

The Rich Get Richer—& Better Educated, Too

Rising Costs Diminish Accessibility to Higher Education

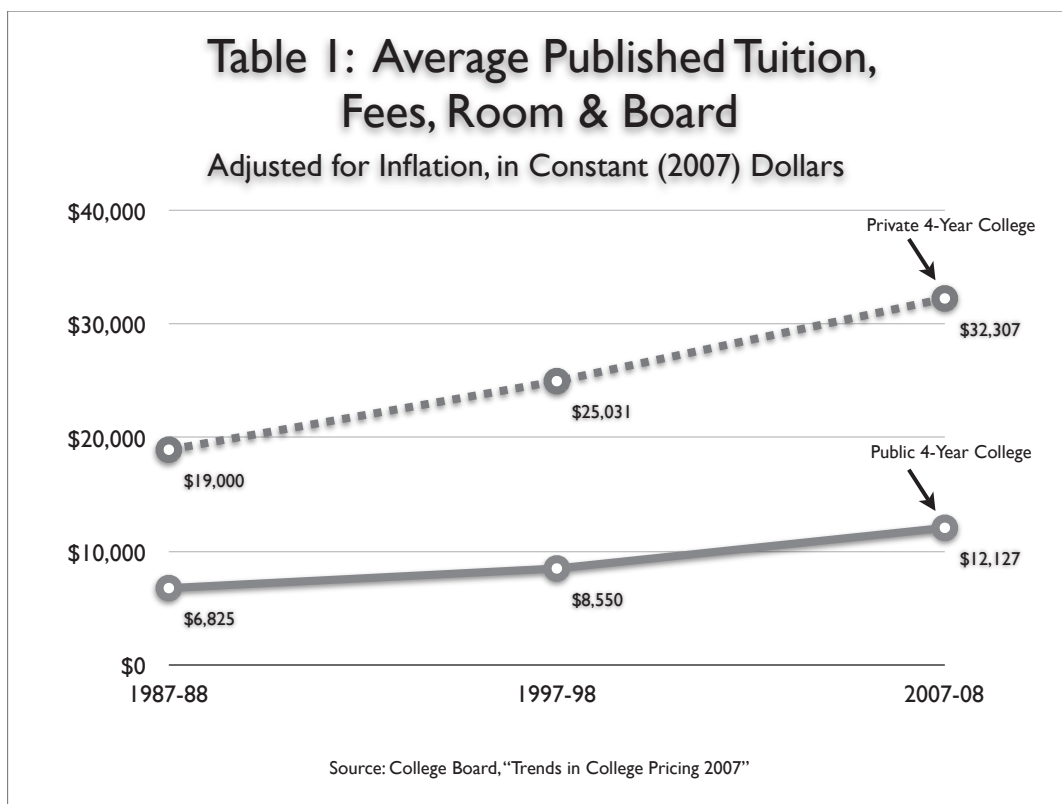
by D.W. Fenza

Although it was still a young nation in the 1800s, America created a great literature and a great audience for literature because so many economic, political, religious, and other cultural currents facilitated those accomplishments. The preponderance of Bible-reading Protestants among the first settlers gave the American colonies a literacy rate much higher than many developed parts of the world. In the 19th and 20th centuries, the young nation's growing investment in public education and public libraries promoted literacy and learning, and that learning enabled our nation to enjoy a prosperous economy and a dynamic culture. The nation happily gave poor immigrants access to intellectual pursuits. Growing up in immigrant enclaves, many of the poor discovered public libraries and then worked their way into public universities. Alfred Kazin, for example, grew up in a poor neighborhood of Brooklyn during the 1920s. Though his family spoke Yiddish at home, he mastered English in the public library, and he attended the City University of New

York. Once an immigrant outsider, Kazin became one of the great explicators of American literature. Parallel stories can be found throughout our cultural history, and in the lives of many contemporary authors. Countless writers, artists, and journalists went to college on the GI Bill.

The social mobility that afforded literary accomplishment from so many classes and ethnicities of peoples gave North America a smarter, more diverse, and more humane literature. America's engineering of free or affordable education has been a crucial element of that success, just as easy access to education advanced our prosperity and ingenuity. Unfortunately, this great asset and enabler of the American Dream is in peril. Higher education is becoming increasingly more expensive. Universities are pricing themselves above and beyond the reach of the poor and lower middle class. Many more middle-class students are commuting to two-year community colleges rather than entering residential four-year colleges.

From 1987 to 2007, the average annual cost of a public 4-year



college education grew by \$5,303—and this sum is adjusted for inflation in constant 2007 dollars. (See Table 1.) The cost of a 4-year education (tuition, fees, room, and board) grew by 78% over two decades. Today's generation of students will pay approximately \$20,000 more for their Bachelor degrees than did the class of 1987. Over the past two decades, the disparity grew far greater between the cost of an education at the public college and an elite private college. Whereas in 1987 the average private education would cost \$12,125 more than the average public education, a private education now costs \$20,180 more than a public education.

Some of the most dramatic increases in the costs of tuition and fees have occurred since 2000. As the national economy weakened from 2001 to 2003, state treasuries collected less in tax revenues; this caused state deficits, which compelled legislators to cut budgets for social services including education. Some states, like Connecticut, Delaware, Massachusetts, New York, Virginia, Maryland, and Colorado, exacerbated the problem by having cut taxes before the economic downturn, so their deficits and the resulting budget cuts went far deeper. Many state legislators became disciples of “smaller government” so reductions in funding for many social services, including higher education, became a triumph of conservative ideology in its efforts to liberate America from an invasive and overbearing state. A disrespect for the needs of higher education may have also been inspired by the success of conservative think-tanks, which have trivialized college campuses as playgrounds of Political Correctness, Marxism, polymorphous perversity, moral relativism, and the virulent forms of secularism. Since William F. Buckley Jr. published *God and Man at Yale* in 1951, the modern university has been a regular source of humor and outrage among conservatives.

States cut their support for their systems of higher education, and public universities responded by increasing their tuition

and fees to ameliorate the impact of reductions in state support. In states where the population of students was growing, universities faced the challenge of expanding their capacity with fewer state funds. In 2002, 16 states raised tuition by 10% or more; Massachusetts increased tuition by 24% that year.

From last academic year to this academic year, total published charges, including room and board in addition to tuition and fees, increased by 5.9% for in-state students at public four-year institutions—by \$572 on average. That price hike has startled families with kids in college for each of the last ten years. Public tuition and fees have risen, on average, 7.1 percent each year—or 4.1% after adjusting for the rate of inflation. Middle-class families also felt the general squeeze from inflation, which pumped up their expenses far more effectively than it did their hourly wages or their salaries. Consumer prices rose 4.1% from July 2005 to July 2006: textbooks rose in cost by 6.2% and the cost of regular gasoline rose by 30%. Almost everything related to a college education has become more expensive.

Many states have recovered from the aftermath of the economic crisis of the early 2000s, but the current downturn in the real estate market, spreading foreclosures, lower property assessments, and declining property taxes are complicating state budgets. The bankruptcies of the subprime mortgage debacle and the rising costs of borrowing money may also weaken the economy and the tax revenues that support higher education. This is worrisome because a return to double-digit tuition increases would dim the prospects for many Americans.

The Byzantine System of Grants & Loans for Students

The sharp increases in the cost of higher education are somewhat blunted by increases in federal grants and tax credits for education; that is: one must look at the net cost

Table 2: Bachelor's Degrees Awarded by Family Income

	Lowest Income	Lower-Middle Income	Middle Income	Upper-Middle Income & Rich
1980	12.1%	15.3%	28.3%	44.3%
1990	9.5%	13.6%	24.1%	52.8%
2004	9.7%	11.1%	21.3%	57.9%

Source: Census Bureau data on school and college enrollment as compiled by Thomas G. Mortensen, Pell Institute for the Study of Opportunity in Higher Education

of higher education, after federal assistance has been applied to the cost. Federal tax credits for higher education saved taxpayers \$5.9 billion in 2006, and the number of Pell grants has increased by 41% from 3.7 million in 1996-97 to 5.2 million in 2006-07. Unfortunately, increases in Pell grants, tax credits, and other forms of federal assistance have not kept up with the swift increases in the cost of college, especially while state support has been so unsteady. Where once, in 1986-87, a Pell grant covered 52% of a student's college costs, it now covers only 32% of the cost of tuition, fees, and room and board. The system for doling out support for higher education is also a Byzantine and rococo masterpiece of red tape and application forms spread out among the federal, state, and private sectors. There are many forms of support: nonfederal student loans; education tax benefits; federal Parent Loans (PLUS); unsubsidized Stafford loans; subsidized Stafford loans; private and employer grants; institutional grants; federal Pell grants; etc. Many families are not aware of the forms of support available to them, and the poorest public schools do not have guidance counselors that can help the poorest families navigate this maze of support. As a result, in 2006, 47% of the billions in educational tax credits went to taxpayers with incomes between \$100,000 and \$160,000; only 17% went to taxpayers with incomes under \$50,000. Grants to prospective students based on economic need has not kept up with grants to students based on academic merit, athletic promise, or other criteria. Over the last decade, while the U.S. population grew and numbers of college students swelled by millions, need-based state grants increased by only 56%, while non-need-based state grants increased by more than 250%.

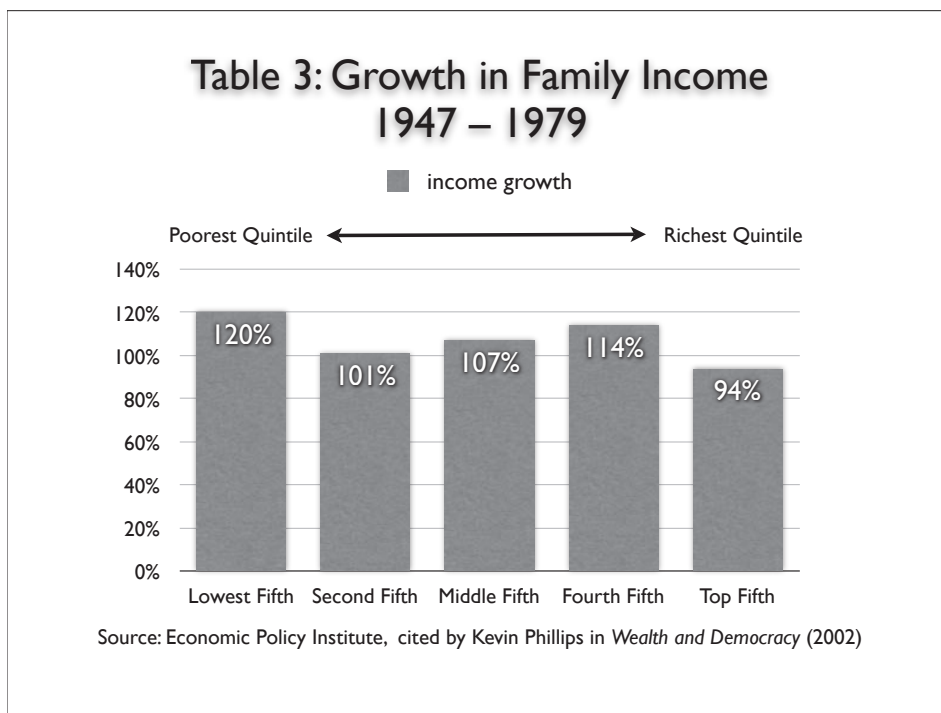
Not surprisingly, student debt has soared. In New England, from 1993 to 2004, the average amount of debt carried by a fourth-year public college student grew by 39% to \$15,399. Nationwide in 2004, the median debt for both private and public college students, was \$19,300, and 14% of the students had debt exceeding \$30,000 or more. The share of family

income that goes toward public college education increased from 18% to 21%. Private loans, credit cards, and second mortgages on the family home are becoming more common methods of paying for college. The management of several student loan programs has been scandalous. Some state student loan programs have become such marvelous cash-cows that private banks have purchased them. In some cases, as in the operations of Iowa's Student Loan Liquidity Corporation, loan programs seem more beneficial to the careers of loan officers than to the students. Iowa, Missouri, Pennsylvania, and other states are now investigating improprieties in their student loan programs. Critics of the loan programs say that the programs are being managed more like a big-business profit centers (with the loan officers as share holders) rather than social services to benefit students.

Growing Economic & Educational Stratification

The end product of this complex system of educational support is that fewer of the poor and fewer of the lower-middle-class are going to four-year colleges. The percentage of Bachelor's degrees going to the richest Americans has increased dramatically, while the percentage of Bachelor's degrees going to the poor and middle class is in decline. (See Table 2.)

This is a terrible time for higher education to become more expensive because the stratification of wealth in the U.S. has hardened, with more and more wealth concentrated in the top one-fifth of the population. (See Tables 3 and 4.) From 1947 to 1979, each economic quintile of the population saw robust growth in its income, from the poorest fifth of the population to the richest fifth, but now only the richest fifth is seeing rapid growth in its after-tax income. From 1977 to 1994, the richest 1% of the population has seen its income grow by 72%, while the lower middle class and the poor have seen their income decline.



The Mighty Social Engineering of 1944

One of the helpmates in the creation of wealth in the U.S. after 1947, of course, was the GI Bill. Back then, tuition and fees at a public college were around \$500, and the GI Bill provided veterans with that much support. Compared to the Rube Goldberg devices of today's educational support, the GI Bill was a program of beautiful simplicity: public tuition was low and the grants matched the tuition. Passed by Congress in 1944, the GI Bill provided educational benefits—support for tuition and a living allowance—for 7.8 million of the 16 million total veterans. These were grants, not loans, to educate a significant portion of the general population. Since the U.S. population stood at around 139 million in 1944, Congress had provided free access to higher education to approximately 5% of the U.S. population. After such a brilliant and massive program of social engineering, it was little wonder that, in the 1950s, the U.S. had the best educated, most productive, and most affluent workforce in the world.

The confluence of social currents that formerly helped make America literate and well educated are now eroding the foundations of our social mobility, our cultural creativity, and our economic prosperity. Downturns in state economies trigger more budget cuts to higher education. Political tenets of “smaller government” coupled with the demonization of “tax-and-spend liberalism” undermine the idealism that once inspired investments in a commonwealth and its public universities. Today's political discourse amalgamates flattery of global corporations with hissy-fits of selfishness and fear. If a leader in Congress were to propose giving free tuition and living expenses to 5% of the U.S. population today, he or she would likely be ridiculed as a dangerous proponent of “big government” and “higher taxes.” Demagogues continue to trivialize universities as decadent playgrounds of secularism—or as gulags of oppressive liberalism. Comfortable suburbanites preach the gospel of self-reliance, “of pulling yourself up by

your own bootstraps,” while they forget the mighty social engineering of the New Deal, the GI Bill, and the Great Society programs that had helped make their own families flourish after the Great Depression. Although many of them are the great grandchildren of poor immigrants themselves, they resent or fear immigrants and the poor. The national spirit of generosity that made public libraries and great public universities so numerous is in retreat.

Let us hope that, this election year, our political leaders will recognize that a great enabler of the American dream is in peril, and that we must restore easy access to affordable higher education. That access has been a crucial component in building a prosperous, creative, and culturally dynamic nation. An educational system that demands its students to pay more and more will, in the end, leave America divided, weak, and poor. AWP

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