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AUTHOR Bowen, William G.
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ABSTRACT

This paper is a criticism of "Finance and the Aims of American Higher Education" by Howard R. Bowen (HE001412). Veering toward "free education" is inconsistent with ordinary notions of equity because: (1) the purely private benefits of higher education accruing directly to the individual are substantially greater than all costs incurred, and (2) individuals who attend college, as a group, come disproportionally from upper income families. A policy of high tuition, even higher than actual costs, for those who can afford it and substantial aid to those who can't would be more equitable. A low tuition policy may also adversely affect an institution's ability to maintain academic freedom and determine its own programs, because of its increasing dependence on the action of legislators. Pressures on governmental budgets are increasing at all levels and there is little likelihood that there will be a substantial increase in governmental support. Income from tuition will be essential to cover widening educational opportunities and instructional costs which, otherwise, will continue to exclude many individuals with real economic need from higher education. High tuition and high student aid are complementary. (AF)

Concurrent General Session I
Monday Morning, March 2

COMMENTARY: HOW SHOULD HIGHER EDUCATION BE FINANCED?*

William G. Bowen

Provost and Professor of Economics
and Public Affairs
Princeton University

There is so much in Howard Bowen's paper which I want only to applaud -- because of both what he says and the eloquence with which he says it -- that it has been hard to resist the temptation to do just that in these remarks. I would be less than honest, however, if I did not also say at the outset that there are important elements of Howard Bowen's analysis and conclusions which I believe to be incorrect; and, in keeping with the usual (and proper) role of the critic, I intend to concentrate on these points of disagreement.

Having declared my intentions, I want to begin by underscoring one of the sections of his paper that I like best -- the emphasis given to the role of institutions of higher education as centers of learning, nor merely agencies of instruction. There are, however, two questions about his discussion of this subject that trouble my conscience.

First, is it really true that the more general civilizing functions of colleges and universities are in fact as indistinguishable and inseparable from the instructional function as all of our catalogs suggest? If so, how do we explain the contribution to the advancement of knowledge and to the understanding of contemporary problems made by institutions having no students such as the Center for Advanced Study in the Behavioral Sciences and the Institute for Advanced Study? To be sure, there is an important degree of "jointness" among teaching, scholarship, and community service; but I am not convinced that the links are anything like as tight as many of us often claim, and I suspect that it will prove to be wise public policy to encourage different educational institutions to attach different degrees of emphasis to these various objectives.

My second question under this general heading is even harder to get past my own emotional blocks. No doubt all of us want to believe that our system of higher education is making major contributions to every one of the social objectives mentioned by Howard Bowen: improving citizenship, the upbringing of children, the beauty of society, and so on. Certainly I do. Yet, while I support fully Howard Bowen's annoyance with those who would ignore the contributions of the educational system to these objectives, I also feel an obligation to acknowledge how little we really know about the extent to which higher education as such really contributes to them. To put my concern in the form of a question: if we look for evidence by comparing the United States today with other countries such as Britain, Holland, or Norway, which have not made nearly as much of an effort in higher education as we have, is it clear that the quality of citizenship, the commitment to beauty, and so on, are that much greater in this country?

*Commentary on "Paying for Higher Education" presented at Concurrent General Session I at the 25th National Conference on Higher Education, sponsored by the American Association for Higher Education, Chicago, Monday, March 2, 1970. Permission to quote restricted.

My main disagreement with Howard Bowen's paper is not, however, that he overstates some elements of our own mythology -- especially since some overstatement may be a helpful corrective these days. What I worry most about is his policy prescription: that we should veer further toward the "free" education (low tuition) model of college and university finance. While I understand and respect the force of his convictions, I worry about this prescription because it seems to me to be inconsistent with a number of important policy objectives.

First, I submit that it is inconsistent with ordinary notions of equity, and that this inconsistency cannot be made to disappear by following Howard Bowen's lead and placing the question of equity in the context of the overall distributional effects of our entire system of taxation and governmental expenditures.

All of the evidence I have seen (and a great deal now exists) supports two simple propositions: (1) The purely private benefits of higher education, accruing directly to the individual receiving the education, are substantially greater than all of the cost incurred, including the student's own foregone earnings. This proposition holds when we count only the monetary benefits of higher education. It is reinforced greatly when we add the non-monetary benefits: "the joys of college days" (expressed, to be sure, in ever-new forms!), access to jobs which tend to be more pleasant and more interesting in addition to being more remunerative, and enhanced opportunities to participate in cultural, political, and aesthetically-satisfying activities. (2) Individuals who attend college, as a group, come disproportionately from upper-income families; and, as Weisbrod and Hansen of the University of Wisconsin have demonstrated, the tax systems used to provide the revenue for much of higher education do not require higher income families to make a tax contribution that is at all commensurate with the monetary benefits received (let alone the non-monetary benefits).

In view of these facts, I think it is extremely hard to argue that the banker's son, who in turn is likely to earn a hefty return on the investment in his education, should be subsidized by the tax payments of the blue collar worker. I do not see what principle of equity would suggest that outcome.

Nor can I accept Howard Bowen's argument that we ought not to worry about distributional effects of this kind because there are other public programs (e.g., welfare) that transfer money from the rich to the poor. It is far from clear to me (or, I think, to most students of public finance) that the equity aspects of other programs have any relevance to the question of the extent to which those who benefit most directly from higher education, and who are able to pay, should cover the costs.

It is worth noting, however, that if we were to think about the financing of higher education in the context of our feelings about the overall distribution of the benefits and costs of all governmental programs, as Howard Bowen seems to suggest, this need not make veering toward lower tuition any more acceptable on equity grounds. Indeed, those of us who believe that the present distribution does less than it should do for the lower income groups would surely have to argue for a policy of higher tuition and higher student aid on these grounds alone -- possibly even for charging more than the full costs to those who could afford to pay and providing student aid to low income people in amounts that might cover all of their foregone earnings as well as instructional costs and incidental expenses.

My second major reservation concerning the proposal that we move toward lower tuition has to do with the likely effects on the ability of colleges and universities to maintain academic freedom and to determine their own programs. I agree fully with Howard Bowen that obtaining financial support in many forms from many sources is one of the best ways of protecting institutional freedom. But I am at a loss to see how lowering tuition is going to advance this objective. At the present time tuition payments amount to only about one-fifth of the receipts of educational institutions (and it is only dollar receipts that are relevant here; foregone earnings of students are important to the student and to the society, but not to institutional budgeting). Moving toward lower tuition would reduce this share further and increase the dependence of colleges and universities on the actions of legislators.

As I read what is happening in Congress and in many State capitols now, I am not sanguine about committing a larger share of responsibility for the integrity of the educational enterprise to bodies which often respond so directly to political pressures. Indeed, one of the great advantages of channeling funds for higher education through the student is that this minimizes the danger of political control of higher education. To be sure, one could also go too far in this direction, as Howard Bowen warns us. But at a time when tuition payments are only about 20 percent of total receipts, excessive dependence on tuition does not seem to be anything like the most significant challenge to academic freedom.

In addition to being inconsistent with the objectives of equity and institutional autonomy, I suggest that a policy of lower tuition is also inconsistent with the need to increase total financial support for all of higher education. Pragmatic as this latter objective may be, its achievement is absolutely vital to accomplishing many other things -- including the achievement of a greater degree of real equality of opportunity.

In my view the major problem with Howard Bowen's paper is that it implicitly assumes that one can talk about the <u>form</u> of financial support for higher education independently of the <u>amount</u>. Many <u>of us</u> might wish that these questions were separate ones, and that the revenue lost from one potential source (further increases in tuition, for example) would be made up automatically from other sources (larger outright grants by governments, foundations, and individuals than would have been forthcoming otherwise). But is this a realistic expectation? If anyone thinks so, I think he should explain the mechanism likely to produce this result.

All of us are aware of the extraordinary pressures on governmental budgets at all levels. For those of you who have not already seen it, I recommend that you study the section of the 1970 Report of the Council of Economic Advisers entitled "Future National Output and the Claims Upon It." Much of the "Fiscal dividend" people were talking about so blithely a year or two ago seems already to be spoken for. Firm advocate that I am of "reordering national priorities" (to use what, unhappily, has become a cliché), I think we are fooling ourselves if we believe that any great infusion of new Federal support is close at hand. To my way of thinking, the tax reductions approved by the Congress in 1969 are little short of disastrous from the standpoint of social needs of all kinds, including higher education, and I have not gotten over my own sense of indignation at the failure of so many "liberal" groups to do battle on that occasion, when it really counted. In any event, in view of this situation, I think that only by seeking to obtain increased support from <u>all</u> possible sources, including those students and their families who are capable <u>of</u> paying a goodly part of their own way, are we likely even to come close to finding the total resources so desperately needed.

As various people have pointed out, the situation in Britain is instructive in this regard. A British friend of mine who is knowledgeable about university finance in that country has expressed the view that he and many of his colleagues have been wrong in not pushing for higher student charges -- wrong because the pressure on governmental appropriations has been so great that the total amount that the society as a whole has put into higher education has fallen far short of what he thinks it should have been. And he is convinced that more resources would go into higher education if the direct beneficiaries made more of a contribution. I think he is right.

Finally, I want to say just a word about the relation between tuition policy and our obligations to black people and to all who are economically disadvantaged, whatever their race. If what I have said about the relation between the level of tuition and the total resources that will flow into higher education is correct, it follows that increased tuition charges can in fact widen educational opportunities rather than narrow them, provided that governments, foundations, and the educational institutions themselves are willing to make the necessary decisions regarding student aid.

My own position can be stated simply: I am an advocate of high tuition and high student aid. I see the two as complementary. And, while I am also an advocate of well-conceived loan programs (and a believer in some form of the contingent-repayment plan), I do not think that the principal users of such a plan should be individuals from low income families. I am for as much of an expansion as we can manage in scholarship funds to be awarded on the basis of need. What is required is the extension and refinement of the already established idea of financial aid "packages" containing grants, work opportunities, and loans, with the composition as well as the overall size of an individual's package determined in relation to his financial circumstances. If we proceed in this already well-charted direction, I see no reason to think that increases in tuition should prevent the further widening of educational opportunity. On the contrary, I think that without increases in tuition we are going to have an exceedingly hard time finding the resources needed to cover those costs in addition to instructional costs (room and board, books, incidentals) which otherwise will continue to exclude many individuals with real economic need from a place in our system of higher education.

No one can review the history of higher education in this country without emphasizing our great debt to the vision of those who were determined to make higher education available to others than the children of the rich, and who saw free tuition as one way to accomplish this goal. This is an exceedingly valuable part of our educational heritage, and its spirit must not be lost. The methods to be used in promoting the goal of wider educational opportunity should be responsive, however, to:

-- changes in economic circumstances (the extraordinary increases which have occurred over the last hundred years in the real income of the mass of the American population);

-- the development of new ways of enabling students and their families to defray at least part of their own educational costs (extensive scholarship programs, as well as loan plans tailored to meet the needs of students);

and most important of all:

-- the growing determination to extend a wide range of educational opportunities to the very poor, who will require financial assistance on a scale never before contemplated.

In considering how to adapt to changing circumstances, I hope that we can continue to consider the various alternatives before us in a thoughtful manner. It is nothing short of tragic, in my judgment, that the question of tuition policy has become such a highly charged emotional issue, bound up all too often with partisan political controversy. There is more than enough sloganeering all around us these days, and I would hope -- indeed urge -- that we try to set the right kind of standard for our students and other constituents in the way in which we discuss the complicated but important questions of educational finance.