



The Newly Updated Help-That-Hurts List

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For several years I have maintained an informal list of studies finding that funds from government student aid programs are in one way or another “captured” by colleges, universities, or someone other than the students whom the money is supposed to help. This can manifest itself in myriad ways and intensities depending on the program, type of school, student characteristics, etc., but ultimately involves aid dollars doing something other than making college more affordable. For instance, private colleges might raise prices in response to increased federal loan limits. States might see federal tuition tax credits as allowing them to cut their own higher ed funding. And so on.

Below is the most recent update. It includes a new study from Gordon and Hedlund that suggests that accounting for the college earnings premium, the labor-intensive nature of higher education work, and other factors, increases in federal student aid have played a huge role in tuition inflation. Indeed, between 1987 and 2010 they estimate that expanded federal loan limits alone fueled 40 percent of the increase in tuition, though they caution that their findings may overstate the inflationary aid effects somewhat. Also added is a 1991 book by McPherson and Schapiro, and an analysis of federal tax credits by Long, that should have been in previous editions of the list. But like I said, this is an informal list, not one I claim is comprehensive. I would, though, like to get there, and you can help: Let me know if I have missed some studies that show aid translating into something other than greater college affordability. Write to me at nmcluskey@cato.org

Grey Gordon and Aaron Hedlund, “[Accounting for the Rise in College Tuition](#),” NBER, September 28, 2015.

David O. Lucca, Taylor Nadauld, and Karne Shen, “[Credit Supply and the Rise in College Tuition: Evidence from the Expansion in Federal Student Aid Programs](#),” Federal Reserve Bank of New York, Staff Report No. 733, July 2015.

Lesley J. Turner, “The Road to Pell is Paved with Good Intentions: The Economic Incidence of Federal Student Grant Aid,” Working Paper, August 14, 2014.

Dennis Epple, Richard Romano, Sinan Sarpça, and Holger Stieg, “The U.S. Market for Higher Education: A General Equilibrium Analysis of State and Private Colleges and Public Funding Policies,” NBER Working Paper No. 19298, August 2013.

Stephanie Riegg Cellini and Claudia Goldin, “Does Federal Student Aid Raise Tuition? New Evidence on For-Profit Colleges,” NBER Working Paper No. 17827, February 2012.

Nicholas Turner, “Who Benefits from Student Aid? The Economic Incidence of Tax-Based Federal Student Aid,” *Economics of Education Review* 31, no. 4 (2012): 463-81.

Bradley A. Curs and Luciana Dar, “Do Institutions Respond Asymmetrically to Changes in State Need- and Merit-Based Aid?” Working Paper, November 1, 2010.

John D. Singell, Jr., and Joe A. Stone, “For Whom the Pell Tolls: The Response of University Tuition to Federal Grants-in-Aid,” *Economics of Education Review* 26, no. 3 (2006): 285-95.

Michael Rizzo and Ronald G. Ehrenberg, “Resident and Nonresident Tuition and Enrollment at Flagship State Universities,” in *College Choices: The Economics of Where to Go, When to Go, and How to Pay for It*, edited by Caroline M. Hoxby (Chicago, IL: University of Chicago Press, 2004).

Bridget T. Long, “The Impact of Federal Tax Credits for Higher Education Expenses,” in *College Choices: The Economics of Where to Go, When to Go, and How to Pay for It*.

Bridget T. Long, “How do Financial Aid Policies Affect Colleges? The Institutional Impact of the Georgia HOPE Scholarship,” *Journal of Human Resources* 39, no. 4 (2004): 1045-66.

Rebecca J. Acosta, “How Do Colleges Respond to Changes in Federal Student Aid,” Working Paper, October 2001.

Michael S. McPherson and Morton O. Schapiro, *Keeping College Affordable: Government and Educational Opportunity* (Washington, DC: Brookings Institution Press, 1991).

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