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## Our Universities: Fifteen Dollars a Week

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## **Our Universities: Fifteen Dollars a Week**

The loan industry has a dubious impact on higher education. It advocates, unknowingly or deceitfully, that a college degree is always an excellent investment. It helps shift focus to cost as a measure of everything, away from quality, value and utility. Students and parents should ask hard questions about fit and purpose.

*“Just as buying speculative stocks makes sense for some investors but not others, so “investing” in a college education has a payoff for some—but for many others it is a mistake.”*

Richard Vedder

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Washington, with the pomp of a major achievement, established caps on interest rates for subsidized student loans at 3.9%. The rates, down from a dangled 6.9% levy are born of a desire to increase the number of graduates from programs ranging from one to 4 years.

Lower borrowing costs potentially increase the population pursuing degrees. As low-cost/low-scrutiny mortgages led to increased housing costs, so will low-cost loans for education lead to increased costs for students. The housing bubble was puffed-up with a seemingly well-intended political penchant to generate “homeowners”. The education bubble is inflated with the same gas: More “graduates” are good news.

An honest lender used to assess the appropriateness of any loan on the likelihood of a borrower’s ability to repay. There is little assessment when repayment is guaranteed by subsidies of any kind. The Dust Bowl taught us that. More crop production is not always better in the short or long term.

A quality degree in a high-demand field is a good lending bet. Degrees where employment likelihood is low, or worse non-existent, are bad debt in the making. Equating education and consumer investments may be a crass characterization. But, it’s your money as either a borrower or taxpayer. And, crasser yet, ponder a graduate with \$40,000 in debt with little or no current or projected employment potential. If that graduate is living in your extra bedroom, made extra when the protégé went off to college, debt-free and chock-full of hope — that’s the crassest of all and it stinketh.

And make no mistake: this seemingly well intended stimulus to continue the unending flow of low-cost cash into universities will increase cost. It’s simple economics: from John Maynard Keynes or Milton Friedman; Adam Smith to Karl Marx.

And the impact the interest rate will have on students is real to be sure. A student who borrows \$10,000 a year for college —\$40,000 total — would have to repay \$15,239 in interest over 10 years if pegged at 6.9%. The 3.9% rate drops the bill to \$8,370. The student would save \$7,000 over the term of the loan. It's real money, but that's \$15 a week. Basing a decision to pursue one career or another, at this university or that, or none at all, on \$15 a week seems oversimplified: penny-wise, and pound foolish. Cable news of every persuasion has been awash with sound bites about the power of percentage points and the salvation of the American dream.

George Miller of the House Committee on Education and the Workforce said, *"This bill provides American college students immediate debt relief on upcoming student loans."* Fifteen bucks a week for a college graduate? Debt relief?

Or maybe Congressman Miller was talking about the supposed consequences of \$15 a week on the graduate whose earning power is increased by nearly \$1 million over a lifetime according to some government projections. Hyperbole is everywhere.

Leaders and lenders should be evaluating universities. A "cash cow" degree that provides easy access and low utility through interest-rate-capped federally subsidized loans undermines the integrity of higher education from the inside out.

Honest assessments and clear expectations should be the order of the day for all elected officials, institutional boards, leaders, and faculty on the one hand; and students and families on the other.

Our universities should be straightforward regarding the potential for students to succeed and the worth of what they've succeeded at. Without truthfulness, the perceived value of higher education to our nation's prosperity, and to personal fulfillment, will appear as, and become one more snout at the trough.

All for \$15 a week.