

WITH Dr. Richard Vedder, Distinguished Professor of Economics, Ohio University



RICHARD VEDDER is Director of the Center on College Affordability and Productivity, Visiting Scholar at the American Enterprise Institute and Distinguished Professor of Economics at Ohio University. A graduate of Northwestern University and the University of Illinois, Dr. Vedder has served as an economist with the Joint Economic Committee of Congress and been John M. Olin Visiting Professor of Labor Economics and Public Policy at Washington University in St. Louis, among other appointments. His books include *The American Economy in Historical Perspective*, *Out of Work: Unemployment and Government in Twentieth-Century America* (with Lowell Gallaway), *Going Broke By Degree: Why College Costs Too Much* and the forthcoming *The Wal-Mart Revolution* (with Wendell Cox). The author of more than 200 scholarly papers, Prof. Vedder has advised political leaders around the world, including Russian President Vladimir Putin. He writes extensively on governmental expenditure and tax policy issues, and his work has appeared in the *Wall Street Journal*, *Christian Science Monitor*, *Washington Post*, *USA Today*, *Los Angeles Times*, *Forbes* and *National Review*, among others. He was interviewed before the 2006 Education Frontiers Lecture at St. John's College, October 17, 2006.

Frontier Centre: You claim that public universities are ripping off their students. In what respect?

Richard Vedder: First of all, in many cases students aren't getting their money's worth. Even in provinces where tuition levels are low, there is very little accountability in universities. Do we know if universities are teaching anything, for example? The answer to that question is, of course, "No," because universities seldom measure what is learned while students are in college. Universities are terribly inefficient; they are very costly to society, if not to the students directly.

FC: What perverse incentives have led universities to diminish the product they offer their students?

RV: In many universities, the key to promotion and making more money is to do research. Often that is an incentive to reduce one's responsibilities to students. So money that is paid in to support instruction is misused. There are other disincentive effects of universities as well, but that is one example.

FC: Can you summarize the reforms you think might reverse that trend?

RV: A number of things universities do should be changed. Most fundamentally, universities need to be put on more of a market basis. Rather than institutions, students should be given funds to use to decide where they go to college. Money should be shifted from institutional support to student support. That would go a long way towards solving the problem. Other institutional obstacles such as tenure should be reviewed and possibly changed, as well.

FC: If the product offered by our universities is so diminished, why is the public flooding to them in larger and larger numbers?

RV: It still is true that a college graduate earns a great deal more than a graduate of a secondary institution. However, do they earn more because of what they learn in college or do they earn more because the kids that go to college are inherently more productive people, more motivated, more intelligent, more disciplined, more likely to strive for success? I think we don't often know the answer to that question. But when we do know the answer, it suggests that

college is sometimes overvalued as a tool to promote economic development.

FC: Is the problem the same in the humanities and the sciences? Are technical fields like engineering and medicine also short changing students?

RV: I am not sure I can answer that question intelligently since I am not a scientist or an engineer. Some of the problems of colleges are inherent in the "not for profit" nature of colleges, in the lack of incentives for promoting inefficiency. That holds in all disciplines. It's probably true that engineering and the sciences are providing a real product and that the students are learning something that is genuinely useful to society. That is often not so obvious with the humanities and the social sciences.

FC: If a university degree is less valuable than it used to be, why are employers still paying graduates so much more than non-graduates? Shouldn't the market be adjusting wage levels to reflect this chronic problem?

RV: The reason why employers pay more for college graduates than non-graduates is that the college diploma does provide information to the employer. There is problem of information costs. Employers do not know a lot about kids when they come out of school. Given the dubious standards applied in our secondary schools, high school graduates today widely vary in abilities and aptitudes. Therefore, we know that college graduates can read and write; they are fairly literate, so we pay a high premium. In some cases, that premium is unjustified. Employers are buying a certification of a skill whether that skill is there or not. Often the colleges aren't providing this skill, but the employer is buying it because on average it is the case that they have been.

FC: You've written a lot about strategies for keeping tuitions down. Can you summarize the most important?

RV: You are asking me to summarize a 250-page book in 50 to 100 words; probably I can't. Let me mention some things, rapid fire:

- We can use buildings twelve months a year rather than eight months a year.

- We could ask professors to teach 12 or 15 hours a week as they used to do many years ago rather than six, eight or ten hours a week.
- We could privatize some activities that universities do that are irrelevant or unrelated to their academic function such as food service and lodging activities.
- We could consider changing tenure arrangements for faculty.
- We could abolish or consolidate little used graduate programs that are expensive to operate but are kept largely to make professors happy.

There are many things we could do. Those are five good examples.

FC: Many students regard the high prices of textbooks as a significant fraud. Is there a problem? If so, what is it, and what can universities do about it?

RV: Textbook prices have been rising a lot. I'm not entirely sure of the dynamics of that. I think textbook companies are trying to share in some of the largesse that governments are giving to students and the universities, and to capture some of it for themselves. More and more use of online instructional materials, open source materials and the like would go a long way towards solving the problem. I have found that in some of my classes that I can avoid using a textbook altogether and allow the students to obtain their materials at essentially no cost.

FC: If profits and competition are such an easy remedy, why are public universities so reluctant to head in that direction? Is it a matter of ideology? Of inertia?

RV: It is ideology and inertia and self-interest. If they move in the direction of profits and competition, universities will find that certain of their resources will be found to be redundant and will thus come under attack. Maybe some people will lose their jobs. Other, more productive activities will be rewarded more and that violates the egalitarian tradition of universities. It scares them. Universities and their personnel don't want to give up a good thing when they've got it.

FC: To what degree is the "dumbing down" of universities a domino effect from poorly performing public schools at lower levels?

RV: I do think there is a domino effect and I think it is fairly substantial. I cannot speak to Canada, but in the United States there is no question in my mind that the dumbing down of education below the university level has led to falling standards in colleges and universities.

FC: In Canada, it's estimated that the average grade point level in public schools has declined about 25 percent in the last generation. What should we do about it?

RV: I consider a declining grade point level an interesting phenomenon, since in the United States grade point levels are rising sharply but knowledge obtained is falling. So this is an interesting cultural observation. If this means that learning is declining in Canada, which is a possibility, then perhaps we should reward people more in relation to what they teach students, in terms of what they learn rather than

other criteria which is often used such as the degrees that they hold or the years of seniority they have in the school system.

FC: It costs the public purse in Manitoba a lot of money to put students through universities, yet many then leave and take that capital investment somewhere else. Should we indenture them to live and work here at least for a period of time, or require them to pay back that investment if they don't?

RV: I'm not into supporting indentured servitude, and I certainly wouldn't want to discourage inter-provincial migration. However, I do think there is some argument that can be made that students graduating from college who have benefited from huge public subsidies should repay part of that obligation. Perhaps we should have students sell equity in themselves – a five-percent interest in their human capital or a ten-percent interest, in return for the amount of money needed to pay for college. There are schemes available other than lending schemes that could do this. The fact that Manitoba is losing people, however, is mainly a function of other problems, including high tax rates, excessive-sized government and other factors contributing to the stagnation of the province, rather than a problem of the educational system.

FC: In Manitoba, a left-wing government has frozen tuitions for some years, and their so-called "conservative" opposition has promised to retain the policy should they obtain power. Please comment.

RV: I think that in general students should pay for their own education. I think education is primarily a private good, not a public good. I think there are very few spill-over effects from educating college students that benefit the broader public. I think the case for public subsidies for universities is weak. Therefore I tend to favour relatively high tuition charges and relatively low levels of state subsidies. I am not sympathetic to tuition freezes generally as a matter of public policy.

FC: Our local universities have scored so poorly in national rankings of academic excellence that they have stopped participating in some surveys. Are they acting like ostriches? Are such comparisons always fair?

RV: As with most magazine surveys, the Maclean's ratings have their limitations. But what Maclean's is trying to is create a bottom line in higher education. People strive for that bottom line. They want to know the good from the bad, the superb from the mediocre. Colleges and universities do not provide that information. Colleges and universities hide information on what students learn. Did the University of Manitoba have a good year or a bad year in 2005? Who would know? How would you know? Did the students learn more in 2005 than they did in 2000 or 1990? I suspect there is no way of knowing. By not participating in the survey, the University of Manitoba is providing still less information than most other schools, which is not particularly good. So they are probably displaying a bit of an ostrich-like quality.

FC: You've noted that, in the United States, some formerly public universities have been at least partly privatized. How widespread is the phenomenon?

RV: The privatization of public universities has not gone far in the United States although some particular non-academic activities have been privatized on quite a number of campuses. The move towards privatization is in the early stages. I think it will pick up and increase somewhat in the years to come.

FC: One of those you cite is the University of Phoenix, whose on-line programs have multiplied the size of its student population. Is a virtual university still a university? Do bricks and mortar play no part in the future of higher education?

RV: There will always be a number of students who will want a traditional bricks-and-mortar university. People go to college not only to learn and to increase their human capital potential but they go to college for socialization. They go to college to have a good time and the bricks and mortar help contribute to that. So there will always be room for some schools of that sort. The issue is whether the government – the state or the province – should be subsidizing this kind of activity and doing more than providing a sort of bare-bones

education that might be obtainable in some cases through Internet instruction.

FC: So a virtual university is still a university?

RV: A virtual university could be a university. There are good virtual universities, there are bad virtual universities. On the other hand, there are good bricks-and-mortar universities and there are bad bricks-and-mortar universities.

FC: You've said that commingling profit and not-for-profit higher education under the same umbrella creates potential problems. What are they?

RV: I actually believe it is very healthy to have for-profit institutions. I think that they are providing new competition for the not-for-profits. It is true they have different ways of accounting and they have different ways of measuring things, which means that comparisons between the two types of institutions are sometimes misleading. But I am not opposed to having both types of institutions. To the contrary, I think the rise of for-profit institutions has been great.