 1978, when loan programs were either nonexistent or small, tuition price increases averaged roughly 1 percent per year, corrected for inflation. In the nearly four decades since, when loan programs were rapidly growing, tuition increases have roughly tripled (to more than 3 percent per year) in inflation-adjusted dollars (Vedder *et al.* 2014).

Due at least in part to unaffordable tuition levels, the proportion of recent college graduates from the bottom quartile of the income distribution is actually lower today than it was in 1970 (Mortenson 2009). The graduation rate among Pell Grant recipients is probably 20 to 25 percentage points lower than that of non-recipients. (The U.S. Department of Education does not provide comprehensive, reliable data on Pell Grant six-year recipient graduation rates, so this is only our best estimate.)

Total federal student loan indebtedness is approximately $1.3 trillion, larger than overall credit card debt. Although the mean student debt obligation is slightly less than $30,000, there are large numbers of students with debts of $50,000 or more (Vedder *et al.* 2014). The official delinquency and default rates on the federal student loan programs understate the problem, as it is comparatively easy to defer repayment of loans. Nonetheless, nearly 25 percent of these loans were "seriously delinquent" in early 2014, according to a New York Federal Reserve Bank assessment (Brown *et al.* 2014).

Reform Proposals

On various occasions, Obama and other lawmakers proposed easing terms on borrowers through lower interest rates, partial loan forgiveness, limiting repayment to a proportion of income, etc. These reforms simply double down on a failed approach to financing higher education. They leave in place the incentives for college and university administrators to raise tuition, for weak students to attend college, and for politicians to posture as advocates for the poor and disadvantaged when their policies actually are hurting those very people.

These proposals also create a huge "moral hazard" problem: If students think they can have loans partially forgiven or get better terms, they will simply not repay, aggravating an already serious problem and expanding the taxpayer liability for the loans. It's like pouring gasoline on a fire.

Policy Agenda

In a perfect world, federal student aid programs would be phased out over a short period of time, replaced by private lending as well as new approaches to financing, such as income share agreements where private investors finance college expenses in return for a share of the postgraduate income of those graduating (Chaparro 2017). Unfortunately, the magnitude of the loan programs and powerful constituencies favoring them may make it necessary in the short run to limit reforms to serious revisions rather than eliminating the programs altogether.

Effective reforms that can at least begin the process of revamping and eventually eliminating federal student financial aid include the following:

- Introduce minimal credit and academic standards, such as limiting future loan borrowing for students with very poor academic success records.

- Put stricter time limits on borrowing.
- Make colleges absorb some of the taxpayer losses associated with unusually high loan delinquency or default (“skin in the game”).
- Turn administration of loan programs over to private loan providers.
- Limit or eliminate government-subsidized loans for attendance at graduate and professional schools.
- End the Parent Loan for Undergraduate Students (PLUS) program.
- End tuition tax credits for higher education, which mainly benefit middle-income families.

Recommended Reading: Richard Vedder, Christopher Denhart, and Joseph Hartge, *Dollars, Cents, and Nonsense: The Harmful Effects of Federal Student Aid* (Washington, DC: Center for College Affordability and Productivity, 2014).

9. End destructive government regulation.

Government regulation of higher education, especially by the federal government, has increased dramatically and does more harm than good.

Government regulation of higher education has grown extensively over time, especially at the federal level. Much of it has been intrusive and has done little to improve educational outcomes, while raising costs.

A strong case can be made that higher education today is actually worse off on a variety of measures than before the U.S. Department of Education was created in the late 1970s (Vedder 2015). For example, the Department of Education’s own Adult Literacy survey shows a decline in literacy among college graduates (NAAL 2006). Similarly, average verbal GRE (Graduate Record Examination) scores in 1979 were 476; by 2009 they had fallen to 456. (Data are unavailable for 2010, and in 2011 the scoring scale was modified, making comparisons of pre-2009 to post-2011 data difficult (NCES 2015, Table 327.10)).

Destructive Regulations

In 2015, a Task Force on Federal Regulation of Higher Education reported federal mandates amount to some 2,000 pages of rules and regulations. "As a result," it found, "colleges and universities find themselves enmeshed in a jungle of red tape, facing rules that are often confusing and difficult to comply with. They must allocate resources to compliance that would be better applied to student education, safety, and innovation in instructional delivery. Clearly, a better approach is needed" (Task Force 2015).

Two examples of extremely disruptive federal regulation make the point. Beginning in 2010, the Obama administration issued a variety of regulations specifically targeting for-profit institutions. The most destructive of these regulations is the so-called gainful employment rule relating to the postgraduate vocational success of students. This rule concerns the debt-to-income rates of graduates of vocational programs, primarily at for-profit schools.

Although it is reasonable to expect students borrowing taxpayer funds to have high rates of repayment, applying these rules to only one type of provider resulted in a playing field tilted against for-profit schools and damaging to students. Since for-profit colleges have been most successful in attracting low-income students into higher education, they necessarily face higher default rates and lower graduation rates than those of traditional four-year colleges. The Obama regulations failed to address the bigger problems routinely faced by students attending high-priced nonprofit colleges: high dropout rates and underemployment by their graduates, leaving them unable to pay off their government student loans.

A second area where the U.S. Department of Education has intervened in recent years involves how colleges and universities respond to sexual assault cases. The department's Office for Civil Rights decreed, without the formal public comment period required by law, that colleges must use a low "preponderance of evidence" standard, as opposed to the "beyond a reasonable doubt" or "clear and convincing evidence" standard used in court cases of alleged sexual assault. Higher education institutions are being forced to disregard due process, and in some cases these proceedings are ruining the careers of innocent students.

Eminent faculty at Harvard Law School have strongly protested, to no avail (Gersen 2016). In light of high-profile cases of false or completely unproven assault accusations, like the one in a now-retracted *Rolling Stone* article on a case at the University of Virginia, one would think governments would renew their insistence on strict due process.

Regulatory excess is also imposed at the state and local level. Under the federal Higher Education Act, states must authorize institutions to offer courses and programs, verify the institutions are legitimate enterprises, and provide a venue for students to lodge complaints. In many states, requirements for authorization duplicate or conflict with accreditation requirements, imposing considerable costs and barriers to entry. Some states require online colleges to comply with complex and expensive regulations before they can enroll students even if the schools are authorized in their home states (NGA 2013).

Replacing Regulation with Markets

The task force referenced above called for adopting a dozen "guiding principles to govern the development, implementation, and enforcement of regulations," many of them common-sense nostrums such as "regulations should be related to education, student safety, and stewardship of federal funds" and "regulations should be clear and comprehensible." Without dismissing the important work of the task force, we suggest a better way to curb abuses by colleges is to rely more on markets and less on regulators.

Regulation is always an attempt to overcome the perverse incentives created by relying on other people's money to pay for goods and services they use. Reducing reliance on third-party payers in higher education makes deregulation possible, just as doing so works in health care (see Chapter 1) and K–12 schooling (see Chapter 3). When college students and their parents have to pay the full cost of college tuition (or amounts closer to that cost than is now the case) they will insist on efficiency, demand transparency, and refuse to pay for bloated bureaucracies or gold-plated stadiums and arenas. Regulation isn't needed when consumers are empowered and motivated.

Policy Agenda

Some ways to use market discipline to make deregulation possible include the following:

- Outsource services of public institutions of higher education to competitive private companies.

- Introduce internal markets by, for example, renting space to departments, with prices set to encourage nonpeak use.

- Vary tuition charges by the costs of instruction and the popularity of course offerings. Courses taken in the evening or on weekends can be priced lower than those taken in prime-time from Monday through Thursday.

- Return colleges to the professorial compensation model praised by Adam Smith in 1776, in which students directly pay professors, who in turn remit some of the funds to the university for administrative help, academic support, and facility services. In this way, instructor compensation increases with the number of students taught and the popularity of the instruction.

- Contract with groups of professors operating private firms to provide, say, political science instructional services, instead of paying salaried professors individually.

Recommended Reading: Richard Vedder, Andrew Gillen, Daniel Bennett, *et al*., *25 Ways to Reduce the Cost of College* (Washington, DC: Center for College Affordability and Productivity, 2010).

10. Reform or eliminate accreditation.

Higher education accreditation is expensive, unnecessary, and too focused on inputs rather than outputs.

Starting a college or university is not easy, especially given state and federal government obstacles to entry into the higher education business (Bishirjian 2017). Most importantly, students cannot get federal loans or grants to attend non-accredited schools. Also, it is virtually impossible for for-profit packagers of education services to "bundle" courses from several universities to create the equivalent of a degree. Why not? This option would increase competition and student choice.

Freezing Out New Schools

Current accreditation procedures tend to be based on inputs—spending money—instead of outputs, which are the demonstrated proof that students are actually receiving a beneficial education. The cost of meeting accreditation standards is often very high, measured in millions of dollars (Gillen *et al.* 2010). In addition to accreditation rules many states require schools to be licensed, requiring a separate and often duplicative series of applications and inspections. For online companies operating in all 50 states, these costs can amount to millions of dollars.

Small entrepreneurs are essentially frozen out of competition, which reduces incentives for efficiency in the system.

What is the point of accreditation? Accreditation hasn't boosted the reputation or quality of colleges and universities. Only 55 percent of Americans believe higher education produces more benefits than harms to the country (Pew 2017); surely plumbers and auto mechanics score higher than that, and they don't even field football teams. Accreditation has not prevented bad colleges, even "the worst school in America," from staying open and cheating students (Ronson 2014). In fact, by making it difficult for new schools to start and compete with failing traditional colleges, accreditation protects incompetence and failure rather than protecting consumers from them.

Accreditation organizations offer mainly a binary assessment: You are either accredited or not accredited, implicitly and incorrectly assuming all accredited organizations are qualitatively the same. Markets provide much more nuanced and useful information. Magazines or agencies such as *Consumer Reports* or J.D. Power and Associates help consumers assess the quality of products and services offered for sale in order to make their own decisions. It works: There is no huge problem with unscrupulous or unreliable auto manufacturers.

Yelp and major online companies like Amazon allow customers to rate goods and services. Higher education accreditation could do what *Consumer Reports* and magazine rankings such as those of *U.S. News & World Report* or *Forbes* do: give consumers useful information regarding the quality of institutions.

Accreditation also suffers from other defects, the most notable of which are the huge conflicts of interest involved in the process. An accrediting team visits and accredits Institution A today, and tomorrow faculty from Institution A serve on the same accrediting team, assessing positively the schools of other team members. Boards of regional accreditors are dominated by representatives of the schools being accredited. Instead of operating as an honest broker, the accrediting association resembles more of a cartel intent on excluding outsiders from entry.

Policy Agenda

A reliable, easy-to-use, and relatively uniform system of data on both the performance and financial conditions of undergraduate institutions could go a long way toward doing the job of accreditation and, in fact, could significantly improve the current system by providing more information. The following public policies would encourage movement in that direction:

- New schools should be authorized to offer courses without formal accreditation by completing a much less complicated and expensive application process.

- Accreditation should be earned or maintained by demonstrating positive student outcomes, such as the proportion of graduating students scoring well on the Graduate Record Exam, Critical Learning Assessment, or another relevant instrument.

- If graduates' income and job prospects are made part of the accreditation process, these requirements must be applied equally to all types of colleges and universities, not applied selectively against for-profit or online schools.

Recommended Readings: Andrew Gillen, Daniel L. Bennett, and Richard Vedder, *The Inmates Running the Asylum? An Analysis of Higher Education Accreditation* (Washington, DC: Center for College Affordability and Productivity, 2010); George C. Leef and Roxana D. Burris, *Can College Accreditation Live Up to Its Promise?* (Washington, DC: American Council of Trustees and Alumni, 2002); Anne D. Neal, "Dis-Accreditation," *Academic Questions* **21** (4): 431–45.

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Additional Resources

Additional information about higher education policy is available from The Heartland Institute:

- PolicyBot, The Heartland Institute's free online clearinghouse for the work of other free-market think tanks, contains thousands of documents on education issues. It is on Heartland's website at https://www.heartland.org/policybot/.

- https://www.heartland.org/Center-Education/ is the website of The Heartland Institute's Center for Transforming Education, devoted to the latest research, news, and commentary about higher education as well as K–12 education issues. Read headlines, watch videos, or browse the thousands of documents on education issues available from PolicyBot.

- *School Reform News*, a monthly publication from The Heartland Institute, is available for free online at the websites described above, or subscribe to the print edition for $36/year (10 issues).

Directory

The following national organizations provide valuable information about higher education policies.

American Council of Trustees and Alumni (ACTA), https://www.goacta.org/

American Legislative Exchange Council, Center to Protect Free Speech, https://www.alec.org/policy-center/center-to-protect-free-speech/

Center for College Affordability and Productivity, http://www.centerforcollegeaffordability.org

Chronicle of Higher Education, http://chronicle.com

The College Fix, http://www.thecollegefix.com

Heartland Institute, https://www.heartland.org/

Integrated Post Secondary Education Data System, http://nces.ed.gov/ipeds/datacenter/

James G. Martin Center for Academic Renewal (formerly the John W. Pope Center for Higher Education Policy), https://www.jamesgmartin.center/about/

National Association of Scholars, http://www.nas.org

National Center for Education Statistics, http://nces.ed.gov

National Survey of Student Engagement, http://nsse.iub.edu/