

Stuart M. Butler | November 12, 2014 10:59am

3 Ways to Lower Crazy High College Costs

After centuries of little change, the basic “sage on a stage” business model of higher education is beginning to undergo a radical transformation. Buffeted by high tuition costs and loan debt, students and their parents are seeking better value for money. Meanwhile technological change spearheaded by online education and such innovations as “massive open online courses” (MOOCs) is shaking up the economics of educational information and teaching. And new business models, introducing such approaches as competency based degrees and blends of online and campus-based learning, are reducing costs and offering more customized degrees.

Thanks to these developments, the cost of acquiring the skills needed to be successful in the future economy is likely to fall sharply. That will be good for the economy. It will also open up opportunities for skill-based economic advancement for the many Americans who today cannot afford college without incurring crushing debt.

For this transformation to achieve its full potential, however, three things are needed.

First, would-be students must be able to obtain clear information about costs and quality, so that they can locate the best value for money. As Wellesley College economics professor Phillip Levine explains in his new Brookings study [www.brookings.edu/research/papers/2014/11/12-transparency-in-college-costs-levine], that is no easy task. Much like the health industry, higher education is woefully inadequate at providing accurate and usable information on the actual costs a student is likely to incur, given a student’s economic circumstances and other factors. So it is difficult to engage in comparison shopping. Levine notes that “net price calculators” developed by the federal government are difficult to use and often inaccurate for particular students – but fortunately some colleges like Wellesley recognize the market value of good information and are developing more effective tools.

Second, we need comparison information that recognizes “quality” means different things to different people. Students place different values on different features of a college, from the availability of certain courses and professors, to the employability associated with certain majors, to the “college experience.” The weighting of such factors has a strong subjective element. That’s why national and international “scorecards” will always vary widely and be disputed, and why the federal government cannot develop a supposedly objective checklist of quality criteria. So it is important is for students to have access to scorecards that reflect their own criteria for value in education. Fortunately customized information is becoming increasingly available from private sources. It’s not just US News & World Report anymore. Parents and high-schoolers concerned about the earning potential of particular degrees can consult the Forbes and Kiplinger ratings, for instance, while those seeking a broad education can now consult the What Will They Learn rankings of the American Council of Trustees and Alumni

The third essential step is to open up the cozy world of higher education to more competition from institutions with new business models. That is certainly happening, but competition is held back by the outdated accreditation system, which protects the traditional providers because federal aid is limited to use in institutions with traditional accreditation. Fortunately the accreditation oligarchy is under pressure. Degrees based on competency rather than “seat time” are gaining traction, while low-cost degrees are reducing the need for loans. Meanwhile there are a range of proposals to amend traditional accreditation, from legislation to permit states to develop their own accreditation systems that would retain eligibility for student loans to steps to open up the accreditation system to new kinds of institutions.

Innovation combined with information drives change. Administrators of the hallowed halls and ivy-clad towers of the world’s universities are now learning that lesson.



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