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"How Government Funding Is Destroying American Higher Education"

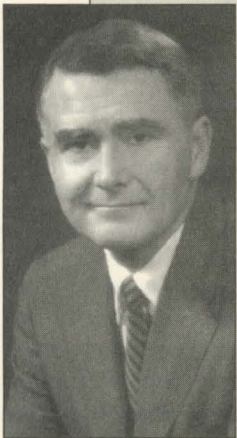
by George Roche
President, Hillsdale College

George Roche has served as president of Hillsdale College since 1971. *Firing Line*, the *MacNeil-Lehrer News Hour*, *Today*, *Newsweek*, *Time*, *Reader's Digest* and the *Wall Street Journal*

have chronicled his efforts to keep the College free from federal intrusion.

Formerly the presidentially appointed chairman of the National Council on Educational Research, the director of seminars at the Foundation for Economic Education, a professor of history at the Colorado School of

Mines, and a U.S. Marine, he is the author of 12 books, including six Conservative Book Club selections. Among them are: *America by the Throat: The Stranglehold of Federal Bureaucracy*; *A World Without Heroes: The Modern Tragedy*; *Going Home*; *A Reason for Living*; *One by One: Preserving Freedom and Values in Heartland America*; and *The Fall of the Ivory Tower: Government Funding, Corruption, and the Bankrupting of American Higher Education*. ♣

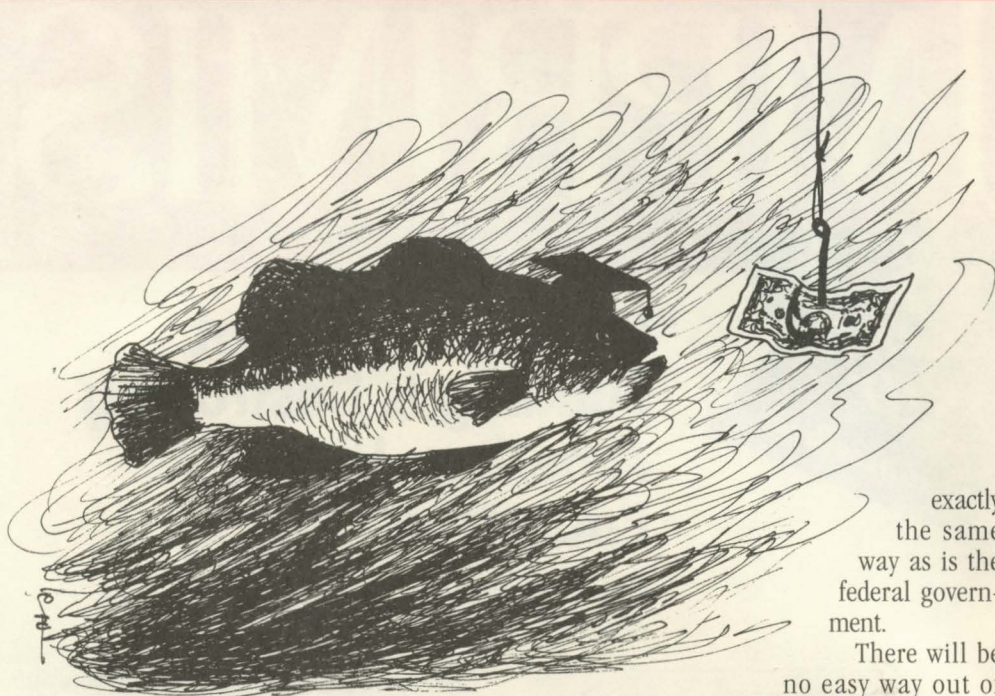


In the spring of 1994, Insight magazine published a special cover story report naming George Roche's latest volume as the "Book of the Year." Other press mentions have appeared in dozens of sources, from Reader's Digest to the Wall Street Journal. Presented here is a lecture that summarizes the main themes of The Fall of the Ivory Tower: Government Funding, Corruption, and the Bankrupting of American Higher Education (Regnery, 1994) and that was presented at a Shavano Institute for National Leadership seminar in New York last May.

If I have learned anything at all in my career as an educator, it is this: Whom the gods would destroy, they first subsidize.

American higher education is a perfect example. In the 1960s, the total budget for all U.S. colleges and universities was about \$7 billion; in the early 1990s, largely because of massive state and federal funding increases, it surpassed \$170 billion. Yet tens of thousands of *college seniors* do not know when Columbus sailed to the New World, who wrote the Declaration of Independence, or why the Civil War was fought. Businesses rightly complain that they must reeducate college graduates in such basic academic skills as grammar, spelling, and practical math.

The effect of government subsidy and control has been more profound, more direct, and more damaging than anyone has yet realized. It has led to a situation in which the entire system of American higher education is academically, morally, and quite literally, going bankrupt.



exactly the same way as is the federal government.

The Financial Crisis

One of the best-kept secrets in American higher education today is that many colleges and universities are teetering on the brink of disaster. Nearly one-half of the college presidents polled by *U.S. News & World Report* in the early 1990s said their institutions would face continuing deficits, and nearly one-third said they did not expect to balance their budgets anytime in this decade.

Nearly 60 percent of all colleges and universities have been forced to slash their budgets. Even some schools with huge endowments and hundreds of millions of dollars in revenue in the form of federal research grants have been starving for operating funds. The reason? The bigger the institution, the bigger the outlays. Harvard University, Stanford University, Columbia University, MIT, and the University of Michigan are just a few of the institutions that rack up bills of more than *\$1 billion a year*. And little of what they spend can be called discretionary; they are overcommitted to entitlements in

“What we are seeing today is an S & L style financial crisis: Although higher education appears thriving and prosperous on the surface, vast instability and corruption lie just below.”

There will be no easy way out of this crisis. Private donations to colleges and universities have gone up in the last decade, but, even at best, corporate and private giving only accounts for 8 percent of all higher education revenues. And federal and state aid, which has grown by leaps and bounds since World War II, is on the decline.

Defaults on student loans have exploded. The tab taxpayers must pick up for Stafford Loan defaults alone is now about \$3 billion a year. Moreover, defaults, mismanagement, fraud, and abuse due to “internal control weaknesses” within the Stafford Loan program are eating up in excess of 54 percent of total program costs. This means that less than half the money allocated for Stafford Loans goes to pay for new loans. Record deficits in the Pell Grant program also testify to the failure of the system. By the end of the Bush administration, this federal program was in debt to the tune of \$2 billion.

What we are seeing today is an S & L style financial crisis: Although higher education appears thriving and prosperous on the surface, vast instability and corruption lie just below. The question is, how long can the veneer last? What finally broke the savings and

loan institutions was a combination of bureaucratic meddling, a credit crunch after years of “easy money,” and the industry’s own chronic mismanagement and massive overinvestment. That combination is precisely what threatens colleges and universities today.

But our nation’s politicians will be the last people on earth to recognize that they have created this crisis. Indeed, they are busy devising ways to make it worse. Despite the fact that the Department of Education has been a complete failure when it comes to managing federal student assistance programs, Congress has decided to give it total responsibility not only for monitoring but for making some six million loans a year. Under this new system, the federal government—instead of banks and other private lenders—will lend money directly to college students.

Congress has also decided to raise the ceiling on individual grants and loans—in some cases by nearly 50 percent. In addition, it has abandoned financial need requirements for Stafford Loans. This means that all students who apply are eligible. The Congressional Budget Office predicts that under the new rules of eligibility, there will be at least 1.1 million new borrowers and 1.4 million new grant recipients. From where will the money come? Your guess is as good as anyone’s. Less than two months after it passed this new legislation, Congress admitted that it would not have the budget to pay for any of it.

President Clinton has said that he plans to spend billions more dollars on grants and loans and on new educational schemes like “national service.” It is becoming increasingly clear, however, that he will not be able to deliver on his grand promises, since higher education’s financial troubles are already overshadowed by the federal government’s four and one-half trillion dollar debt.

Meanwhile, the financial condition on campuses around the country is steadily worsening. College costs are out-of-control: They have grown nearly three times as fast as inflation and twice as fast as the general economy. At Harvard, the total cost of attending for four years is now pushing \$100,000.

Why have college costs gone up? One reason is because Washington, D.C., is heavily subsidizing tuitions through federal grants and loans. This leaves colleges and universities free to jack up their prices. Who cares, after all, what tuition is at Harvard University, when nearly two-thirds of its undergraduates receive financial assistance?

It is true that rising tuition also places a huge financial burden on students and par-

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ents, but what they pay doesn’t begin to cover the actual costs of a college education. At private institutions, tuition and fees only cover one-half to two-thirds of actual costs. At public institutions, they cover far less—only about one-quarter to one-third. The rest of the costs are passed along to you and me as taxpayers.

And those costs are going up and up and up. Heavily financed by federal and state aid, colleges and universities have indulged in a spending spree in the last half-century that has no equal in American history. As one education consultant notes, in an era when quality was defined as “more-is-better,” and when there seemed to be endless amounts of government funding to pay for it, colleges and universities grew without a thought for the ordinary laws of supply and demand. Budgeting was right at the margin. The only important question seemed to be: “How much more can we do next year?” How much money had already been spent and what results had been achieved, he notes, were only secondary concerns.

The Academic Crisis

If that were all to report about the crisis that presently afflicts American higher education, it would be devastating enough. But there is more—much more. The crisis is not just about finances—it is about academics and, finally, it is about morality, too.

Concerning the academic crisis: Colleges and universities have increasingly adopted a “cattle car approach” to education. Classes crammed with 500 to 1,000 students are now commonplace. And many colleges have drastically reduced the number of classes they offer. The University of Wisconsin has been known to

close courses in the first hour of registration—even for seniors in their major field of concentration. At the University of Texas, nearly 1,000 students were turned away from a required English course.

A recent study tracking the education of over half a million students at 300 institutions documented that only about half were able to earn a bachelor's degree within six years. One educator admits candidly that this "is a condemnation of higher education. If we were running an automobile plant, we would be out of business."

The average professor is in class only six to nine hours a week. At the University of Michigan, some professors teach so little that it is estimated that they make nearly \$1,000 an hour for their actual contact with students. In

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the last few years, teaching assistants, rather than faculty, have taught 25, 50 or even 75 percent of all introductory classes at schools such as Princeton University, the University of North Carolina, Ohio State University, Stanford University, and the University of California-Berkeley.

In his best-selling book, *Profscam*, education critic Charles Sykes also points out that professors don't really do as much research as they claim and that much of the research that is done actually has little merit. Sixty percent of all college faculty members have never written or edited a book and one-third have never even published a single journal article. The faculty books that do make it into print range from the sublimely ridiculous to the sublimely obscure. This is just a small taste of some of

the titles currently in print: *The Sexual Politics of Meat: Critical Feminist-Vegetarian Theory*; *Mama Lola: A Voodoo Priestess in Brooklyn*; *Boots of Leather, Slippers of Gold: The History of a Lesbian Community*; *Staying Tuned: Contemporary Soap Opera Criticism*; and *Men, Women, and Chainsaws: Gender in the Modern Horror Film*.

Yet the leaders of higher education are adamant that they need more financial support in order to pay top dollar for the "best" faculties money can buy. In its current campaign, for example, Cornell University is asking alumni and other donors for more than \$400 million to endow professorships that in all likelihood will have zero effect on the school's undergraduate program.

Michigan State University, which receives more than \$230 million a year from the state treasury, says it needs millions more in government aid to "face the teaching challenges of the future." This is pretty hard to swallow, especially coming from a school that uses a video to teach about six thousand students each year in a required history course called "The United States and the World." Its professors—among the most well paid in the nation—are just too busy to perform "live." It is no wonder that author Midge Decter concludes that undergraduate education is "the biggest consumer fraud in America."

The Moral Crisis

But it is the moral crisis in American higher education that makes all other crises pale in comparison. There has been a concerted effort to destroy colleges and universities' *in loco parentis* role. Ask almost any educator, and he will tell you that his students' morals and personal conduct are no longer his concern. But it is perfectly all right for educators to meddle as much as they want when it comes to introducing students to the sexual revolution on campus.

There are "Condom Weeks" at a number of colleges, including Stanford, Berkeley, San Jose State, Virginia Tech, the University of Iowa, and the University of North Carolina, complete with free samples and something called "taste tests." At Williams College, Mills College, Randolph Macon College, and the Florida Institute of Technology, to name just a few examples, male and female students can now spend the night in each other's rooms. At schools like Pennsylvania State University, the official policy is that students may not be granted a room change on the grounds that their roommate is homosexual.

members alike have to face the fact that they cannot count on continually expanding sources of state and federal revenue. And they have to perform some of their basic missions better than in the past if they are to survive. But if you ask most educators, they will continue to insist that only more government money can save American higher education.

It is tempting to reach such a conclusion. Government money is such *easy* money. There are literally hundreds of inducements to accept it, and it always appears—at first—to be “free money,” without any strings attached. Heaven knows, there are plenty of politicians and bureaucrats who will claim that this is so.

Don't believe them. Nothing comes dearer than “free money.” Hundreds of private colleges and universities have learned in recent years that even “indirect aid,”—that is, aid that goes to their students—makes them “wards of the state” as far as the government is concerned. In addition to the way it wrongly compromises the independence of private

institutions, government funding is also destructive because it wrongly shields colleges and universities from the normal, healthy forces of the marketplace. It eliminates competition, which is the only incentive to practice good fiscal stewardship and remain responsive to issues of quality, affordability, and equal access.

The best news of all may be that colleges and universities are in financial trouble. More money didn't bail out the failing S & Ls in the 1980s; they simply misspent it in the same ways they had been misspending for years. Failing businesses only recover when they engage in a fundamental restructuring of the way they do business.

It's up to us—as parents, as donors, and as taxpayers—to convince educators that they must embrace real reform. We must lead the fight for the restoration of the values of the marketplace as well as the academic and moral values that ought to be the foundation of all higher education. ▲

IMPRIMIS (im-pri-mis), taking its name from the Latin term, “in the first place,” is the publication of Hillsdale College. Executive Editor, Ronald L. Trowbridge; Managing Editor, Lissa Roche; Assistant, Patricia A. DuBois. Illustrations by Tom Curtis. The opinions expressed in IMPRIMIS may be, but are not necessarily, the views of Hillsdale College and its External Programs division. Copyright © 1994. Permission to reprint in whole or part is hereby granted, provided a version of the following credit line is used: “Reprinted by permission from IMPRIMIS, the monthly journal of Hillsdale College.” Subscription free upon request. ISSN 0277-8432. Circulation 550,000 worldwide, established 1972. IMPRIMIS trademark registered in U.S. Patent and Trade Office #1563325.

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