HOW STUDENTS PAY FOR COLLEGE: TEMPORAL AND INDIVIDUAL VARIATION

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ABSTRACT

College students' finances are of considerable public interest. Student finances influence student choices, and student choices have public consequences. Moreover, much public money is spent to assist students financially. Yet remarkably little is known about student finances, particularly as they vary over time or among individuals. This study provides some results in this area. Based on two sources of data—yearly surveys of college freshmen, and a longitudinal survey of one high-school class nationwide—it decomposes student expenditures on college according to the source of funds. It then examines the resulting distribution as it varies over time and among students who live in different places, who performed differently in high school, and who come from backgrounds of different affluence. The distribution does vary with these variables, but the author concludes there is little evidence that current public aid programs are misdirected.

A colleague displays on her door a cartoon showing a man excitedly eyeing a curb. From the caption "the discovery of the alternative side of the street" one infers the researcher in the street will shortly turn and discover the curb whence he came, having forgotten what little he knew about it. With surprisingly little modification this describes the evolution of public concern with the finances of college students in the United States. However, instead of crossing and recrossing a street, this concern has oscillated between complex arguments about access and enrollment and simple questions of distribution. Currently under scrutiny are the distributions of student aid and of parental contributions.

Originally financial aid for college came from one source, students' families. Colleges eventually realized that some clever, and therefore desirable, students would not attend college without financial help, and special aid programs ensued. Later still other aid programs encouraged study in particular fields, at the same time social and economic changes were making college education increasingly important in the job market. The result was a popular
feeling that access to education, a public good, ought to be distributed across the population without regard to irrelevant factors such as parental willingness or ability to pay.

Policy thus evolved from private provision of special aid for the clever to public support for low-tuition public education, accessible to whomever wanted it. But the distribution of higher education (as opposed to access to higher education) did not equalize, since tuition was not the only barrier to attendance. This observation spawned new aid programs, now funded by government and based on financial need rather than academic ability or interest.

Need-based aid appears to complete the reform public higher education begins. But recently it has become apparent that in doing so such aid introduces a new controversy: since financial aid itself is a publicly funded good, it ought to be distributed without regard to parental income and the like. Yet need-based aid must by definition flow in inverse proportion to parental income. This dilemma one cannot, apparently, equalize both access to higher education and access to financial aid accounts for much of the current confusion and stagnation in public policy with respect to college-student finances.

Any resolution of the current policy dilemma will require answers to two research questions. First, why do some sorts of students enter college while other sorts do not, even when public and private aid programs equalize the respective burdens of doing so? To the extent public policies ignore this question, they necessarily will fail to equalize educational distributions. Second, what are the important contributions to college-student finances, and do they vary in undesirable ways?

There is a rather rich, if recent, body of work on the first question, some of it dealing specifically with publicly manipulable factors in student decisions. This is available elsewhere (Carroll et al., 1977; Cohn and Morgan, 1978; Hoenack, 1971; Jackson, 1978; Jackson and Weathersby, 1975; McPherson, 1978; Radner and Miller, 1975; Spies, 1973, 1978; Weinschrott, 1977) and I will not summarize here. There has also been considerable research on student finances, but it is disjointed in several key respects. There is a widespread popular belief that the burden of financing college education has fallen increasingly on parents, and that current financial-aid policies allocate most of this burden to middle- and upper-income parents. Evaluating this assertion requires trend and cross-sectional analyses, two connections that have been missing in the student-finance literature.

Data limitations preclude analyzing student-finance variations over time and across student characteristics simultaneously, requiring a somewhat artificial distinction in what follows. The next section examines variation in the typical student's finances over time; the one following examines such variation in a single year across groups of students differing in college location, academic ability, and socioeconomic background.