

Free exchange

A debate is under way about the cost of higher education

The meaning of a debate about the cost of higher education

Jul 18th 2019

IN MANY WAYS the flood of bold, progressive policy proposals coursing across America's political landscape began in 2015, when Bernie Sanders, an independent senator from Vermont, put a plan to make higher education at public universities free at the centre of his upstart campaign for the presidency. Then the idea seemed radical, even gimmicky. Now it is noteworthy when leading Democrats oppose the notion. Yet some do, for example Pete Buttigieg, the mayor of South Bend, and their arguments still pack a punch. Why indeed should taxpayers' money be spent on the children of the rich rather than more generous financial aid for the poor? The Democratic debate over free college is in fact part of a deeper disagreement about how best to structure a welfare state.

Across much of the rich world, a public-university education is free or nearly free, apart from the cost of books and living expenses. (Danish students even receive a stipend to help pay for such things.) But those in America and Britain pay tuition fees which are high and growing higher. In Britain, a change in the law in 1998 allowed public universities to begin charging. The average tuition fee at four-year public universities in America has roughly tripled over the past three decades after adjusting for inflation. Rising fees represent an evolution towards a means-tested approach to covering the rising cost of higher education, which has gone up steadily all around the world. Places like America and Britain pass some of this increase on to students in the form of higher fees, with the understanding that poorer students will receive financial aid while richer ones will bear the full tuition bill.

To many politicians in these places, this seems just. Unlike primary or secondary education, university is a minority pursuit in most advanced economies. Across the OECD, a club of mostly rich countries, only about 45% of adults aged 25 to 34 have some post-secondary education. Those people tend to come from richer families and to earn more than the population as a whole. A universal programme that mostly benefits a well-off not-quite-half of the country would seem a strange aspiration for egalitarian-minded politicians (though less strange for those desiring young people's votes). Better to target aid at those from poorer families.

An economic approach points in a similar direction. A post-secondary education represents an investment in a person's future earning power, thanks to the skills obtained in school, the connections and credentials gathered along the way, and the signal a tertiary degree provides to employers. Since students reap most of the benefit, they should bear the cost (borrowing against future earnings if need be), lest subsidies encourage people to spend years at university that might be better allocated elsewhere.

Against this, supporters of free university marshal a number of practical arguments. University attendees are more likely to come from wealthier families precisely because university is not free, they say. There is something to this. Higher tuition charges do push some people away from post-secondary education. Several analyses of the introduction of tuition fees in Britain found a negative effect on university attendance. A report produced by the Institute for Fiscal Studies, a think-tank, estimated that an increase of £1,000 (\$1,243) in tuition fees is associated with a decline of 3.9 percentage points in the rate at which recent school-leavers choose to go on to university. Work by Thomas Kane of Harvard University found a response of similar magnitude in America. And research

by Susan Dynarski of the University of Michigan and Judith Scott-Clayton of Columbia University concludes that both attendance and completion rates are higher when education is more affordable. Their work also suggests that the tangle of eligibility rules and application processes students must navigate to get financial aid can lessen its benefits.

Free tuition, by contrast, is simple to administer and easy to understand. The rich, furthermore, can pay for their privilege later in life through systems of progressive taxation. (Mr Sanders would pay for his plan through a tax on financial transactions; his Democratic rival, Senator Elizabeth Warren, would fund a free-college programme with a tax on multi-millionaires.) In any case, many young people from well-off households will attend pricey private universities rather than free public ones.

Wolves and sheepskins



The Economist

But the most powerful arguments for free university are about values rather than economic efficiency. To politicians like Mr Sanders, a post-secondary education is a part of the basic package of services society owes its members. There are broad social benefits to a well-educated citizenry, because new ideas allow society as a whole to prosper and cultivating an informed population in an increasingly complex world probably takes more than 12 or so years of schooling. Amid constant technological change, a standing offer of free higher education may represent an important component of the social safety-net. Universality reinforces the idea that free education is not an expedient form of redistribution, but part of a system of collective insurance underpinning an egalitarian society. To progressive politicians, means-tested services send the message that government programmes are for those who cannot help themselves, whereas universal programmes are a means by which society co-operates to help everyone.

Ironically, such values-based arguments, however one feels about them, are undercut by rising inequality. As the rich pull away from the rest, their increased political power may stymie tax rises needed to fund universal public services. Meanwhile for progressive politicians the need to target available funds at the worst-off in society grows more urgent; in America, the argument that the children of billionaires should not receive a government-funded education takes on greater moral as well as practical weight. It is probably no coincidence that tuition fees are lowest in places with the most equal income distributions (see chart). Strong safety-nets compress the income distribution. But inequality may also make the sorts of comprehensive public services that underpin egalitarian societies ever harder to sustain. ■

This article appeared in the Finance and economics section of the print edition under the headline "Terminal degrees"

Source: <https://www.economist.com/finance-and-economics/2019/07/18/a-debate-is-under-way-about-the-cost-of-higher-education?cid1=cust/ednew/n/bl/n/2019/07/18n/owned/n/n/nwl/n/n/eu/279583/n>