Tertiary Education and Management

Article Submission

The ethical dimensions of awarding financial aid

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Abstract

In countries charging tuition fees, and those that are considering adopting tuition fee policies, recent economic conditions are making education less affordable and accessible for students (Johnstone & Marcucci, 2010; Schwarzenberger & Opheim, 2009). To combat these challenges, nations, state/regional governments, and universities are experimenting with financial aid programs by providing non-repayable grants and scholarships to reduce price barriers (Usher & Medow, 2010). This paper synthesizes the underlying political and ethical motivations driving these financial aid policies. Aid providers interested in pursuing market prestige may prioritize "merit-based" aid policies that are influenced by neoliberal norms; alternatively, those interested in equalizing opportunities for price-sensitive students may prioritize policies guided by egalitarian values related to social justice. The political economy of aiding students has profound effects on educational opportunity, so this paper offers policymakers, researchers, and practitioners a model from which to frame these cross-cutting and timely ethical issues.

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Introduction

Across Europe and the North America, states, regional governments, and nations have adopted austerity measures for financing higher education. Under these measures, traditional sources of financial support from governments have become increasingly scarce and colleges and universities have sought out alternative sources of revenue to make up for that which was once publicly available. Out of this environment, tuition fees have emerged as one of the most visible "alternative" revenue sources for many colleges and universities. Despite the political contention and public anxiety of introducing cost-sharing models, at least 17 European Union countries now charge tuition fees (Johnstone & Marcucci, 2010). Tuition fees have long played a role in United States higher education finance, as the average public baccalaureate-degree granting institution charges more than $7,600 annually -- a value that has risen by more than 60 percent in the past decade (College Board, 2010).

To the extent that universities on both side of the Atlantic are becoming increasingly reliant on tuition[2] as a revenue stream, there will be upward pressure to provide students with financial aid as a way of reducing educational price barriers. Not all students can afford to cope with these changes and an unintended consequence is that many will choose not to enroll simply due to finances (Perna, 2010; St. John, 2005). In the absence of grant aid programs, students may accumulate burdensome loan debts that have negative long-term economic and societal impacts. As a result, the demand for *non-repayable* financial aid in the form of grants (rather than loans) will become central to many public policy efforts designed to keep educational opportunities available to all students regardless of their ability to pay.

The policy decision of providing non-repayable grant aid to students is one that is driven by complex organizational contexts that deserve, but often do not receive, scholarly

[2] Hereafter, "tuition fees" and "tuition" are used interchangeably.

attention. Accordingly, the aim of this paper is to take a deep and careful look into the organizational principles and values that frame financial aid policies. It provides data on the extent to which non-repayable grant aid plays a role in the U.S. higher education enterprise. Additionally, this paper offers a discussion of the motivations and ethical tensions that exist when national or state governments, as well as universities, implement policies that redistribute financial aid subsidies to students. Although this is written from the perspective of U.S. higher education policy, the underlying principles and conceptual framework should be relevant in other national contexts.

Tuition and aid in the U.S.

The United States provides an example, but not necessarily exemplary, funding model that combines high tuition levels with financial aid. According to the U.S. Department of Education (2010), the average tuition price for attending a public baccalaureate degree-granting institution ranges from a low of $430 at Haskell Indian Nations University to a high of $14,416 at Pennsylvania State University. Tuition now accounts for approximately 25 percent of college and university operating revenues, which is a steady upward shift from previous decades when this value was only 10 percent (Delta Cost Project, 2010; McPherson & Schapiro, 2006). To put this dollar value into context, tuition accounts for approximately 27 percent of median family income; but for lower-income families, this percentage rises to 55 percent (NCHEMS, 2010). To address concerns about the rising price of attendance, state, federal, and institutional financial aid providers have adopted policies that are designed to target need-based or merit-based grants that reduce the price of education for certain students. Recently, policies have been designed that blur the line between need and merit, as "merit-within-need" aid policies have become increasingly popular in recent years.

"Need-based" grant aid. In the U.S., a federal methodology called the "need

analysis" formula is often used to identify whether a student qualifies for need-based aid. Under this formula, eligibility is means-tested by considering each students' ability to pay (measured by family income, assets, and withholdings) and then adjusted accordingly based on the cost of attending a particular college (measured by tuition, fees, books, supplies, and room and board).[3] Interestingly, states and institutions are not required to distribute their need-based aid according to federal methodology. In fact, many institutions have created their own criteria for awarding need-based aid (Heller, 2008). As a result, the characteristics of students who benefit from "need-based" aid differs depending on the source of aid (federal, state, or institutional).

"Merit-based" grant aid. The range of institutional practices for awarding need-based aid is relatively small compared to the ways in which colleges determine eligibility for "merit-based" aid. This form of aid has no standard formula from which eligibility is based, and it varies depending on the institution's academic mission. The majority of this type of aid is distributed to students on the basis of high school grades, standardized test scores (e.g. SAT or ACT), and high school class rank (Heller, 2008).

The line between need and merit is blurry and some researchers argue that the simple dichotomy placing "need" opposite of "merit" is becoming increasingly complicated. McPherson & Schapiro (2006) argue that colleges often label their aid as either "need" or "merit" even though these labels do not necessarily "reflect the need or merit-based nature of institutional aid" (Doyle, 2009). Interestingly, many states and institutions are now offering "merit-within-need" where grants are available to students who meet two criteria: recipients must demonstrate financial need while simultaneously displaying academic promise (McPherson & Schapiro, 2002; Heller, 2008). The aim of this paper is to explore these challenges and to offer some clarity around the blurry line between need and merit.

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[3] *For a more detailed discussion of the need-analysis history and methods, please see Stoll & Stedman* (2004).

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Sources of grant aid

Policy priorities for aiding students vary depending on each nation, state or institution's latent values, financial capacity, market positions, and social and academic priorities. According to Gordon Winston (2004), financial aid providers respond to issues germane to public policy concerns about college affordability for low-income students, but they are also motivated to offer aid to "meritorious" students who will advance academic reputations. The following section offers a brief overview of the range of criteria currently used by each aid provider.

Federal criteria. The federal Pell Grant program is the nation's largest need-based grant program, where subsidies are targeted strictly to the nation's lowest-income students. Many of these individuals either live below the national poverty level or are not part of the middle or upper classes. Today, the Pell Grant provides more than $4.5 billion to undergraduate students attending public baccalaureate degree-granting institutions (see Table 1 below). The Pell Grant was introduced in the late 1960's as a part of the War on Poverty, but since the 1980's the "purchasing power" of Pell Grants have steadily declined as federal policy has shifted its focus from an emphasis on grants to loans and tax credits (St. John, 2003). Some observers have attributed neoliberal norms and political conservatism as the driving forces behind these federal trends (Posselt, 2009).

[Insert Table 1 about here]

State criteria. Cumulatively, the 50 states provide approximately $4 billion to students attending public institutions, but the design of aid policies differs considerably from one state to the next. As a result of this range of policy preferences, nine states (New York, California, Illinois, New Jersey, Texas, Illinois, Indiana, and Ohio, and Pennsylvania) provide more than $2 billion of all state aid, while 41 other states provide students with relatively modest amounts of grant aid (NASSGAP, 2010).

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Three-quarters of all grant aid is awarded based on students' financial needs (see Table 2). Some states (e.g. Pennsylvania) charge high tuition levels to all students, but then target need-based aid to those who are more price sensitive. This "high-tuition, high-aid" approach is seen as a progressive way of subsidizing only those students who are most price-sensitive. Some states do not provide much aid because they keep tuition rates relatively low for all students. These "low-tuition, low-aid" states (e.g. California) tend to benefit all students regardless of their ability to pay because tuition rates are low even for the wealthiest students who may be able to afford more expensive educational opportunities (for a more detailed discussion, see Doyle, 2007). In recent years, states have shifted their policies towards "merit-based" awards allocated to high school graduates who earn high grade point averages (usually at least a “B” average) and also score high on standardized tests (such as the SAT or ACT). Just in the past ten years, 16 states have adopted merit-based policies and still more states are weighing the option of continuing these efforts (Zhang & Ness, 2010).

[Insert Table 2 about here]

Institutional criteria. The third and final source of aid comes from colleges and universities. Each of the 668 public baccalaureate degree-granting institutions operate their own financial aid programs independently of both state and federal governmental programs and these universities spend more than $5 billion annually on aid. This aid is often called a “tuition discount,” because institutions have autonomy to discriminate on the price they charge each student. Approximately 20 percent of all students in the public higher education sector receive a tuition discount and nearly half of the $5 billion spent on this aid goes to students who have no financial need (Baum, Lapovsky, & Ma, 2010). Universities have autonomy over who qualifies for “need-based” aid, so many institutions set very high income thresholds that qualify a student as financially “needy.” For example, the poverty threshold for a U.S. family of four is approximately $22,000 annually, yet some colleges offer “need-

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based" aid to students whose family income is less than $75,000 to $100,000 (Project on Student Debt, 2008). Institutions have little will to provide aid as a function of social welfare, as evidenced in policies that prioritize aiding students who do not demonstrate critical financial need (Ehrenberg, Zhang, & Levin, 2006).

Annually, federal, state, and university aid providers award more than $13 billion in non-repayable grant aid to students enrolled in the public sector. As tuition rises, students' demand for grant aid is expected to also rise. The following section discusses why grant aid plays such an important role in the U.S. higher education enterprise, followed by a discussion of the underlying principles expected to shape policy-makers' priorities towards adopting need-based, merit-based, or blended aid policies.

Student price response

While finance is not the only reason why students choose not to enroll in college (Carnevale & Rose, 2004; Stinebrickner & Stinebrickner, 2003), evidence consistently finds it to be a significant factor in determining enrollment and persistence outcomes (Heller, 1997; Hossler, Ziskin, Gross, Kim, & Cekic, 2009; Perna, 2010; St. John, 2000). This body of research suggests that students make enrollment decisions based on ability and willingness to pay, but to varying degrees by highlighting the economic relationship between family income level and enrollment behaviors. These "student price responses" studies conclude that students from lower-income families are likely to face a greater risk of not enrolling simply due to financial constraints.

If tuition rates rise and need-based aid is not proportionally increased, then lower-income students will be less likely to enroll and persist. Because of this relationship between tuition, aid, and enrollment, aid providers may prioritize "need-based" policies designed to encourage lower-income (and, presumably, more price-sensitive) students to apply and

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enroll. However, aid providers may also give high priority to policies that assist non-needy students who demonstrate academic, musical, athletic, or any other talent perceived to be of merit. According to price response theory, both "need-based" and "merit-based" aid will exert influence over students' enrollment decisions. The aforementioned "student price response" literature provides evidence that grant subsidies are a viable policy tool for influencing application and enrollment decisions. Therefore, the way in which aid providers distribute grant subsidies will likely have implications on public policy goals related to college access and affordability.

Philosophical principles of aiding students

In some instances, aid providers are driven by intrinsic motivations related to equalizing opportunities for low-income students and so they design aid policies accordingly (e.g. federal Pell Grants and state/institutional need-based grants). However, aid providers are also motivated by market pressures for competing for the "best and brightest" students, so we have seen a sharp investment in aid targeted towards non-needy students in recent years (e.g. state and institutional merit-based grants). This "intrinsic" and "market-oriented" continuum provides a framework from which to discuss how different institutional values drive aid providers to offer need-based or merit-based discounts. It allows us to explore the philosophical and theoretical underpinnings of the use of aid that is used to meet students' need and that which exceeds need. The way in which colleges and governments redistribute resources is telling of educational values and priorities and it shows how they decide to make trade-offs based on their intrinsic values and market pressures (Gibbs & Murphy, 2009). To that end, I offer two philosophical lenses – egalitarianism and neoliberalism – to view these ethical issues for strategically advancing financial aid policies.

Egalitarian norms. Most aid providers are motivated to increase access and

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opportunity for students who have traditionally been under-represented in higher education (Kane, 1999). Institutions of higher learning have an intrinsic motivation to preserve the "social contract" of educational opportunity through the use of need-based financial aid, so it is common to find aid providers committing resources in such a way that diversifies the student body along lines of race, ethnicity, and socio-economic status (Mortenson, 2006). Need-based grants are tools designed to respond to these intrinsic values by encouraging under-represented students to not "under-invest" in education beyond high school. Aid, therefore, is a tool for reducing the opportunity cost students face which should increase their likelihood of enrolling in higher education. When researchers and policy makers discuss need-based aid, they often do so under egalitarian beliefs in social justice and equity where one's socio-economic status should not determine their chances of pursuing higher education (Orfield, 1992; St. John, 2003). To be sure, the decision to invest in need-based aid is often more than a strategic decision; it can become a "battle between right and wrong" where need-based aid is often seen as the socially responsible route any college should take (Kane, 1999).

In his 1971 book *A Theory of Justice*, John Rawls developed an influential and widely applied theory of social justice. Rawls views human agency through the lens of social structures -- individual actions and choices are influenced (and sometimes determined) by social institutions that distribute "benefits and burdens" among members of society. For a social institution to be legitimate and just, it must provide equal opportunities to a range of liberties among all members of society regardless of their socioeconomic or class position.

Rawls challenges us to approach the concept of social justice from behind a "veil of ignorance," where each member of society does not know the lot that he or she is to receive in life. Under this veil, one's decisions about how social benefits and burdens are to be distributed will not be biased by one's social class, but by equal opportunities to these social goods. This notion of equality of opportunity is Rawls' first principle of justice, but it is followed by the second principle which requires any social or economic inequality that exists within society to satisfy two conditions in serial order: a) positions and offices are first open to all under conditions of equality of opportunity and b) they are to be the greatest benefit to the least advantaged members of society (Rawls, 1971). The first principle and part (a) of the second principle are often referred to as "distributive justice," while part (b) of the second principle is known as the "difference principle."

When a social institution follows the norms of social justice, it achieves democratic equality and rejects the utilitarian notion that a "loss of freedom for some is made right by a greater good shared by others" (Rawls, 1971). This ethical argument follows a strict egalitarian belief in equal opportunities for all, but it also provides practical policy guidance. Rawls argues that distributive justice is not only ethically imperative, but it is also economically efficient and an effective way to distribute financial resources. When social institutions (such as financial aid programs) redistribute resources to individuals who are more favored by "natural and social contingencies" and inherited social privilege (e.g. merit-based aid), they are not operating in an efficient manner. But when resources are targeted to the least advantaged, the distribution is both efficient and equitable.

Rawls' theory of justice is particularly relevant to college opportunity and education finance. Higher education researchers questioning whether it is socially just to distribute subsidies to students who already have inherited social privileges have made his line of argument. Under this argument, awarding aid to non-needy students is an inefficient and inequitable distribution of wealth because non-needy students would likely enroll in college even without the additional subsidy. Rawls explains that "chances to acquire cultural knowledge and skills should not depend on one's class position, and so the school system…should be designed to even out class barriers." St. John (2003) frames this topic in terms of higher education, where he explains that the opportunity to attend college is

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"fundamental to liberty and social justice" and low-income students are treated unjustly when price barriers prevent them from pursuing academic goals. The difference principle is very relevant to financial aid policy decisions because it requires providers to distribute financial aid in a manner that provides the greatest benefits to the least privileged students (such a condition is referred to as the "maximin criteria" in Rawls' theory).

Very few colleges or states can provide all of their tuition discounts to meet student financial need. Doing so would certainly follow the norms of social justice, but it would strain the state or institution's financial capacity and may drive the provider into fiscal insolvency. Simply put, meeting the full amount of need for low-income students is an expensive policy option that may not have sustainable political support. Despite the consistent research findings that need-based aid is a useful tool for helping low-income students enroll and persist in college (see Hossler, et al. (2009) for a comprehensive literature review), need-based grants may be becoming less available to students as aid providers are investing more heavily in merit-based awards.

Neoliberal norms. If intrinsic values of social justice can inform decision-makers about their need-based aid practices, neoliberal (or meritocratic) norms can help explain why providers offer awards in excess of students' financial needs. Institutions of higher education compete in a quasi-markets where there is constant pressure to recruit and retain talented students who will help institutions advance in the academic hierarchy (Winston, 2004). This marketplace is characterized by highly mobile students who have various choices for attending their postsecondary education, resulting in several niches in which colleges compete for market share (Hoxby, 2004; Volkwein & Sweitzer, 2006). This competition can be seen in the intense recruitment of National Merit Scholars and the high visibility of college rankings such as U.S. News and World Reports or Shanghai Rankings. Although public institutions do not follow the traditional business model of profit maximization, rather they

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are in the prestige-maximization game. Now, more than ever, colleges operate in a marketplace that places a premium on students who have academic profiles that will improve institutional position in the higher education hierarchy.

The term *neoliberalism* is used here to explain the philosophical belief that social institutions operate most efficiently in markets that are free from governmental regulation (Harvey, 2005). The privatization of public goods is a direct result of neoliberal policies that seek to shift power and resources away from government towards industry, individuals, and property owners. This arrangement is assumed to encourage competition and innovation among independent parties, as deregulation may improve market-driven productivity and performance. However, neoliberal policies run the risk of turning public goods into private commodities and that there is little empirical evidence of greater efficiencies due to deregulation.

These neoliberal forces are pushing governments and universities towards privatization, where higher education is not always viewed as a public good. Now students are shouldering greater financial price burdens and colleges are seeking greater autonomy from state governing bodies due to these privatization trends (Pusser, 2008). A number of observers are critiquing the neoliberal nature of the higher education landscape, where values such as competition, price discounts, privatization, and rankings are seen as driving consumer culture and raising doubts about public colleges' ability to serve the public good (Brewer, Gates, & Goldman, 2002; Gibbs & Murphy, 2009; Hayes & Wynyard, 2006; Levin, 2007).

Colleges are now viewed as service providers similar to shopping malls or the entertainment industry where students are now "consumers" who expect quality education at a low price (Hayes & Wynward, 2002). Reducing tuition prices through financial aid programs is parallel to sales or discounts in a store. Consumers expect to get a "good deal" when purchasing a good, so merit-based aid has become a popular way to reduce tuition prices for the most selective and desirable students. The implications of this trend worry many observers who fear that colleges will exploit students through price discrimination, simply to gain prestige or even tuition revenue. Brewer, Gates, and Goldman (2002) explain that colleges are able to "exploit their market power or their reputation in order to…develop market strategies that will allow them to improve their position in the market." To the extent that these market forces continue to drive higher education policy decisions, we can expect to see greater investments in merit-based aid at the expense of need-based aid.

Levin (2007) explains that market-oriented policies and practices are reshaping the modern college and university and the implications extend far beyond education. He states, "neoliberal practices lead to a weakened social state, replacing the social contract and the public good with personal responsibility and a competitive and vicious individualism." These market forces push colleges in the direction of providing strategic pricing schemes, particularly those that rely on merit-based tuition discounts. In this environment, public colleges have little responsibility for playing a social welfare function (by providing need-based aid) and they have a greater incentive to use merit aid in their competition for students who will improve institutional prestige. Such a climate makes it difficult for colleges to stop spending money on merit-based aid. As the pool of talented students shrinks and competition among public and private colleges increases, the climate of student recruitment and retention often becomes a "positional arms race" where colleges leverage merit aid to buy students simply to improve institutional rankings (Winston, 2004).

This can be seen as an inefficient consequence of the higher education marketplace, as merit-based aid tends to reward students who do not necessarily need the grant subsidy to enroll in a university. They will pursue education with or without financial aid. Neoliberal and meritocratic trends are viewed as inequitable and socially undesirable since much of the aid simply rewards social capital and reinforces social stratification. Most merit aid recipients come from privileged families and they are now making educational choices based on which state or college can offer the best deal for the price, rather than quality (McPherson & Schapiro, 2006).

A conceptual model for tuition discounting

The U.S. context may offer some valuable insights for other nations, but it is also incomplete in several ways. The following conceptual model offers a more generalizable depiction of how these tensions compete with one another in designing and reforming student financial aid programs. The following discussion briefly describes the ethical and pragmatic motivations that are expected to drive policy makers' decisions regardless of their national orientation, and the conceptual model may assist in the redesign of financial aid policies that are more aligned with policymaker's ethical and pragmatic values.

Primarily need-based strategies. An organization that is motivated by intrinsic values related to aiding students based on financial needs will likely design an aid strategy that falls in one of the top two quadrants. If the aid provider is motivated by intrinsic values that are guided by egalitarian norms of social justice, then the financial aid will likely be distributed purely on the students' financial needs (top-right). In this case, only those students who are from lower-income families would benefit from such a program. The federal Pell Grant is an example of a policy that falls in this quadrant. Some states also follow this model, but it is rare for institutions to offer aid in such a way. The reason universities are often unable to fall in this quadrant is because it is expensive to meet students' needs and only a few of the nation's wealthiest institutions are able to sustain these policies (e.g. Harvard University, Yale University).

For most universities and some states, need-based aid is limited to those students who also meet academic merits (top-left quadrant). In these cases, aid providers ration their

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financial resources to low-income students who are likely to succeed in tertiary education. While they may wish to be more egalitarian in their aid strategies, these providers tend to favor neoliberal and meritocratic forces that limit funds to those low-income students who are "academically worthy." These "need within merit" programs are popular in the U.S., as there is a strong historical and social emphasis on rewarding perceived "merit," in addition to weak support for social safety net programs.

[insert Figure 1 about here]

Primarily merit-based strategies. Opposite of these need-related efforts are the merit-based strategies. Merit-based programs are driven by market-oriented motivations for competing for the "best and brightest" students. Aid providers that seek to advance in the educational marketplace would provide 100 percent of their aid in merit-based programs (bottom-left quadrant) if their ethical values were in line with neoliberal norms. An example of this type of strategy can be seen in the U.S. National Merit Scholars program which is designed to only benefit students who achieve high degrees of academic excellence in high school while simultaneously earning high scores on standardized tests. Many of these students are likely to come from upper-income families who have the social and cultural capital (and financial capital) to participate in college-preparation programs. As a result, these programs may be viewed as socially regressive by rewarding intergenerational privileges and subsidizing students who would likely attend university regardless of the financial aid. Despite these limitations, some states offer 100 percent of their aid based on merit (e.g. Georgia) and many institutions also follow this strategy since it is politically popular to reward students for their "achievement" rather than for their "need" (Dynarski, 2004).

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In the bottom-right quadrant lays the financial aid programs that are primarily merit-based, but that have a need-based component. An example of this strategy is seen in Tennessee, where the state legislature implemented a merit scholarship program in 2007 to encourage "high-achieving" students from low-income families to pursue tertiary education. This program is based on Georgia's HOPE Scholarship program, which was designed in 1993 to assist the state's lowest-income students who earned "B" grade point averages. Interestingly, in Georgia, the income and academic thresholds have risen over recent years much to the advantage of middle and upper income students from white and non-minority backgrounds (Heller & Marin, 2002). If market pressures privilege merit over need, then neoliberal values will lead organizations to pursue financial aid programs that are primarily targeted to the "best and brightest" students regardless of whether they would enroll in university without the subsidy.

Concluding remarks

As cost-sharing trends place an increasingly heavy financial burden on students, many nations and universities may look towards financial aid programs to help reduce these costs. Grants and loans are typically the preferred policy mechanism for helping students afford tertiary education; however, grants are the only source of aid that truly reduces the price students end up paying. For this reason, this paper has attempted to offer clarity around the various strategies (and tensions) that aid providers may consider when designing a grant aid program.

Given the social challenges associated with equalizing educational opportunities for low-income students, a more egalitarian approach to financial aid is desirable. However, current fiscal and political realities are likely to prevent many "purely need-based" aid models from being implemented with a high degree of effectiveness. At least in the U.S., there is a slow push towards the elimination or reduction of social welfare programs as neoliberal forces are pushing financial aid policies towards a market-oriented model. However, if all aid were allocated purely on the basis of students "merit," then it would redistribute resources to those students who are already likely to go attend tertiary education; such a policy would only reinforce social stratification. As a result of the challenges associated with the "purely need-based" and the "purely merit-based" approaches, it is likely that policymakers will attempt to satisfy both priorities by using a hybrid of need-based and merit-based criteria.

Accordingly, the top-left quadrant may likely be the most politically and fiscally sustainable policy option financial aid providers will pursue. This way, providers are able to appease market-oriented pressures of aiding the "best and brightest" students, while simultaneously striving to achieve their egalitarian principles of aiding only those students who have financial needs. While this quadrant does not fit tightly with Rawls' norms of social justice, it is the next best alternative for those interested in aiding low-income students. The policy challenge associated with choosing this alternative is that there is likely to be no clear definition of who qualifies as "needy," and who qualifies as "meritorious." Without clear definitions, aid providers can expect to face mounting pressure to liberalize the selection criteria in ways that benefit middle- and upper-incomes students.

Ultimately, different aid providers will be motivated by different forces when allocating financial aid. This can be seen in the U.S. federal government's commitment to need-based aid versus universities' interest in merit-based strategies. Regardless of who provides the aid, the questions of "who should we help" is central to this discussion. The answer to this question can be informed by the conceptual framework described in this paper. Whichever quadrant an aid provider finds to be most appropriate for their unique social or academic purposes will be influenced by their ethical and pragmatic perspective. It is my

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hope that this paper helps offer clarity to the range of policy options and implications aid providers should weigh when developing or redesigning their financial aid policies.

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Table 1: Scope of grant aid programs in the United States

Source of grant aid	*Total expenditures*	*Average grant*	*Percent aided*
Federal government	$4.4 billion (€3.1 bil.)	$2,843 (€2,043)	25.3%
State governments (n=50)	$4.2 bil. (€3.0 bil.)	$2,984 (€ 2,114)	23.1%
Public universities (n=668)	$5.0 bil. (€3.5 bil.)	$3,668 (€2,637)	22.3%
Total	$13.6 bil. (€ 9.6 bil.)	$5,173 (€3,718)	52.9%

Source: U.S. Department of Education, National Postsecondary Student Aid Survey (2008)

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Table 2: Percent of state grant aid that is need-based

State	1988	1998	2008	20-year change
Alaska	100%	0%	100%	0%
Alabama	36%	27%	84%	48%
Arkansas	85%	79%	64%	-21%
Arizona	100%	100%	99%	-1%
California	100%	100%	100%	0%
Colorado	53%	76%	88%	35%
Connecticut	99%	100%	100%	0%
Delaware	85%	86%	80%	-5%
Florida	40%	21%	26%	-14%
Georgia	26%	0%	0%	-26%
Hawaii	100%	100%	100%	0%
Iowa	99%	99%	93%	-6%
Idaho	81%	72%	33%	-48%
Illinois	95%	93%	94%	-1%
Indiana	99%	99%	96%	-4%
Kansas	100%	99%	99%	0%
Kentucky	100%	100%	49%	-51%
Louisiana	73%	3%	18%	-56%
Massachusetts	97%	100%	94%	-3%
Maryland	74%	85%	95%	21%
Maine	100%	100%	100%	0%
Michigan	100%	100%	57%	-43%
Minnesota	100%	100%	100%	0%
Missouri	72%	57%	72%	0%
Mississippi	56%	90%	13%	-43%
Montana	100%	34%	88%	-12%
North Carolina	20%	37%	83%	62%
North Dakota	90%	87%	80%	-10%
Nebraska	100%	100%	100%	0%
New Hampshire	86%	99%	100%	14%
New Jersey	94%	91%	91%	-3%
New Mexico	64%	57%	31%	-34%
Nevada	100%	100%	41%	-59%
New York	93%	98%	96%	3%
Ohio	71%	64%	79%	9%
Oklahoma	96%	67%	88%	-8%
Oregon	100%	100%	100%	0%
Pennsylvania	99%	100%	100%	0%

Rhode Island	99%	100%	100%	1%
South Carolina	100%	100%	20%	-80%
South Dakota	85%	0%	5%	-80%
Tennessee	99%	95%	24%	-75%
Texas	100%	100%	100%	0%
Utah	52%	67%	70%	17%
Virginia	24%	57%	61%	37%
Vermont	100%	99%	100%	0%
Washington	100%	98%	98%	-2%
Wisconsin	100%	87%	97%	-3%
West Virginia	100%	100%	43%	-57%
Wyoming	100%	100%	100%	0%
U.S. Total	89%	80%	72%	-18%

Source: National Association of Student Grant and Aid Programs (NASSGAP), various years

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Figure 1: Conceptual model for designing financial aid policy alternatives

	More Egalitarian		
More market oriented	Primarily need-based with merit-based component	Purely need-based, no merit-based component	More intrinsically oriented
	Purely merit-based, no need-based component	Primarily merit-based with need-based component	
	More Neoliberal		