*Why Does Demand for College Continue?*

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Looking at the increase in college attendance over the past century, it may seem as though the American Public has developed an insatiable appetite for knowledge and scholarship. However, most college students today would have to admit they do not attend college for the sole purpose of academic study. In fact, only twenty-seven percent of college graduates hold jobs that relate to their major.[[1]](#endnote-1) One would assume graduates who do not implement their college education professionally would feel as though college was a waste of time, or a mistake altogether. However, this is not so. Most graduates adopt a mentality that college is part of a process necessary for them to secure a well-paying job. It would seem everyone has come to terms with the fact that they must pay their college dues to get somewhere in the job market. This paper aims to answer the question, why? Why does the American Public feel as though they must to pay exorbitant tuition prices to get a job?

To answer the question of why so many people are willing to pay for college, it is important to fully comprehend the total cost of college. As most everyone is aware, a college education is quite an investment. However, the cost of college is much more than what people pay monetarily. To figure out the real cost of college one must also consider the opportunity cost or the next best forgone alternative. For example, the opportunity cost of going to a movie is the price of a movie ticket plus the cost of not taking in an extra shift at work, or even the subjective cost of not spending time with friends. Whatever a person’s next best forgone alternative is must be added to the cost of going to the movies.

Thus, when calculating the full cost of a four-year institution that comes to a total of $120,000, the cost of that students’ next best alternative must also be added. For example, if a student’s next best alternative to college is working an average minimum wage job at $11.80 an hour at forty hours a week, the cost of going to college will have to include the forgone $91,000 dollars they would have earned over those past four years. The true cost of college for this student is $211,000 dollars. This is not a small sum of money. Thus, the question becomes even more puzzling, why is the American public willing to pay so much for higher education? What great value does college offer its students that they are willing to pay more than what a minimum wage worker makes in eight years?

It is actually for this very reason; people want the opportunity to get better jobs, so they do not have to work eight years to earn $200,000. According to the Federal Reserve Bank of New York, people who have a college degree earn on average $30,000 dollars more than their peers who have only a high school diploma.[[2]](#endnote-2) However, it should be noted that this is not necessarily true for all college graduates. The salary of the bottom twenty-five percent of college graduates is around the same or even less than workers with a high school diploma.[[3]](#endnote-3) This research shows relatively small economic gains for around one quarter of all college graduates. In fact, another study shows that there was a sixteen percent increase in the number of workers with college degrees who were employed from twelve to sixteen dollars an hour from 1995 to 2016.[[4]](#endnote-4) Additionally, another study found that only sixty-four percent of college graduates held jobs that require a college degree.[[5]](#endnote-5) This study shows that the number of college graduates who are underemployed has continued to rise significantly for the past two decades.

Although the gains from a college degree are not necessarily comforting given these statistics, the rate of underemployed college graduates could seem relatively positive for employers. It would seem employers found themselves looking at an abundance of overqualified candidates who are all trying to get jobs. However, many have made the case that college does not necessarily increase a student’s value for employers either.

Considering only twenty-seven percent of graduates have jobs relating to their major, one must admit that college will not necessarily provide most students with the specific skills that will apply to a future job. However, many argue that students pay for college because it improves their human capital by increasing cognition and problem-solving skills and will attract employers. If this argument were true, it would raise a lot of questions as to why students choose such an expensive method of human capital formation. If students were paying to increase their human capital, which would attract employers, would they not prefer to attend on job training or an internship which would hone very specific skills instead?

At best, the human capital argument is redundant. Of course someone attending four years of school is going to learn something. If someone goes to school majoring in communications and after school becomes a fashion photographer for a magazine, no one can say he or she did not learn anything at college. But it is obvious that he or she might have not needed to take an in-depth survey of cross-cultural communication to take these photos. Therefore, even if the human capital theory were inherently true, there would still be questions as to whether it is the best way to form human capital.

Even still, there are many who advocate that the human capital theory is mistaken. Dr. Richard Arum of New York University presents research in his book *Academically Adrift: Limited Learning on College Campuses* that sets out to prove this. In his book, Arum conducts a study tracking the critical thinking, complex reasoning, and written communication skills of 2,322 average age college students throughout their time in college. The study shows that after their first two years of college forty-five percent of students made no significant improvement in their critical thinking, reasoning, or writing skills. After all, four years, thirty-six percent showed no significant gain in any of these categories.[[6]](#endnote-6) Looking into why this might be the case, Arum tracks the daily life of an average college student. Arum finds that even when combining time spent in class during the week, college students spend less than a fifth of their time on academic activities. Instead, he finds that the average student spent fifty-one percent of their time engaging in socializing and other fun extracurricular activities.[[7]](#endnote-7)

If college is not necessarily the most efficient tool for increasing a students’ productivity in their future jobs, what value does college provide? Bryan Caplan aims to answer this question in his book The Case Against Education: Why the Education System Is a Waste of Time and Money. In his book, Caplan explains that colleges provide value to students and employers by acting as a signaling mechanism. A college degree acts as a signal that shows employers a graduate is productive. Thus, college does not necessarily increase productivity, it may be an attribute of the student rather than a result of education. Additionally, Caplan estimates that at least a third or of a student’s time is spent in classes doing assignments the value of which amounts only to “signaling” instead of acquiring useful job skills will benefit society. To quote Caplan: “typical students burn thousands of hours studying material that neither raises their productivity nor enriches their lives.”

Society does not necessarily benefit from individuals who are highly educated. Society benefits from people who are highly educated in the right things, quality not quantity. For education to benefit society a student’s education must be useful. When time and resources are wasted or used inefficiently, all of society bares the cost. Both resources and time are scarce, and people must allocate them to what they value the most. Perhaps the worst part of this misallocation of resources is that there is no way to know all the innovation that could have taken place if these individuals did not have to jump through the hoops of the higher education system. How does one calculate the societal opportunity cost of seventy three percent of college graduates in the United States not working in a job relating to their college education? In other words, what is the societal opportunity cost of taking the most entrepreneurial, energetic, and technologically savvy group of people (eighteen to twenty-seven year-olds) and wasting four years of their life to provide them with information that the majority will not use at all in their professional life?

It is important to stop and think here. Nobody forces anyone to go to college. If this system of higher education is so inefficient, why are people still actively paying to go? Since no one is forcing people to go to college, why do so many Americans pay? Is it for the diploma, the “signal”? In answering this question, it is important to remember that the problem is not the consumer. As seen before, studies show that the monetary benefits of going to college versus not going to college are clear for the top 75% of attendees. Nevertheless, although people are choosing their best perceived available option monetarily, the option they are choosing is not actually productive. Gaining an assortment of randomized skills is simply not the best way to prepare for a specific job. So how did this become so many people’s best alternative?

In order to answer this question, it is important to look at the historical progression of college in the United States. In 1636, Harvard was founded as the first college in America. The majority of students attended to pursue theological studies and become clergymen or other important leadership roles in communities such as doctors or lawyers. Through the eighteenth and ninetieth centuries, the number of academic institutions increased slowly, and the price of college was relatively inexpensive. However, despite tuition being relatively low, there was still a giant opportunity cost. The prestige and potential opportunity of a college degree could not always outweigh the money that could be made in the meantime, namely, the labor forgone on the farm or even just the absence of income for extended period of time.

In 1862, President Lincoln passed the Morrill Land-Grant Act. In this act, land was granted to states for the construction of new colleges. The industrial revolution created a perceived need for the general public to be educated to fit certain new positions. A traditional working man’s education, such as degrees in agriculture, engineering, and mechanics, were taught alongside the cannon of classical education. Thus, higher education became a place where common vocational learning took place, instead of its former role as a primarily upper-class institution. [[8]](#endnote-8)

In the early twentieth century, the first version of what is now known as the ROTC program was implemented by President Woodrow Wilson. This program provided government soldiers with a college education and made sure institutions of higher education would not suffer due to the number of students lost to the war effort. Colleges received large reimbursements per student, and the period between the world wars saw college attendance increase five times from pre-war numbers.[[9]](#endnote-9) During WW2, college research facilities became important in military innovations, leading to an increase in military grants and funding that colleges continue to receive. After WW2, the government gave all WW2 veterans the opportunity to attend college to help them assimilate back into regular life. This program was wildly popular and increased college attendance exponentially. Most importantly, however, colleges began to get most of their income from the federal government.[[10]](#endnote-10)

Another notable shift in the relationship between college and society came around the turn of the century and was fueled by the progressive movement. The United States began to adopt the views of progressive German universities on the topics of social studies, economics, history, and politics in the United States. It was through the University of Strasbourg that American universities implemented the seminar format of lecturing and began to emphasize the social sciences, which had previously never been a part of the university system.[[11]](#endnote-11) These social sciences in the university preached a kind of scientific management of society. Progressives would make these sciences fundamental to government and policy decisions in the upcoming 20th century. The idea of socially engineering an optimal state, or at least the push to constantly solve societies problems through policy, was a major feature of progressivism. Thus, throughout the 20th century people in the social sciences were considered more and more essential to running a country.

*A Perilous Progress,* by Michael Bernstein, is an in-depth analysis of the increasing role economists have had on society through the progressive era. In many ways, economists were social saviors. In general, the concept of progressivism held a certain level of optimism in the future. The idea that society could be engineered to take away all of humanity’s major problems was in the air. Economists had all sorts of theories as to how they could stimulate the economy and create societal flourishing. Soon, all uncertainties like depressions and recessions were to be a thing of the past. Progressives saw economists as people who could help society sidestep the risks of life by constructing rules and policies that would further the human race. Thus, many economic councils were created to develop policies that would successfully engineer the optimal state of social wellbeing. In fact, Bernstein notes how, through the creation of the Council of Economic Advisors in the mid-forties, professional economists and university chairs became the only profession to have direct access to the President of the United States.[[12]](#endnote-12) Although there were people who had previously studied economics in school, it was not considered a profession in its’ own right. Most students of the discipline wrote on economics like they would philosophy or were employed to do a variety of business-related jobs because of their keen minds. However, economics as its own profession was a new field, utilized by the federal government to develop and validate its policy solutions. Thus, the increased formation of government agencies in post war America lead to continued government support of universities and vice versa. The government would invest in research to benefit society, usually resulting in increased government power or regulation, and university professors received more funding, awards, political connections and influence, as well as the chance to see their research implemented and acknowledged. It is no wonder that government invested so highly in higher education when trying to socially engineer the optimal state. In order to create the optimal state, one must control culture and ideas. Colleges have a lot of influence on society; they are the breading ground of new ideas that seep into culture. A quote from F.A. Hayek from his essay on the prevalence of socialists in higher education shows the power higher education has on society:

“Even though their knowledge may often be superficial and their intelligence limited, this does not alter the fact that it is their judgement which mainly determines the views on which society will act in the not too distant future. It is no exaggeration to say that, once the more active part of the intellectuals has been converted to a set of beliefs, the process by which these become generally accepted is almost automatic and irresistible. These intellectuals are the organs which modern society has developed for spreading knowledge and ideas, and it is their convictions and opinions which operate as the sieve through which all new conceptions must pass before they can reach the masses.”[[13]](#endnote-13)

Thus, the progressive era fueled the funding of the higher education system, creating a mutually beneficial relationship that in many ways used higher education as a new branch of government that implemented research and policy.

Throughout the 1950’s, the US government continued to pour money into research programs and facilities that were originally implemented in WW2. Universities helped the federal government in the cold war by either conducting research themselves or being the intellectual engines, creating the minds which would ensure a win for the United States.[[14]](#endnote-14) By the 1960’s, public universities had far surpassed private institutions, who were struggling to compete with the government-funded public sector.[[15]](#endnote-15) In the 1970’s, the government further fueled the growth of student rosters through Pell Grants and student loans known as FAFSA. The system provides students with small grants and low interest loans, which enable even more students to attend college without accumulating unpayable amount of interest.[[16]](#endnote-16) With the government paying, attendance rates rose for four-year institutions, as did their price tags. Despite the increase in cost, however, it seemed as though demand was insatiable.[[17]](#endnote-17) 2010 was the first year there was not a significant positive increase in college attendance. Even still, attendance numbers did not fall significantly; they have plateaued. Student loan debt surpassed credit card and mortgage debt for the first time in history and, coupled with the 2008 financial crisis, people began slowing the college party train.[[18]](#endnote-18)

Looking at a graph of the increase in college attendance from the period of 1965-2018, student enrollment in public universities increased at a rate thirty percent higher than private institutions. In this period, public university attendance increased from 3.97 million to 14.53 million, while student enrolment in private universities increased from 1.95 million in 1965 to only 5.12 million. This means that, as of 2018, there are only a little more than 1 million more students attending private universities than there were attending public universities in 1965. Here we can see the massive effect government intervention has had on public college attendance. Without the introduction of large subsidies and institutional grants, private institutions have increased at a slower rate relative to public institutions.

Although the government has created an education system which fuels its policy decisions, researches their questions, furthers their ideas, and creates every incentive to attend college, supply does not create its own demand. Thus, the question still stands, why are people still going to college? This paper argues that government interventions have artificially manipulated the market by propping up institutions that would not survive in an unregulated economy, providing special grants and loans for both students and institutions, and creating a demand for higher education in the job market either directly or through regulation.

This upward spiral fuels itself. As a greater number of people gain higher levels of education, the more it becomes a necessary to have a degree to remain competitive in the job market. Thus, government intervention has caused students to no longer look at college as an institution for education. The increased government spending has changed the very nature and value of what college provides students. Thus, if people wonder why colleges can charge so much when compared to previous years, it is because students are no longer paying for just a college education, they are paying for a chance at a better future. Thus, the price of college is not so much a representation of how much students prize learning, but much more the amount they are willing to sacrifice to secure a good future.

When attempting to comprehend the extent to which government intervention has changed the nature of society’s demand for college, it is helpful to look at the price of college in an relatively unhampered market verses the price of college in a hampered market. The value that college gives students today is different than the value in an unhampered market. The cost of attending Harvard in 1816, a relatively unhampered market, was only $600 per a year. Many might be tempted to attribute most of the rise in college tuition to inflation, however, this would be a mistake, as adjusting for inflation gives us $8,731 in today’s dollars. By contrast, the price a student would have to pay to attend Harvard in 2016 was $65,000. [[19]](#endnote-19)

How could might government cause such a profound shift in the nature of consumer value? The government has changed the value that college provides students by affecting supply and demand in two ways. First, the government helps feed the demand for higher education by helping to lower the immediate price; it makes college more affordable by cheap student loans, GI payments, and massive investments directly paid to the schools themselves, in order to cut costs for students and further programs. Second, on the supply side, the government creates jobs through administration and regulation that require or promote higher education.

Starting with the demand side. Government increases demand for college by increasing subsidies and aid, promoting college as a wise investment. As stated before, in an attempt to make colleges more affordable for the public. The government implemented the FAFSA and Pell Grants in the ‘70’s to give students the money to spend on college directly instead of giving the money straight to the universities. This opened the door for many more people to attend college who previously would have sought other alternatives. Today 69% of all students attending college have taken out some sort of student debt.[[20]](#endnote-20) However, when the government meddles with the natural state of the market there are always side effects. Although, college became less costly in the short run, there is always a reason why prices are the way they are. Someone must bare this cost. Although many people thought they could afford college in the short run, paying off college debt has not been easy for Americans. According to the most recent calculations in 2020 America is facing $**1.53 trillion** in student loan debt and the American taxpayer is the creditor. Societies is left to foot the bill of a poor investment by the government.[[21]](#endnote-21) These facts are even more alarming when one realizes that the public is paying college’s three times more than they thought plus interest to the government. The public first pay colleges through their taxes, which the government uses to keep these institutions afloat directly. Secondly, the people pay colleges when their taxes are used to pay for other people’s student loans which now amount to $1.53 trillion dollars of unpaid debt. Lastly, the people pay colleges when they actually attend college themselves. Additionally, if people take out student loans, they are being lent their own money plus the government gets interest, because why not take a little more.

Despite the government loaning people America’s tax dollars, in order to support colleges, as previously mentioned, it is still not enough to keep all these colleges and universities afloat. Separate from all the government/taxpayer money colleges receive from student loans, the U.S. Department of Education released statistics that government spending on higher education had increased by 23 percent from 2008 to 2016 and hit a record high of $183 billion in 2016.[[22]](#endnote-22) When calculating the percent increase of spending per-student over the same period, spending increased by 16 percent. Per-student spending also reached an all-time high of over than $9,000 per student. This number only accounts for spending on things that directly pertain to actual education.[[23]](#endnote-23) Additionally, in 2018 research revealed that the American higher education system spends nearly $27,000 per student when including other supplementary educational services and recreational services. Thus, spending on instruction, administration, and other services such as dormitories and dining halls is accounted for. However, $3,000 of research and development opportunities should be added as well.[[24]](#endnote-24) Another study shows that Government funds eighty-four percent of all spending by public and private schools on activities or resources that pertain to actual education.[[25]](#endnote-25) Finally, it was found that the American government spends more per student than every other country in the developed world, except Luxembourg. [[26]](#endnote-26)

The amount of resources allocated to colleges in the United States is shocking. It is hard to know how many institutions would be able to survive in the market without government funding. Looking at an article that discusses colleges that do not accept federal funding it seems few are willing to go this route. There is a small amount of primarily religious schools who refuse federal funding in order to keep their freedom and not have to comply to all federal regulations under title 4. An article by the Atlantic Magazine interviews the heads of Grove City college in Western Pennsylvania and asks them about their passionate supreme court case that won them the right to stay independent from government regulation. Grove City’s College President and former Deputy Attorney General of the United States Paul J. McNulty responds to the Atlantic’s questions by saying:

“We value our independence. We value the fact that we do not have to be subject to the evolving policy initiatives and prerogatives that come along from one administration to the next, and we don’t have to then shoulder the burden of the administration costs associated with those policy initiatives and requirements.”

Later in the article Peter Wood president of the National Association of Scholars said the that the number of colleges that do not take Title IV is very small for a reason: Most colleges can’t afford it.

“No matter how mad a college president or a board of trustees may get at the federal government … they don’t have the option of saying ‘No, thank you’ to Title IV funds,” he said. “If they say, ‘No, thank you,’ then most likely the outcome would be bankruptcy within a year or two.” [[27]](#endnote-27)

These comments begin to show the extent to which the higher education system is at the whim of the federal government. Any new regulation that is passed must be adhered to or potential bankruptcy looms. Although, there is not really any data showing the number of colleges that would go under without the government propping up the market and or supporting them directly. The dependency of even private institutions becomes clear through careful inspection of regulation and government policy. For example, the 90/10 rule. The 90/10 rule states that any “private institution” can only receive up to 90% of its profits from loans, grants, and student aid from the US government.[[28]](#endnote-28)Although at first this legislation might look like another way government wishes to force private colleges out of the market. It is important to realize why this rule is even in place. Why are private institutions potentially receiving more than 90% of their profits through government loans subsidies and aid? The mere reason this rule exists reveals the massive funds the entire higher education system needs to operate at the level it does. Additionally, even private institutions are extremely reliant for most of their revenue from the federal government.

The more one investigates the more it becomes obvious just how generous the government is to the higher education system even on top of all their primary funding. The government continues to throw money into the higher education system even when it is perfectly capable of handling its own affairs. Under the CARES Act (Coronavirus Aid, Relief, and Economic Security Act), implemented this year, colleges who have very sizable endowments are being given millions of dollars by the federal government. Just to list a couple: Cornell University, with an endowment worth at least $7.3 billion, is receiving $12.8 million in federal taxpayer funding. Columbia University will receive $12.8 million in bailout money, despite its $10.9 billion endowment. The largest among the Ivy League schools, Harvard University's endowment was a whopping $40.9 billion as of June 2019, but still received 8.6 million taxpayer dollars. Thus, the federal government is flippant with American tax dollars. the government treats the higher education system with a “to big to fail” mentality at the expense of the taxpayer.[[29]](#endnote-29)

Now that it has been established how the government stimulates demand for college through cheap loans and artificially propping up unprofitable institutions, it is now possible to look at how the government creates demand for college by manipulating the job market, or supply of jobs. The governments increase the demand for jobs that require higher education in three ways. First, the government increases supply by creating jobs that they reserve for people with a certain level of education. Second, the government creates pay raises that come alongside a certain level of education. Third, the government mandates preexisting jobs to have a certain level of education.

First, the government increases demand by creating jobs that they reserve for people with a certain level of education. It is important to note that the federal government employs 9.1 million people alone. This number does not include jobs provided by state governments, thus all teaching jobs in the public-school sector and even state police are not factored into this number. 9.1 million is just the federal government. In order to put this number into perspective, Walmart, the largest private employer in the nation, only has [1.5 million workers](https://corporate.walmart.com/newsroom/company-facts).[[30]](#endnote-30) Because government has such an influence on the work force, it also has an influence in deciding the qualifications it will demand or at least incentivize among workers. Additionally, government jobs are competitive. Government employees are paid around [17 percent higher](https://www.cbo.gov/publication/52637) and work 12 percent fewer hours than their private sector peers. Additionally, federal workers face a [0.2 percent chance](https://dailycaller.com/2016/03/03/heres-why-its-all-but-impossible-to-fire-a-fed/) of getting fired in any given year.[[31]](#endnote-31) That is more than 45 times lower than their private sector counterparts. In addition, the government is not constrained by profit and loss. Whether there is a pandemic, a banking crisis, or an employee is just not very good at their job, government employees know that their paychecks are safe.

Secondly, the government creates pay raises that come alongside a certain level of education. Since government jobs are so competitive, most if not all government jobs require an undergraduate degree. Additionally, because the federal government is not governed by profit and loss, a worker is compensated by their level of education, not their productivity. Thus, the higher level of education a worker has, the higher their pay is automatically. In fact, public employers have fixed, defined pay scales, rates, and grades. These scales establish a predetermined salary range, based on the education and experience level of a given employee, and help workers know not only how much they can earn, but what classes they will need to take in order to earn more. For example, the median salary for a government worker who holds a bachelor’s degree in economics is $57,000 dollars a year, while the median salary for a worker with a master’s degree is $105,020.[[32]](#endnote-32) If a student was enrolled in a five-year masters program, that additional year and program will double their salary, whether they are more productive on the job or not.

Thirdly, the government mandates preexisting jobs to have a certain level of education. Besides incentivizing higher education by making it a criterion in their own system, the government also demands certifications or certain levels of education for jobs that are not considered to be directly be under the federal government’s control. Educational requirements and certifications span the entire job market from farming to medicine. For example, in order to be a midwife, one must hold a master’s degree. Instead of shadowing a midwife for a couple years, some people spend up to seven years of undergraduate nursing and graduate school just to learn on the job like the midwives of the past. Thus, the government influences the whole job market through regulation, promoting the importance of the higher education system they created.

In these ways, government support stimulates the demand for an unprofitable higher education system which would not survive in an unhampered market, causing economic miscalculation, malinvestment of human capital, and an overall loss to society. Government hampering has created an extremely expensive and inefficient signaling system, which the government must continue to prop up if it is to survive. Under the potentially very well-meaning goal of helping everyone afford college, the government has created a societal framework where those who cannot attend college are considered less valuable no matter how productive they are. This system takes the free capitalistic ideals of the American dream and puts a large toll on the road to success. Unlike before, success in America is often contingent on having the money or connections to attend college (or pay off college debt) and adhere to the heavily regulated system. A free unhampered market which operates entirely off profit and loss encourages differences in people’s abilities; the free market promotes differences and specialization to grow within the division of labor. Although the government’s system provides a high level of education for everyone, it incentivizes the homogenization of the work force and limits the creative capacities for people to develop more efficient technologies. People are profit maximizers and will naturally act as efficiently as they can to increase their own utility or satisfaction. However, people can only act as efficiently as the institutions that are set up by society will allow. Institutions have a profound effect on the market. If institutions incentivize a less efficient form of operations and penalize productive action, people will have to accommodate.

The implementation of certain societal institutions by the government is most effected by the culture and ideology of a society. No one wants to operate in an inefficient system and most policy makers believe that they are working for the good of society, whether this is the case or not. So why does government continue to implement these policies and why do people continue to follow suit? I believe the answer revolves around insecurity. Insecurity or uncertainty is a constant reality facing any society. Uncertainty about the future causes entrepreneurs to take risks and potentially lose. Every business operates with a level of uncertainty as to whether they will continue to be profitable next quarter. Uncertainty is what causes businesses and individuals to save and invest in the future instead of consuming all their resources in the present. All of society benefits when entrepreneurs take their savings and invest it, not just in any capital, but in productive capital. Entrepreneurs who invest in technologically efficient capital will profit from their ability to properly forecast the needs of people in society. Society rewards entrepreneurs for their hard work by buying their goods and thus making them profitable. Uncertainty is a very real variable which cannot be fully eradicated and thus should not be ignored.

Institutions need to incentivize society to take the right risks. This is showcased in a traditional economic thought experiment called the prisoner’s dilemma. Imagine two criminals have been caught in the act of burglary, separated, and put into interrogation rooms. The investigators give each burglar the same proposition. If neither one confesses each will get a lighter sentence of three years in jail. If one confesses but the other does not, then the one who confesses will serve one year and the one who stayed quiet will have to serve eight years. Lastly, if both confess, they must serve a longer term of four years each. Neither one can talk to the other. The dilemma, although unfortunate, is not truly much of a dilemma at all. No matter which option prisoner 1 takes, it will always be in prisoner 2’s interest to confess. If prisoner 1 confesses, then it would be in prisoner 2’s best interest to also confess, receiving four years instead of eight. Additionally, if prisoner 1 does not confess, it would still be in prisoner one’s interest to confess, receiving one year instead of three. It is the prisoner’s propensity for personal security which causes him to continually settle for a lesser alternative.

The system they were in made their personal best alternative a loss for both. This situation is very similar to the societal institutions constructed by the federal government with respect to the higher education system. The government incentivizes the upward spiral in demand for college all backed by the promise of potential security. In the student’s dilemma, the two high school graduates look for jobs. Neither one wants to pay money to go to college, however, the risk of unemployment is very present. The dilemma is the same. If neither one goes to college the employer will have to evaluate them both on their actual job skills. If one of them goes to college then they will most certainly get hired over the other. Finally, if both go the employer still must differentiate between them and they have both paid the cost of college. Both these students have the personal incentive to play it safe and go to college. Overall, society loses because the institutional framework set them in the midst of a prisoner’s dilemma.

It is clear from the research in this paper that the government’s creation of their vast higher education system has created a system where people will pay exorbitant amounts of money for job security. Government hampering creates a cultural perception that a college degree comes with a certain level of job security. This perception is of course grounded in truth. The creation of government jobs where people seldom get fired and the accreditation of a four-year university does increase someone’s odds of employment. However, this best personal alternative comes at the economic loss of all of society. Knowledge is not profit, and in a free market no business could survive by handing out jobs based on anything other than the value a worker brings to the table. Institutions need to create incentives that help society overcome the uncertain dilemmas that make everyone worse off instead of creating a system of false security which is doomed to fail. The government uses the public to finance the higher education systems creating an upward spiral in the market. This upward spiral in demand fueled by a need for security and causes the market to value college as a signal for employment, instead of means to of education, skills acquisition, or job training. People pay exorbitantly high tuition because college promises students a future, not just an education. Thus, it makes sense why people continue to demand higher education so highly. Who isn’t willing to invest in a good future, especially when the government makes it so easy?

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