

# US: The Ticking College Time-Bomb

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by Brian A. Krol

With all the talk of bubbles bursting in terms of stocks, equities, currencies and real estate, one very troubling trend is brewing: the rising cost of college. America has always been treasured for its emphasis on individualism contributing to a robust middle class society. It was in America where one had the mobility to move the most freely between the social classes. Over the past century, a college education was the fundamental gateway towards a middle-class American life. One was told “Work hard, get a good education, obtain a degree and you will be virtually guaranteed a high standard of living in the United States.” With the United States struggling through its worst financial crisis since the Great Depression, the everyday American continues to struggle with the rising costs of food, clothing, energy and utilities. The rising cost of attending college is on an unsustainable path. The impending college collapse is a multi-tired phenomenon that will unilaterally evolve one of America’s most treasured institutions.

America has just turned the page on the first decade of the 21st Century, one *Time Magazine* referred to as “The Decade from Hell.” It was during this past decade where Americans have witnessed the purchasing power of their dollar diminishing against other major currencies (37 percent against the euro, 31 percent against the Canadian dollar, and 17 percent against the British pound). The weakened value of the currency has lead prices of everyday goods to skyrocket forcing a decline in the standard of living. Simply put, it takes more dollars to purchase fewer goods (a symptom of inflation). While the cost of living has skyrocketed, the wealth and savings of individual Americans has fallen through the floor.

For the better part of the last decade, it was seen virtually as a “right” to own a home. The average American was allowed to put almost nothing down to obtain an adjustable rate mortgage. As a symptom of the bubble, the price of housing rose exponentially, creating a phony illusion of wealth. Owners of these adjustable rate mortgages were able to extract liquidity from their home and use the profit to proliferate the distorted American Dream. This illusionary prosperity sadly expired, when the adjustable rate mortgages inevitably reset leaving the majority of homeowners underwater. In concert with the illusionary wealth created by a ballooning housing bubble, so too can be said about the false sense of security a college degree offers.

According to the US Census, college enrollment has increased 17% between the years 2000–2008 alone. At the same time enrollment has increased so too has the cost of attending a college. *Forbes* magazine highlighted, “College tuition has increased by more than three times the rate of inflation for the last 20 years, despite U.S. wages flat-lining since 2000.” In the past year the Huffington Post broke it down more specifically stating, “Average tuition at four-year public colleges in the U.S. climbed 6.5 percent, or \$429, to \$7,020 this fall as schools apologetically passed on much of their own financial problems to the students and at private colleges, tuition rose 4.4 percent, or \$1,096, to \$26,273 from 2008–2009 alone”

The tightening squeeze on University budgets is already beginning to spiral out of control. On November 19, 2009, the University of California, Los Angeles announced a 32% tuition hike if passed would raise costs from \$7,788 to \$8,373 by Winter Quarter and to \$10,302 from summer 2010 through the following academic year. This news was met with an unpleasant reaction from the student body. In the wake of the announcement, students clashed with campus police bordering close to an all out riot leading to the arrests of at least 14 university student protesters.

Perhaps the greatest threat to the university establishment, or how Trend’s Research Institute director Gerald Celente aptly coins it “The University-Industrial Complex,” is the rise in alternative outlets for education. Rather than becoming subservient to bloated tuition fees and useless curriculum requirements, alternative education puts the student in the driver’s seat. Online College has exploded with opportunity and innovation through out the last decade. Major institutions such as the Massachusetts Institute of Technology regularly post lectures of some of their advanced science courses. Popular media sites such as YouTube put the individual in the driver’s seat providing a gateway of an endless array of instructional, educational, and informative video content.

As a consequence of the past few decades of capital misallocation, the United States has decreased

productive goods-producing private sector jobs in favor of government service sector jobs. This has resulted in an ever-increasing trade deficit impairing our economy from real economic growth. As result, production-oriented skills have been in increasing demand in the ailing U.S. Economy. Trade and skill-oriented training is on the rise striking a major blow to the University establishment. An article in *USA Today* mid-2009 illustrated the appeal to this alternative form of schooling, "Going to school for school's sake is not what they want," "They want something to get them back to work." The author's opinion looks more like a consensus, especially in an economy with 54% unemployment for young adults under the age of 25!

President Barack Obama recently announced a plan to curb college tuition fees in a plan that strives to slow the rate of yearly tuition increases, guarantee fixed tuition and financial aid for five years, increasing financial aid by increasing fund raising, and lessening the amount of debt students graduate with. This of course, will have the opposite effect by subsidizing the already bloated system and providing no mechanism for competitiveness. Consequently, this will drive tuition costs higher yet, even faster than they have previously accelerated. Unfortunately, this cannot continue indefinitely and will only make the system even more broken and will lead to more difficulties to sort out down the road.

In conclusion, which ever way one chooses to assess "College Collapse," there should be little debate to the evolving paradigm. There is no question that the belt-tightening for most universities will continue at least through the year 2010. Universities will continue spending cuts, layoffs and tuition hikes into the foreseeable future. Consequently, this is a mounting burden on a collapsing middle-class America where jobs are continuing to disappear, wages decline, the cost of living rises, savings decrease and economic conditions deteriorate. Students are beginning to face the question of whether it is worth investing 4 years+ of their time and money only to graduate heavily in debt in a depression era jobless environment. A liberal arts degree is simply uncompetitive in an already bloated public service sector and the typical university curriculum does not translate into a wounded economy starving for goods production and export. Thankfully, alternative education is rapidly evolving and starving establishment Universities of their monopoly over the higher-education system. The inevitable end result will cripple the University establishment by way of the free market. Institutions will compete to enroll students by offering incentive – lower prices, more freedom, less bureaucracy and most of all more learning! The unfortunate short-term consequence will be the fate of several university employees as many universities will drastically cut pay, downsize and some close their doors forever.

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