

The Effects of Subsidies on Higher Education

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It has been more than 50 years since President Lyndon Johnson signed into law the bill that permits the federal government to subsidize education. Since then America has had a large increase in the number of American youths who attended college. In general, Americans seem to accept that the federal funding of higher education has been good for the American people. This paper is written for the purpose of examining the effects of federal funding of higher education. Subsidies for higher education are counter-productive because they waste resources, increase the cost of education, and are a poor investment for many students.

Education has been significantly subsidized by the American government since WWII. The GI bill of 1944 served 9 million Americans in the decade following WWII. In 1956 congress allowed that bill to expire, and for 10 years higher education in the United States was largely not federally funded. In 1965 President Lynden Johnston signed the Higher Education Act of 1956 into law. The purpose of this law was to “Strengthen the educational resources of our colleges and universities and to promote financial assistance for students in post-secondary and higher education.”(Higher Education act of 1965). The Higher Education Act is a well-designed bill because it has accomplished its purpose and strengthened the resources of colleges and universities. This bill has been in effect since 1965 and has been updated in the 90’s, 2003, and 2008 to create the bill which exists today.

Subsidies now account for most of the money that is going into higher education. College Board found that in the 10 years between the ’04-’05 school year and the ’14-’15 school year total federal, institutional, state, and other aid that does not include state or private aid increased 62% from \$146,103 to \$238,910 millions of dollars. They also

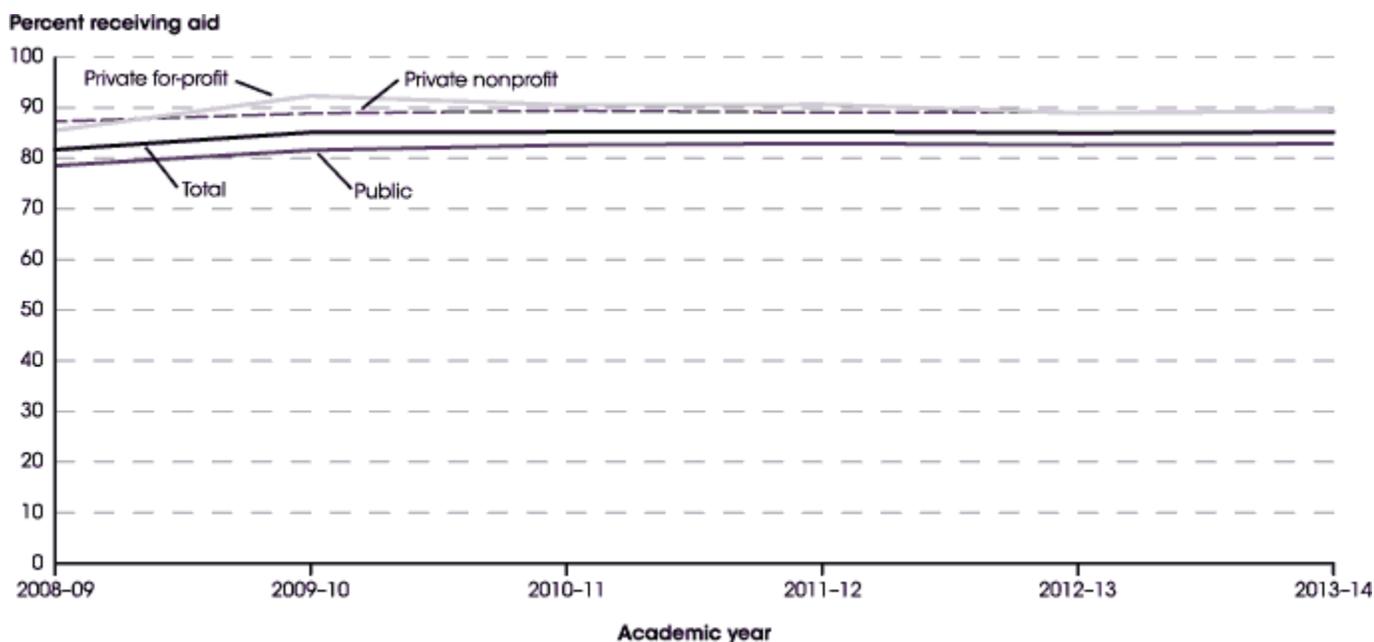
found that only 13% of student aid came from employers and other private sources.

Which means that approx. 87% of funding for students is federal in some way. (Baum, Pender, and Welch 2016).

Subsidies now account for most of the money that is going into higher education. College Board found that “Undergraduate and graduate students received a total of \$240.9 billion in grants from all sources including federal work study, federal loans, and federal tax credits and deductions. In addition, students borrowed about \$11 billion from nonfederal sources. Between 2008-09 and 2013-14, the increase in average institutional grant aid covered 53% of the increase in tuition and fees at public doctoral and 34% at public master’s institutions. States provided grant aid averaging \$750 per full time equivalent (FTE) of undergraduate students in 2014-15, \$10 below the 2007-08 peak and an increase from \$690 (in 2014 dollars) in 2011-12. Total federal loans to undergraduates increased by 25% between 2005-06 and 2015-16, growing by 62% over the first five years, but declining by 23% between 2010-11 and 2015-16.” Similarly they found that “In 2015-16, 34% of grant aid came from the federal government, 43% from colleges and universities, 14% from employers and other private sources, and 8% from states. Total federal grants to undergraduate students increased from \$20.6 billion (in 2015 dollars) in 2005-06 to \$41.7 billion in 2015-16, after peaking at \$51.9 billion in 2010-11. Graduate students received an average of \$27,740 per FTE student in financial aid, including \$9,300 in grants, \$17,460 in federal loans, \$890 in tax credits and deductions, and \$90 in FWS. Total federal loans to undergraduates increased by 25% between 2005-06 and 2015-16, growing by 62% over the first five years, but declining by 23% between 2010-11 and 2015-16.” (Baum, Pender, and Welch 2016).

The National center for Education Statistics published a graph (see figure Percent Receiving Aid), that shows that of first-time, full time undergraduate students between the years 2008 and 2014 an average of 81-85% received aid from federal funding. (NCES 2016).

Percentage of first-time, full-time undergraduate students receiving financial aid at 4-year degree-granting postsecondary institutions, by control of institution: Academic years 2008–09 through 2013–14



NOTE: Degree-granting institutions grant associate's or higher degrees and participate in Title IV federal financial aid programs. Some data have been revised from previously published figures. Student financial aid includes any Federal Work-Study, loans to students, and grant or scholarship aid from the federal government, state/local government, the institution, and other sources known to the institution. Student loans include only loans made directly to students; they do not include Parent Loans for Undergraduate Students (PLUS) and other loans made directly to parents. (NCES 2016).

Other important statistics to note include that “Total borrowing of federal Direct Subsidized and Unsubsidized Loans fell by 23% (\$22.3 billion in 2015 dollars) between 2010-11 and 2015-16, but was still 26% (\$15.1 billion) higher than in 2005-06.

Nonfederal education loans fell from about \$20.9 billion (in 2015 dollars) in 2005-06 to \$7.9 billion in 2010-11. In 2015-16, the volume of these loans was an estimated \$11.0 billion. In 2014-15, the 61% of bachelor's degree recipients from public and private nonprofit institutions who borrowed graduated with an average of \$28,100 in debt. Debt levels grew rapidly at public four-year colleges between 2009-10 and 2014-15, but grew slowly at private nonprofit institutions. In 2016, 25% of borrowers in repayment on outstanding federal Direct Student Loans were enrolled in plans that limit their monthly payments to an affordable percentage of their incomes. These borrowers held 43% of outstanding loan balances. Undergraduates who attended selective colleges and students who borrowed for graduate school have the largest debts and the lowest default rates. Students who borrowed to attend for-profit and public two-year colleges have the smallest debts and the highest default rates. Twenty-four percent of federal student loan borrowers who left school without a degree or certificate and entered repayment in 2011-12 defaulted on their loans within two years. Among those who completed their programs, the default rate was 9%.” (Baum, Pender, and Welch 2016)

There is a limit placed on the federal funding of colleges in the form of the 90/10 rule. This law was originally created because schools were forming that received 100% of their funding from federal student loans. This law is directed at for profit schools because of a type of fraud where profit seekers were opening up “schools” in inner city places, having low income students take out federal loans, and then skipping town with the money and without providing an education. This left their victims with a massive loan, no education, and no hope of repaying their federal student loan. Therefore the 90/10 rule was created to say that any for-profit institute of higher learning is able to receive funding

until federal funding accounts for 90% of their budget. This includes student loans and grants. If the school cannot get at least 10% of their funding not from the US department of education then the idea is that they are not a school that is worth funding. If they exceed 90% of their budget then they will be ineligible to receive funding for the following year. This would essentially mean that the following year the school would be unable to operate. However, Swenson, Warren, and Boggs point out that if this rule were expanded to include not for profit and private as well, there would be a number of schools that would go out of business. (Swenson, Warren, and Boggs, 2005). The 90/10 rule also indicates that the government is aware that there is some need for the market in order to figure out what schools are viable.

There are plenty of defenses for why we should continue to fund higher education. Some of them include: gross social benefits of having lots of the population having higher education, giving bright children from poor families access to education which increases the rate of social mobility, and that the tax system causes an effect where people will undervalue the effect of schooling on their future and so we should subsidize to correct that distortion. Though there have been studies that indicate that this may not be the case, such as a study done by Hanson and Weisbrod on the effects of subsidies on education in California. This study found that subsidies have allowed some low income people to benefit a lot by achieving a higher education, on the whole the effect of subsidies has been one of promote inequality between people of different social and economic backgrounds. (Hanson and Weisbrod, 1969) There are undoubtedly individual cases where subsidies have been quite positive. The question that needs to be asked is if

there are any negative effects of subsidizing education and if those outweigh the positive or vice versa.

The first idea is that we can give certain people the ability to have an increased chance at social mobility by helping to pay for college for people who cannot afford to pay for it themselves. Therefore you must be able to demonstrate some sort of financial need to get certain sorts of benefits, and have less financial need to get less benefits. Though increased mobility supports a goal of subsidizing higher education, College Board found that “in 1994-95, only 13% of state grant aid for undergraduates was awarded without regard to students’ financial circumstances. By 2004-05, this percentage had risen to 27% and it was 24% in 2014-15.” Baum, Pender, and Welch, 2016). This does not seem to be a very comprehensive goal from the figures that barely go over one quarter of the student aid. However, the goal is that a college education is going to give children coming from poorer houses the social capital that they will need to make it in the business world. This is going to benefit all of society by raising the standards of the individuals in society. There is, undeniably, benefit going to these individuals who are able to change their lives’ circumstances in the basis of being able to get an education that they previously could not afford.

A second consideration should be where the money is coming from that to paying for their education. Most of the money is coming from the government in one form or another. The government gets their money from the people in the form of taxes. This is another form of indiscriminate wealth redistribution. It is coming from two ways, both from the rich to the poor, but also from older to younger. It is stealing from one group and give it to another. Bastiat commented on this form of retribution by saying, “verily, it

is marvelous that people should persist in maintaining that all that an individual steals from the masses is a general gain. Perpetual motion, the philosopher's stone, the quadrature of the circle, are obsolete myths long abandoned; but the theory of progress by plunder is still held in honor.” (Bastiat, 1848). Society is not richer as a whole as the result of the enrichment of a handful of individuals. However, because higher education of the rising generation is termed as a societal investment, this is often given a pass. But society is not making the investment, the government is making the investment because they are financing it. And any investment is capable of being a good investment or a bad one, of being an underinvestment or an overinvestment. Having the government back the investment does nothing to decrease the risk.

Because the general populace had the money forcibly taken from them and given to the students with financial need, it can be said that funding the education of students was not the most highly valued end on the part of the original owners of the money. If it were the most highly valued end, then it would have been used in the first place to pay for the education of these people without the government intervening. They may have used that money to fund someone else's education, but they may have had more highly valued ends for that money. This means that the money used to fund education is not being used in the most socially efficient manner and is not meeting society's most valued ends.

There is a small sub section of economics that tends to look at human capital. There are several theories addressed here about how one should attempt to measure education. Jacob Mincer developed the equilibrium earnings –schooling function. In this function he assumed that if all people are alike then as one has more schooling, earnings

must rise to match it in order that one might cover the direct and interest costs of schooling. The result of his findings is that “income differences are equalized on cost at every point and that the human wealth (W) is the same for all. Thus there is inequality of earnings, but complete equality of human capital wealth or life cycle earnings. Restricting attention to inequality in the observed distribution of earnings would give a highly misleading indication of inequality in the true distribution of economic welfare in this case.”(Rosen, 2016). This work, expanded by Becker is the initial framework around which much of the work on human capital is based.

Ben-Porath took the basic human capital theory and applied it to individual improvement. He developed a theory of the life cycle of earnings. His idea is that people tend to invest in themselves while they are still young and that observed earnings tend to be lower in early years because people are investing in themselves. His theory takes “abilities, innate or acquired, the quality of co-operating inputs, the constraints and opportunities offered by the institutional setup-all determine the "technology," or the production function.' Together with the relevant factor prices, the properties of the production function determine the optimal way in which any quantity of human capital is to be produced and determine the cost of production.” (Ben-Porath, 1967, p. 352). An interesting note on Ben-Porath’s model is that if there is an optimum amount of human capital that should be produced, then it is possible to not be at the optimum as a result of the choices people make. This model abstracts from uncertainty and capital rationing, which Ben-Porath recommends be added to future analysis.

Michael takes Ben-Porath’s model as a starting point to address some of the differences between people. He says “persons with greater ability to learn and with lesser

costs of funds and greater time preference for the future invest more in human capital in all periods. Since more schooled individuals are likely to be more able and/or to face lower discount rates, they are also more likely to invest more in job training” (Michael, 1982, p. S40). He explains that the “implications of this reasoning are (1) persons with more schooling tend to invest more in job training; (2) persons who engage more than others in job training in early periods tend to do so also in later periods; and (3) persons with greater ability or better schooling engage in more job training, even with the same (nominal) schooling attainment” (Ben-Porath, 1967, S41). This idea has been come to be known as the college premium, or the idea that people with more schooling are more likely to invest in other job related skills and are therefore preferable candidates for many jobs in today’s economy.

The college premium is often cited as a reason to ensure that as many people as possible are getting their degrees. However, if one looks at the statistics it becomes apparent that certain types of degrees are getting the jobs. It turns out that it matters what kind of degree you get. Certain degrees tend to be paid better than others. For instance, Forbes list of top 10 most employable doctorate degrees were all STEM. The top degrees for ever undergraduate studies are finance, accounting, and computer science. These degrees are also well known to be some of the degrees with the highest returns on the degree investment. (Adams, 2015). There is an average that people with college degrees are paid more than people without college degrees. However, are they being paid more because they have a college degree or is there another factor behind the numbers?

Though more research needs to be done into this it may be possible to reason out at least another factor. The people who tend to get into college are those people who are

motivated and ambitious in life. High schoolers are routinely told that if they wish to make anything of their lives then they need to get a college degree. This means that we are sending most of the best and the brightest to get college degrees. Does it not make sense that this will be the same group of people that earns the most money after college because they will be performing the most productive and highly valued tasks?

Effects of subsidies on financial education

When the government gives out a subsidy, it does so because it is trying to promote whatever is being subsidized for one reason or another. Things that the government believes that need support or could grow through having more funding and that are generally perceived as being good may become subsidized. Whether this is a market grabbing scheme or not is irrelevant. What is relevant are the effects that a subsidy produces on any general industry. Gary North explains that the subsidies have an effect of making industries less productive. He says, “what businessmen are paid to worry about is profit. The problem for the survival of a market economy arises when the voters permit or encourage the expansion of government power to such an extent that private businesses can gain short-term profits through the intervention into the competitive market by state officials.” (North, 2006)

Subsidies are incredibly tempting to any business trying to make it in a competitive market because they are a safety net. Unfortunately this means that it is really easy to get lazy with the budget books and to not innovate, or find better ways of operating. Eventually any business that takes subsidies from the government will come to rely upon that money as a steady source of income and will plan their budget accordingly. This means that “If government has the industry on a string, it need not have to resort to the

policeman. All it needs to do is to cut off the subsidies, and the whole industry is put into a financial crisis.” (North, 2006) This gives an unspoken and irresistible form of control to the government because they are providing the money. “There are any number of ways that the government can see to it that the former subsidies now become the straitjacket for the former beneficiaries.” (North, 2006). The government can now dictate what the companies can and cannot do, because they are the ones holding the paycheck for an organization whose existence relies upon profit and the bottom line.

With the US education system, colleges and universities rely upon the government to help students to be able to afford the prices that they are asking. Subsidizing education was meant to allow large segments of the population to gain an education for as little money as possible. Instead it has allowed producers to dramatically increase the price of education because the government covers much of the increase in price. Because governments desire popularity among their citizens, they push education. There have been plenty of papers on the high demand elasticity of education that show that the closer the price of education is to zero the sharper the increases are in the quantity demanded for education. Unfortunately this has not been the case, but it was one of the original arguments in favor of education. Cutting subsidies in education would likely lead to less consumption of education, but that the rest of spending on education would no longer be socially wasteful. (Brian Caplan, 2016)

The first and primary effect of subsidies on financial education is the enormous increase in the costs of education. “According to the College Board, in the 1970s there was little, if any, real growth in college prices. In the early 1980s, however, tuition and fees began to grow much more rapidly than consumer prices – in fact, during the 1980s,

the cost of attending college rose over three times as fast as median family income. This trend of rapidly-increasing college costs has continued through the 1990s. Over the ten-year period ending in 2002–2003, after adjusting for inflation, average tuition and fees at both public and private four-year colleges and universities rose 38 percent. And according to information gathered from the College Board and the Census Bureau, over the last 22 years (since 1981), the cost of a public four-year college education has increased by 202 percent, while the CPI has gone up only 80 percent.” (Baum, Pender, and Welch 2016)

The Bennett Hypothesis, which was formed by William Bennett, the secretary of education in 1987, states that as long as the government ensures that the bills are going to get paid, colleges will increase tuition. This in fact has been the case over the last 30 years. Where has this spending been going? It goes towards attracting students to specific colleges and universities. (McClouskey). No longer do they advertise and say come to this college to get a good degree and a job. Most colleges and universities advertise by saying come to this college to get the best college experience. The administrative staff (staff that does not include professors) is blossoming. “A 10 percent cut in the staff and management ranks would save millions of dollars but would have no effect whatsoever on the operations of most campuses...A 20 percent or larger cut would begin to be noticed and would have the beneficial effect of substantially reducing administrative power and the ongoing diversion of scarce funds into unproductive channels” (Benjamin Ginsberg, 2011).

The second effect of subsidies is a decreasing quality of students. If your original students are the cream of the crop and the students who are most wired for education then

those students are going to have a comparative advantage in education. In order to increase the number of students, colleges must enroll progressively inferior students. If more students are not earning degrees and the number of students enrolled has increased, then one must wonder what those students are paying for? It seems that their time would be better spent elsewhere and that college was a misallocation of their time and resources that, for many, would not have occurred had they been able to get through college on the basis of subsidies. This can be seen through the dropout rates. The percentage of students who graduate from college within a 4 year timeframe at 4 year institutions is 39.1%. This figure varies widely on the basis of what kind of institution they went to. Not for profit did the best by graduating 52.9% of students within 4 years, public graduated 32% in 4 years, and for profit institutions graduated 23.4% in 4 years. These numbers are very dismal. However, when extended to the number of students who complete within 200% of the normal time frame they increase significantly. The average graduate rate increases to 61.6% at all institution types, with 66.6% of at non-profit, public graduated 60.3%, and for profit institutions graduated 32.6%. (NCES, 2014)

This still means that institutions of higher education are graduating slightly less than 2/3 of their enrolled students within 8 years, and a little over a third within the four years that earning a bachelor's degree is supposed to take. Numerous studies have been done, both academic and surveys, on why the student dropout rate is so high. One study, by Terry Ishitani and Stephen DesJardins, measured student dropout rates over time and found that the reasons for dropping out may be different depending upon how many years of college were completed before the student dropped out. They did find that higher levels of educational aspiration, GPA, students who had mothers with a bachelor's

degree, SAT scores, institutional size, and financial aid in some years were all related to lower dropout rates. (Ishtani and DesJardins, 2002). Despite all of these reasons, one still wonders how many of these students should not have gone to college in the first place? Why should so many people have to spend thousands of dollars, either theirs or someone else's, to discover that college is not right for them?

The third major effect of subsidizing education is that it leads to a questioning in what the meaning of a degree actually is. The government is more focused on the number of people who have earned a college degree than on the quality of those degrees earned. Furthermore, when you have a large number of people trying to earn a college degree and some of them are more inclined to be there than others, then each school must make a decision about what level of student are they going to be looking to teach to and what difficulty level their school is. That is part of the reason why the name of what school you earned your degree from matters. Some schools are well known for turning out quality students ready to work. Others are not. A degree alone does not say what level of learning achieved, it merely says how long you were in school. Having a college degree is not a guaranteed way to earn a job anymore. Companies now ask for job experience on top a degree so that they can know that you know what you are doing. Furthermore there is a trend in the workforce called upcrediting. Which is when employers are seeking higher and higher degrees for jobs that do not require those degrees in order to perform well. (Matt Siegman, 2014)

The fourth major effect of subsidizing education is a decrease in general public welfare. Though proponent of subsidies, as argued earlier, say that the tax system causes an effect where people will undervalue the effect of schooling on their future and so we

should subsidize to correct that distortion. This is a case where we have government intervention causing disruptions in the economy, and therefore the solution is to call for more government intervention in the economy. When the government takes money away from the general taxpayer to pay for the education of a few, they are forcibly removing the money from the most highly valued means to pay for something that is valued less by society. We can know it is valued less by people because if it were valued highly by people then that is where the money would have been going in the first place and there would be no need for government intervention.

Furthermore, when the economy is doing poorly the subsidies increase dramatically. The argument here is that people cannot afford to pay for higher education in these times and therefore we should subsidize it more. These increases in the cost of education happen regardless of what is going on the economy. In the recent great recession the cost of education continued to rise, and the amount of money the Department of Education spent on higher education rose massively. This is because the institutions can be financially secure in their source of revenue from the government. Their budgets are financially safer as a result of the subsidies because when there is financial distress the government will pick up some of the slack. In the recent Great recession Federal Funding rose to meet the extra demand for financial assistance for college. The result was that institutions were not hit as hard financially as they might have been by the recent recession. They were not forced to tighten their financial books and make do the way the rest of the economy was. Instead because federal funding of education increased by millions of dollars, the institutions could afford to have excesses and luxurious budgetary surpluses that come back to hit the regular student.

What would be the effect for society if there were an economic recession and the government did not pay for more higher education? First, if institutes of higher learning wanted to continue to attract students then they would actually have to decrease costs or cut the funding of certain things. In a society where waste seems to be the norm at colleges, it would be in the interest of greater society for there to be less waste because then those resources would be freed to actually do something productive for society. Secondly, the number of college students would likely decrease to those that really are suited for college. Students would weigh more whether it was worth it to go to college, and if not then they could lend their talents to another place in society where they have a comparative advantage. Third, if less students are graduating with degrees, then more of the college students who do graduate are likely to get jobs. If there is a decreased supply, it is also likely that the price for some of those jobs will increase, so that may help them to pay off their debts from attending college sooner.

What are the effects of subsidies on students after graduation?

In the Austrian view of unemployment, man will not be unemployed in a completely free market except by his own choosing. “Man chooses labor over leisure whenever he deems the fruits of his labor more important than the disutility of his labor; he chooses leisure whenever, in his judgment, the disutility of labor exceeds the value of the fruits of his labor. They in turn receive value from the urgency of his needs the satisfaction of which is dependent on these fruits. He labors when his unsatisfied wants are more important than the discomfort of his labor exertion; he stops working at the point at which his leisure becomes more important than the satisfaction of another want” (1987, Sennholz, 12). Hanns Hermon Hoppe agrees with this view. He says “unemployment

will result and increase so long as a person values the marginal value product attained through self-employment or the satisfactions of leisure more highly than a wage which reflects his labor services' marginal productivity." (Skousen, 1992, p. 200). In both cases man chooses unemployment because he sees value in not working. "Labor factors will always be fully employed on the free market to the extent that the laborers are so willing" (Rothbard, 1962, p. 523).

However, we live in a hampered market economy in which there is much government interference and in which a person cannot just get a job very easily. Often this is considered to be the preeminent problem of depression and the business cycle. As a result it is also considered to be the primary problem of the capitalist system. (Rothbard, 1962, 522). This line of thinking is that man cannot wait very long before needing to get a job but the employer can wait is a defective argument. This is because it takes for granted the difference between the marginal productivity wage rate and the lower monopoly rate are an extra monopoly gain and do not pass it onto the consumers in the form of a deduction in prices" (Mises, 592). Thus employers can afford to wait for a new worker. This is a false assumption about companies because the company does not lose nothing when a worker quits. The assumption is that the company pockets the amount of money that they no longer need to pay the worker who quit. They lose the measure of productivity that that worker brought with them to work. This means that the company either takes the productivity hit while they are looking for a new worker or they try to make up for it somehow by balancing that person's workload out among other employees to attempt to lose a little less of the productivity. "In an unhampered labor market, wage rates tend to

move toward the increment of value that is added by the employment of a man, which is the same as the value lost by the discharge of a man” (Sennholz, p. 14)

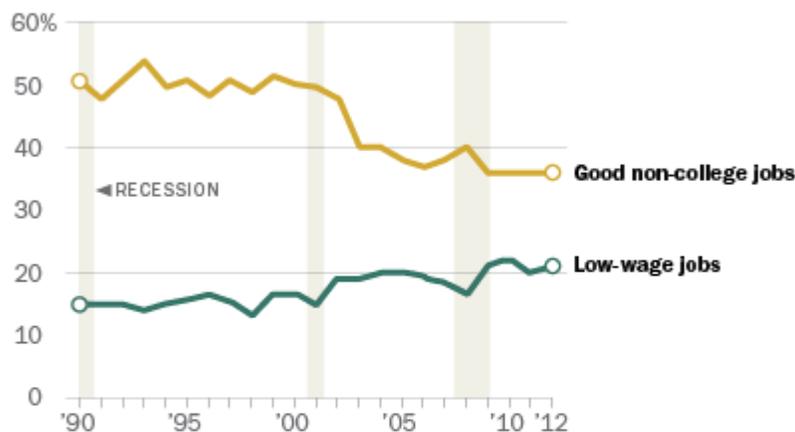
A frequent assumption that is made by people when speaking about this issue, especially by the media, is that that employers can just afford to wait for the best and the most qualified worker, and so can leave positions open indefinitely. This can extend periods of unemployment because companies are unwilling to employ people who might not exactly fit what they are looking for. The problem with this claim is that it assumes that there is no cost to the employer for not having an employee. However, while it is true that an employer does not have to pay an employee that no longer works for them, they also do not receive the work that the employee gave to the company. Furthermore, they lose the knowledge and exact skills that that employee possessed that are not instantaneously replaceable by finding a new employee. Knowledge and skills directly related to the company are built up over time.

Many Americans unfortunately view a college degree as a ticket to getting a good and well-paying job. The Graph below “where underemployed recent college grads are working” (Desilver, 2014) shows what is going on in the market place. In the year 1990 just over 50% of college grads were in good non-college jobs, and just over 15% were in low wage jobs. In 2012 the number of college grads in good non-college jobs had decreased to just above 35% and the number of low paying jobs had increased to 21%. This is a combination in the job market of what researchers are calling underemployment and overspecialization. Some college degrees are pretty general, such as a business degree or a mechanical engineering degree, and can be applied to many jobs. Others are extremely specialized and there is a narrower field of jobs for which someone can apply

once they graduate from their education if they desire to work in their field of study. That it not to say that the field of someone's degree is their only option for a job, but rather that their options are to get a job in the field of their degree or a related field or to get a job that does not require a degree. An interesting question to pursue is the related questions of how being in debt for so long convinces many young adults to put on hold what many Americans consider to be marks of becoming an adult, such as owning a home, getting married and taking risks.

Where Underemployed Recent Grads Are Working

Percent working in...



Notes: "Recent college graduates" are those aged 22 to 27 with a bachelor's degree or higher, excluding those currently enrolled in school. "Good non-college jobs" are jobs that paid an average of \$45,000 a year in 2012; "low-wage" jobs are jobs that paid an average of less than \$25,000 a year in 2012.

Source: U.S. Census Bureau and U.S. Bureau of Labor Statistics, Current Population Survey, March supplement; U.S. Department of Labor, O*NET, via the Federal Reserve Bank of New York

GRAPHIC BY PEW RESEARCH CENTER

Conclusion

This paper found that the effects of subsidizing higher education are significant. These effects are not often counted. The Higher Education Act succeeded in strengthening the financial position of colleges and universities throughout the country. However, the consequences of strengthening the financial positions were not the anticipated consequences of serving more students and decreasing the cost of higher education. Instead, it has actually brought up the costs to the point where many student are finding higher education to be in the unhelpful paradox of being unaffordable and necessary for their future. The result is that many of them are mortgaging their future on the hope that they will get a job that is good enough to pay off their debts. Though it seems as though subsidizing education may on the surface be helpful to helping more people achieve the American dream. It seems reasonable to conclude that it actually hurts more people than it helps to get to a higher status in society.

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