

Free College Policies

Federal Reserve Bank of Minneapolis

October 5, 2023

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Why Am I Here?

- I led one of two RCTs on something like free college, based in Milwaukee, from 2009-[whenever the journal accepts it]
 - The Degree Project
 - Harris and Mills
- By FGMS terminology, this is an ability-based, semi-need-based free college program
- We also find limited effects of free college—in fact, ours yields probably the worst results of any rigorous U.S. study
- Will come back to this later...

Let's Take a Step Back: Pros and Cons of Free College (FC)

- Arguments in Favor
 - Encourages more students to attend and complete college (possible efficiency gain if we think too few students attend college)
 - Reduces net price and increases net return
 - Reduces risk – more certainty about true cost (and therefore net return)
 - Increases simplicity and reduces administrative burden
 - Avoids dropouts with debt—“Do no harm”
 - All of the above more important to low-income students (possible equity gain)
- Arguments Against
 - Benefit principle—those who benefit should pay (efficiency and fairness)
 - Regressive – most money goes to students who would have gone to college anyway (at least with universal FC)
 - Marginal cost of funds from taxation
 - Limits “skin in the game” and other effort responses, which are key to this paper

Contributions of FGMS Paper

- Theory-driven attempt to understand free college
 - Effort
 - Uncertainty
 - More
- Use data from Columbia to identify a model and estimate effects
- Apply that model to simulate effects of multiple, plausible policies
 - Simulated Method of Moments
- This is an especially useful approach for comparative policy analysis since you can't design every combination of QEDs and RCTs you need

Their Conclusions: Part I

- “Universal free college expands enrollment the most but has virtually no effect on graduation [rates]”
 - Need- and merit-based do better
 - “Performance-based” (specifically, credit-hour-based) design increases graduation most
- “free college programs expand enrollment but have limited impacts on graduation and attainment due to their limited impact on student effort”

Question #1: Why the focus on the graduation rate?

- This rate is the percentage of students entering college who eventually finish
- The paper is motivated by the correlation between this and the enrollment rate; and whole analysis is build around this
- But the grad rate isn't that meaningful from a social welfare standpoint (more on this below)
 - We could restrict the entry rate to, say, 10% (very low) and get a very high graduate rate, but that clearly wouldn't improve social welfare

Question #1: Why the focus on the graduation rate? (cont.)

- They frame the stark difference in effects on the enrollment and graduate rates as being a problem
- But dramatically increasing college enrollment without a large *drop* in the graduation rate actually seems like a success
 - On one hand, college is cheaper for those who would have entered anyway
 - On the other hand, more marginal (with low graduation probability) students have entered college

Question #2: Why the focus on effort?

- They explain the limited effect on graduation by the absence of an effort response, but seems odd to attribute the cause of a null effect to a mechanism that the program was not designed for
 - I've never heard anyone say that FC would increase effort (except maybe performance-based version)
- Also, the paper doesn't mention (as far as I can tell) how they are measuring or inferring effort

Question #3: What policy comparisons are they making?

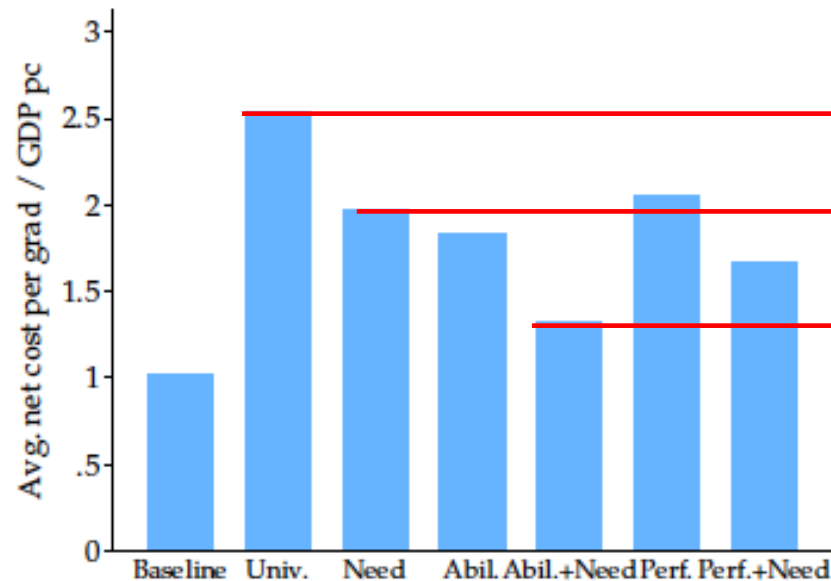
- They are comparing free college to a “baseline,” but that baseline isn’t explained
 - What is the cost per student at baseline?
 - How does that cost relate to family income in Columbia?

Their Conclusions: Part II (Cost-Benefit Analysis)

- “Performance-based free college triggers a more modest enrollment expansion but delivers a higher graduation rate at a lower fiscal cost”

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Universal FC is most inefficient

Need-only and Perf-only FC next

Ability+Need is least inefficient (among alternatives to baseline)

a. Average net cost per college graduate (relative to GDP per capita)

Question #3: Why focus on fiscal cost per graduate?

- This isn't really a cost-benefit analysis in the typical sense
 - Focus on "fiscal cost" under-states economic costs (tuition, opportunity cost)
 - Focus on "graduates" under-states benefits, especially of non-graduates
- This is probably biased (unintentionally) against universal free college
 - As they say, universal free college will produce more college entrants, but these marginal entrants are less likely to graduate, so the benefits of "some college" disproportionately omitted for this group
- Also, let's not forget about equity goals
 - College graduation of low-income students improves considerably
 - Not clear how much—can you document this?
 - Can weigh the benefits of low-income families more

Question #4: Does this tell us much about free college in the U.S.?

- To be fair, their study wasn't designed to answer this, but they do cite a lot of the U.S. literature—and we're at the Fed
- Answer: Probably not...
 - Context is different; see above questions about baseline, but also
 - What is the subsidy rate at baseline in these different locations?
 - How does the financial aid system work? Simple? Predictable and stable aid?
 - Elasticities might vary
 - See above questions about baseline and the analysis itself

Alternative Cost-Benefit Analysis Using U.S.-Based Research

- Use PDV of costs and future earnings
- Return to education positive for graduates (obviously), but also a positive, but smaller, return for “some college” students
- Also focuses on economic cost
 - Total spending on higher education/student/year
 - Opportunity cost (which in the U.S. is about the same as college spending)

Alternative Cost-Benefit Results from Harris and Mills

Program	Study/Program Design	Fiscal Cost/ Student	Effect/ \$1,000	Base BCR
The Degree Project	RCT; Merit Req; Free 2y, Covers 4y; Last \$	\$3,357	0.74	1.502
Kalamazoo (Bartik et al., 2021)	DD; No Merit; Free 2y/4y; First \$	\$6,800	1.47	2.381
TN-Knox (Carruthers & Fox, 2016)	DD; No Merit; Free 2y; Last \$	\$971	3.09	2.581
Pittsburgh (Page et al., 2019)	RD/DD; Merit Req; Covers 2y/4y; Not Free; Last \$	\$3,934	1.19	2.399
Buffet Scholars (Angrist et al., forthcoming)	RCT; Merit Req; Covers 2y/4y; Nearly Free; Last \$	\$8,200	0.66	2.241
Average 1 (Nguyen et al., 2019)	Mostly QED & No Merit; Last \$	\$1,000	2.00*	2.464
Average 2 (Deming & Dynarski, 2009)	Mostly QED & No Merit; Last \$	\$1,000	4.00*	2.555

Free college appears welfare-improving, but is it welfare-maximizing?

- No, not in the usual sense—there are a lot of other less costly ways to increase college outcomes
 - Passing a cost-benefit test is a low bar
- On the other hand, free college is fairly easy to scale, whereas most of the alternatives are not
- That's why we're having this conversation—other methods of increasing college outcomes have either failed to scale or failed to produce desired results

Concluding Thoughts

A proposed alternative set of conclusions

- Model and estimation seem good; mostly a matter of re-focusing on different metrics; redoing CBA; and reinterpretation...
- “In Latin American, free college would dramatically increase the the number of students who enroll in college, without significantly altering the percentage of college entrants graduate.” (Source: me)
 - Varies somewhat by specific type of FC design
 - Notice no mention of effort
- “Universal FC is (probably) the most costly of the FC policies for increasing the number of college graduates, but it (probably) does pass a cost-benefit test and also (probably) does the most to increase the number of low-income college graduates” (Source: me)
 - Equity efficiency trade-off
- Almost certainly need a different title