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Clinton's Bailout for the College-Industrial Complex

By Charles J. Sykes

Hillary Clinton's plan for higher education is simple: a massive bailout wrapped in the promise of free tuition and relief from student loans. It's a proposal that seems specifically designed to further inflate the higher-education bubble, while relieving the college-industrial complex of any pressure to reform.

This may make for good politics, but it won't cure what really ails universities: College today costs too much, takes too long and offers dubious value to too many students. For decades, the price of a degree has risen much faster than the rate of inflation. The total cost of a four-year education at some public colleges, including tuition and fees, can surpass $120,000 for out-of-state students. The figure could easily top $200,000 at a private college.

In other words, sending a son or daughter to a private university is akin to buying a BMW every year. If the student finances the bill with loans, it's more like buying a Lamborghini on credit—and then driving it off a cliff.

Total student-loan debt has hit $1.3 trillion, according to the Federal Reserve, exceeding both the nation's credit-card debt and its auto loans. Two-thirds of students now borrow to pay for their education, up from 45% in 1993, according to a New York Times analysis of federal data. At the end of 2014 the average student-loan borrower owed $26,700, according to analysts at the New York Fed, while 4% owed $100,000 or more.

Where does all this money go? Campuses vie with one another to add amenities, including Taj-Mahal-like facilities such as Purdue University's $98 million Cordova Recreational Sports Center, touted as featuring a climbing wall, a vortex pool and a 25-person spa. Meantime, schools are spending more than ever on administration, promotions, athletics and noninstructional student services. The New England Center for Investigative Reporting and the American Institutes for Research found that between 1987 and 2012, colleges added 517,636 administrators and professional employees, creating a ratio at public colleges of two non-academic staffers for every full-time, tenure-track faculty member.

Despite a lagging economy, colleges have indulged a culture of bread and circuses—simply because they can. Forgiving student debt or providing "free" tuition, with no new accountability measures, will only worsen today's problems for future generations. The multibillion-dollar bailout Mrs. Clinton has proposed would only shift the costs of higher education to taxpayers, many of whom have not had the benefit of college. The Democratic nominee's plan would also encourage more students to make poor educational choices by creating the illusion that college is free.

The flood of cash she proposes will only inflate the bubble, freeing schools from pressure to reform.

The tough reality is that despite the cant about "college for all," too many young people go to university. Many go to the wrong colleges to study the wrong subjects. Others graduate with costly diplomas but lack the skills necessary to begin a worthwhile career. Some 40% of students fail to get a degree within six years. Far too many pay too much for too little.

Over the past five decades, billions in state and federal subsidies have contributed significantly to the exploding cost of higher education by making it easier for colleges to justify outrageous amenities. "Free" tuition will only further distort the incentives. The flood of cash Mrs. Clinton proposes will give colleges even less reason to restrain spending.

In 1980 the economist Howard Bowen postulated what became known as "Bowen's Law." He argued that colleges will always spend all the money they can possibly raise to enhance their prestige. A 2012 study by economists Stephanie Riegg Cellini and Claudia Goldin found that for-profit colleges whose students are eligible for federal aid "charge tuition that is about 78 percent higher than that charged by comparable institutions whose students cannot apply for federal financial aid." Moreover: "The dollar value of the premium is about equal to the amount of grant aid and loan subsidy received."

Despite what administrators might argue, there is little evidence that additional spending has enhanced the value of the college degree. In a 2014 academic study of collegiate spending, economists Robert E. Martin and R. Carter Hill noted that research universities had cumulatively spent more than half a trillion dollars from 1987 to 2005. "There should be evidence of higher quality at these investment levels," they wrote. Instead, "completion rates declined, grade inflation increased, students spend less time studying, adult numeracy/literacy rates declined, and critical thinking skills did not improve."

Real reform of higher education would mean addressing both rising costs and sinking value. The university of the future should be smaller, leaner and more focused on actually teaching undergraduates. Reform also means supporting alternative-education options—such as two-year and three-year degrees, certification for professions that don't require a bachelor's degree, or Massive Open Online Courses. How's that for a radical proposal?

Mr. Sykes is the author of "Fail U.: The False Promise of Higher Education," just out from St. Martin's Press, from which this is adapted.