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# College doesn't need to be free



By **Charles Lane** Opinion writer May 21

Bernie Sanders, the socialist senator and Democratic presidential candidate from Vermont, says spiraling college tuition is “[a national disgrace.](#)” He’s running on a promise of free in-state tuition at all public colleges and universities, to be paid for by a new federal tax on financial transactions, including stock, bond and derivative trades.

As the parent of a high school senior, I can’t dispute Sanders’s assessment of college affordability. Too bad his cure would be worse than the disease, even if it weren’t politically unrealistic.

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Tuition increases have [outstripped inflation at both public and private nonprofit institutions for many years.](#) Though the recent, dramatic rise in tuition at public universities reflects post-recession budget cutbacks by some states, the reasons for the long-term trend are complex.

Economist William Baumol has [famously argued](#) that college-level instruction inherently requires large inputs of highly skilled labor, making it relatively resistant to automation and hence to productivity increases. In that way, higher ed is like health care. And, as with health care, the government has responded with a fragmented, opaque array of subsidies, much of which get captured by service providers and added to their cost base — rather than improving affordability as intended.

[Sanders’s solution](#), which he says would cost the Treasury \$47 billion in its first year, amounts to a single-payer

system for higher ed — with pros and cons analogous to those of such a system for health care. There's a certain appeal in replacing the current, convoluted array of grants and loans, funneled through individuals, with just one revenue stream directed at institutions. (Well, 1½: Sanders would have Washington pay two-thirds of the funding and state governments the rest.) Setting a single out-of-pocket price — zero — would indeed make it easier to attend school.

Over time, however, the Sanders plan might make U.S. higher education more accessible but less excellent. Having ruled out price as a means of allocating scarce educational resources, his plan would have to rely on aggressive administrative controls, lest students flood the system and drive up costs — requiring further federal subsidies.

The case of tuition-free Germany, which Sanders holds up as a model, [confirms this](#). Centralized budgeting by state education authorities is key to that country's system. Alas, as University of Albany higher-ed policy analyst Ben Wildavsky [explains](#), “Government funds become spread too thin. That reduces quality and often limits capacity. As a result, well-off students, who tend to be better prepared academically, are more likely to get scarce spaces.” Overall, German institutions are considered good, not great; few show up on global “[top 50](#)” [lists](#), for what that's worth.

Germany also rations access to higher ed through tracking — selecting a college-bound minority at an early age while putting everyone else on course to less-exalted training. This is one reason that fewer German youth finish college than do American youth, despite not having to pay tuition. At the same time, Germany tends to accumulate “[eternal students](#)”; its now-abandoned recent experiment with charging tuition was an attempt to make them either graduate or leave.

If Sanders favors either German-style government management of university budgets or tracking, I haven't heard about it, though he would eventually cap federal grants to states at the 2019 median. To the contrary, his [Senate bill](#) bars state “policies to reduce enrollment.” He even mandates steps that might increase costs, such as replacing adjunct professors with tenure-track faculty.

The premise of Sanders's program is that educational quality is entirely about inputs. Not a single dollar of federal assistance would be conditioned on performance indicators such as graduation rates or post-graduation earnings.

Which brings us back to Baumol's theory that college costs are doomed to rise faster than inflation because

higher ed can't readily be automated. Universities can, and should, test that proposition, [using Internet technology](#); and they will, unless a guaranteed flow of government money from Sanders removes incentives to innovate.

These trade-offs might be justifiable if the moral case for “free,” as opposed to affordable, tuition were clear. It's not. Yes, society benefits from a better-educated populace, but the individuals who get educated benefit the most, in the form of higher earnings. Why shouldn't they put some skin in the game?

Sanders's free-tuition-for-all plan heads in the opposite direction. In the name of helping the poor and middle class, it would tax upper-income people who trade financial instruments — and give a lot of it right back to upper-income people who are perfectly willing and able to fund their children's college.

A financial stake encourages students to study hard; it encourages families to monitor their kids' schools and hold them accountable. By contrast, “free” tuition, regardless of need, may breed entitlement, indifference or both. If there's anything young people don't need, it's that.

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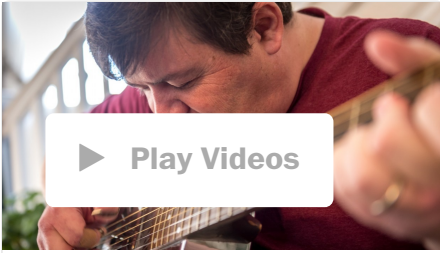
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