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ABSTRACT

Following a short review of the literature and a thorough discussion of the pros and cons of community college tuition, an analysis of educational costs and benefits is made. In Washington, the total cost of community college attendance, including foregone income, is approximately \$4,707 per year per student. Of this figure, the student and/or his family bears the responsibility for \$3,662 (77.8 percent). Even if there were no tuition and fee charges, these students would still have to pay a large percentage of the educational cost. This situation represents an economic barrier to educational opportunity, which benefits society. Higher education is a social necessity, not a luxury, and should be treated as such in policy and by funding. As a result of this study, three recommendations are made: (1) That public institutions of higher education be supported at a level which makes access possible without tuition levels which economically would deny opportunity to some individuals; (2) That tuition not be increased until such time as the individual contribution drops below the range of two-thirds to three-fourths of the economic costs of attendance; and (3) The tuition charges be graduated within the public sector to reflect the growth in benefits resulting from additional education. (DC)

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A PROPOSED POLICY ON  
TUITION IN COMMUNITY COLLEGES

A STAFF PAPER PREPARED

BY

JOHN N. TERREY

NOTE: The views expressed in this paper are those of the author and do not necessarily reflect those of the State Board for Community College Education.

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# TUITION FOR WASHINGTON'S COMMUNITY COLLEGES <sup>1</sup>

## I. BACKGROUND

The community colleges in the State of Washington are public institutions. Tuition is set by the Legislature. The level of tuition is a matter of public policy. As used in this paper, tuition is meant to include all general fees paid by students as required by law. Hence, no effort is made to distinguish among tuition, operating fees, and student services and activities fees. Tuition means the aggregate of all these fees.

In 1967 the tuition was set by the Legislature at \$70 per quarter for a student taking a full load. In 1971 the tuition was raised to \$83 per quarter for a student taking a full load. In 1975 the Legislature will very likely give consideration to increasing tuition again.

What should the tuition level be? Upon what policy should the tuition level be set? These are the questions to which this paper is addressed.

Tuition setting has been a practice in search of a policy. What should the policy be and upon what logic should the policy rest? Frequently the practice is the result of financial exigencies. The level is determined by ascertaining the tuition levels throughout the nation and setting a new level relative to other states. Now a new device has been discovered--raising tuition to reflect the impact of inflation. Of course, the assumption in the inflation procedure is that the base figure was reasonable, logical, and equitable.

It is the conclusion in this paper that none of these techniques for setting tuition is satisfactory and that a better method is needed--a method which recognizes both social efficiency and fiscal efficiency.

## II. EXAMINATION OF THE ISSUES

In the 1960's the State of Washington made a courageous commitment--a part of an unprecedented national commitment--to extend opportunities for higher education to a large segment of the population. The specific form was the Community College Act of 1967 with its cornerstone--the open door. Today the State of Washington is confronted by a severe challenge to its commitment and dedication to social equality and individual opportunity. Public policy and financial stringencies force policy makers to a difficult choice. Should tuition in the public institutions of higher education be raised, thereby resolving to some degree the financial problem while at the same time compromising the commitment made in the previous decade to social equality and individual opportunity?

The public policy issue and the financial stress must be viewed together so that whatever decision is made takes into account the trade-offs and their implications. This paper attempts to view both aspects, but it is not a complete view because the emphasis is on the community college. However, it needs to be

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<sup>1</sup>This paper has been prepared by John Terrey, Deputy Director for the Washington State Board for Community College Education. The views expressed are his and should not be assumed to reflect the views of the State Board.

noted that in the State of Washington there is a diverse system of postsecondary education. The various sectors within the diverse system have their own identity. To preserve the diversity and the identities is of great value to the State.

It is not the purpose of this paper to review the diversity of postsecondary education in the State of Washington in the 1970's. It is necessary briefly to illustrate that public policy has had and will have great implications for the future. To provide a perspective it needs to be pointed out that higher education has gone through three phases: "aristocratic," "meritocratic," and "egalitarian."<sup>1</sup> During the aristocratic period (1900) only about one in twenty-five young people entered college. The percentages increased throughout each successive phase. By 1940 only 10 percent entered college; by 1950 it was 18 percent; and by 1970 it was well over 50 percent.<sup>2</sup>

The aristocratic era ended with World II. The meritocratic era ended in the mid-1960's. The best philosophical statement of the egalitarian principle is Community College Act of 1967.

On a national level the basic egalitarian principles were set forth in the 1947 report to President Truman by his President's Commission on Higher Education, Higher Education for American Democracy. In Volume I the concern was "Education for All."

The goal was clearly stated:

The American people should set as their ultimate goal an educational system in which at no level--high school, college, graduate school, or professional school--will a qualified individual in any part of the country encounter an insuperable economic barrier to the attainment of the kind of education suited to his aptitudes and interests.<sup>3</sup>

The second volume, concerned with access, was entitled "Equalizing and Expanding Individual Opportunity." The principle set forth was equality:

Equal educational opportunity for all persons, to the maximum of their individual abilities and without regard to economic status, race, creed, color, sex, national origin, or ancestry is a major goal of American democracy. Only an informed, thoughtful, tolerant people can maintain and develop a free society.

Equal opportunity for education does not mean equal or identical education for all individuals. It means, rather, that education at all levels shall be available equally to every qualified person.<sup>4</sup>

<sup>1</sup>K. Patricia Cross, Beyond the Open Door (San Francisco: Jossey Bass, Inc., 1971), especially Chapter One. See also Christopher Jencks and David Riesman, The Academic Revolution (New York: Doubleday & Company, 1968).

<sup>2</sup>The figures are from The Second Newman Report: National Policy and Higher Education (Cambridge, Mass.: The MIT Press, 1973), p. 1 and p. 116.

<sup>3</sup>U. S. President's Commission on Higher Education, Higher Education for American Democracy (New York: Harper and Brothers Publishers, 1947), Volume I, p. 36.

<sup>4</sup>Ibid., Volume II, p. 3.

Daniel P. Moynihan, 20 years later, restated the egalitarian principle: to "make the national purpose serve the human purpose; that every person shall have the opportunity to become all that he or she is capable of becoming. We believe that knowledge is essential to individual freedom and to the conduct of a free society. We believe that education is the surest and most profitable investment a nation can make."

Beyond all doubt the institution within the postsecondary spectrum most responsible for translating the national policy of egalitarianism into practice has been the community college. Today, there are 2,866,000 students in 1,141 community colleges. Their development has made a policy a reality. On a national basis by 1970 the community colleges accounted for 38 percent of the postsecondary institutions and 28 percent of the students. These figures are double the number of institutions and three times the number of students which were reported in 1960. In the State of Washington the community colleges account for 60 percent of the institutions and almost 50 percent of the students.

Nonetheless, it is important to note that the full spectrum of postsecondary education is necessary to diversity. Difference is not necessarily better. Similarly, the results expected must be as diverse as the institutions which produce the results. The role of the community college decrees that it not be "aristocratic," that it not be "meritocratic." It is an alternative to those traditional concepts and their structures. If an institution is to forego the luxury of selecting a student body to serve its structure, then it has an obligation to select a structure to serve its students. Its students are varied in age, background, aspirations. Judging both individual and institutional effectiveness must consider the egalitarian nature of the community college. Inevitably, the financing, including tuition policy, must recognize the variety of purposes and missions of the institutions which aggregate into postsecondary education.

The task of establishing a policy relative to tuition is complicated by the need to balance several different objectives simultaneously. For example, it is a clearly established national objective to provide equality of opportunity for students to enter postsecondary education. At the same time, equity in allocating the cost becomes a necessity. In this case, equity is a concern to the public in establishing what is fair in assessing cost of higher education between the taxpayers on the one hand who represent society and students and their families who are the private beneficiaries of higher education. A third and related objective is the balancing of the equality of opportunity with equity to a system which is characterized by a diversity not only between the public and private sector but the size and mission and purpose of institutions within the public sector.

It is not surprising then that there are a multitude of plans which have been devised for balancing tuition responsibilities in the financing of higher education with the conflicting objectives. There are three primary financial plans for tuition. The first is the full cost pricing which would mean that the student and/or his family would pay the full cost of his education. The second major plan is the antithesis of the first, namely, that a government subsidy

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<sup>1</sup> Daniel P. Moynihan, "The Impact on Manpower Development and the Employment of Youth," in Universal Higher Education by Earl J. McGrath, editor (New York: McGraw-Hill, 1966), p. 66.



4.

would provide postsecondary education free to students who wish to enter. Between these two extremes is a compromise which represents the present mixed system. The current system is one of sharing the cost between the student and/or his family and society in which the student pays a share through tuition and society pays a share through governmental appropriations. Even the compromise, however, creates an additional complexity. What should be the proportional share for each segment? Usually the attempts to answer the proportional share question result in two additional questions: 1) Who benefits from higher education? and 2) Which plan will provide the most revenue and the most effective allocation of resources while maintaining educational opportunity?

The case for high tuition rests on the assumption that the price of higher education should be commensurate with the benefits derived and the ability to pay. Since the benefits from higher education accrue primarily to students, it is argued that the instructional costs should be paid primarily from tuition. The issue of equal opportunity is provided in part by offering grants or loans to students with low incomes. Since the demand for higher education is generally believed to be somewhat more inelastic among high income families than among medium and low income families (i.e., relatively more insensitive to price), higher tuition would pose no serious threat to attendance by students from high income families. If under these conditions there is a limited amount of tax revenue available, the wisest expenditure of the revenue is in a form of subsidy to students of low-income families who have the ability but not the financial resources to attend a postsecondary institution. The net result is that the high tuition is charged to those who have the ability to pay while those who cannot pay are subsidized. Thus, there is a savings to the taxpayer. The argument concludes that since the benefits accrue to only a few, it should be paid for primarily by the individual participant according to his ability to pay rather than by the general public. However, there is disagreement on the degree to which benefits accrue to the individual and society. The relative proportion of benefit is discussed in a later section of this paper.

Those who argue in favor of high tuition generally use one or more of the following arguments:

1. Since the student is the one who derives the greatest benefit from college education, he should pay for as much of his education as he is able.
2. The tax support of higher education, together with high tuition, would maximize the total revenue available to operate colleges and universities.
3. Funds derived from high tuition could increase the number of grants and loans available to needy students and thereby enhance the ideal of equal educational opportunity for all.
4. High tuition would provide greater market actions and stimulate healthy institutional competition.
5. Because high tuition more closely approximates the cost of providing the higher education, it could affect a more efficient use of resources.
6. High tuition, together with generous aid to needy students, would tend to redistribute income from the wealthy to the poor.



Those who argue for low tuition generally cite tradition. It is true that public higher education has been financed through low tuition with substantial tax support. The low tuition, it is argued, is essential because it provides the best means of facilitating college attendance by qualified people from low-income families, thereby satisfying the objective of equality of opportunity.

The basic argument on the economic side, in addition to the philosophical argument about equality of opportunity, is that low tuition for everyone, while it does require a high tax subsidy, is a form of investment which society makes. Following graduation the student puts his skills on the market and generally attracts a higher salary than he would attract had he not attended college. The higher income is subsequently taxed by the state, and the state therefore becomes the beneficiary of the investment it made in the education of the individual. This form of repayment is preferred by the advocates of low tuition to charging high tuition, especially at a time when most students cannot afford it. Those who argue for low tuition contend that society is also a beneficiary of higher education and that, if ability to pay should govern the burden placed on each member of society, it then logically follows that low tuition and state taxes constitute an equitable financing system.

Those who argue for low tuition usually argue on one or more of the following points:

1. Since society benefits greatly from higher education through broad economic, social, and cultural advancement, society should bear its portion of the cost of such education.
2. Based on ability to pay, higher education costs are most equitably shared by society through a tax system, hopefully a progressive tax system.
3. Since high tuition is seldom sufficiently offset by student aid grants, low tuition provides more equal educational opportunity.

Congressman O'Hara of Michigan summarized the argument:

The American people will support a broadly based, open education system. And they will support it more readily if its costs are spread across the society it serves, and not concentrated wholly on those who happen at the moment to be using the system.

Howard R. Bowen, Chancellor of the Claremont Center and a nationally recognized student of the economics of higher education, has found that there are three major arguments in favor of high-level tuition. The first argument is the application of the "benefit theory," namely, that the cost of public services which benefit particular individuals should be borne by the beneficiary. According to Bowen, "It is argued that the benefits from higher education

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<sup>1</sup>James G. O'Hara, "The Social Necessity for Low Tuition," Change (Winter 1973-74), p. 77.

accrue primarily to students (or to parents who value the economic and cultural advancement of their children), and that the instructional cost should be paid primarily or wholly through tuitions."<sup>1</sup>

Bowen rejects this argument on the grounds that society at large benefits from higher education through broad economic, social and cultural advancement, and society (taxpayers and donors) might reasonably bear some of the cost even under the "benefit theory." He goes on to say:

I would point out that education is so critical to the advancement of the society that encouragement of it through subsidization from general taxes is fully justified. Certainly, if a case can be made for "free" elementary and secondary education, where the element of cost resulting from foregone income is largely absent, a much stronger case can be made for subsidizing higher education where the element of foregone income is so large. ...It would seem extraordinarily perverse in the America of today to raise the barriers to higher education precisely at the time when we are, or should be, trying to open up opportunity to young persons of low income and minority backgrounds.<sup>2</sup>

The second argument for high levels of tuition is an application of the "ability to pay" theory, namely, that families that can afford to pay the cost of education for their children should do so. In other words, the cost of education should vary with the income of the family whose children are receiving it. This argument is rebutted by the consideration that it is not necessarily wrong for the rich to receive educational services at a cost less than the full cost any more than it is not necessarily wrong for them to receive other public services at less than full cost, provided they are receiving these services on the same terms as the rest of the population and the tax structure is "equitable." If one contends the tax system is inequitable and that, therefore, high income families are not paying their proper proportion of public educational costs, the remedy does not lie in the realm of increasing tuition and fee charges, but rather it should be sought through reform of the tax structure itself.

The final argument is what could be called "the expediency argument." Whenever institutions cannot generate a sufficient amount of revenue from other sources, they turn to tuition as an additional revenue source as a last resort. This is, in part, the situation that exists in the State of Washington today. The State is faced with inadequate revenue from other sources and therefore is considering raising more revenue through tuition and fee charges. Expediency would seem to be wholly inadequate as a reason for increasing tuition and fees in view of the basic commitment of the community college system to the open door concept which is central to access.

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<sup>1</sup> Howard R. Bowen, "Tuition and Student Loans in the Financing of Higher Education," In The Economics and Financing of Higher Education in the United States (Joint Economic Committee, Congress of the United States, U. S. Government Printing Office, Washington, D.C., 1969), p. 624.

<sup>2</sup> Ibid., pp. 624-25.

Howard Bowen has concluded that:

I find no persuasive argument for tuition as a method of financing institutions, and I conclude that the nation would be well advised to eliminate or reduce tuition, or at least to avoid raising them further. If financial need does not permit all tuition to be eliminated or reduced, charges in some parts of the system, e.g., community colleges and state universities, should be held to a minimum so that higher education may be readily accessible to persons of low income and minority background.

There must be a point of entry and a track through the system that presents the minimum of financial barriers. And of course a condition of low tuition is adequate institutional support through appropriations and gifts.<sup>1</sup>

To return again to the ability-to-pay argument, it would perhaps be more reasonable to base tuition/fee charges directly on the level of the family income. This could be done either directly with the variable schedule of tuition and fees or indirectly through an adequate financial aid program where student support would be based on family income with a fixed level of tuition and fees. With the present impracticality of the former and the nonexistence of the latter, it is felt that the need for commitment to the open door concept greatly outweighs such consideration of the inequities occurring.

### III. A SHORT REVIEW OF THE LITERATURE

In order to provide a perspective on the subject of tuition, a review of the most recent literature dealing with the policy issues will be presented. The materials reviewed are:

1. Orwig, M. D. (Editor). Financing Higher Education: Alternatives for the Federal Government. (Iowa City, Iowa: The American College Testing Program, 1971.)
2. Bowen, Howard R. and Paul Servelle. Who Benefits from Higher Education and Who Should Pay? (Washington, D.C.: American Association for Higher Education, 1972.)
3. Carnegie Commission on Higher Education. The Open-Door Colleges: Policies for Community Colleges. (New York: McGraw-Hill Book Company, 1970.)
4. \_\_\_\_\_ . Higher Education: Who Pays? Who Benefits? Who Should Pay? (New York: McGraw-Hill Book Company, 1973.)
5. \_\_\_\_\_ . Tuition. (New York: McGraw-Hill Book Company, 1974.)
6. Committee for Economic Development. The Management and Financing of Colleges. (New York: Committee for Economic Development, 1973.)

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<sup>1</sup> Ibid., p. 626.

- 7. National Commission on the Financing of Post-secondary Education. Financing Postsecondary Education in the United States. (Washington, D.C.: U. S. Government Printing Office, 1973.)
- 8. Halstead, D. Kent. State-wide Planning in Higher Education. (Washington, D.C.: U. S. Government Printing Office, 1974.)

Orwig, M. C. (Editor). Financing Higher Education: Alternatives for the Federal Government. (Iowa City, Iowa: The American College Testing Program, 1971.)

This monograph is the result of a conference held in 1970 under the sponsorship of the American College Testing Program. The purpose of the conference was to discuss the balance between the search for equality of educational opportunity on one hand and the rising cost of higher education on the other hand. Papers were presented by experts reflecting definitive but opposing points of view. Theodore W. Schultz, Mary Jean Bowman, and Christopher Jencks examined the economic and social issues.

Who should pay? This question was addressed in three papers, each reflecting a different answer. For W. Lee Hensen and Burton A. Welsbrod, the answer was--students and parents. For James L. Wattenbarger, the answer was--society. For Howard R. Bowen, the answer was--society, students, and parents. Other issues not directly related to tuition were discussed.

Theodore W. Schultz is an economist at the University of Chicago and one of the pioneers in exploring the economic facets of human capital, especially education as a means of increasing the return on investment of human capital. His argument is that investment in education is an investment in human capital. His studies have focused on attempts to measure the rate of return to investment (ROI) to students and to society. While measures are not exact, the relationship of investment in education and return to the individual and to the society are significant.<sup>1</sup> Schultz also introduces a controversial topic which will be mentioned frequently in this paper, *viz.* the concept of foregone earnings as a cost of education borne by the student.<sup>2</sup> (Foregone earnings are those earnings foregone as a result of time when a student continues in college instead of taking a full-time job.) His arguments for the inclusion of foregone earnings as a factor in determining the cost of higher education are multiple:

- Higher education is more than twice as costly as is revealed in the budgets (foregone earnings by students represent over half the economic costs of higher education);
- It is simply impossible to plan efficiently when over half of the real costs are treated as "free" resources;
- There is no incentive to economize on the time of students in educational planning under existing circumstances;

<sup>1</sup> See also Mark Blaug, An Introduction to the Economics of Education, especially Chapters 1-3, for a further discussion of the concept.

<sup>2</sup> See Page 20.

- Educational planners receive no signals that the value of the time of students is rising relative to material inputs;
- The rate of return to investment in higher education is grossly overestimated when earnings foregone are omitted;
- So-called free education is far from free to students and their parents, which in turn implies that many families with low incomes cannot afford to forego the earnings of their children; and
- Savings, investment, and capital formation are all substantially understated in terms of national accounting.<sup>1</sup>

Schultz readily admits that a model is needed which will help to identify the value added by education as well as the return on investment. Thus far, indisputable measures are lacking.

Mary Jean Bowman is also an economist at the University of Chicago. Her article reviews the efforts of economists to devise methods for measuring the "unexplained residuals"--that part of growth in national income over and above what could be explained by the aggregate inputs of labor and capital. Regardless of the methodology employed, a substantial unexplained residual is identified. It is broadly termed "advancement in knowledge" and is attributed to the investment society makes in human capital through education.

Christopher Jencks of Harvard is not an economist. His article examines the goal of equality of opportunity and the role of higher education in achieving the social goal of equality of opportunity. Jencks concludes that the only way to move toward equality is to help those at the lower levels of society. Because the elite is more powerful than the poor and because the elite will guard against the downward mobility of its progeny, upward social mobility for the poor will depend upon equality of opportunity for the poor. "There are, after all, only two ways to make men equal: We can reduce the privilege of the elite or we can increase the privilege of the non-elite." Higher education, especially the community college sector, has moved away from serving the elite by providing an opportunity for all--an egalitarian concept. Equality of opportunity must overcome the barriers of finance, geography, social status, and academic preparation.

W. Lee Hansen and Burton A. Welsbrod are professors of economics at the University of Wisconsin. Their paper is a shorter version of their book, Benefits, Costs, and Finance of Public Higher Education. They present a plan for full-cost pricing. Essentially they would replace the present system of state subsidies by a system of grants to the student who in turn would be charged by the institution the full cost of instruction. The grants to students, however, would be based on the ability of the student and his parents to pay for the cost of higher education. The poorer the family, the higher is the grant. The result would be that poorer students would receive larger grants whereas the students from wealthier families would be asked to pay more if not all of the cost. As a result, the tax burden would decrease. They state their case as follows:

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<sup>1</sup> Simon Kuznets treats these issues in his book, Modern Economic Growth, written in 1965.

The basic problem, then, is how to use limited public revenue resources most fairly and most effectively. A low or zero tuition level for everyone implies a substantially increased level of state support. But if only a limited amount of tax revenue is available for higher education, which is more efficient? To use these funds to subsidize above average income students who can afford to go on to college and would do so, we predict, even without the subsidy? Or to subsidize lower income students, many of whom would otherwise not go to college at all, or who if they did go might have no alternative but to incur substantial debt?<sup>1</sup>

They also contend that low or even zero tuition will not achieve the goal of equality of opportunity. Low or zero tuition simply does not provide equality of opportunity because tuition is but a small part of the total cost. Additional costs include books and supplies, living expenses, and foregone earnings. Even if tuition were zero, these costs would represent a substantial economic barrier to equality of opportunity.

James L. Wattenbarger of the University of Florida argued that education at all levels is a social responsibility. He argues essentially from the historical perspective. He contends that low cost public education is a necessary concomitant to the development of human resources, to future economic growth, to national security, and to the eventual elimination of poverty.

Wattenbarger quotes Edward F. Denison as saying that 20 percent of the growth in real national income between 1929 and 1957 was accounted for by the advancement of knowledge, and another 23 percent of the growth was the result of education of the labor force. Denison concluded that education, therefore, contributed 42 percent of the growth rate in output per man employed in the United States over the years of his study. Denison provided many reservations about his method. Others too have had reservations.<sup>2</sup>

Wattenbarger does introduce a dimension to the argument which the economists did not discuss. He argues that tuition is a use tax levied on the student at the moment he is least able to pay it--a condition Wattenbarger claims is unfair. Would it not be more logical, he argues, to have no or low tuition so as to remove as much of the economic barrier as possible? Society would subsequently be repaid through increased taxes paid as a consequence of higher income resulting from educational training. He cites the GI Bill to support his argument. "Those persons who benefited from the G.I. Bill during the late forties and fifties have already repaid or soon will repay that amount many times over in Federal Income Tax."<sup>3</sup>

The final article to be reported from this book is one written by Howard R. Bowen, a noted economist and chancellor of the Claremont University Center. No writer has written more extensively on the subject of benefits and financial charges

<sup>1</sup>Pages 121-22.

<sup>2</sup> See E. F. Denison, The Sources of Economic Growth in the United States, p. 73. See also pp. 251-253 for Denison's reservations.

<sup>3</sup>Page 152.

In higher education than Howard Bowen. He thoughtfully points out that the cost of higher education is divided into three parts:

- The income of the student that is foregone because he chooses to be in college;
- The cost to the student incidental to his education, e.g., books; and
- The institutional cost of instruction.

Concentration on only the last part--the cost of instruction--reveals that the student might be paying as low as one-fifth of the cost of his education. Assuming that the cost of instruction in Washington State community colleges averages about \$1,000, the tuition is \$249 or 24.9 percent of the cost, slightly in excess of one-fifth of the cost.

However, when the incidental costs and the foregone earnings are included, the student is contributing over three-fourths of the costs. Bowen concludes: "Three-quarters seems an adequate contribution in view of the substantial social benefits derived from higher education.:"

Bowen then discusses the three principal alternatives to financing the cost of higher education: (1) Full cost pricing, (2) Free public education, and (3) Conglomerate financing.

Full cost pricing assumes that the student will be charged the full cost of his instruction as well as the full cost for any auxiliary enterprises he utilizes. To be consistent, the institution should also charge the full cost of research and public service it provides. The result would be that the institution would be self-supporting. If a student could not afford the full cost, he would receive grants or loans to cover his deficits. If he received a loan, the loan would be payable from future income.<sup>2</sup>

Free public education assumes that the cost of instruction in public institutions would be paid for from public sources. Auxiliary services would be paid for by the user. Student aid, if needed to cover incidental charges, would be in the form of aid through grants or loans.

The conglomerate model depicts the present state of financing higher education. The costs are covered partly by tuition and, in public institutions, partly by public funds. Again, as with the other alternatives, grants and loans are an integral part of the structure. The issue is: Should the conglomerate shift toward the full cost model or toward the free public education model? Related to this issue is yet another one: Should financial aid be primarily in the form of grants or of loans?

Bowen then presents his own conclusions. These are summarized as follows:

1. Higher education should charge relatively low tuitions. "I would argue that the system of finance should veer toward the free public education model rather than toward the full cost model."<sup>3</sup>

<sup>1</sup>See Page 161.

<sup>2</sup>For a fuller discussion of this concept, see Milton Friedman's article, "The Higher Schooling in America," which appeared in The Public Interest, Spring, 1968.

<sup>3</sup>See Page 165.



2. The age of emancipation of students from their families should be lowered to 20 or 21. This would remove the responsibility for parents to finance the students' cost of education. Principally, it would remove the means test in connection with grants or other forms of student aid. "This proposal merely suggests extending the precedent set by the GI Bill..."<sup>1</sup>
3. Student financial aid should be primarily in the form of grants rather than loans. "...no student who is willing to work a reasonable amount and to live modestly should have to go deeply into debt to secure an education." Grants should be adequate to cover costs but without frills.
4. The basic program of student aid should be conducted outside the institution for two reasons: (1) So as not to influence the student's choice of institution, and (2) So as to relieve the institution of a financial burden in administering the program.
5. Income of institutions should come from varied sources with a substantial part of the amount represented by unrestricted income. "The full cost model is weak in that institutional income would come predominantly from students and other users of services who would then be able to wield enormous power." As a consequence, Bowen expressed concern about academic freedom.

Bowen concludes with a listing of the social benefits of higher education. The final category of social benefits are those relating to the community college:

The community college is often thought of as strictly an instructional center having no function but to educate and train young people. As such it has important social benefits. But it too provides--or should provide--benefits that flow from its position as a center of learning. It is a cultural center for its community, it is a patron of the arts, a center of discussion, a place for individual consultation and guidance, a humane influence, and a pool of talent to help with community problems. A community college is of great value to a community aside from the credit hours of instruction it generates.<sup>2</sup>

Bowen, Howard R. and Paul Servelle. Who Benefits from Higher Education--and Who Should Pay? (Washington D.C.: American Association for Higher Education, 1972)

This short publication is primarily a review of the problems relating to the financing of higher education and of the solutions which have been offered.

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<sup>1</sup>Page 166.  
<sup>2</sup>Page 170.



In addition, the booklet provides a very complete bibliography of 116 items cross referenced to the text so that the arguments are related to the authors who propose them.

Bowen and Sevelle discuss the questions raised in the title in seven short chapters:

- The Benefit Theory and Justice
- Marginal Analysis and the Benefit Theory
- Financial Options
- Financial Options for Higher Education
- Individual Benefits from Higher Education
- Social Benefits from Higher Education
- The Costs of Higher Education

In trying to answer the question--who benefits and who should pay?--the authors attempt to isolate the benefits of higher education to the student and his family from the benefits to society. Both benefit and both pay. The search continues as to the proper balance of the payments.

One recurring idea is that the allocation of costs between students and society should be related to the benefits from higher education. But there are two versions of the benefit theory and these are not necessarily congruent. One is concerned with justice in the allocation of costs among different persons and groups. The assumption is made that the beneficiaries should pay and that the costs should be divided among them in proportion to the total benefits received. The other version of the benefit theory is concerned with efficiency in the allocation of resources. The assumption is made that when a good or service yields both individual and social benefits, its production should be increased beyond the amount that would be called forth by individual demand alone. This idea applied to higher education means that tuition should be lowered below the cost per student until the combined marginal benefits to both individuals and society are equal to the marginal cost.

Needless to say, it is assumed in public institutions that the deficit should be made up from taxes. After reading the brief text--which is an ideal overview of the debate--one concludes that the present system of American higher education is a mixed system of finance. The diversity has its frustrations and presents its dilemmas; however, there is strength as a result of the diversity. This point was recognized by Marlon Folsom, a distinguished businessman as well as a former Secretary of HEW:

The financial support of higher education is a patchwork quilt. This support is drawn from virtually every known source... This patchwork quilt... is no jumble of confusion. Instead, it is a significantly complete list of the groups that form the broad base of support for higher education in our society. It is true that 'he who pays the piper calls the tune.' The integrity of higher education is ensured by the fact that no one group is really paying the piper and thus no one group can 'call the tune.' This broad base of support ensures that our system will remain free of a single, limiting educational creed. And this, in a sense, is the genius of American education --that there is no single interest, no one creed or dogma, that might stifle the freedom and independence we as a people cherish.<sup>1</sup>

Carnegie Commission on Higher Education. The Open-Door Colleges: Policies for Community Colleges (New York: McGraw-Hill, 1970).

One of the 21 special reports completed by the Carnegie Commission on Higher Education, this report made a simple but straightforward recommendation on tuition:

The Commission recommends that the states revise their legislation, wherever necessary, to provide for uniform low tuition or no tuition charges at public two-year colleges.<sup>2</sup>

The rationale is based on the goal of universal access to higher education. In general, the Commission concluded that it was not reasonable to expect students and their families to pay more than one-half to three-fourths of the cost of higher education, in view of the substantial benefits which accrue to society as a whole.

Since foregone earnings for community college students (excluding estimated part-time earnings of students) may be estimated at about \$3,000 a year, and instructional costs per student now average about \$700 to \$800 a year, it is clear that students would be meeting nearly four-fifths of their educational costs in community colleges even if they were paying no tuition.<sup>3</sup>

Carnegie Commission on Higher Education. Higher Education: Who Pays? Who Benefits? Who Should Pay? (New York: McGraw-Hill, 1973).

Many publications have asked these three questions. This report is an excellent

<sup>1</sup>See "Who Should Pay for American Higher Education?" in Economics of Higher Education edited by Selma J. Mushkin, p. 195.

<sup>2</sup>Page 46.

<sup>3</sup>Page 46.

response to the questions.<sup>1</sup> The response is thoughtful and balanced. There is no single answer. The Commission offered eight interrelated policy directions to be taken as a totality. "These recommendations should be considered all at once, and no one recommendation should be taken out of context of this total additive approach to financing..."<sup>2</sup> The recommendations are:

1. A short-term increase in the public share of monetary costs for higher education to be followed by a long-term increase in the private share until it again reaches about current proportions.
2. A redistribution of the governmental burden from the states and localities toward the federal government.
3. A redistribution of student subsidies from higher- to lower-income groups.
4. A greater amount of support for private colleges and universities.
5. A comparative, although modest and gradual, rise in public as against private tuition.
6. A re-evaluation of tuition policy to gear it more to the actual cost of education by level of the training.
7. Greater reliance on better loan programs in the longer-run future and on charges to users.
8. Careful conservation in the use of resources to minimize the rising impact on the GNP.

Recommendation IV in the report deals with the subject of tuition. Specifically, its recommendation is as follows:

Public institutions--and especially the community colleges--should maintain a relatively low-tuition policy for the first two years of higher education. Such tuition should be sufficiently low that no student, after receipt of whatever federal and state support he or she may be eligible for, is barred from access to some public institution by virtue of inadequate finances.<sup>3</sup>

The report goes on to define what is meant by the key phrase, "relatively low tuition." As the Commission uses the term, it is meant that the level of support, including basic federal student aid grants and whatever state aid the student may be eligible for, will mean that a student from a very low-income family would find that outlay required to attend college for the first two years to be approximately zero.

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<sup>1</sup>Of the 21 reports published by the Commission, this is believed to be one of the best and one of the least recognized.

<sup>2</sup>Page 2.

<sup>3</sup>Page 108.

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The entire Commission recommendation dealing with an institutional tuition policy is based on four reasons. These are as follows:

1. Lower division students, especially at relatively open-access institutions such as community colleges are often uncertain about their prospects for academic achievement in college, and thus may be especially reluctant to finance their education through borrowing.
2. A low tuition policy for lower division students, especially for students in community colleges, could help to implement the Commission's policy of universal access to higher education, as set forth in A Chance to Learn and in The Open-Door Colleges.
3. The cost of education per student is relatively low at the lower division level, rises somewhat at the upper division level, and is relatively high for graduate education. Thus, with uniform tuition at all three levels, the lower division student pays a disproportionately high percentage of his cost of education. Studies conducted by the University of Toronto, and information obtained from a number of public institutions in the United States indicate that the cost of education per student at the upper division level is commonly about fifty percent higher (and more in some institutions) than at the lower division level, and that the cost of education for graduate students is two to three and even more times as high as the average cost for undergraduates. Adjusting tuition in four-year institutions more equitably to cost of education would bring lower division charges to students closer to those at public community colleges and enable low-income students to choose more freely among public institutions for lower-division instruction.
4. The earning capacity of students rises with increasing education, so that as students move into upper division and graduate levels they are more able to earn at least part of their educational costs through part-time work, summer jobs, or stopping out for a year or two. They also should be less reluctant to borrow funds.

Carnegie Commission on Higher Education. Tuition: A Supplemental Statement to the Report of the Carnegie Commission on Higher Education on "Who Pays? Who Benefits? Who Should Pay?" (New York: McGraw-Hill Publishers, 1974).

The Commission following its earlier report became concerned because only two of the eight suggested directions had been given any substantial public discussion. As a consequence, the package of eight related items had been disseminated and discussed in a piecemeal manner. This was of sufficient concern to the Commission that it took the unusual step of publishing a supplement to its original report. The supplement also contained some additional and more recent data.

Another reason for the publication of the supplement was that the Carnegie Report--especially as it related to tuition--was often confused in the public mind with recommendations made at approximately the same time by the Committee for Economic Development.<sup>1</sup>

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<sup>1</sup>See next page for a discussion of the CED proposal.

The purposes of the volume are: (1) To restate the reasons for the Commission's recommendations on tuition; (2) To provide more recent and more precise information; (3) To indicate more clearly the potential impacts of the suggestion for modestly higher average tuition at public four-year institutions by presenting data by type of institution and by state; (4) To contrast and compare the Commission's recommendations with those of the Committee for Economic Development, and of other selected bodies; (5) To comment on certain current controversies about tuition policy; (6) To note some of the complexities of getting equity in tuition policy.

The comparison between the recommendations of the Commission and those of the Committee for Economic Development as reported in the publication, The Management and Financing of Colleges, are set forth below:

Coverage	Carnegie Commission (4-year institutions)	CED (4-year and 2-year institutions)
Suggested tuition as percentage of educational cost.	33%	50%
Gap between suggested percentage and estimated current percentage.	9 percentage points	26 percentage points
Length of time to reach suggested levels.	10 years	5 years (10 years for 2-year colleges)
Rate at which gap would need to be closed for 4-year institutions.	1 percentage point per year	5 percentage points per year
Ratio of resulting percentages between private and public 4-year institutions. (Assuming private institutions stay at the 62% rate.)	Roughly 2 to 1	Roughly 5 to 4

The Committee for Economic Development. The Management and Financing of Colleges (New York: The Committee for Economic Development, 1973).

The Committee for Economic Development is a prestigious committee made up principally of business and financial leaders throughout the United States. Within the CED there is the Research and Policy Committee. That Committee is responsible for the report on higher education. It is directed by the by-laws of the CED to "initiate studies into the principles of business policy and of public policy which will foster the full contribution by industry and commerce to the attainment and maintenance of high and secure



standards of living for people in all walks of life through maximum employment and high productivity in the domestic economy." It is further emphasized that "all research is to be thoroughly objective in character, and the approach in each instance is to be from the standpoint of the general welfare and not from that of any special political or economic group."

The reason for the publication was a conclusion on the part of the CED that, although the period of violence on campus might be over, the crisis in higher education is not over. The crisis in higher education relates primarily to financial problems. Therefore, the CED undertook the study to be of assistance in the formation of public policy relative to the financing and management of higher education.

While the report covers a wide range of topics, the concern at the moment deals with tuition. The CED recommendation is as follows:

We believe that tuition charges at many colleges and universities are unjustifiably low. We recommend an increase in tuitions and fees as needed until they approximate 50 percent of the instructional cost, defined to include a reasonable allowance for replacement of facilities within the next five years. For 2-year community colleges and technical colleges, we recommend that the increase be phased over ten years.<sup>2</sup>

The computations used by the CED and their implications are as follows: The estimated instructional cost per student for a 2-year institution was \$1,226. Tuition and fees equal to 50 percent of the cost would be \$613. The average actual charges of tuition and fees are figured at \$187; thus the increase in tuition and fees required to reach the recommended level would be \$213. The \$213 represents half the actual cost because the community colleges were to be phased in over a 10-year period.

The National Commission on the Financing of Postsecondary Education. Financing Postsecondary Education in the United States (Washington, D.C.: The U. S. Government Printing Office, 1973).

The National Commission was created by the 92nd Congress to examine the role of the Federal government in financing postsecondary education. The report will certainly be considered one of the landmark publications in the policy area relating to postsecondary education.

Covered in the report is the full range of financial issues relating to a broad spectrum, much broader than community colleges. "Postsecondary education" as defined by the Commission consists of four major sectors:

1. A collegiate sector
2. A non-collegiate sector
3. A sector made up of all other postsecondary institutions, and

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<sup>1</sup>Page 4.

<sup>2</sup>Page 25

4. A sector encompassing the vast array of formal and informal learning opportunities offered by agencies and institutions that are not primarily engaged in providing structured educational programs.

The Commission established eight objectives for postsecondary education. These are:

1. Student Access. Each individual should be able to enroll in some form of postsecondary education appropriate to that person's needs, capability, and motivation.
2. Student Choice. Each individual should have a reasonable choice among those institutions of postsecondary education that have accepted him or her for admission.
3. Student Opportunity. Postsecondary education should make available academic assistance and counselling that will enable each individual according to his or her needs, capability, and motivation to achieve his or her educational objectives.
4. Educational Diversity. Postsecondary education should offer programs of formal instruction and other learning opportunities and engage in research and public service of sufficient diversity to be responsive to the changing needs of individuals and society.
5. Institutional Excellence. Postsecondary education should strive for excellence in all instruction and other learning opportunities, and in research and public service.
6. Institutional Independence. Institutions of postsecondary education should have sufficient freedom and flexibility to maintain institutional and professional integrity and to meet creatively and responsively their educational goals.
7. Institutional Accountability. Institutions of postsecondary education should use financial and other resources efficiently and effectively and employ procedures that enable those who provide the resources to determine whether those resources are being used to achieve desired outcomes.
8. Adequate Financial Support. Adequate financial resources should be provided for the accomplishment of these objectives. This is a responsibility that should be shared by public and private sources including federal, state, and local government, students and their families, and other concerned organizations and individuals.

Later in the report the National Commission analyzes eight different financing plans for higher education. The selection of the eight plans represented an analysis of several dozen alternative plans for the financing of postsecondary education. From the multitude of alternative plans, eight were selected and described and analyzed by the National Commission as being most representative and reasonable among all those which have been considered for public policy positions. The plans are as follows:

Plan A -- This plan proposes a major shift in the responsibility for financing postsecondary education from public and private sources to students and parents.

Plan B -- This plan proposes a substantial reduction in current institutional aid and a corresponding increase in student aid.<sup>1</sup>

Plan C -- This plan proposes a shift in the relative proportion of student aid to institutional aid by providing proportionately greater increases in student aid than institutional aid.<sup>2</sup>

Plan D -- This plan proposes a shift in the relative proportion of student aid to institutional aid, with a substantial increase of financial aid to students, particularly to students attending private institutions.

Plan E -- This plan proposes to hold lower division tuition in public institutions stable (with adjustment for inflation only) while substantially increasing aid to private institutions to enable them to improve their competitive positions relative to public institutions.

Plan F -- This plan proposes to shift responsibility for financing postsecondary education at the lower division from students and parents to public sources and to increase aid to institutions while reducing aid to students.

Plan G -- This plan proposes a shift in the relative proportion of student aid to institutional aid by providing increased aid to collegiate institutions while holding student aid constant.

Plan H -- This plan proposes a shift in the relative proportion of student aid to total public aid by increasing both student aid and institutional aid,<sup>3</sup> but by increasing student aid relatively more than institutional aid.

Each plan is analyzed against the criteria established to determine what its impact would be. The consequences of various plans as they relate to community colleges are summarized in Table I (Page 21 of this report).

Attached to the report of the Commission is a paper entitled, "A Framework for Future Planning," prepared by Ernest L. Boyer and concurred in by four of his fellow commissioners. Boyer is a Chancellor of the State University of New York. His recommendations are particularly close to the Carnegie Commission recommendations, not only with respect to tuition policy, but also on federal and state support of higher education generally. On tuition

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<sup>1</sup>This plan is quite similar to that which is proposed by the Committee for Economic Development. For example, it assumes that tuition at public two-year institutions would be raised to 50 percent of the cost of instruction within ten years.

<sup>2</sup>This plan contains several elements similar to those recently recommended by the Carnegie Commission as additions to changes enacted in the Education Amendments of 1972.

<sup>3</sup>This plan is based on the major postsecondary education sections of the Education Amendments of 1972.



Table 1

ESTIMATED CHANGES IN TUITION AND ENROLLMENT RESULTING FROM ALTERNATIVE FINANCING PLANS FOR 1977 AND FOR 1980<sup>a</sup>  
(PUBLIC TWO-YEAR COLLEGES ONLY)

EXTRAPOLATED 972 FIGURES		PLAN A	PLAN B	PLAN C	PLAN D	PLAN E	PLAN F	PLAN G	PLAN H
		INCREASES OR DECREASES FROM CURRENT FINANCING PROJECTIONS - 1977							
\$192	Average Tuition (Before Student Aid)	\$1,847	\$123	\$218	\$0	\$0	-\$192	\$0	\$0
1,990,000	Projected Enrollment	-347,255	-56,118	19,104	-18,706	-10,348	-34,228	0	-6,567
		INCREASES OR DECREASES FROM CURRENT FINANCING PROJECTIONS - 1980							
\$228	Average Tuition (Before Student Aid)	\$2,187	\$658	\$347	\$0	\$0	\$228	\$0	\$0
2,138,000	Projected Enrollment	-485,326	-143,460	34,208	-25,015	-14,110	-50,029	0	-10,476

<sup>a</sup> Source: Financing Postsecondary Education in the United States, pp. 295-8.  
The computations assume an additional \$1.0 billion in public financing by 1977 and \$1.5 billion in 1980.

policy for public institutions Boyer's statement recommended, (1) that tuition for the first two years should "be free or at least be stabilized at the present level, and (2) that beyond the first two years tuition should be graduated by level and "should remain low in cost (a maximum of approximately one-third of instructional cost might be a useful benchmark)..."<sup>1</sup>

Roger W. Heyns, president of the American Council on Education, pointed out in commenting on the report of the National Commission that Chancellor Coyer's statement "will be widely endorsed by the higher education community."

In Boyer's comment he makes the statement that "state and local support should be sufficient to make it possible for public institutions to provide two years of postsecondary education to all qualified students, preferably at no cost to the student, but at least at tuition rates not exceeding present levels."<sup>2</sup>

Later in his comment while discussing the role which a student and a family support of postsecondary education should be he concludes: (1) "Students and their families should share somewhat in the cost of postsecondary education in both the public and private sectors, although the level of such support will differ in each," (2) In the public sector, income from tuition and other fees should remain a secondary source of institutional support. Tuition for the first two years of public education beyond high school should be free or at least be stabilized at the present level."<sup>3</sup>

D. Kent Halstead. Statewide Planning in Higher Education (Washington D.C.: The U. S. Government Printing Office, 1974).

While this new book contains some extensive information relative to tuition, its major thrust as its title implies is the statewide planning of higher education. It will undoubtedly become a major reference for all people involved in the difficult process of statewide planning. Lyman A. Glenny, in the forward to the book, makes the statement that "Dr. Halstead comes close to exhausting the extant knowledge of higher education planning technology." The book, in fact, will be identified as a handbook. In addition to the wide coverage and extensive treatment of the complex problems related to planning, each chapter is supplemented by annotated bibliographies which the user would find quite helpful.

Chapter 12 deals with the issue of financing higher education--status and issues. One of the issues discussed is public investment in national objectives: Who should pay, the role of tuition, and related issues."<sup>4</sup>

Among the policy issues which Halstead identifies is one which reads, "What fraction of total educational cost should be borne by the student and his family and what proportion by society?"

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<sup>1</sup>Page 366.

<sup>2</sup>Page 362.

<sup>3</sup>Page 366.

<sup>4</sup>Page 551ff.

The question raises two substantial points. If open access is a goal to be sought, especially in the community colleges, then some means must be found to deal with the differing abilities of families and students to pay the cost at whatever level the tuition might be. The second issue implied in the question deals with the benefits society derives as a consequence of the education it provides. In all fairness it must be pointed out that higher education benefits cannot be measured exactly nor their relative proportion be determined precisely. Therefore, any attempt to proportion cost equitably in terms of benefits received must be based on estimates. The estimates must be more judgmental than analytical at the present time.

In determining the cost to the student, Halstead identifies three components: (1) the value of the time the student spends in acquiring an education; this means the earnings he foregoes while attending college; (2) the incidental expenses for books, supplies, transportation, etc.; and (3) the expenditures by the institution for instruction and related supporting activities. These categories are similar to those identified by Bowen. Halstead places a value on foregone earnings which is higher than most others. The Carnegie Commission, for example, assumed the figure of \$3,100. Halstead assumes \$4,680 per year. He arrived at his figure by using the federal salary schedule which, he concluded, was reasonably competitive with that of private enterprise. He concluded that there would be some youths not attending college who might not be employed. Therefore, he assumed a 15 percent unemployment in this age group. As a reasonably conservative estimate of earnings the average college student foregoes would be \$5,250 to \$5,850. Students who work part-time or during the summer earn from \$585 to \$1,175; hence, their net unrecovered loss was estimated to be \$4,680.

The second major cost--that of incidental expenses--related to college attendance includes books, supplies, equipment, transportation and, in some cases, living expenses. Halstead assumed that incidental expenses in public institutions amount to \$263 yearly.

For the third cost center--that of expenditure for instruction--Halstead used \$2,153 yearly at public and 4-year institutions. He provided no figures for 2-year institutions.

Based on these assumptions, the cost to a student in a public institution is \$5,230 of which society pays \$1,866 for a total of \$7,096 per student. The cost to the student is 74 percent of the total, and society's share is 26 percent of the total.

Halstead in an elaborate table sets forth the principal arguments for low-tuition plans and high-tuition plans. The display sets forth a series of objectives for higher education that compares the implications of high tuition and low tuition to the objectives. Those objectives include the following: (1) Equity, (2) Equality, (3) Market action, (4) Resource allocation, (5) Redistribution of income affects, (6) Total public support level required, (7) Government control, (8) Administrative cost. The display effectively focuses the differences of the two approaches.

#### IV. TUITION AND FEES AT WASHINGTON'S COMMUNITY COLLEGES

The Arthur D. Little report to the Superintendent of Public Instruction entitled A Policy Plan for Community College Education in the State of Washington, submitted June 30, 1966, contained a rather prophetic remark. The report contended that tuition payments should not be earmarked to support major elements of the operating or capital program. Such earmarking could result in increasing pressures to raise tuition which might deny the availability of community college education to those unable to pay. When the recommendations of this report were translated into law, i.e., the Community College Act of 1967 (28B.50 RCW), tuition and fees were used to support major elements of both the capital and operating budgets. Consequently, today the state is faced with increasing pressures to raise tuition and fees at the community colleges in the face of the revenue crisis confronting the State of Washington.

The rationale for the A. D. Little recommendation against depending on tuition and fees as major revenue sources was that high levels of tuition and fees would be antithetical to the concept of the community college as an open door college. This principle holds that anyone having a high school diploma or otherwise having the requisite maturity should have access to a community college. Access should not be denied by virtue of academic, cultural, economic or other barriers. The Arthur D. Little report declares:

The 'open door' is the essential feature and indeed a unique feature of community college education. There is a risk that tuition charges would be pushed to levels which would inhibit and perhaps deny portions of the community easy access to community college education.<sup>2</sup>

The basic commitment to the open door concept was written into the Community College Act and is thus an integral part of the organic charter of the community college system. This commitment is also reflected in the general goals of the state system adopted by the State Board for Community College Education. Among these is the goal to "maintain an open door policy by admitting all applicants within the limits of the law and the resources available to the system."<sup>3</sup>

The Carnegie Commission on Higher Education in its recent report, The Open Door Colleges: Policies for Community Colleges, makes the following statement:

The Carnegie Commission supports open access to the open door college for all high school graduates and otherwise qualified individuals. The community colleges have a particular role to play in assuring the equality of opportunity to all Americans. The Commission, while supporting open access, does not

<sup>1</sup>Arthur D. Little, Inc., A Policy Plan for Community College Education in the State of Washington: A Report to the Superintendent of Public Instruction (San Francisco: Arthur D. Little, 1966), p. 8

<sup>2</sup>Ibid. p. 119

<sup>3</sup>State Board for Community College Education, Design for Excellence (Washington State Board for Community College Education, 1970), p. 13.

believe that all young people either want higher education or can benefit from it. Many of those who can benefit from higher education and want it would be better off in other endeavors for a time after high school before entering higher education. With this latter group, the community college can stand as a continuing open opportunity over a period of years.

The Carnegie Commission on Higher Education has thus also adopted the concept that the community college should be the principal vehicle for providing equality of educational opportunity within the higher education system.

It is clear that there is substantial agreement among those knowledgeable about higher education that the community college has an unique and vital role to play in our technological society. A challenge has been created, comparable to the challenge that existed earlier in the history of the United States. In the latter case the challenge was to provide universal access to primary and secondary education. This was considered an absolute necessity to meet the needs for an educated citizenry. The nature of society today dictates that a similar type of open door access be provided in higher education again for the purposes of meeting the nation's needs for an adequate supply of educated individuals. Moreover, access to higher education has long been considered a primary factor in increasing the ability of disadvantaged and minority persons to achieve upward social and economic mobility. The task of meeting this challenge has been assigned to the community colleges as one of their primary functions. The community colleges have accepted this challenge in principle and in accomplishment as can be seen in the commitment to the open door concept. The following table shows the percent of all U. S. families and families of students in different types of colleges with income over \$10,000:

Table II

THE PERCENT OF ALL FAMILIES WITH HEADS AGED 35-54 AND FAMILIES OF STUDENTS BY TYPE OF COLLEGE WITH INCOME OVER \$10,000 IN THE UNITED STATES IN 1966.

All Families . . . . .	39.5%
Community Colleges . . . . .	33.4%
Public Four-year Colleges . . . . .	43.8%
Private Four-year Colleges . . . . .	57.4%

Source: Adapted from U. S. Bureau of the Census Data

It is clear that the community colleges provide higher education to a substantially greater proportion of students from low income families than do other parts of the higher education system. This is an essential part of the open door concept.

<sup>1</sup>Carnegie Commission for Higher Education, The Open-Door Colleges: Policies for Community Colleges (New York: McGraw-Hill, 1970), p. 2.

The need for open door access is particularly increased during times of high unemployment. The inability to find employment, particularly by those lacking the appropriate skill, motivates many additional persons to seek more education to acquire skills with which they might have a better chance of finding jobs. This increased pressure for access is also coupled with a decreased ability to meet the financial costs of acquiring that education. The situation is that of a magnified importance of the role of the community college as an open door institution and the major necessity to minimize economic barriers to that access.

The State of Washington is now in a period of relatively high unemployment and a high rate of inflation. Indeed this is the reason why in part there is the pressure for increases in tuition and fees for the community colleges. However, as was pointed out, this is also the period when there is a need to lessen financial barriers rather than to make them higher as would be the case with increased tuition and fee charges. It is in this conflict that the dynamic tensions between the open door and the proper level of tuition fees becomes most visible.

From the above, it can be seen that there has been an increase in the number in the category of low income families. It is this group which looks to the community college as its principal means of access to higher education. As Selma Mushkin pointed out, a price would be paid if a substantial number of specially talented students were lost to higher education. Moreover, an opening up of access to higher education for those from low income families on a parity with other economic groups suggests higher and more financial incentives for college-going.<sup>1</sup>

This is consistent with the open door commitment of the community colleges, but is contrary to the idea of using increased tuition and fee charges to generate more revenue. Both the Arthur D. Little study, which forms the foundation for the present community college system in Washington, and the Carnegie Commission on Higher Education have recognized the possible conflict between high tuition levels and the open door concept.

The position of the Arthur D. Little report has already been referred to. The Carnegie Commission report states:

If the goal of universal access to the system of higher education is to be achieved, it seems imperative that tuition charges of community colleges be held to a minimum. The Carnegie Commission believes that tuition charges in community colleges should be held to low levels and that, as federal aid is expanded and the states strengthen their financial support of community colleges, a statewide no-tuition policy should be followed in as many states as possible.<sup>2</sup>

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<sup>1</sup>Selma Mushkin, "Note on State and Local Financing of Higher Education," in The Economics and Financing of Higher Education in the United States (Washington, D.C., The U. S. Government Printing Office, 1969), p. 536.

<sup>2</sup>Carnegie Commission on Higher Education, op. cit., p. 46.

The Carnegie Commission shows that the costs of attendance at community colleges are already in excess of what it feels is the proper burden on the student and his family without including any tuition charges. The Commission has forcefully stated that it does not feel that college students and their families should be expected to pay more than one-half to three-fourths of the educational costs of college attendance. This cost is broken down in the following categories:

1. Institutional Expenditures
2. Student Expenditures:
  - a. Tuition and fees
  - b. Books and supplies
  - c. Personal living expenses (room, board and miscellaneous) above those which would have been incurred if the student was not in college
  - d. Foregone earnings

There is widespread acceptance among professional students of the economics of higher education that the foregone earnings of students are a legitimate and principal portion of the total educational costs of college attendance. The Carnegie Commission estimates foregone income of community college students at approximately \$3,000 per year per student.<sup>1</sup> They also estimate the instructional costs per student as averaging between \$700-\$800 per year in 1969-70. In Washington for 1973-74 this figure was approximately \$1,045 per year per student. It would seem reasonable to estimate student expenditures for books, supplies and marginal personal living expenses at approximately \$313 per year per student. Therefore, their total cost of community college attendance is approximately \$4,707 per year per student.

Of this \$4,707 the student and/or his family bears the responsibility for the following:

1. Tuition . . . . .	\$ 249
2. Books and Supplies . . . . .	263
3. Marginal Living Expenses . . . . .	50
4. Foregone Earnings . . . . .	<u>3,100</u>
	TOTAL: \$3,662

Community college students in Washington are, therefore, paying \$3,662 per year which means they are responsible for 77.8 percent of their educational costs. Even if there were no tuition and fee charges, these students would still have a cost of \$3,413 or nearly four-fifths of the educational cost. This clearly exceeds the recommended division of the cost burden into the student's share of one-half to three-fourths with the public making up the remainder. It also represents an economic barrier to educational opportunity.

Although tuition and fee charges in the community colleges in Washington are such that the student bears a disproportionate share of the burden, data on tuition and fees generally required at public community colleges in other states comparable to Washington indicates that Washington does not have inordinately high levels of tuition.

<sup>1</sup> Ibid., p. 46.

## V. THE BASIC QUESTIONS

The Carnegie Commission on Higher Education in June of 1973 addressed the subject of tuition by asking three questions: (1) Who Pays? (2) Who Benefits? and (3) Who Should Pay? Those three questions provide a workable framework for analyzing the tuition issue.

### A. Who Pays?

The answer to the question is that both the individual and/or family and society pay. The student pays direct costs for tuition, incidental expenses and living costs. Indirectly the student also pays through the use of his time. The assumption is made--from an economics point of view--that the time is measured as foregone income. In other words, if the student were not enrolled in postsecondary education, he would use his time by joining the labor force. Insofar as he is not in the labor force, he foregoes the money he would have earned. This is an indirect cost.

Society pays through the tax funds which go to support the postsecondary institution. This is a growing cost as the increases in support exceed the rate of inflation. In fact, the Carnegie Commission argued that the cost per student has been increasing at a rate of 3.3 percent above the general rise in the cost of living.<sup>1</sup>

At the present time the costs of higher education are borne by both the individual and society. Generally, if one considers only the monetary outlay--leaving out the indirect costs represented by foregone income--about one-third of the cost is borne by the student and two-thirds by society. However, in the community college system for the State of Washington the student pays 35 percent of the monetary costs while society pays 65 percent. However, in terms of the economic costs--including foregone earnings--the figures are reversed with the individual paying approximately two-thirds the costs and society approximately one-third. In the community college system at the present time the individual is paying 77.8 percent of the costs and society 22.2 percent.

The Carnegie Commission defined the terms: monetary outlays, economic costs, and foregone income.<sup>2</sup>

Monetary outlays -- Educational funds of institutions plus living and incidental expenditures paid by students and their families (net of student aid received) plus payments directly to students from government or philanthropic agencies for student assistance. This measure avoids the double counting of student aid funds that would be involved if expenditures by institutions, families, and government agencies were merely summed.

<sup>1</sup>Carnegie Commission on Higher Education, The More Effective Use of Resources (New York: McGraw-Hill, 1972), p.1.

<sup>2</sup>Carnegie Commission on Higher Education, Higher Education: Who Pays? Who Benefits? Who Should Pay? (New York: McGraw-Hill, 1973), p. 26.



Economic costs -- The sum of monetary outlays on higher education plus the lost earnings (net of subsistence costs) of student occasioned by attending college rather than taking full-time employment. This measure provides an estimate of the economic alternatives foregone by reason of college attendance.

Foregone Income -- An estimate of what a student would have earned in full-time employment had he entered the labor force instead of college. It is estimated by multiplying the number of full-time equivalent students enrolled in higher education times the average weekly earnings of 18- to 21-year-old high school graduates in the labor force, times 40 weeks of employment, minus an allowance for estimated unemployment (assumed to be twice the overall national rate).

The Commission concludes:

From the point of view of social justice, the distribution of economic costs is more important than distribution of monetary outlays alone. Thus a basic question is: Are economic costs assessed in some rough proportion to benefits?<sup>1</sup>

To estimate the benefits--as will be seen in the next section--is very difficult. D. Kent Halstead said: "Higher education benefits cannot be measured exactly nor can their relative proportion be determined. Therefore, any attempt to proportion costs equitably in terms of benefits received must be based on estimates."<sup>2</sup>

Table III reveals the percentages of income received by students from various sources as reported by the National Commission on the Financing of Postsecondary Education. It is noted that community college students receive a significantly smaller part of their income from their parents than do students generally. At the same time community college students earn a larger share of their income through employment than do students generally. Note also that community college students depend to a high degree on unconventional loans to finance their education.

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<sup>1</sup>ibid., p. 1.

<sup>2</sup>D. Kent Halstead, Statewide Planning in Higher Education (Washington, D.C.: The U. S. Government Printing Office, 1974), p. 552.



Table III

## PERCENTAGES OF INCOME RECEIVED FROM VARIOUS SOURCES, 1969-70

	PUBLIC 4-YEAR	PUBLIC 2-YEAR	TOTAL
Aid from Parents . . . . .	44%	29%	44%
Educational Opportunity Grants . . .	2	2	2
Institutional Scholarships and Grants . . . . .	3	1	4
State Scholarships and Grants . . .	3	2	3
Private Scholarships and Grants . .	1	1	1
National Defense Student Loans . . .	3	1	3
College Loans . . . . .	*	*	*
Guaranteed Loans . . . . .	4	2	3
Non-guaranteed Loans . . . . .	*	*	*
Other Loans . . . . .	3	5	3
Jobs awarded as part of aid package.	4	8	4
Other Jobs . . . . .	11	29	11
Money drawn from Assets . . . . .	18	14	15
Social Security and Veterans' Benefits . . . . .	2	3	2
Income Tax Refunds . . . . .	3	4	3
Other Income . . . . .	1	*	1
	<u>100%</u>	<u>100%</u>	<u>100%</u>

Source: E. W. Haven and D. H. Horch, "How College Students Finance Their Education" (College Entrance Examination Board, 1971), p. 10.

\*Indicates percentages of .5 or less.

The National Commission on the Financing of Postsecondary Education provided some figures on the monetary costs of attending college for two-year college students who commute. These figures are displayed in Table IV.

Table IV

## AVERAGE STUDENT COSTS, COMMUTER

	1970-71	1971-72	1972-73
<b>Two-Year (Public):</b>			
Tuition and Fees . . . . .	\$ 168	\$ 185	\$ 200
Room and Board . . . . .	544	566	615
Other Expenses . . . . .	718	775	820
	<u>\$1430</u>	<u>\$1526</u>	<u>\$1635</u>
<b>Four-Year (Public)</b>			
Tuition and Fees . . . . .	\$ 395	\$ 439	\$ 465
Room and Board . . . . .	458	494	545
Other Expenses . . . . .	678	726	750
	<u>\$1531</u>	<u>\$1659</u>	<u>\$1760</u>

Source: Financing Postsecondary Education in the United States, p. 75.

John Lombardi cited an HEW publication which estimated that community college tuition rose from \$97 in 1962-63 to \$242 in 1972-73. (Washington tuition for 1972-73 was \$249.)

Regardless of who pays, there are two criteria which must be balanced--fiscal efficiency and social efficiency. Benson and Hodgkinson define the terms:

Fiscal efficiency in higher education is achieved by minimizing reliance on taxes while fulfilling social objectives.<sup>2</sup>

Social efficiency in higher education is gained as college attendance and performance become free of the influence of income class...<sup>3</sup>

The task of balancing fiscal and social efficiencies is not easy. Fiscal efficiencies are readily apparent--at least the need is. Social efficiencies are not so readily apparent. To what extent do socioeconomic factors influence college attendance? Measures are difficult to obtain.

In 1973 a statewide survey was conducted in California. The importance of higher education is evident in the minds of those groups outside the mainstream of American life. For example, 76 percent of the Blacks, 52 percent of the Chicanos, and only 35 percent of the Whites agreed that "college education is a must for a young person to get anywhere." At the same time the reverence for higher education is in inverse ratio to income except for those in the \$20,000 and above group.

Table V

STRONG REVERENCE FOR HIGHER EDUCATION

INCOME	PERCENT AGREEING STRONGLY
Under \$4,999 . . . . .	61%
\$5,000-9,999 . . . . .	39
\$10,000-14,999 . . . . .	37
\$15,000-19,999 . . . . .	27
\$20,000 and above . . . . .	36

Source: The Second Newman Report: National Policy and Higher Education (Cambridge: The MIT Press, 1973), pp. 128-29.

The community college is best prepared to serve those of low income provided

<sup>1</sup>John Lombardi, Managing Finances in Community Colleges (San Francisco: Jossey-Bass Publishers, 1973), p. 43.

<sup>2</sup>Charles S. Benson and Harold L. Hodgkinson, Implementing the Learning Society (San Francisco: Jossey-Bass Publishers, 1974), p. 61.

<sup>3</sup>ibid., p. 129.

economic barriers are not created to restrict access. Benson and Hodgkinson concur:

As long as zero or low fees induce low income students to attend college, and as long as low income households receive a small net subsidy, such tuition policy is appropriate to increasing social efficiency in higher education.<sup>1</sup>

In concluding the discussion on the question of who pays, it is necessary to look at another facet of the question. Where does the state get the funds to pay society's share of the cost of higher education? Also, what segments of society utilize the opportunities of higher education? These questions are difficult to answer because the data are not readily available. R. W. Hartman set up a hypothetical situation for California. He assumed the existence of nine families--three low-income, three middle-income, and three high-income. Each of the nine families has one college age child. The poor families do not participate extensively in higher education. One of the three college age children is enrolled in a community college. The middle-income families utilize higher education, especially public higher education. All three college age children are enrolled in a state college. The rich, like the poor, make sparing use of public higher education, but when they do they use the best. In this case, two of the three attend a state university. The hypothetical situation is displayed in Table

Table VI

TAXES AND BENEFITS IN PUBLIC HIGHER EDUCATION

	I N C O M E									
	\$2,000			\$10,000			\$30,000			
	A	B	C	R	S	T	X	Y	Z	
Family . . . .										
Students . . .	0	0	1 <sup>a</sup>	1 <sup>b</sup>	1 <sup>b</sup>	1 <sup>b</sup>	1 <sup>c</sup>	1 <sup>c</sup>	0	
			<u>TOTAL</u>				<u>TOTAL</u>		<u>TOTAL</u>	
Benefit . . . .	0	0	500	533	533	533	1600	1500	0	3000
Tax . . . . .	100	100	100	300	400	400	1200	1200	1200	3600
Net Benefit . .	(100)	(100)	400	200	133	133	400	300	300	(1200) (600)

- a Attends community college.
- b Attends state college
- c Attends public university

Source: R. W. Hartman, "A Comment on the Peckman-Hansen-Welsbrod Controversy," The Journal of Human Resources (Vol. 4, 1970), pp. 519-23.

<sup>1</sup>Ibid., p. 106. It should also be pointed out that low tuition is not the total solution. Living costs are high, especially for one from a low-income family. Here the decision to forego potential income by deciding to attend college is a major decision. The costs, other than tuition, are not negligible. Hence, higher education enrollment is biased against students from low-income households.

Hartman summarized:

All these manipulations are simply another way of describing the raw facts. Poor people pay taxes and very few of them use public education. Those who do, gain thereby; those who don't, don't. Middle income people are heavy users of the system. Their taxes don't cover the costs. A few rich people use the system and gain handsomely thereby. The rest of the rich pay substantial taxes and get no direct return.

The example drawn from California is not completely transferable to Washington. Consideration needs to be given to the fact that Washington operates under a sales tax which, by its nature, is regressive. California has an income tax as well. The California tax structure is more progressive. As a consequence, the poor would probably suffer more because they would pay a larger amount in sales tax. At the same time, without a graduated income tax, the rich would probably pay less.

In examining the question of who pays, it is necessary to look at both the direct and the indirect costs. The direct costs are the monetary outlays paid by the student and by society. These outlays for the student are tuition, incidental charges (books, supplies, equipment, transportation, etc.), and living expenses. For society the outlay is the sum appropriated for the operation of the college. The indirect cost includes the economic costs represented by the loss of earnings occasioned by the students attending college rather than joining the labor force. This indirect expenditure is referred to by economists as "foregone" earnings. They represent over fifty percent of the total costs of higher education according to T. W. Schultz of the University of Chicago. Halstead explained the calculation of costs as follows:

On a unit basis, the costs of higher education in any given year can be defined as the value of all resources devoted in that year to the education of a full-time student enrolled in a college or university. These costs may be divided into three components: (a) The value of the time the student spends in acquiring an education--i.e., the earnings he foregoes while attending college; (b) incidental expenses for books, supplies, transportation, etc.; and (c) expenditures by the institution for instruction and related supporting activities. The two last named components constitute the direct costs of higher education.<sup>2</sup>

There are several problems related to the concept of including foregone earnings in determining the cost. If one wishes to estimate the rate of return on the investment made in education, it is necessary to include all costs--both direct and indirect. The Carnegie Commission explained the concept as follows:

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<sup>1</sup>R. W. Hartman, "A Comment on the Peckman-Hansen-Welsbrod Controversy," The Journal of Human Resources (Vol. 4, 1970), p. 523.

<sup>2</sup>D. Kent Halstead, op. cit., pp. 553-54.

Economists who have been concerned with rates of return on the investment in human capital ordinarily have attempted to estimate foregone income as a 'cost' for all students. In terms of a person's lifetime stream of earnings, the choice to go to college postpones earnings in the hope of adding to potential earnings in the future. These 'opportunity costs' are correctly included if one is primarily concerned with comparing rates of return on various types of private and social investment. And it could be argued that any rational decision concerning college attendance would be made with at least some awareness of foregone alternatives.<sup>1</sup>

The economist Edward Denison in his book, The Sources of Economic Growth in the United States, attributed to education 23 percent of the growth in the total national income and 42 percent of the growth in per capital income. What the economist is trying to ascertain is whether the computation of the rate of return can justifiably be reduced by 50 percent by making foregone earnings a cost of higher education. The debate is largely academic. If the rate of return on the investment in higher education is say 20 percent without adding the foregone earnings, then the real return on investment is 10 percent. If one is not concerned about the rate of return, the use of the concept is of little general value. However, the level of tuition should be related to the benefits of higher education. Those benefits can be quantified in part by using the rate of return on investment.

To one group--the low-income group--the debate about foregone earnings is not an academic exercise. The choice for many in the low-income group about college attendance is based on whether they can afford to forego the income. For this group, the primary barrier is not tuition but foregone income. The point is made by the Carnegie Commission:

When we consider total economic costs, we find that the barriers to college attendance for young people from low-income families appear relatively more severe than in terms of monetary outlays alone. This is particularly important when considering the cost of attending a public community college, where tuition tends to be low--foregone earnings are an important sacrifice for the young people from low-income families who form a larger proportion of students in these colleges than in four-year institutions.<sup>2</sup>

Benson and Hodgkinson observe:

In effect, free higher education implies zero tuition. But the expense to the student of obtaining higher

<sup>1</sup>Carnegie Commission on Higher Education, Higher Education: Who Pays? Who Benefits? Who Should Pay? (New York: McGraw-Hill, 1973), p. 49.

<sup>2</sup>Ibid., p. 52.

35.

education includes his foregone income, a sum usually in excess of direct instructional costs. In response to this loss of income, British and European governments subsidize not only the cost of instruction but also living expenses.<sup>1</sup>

Thus, the topic of foregone earnings has both policy and practical implications. For policymakers the concept is important in the broader context of determining the pattern and level of long-term investment in human capital for the benefit of society and the individual.<sup>2</sup>

#### B. Who Benefits?

There are benefits related to higher education.<sup>3</sup> In some measure the benefits accrue to the individual. In some measure the benefits accrue to society. The benefits represent a blend which cannot be measured precisely. This conclusion supports the viewpoint that both the individual and society should share the costs of higher education.

If society is the prime beneficiary of higher education, society should be primarily responsible for putting up the resources. Conversely, if the individual is the beneficiary, the individual should be primarily responsible for the cost. However, if both benefit, in what proportion do they benefit?

Howard R. Bowen and Paul Serrville argue that the social benefits are significant:

Higher education through its instructional activities undoubtedly discovers talent, strengthens leadership in all parts of the economy, makes possible wide applications of high technology, and encourages innovation. Many of these benefits may be appropriated in individual incomes but surely not all of them are.

Higher education raises the quality of civic and business life by providing an educated political leadership, by preparing people for good citizenship, by providing the host of volunteer community leaders needed to make society function, and by supplying a large corps of people who can bring humane values and broad social outlook to government, business, and other practical affairs. Higher education results on the whole in improved home care and training of children. It produces millions of persons who enter essential professions having compensation below rates paid for work requiring less education--for example, teachers, clergymen, nurses, social workers,

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<sup>1</sup>Charles S. Benson and Harold L. Hodgkinson, op. cit., p. 61.

<sup>2</sup>Even if one accepts the concept of foregone earnings, there remains the added task of estimating the amount foregone. For two different approaches, see the Carnegie Commission report, supra, pp. 50-51, and Halstead, p. 554. The former figures \$3,000 and the latter figures \$4,680.

<sup>3</sup>For a fuller discussion see Oscar T. Lenning, The "Benefits Crisis" in Higher Education (Washington D.C.: American Association for Higher Education: 1974). Student benefits are examined beginning on p. 7. Social benefits are reviewed at p. 23 forward.

and public officials... Colleges and universities provide a vast and versatile pool of specialized talent available to society for a wide variety of emergent social problems... Finally, higher education contributed refinement of conduct, aesthetic appreciation, and taste and thus adds to the graciousness and variety of life.

Through activities in research, scholarship, criticism, creative art, and public service higher education also produces social benefits of great value.<sup>1</sup>

Milton Freidman, the University of Chicago economist, is not much impressed with the evidence presented by the advocates of the social benefits argument.

When I first started writing on this subject, I had a good deal of sympathy with this argument. I no longer do. In the interim I have tried time and again to get those who make this argument to be specific about alleged social benefits. Almost always, the answer is simply bad economics... In my experience, these (social benefits) are always vague and general, and always selective in that negative external effects are never mentioned... Until this is done, the demand for subsidy in the 'public interest' must be regarded as special pleading pure and simple.<sup>2</sup>

The actual extent to which higher education adds to the lifetime income of the individual is debated. A generally accepted range of the additional earnings resulting from a college degree is \$200,000 to \$250,000 over one's lifetime.<sup>3</sup>

The U. S. Bureau of Census identifying only males computed that college graduates earn 170 percent of the mean income for males. High school graduates earn 111 percent of the mean income. High school dropouts earn 96 percent of the mean income.

Richard Eckaus estimated that the average annual return on the investment in a college education is 12 percent.<sup>4</sup> This analysis assumes foregone earnings as a cost of education. Without including foregone earnings as a cost, the annual return on investment would need to be increased.

Another study reported the increases in income for males as a result of higher education, including less than a degree. The report is summarized in Table VII.

<sup>1</sup>Howard R. Bowen and Paul Serrville, Who Benefits from Higher Education and Who Should Pay? (Washington, D.C.: American Association for Higher Education, 1972), pp. 25-26.

<sup>2</sup>Milton Freidman, "The Higher Schooling in America," The Public Interest (Spring 1968), pp. 108-112.

<sup>3</sup>"Lifetime and Annual Income vs. Years of School Completed," American Education (Vol. 7, No. 33, March 1971).

<sup>4</sup>Richard Eckaus, Estimating the Returns to Education, (Berkeley: The Carnegie Commission on Higher Education, 1973), p. 5.



Table VII

PERCENTAGE OF INCOME EARNED AS A RESULT OF COLLEGE		
Time In College	Percent of Non-graduates	Percent of Increase In Income <sup>a</sup>
1 to 2 terms . . . . .	40 . .	10
3 to 4 terms . . . . .	37 . .	19
5 terms or more (no degree).	23 . .	21

<sup>a</sup>The base is a high school graduate

Source: Walter Adams and A. J. Jaffe, "Economic Returns on College Investment," Change (November 1971), p. 8.

It should be noted that a college graduate will earn sixty percent more than a high school graduate but that a student with five terms or more will earn only 21 percent more. The real pay-off seems to depend upon receiving the baccalaureate degree.

Despite the many studies which have tried to measure the benefits of higher education, there is no precise measure. One purpose of the search for precision is the assumption that if both the individual and society benefit, each should pay in approximately the proportion it benefits. The Committee for Economic Development (CED) concluded that:

...the benefits to society and the individual derived from undergraduate education are not mutually exclusive. It is clear that each gains both culturally and economically from higher education, with the benefits appearing to accrue chiefly to society in some instances and to individuals in others. The education of individuals should benefit society by the extension of knowledge and skill, the cultivation of greater social intelligence and cultural vitality, and increased economic productivity. At the same time, an individual may generally be expected to benefit by increased income and an improved quality of life.<sup>1</sup>

After so even-handed an evaluation of the benefits, one is unprepared for the conclusion reached by the CED: "Nevertheless, because of the benefits of education to the individual, we consider it appropriate for students and their families to pay as large a part of the cost as they can afford."<sup>2</sup>

Wattenbarger, Schafer, and Zucker observe the same even distribution of benefits as did the CED; however, they reached the contrary conclusion:

Clearly, the individual benefits of higher education do not justify the individual's bearing 66 to 77 percent

<sup>1</sup>Committee for Economic Development, The Management and Financing of Colleges (New York: Committee for Economic Development, 1973), p. 63.

<sup>2</sup>Ibid., p. 64.

38.

of the cost. Society realizes at least as much or more benefit from an educated populace; therefore, it would appear that society should at least share equally in the total cost of higher education.<sup>1</sup>

M. M. Chambers is even more combative. He declares:

Its benefits extend to every citizen, of whatever age, sex, or educational status; hence its cost should be equitably apportioned to all by means of a tax system adjusted to economic conditions. In short, higher education is essentially a public function and a public obligation--not a private privilege or a private caprice.<sup>2</sup>

The most thoughtful and balanced observation on the subject of benefits is that made by the Carnegie Commission on Higher Education in its publication, Higher Education: Who Pays? Who Benefits? Who Should Pay?

No precise--or even imprecise--methods exist to assess the individual and societal benefits as against the private and public costs. It is our judgment, however, that the proportion of total economic costs now borne privately (about two-thirds) as against the proportion of total economic costs now borne publicly (about one-third) is generally responsible.<sup>3</sup>

One of the arguments given for dividing the economic costs two-thirds private and one-third public is that the added income resulting from higher education tends to be divided along the same lines, viz. two-thirds to the individual and one-third to society in taxes.

While the benefit argument lacks precise measures, it does merit consideration. After all, it is no more imprecise certainly than the current pricing system. Even with its acknowledged imprecision, it does provide some equity by balancing social efficiency and fiscal efficiency. It recognizes equal opportunity. It also recognizes private benefit and private responsibility. The goal should be the maintenance of the public policy position of equal opportunity while proportioning the burden of the economic costs equitably according to the relative benefits to the public and the individual.

### C. Who Should Pay?

The answer to this question must be deferred until the policy issue of who should utilize higher education is examined. Either a policy of limiting access to those who can afford it or who are supported by grants or loans should be adopted, or a policy of open access without economic

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<sup>1</sup>James L. Wattenbarger, Susan Schafer, and Jacob D. Zucker, "Tuition and the Open Door" in Meeting the Financial Crisis edited by John Lombardi (San Francisco: Jossey-Bass Publishers, 1973), p. 63.

<sup>2</sup>M. M. Chambers, Higher Education: Who Pays? Who Gains? (Danville, Illinois: The Interstate Printers & Publishers, Inc., 1968), p. 91.

<sup>3</sup>Page 3.

barriers should be adopted. Whichever adoption is made, it should be made with full knowledge of the social and economic consequences. Ben Lawrence sounds a warning against accepting a compromise position:

Convinced that additional public funds will not, or should not, become available to postsecondary education, some educators have proposed increasing tuition in public institutions so that middle- and upper-income families share the cost of achieving equality. The savings to public subsidy realized through increasing tuition would be dedicated to student financial assistance.<sup>1</sup>

The warning is: "...I am not convinced that state legislators generally would allocate increased tuition revenue to student financial assistance."<sup>2</sup>

The Carnegie Commission on Higher Education in several of its reports advocates open access, especially through the community college. In 1970 of its report--The Open-Door Colleges--the Commission made the following recommendation:

The Carnegie Commission supports open access to the "open door" college for all high school graduates and otherwise qualified individuals. The community colleges have a particular role to play in assuring equality of opportunity to all Americans.<sup>3</sup>

The Commission goes on to quote from its earlier report--A Chance to Learn: An Action Agenda for Equal Opportunity in Higher Education:

An unusually heavy burden of universal access now falls on and will continue to fall on the two-year community colleges. They have the most varied programs and thus appeal to the widest variety of students. Their geographical dispersion makes them, in states where there are well developed systems, the most easily available colleges for many students. The community colleges are particularly well suited to help overcome deprivation by fact of location, deprivation by fact of age, and deprivation by fact of income.<sup>4</sup>

Three years later in a subsequent report the Carnegie Commission, consistent with its earlier views made the following recommendation:

<sup>1</sup>G. Ben Lawrence, "Policy Proposals for Financing," in Lifelong Learners--A New Clientele for Higher Education by Dyckman W. Vermilye, Editor (San Francisco: Jossey-Bass Publishers, 1974), p. 153.

<sup>2</sup>Ibid., p. 155.

<sup>3</sup>Carnegie Commission on Higher Education, The Open-Door Colleges: Policies for Community Colleges (New York: McGraw-Hill, 1970), p. 2.

<sup>4</sup>Ibid., p. 12.

30.

Public Institutions--and especially the community colleges--should maintain a relatively low-tuition policy for the first two years of higher education. Such tuition should be sufficiently low that no student, after receipt of whatever federal and state support he or she may be eligible for, is barred from access to some public institution by virtue of inadequate finances.

Speaking specifically to the role of state governments, the Carnegie Commission said:

State governments, as the largest source of institutional support for higher education, play a vital role in any gradual redistribution of the burden of college costs... Our recommendations encourage the following state actions.

...Through funding formulas for public institutions, assure that tuition charges for the two years of postsecondary education are not beyond the means of students from low-income families.<sup>2</sup>

In December of 1973 the National Commission on the Financing of Postsecondary Education, speaking to the issue of access, said: "Each individual should be able to enroll in some form of postsecondary education appropriate to that person's needs, capability, and motivation."<sup>3</sup>

The late Senator Wayne Morse argued the access question on the basis of equal opportunity. He contended that the principle of equal opportunity includes the right of educational opportunity.

The financial ability of a student to go on with his education is a key question of deciding who should go to college. ...If one accepts the proposition that the right to equal opportunity includes the right to educational opportunity, one must accept the proposition that the financial resources of a student should not act as a limitation on the right. So long as opportunity for postsecondary education is dependent upon the ability of a student or his family to buy it, true equal opportunity is not available. Equal protection of the law includes an affirmative duty on the part of the government to take such steps as may be necessary to guarantee that opportunity.<sup>4</sup>

He concludes his argument as follows:

I have advanced the heresy that all the postsecondary offerings, whether vocational, professional, or liberal

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<sup>1</sup>Carnegie Commission on Higher Education, Higher Education: Who Pays? Who Benefits? Who Should Pay? (New York: McGraw-Hill, 1973), p. 108. The term "relatively low tuition" means that with grants and aids the net outlay required to attend college for the first two years would be approximately zero. See p. 108.

<sup>2</sup>Ibid., p. 124.

<sup>3</sup>The National Commission on the Financing of Postsecondary Education, Financing Postsecondary Education in the United States (Washington, D.C.: U. S. Government Printing Office, 1973), p. 55.

<sup>4</sup>Wayne L. Morse, "Who Should Decide Who Goes to College?" Open Admissions and Editor (Low City American Testing Program, 1971) p. 12

arts are similarly vested with a public interest and deserve public support. As a consequence of that value judgment, I have suggested that it is as sound a policy to provide public funds for at least two years of postsecondary opportunities as it is to provide public funds for the first twelve years of educational exposure.

These arguments do not imply that low income is the only deterrent to equality of access. Evidence does suggest that family background and the selection of high school courses are even greater deterrents.

Access and equality of opportunity are clearly impacted as social goals by the level of tuition. Tuition is of vital importance to the community college because a high tuition tends to deny access which in turn denies equality of opportunity. The people most severely hurt are those identified by K. Patricia Cross as "new students." She defines the "new students" as those who are in the lowest third in academic achievement.<sup>2</sup> They face four major barriers to postsecondary education: (1) low socioeconomic level, (2) low tested academic aptitude, (3) female sex, and (4) minority ethnic status. To this definition must be added adults and part-time learners.

Table VIII (attached) illustrates the patterns of high school graduates attending college by socioeconomic status and academic ability.

It can be seen that there have been dramatic gains for those in the lowest socioeconomic quarter and the lowest ability quarter for both male (six percent to 33 percent) and female (four percent to 25 percent) in the decade between 1957 and 1967. Thus it can be seen that the egalitarian policy is working. It is working in all quarters. For example, females in the lowest socioeconomic quarter but the highest ability quarter increased from 28 percent in 1957 to 60 percent in 1967. Even in the highest quarter for both measures, the percentage of females going to college increased (76 percent to 93 percent) so that at that point the females had a higher percentage attending college than did the males (92 percent). Males in the highest quarters by both measures changed little over the decade (91 percent to 92 percent).

While the table does not display the impact of minority ethnic status, it can be reasonably assumed that they are highly represented in the lower socioeconomic quarters and in lower ability quarters, largely reflecting the poorer quality schools they have attended.

Another observation to be made is that there are few additional students to be served during the 1970s who come from the highest quarter on both the ability and the socioeconomic scales. Those not served by postsecondary education are those who tend to be lower on both scales. These are the "new students" who require new approaches and structures to fulfill their needs.

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<sup>1</sup> Ibid., p. 1<sup>5</sup>

<sup>2</sup> K. Patricia Cross, Beyond the Open Door (San Francisco: Jossey-Bass Publishers, 1971), p. 6.

Table VIII  
HIGH SCHOOL GRADUATES ATTENDING COLLEGE

ABILITY QUARTER	1 (low)				2				3				4 (high)			
	1957	1961	1967	Percent	1957	1961	1967	Percent	1957	1961	1967	Percent	1957	1961	1967	Percent
S O C I O E C O N O M I C    Q U A R T E R																
<b>MALE</b>																
1 (low)	6	9	33		12	14	30		18	16	29		39	34	57	
2	17	16	43		27	25	39		34	36	55		61	45	61	
3	28	32	60		43	38	69		51	48	68		73	72	79	
4 (high)	52	58	75		59	74	80		72	79	89		91	90	92	
<b>FEMALE</b>																
1 (low)	4	8	25		9	12	28		16	13	36		33	26	37	
2	6	13	28		20	12	36		26	21	50		44	37	67	
3	9	25	44		24	30	48		31	40	68		67	65	77	
4 (high)	28	34	60		37	51	73		48	71	83		76	85	93	

Source: K. Patricia Cross, Beyond the Open Door, p. 7. Because the data come from different studies, they are not comparable in all respects. The trends are significant.

Knoell and McIntyre conclude:

Comprehensive community colleges offer the greatest potential among existing institutions and delivery systems for making PSE (Postsecondary Education) available to all without respect to age, sex, race or ethnic group, family income, place of residence, or prior educational experience.

Their conclusion seems to be borne out when one examines the attendance patterns and income levels. Table IX displays the patterns in California where there is a fully developed system of higher education. It can be seen that for families with incomes up to \$9,000 the community college is the principal entry point to the system. Even for families with income up to \$15,000 the community college ranks lowest as a choice for higher education. The Carnegie Commission concludes:

...community colleges tend to serve a student audience drawn more heavily from low-income families who face proportionately high combined state and local tax rates. At the other extreme the more heavily subsidized university sector of the higher education system tends to serve students with considerably higher average family incomes, and these families in most states have a proportionately lower state and local tax burden.<sup>2</sup>

The response to the dilemma is a choice between a position advocated by James B. Conant on one hand and a position advocated by the Committee for Economic Development on the other hand. Conant's position claims that

The extension of the years of free education through the establishment of local two-year colleges has been the expression of a new social policy of the nation. Or perhaps I should say a further thrust of an old policy. For one could simplify the history of American public education in the last hundred years by noting the steps in the movement to make universal the opportunities hitherto open only to well-to-do. First came the provision of elementary schooling at public expense; then came the free high schools and efforts to provide instruction for a wide variety of talents (the widely comprehensive four-year high school); lastly, the growth of the equally comprehensive public two-year college, the open-door college as it has been sometimes called.<sup>3</sup>

An equally clear call for action in precisely the opposite direction is made by the Committee for Economic Development:

We believe that tuition charges at many colleges and universities are unjustifiably low. We recommend an

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<sup>1</sup>Dorothy Knoell and Charles McIntyre, Planning Colleges for the Community (San Francisco: Jossey-Bass Publishers, 1974), p. 65.

<sup>2</sup>Carnegie Commission on Higher Education, op. cit., p. 91.

<sup>3</sup>Quoted in The Open-Door Colleges as a Foreword.

Table IX

INCOME OF PARENTS OF STUDENTS ATTENDING FOUR CATEGORIES OF CALIFORNIA INSTITUTIONS, 1971-72

FAMILY INCOME GROUP	COMMUNITY COLLEGES		STATE COLLEGE/UNIVERSITY		UNIVERSITY OF CALIFORNIA		PRIVATE INSTITUTIONS		ALL
Under \$3,000		12.1%(1)	11.1%(2)	7.3%(4)	7.4%(3)	9.5%			
\$3,000 - \$6,000		13.1%(1)	9.9%(2)	8.0%(3)	7.0%(4)	9.6%			
\$6,000 - \$9,000		19.0%(1)	16.1%(2)	11.8%(4)	12.0%(3)	14.7%			
\$9,000 - \$12,000		16.0%(2)	17.8%(1)	13.4%(4)	13.9%(3)	15.2%			
\$12,000 - \$15,000		14.2%(2)	15.3%(1)	13.7%(4)	14.0%(3)	14.3%			
\$15,000 - \$21,000		14.1%(4)	16.8%(3)	19.7%(1)	18.4%(2)	17.5%			
Over \$21,000		11.5%(4)	13.2%(3)	26.2%(2)	27.3%(1)	19.2%			
TOTAL:	100.0%	100.2%	100.1%	100.0%	100.0%	100.0%			
MEAN FAMILY INCOME:	\$11,420	\$12,330	\$15,160	\$15,650	\$12,820				

Source: Carnegie Commission on Higher Education. Higher Education: Who Pays? Who Benefits? Who Should Pay? (New York: McGraw-Hill Book Company, 1973), p. 90. Numbers in parentheses represent rank order, from high to low. N.B. Table has been rearranged.



Increase in tuitions and fees as needed, until they approximate 50 percent of instructional costs (defined to include a reasonable allowance for replacement of facilities) within the next five years. For two-year community colleges and technical colleges, we recommend that the increase be phased over ten years.<sup>1</sup>

There is considerable room for compromise between zero tuition and 50 percent of the cost of instruction. Halstead commented that "the fact that higher education is considered a social necessity has not meant, however, that colleges and universities could not charge tuition to cover part of their operational costs."<sup>2</sup>

The implication for policy-makers is clear: Increases in the effective price (tuition minus student aid) of postsecondary education--the price the student must pay--result in decreases in enrollment; conversely, decreases in the effective price result in increases in enrollment. Again, family income level is a central factor.

...It was estimated that an increase of \$100 in tuition would reduce enrollment by approximately 0.7 percent among upper income students, 1.2 percent among middle income students, and 3.1 percent among low income students--with variations depending on the type of institution.<sup>3</sup>

Among types of institutions the impact would be great on the community college. Henderson and Henderson asked the question: "What will higher tuition do to the egalitarian movement so recently achieved in higher education?"<sup>4</sup> They concluded that

Policy should be concerned with social values, and these values are more nearly a philosophical matter than an economic one. The focus should be: What is best for society in the long run?<sup>5</sup>

The present trend is strongly against the social interest.

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<sup>1</sup>Committee for Economic Development, The Management and Financing of Colleges (New York: Committee for Economic Development, 1973), p. 75.

<sup>2</sup>D. Kent Halstead, op. cit., p. 551.

<sup>3</sup>National Commission on the Financing of Postsecondary Education, op. cit., p. 255.

<sup>4</sup>Algo D. Henderson and Jean Glidden Henderson, Higher Education In America (San Francisco: Jossey-Bass Publishers, 1974), p. 239.

<sup>5</sup>Ibid., p. 239.

## VI. CONCLUSIONS AND RECOMMENDATIONS

There are three specific recommendations which are made as a consequence of this study. Stated in a general way they are:

- that the egalitarian philosophy which has slowly moved through public education should be extended to public community colleges by re-stating the commitment to equal educational opportunity,
- that equal educational opportunity should not be frustrated by creating barriers through the increasing of tuition, and
- that the benefit theory which concludes that both the individual and society are beneficiaries of higher education also implies that both should pay.

Specifically, it is the conclusion of this study that the setting of tuition must be done on the basis of some logic rather than on fiscal need or economic expediency. The logic suggested is that the public policy position clearly states that equal opportunity includes equal educational opportunity so that every person with the ability and the motivation has access at some point to the higher education system regardless of his economic position. The best means of assuring equal educational opportunity is through a pattern of low tuition. Tuition should not be used to modify imperfections in the tax structure. Ben Lawrence, who served as the executive director of the National Commission on the Financing of Postsecondary Education, stated the case clearly:

If we are proposing policy to redistribute wealth, it should be done through tax policy and not through educational financing policy. Low tuition in public institutions has been developed as a matter of public policy from the conviction that the social benefits of postsecondary education justify such subsidy. I see no strong or persistent evidence that this policy should be changed. On the contrary, societal expectations of the general educational and skill levels of adults have increased to the point where general access to two years of postsecondary education has become more a societal obligation than an avenue to individual opportunity. Thus, continued general public subsidy is justified and perhaps should be increased. Tuition levels should be set low enough to assure that the majority of students can have access to public institutions without need for public assistance.

Higher education is not a personal luxury subject to a users' luxury tax; it is a social necessity which should be recognized in policy and by funding. The funding, in turn, is not an extravagance reserved for the affluent. It is an imperative for a society.

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<sup>1</sup>G. Ben Lawrence, "Policy Proposals for Financing," Lifelong Learners--A New Clientele for Higher Education, Dyckman W. Vermilye, Editor (San Francisco: Jossey-Vass Publishers, 1974). p. 154.

Chancellor Boyer argued that:

State and local support should be sufficient to make it possible for public institutions to provide two-years of postsecondary education to all qualified students, preferably at no cost to the student, but at least at tuition rates not exceeding present levels.<sup>1</sup>

*Recommendation No. 1: That public institutions of higher education be supported at a level which makes access possible without tuition levels which economically would deny opportunity to some individuals.*

As has been stated repeatedly, the benefits of higher education accrue to both the individual and society. Consequently, both should pay. The division of the cost is open to debate. Using economic costs--including foregone income--the student and his family should reasonably be expected to pay two-thirds (not more than three-fourths) of the cost. Society through tax appropriation should pay the balance. Using monetary costs--excluding foregone income--the student and his family should reasonably be expected to pay one-fifth of the cost through tuition if he is enrolled in a public two-year institution.

The increasing of tuition become some can afford to pay and the using of those receipts to provide aid for the low income student should be avoided because it puts a burden on the tuition structure which rightfully belongs to the tax structure.

Lawrence summarized the case as follows:

...I do not concur with the proposal to increase tuition, not only as a matter of principle, but also on pragmatic grounds. Increasing tuition to provide student financial aid to the poor places a burden of wealth redistribution only on those who receive postsecondary benefits. Redistribution of wealth should really belong to the whole society. No matter what the distribution of the increased revenue, increased tuition at public institutions will cause one percent to three percent of all students from middle income families to drop out for every \$100 increase in tuition...<sup>2</sup>

Increasing tuition beyond one-fourth to one-third of the economic cost is neither sound social nor economic policy.

<sup>1</sup>National Commission on the Financing of Postsecondary Education, Financing Postsecondary Education in the United States (Washington, D.C.: U. S. Government Printing Office, 1973), p. 362.

<sup>2</sup>G. Ben Lawrence, op. cit., p. 154.

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*Recommendation No. 2: That tuition not be increased until such time as the individual contribution drops below the range of two-third to three-fourths of the economic costs of attendance.*

Since the evidence is clear that the individual benefits of higher education increase as the length of time invested increases, it is logical that the share of the cost to be borne by the student should be graduated as the student moves through the system. The Carnegie Commission demonstrated that the costs of upper division, graduate, and professional education increase and that lower division students to some degree subsidize these costs. The Commission concluded:

Overall, we believe that tuition should be more nearly proportional to costs, rather than regressive as against students at the lower levels. Thus we favor separately determined tuition levels for:

The associate in arts degree  
The B.A. and M.A. degrees  
The Ph.D. degree  
Other advanced professional degrees.<sup>1</sup>

What the precise costs should be need to be determined by economic analyze; however, the policy should relate the tuition to the cost of providing the educational service.

To differ somewhat from the Carnegie Commission, a different division of levels has merit. Without violating the basic principle, separately determined tuition levels could be established for:

- the associate in arts degree,
- lower division at state colleges and universities,
- upper division at state colleges and universities,
- the M.A. degree,
- the Ph.D. degree,
- advanced professional degrees.

Since the costs of instruction differ between state colleges and state universities, it might be prudent to differentiate between the institutions in tuition.

The graduated proposal would be responsive to economic conditions. For example, an increase in the cost of living would tend to hold tuition charges down, whereas an increase in the cost of instruction would tend to drive the tuition charges up. There would be some pressure to keep the cost of instruction low because each increase could cause an increase in tuition.

*Recommendation No. 3: That tuition charges be graduated within the public sector to reflect the growth in benefits resulting from additional education.*

These three recommendations, if acted upon, would put the process of tuition setting on a logical basis and would enhance both social and fiscal efficiency.

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<sup>1</sup>Carnegie Commission on Higher Education, Higher Education: Who Pays? Who Should Pay? (New York: McGraw-Hill, 1973), p. 12.