Michigan’s higher ed bubble

By Richard Vedder

Michigan, much like the nation as a whole, is suffering the consequences of a higher education bubble. Like other bubbles, prices (tuition fees) have reached sky-high levels leading “investors” (students) to question whether the investment is worthwhile. As is true nationally, enrollments are starting to fall at some of the public four-year institutions. Total student loan debt recently topped $1 trillion and has been increasing faster than the rate of health care costs.

Many students are failing to graduate. Looking at five Metro Detroit area public institutions — University of Michigan-Ann Arbor, Wayne State University, Eastern Michigan University, U of M-Dearborn, and Oakland University — and the six-year graduation rate is below 50 percent at all of them, except the flagship U-M campus. The six-year rate nationally is at about 55 percent.

Even worse, a huge proportion of those who do graduate get jobs where they are effectively “underemployed.” Many take on relatively low-paying jobs not requiring a college degree. There are more retail sales clerks with bachelor’s degrees than there are soldiers in the U.S. Army.

This problem is not primarily because of the country’s mediocre economic performance in recent years. The underemployment problem has been brewing for years, even before the financial crisis, and will not end even if and when we return to labor market policies favoring employment (such as Michigan’s recently adopted right-to-work law). There are simply too many students graduating from college relative to the number of high-paying positions in the managerial, technical and professional fields. This even extends to some professional programs, most notably law.

Another issue facing Michigan higher education: the pool of state residents ages 18-22 is undergoing a long-term decline which will ultimately exceed 25 percent. Most universities have maintained enrollments by increasing out-of-state admissions or depending more on older students, but is it in Michigan’s interest, for example, to charge Ohio residents the same tuition as Michigan residents pay, as is the case at Eastern Michigan?

We may be overinvested in higher education, if the job market imbalance is any indication.

Richard Vedder is a professor of economics at Ohio University and an adjunct scholar with the Mackinac Center for Public Policy. He will present “The Higher Ed Bubble: Finding Financial Sanity on Campus,” at a Mackinac Center Issues & Ideas forum at noon today in Lansing.