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The uses and meaning of tuition

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Quad 136

The Uses and Meaning of Tuition

[◻ Previous](#) [Next ◻](#)

The Uses and Meaning of Tuition



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The economics of higher education are not always easy to understand, especially for those outside the academy. The pricing model in higher education can be particularly opaque with a tuition sticker price that is often discounted significantly through some combination of need based financial aid and merit based scholarships. In a recent *Washington Post* opinion piece Harvard government professor Danielle Allen attempts to shed light on these issues by making the bold claim that, “Tuition is now a useless concept in higher education.”

Her argument turns on an important and little understood point. For many schools, “the actual cost of educating any given student for a year is greater than the ‘sticker price.’ ” This may seem hard to

believe given the high price of tuition, especially at private schools, but the labor intensive nature of education that requires the talents of many highly educated professionals often pushes the cost of a college education beyond what students and their families are asked to pay. This is particularly true for students receiving financial aid, but is even true for many **full pay students**.

Therefore when a school sets its tuition, Allen argues that institutions are simply deciding how big a discount to offer its full pay students and how much financial aid it will offer those students with financial need. By this logic, the tuition decision is really about the size of subsidies different groups of students receive but contains little useful information for students, families or the public.

This is not quite the way the world looks outside of Cambridge, New Haven and Palo Alto.

To be fair to Allen, she acknowledges that her argument applies primarily to “the very well-endowed colleges and universities”—the Ivy League, a handful of others like Chicago, Stanford and Duke, and top liberal arts colleges. These are schools where income from their endowments represents a significant part of their annual budgets. I would estimate this group of elite schools to number between 50 and 100, out of over 2200 four year institutions in the United



States. (One might ask the editors of the *Washington Post* why they would focus precious column inches on the nuances of price setting at schools that educate only a tiny fraction of undergraduates, but that is a quibble for another day.)

The reality out here in flyover country is that tuition still matters. Places like Saint John's University and the College of Saint Benedict, and our many peers, are not called "tuition-driven institutions" without good cause. When we set our budget each year, tuition is by far the single most important revenue source. We do offer need based and merit based aid to our students. (The latter is almost non-existent at the schools Allen writes about.) But that aid is included in our calculations of the necessary tuition level we need to balance our budget. The vast majority of our students do get a discount off the sticker price, through need or merit based aid, but that hardly means that tuition is a useless number

I would argue that tuition plays at least three important functions for most of higher education:

- 1. Annual Costs. Tuition is correlated with costs and is required for most schools to balance their budgets. Even at the elites, there is some relationship between tuition and costs, but at tuition-driven institutions, the pricing decision – tuition – is directly related to the cost of providing the education for our students.*
- 2. Inflation. Annual tuition increases each year remind students, their families and the public that, like most goods, it almost always costs more each year to pay for the inputs to a great education—particularly the compensation for outstanding faculty and support staff. These increases should remind legislators enamored with "tuition freezes" for public institutions that someone has to pay for the increased annual costs.*
- 3. Education is expensive but worth it. Finally, tuition, that in many cases has risen above average family incomes, is an accurate, if painful, reminder that higher education is an expensive product that has come to consume a greater percentage of family income over time. Yet even as this trend is clear, education has become more important for young people seeking professional and personal advancement. Higher tuition is sustainable over time only because of the high returns a college education still offers.*

In short, it is not particularly helpful to declare tuition an outmoded concept. This is not to dispute that college pricing and financial aid are complicated, especially for families who are new to this world. But the solution is not, as Allen suggests, to publish five numbers to further confuse students and families. Families care about two numbers: tuition and how much they have to pay. While one might argue about whether the government should be in the role of dictating how institutions **communicate with their customers**, schools are now required to put a Net Price Calculator on their websites that allows students to input their personal financial information and academic performance to determine the approximate cost of attendance at a given school. The CSB and SJU calculator is [here](#).

The issue for individual institutions and the country is to focus on access, to ensure that talented students are able to get into and can afford the higher education that has become an essential ticket to a lifetime of opportunities, and not to complicate the discussion with “inside baseball” tuition minutia from a small number of institutions with large endowments—not that SJU would mind being in such a group!

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Michael Hemesath is the 13th president of Saint John's University. A 1981 SJU graduate, Hemesath is the first layperson appointed to a full presidential term at SJU. You can find him on Twitter [at] [PrezHemesath](#).