November 16, 2015

Turning away from the problems in the administration's foreign policy, we return to their disaster doubling the amount of student loans. First off is the **NY Times** which has come to think student debt is worse than bien pensants have thought. But you knew that because you've been reading Pickings.

After a series of blockbuster hearings held 25 years ago on abuses in the higher education industry, Congress created a system to protect undergraduates from risky student loans.

But two weeks ago, the Education Department released a trove of new data suggesting that the system is failing and that, at some colleges, the saddling of students with loans they cannot afford to pay down is far more dire than anyone knew.

The loan crisis hits hardest at colleges enrolling large numbers of students from low-income backgrounds. These undergraduates have to borrow for college, then often have difficulty finding well-paying jobs after graduation — if they graduate at all. ...

... In September, the department made a different calculation. Instead of default rates, the department calculated nonrepayment rates, which include both defaulters and borrowers who have never paid a single dollar of principal on their loans.

The nonrepayment category includes people who are only paying interest, have delayed making payments by enrolling in graduate school or are getting loan extensions. The nonrepayment rates were calculated over a longer time period: at one, three, five and seven years after students leave college.

Some of the numbers are startling. American National University — a for-profit chain offering degrees in business, health care and information technology, both online and at 30 campuses in six Midwestern states — has an official default rate of 8.5 percent, well below the national average of 11.8 percent. But its five-year nonrepayment rate is 71 percent. Even after seven years, most of the university's students, the large majority of whom borrow, have failed to pay back a penny of their loans. ...

... Among both public and private nonprofit institutions, the debt problem is most acute when students with very little money attend colleges with very little money. All 25 of the public universities with the highest five-year nonrepayment rates are historically black institutions. Of the 25 private colleges with the worst nonrepayment rates, 22 are historically black. One example, Lane College in Jackson, Tenn., has a 12.9 percent default rate but a 78.2 percent nonrepayment rate.

Historically black colleges are neither unusually expensive nor profligate institutions. Most have served their communities for decades or longer, enduring racism and inadequate funding while enrolling young people who are often low-income, first-generation college students. As a result, despite the fact that tuition at historically black colleges is often much lower than at well-heeled private colleges, a vast majority of their students borrow.

That so many graduates of black colleges struggle to repay their loans may exacerbate racial wealth disparities. These nonrepayment rates, moreover, do not include the private loans that many students take out once their federal aid is exhausted, or the debt that parents are increasingly carrying to pay for their children's college educations.

The new data may prompt Congress to revisit its system for ensuring that students who take on debt have a fighting chance to pay it back.

Megan McArdle of Bloomberg News wonders what we're buying with $1,000,000,000,000 (That's trillion) in student loans.

College is expensive, and getting more so every year. Since most families don't have tens of thousands of dollars lying around, the government has responded with ever-more-generous student loan programs.

First there were the loans themselves, with interest subsidized while you're in school. Then, when that proved inadequate, we instituted income-based repayment, allowing students to cap their payments at a percentage of their discretionary income (stretching out the loan, and getting forgiveness on any balance remaining after 25 years). Then, since that wasn't quite enough, we made the terms more generous. Now the Obama administration has announced that it's making 5 million more people eligible for the program.

You know what they say about doing the same thing over and over again and expecting a different result. This is certifiable. College is too expensive, so have the government make it easier to finance -- then keep shifting more and more of the cost burden to the government, without doing anything about the underlying cost inflation that is making it necessary for government to get into the finance business.

Obviously, this can't go on indefinitely. ...

Richard Vedder of Pope Center lists seven ways the Fed Ed Department has made higher Ed worse.

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By the end of the period, the number of doctorates awarded in engineering had quintupled and over 40 percent of Nobel Prizes were going to individuals associated with American universities.

This was the era in which higher education went from serving the elite and mostly well-to-do to serving many individuals from modest economic circumstance. State government support for higher education rose dramatically—spending per student rose roughly 70 percent after inflation.

During this period, however, the federal role was quite modest. ...

... Compare the Golden Age to the post-Department of Education era (1980 to 2015). While college attainment has continued to grow, in percentage terms the growth has slowed. But that is not all. Let me briefly enumerate seven other unfortunate trends.

First, of course, education costs have soared. Tuition fees rose more than three percent a year in inflation-adjusted terms, far faster than people's incomes. As new research from the New

York Federal Reserve Bank demonstrates, rising federal student financial aid programs are the primary factor in this phenomenon.

If tuition fees had risen as fast after 1978 as in the four decades before, they would be about one-half the level they are today, and the student debt crisis would not have occurred. Presidential candidates would not be talking about "free" tuition. ...

... Sixth, the Department is guilty of regulatory excesses and bureaucratic blunders. For example, the Office for Civil Rights (OCR) imposes a "preponderance of evidence" standard on colleges in sexual assault cases that violates American ideals regarding due process and fair treatment of accused. Twenty-eight members of the law faculty at Harvard, among others, have bitterly complained about that, but the OCR continues its crusade.

Also, the form required of applicants for federal student aid (FAFSA) is Byzantine in its complexity—the 2006 Spellings Commission criticized it severely—but nothing important has been done about it.

Seventh, the one arguably useful function of the Department is to provide information to consumers and taxpayers about college performance. Yet Department bureaucrats have done very little to give useful information on student learning, post-graduate success, consumer satisfaction, et cetera. ...

And in the **Washington Post a former editor of the Chronicle of Education** writes on how baby boomers have presided over a disaster in higher Ed.

Fifty years ago this week, President Lyndon Johnson signed the Higher Education Act, ushering in an era of massive federal support for college students through a flurry of new programs: tuition grants, guaranteed student loans, and work-study funds. The law allowed a much greater swath of Americans to earn a college degree regardless of their family income. During the following decades, enrollment at campuses across the country grew threefold, to some 20 million students.

But today, Johnson's vision of the Higher Education Act as a great equalizer in the American economy is at risk. Indeed, the divide between the haves and have-nots in higher education is almost as great today as it was in the mid-1960s. In the past decade alone, the percentage of students from families at the highest income levels who received a bachelor's degree has grown to 82 percent, while for those at the bottom it has fallen to just 8 percent.

Who is to blame for this growing divide? In large part, the same generation that mostly benefited from the original ideal of the law: the Baby Boomers.

When that generation went to college in the 1960s and 1970s, many of them paid little in tuition at nearly-free public institutions or received generous federal and state grants that paid for most of their bachelor's degree. But during the past two decades, as members of that same generation came to power — in Washington, in state legislatures, or as college presidents and trustees — they presided over the decay of the basic building blocks of the Higher Education Act as they drastically increased tuition and pulled back on financial aid.

In a column last week about how Baby Boomers are to blame for much of what's wrong with the American economy, The Washington Post's Jim Tankersley mentioned how college costs have

more than doubled since the early 1980s. But Tankersley's list of grievances with the Baby Boomers didn't go far enough when it comes to higher education. A college degree has become much less affordable for families in recent years largely because public officials and college leaders have abandoned three basic elements of the original Higher Education Act: ...

Another day without cartoons, but from a blog in Canada, **Syrup Trap**, we learn about a wayward coyote who wandered onto a campus in British Columbia. Certain predictable mishaps have befallen the canine.

VANCOUVER (The News Desk) — A coyote that has been seen wandering around the campus of the University of British Columbia has suddenly found himself with more than $21,000 in outstanding student loan debt.

"I don't know, yesterday I lost my way in the forest and ended up wandering around the campus for a few hours. Next thing I know, I'm getting an email from the NSLSC saying that my loans are going into repayment," said the coyote.

"I am not in a position to take on this much debt right now."

The coyote told press that his predicament is proof of how much the costs of higher education have spiraled out of control in recent years.

"All I did was eat a squirrel near the Main Library and make eye contact with a professor. Many students spend five, sometimes six years bathing, breeding and foraging on this campus. I can't imagine what their costs are like."

Vice-president Students Louise Cowin said that students should not expect exemption from student fees just because they are wildlife.

"I don't care if you're an animal — a wolf or a bird or whatever. Many of our students manage to complete undergraduate degrees without displaying any higher-order cognitive functioning."

NY Times

Student Debt Is Worse Than You Think

by Kevin Carey

After a series of blockbuster hearings held 25 years ago on abuses in the higher education industry, Congress created a system to protect undergraduates from risky student loans.

But two weeks ago, the Education Department released a trove of new data suggesting that the system is failing and that, at some colleges, the saddling of students with loans they cannot afford to pay down is far more dire than anyone knew.

The loan crisis hits hardest at colleges enrolling large numbers of students from low-income backgrounds. These undergraduates have to borrow for college, then often have difficulty finding well-paying jobs after graduation — if they graduate at all.

As a result, they struggle to repay their loans. The colleges with the lowest student-loan repayment rates include many for-profit colleges, but also some public and private nonprofit colleges, including a substantial number of historically black institutions. Even some wealthier, more selective colleges turn out to have a bigger student loan problem than previously realized.

Along with recent research finding that student loan defaults are heavily concentrated among the most economically marginalized students, the new data suggests that debt is a major financial obstacle for people who already face barriers to opportunity.

When Senator Sam Nunn of Georgia led the investigation in the early 1990s, Congress found widespread fraud by for-profit colleges. Some trade schools had gone so far as to grab people from welfare lines to sign them up for loans without their consent. The loans were never repaid, and the colleges kept the money.

In response, Congress created a rule called the cohort default rate. Every year, the Education Department calculates the percentage of borrowers who have recently left a given college and have defaulted on their federal-government-backed loans. If the default rate is too high, the college is kicked out of the federal financial aid system. The rule was an immediate success — more than 1,500 for-profit colleges were pushed out. A number of public and nonprofit colleges were also forced to bring their default rates down.

But the system has limitations. Only colleges with a default rate above 30 percent for three consecutive years, or above 40 percent in any single year, are expelled from the financial aid system. And students who default more than two to three years after leaving college don't count as defaulters. Nor do students who manage to avoid default, but struggle to repay their loans.

In September, the department made a different calculation. Instead of default rates, the department calculated nonrepayment rates, which include both defaulters and borrowers who have never paid a single dollar of principal on their loans.

The nonrepayment category includes people who are only paying interest, have delayed making payments by enrolling in graduate school or are getting loan extensions. The nonrepayment rates were calculated over a longer time period: at one, three, five and seven years after students leave college.

Some of the numbers are startling. American National University — a for-profit chain offering degrees in business, health care and information technology, both online and at 30 campuses in six Midwestern states — has an official default rate of 8.5 percent, well below the national average of 11.8 percent. But its five-year nonrepayment rate is 71 percent. Even after seven years, most of the university's students, the large majority of whom borrow, have failed to pay back a penny of their loans.

How is this possible? Because, as American National's Department of Repayment Success web page helpfully explains, students are legally allowed to defer or otherwise delay making their loan payments based on economic hardship, continuing education and other factors.

Of course, interest accumulates in the meantime. This is "repayment success" only in the sense that it successfully helps students postpone paying their loans long enough to push the moment

of debt crisis beyond the federal default-rate window and keep American National eligible for more federal aid. Proving economic hardship is likely to be easy, since the typical former student earns only $22,400 a year 10 years after entering college.

Some more mainstream colleges also have significant nonrepayment rates. Georgia State and the Universities of Cincinnati, Houston, Louisville, South Florida and Alabama all have single-digit default rates but have five-year nonrepayment rates of over 20 percent. At the University of Memphis, 35 percent of students have not paid down principal after five years. More than half of the students who borrowed to attend the for-profit University of Phoenix, which enrolls hundreds of thousands of students, have been unable to pay back a dollar of their loan principal after five years.

All told, over 700 colleges and branch campuses, many of them small proprietary schools, but also some public and private nonprofit institutions, have over half of their borrowers fail to pay down any debt after seven years. Nearly all of those colleges remain eligible for federal financial aid.

Among both public and private nonprofit institutions, the debt problem is most acute when students with very little money attend colleges with very little money. All 25 of the public universities with the highest five-year nonrepayment rates are historically black institutions. Of the 25 private colleges with the worst nonrepayment rates, 22 are historically black. One example, Lane College in Jackson, Tenn., has a 12.9 percent default rate but a 78.2 percent nonrepayment rate.

Historically black colleges are neither unusually expensive nor profligate institutions. Most have served their communities for decades or longer, enduring racism and inadequate funding while enrolling young people who are often low-income, first-generation college students. As a result, despite the fact that tuition at historically black colleges is often much lower than at well-heeled private colleges, a vast majority of their students borrow.

That so many graduates of black colleges struggle to repay their loans may exacerbate racial wealth disparities. These nonrepayment rates, moreover, do not include the private loans that many students take out once their federal aid is exhausted, or the debt that parents are increasingly carrying to pay for their children's college educations.

The new data may prompt Congress to revisit its system for ensuring that students who take on debt have a fighting chance to pay it back.

Bloomberg News

What We're Buying With $1 Trillion in Student Loans

by Megan McArdle

College is expensive, and getting more so every year. Since most families don't have tens of thousands of dollars lying around, the government has responded with ever-more-generous student loan programs.

First there were the loans themselves, with interest subsidized while you're in school. Then, when that proved inadequate, we instituted income-based repayment, allowing students to cap

their payments at a percentage of their discretionary income (stretching out the loan, and getting forgiveness on any balance remaining after 25 years). Then, since that wasn't quite enough, we made the terms more generous. Now the Obama administration has announced that it's making 5 million more people eligible for the program.

You know what they say about doing the same thing over and over again and expecting a different result. This is certifiable. College is too expensive, so have the government make it easier to finance -- then keep shifting more and more of the cost burden to the government, without doing anything about the underlying cost inflation that is making it necessary for government to get into the finance business.

Obviously, this can't go on indefinitely. The income-based-repayment programs are relatively new, so the government hasn't yet been handed the bill for the loan forgiveness that will be necessary as we give people payment rates that are often less than the interest on the loan. But when the government gets that bill, people are going to notice that this is a costly business.

Over decades, the government has restructured the educational system to make it look more like the health-care system, with the costs paid by third parties while the service is consumed by individuals who have no incentive to think about price. The effects are predictable for both.

There is actually some economic logic to encouraging people to borrow money for school. Education is an investment in human capital, and expensive capital goods are often financed. Doing so makes everyone better off: The lender gets a tidy return, and because the borrowers increase their ability to make money, they can make their interest payments and still be richer than they would have been if they'd painstakingly saved up the money for 10 or 20 years before making the investment.

But this logic gets shakier when you look at our nation's system of education. If I invest in an advanced piece of industrial equipment to make, say, delicious fried apple pies, I am actually more productive than I would be if I tried to make them with a pot on the stove. This surplus generates the additional income with which to repay the loan. Along the way, the whole economy gets a little bit more productive -- a lot more productive, when you repeat this experience millions of times. That is essentially the history of the last 200 years.

Does college actually make people much more economically productive? Yes, yes, I know: People who go to college earn substantially more than people who don't, and that earnings premium has been increasing in recent decades. But what, exactly, do they learn in college that makes them so much more productive? In certain technical professions, the answer is obvious; engineers and nurses do need to master the rudiments of their trade before they are unleashed on an unsuspecting public.

But that doesn't describe the whole higher educational system. It doesn't even seem to describe the majority of college degrees. Administrators defending the value of degrees in "business" or liberal arts rely on nebulous claims that they are teaching students "how to think." However, they provide little objective evidence that these programs impart thinking skills worth tens of thousands of dollars.

There's at least some evidence that a lot of the benefit of a college degree comes not from what you learn in college, but from signaling to employers that you are the kind of conscientious, hardworking student who can get into college and stick with it long enough to get a degree. In other words, much of what we do in school is not learn anything in particular, but obtain a credential that certifies us as good potential employees.

As an individual, it's still perfectly rational to borrow money to invest in that credential, considering the sizeable income bonuses it confers. But public policy has to look at the system, not just what might benefit a particular individual. And at a system level, helping people borrow money to obtain a credential is crazy. A credential doesn't increase anyone's productivity; it just determines the distribution of better-paying jobs. The net economic benefit is zero.

Now, ideally a degree is not *just* a credential, so the productivity benefits of a diploma are probably greater than zero. But if we could see that much of the economic benefit of college is the credential, rather than the education, would we still pour vast sums of money into higher education?

The payoff from college is not just economic, of course. Regardless of whether the experience or the diploma makes you more productive or raises your income, you ideally left college a better citizen, leading a richer mental life. But let's get back to that public policy question. If someone proposed a program to help people be better citizens leading richer mental lives, you probably wouldn't be prepared to spend billions of dollars on it, nor would you encourage individuals to take on crippling debt to pay for it.

The federal government now has $1 trillion worth of student loans in its portfolio, a substantial portion of which will be forgiven entirely or in part. But almost no one even dares to ask what we're getting for all this money. The economic and social benefits of education are a political given, as axiomatic as mother-love or the speed of light. Periodically, people complain about the cost, and ask whether we're getting value for our money -- but how can we figure out the answer to that when we're not even clear on what it is we're supposed to be getting?

It's hardly surprising, then, that the only policy we've been able to come up with is bigger subsidies. Politicians don't know much about making people richer, smarter or better citizens. But they're pretty good at writing checks.

Pope Center

Seven Ways the Department of Education Has Made Higher Ed Worse

by Richard Vedder

Testifying before the Senate Homeland Security and Government Affairs Committee recently, I was asked by Senator Claire McCaskill (D-MO) if, with respect to higher education, I would favor eliminating the U.S. Department of Education.

She was aghast when I said "yes."

Before I go into the damage our national educational ministry has done to higher education, it is worth reviewing its creation in 1979.

The Democrats then controlled all of the federal government, with large congressional majorities. The party had promised to create the Department in its 1976 platform. President Jimmy Carter advocated it, as did the nation's largest teachers union, the National Educational Association (NEA).

Yet the bill barely passed. The House committee considering it advanced it to the floor on a 20-19 vote—with seven Democrats voting no. The liberal press such as the *New York Times* and the *Washington Post* opposed it editorially.

In particular, the criticism leveled by the *Times* in its May 22, 1979 editorial "Centralizing Education Is No Reform" was sharp and prescient:

The idea [of the Department of Education] remains as unwise as when it was first broached in a Carter campaign promise to the National Education Association.... It has always been American policy...to deliberately avoid centralizing education in a way that requires direction and financing by a national ministry.... We believe that diversity of direction has served American education well and that it will continue to do better without a central bureaucracy, even a benign one.

The preeminent Democratic public intellectual, Senator Daniel Patrick Moynihan, was also against it.

Largely because of the NEA's political clout, however, the widespread bipartisan skepticism about the wisdom of creating a cabinet-level education department was overcome.

Would the U.S. be better off today if the department had not been created? A review of the pre- and post-Department developments in higher education shows why I favor eliminating the Department—at least regarding authority over universities.

The 30 years between 1950 and 1980 were the Golden Age of American higher education. The proportion of adult Americans with college degrees nearly tripled, going from 6 to 17 percent. Enrollments quintupled, going from 2.3 to 12.1 million.

By the end of the period, the number of doctorates awarded in engineering had quintupled and over 40 percent of Nobel Prizes were going to individuals associated with American universities.

This was the era in which higher education went from serving the elite and mostly well-to-do to serving many individuals from modest economic circumstance. State government support for higher education rose dramatically—spending per student rose roughly 70 percent after inflation.

During this period, however, the federal role was quite modest. The GI Bill had increased higher education participation, but the loan programs authorized under the 1965 Higher Education Act were comparatively small until the very end of the period when loan eligibility was extended to large numbers of comparatively affluent Americans. In 1978, the year before the Department's creation, only one million student loans were made totaling under $2 billion—less than 5 percent the current level of lending even allowing for inflation.

College costs remained remarkably stable. Tuition fees typically rose only about one percent a year, adjusting for inflation. At the same time, high economic growth (real GDP was rising nearly four percent annually) led to incomes rising even faster, so in most years the tuition to income ratio fell. In other words, college was becoming a *smaller financial burden* for families.

Compare the Golden Age to the post-Department of Education era (1980 to 2015). While college attainment has continued to grow, in percentage terms the growth has slowed. But that is not all. Let me briefly enumerate seven other unfortunate trends.

First, of course, education costs have soared. Tuition fees rose more than three percent a year in inflation-adjusted terms, far faster than people's incomes. As new research from the New York Federal Reserve Bank demonstrates, rising federal student financial aid programs are the primary factor in this phenomenon.

If tuition fees had risen as fast after 1978 as in the four decades before, they would be about one-half the level they are today, and the student debt crisis would not have occurred. Presidential candidates would not be talking about "free" tuition.

Second, if anything, college has become more elitist and less accessible to low income students. The proportion of recent graduates who are from the bottom quartile of the income distribution has *declined* since 1970 or 1980. The qualitative gap between the rich highly selective private schools and state universities has widened—fewer state schools make it near the top in the *US News* rankings, for example.

Third, there has been a shocking decline in academic standards. Grade inflation is rampant. The seminal study *Academically Adrift* by Richard Arum and Josipa Roksa shows that very little improvement in critical reasoning skills occurs in college. Adult literacy is falling amongst college graduates. Large proportions of college graduates do not even know in which half-century the Civil War occurred. Ideological conformity is increasingly valued over free expression and empirical inquiry.

The Department of Education does nothing to reverse those trends. It doesn't even acknowledge them.

Fourth, accreditation of colleges, overseen by the Department of Education, is expensive and ineffective. Few schools are ever sanctioned, much less closed for shoddy performance. The system discourages innovation and new entries—it is anticompetitive. Conflicts of interest are rampant. The binary evaluation system (you either are accredited, or you are not) provides no useful information to consumers.

Fifth, the federal aid programs and "college for all" propaganda promoted by the Department have led to a large proportion (probably over 40 percent) of recent graduates being underemployed, working in jobs traditionally done by high school graduates. Arum and Roksa observe in their follow-up book *Aspiring Adults Adrift* that two years after graduation nearly one-fourth of graduates are still living with their parents. More college graduates work in low paying retail trade jobs than are Americans serving in our Armed Forces.

Sixth, the Department is guilty of regulatory excesses and bureaucratic blunders. For example, the Office for Civil Rights (OCR) imposes a "preponderance of evidence" standard on colleges in sexual assault cases that violates American ideals regarding due process and fair treatment of accused. Twenty-eight members of the law faculty at Harvard, among others, have bitterly complained about that, but the OCR continues its crusade.

Also, the form required of applicants for federal student aid (FAFSA) is Byzantine in its complexity—the 2006 Spellings Commission criticized it severely—but nothing important has been done about it.

Seventh, the one arguably useful function of the Department is to provide information to consumers and taxpayers about college performance. Yet Department bureaucrats have done very little to give useful information on student learning, post-graduate success, consumer satisfaction, et cetera.

Years after promising it, the Department has finally developed a College Scorecard, which is potentially valuable, but marred because it excludes a number of politically incorrect colleges such as Hillsdale—ones that refuse to participate in federal aid programs or collect data on racial characteristics of students.

Summing up, the Department of Education has had, so far as I can see, no positive impact on higher education and has either caused or ignored numerous negative effects. Thus it is a tragedy that the skeptics about creating it did not prevail back in 1979.

Washington Post

Baby boomers and the end of higher education

by Jeffrey J. Selingo

Fifty years ago this week, President Lyndon Johnson signed the Higher Education Act, ushering in an era of massive federal support for college students through a flurry of new programs: tuition grants, guaranteed student loans, and work-study funds. The law allowed a much greater swath of Americans to earn a college degree regardless of their family income. During the following decades, enrollment at campuses across the country grew threefold, to some 20 million students.

But today, Johnson's vision of the Higher Education Act as a great equalizer in the American economy is at risk. Indeed, the divide between the haves and have-nots in higher education is almost as great today as it was in the mid-1960s. In the past decade alone, the percentage of students from families at the highest income levels who received a bachelor's degree has grown to 82 percent, while for those at the bottom it has fallen to just 8 percent.

Who is to blame for this growing divide? In large part, the same generation that mostly benefited from the original ideal of the law: the Baby Boomers.

When that generation went to college in the 1960s and 1970s, many of them paid little in tuition at nearly-free public institutions or received generous federal and state grants that paid for most of their bachelor's degree. But during the past two decades, as members of that same generation came to power — in Washington, in state legislatures, or as college presidents and trustees — they presided over the decay of the basic building blocks of the Higher Education Act as they drastically increased tuition and pulled back on financial aid.

In a column last week about how Baby Boomers are to blame for much of what's wrong with the American economy, The Washington Post's Jim Tankersley mentioned how college costs have more than doubled since the early 1980s. But Tankersley's list of grievances with the Baby Boomers didn't go far enough when it comes to higher education. A college degree has become much less affordable for families in recent years largely because public officials and college leaders have abandoned three basic elements of the original Higher Education Act:

1. States are getting out of the business of higher education.

The Higher Education Act was never designed to supplant the investment states made in higher education. That investment came through either low tuition at public colleges or a so-called

“high tuition, high aid” philosophy, where public institutions charged high rates for everyone and redirected dollars to the neediest students.

But in the past two decades, states have slashed higher education appropriations during each downturn in the economy and never fully restored the money when good times returned. This retreat hastened after the financial collapse in late 2008. Since then, nearly every major public university has started to look more like a private institution. Today in nearly half the states, students and their families pay for most of their college education.

Across the country, 29 states gave less to colleges in 2014 than they did in 2007, in part because lawmakers know that schools can raise tuition to increase revenue. Higher education remains the largest single chunk of discretionary spending in state budgets, and in recent years that share has been shrinking as colleges are last in line for state funds.

2. Financial aid is now an enrollment tool, not a public policy to help people afford college.

When the Higher Education Act was signed into law, financial aid was seen as a way to help needy students pay for college. Today, many colleges view financial aid dollars as a recruitment tool for smart students. In the mid 1990s, less than a quarter of freshmen at private colleges received so-called “merit aid.” Within a decade, that number had risen to nearly half the class as colleges competed for students by offering them scholarships regardless of need.

Now, even public colleges are using limited aid dollars to provide merit scholarships to students who lack financial need. According to a recent New America report, about one in five public colleges provide merit aid to at least 20 percent of their freshman class without financial need.

As more financial aid dollars go to merit aid, there are fewer available for low-income students who often can’t fill the gap between what they receive in aid and the actual tuition bill. As a result, many of them end up at less-expensive colleges where they are less likely to graduate or they forgo a higher education altogether.

3. Student aid increasingly means loans, not grants.

In 1980, more than half of financial-aid dollars were in the form of grants (meaning they didn’t need to be paid back). Today, grants make up only about 30 percent of federal dollars. What’s more, the buying power of the federal Pell Grant is near its lowest level in history. The maximum Pell Grant today covers only 61 percent of tuition and fees at the average public college.

In the 1980s, as tuition rose year after year at a rate that exceeded inflation, the top education official in the Reagan administration began to wonder if the federal government was indirectly causing higher tuition prices by providing a boost in federal aid each year. William J. Bennett, the secretary of education, touched off a firestorm of debate when he suggested that “increases in financial aid in recent years have enabled colleges and universities blithely to raise their tuitions.”

His reasoning was that if families didn’t have access to financial aid, they would refuse to pay higher prices, in the same way consumers can control prices in other markets. The theory, known as the Bennett hypothesis, has been tested by dozens of researchers over the past 25 years with conflicting results.

This much is clear: Despite the strict limits Congress put on the amount students can borrow from the federal government, the overall amount of money loaned to students and their families to pay for college has more than doubled since 2000. In fact, the idea of student-loan debt is a relatively recent phenomenon. In 1989, just 17 percent of 20-somethings had student debt; today, 42 percent do.

Perhaps it is those graduates who had to pay a greater share of their college education who remain our best hope to renew the basic ideals of the Higher Education Act. In the near future, they will take on leadership positions in the government and on college campuses and hopefully begin to reverse the trends in student aid of the past few decades.

Selingo is a regular contributor to Grade Point. He is a former editor of the Chronicle of Higher Education, an author of books about higher education and a professor of practice at Arizona State University.

Syrup Trap

Coyote $21,000 in debt after wandering through university campus

"I'm not in a position to take on this much debt right now."

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The coyote told press that his predicament is proof of how much the costs of higher education have spiralled out of control in recent years.

“All I did was eat a squirrel near the Main Library and make eye contact with a professor. Many students spend five, sometimes six years bathing, breeding and foraging on this campus. I can’t imagine what their costs are like.”

Vice-president Students Louise Cowin said that students should not expect exemption from student fees just because they are wildlife.

“I don’t care if you’re an animal — a wolf or a bird or whatever. Many of our students manage to complete undergraduate degrees without displaying any higher-order cognitive functioning.”