

Universities hope that vast investments will help them attract the best staff and students, draw in research grants and donations, and ultimately boost their ranking in league tables, drawing in yet more talent and money. They have also increased the proportion of outlays gobbled up by administrators (see chart). To pay for all this, universities have been enrolling more students and jacking up their fees. The average cost of college per student has risen by three times the rate of inflation since 1983. The cost of tuition alone has soared from 23% of median annual earnings in 2001 to 38% in 2010. Such increases plainly cannot continue. Student debt has reportedly reached a record \$1 trillion. Before the financial crisis, some private lenders stoked the frenzy by securitising risky student loans—rather like subprime mortgages. This practice has been stopped but at its peak in 2008, private lenders disbursed \$20 billion. Last year they shelled out only \$6 billion.

Federal support for higher education remains at historically high levels, but states have cut back. To make matters worse, endowments (and their returns) have shrunk, money from philanthropy has dried up and those universities that provide need-based aid have suddenly found their students are needier.

All this suggests that colleges have good cause to worry about their debts. Unlike grades, they cannot be inflated away. Even Harvard, Yale, Cornell and Georgetown have been on an unsustainable path in recent years, says Bain, though all have big endowments to cushion themselves.

Glenn Reynolds, the author of “The Higher Education Bubble”, predicts that the bubble will burst “messily”. People have long believed that “whatever the cost, a college education is a necessary ticket to future prosperity.” Easy credit has allowed them to pay ever more, and colleges have raised fees to absorb the extra cash. However, this cannot go on forever, says Mr Reynolds, especially when people start asking whether a degree in religious and women’s studies is worth the \$100,000 debt incurred to pay for it.

(Fonte: J.. D. Rockefeller, [The Economist](#) 04-08-2012)

