



March 28 Reality Check

## Luxury, Subsidy and Opportunity: Purchasing a Quality Education

By [John V. Lombardi](#)

Many parents ask about the differential benefit their children might get by attending an expensive private college or university. Prestigious private institutions have elaborate facilities, luxurious appointments, constant attention to student needs and desires, and small classes. They also carry high sticker prices.

Other private colleges struggle to stay afloat financially, unable to charge enough in tuition and fees and too poor in endowment to subsidize the kind of elite-style education often associated with the words "private college." Public universities also vary dramatically in what they charge, what students actually pay, and what amenities and services they provide.

Consumers, the parents and students, struggle with the data, which are never clear, and seek to find the best possible match between a student's abilities, temperament and style and an institution's capabilities and charges. Any reasonable judgment becomes difficult because we have no reliable method for determining the value of the educational product generated by either public or private, large or small, rich or poor institutions.

Parents and students in the marketplace for higher education seek a prestige, luxury education for a bargain price, and work to identify subsidies that will offset the real cost of a luxury education. These subsidies come in many different forms, and while much attention focuses on merit scholarships and need-based financial aid, institutions manipulate their prices and costs in other ways that disguise the full subsidy involved.

Private institutions, whose discount rates among the most prestigious institutions reach an average of perhaps 40 percent, but fall to much lower rates among less wealthy colleges, subsidize educational costs through payments from the earnings on their endowments. As a result, the price a student pays at a wealthy private institution, even at the sticker price, is less to much less than the actual cost of instruction.

Public universities also subsidize the cost of higher education. Their legislatures will subsidize tuition, providing a low rate for in-state and a high rate for out-of-state students, clearly reflecting the subsidy. Big public universities have other subsidies as well, some of which they share with their private elite counterparts. Their research enterprise supports faculty, graduate programs and facilities available to undergraduates who choose to take advantage of them. Their endowments bring better faculty and better facilities than the revenue generated from students and state could afford, and the size of the big publics and the larger private institutions allows them to cross-subsidize a wide range of niche academic specialties that smaller institutions cannot support.

Prestige public and private institutions also subsidize non-academic enterprises such as major sports programs and a wide range of cultural enterprises from theaters to rock concerts to art galleries.

What about quality? Quality in higher education at the undergraduate level is an elusive measurement. Some measure undergraduate quality by focusing on variables that measure how much is spent per student, how many students are in a class room, how high the quality of the participating student are, or similar items that speak to the nature of the process that moves the student through the system rather than to a direct measure of the

value of the education delivered. The evidence to support this relies more on faith than any science.

What we do know is that like all luxury goods, small classes in elegant surroundings are surely more comfortable, more graceful, more convenient and more personalized. Like a luxury Mercedes, the expensive education, whether purchased from an elite private or out-of-state at elite public institution, may be more costly, more comfortable, more elegant, and more prestigious than an educational Chevrolet, but the luxury features contribute little to the effectiveness of moving passengers to the supermarket.

Many studies have attempted to identify a major difference in the outcomes from attending expensive private institutions or attending high quality public universities in-state at half the price. Few of these find any significant difference in the outcomes, and in most cases the differences that do exist usually appear to reflect the differences in the wealth and opportunity provided by the students' family circumstances before they enter college rather than any particular enhancement that comes from the luxury process of education.

Universities and colleges have no magical power. The value of the education acquired at most middle to upper ranked schools (by any criteria) is mostly dependent on the commitment and focus of the student rather than on the miraculous power or luxury characteristics of the institutional process. Moreover, most colleges and universities sell a commodity product, an education that at its core is fundamentally similar between institutions. The amenities may differ — luxury dorms, elaborate student centers, complex and fully equipped recreational facilities — but the chemistry and English classes are pretty much the same.

Luxury is a good thing if you want it and can afford it. If someone will deliver a Mercedes for the price of a Geo, why not ride for the four years in style? Nonetheless, if you find yourself in a Geo, you will get to the supermarket at almost exactly the same time as your friends in the Mercedes. What you do when you get out of the car, however, depends almost entirely on you, not on the luxury of your ride.

John V. Lombardi, chancellor and a professor of history at the University of Massachusetts Amherst, writes *Reality Check* every two weeks.

## Comments

My thoughts on this subject are here:

<http://noleftturns.ashbrook.org/default.asp?archiveID=6394>

[Joseph M. Knippenberg](#), Professor of Politics at Oglethorpe University, at 10:31 am EST on March 28, 2005

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