

HIGHER EDUCATION: PERSPECTIVE AND OUTLOOK

Because there are so many dominant themes in the media these days (COVID, upcoming elections, social unrest, etc.), higher education, specifically student loans and grants, receive much less attention. Lawmakers on both sides have exerted much well-intentioned effort at addressing the growing problem of student debt but have often made the problem worse. Currently, the U.S. has about \$1.5 trillion in outstanding student debt, more than the total of subprime mortgage loans in 2007. While not enough to cause a collapse in the economy, student loans are a major burden that must be dealt with at some point.

Student Loans

The debate over student loans is often subjective and takes on the tone that many parents of students might espouse. On one hand, if young adults are having trouble with repaying their student loans, they should have known better, gone to a less expensive college, or taken classes that taught them more marketable skills. An even more extreme view is that perhaps they should have delayed or haven't attended college at all. On the other hand, some argue that these young adults in distress need to have their loans forgiven. After all, it is not the students' fault; they were told a college degree is a key to the American Dream.

What both sides fail to understand is that student loans have become an employment and wage subsidy program for college professors and administrators. They, not the students, are the primary beneficiaries of student loans. A compelling argument can be made that the government is using the higher education of young adults to deliver more financial rewards to the intellectual class, much of whom is utterly lacking in marketable skills, and generally hostile toward Western Civilization (and free-market capitalism in particular).

Academics' Compensation

A large portion of the revenue that funds academics' salaries comes from the government. According to the GDP accounts, the value of higher education services totaled \$196 billion in 2019. Meanwhile, housing and meals at schools totaled \$57 billion. Federal loans and grants totaled \$134 billion in the 2018-19 school year, with an additional \$13 billion in state grants. And these figures exclude direct spending sent to colleges themselves. In short, a substantial part of college funding is supported by government spending.

Imagine if Fannie Mae and Freddie Mac announced a program to buy all the mortgages that banks made to 18-year-olds who bought homes with no money down. Obviously, such a policy would lead to disaster and excessive homeownership among teenagers, who would have little idea of the

long-term consequences and responsibilities of home ownership. While such a program is unfathomable, a very similar scenario is currently happening with colleges. The only difference is that with a mortgage an actual home is collateralizing the loan in the event of a foreclosure. Banks have yet to find a way to foreclose on a college degree!

Solutions

Unfortunately, while both political parties want to find a workable solution, neither are willing to put an end to the gravy train for privileged academics, regardless of how harmful the “education” they sometimes provide, and no matter how much these institutions often infringe on the free speech of their students.

Following are three suggestions to end the government windfall for the intellectual class and make them more accountable:

1. Like banking rules that were passed after the subprime crisis, impose a rule requiring colleges to pay back 50% of Federal money they received if a student doesn't repay. If they default, students will still be responsible for 50% themselves. And if a college thinks a defaulting former student could repay the full amount, let them have the option to go after the student for the other 50% owed.
2. For colleges that abuse their charitable status and engage in political activity, offending institutions should lose their tax-exempt status.
3. Wealthy colleges with massive endowments should be taxed like the hedge funds that they essentially are.

The time for lawmakers to take a different approach to higher education reform is long overdue. A workable solution that holds all parties accountable is achievable if lawmakers are willing to make honest assessments and decisions.



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