

THE CHRONICLE

of Higher Education

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October 6, 2009

Ending Federal Student Aid Could Cut College Costs, Speaker Says

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Washington

Is there any way to make colleges charge less?

That's the question a panel of policy analysts tackled at the Cato Institute here on Tuesday.

Two higher-education experts argued that greater openness from colleges about how they spend money would be sufficient to slow the climbing price of tuition. Others said a more radical solution—cutting off all federal student financial aid—would be necessary.

"Colleges are able to raise their prices because it's not the consumers paying that cost," said Neal McCluskey, associate director of the Center for Educational Freedom at the libertarian Cato Institute, in a presentation called "Student Aid Explains the Pain." Average tuition rates have gone up hundreds of dollars every year, he said, but the actual price students pay after grants and loans are subtracted has barely increased in the past decade.

The solution, he said, is to phase out federal student aid, including subsidized loans and grants, to "make colleges reliant on people who are paying with their own money." Prices would drop as a result, he said, so college would not become a privilege of only the rich.

A few other panelists argued that Mr. McCluskey's idea was politically impossible and unnecessary. Requiring colleges to disclose more information, such as measures of how much students are learning, would be enough to drive prices down, those panelists said.

Because there is little information available on how much students learn at any particular college, institutions' reputations have come to stand in for actual quality, said Robert E. Martin, a retired economics professor at Centre College and the author of the [report](#) "The Revenue-to-Cost Spiral in Higher Education." Money, including endowments and research spending, plays a major role in how colleges are regarded, leading institutions to charge more so

they can spend more, he said.

Kevin Carey, policy director for Education Sector, an independent think tank, said discontinuing student aid would be "problematic and very unrealistic." He called for federal regulations that would require colleges to disclose more information, saying such an approach would avoid federal price controls and make the college-selection process more efficient.

"A transparent, market-based approach could be a bipartisan solution," he said.

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The Chronicle of Higher Education 1255 Twenty-Third St, N.W. Washington, D.C. 20037