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## Reality Check

### Who Gets In, What It Costs

By [John V. Lombardi](#)

One confusing thing about the higher education industry is the conflict between social goals and economic choices. The trend toward universal access to higher education has led to the notion that everyone should be able to find a route into higher education that matches interest, preference, ability and economic circumstance. This in turn has focused attention on the student selection and pricing structure of higher education, a topic of infinite interest, controversy, and confusion.

**Q: Why do colleges and universities that all give the same degree with the same general requirements have such different prices?**

A: Like other consumer industries, colleges and universities serve different markets and tailor their products to appeal to different segments of the market. This is not unlike the auto industry, where all cars do pretty much the same thing -- get you to the store and back -- but they come in an endless variety of styles, sizes and luxury, with differentiated prices as a result.

**Q: Is education a social service that should be available to all?**

A: Partly no. Higher education is a subsidized and regulated industry that in total provides almost universal access, but that in the case of individual institutions carefully selects the market niches they serve. Subsidies provide education only to a certain number of individuals, not everyone who applies or need support.

**Q: Why are higher education prices so high?**

A: Some higher education prices are high, some are low, and some are virtually free. The published price of higher education is often far from the actual price.

**Q: Why do colleges and universities charge different amounts to different students even when they quote the same price to everyone? Is that fair?**

A: Maybe not fair, but effective. The college's goal is to select the highest quality student body possible. The college also wants a diverse population with students from different parts of the country and the world, with different skills, with the right balance of male and female, and with the right ethnic diversity. All these characteristics, whether demographic or test score based, reflect various forms of merit a college believes desirable. To get the right mix, colleges discount tuition, fees, and other costs through scholarships, grants, loans and other support to attract those students with the merit characteristics it needs to achieve these goals. Some students will pay the sticker price, some students will pay less, and some students will attend free.

**Q: What are merit qualities, and which ones earn a discount?**

A: Merit characteristics are basically anything that is not random. Those that earn students an edge in admissions include high scores on standardized tests (SAT), high grades from elite high schools, athletic talent, musical

talent, ethnic background, extensive community service, international background, and a few others.

**Q: Does the emphasis on these merit qualities give an advantage to rich people's children over poor people's children?**

A: Yes. The cost of preparing a child for admission to a selective college is high, and this is a form of indirect price required for admission to selective institutions. Parents who have the resources or make the sacrifice to pay this price do so to ensure that their children will have every merit advantage to improve the children's chances for admission to a selective college. The highly invested parents are a strong lobby for merit-based selection processes and the price discounting that follows.

**Q: Then how can the admission and discount criteria be fair?**

A: That depends on what we mean by fair. If it means selecting based on clear objective criteria, for the most part the criteria are fair because colleges apply them the same way to everyone. If fair means that the criteria take into account the disadvantages high school students from poor inner city schools experience, the answer is, sometimes the criteria are fair. Most colleges include in their criteria the ability to subsidize students whose merit indicators of grades and scores are not up to the level of the majority of the students in order to create access for promising but underprepared, and in particular underrepresented, students. Of course, this takes an admission opportunity away from a better-prepared student, so whether it is fair depends on whether you apply social criteria or merit criteria.

**Q: What would a truly fair system look like?**

A: A truly fair system, in a statistical sense, would do the following: It would assume that all students with SAT scores of 1000 and above and high school grade point averages of 2.5 and above have the ability to succeed in college. Although on average, students with higher SAT's and higher GPA's will have more success, students with the lower scores can succeed. To be fair, the college would allocate places in the freshman class by lottery and provide financial aid to any student selected in this random fashion who needs it.

**Q: Will colleges and universities ever do this?**

A: Most parents and students do not think this is fair because they think that college admission should be awarded based on an assessment of merit, not on a lottery, and so they prefer to argue about the criteria that determine merit rather than seek to implement a statistically fair system based on random selection.

**Q: What is the effect of declining amounts of state support for public higher education on cost, price, and access?**

A: As state support declines, the price of public higher education rises to compensate. The public institutions will discount the higher price with scholarships, subsidized loans and grants of various kinds. The range of discounting in public institutions will grow as their sticker prices rise. They will become more and more like private institutions in constructing their student population profiles through various subsidies and discounts. Students will choose institutions based on their desirability and on the discounted net cost to each student.

**Q: What are the advantages and disadvantages of this subsidized and regulated free enterprise educational system?**

A: It provides a college opportunity at some level and at some price to every student who wants to attend college. It is endlessly flexible, it responds to students and parents, and it reacts quickly to changes in government subsidies and regulatory environments.

At the same time, it produces a highly stratified set of institutions with different levels of competitive quality and different levels of resources devoted to undergraduate education.

If you believe that students who attend college in America should have the same opportunities and same level of instructional and institutional quality, the system is a failure.

If you believe that students should have the opportunity to select an institution that matches their ability, their means, and their aspirations, and if you believe that competition among institutions for high quality students is a method for achieving high quality education, then the system is a success.

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

## Comments

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