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EDUCATION NEWS

# Cato Institute: No Last Word on Bennett Hypothesis

By Julia Lawrence

Does federal education aid lead to college tuition inflation — or doesn't it? asks Cato@Liberty's Neal McCluskey. The latest in the long line of academics to to attempt to refute the Bennett Hypothesis – student aid helps fuel price inflation – is the president of the National Association of Independent Colleges and Universities, David L. Warren who, in an editorial for the Washington Post, says that there's not a shred of evidence that proves that the Bennett hypothesis is true.

> *This Bennett hypothesis simply isn't true, though Gary C. Fethke and Andrew J. Policano attempted to argue that it was with regard to high-endowment private universities. In their Answer Sheet guest post last month, Fethke and Policano, professors at the University of Iowa and University of California, Irvine, unfortunately, ignore the body of research on the subject, as well as common sense, in singling out these universities.*

In support of his point of view, he offers the 2001 federal report which, according to McCluskey, "everyone who wants to declare the Bennett Hypothesis dead loves to cite." According to Warren, the report, titled *Study of College Costs and Prices, 1988-89 to 1997-98,* from the National Center of Educational Statistics, finds that its regression formula wasn't successful in finding any links between the level of federal aid and the price of tuition. While the conclusion might satisfy Warren, McCluskey points out that in the very same report, the authors seem to be taking pains to point out that their conclusions are by no means certain, and their methodology doesn't take into account many important factors. This study can hardly be considered the last word on the Bennett Hypothesis that its opponent seem to think it its.

> *Next, Dr. Warren cites a February 1998 commission report in which the commission purports not to have found any evidence that student grants effect college prices, and no "conclusive" evidence that loans enable rising prices. Then again, the Commission did no meaningful empirical analysis of the question, and as dissenting member Francis McMurray Norris objected, "issues such as tenure, cost and value of research, duplication of facilities, teaching loads, and relationship of student loan programs and rising costs have not been addressed."*

Warren's third cite, the 2011 GEO report that studied the effect of raising the federal student loan limit on freshman and sophomore college students, and covered a severely limited window of only three years, did find that there was no difference in the growth rate of tuition before and after the change, but without controlling for other variables and greatly expanding the time horizon of the study itself, it's hard to take its conclusions in any way seriously.

> *The fact is that several empirical studies do show student aid enabling schools to raise their prices, and I have listed many of them. It is also the case, as most studies point out, that it is very difficult to definitively isolate the effects of aid when so many factors — from school type to student characteristics – are in play. That's when basic logic also has to come in: People in colleges are like everyone else, and will be happy to take more money if it's available. Aid makes it available.*