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## Advance Praise for *GOING BROKE BY DEGREE* by Richard Vedder

“*Going Broke by Degree* is another example of Dr. Vedder’s effectiveness at breaking down public policy myths and shining the light of factual research and market truths on the process. This book shows how parents across America are picking up the tab for higher tuition costs as a result of increased spending at colleges and universities that often has nothing to do with the education of our young people.”

—Mark Sanford, governor of South Carolina

“Professor Vedder expertly and fearlessly dissects the failings of American higher education in 2004 and persuasively shows that radical reforms are needed if this vital enterprise is to retain its strength and world standing. State legislators should pay close attention. So should Congress and the White House as they labor over the federal Higher Education Act.”

—Chester E. Finn Jr., senior fellow, Hoover Institution, Stanford University,  
and president, Thomas B. Fordham Foundation

# GOING BROKE BY DEGREE

## Why College Costs Too Much

By Richard Vedder

The dramatic rise in university tuition costs is placing a greater financial burden on millions of college-bound Americans and their families. Yet only a fraction of the additional money colleges are collecting—21 cents on the dollar—goes toward instruction. And, by many measures, colleges are doing a worse job of educating Americans. Why are we spending more—and getting less? In *Going Broke by Degree: Why College Costs Too Much* (AEI Press; July 28, 2004), economist Richard Vedder blows the lid off of the college tuition crisis. He warns that exorbitant tuition hikes are not sustainable, and tells us how we can reverse this alarming trend.

Unlike most of the recently published books on higher education that stress universities’ academic deficiencies, political correctness, and difficulties in raising money, *Going Broke by Degree* addresses the most fundamental problem with American universities: soaring costs and declining value. Vedder’s well-documented research clearly demonstrates that America’s universities have become less productive, less efficient, and more likely to use tuition money and state and federal grants to subsidize

non-instructional activities such as as athletics. These factors combine to produce dramatic hikes in tuition, making it more difficult for Americans to afford college. Vedder finds that:

- The correlation between state spending on higher education and increased student access to universities is extremely weak.
- Universities are spending less on instruction and more on research and administration.
- Compensation of staff, including faculty, has risen significantly in real terms in modern times. Some incremental funding for schools has gone toward “economic rents”—that is, payments for staff who provide few or no services to students.
- The notion that universities promote economic growth in their states or communities—thereby justifying high levels of public support—is increasingly questionable.
- The lack of a “bottom line” such as provided in a for-profit market environment allows universities to be indifferent, even hostile, to efficiency-enhancing moves, such as substituting capital for labor and reducing administrative staff.

Vedder believes that competition from for-profit universities (the fastest growing sector in higher education), computer-based distance learning, and non-university certification of skills (such as Microsoft and Oracle certification in the computer industry) can be a powerful force for needed change.

Vedder suggests that possible solutions to the tuition crisis include modifying tenure, increasing teaching loads, paring administrative staffs, reducing costly low-enrollment programs, increasing distance learning, addressing high student attrition rates, contracting out more services, and cutting costly non-educational programs. He also suggests even more dramatic changes, including transforming state grants to universities into student voucher programs, and other steps to increase privatization of state universities.

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