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How Did College Education Become So Ridiculously Expensive?

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*The following is an excerpt from **The Student Loan Swindle: Why It Happened - Who's To Blame - How The Victims Can Be Saved** ^[3]. Written by Bill Zimmerman, the book explores the origins and depth of our now \$1 trillion national student debt bubble, and calls for a national campaign of civil disobedience as the only means to a fair resolution of the crisis at hand. Chapter 3 of the book, "How Did College Tuition Become So Expensive," is reprinted here in its entirety, by permission of the author.*

The student loan crisis is a new phenomenon. Despite its huge impact, as recently as the late 1980s there was no student loan crisis. Then, middle and working class students suffered from cutbacks and had difficulty financing their educations, but overall, while the system of paying for college was beginning to break down, it had not yet become the disaster it is today. The crisis came because in later years the cost of getting a higher education rose many times faster than the overall cost of living. To make matters worse, wages were stagnant and the real purchasing power of working Americans was in decline.

The crisis now centers on the inability of borrowers to repay their student loans, but those borrowers only needed loans in the first place because in the mid-1990s the cost of tuition escalated so dramatically. By the first decade of the new century, it virtually went through the roof. What drove this sudden and rapid increase?

When I was a young man in the late 1950s, many families could afford college even though far fewer than today thought it necessary. The son or daughter of a working class family could attend a public college or university where the cost of tuition was almost negligible, even for

families with limited funds. Working class kids with enough talent could win scholarships to attend the more elite private universities, as I did. But even those private universities kept tuition low enough for middle class families to afford. I used my scholarship at the University of Chicago, one of the most expensive institutions in the country. Tuition was \$870 per year when I enrolled in 1958 (just under \$7,000 in 2013 dollars).

Young people in my time had access to an additional advantage students are unlikely to have today: part-time jobs during the school year and full-time temporary jobs in the summer. The extra money allowed me to pay for my own living expenses and graduate without debt and without having burdened my parents. I was typical. The robust American economy at the time allowed many students like me to “work our way through college.” That phrase sounds quite hollow today since most of those jobs no longer exist.

For the 20 years prior to the mid-1980s, college tuition rose only gradually. Middle class families had come to understand that a degree meant greater earning power. Their children flocked to college and quickly increased total enrollment from 8.5 million in 1970 to 13.8 million in 1990. Campuses had to expand to meet the new demand. As a result, tuition increased at a rate somewhat greater than the increase in the overall cost of living. Nevertheless, the situation remained stable since costs were not going up fast enough to trigger changes in the way higher education was financed. That was no longer true by the late-1980s, when tuition began to increase at a rate faster than the overall cost of living.

That dramatic increase occurred because during this period many states developed large budget deficits. In the late 1980s and 1990s these budget deficits increased because of popular support for tax-cutting measures at all levels of government. To give voters lower taxes, states had to reduce public services. Welfare and poverty programs were cut first, but more cuts were necessary to keep the deficits under control.

Legislators tried to preserve their state college and university budgets for reasons of pride and prestige, but the budget ax soon fell on them as well. When state appropriations for these campuses were cut, college administrators had no choice but to raise tuition to make up for the shortfalls.

To understand the nationwide impact of these budget-driven tuition increases at state colleges and universities consider the fact that 80% of all American students enrolled in degree-granting, non-profit institutions attend publicly funded colleges and universities. The tuition increases at these public institutions directly affected the overwhelming majority of American students.

With the budget cuts temporarily neutralized by tuition increases, college administrators saw the expanding student population (the market for their services) as an opportunity to enlarge the size and standing of their campuses. Universities competed for prominent faculty by offering larger salaries. They expanded and modernized their laboratory space to attract prestigious government grants. New sports facilities were built along with dormitories that advertised comforts unheard of when I was a student. Some schools, to their credit, responded to the growing demand for fairness by offering more scholarships to disadvantaged students. All of these factors played a role in increasing the cost of tuition, but the main reason it went up was that legislative appropriations for higher education went down.

Cuts in these appropriations got worse in the 1990s, and then plummeted even further during the following decade. That drove tuition up to previously unheard of levels. The result was a tectonic shift in American higher education: instead of the states taking primary responsibility for the cost of higher education, the expense was gradually transferred to the students.

Here's an example. By 1990, Ohio had already cut back its funding for public higher education. That year the state's flagship university, Ohio State, received only 25% of its budget from the legislature, necessitating another tuition increase. Ten years later, in 2000, state allocations for the school had been reduced to only 15% of overall costs. In 2012, Ohio State received a mere 7% of its funds from the State of Ohio. Tuition over that interval increased accordingly.

The situation in Ohio was not unique. Across the country, the *Seattle Times* reported that tuition at the University of Washington had increased by 150% over the ten years between 2003 and 2013, five times the rate of inflation. The blame is laid on sharp state budget cutbacks. In 2003, Washington State funded 64% of the university's budget. In 2013 that figure had been reduced to 31%. Alarming as these cutbacks are, comparable reductions in state funding are not limited to Ohio and Washington. Nor have they run their course.

State university budget cuts continue today and are accelerating. The Center on Budget and Policy Priorities looked at the years since the start of the 2008 recession. Their findings are startling. As low as state budgets for higher education were in 2008, states in 2013 planned to spend 28% less per student. At the same time, state tuition has gone up an average of 27% over that same, very limited, period.

Looking just at the years between 2007 and 2012, tuition at public four-year colleges has gone up by more than 15% in 40 states, more than 25% in 18 states, and more than 50% in seven states. California and Arizona increased their public university tuition by more than 70% between 2007 and 2012.

Across all public institutions of higher education in the nation in 2011-12, state funds appropriated for colleges and universities fell by a staggering 7.6% – in a single year! The Center for the Study of Education Policy claims that is the largest annual drop in half a century. Cuts like these are the engine driving the tuition increases that have completely reshaped the American educational landscape.

When the public universities increased their tuition, the elite private universities took notice. Anxious to maintain their higher status and simultaneously bring in more revenue, they raised their tuition as well, setting off an escalating spiral. The result is visible today in the eye-popping tuition rates that now confront students at private colleges and universities. At my old school, the University of Chicago, entering students in 2013 paid \$44,574 for tuition and fees. Room, board and books required another \$14,446. The escalation of these costs is certain to continue. The big name private schools turn away 75% or more of their applicants. They have no reason to lower tuition and every reason to continue raising it.

In the three decades between 1980 and 2010, the United States underwent a sea change in how it finances higher education. The Consumer Price Index over that period roughly doubled, meaning that most things cost about twice what they did 30 years earlier. Many are aware that over the same period the cost of health care did not just double but increased six times over what

it had been. Few Americans, however, realize that during that same period the cost of college tuition went up twice as fast as the cost of health care. Add the disappearance of part-time and temporary summer jobs for college students and the implications for higher education are clear: in three decades the cost of college rose from relatively accessible to shockingly unaffordable.

Those three decades also witnessed radically widening disparities between working and middle class families on the one hand and wealthy families on the other. The Economic Policy Institute found that between 1978 and 2011, roughly the same three decades, average CEO salaries increased by 725%. Workers' salaries over the same period increased less than 6%. Taking a longer view, they showed that in 1960 the top 1% of income earners in the U.S. collectively made 8.4% of the total income generated in the country. Fifty years later, in 2010, the top 1% had doubled their take to 17.4% of total income.

As the purchasing power of working and middle class families declined, college was seen as ever more necessary in the desperate struggle for financial success. But rapidly rising tuition made college less and less affordable. Trapped between their perceived need for an education and their lack of resources with which to pay for it, many families had no choice but to seek larger and larger student loans.

*To learn more about the student loan crisis -- and how we can end it -- purchase a copy of **[The Student Loan Swindle: Why It Happened - Who's To Blame - How The Victims Can Be Saved](#)** [3].*

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