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Fathers, our traditional source of tuitions and taxes, are going to be replaced as the major source of college finance by their college going children. The reasons for the change quite naturally are multiple and relate to problems of college finance, enrollment trends, and attitudes toward students.

In recent years, higher education has been absorbed with problems of growth and student unrest. Quite apart from the restiveness of students and faculty, the period of 1971-1980 is likely to be a period of difficult adjustment and we will be absorbed with a new series of problems with questions of paying for and maintaining the educational enterprise as central and critical. Hopefully, the problems of unrest will diminish and certainly the rapid rates of growth will slow with an under supply of students the probable result in many places. A marked slowing down in growth rates will compound some conceptual and fiscal problems which have emerged in the last few years and will be of particular concern to financial aid officers. The conceptual questions which we will face is who should pay for college and it may be the most important issue in higher education currently before the policy makers of this country. Costs are increasing much faster than family income. Across the country college expenses have been increasing over the years at a rate of about seven percent, or a little bit more per year, while family incomes have been increasiong at a little less than five percent per year. Of course, there are more children per family and more members of the family going to college resulting in a diminution of family ability to meet college costs.

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The problems of college funding are acute everywhere. Public colleges believe they are in dire financial straits because there is a taxpayer's revolt with less willingness on the part of the public and the legislatures to finance higher education largely because the tax base has not kept pace with enrollment growth. Private colleges have quite severe financial problems because inflation and higher costs have forced higher tuitions and gifts do not keep pace with higher costs and inflation. Private colleges may be very close to the limits of tuitions which may be charged. Some already have priced themselves out of the competitive tuition market and consequently have closed or become public institutions, such as in New York, Texas, and Pennsylvania, at an increased cost to the taxpayers. Both public and private colleges are seriously hampered by the problems of inflation which have eroded their historic endowment base. Colleges which have conducted successful endowment campaigns perhaps even the most successful fund-raising campaigns of their time still find that a smaller percentage of costs are covered by endowment income.

Additionally, there does not seem to be a technological answer to the problem of financing higher education. The normal response for a business or industry faced with the problem of diminishing income or relatively diminishing income in the face of increasing costs is to increase productivity, but we are still teaching the same way now as we were fifteen years ago or perhaps 150 years ago, and there does not seem to be any immediate possibility of a technological breakthrough that will enable higher education to increase productivity and hence diminish its costs. The dilemma of financing higher education then is one of diminished traditional sources of income, higher costs, inflation, and no apparent way to increase productivity. The problem is national and it cuts across all segments of higher education. Since our traditional sources of support seem to be less productive, we searched for new sources; and found the student.

We should examine the question of who should pay in a rational manner, although we may not solve our problems on a rational basis. We should recognize that the decision as to who will pay will be made in the governmental arena since the power to make decisions of magnitude directly or indirectly, deliberately or inadvertently, is beyond colleges individually or collectively. However, we may, if we are brighter than we have been, influence the decisions made by government.

Society provides free education to the student (or consumer) in grades kingarten through twelfth or kindergarten through fourteenth in some states. Society also provides largely free education in graduate schools through grants for Ph.D candidates in nonprofessional schools. In the undergraduate years (13, 14, 15 and 16) we say to the consumer, "you or your parents will in some way pay directly for your education". Hence, there is a historical and current inconsistency in the way we have approached the question of paying for education, and we should ask why we treat grades 13-16 differently.

In the examination of the question of who should pay for education, there are three questions which should be raised:

Should the cost of higher education be borne by users or by communal action? If they should be borne by users (parents and students), is the burden to be shifted backwards to the parents and their generation or forward to the beneficiaries (students and their generation)? If the burden should be borne by communal action, is it to be met by the local, state, or federal government? A major share of the argument for the costs being met by the student-user rests on the premise that the user benefits economically by buying higher education.

In examining the question, "Should the students pay?", we should examine the validity of the assumption of economic benefit as far as public higher education is concerned. It is generally assumed that a male college graduate will earn about $150,000 more in his lifetime than a male high school graduate. For purposes of discussion let us assume that this is a correct figure. But does the student really benefit to the extent of $150,000 over a lifetime as a result of college education? There are at least four figurs which should be subtracted from the $150,000 which reduce the apparent economic benefit:

The first deduction is the cost of his education — let us say $8,000 for four years.

The second deduction is for earnings foregone. We must recognize that students not enrolled in college could have been working during these years. Let us say this is $16,000 for four years.

The third deduction is for ability. We must recognize that some of this $150,000 income is really not the result of a college education. The individual would have made more because he had more motivation and ability to begin with. There are widely diverse estimates as to how much should be discounted for nonschooling factors, particularly ability and motivation. Gary Becker at Columbia discounts 12%; Edward Dennison, formerly of Brookings, discounts 40%; and Burt Weisbroad of the University of Wisconsin discounts 25%. Let us take the 25% figure since it falls in the middle range of the list and discount $37,500 more from the $150,000 for the ability or the nonschooling factor.

A fourth deduction is for additional federal, state, and local taxes. Burt Weisbroad and Lee Hansen estimate about 28% of the $150,000 income will go into additional taxes; that is $42,000.

We now have discounted $103,500 from the $150,000 leaving a $46,500 benefit as the result of an undergraduate college education. While there is an economic benefit to an undergraduate college education, it is not as great as has been commonly assumed. We should also admit that it is not as great as we have been telling students for years.

Let us ask the question, "Should parents pay?" by asking "Why do they pay now?" Parents pay for college for reasons inherent in parenthood; they pay because they feel responsible and have a parental obligation to help their children. They also pay in anticipation of psychic income in the future. In other words, parents invest dollars in their children in anticipation that their sons or daughters will have a better life, a better career, or will marry better, and as parents they feel more satisfied than if they had not made this investment. The returns to parents are always uncertain and if an incipient epidemic of parent-student estrangements does break out, the psychic income returns to parents may diminish.

Should society pay the cost? Certainly society benefits economically and socially from college trained individuals: increased creativity, better citizens, increased gross national product, increased national income and certainly increased consumption are all benefits to society. As we noted earlier, society benefits in terms of higher taxes to the government. The benefits to society from a better educated citizenry are vital in a democratic society and cannot be fitted into a cost/benefit equation.

In summary, there are economic arguments for students paying college costs and there are economic arguments for society paying. The economic arguments for parents paying are not strong and the other arguments and reasons for parents paying may be weakening.

There are considerations other than those which are purely economic. One can cite with support from psychologists' arguments that a student should help himself and paying for college brings motiviation, self-respect and maturity. While we may agree with these positions, we should note that the student does now help himself. For example, an analysis of expenditures at the University of California showed students and parents paying 71% of the total cost of education at the University of California. The breakdown between students and parents is not too clear, but it seems to indicate that a very large percentage of cost is being borne by students. There are sociological arguments for parents continuing to pay and this is preservation of a parent-child relationship. There are other rational and nonrational factors, but the most important factor in this decision or analysis will be a political-economic factor.

While we can approach the question rationally, it probably will be answered on a deterministic basis. It is clear that the public is less willing to appropriate to public higher education than it has been before, and public higher education is going to have to make a choice. The choice will be between tuition (or higher tuitions) or less financial support.

Coupled with higher tuitions will be less willingness on the part of parents and the public to pay, and as a result of these attitudes, we will see a shifting of costs from parents and public to students and the trend of students bearing a larger and larger share of the costs of a college education will accelerate.

About nine billion dollars was spent last year paying the costs of education to students. These are not total expenditures for higher education or institutional expenditures but student expenditures for tuition, books, room and board, and living expenses. With the Guaranteed Loan Program, National Defense Student Loan Program, and other loan programs, we can say that already more than one billion dollars of this was covered by credit. The proportionate student expenses which were covered by student credit has increased in each of the last years and will continue to do so as federal loan programs increase and other loan proposals are advanced.

We appear to be on the verge of a fundamental and revolutionary change in the method of financing higher education but we have not reviewed the implications of the change in several areas, particularly those concerning students.

If the shifting of costs from families and taxpayers to students through loan programs is significant now, or will be, these questions should be reviewed.

1. What effect will there be on the college aspirations of low income students? Will a massive debt seem so formidable that there will be fewer minority and low income students aspiring to undertake a college education?

2. Because of the size of student debt, will students tend to terminate their education at a point earlier than would otherwise be the case? Will they either fail to graduate or perhaps fail to attend graduate school because of concern over additional debt?

3. Will there be changes in college careers? Will students tend to shy away from majors where the economic potential is smaller because of debt obligations?

4. Will there be changes in the students' choice of college? Will private colleges, for example, be in a less favorable position?

5. In an era of increased student interest in the governance of the universities and colleges, will there be an increased interest and rationale for a larger student voice in the control of higher education? Howard Bowen, former President of the University of Iowa, has spoken of the awesome power which students will assume as a result of loans.

6. Will there be changes in parent/child relationships because of the transfer of the responsibility for college costs from one generation to another?

7. What will be the impact of debts on marriage choices? There is a negative dowry which possibly could be considered as a distinct liability both by men and women.

8. What would be the impact on family formation and on consumer spending? With substantial debt for a majority of students there would have to be a significant impact on consumer spending because discretionary income will be smaller.

Fortunately, the College Entrance Examination Board has formed a committee which will review questions concerning the financing of higher education with reference to problems of student economics. The Board will provide us with data and perceptions which will help us understand the problems and their implications. Hopefully, the academic community can then provide leadership for governmental policy makers in answering the question of who should pay and how.