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Higher higher ed

Restructuring as an alternative to endless tuition hikes

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CONSUMER PRICES fell 2.1 percent between July 2008 and July 2009, but college tuition kept going up. Students entering public four-year institutions this fall confront published tuition rates more than 6 percent higher than they were a year ago. Private colleges and universities ticked up 4.4 percent. To be sure, these figures apply to the "sticker price" of college only: grants and loans (many of them subsidized) cover much of the tab. But the contrast between the country's belt-tightening and higher ed's price hikes is striking nonetheless.

The recession itself is a major cause. The downturn forced state governments to slash support for the public systems that more than 70 percent of undergraduates attend; it also shrank the endowments of private institutions. Congress and the Obama administration supplied aid to the states in the stimulus bill, plus $30.8 billion in extra tax credits and Pell grants for students. But this only partially mitigated the impact.

Still, it would be a mistake to blame the spiraling cost of college education on short-term factors. This problem didn't start with the recession -- and it won't end with it, either. Annual tuition increases have been accelerating for three decades. Neither federal dollars, nor crisis budget-cutting nor endless tuition hikes -- nor any combination of the three -- represents a sustainable fix. If U.S. colleges and universities are to retain their international superiority, not to mention the confidence of their customers, they must adjust their business models accordingly. Beyond furloughs or shorter library hours, they must find structural savings -- through such reforms as creative scheduling, easier distance learning and more teaching by tenured faculty. As a 2006 report sponsored by the Education Department put it, "state funding for higher education will not grow enough to support enrollment demand without higher education addressing issues of efficiency, productivity, transparency and accountability clearly and successfully." College Board President Gaston Caperton greeted the news of the latest tuition hikes by calling on institutions to "increase their efforts to reduce costs."

That doesn't mean Washington and the states should abandon colleges and universities because of cost. Nor does it mean that a private-sector-style approach to productivity is some sort of magical cure for higher education, which is difficult to standardize and shouldn't be automated. Among other problems, state schools also face high health and pension costs. But institutions must practice what they preach in freshman economics: There is no free lunch. Financial aid ultimately derives from state and federal budgets, or tax-deductible private contributions -- which means taxpayers. Costs racing ahead of inflation, enabled by cost-shifting to subsidized third parties -- it bears an uncomfortable resemblance to the health insurance mess. Given higher education's importance in equipping young people for productive employment and citizenship, it needs to find a way out of this trap.