
Key Points

Going Broke by Degree: Why College Costs Too Much

By Richard Vedder

Richard Vedder offers fourteen major findings on the high cost of obtaining a college degree in *Going Broke by Degree: Why College Costs Too Much*:

- College costs have been rising far faster than inflation for at least a century.
- The recent rapid rise in tuition is not sustainable in the long-term, as college costs absorb an increasing share of family budgets.
- Costs reflect falling productivity of universities, combined with rising demand for higher education financed largely by third parties.
- The inefficiency of higher education reflects its nonprofit nature, the overabundance of third-party subsidies (especially government aid), and the stifling of price competition.
- The lack of a clear "bottom line" makes accountability difficult, and few incentives exist for university personnel to use resources efficiently.
- Higher costs reflect big increases in staffing, generous compensation payments for faculty and other staff, and increasing spending on noninstructional related activities.
- Only about \$0.21 of each added dollar of university resources over the past generation has actually gone toward student instruction.
- Universities subsidize research and graduate education at the expense of undergraduate instruction and low-income and minority students at the expense of the more affluent.
- Greater public spending on higher education is actually associated with lower rates of economic growth and an out-migration of population.
- The case for public spending on universities has declined substantially, and even ending government subsidies actually might be desirable.
- An agenda to increase efficiency would include giving funds to students, not institutions, in the form of vouchers or scholarships, making them contingent on good academic performance.
- Long-term reform might ultimately lead to privatizing state universities.
- Piecemeal incremental reforms mandated by governments are likely to lead to disappointing results.
- Alternatives to traditional universities (e.g., for-profit schools, on-line instruction, new ways of certifying skills) are growing in importance.