[Katherine:] My name is Katherine Magnuson and I am the Associate Director of The Institute for Research on Poverty. On behalf of the Wisconsin HOPE Lab, and my WISCAPE colleagues. I am pleased to welcome you here. We're having a discussion today between two of our esteemed affiliates, Steven Durlauf who is professor of economics and Sara Goldrick-Rab, a professor of educational policy studies and sociology. The discussion is being moderated by Dr. Stephanie Roberts of the School of Social Work. At this point I will hand it off to Stephanie, who will tell you more about the format.

[Stephanie:] Good afternoon. So the format we are going to use today is we are going to start with a short clip of the president's announcing the initiative and then Sara will have 15 minutes to make a statement then Steven will have 20 minutes to make a statement and provide our response and Sara will have five more minutes for response and then after that I will moderate and open Q&A from all of you. And I will remind you this at the time, but we're taping this so don't ask your question until I bring you the mic.

{President Obama's announcement of Free Community College plays https://www.youtube.com/watch?v=d-QfEMXAgk}

[Sara:] Good afternoon. Thank you all for being here today. I'm going to talk about why I believe that what the President did in that announcement is worthy of support. First I want to start by saying that I asked Steven to join me in this conversation today, because I believe that any proposal worth making is worthy of sifting and winnowing. And here at the University of Wisconsin that is one of our finest traditions of something that we must uphold and something that I believe that we demonstrate to the rest of the country as to how it's done, so I'm hoping that what we'll do here today as colleagues is to work through what we believe are the merits and the problems with this plan. I believe that this will be informative not only for those here today, but for those around the country who are trying to figure out exactly what this means that the president just said or what the next steps could or should be. So I am going to pick up one little logistic and let you all know that we were originally going to be live streaming today which we could not do because there was just scheduled legislative hearing down the road there. But we do have people following us on Twitter. And if you are tweeting, you should tweet at #freecc. Hashtag freecc. That's my Twitter handle up there in case you want to use that. Okay, so let me go through the proposal today, as currently as it's known for at least from the White House, and note that there are forthcoming proposals for multiple senators, who will be bringing out variations on this proposal, but we are going to primarily focus on this today. As the President said, the plan here is to make two years (and he has spoken about it in terms of years of community college) free- what that means is the lowering of the upfront price of attending. It's the lowering of the sticker price—what we and financial aid would refer to as a first dollar scholarship rather than one that for example in Tennessee is the last dollar model which essentially applies all existing financial aid and then only covers the remaining need that exist if it does exist in order to
make it free. And I can discuss in greater detail why those two things are very different. This is the
first dollar program. The second thing is that in order to be eligible for this program, the students
have to enroll at least halftime. That may sound like a minimal amount but it's worth noting that a
substantial fraction of community college students today do not even enroll at halftime so that is a
requirement here. It is not a means-tested proposal and as it was originally made, it's not intended to
require an application and therefore it could in theory, apply to Bill Gates' children- were they to
pursue a community college education. With that said, I got little asterisk in there because at some
point someone slipped in a $200,000 income cap into this that folks have been trying to stay away
from ever since that's been mentioned, so I think that it'll be clear to you today that I would oppose
the introduction of such a cap because it moves away from universal model. Continued receipt,
although not initial eligibility and those are two very different things, continued receipt of the free
program requires a student to obtain a 2.5 grade point average. For those of you who are unfamiliar
with today's standards for the Federal Pell Grant program requires obtaining a 2.0 GPA. And there is
a growing body of evidence that approximately 25 to 40% of all first year students not only those
receiving the Pell grant actually struggle to meet the 2.0 criteria as it stands now. In terms of which
colleges would be eligible the president talked about high quality community colleges and what he
was referring to is those who offer transfer programs or high quality occupational programs that lead
to degrees of certificates. Now here in Wisconsin, we don't have community colleges so I want to
note that under this definition, it is very likely that our UW colleges, which is our two year branch
campuses that have transfer and our Wisconsin technical colleges, which very demonstrably have
strong returns to the occupational programs, both of which is very likely to be included in such a
program.

Finally the way that the funding is supposed to work for this program, and I'll talk about the pay-for, is
covered by the Federal government and 1/4 covered by the states. For those of you who don't know
how community college funding currently works- the most important thing you need to know is that
the vast majority of funding for undergraduate education at today's community colleges comes from
states and local entities. It comes from local taxpayer support, bond referenda and that sort of thing-
so this would be a major change.

To start off, I am going to make two points. I believe that this is a proposal worthy of support for two
reasons. First, I believe that it is likely to have significant substantial positive impacts on college
attendance and completion that will primarily accrue to those from low to moderate income families
and therefore increase equity in higher education outcomes. Secondly I'm also going to argue that
this is a good policy to pursue at this time and is worthy of investments with current resources and
that's going to have to deal with a sense of economic and political contacts as I believe must be
accounted for when assessing the viability of any policy. Further I'm going to talk a bit about time
horizons. Now I'm going to tell you a bit about myself for those of you who don't know who I am,
because as one of our speaker talked about in IRP several months ago, Chuck Manski, our
conclusions reflect both our data and our assumptions. And I want to lay out a bit about my
assumptions in case you're not familiar with them.

My work has been devoted to studying undergraduates for the last 15 years. I haven't only focused
on low-income students, but I predominantly focused on them. I have examined their transfer
behaviors, their college choices and yes, their finances. And at the Wisconsin HOPE Lab, which I
now direct, we're entirely focused with issues of college affordability and seeking any which way
possible to try to reduce the very strong link that exists today between family income and the
chances of obtaining a college degree. I am a sociologist by training and I tend to think of things in
that context and tend to think about intersections between institutions. So, for example, I tend to
think about education policies as social policies and I like to think about this historical moment not
just in terms of what is happening today in education but also what is happening today in workforce
policy and with regard to the rest of the social safety net. I also believe that my thinking today
reflects both quantitative and qualitative research. For example, my team has conducted rigorous
experimental studies of the impacts of need-based financial aid but we're also in the field right now
with a multi sited ethnographic study of undergraduates and so a lot of what I think about how
students will respond to this policy is also grounded in that foundational research. Finally the way
that I think especially about this particular moment reflects my engagement with local state and Federal policymakers including the Domestic Policy Council around these particular issues and a judgment call that we will all have to discuss about what the current situation looks like and its viability for a pursuit of a policy of his time. I did release a paper last year with my colleague Nancy Kendall, who is really sadly away at a conference today and wishes she could be here. It is referenced out there in case you would see the kinds of arguments we lay out they are aligned but not entirely reflected in the proposal that we're discussing today. There are some very important distinctions that we could talk about in Q&A, but Steven and I also agreed that we would focus on the president's proposal, but I want to note that everything I'm saying today really has been a strongly influenced by those relationships and conversations that Nancy and again, I really wish she could be here.

So the first thing I think we need to get on the table is that the cost of attending community college, we would argue, is definitely an impediment to community college students and I think it has to be laid out in some detail because there's a common assumption out there that our community colleges are already very affordable as you might have heard tuition is already very low. In fact there are some who will say that net tuition is virtually free today for low-income students. Now at am these are reasonable things to states and in some ways they reflect an understanding of higher education financing that is about 10 years old. The Great Recession did a great deal of harm to college affordability in this country so the data that I have here is the most recent available here. It's from 2012-2013. And what I'm showing you is the net price--the federal definition of attending community college. What that means is there is a cost of tuition, fees and living expenses, as well as books supplies, and transportation on an annual basis minus all grants and scholarships. This is what students have to come up with it in order to actually be in school. What you can see here is that even for low income students and I'm showing you the average family income for those in the federal data set for that and for calling low-income, and you can see for dependent students who were traditional age. It's about $21,000 a year to attend community college in this country, they face a net price of $8,300 a year that announced to 40% of their families' income. You can see it goes up from there but it's worth noting that some moderate and even middle income families, those percentages get rather high and they are astoundingly high for independent students who actually the majority of community college students today. The average entering into community colleges is 28 years old. For a low-income student, they are facing a net price of attending community college today of over $11,000 a year. What happened? States disinvested and we are all familiar in that here in Wisconsin with that phenomenon. Real family income declined and our investments in grant aid- what we have increased the Pell overtime have not increased at nearly the same rate as the cost of college. What do students do when faced with this? Our research indicates they do a variety of things but most importantly, they borrow students loans just to attend a community college and in fact they cannot cover $8000 or more year Federal loans because the maximum is $5500 so they turned to Federal loans, they work, and in fact, 75% of today's undergraduates are working- many of them at night, many of them during the graveyard shift and they are making changes to their academic course taking behaviors as a result. We are seeing literally talent loss. So if we compare two cohorts of high school graduates for 1992 and 2004. I'm going to focus here on the academically prepared and what these changes in the red bars show you is an increasing numbers of them are forgoing college, not going anywhere. That's a major change. That's a reversal of trends from prior decades. Secondly, for those who enter community college, you're seeing their persistence rates declined for those from low- to moderate-income families and again, here I am holding constant high academic levels of preparation. And these are trends that I am concerned about. Now, what's likely to happen to these if we go with President's Obama's proposal. First we have to admit, there's been nothing like this done before. I believe that CUNY in the early 1970s, we can discuss in Q&A is the best approximation. I don't think of what happened California's really very telling in terms with this policy would look like or do. But there are three types of recent studies that we can examine and in advance of this we share the list to gather up the studies and agreed upon that body of evidence and you can see and hear the kinds of things that we've examined. Now importantly, now I'm talking about a grand total of 10 studies. And two of them came out in the last year.
So I want to highlight those two I think that are the best and most relevant evidence. One of them is conducted by an economics doctoral student, Jeff Denning at the University of Texas- Austin under Sandy Black. It examines recent changes in Texas community college pricing and he identifies the $1000 decrease in the cost of attending a community college increased enrollment by about seven percentage points. That's just the enrollment margin, however, he also finds that more students are likely to actually complete college and very importantly to even obtain bachelor's degrees, so there is a literature that suggest some routes to students being diverted, for example, to community colleges instead of four-year schools. His evidence suggests that if this exists, we still see an uptick in bachelor's degree attainment. Secondly, a nice paper that was presented this year at The Association of Educational Finance & Policy looks at Knox Achieves Program, which predates the Tennessee Promise and again finds admittedly using a less rigorous design that doesn't deal with unobserved heterogeneity as well. They find very substantial increases in high school graduation rates, community college attendance rates, and college persistence rates associated with the offer of free community college. Importantly even for students who did not see their price reduced, which suggests that messaging matters. Now I believe that these estimates may be overstated on the other hand, because they were not done at scale, these programs, they may in fact be understated. I apparently only have one minute remaining so I'll just say the following about the likely impact and address the rest after Steve speaks. I believe that we're also going to see other very important effects beyond the state level. I believe that we'll see stabilization and the funding sources for community colleges which are currently how I just like their involvement. As soon as they need money, the funding for them goes down. That should change. I believe it will improve school quality partly as a result and partly because one reason we see poor outcomes of today's community colleges is a significant resource constraints of their students and their faculty's difficulty in dealing with those constraints. I also believe that introducing the state maintenance of effort requirement which comes under this policy will help to stabilize and perhaps reduce costs at these institutions. And I'll stop there and turn it over to Steve.

[Steve:] I have to admit, I was a little intimidated by the Obama clip, because I didn't hear quite correctly and when he said he wanted to persuade Congress. And I thought persuade economists. First of all, let me thank Sara for both inviting me and initiating it. I much think of this as a structured discussion. It's not a debate. There is certain to extent empirical evidence and think about policy and the object of my hope is that it is mostly for the thinking through the policies that to the facilitates the off the enhancement of opportunity. From really what I want to do is we explain why someone think shares most of the ethical commitments of Sara would come to different conclusion about this particular policy. And I want to emphasize that more than once that I think I'm right to take the position but that doesn't mean that Sara is wrong. The objective is the largest right away I think about policy valuation for better or worse identify where the disagreements are some that will simply be almost philosophical. Others will have to do with the way we are to interpret empirical evidence. Other ones are going to have to do with what we know going into the exercise, which helps me by the way. So the first place, this is something we actually have something of a disagreement. It wasn't for me to support the proposal. It isn't a vacuous for questioning the reason for that is, if you asked question, do I want to see enhanced opportunities for education for the disadvantaged? I say, yes, but I think that that anyone could say, any reasonable person would say the same thing. And so really when somebody ask about a policy, of course, the commitment be a beacon of this until a particular policy. I think that this for three things that have to be done. First, to simply evaluate the merits of wealth in isolation and others on some terms. The second is to consider all the alternative plan to similar approximate goals and what I mean by that is that the resources are going to be employed for this particular up program. We have to ask whether or not given the finite budget isn't the way to proceed. So the only comment I want to make, going into that is that the size of the program isn't a trivial matter. In other words, if it's $12 billion per year, we can compare it to some rather large programs that have fundamental social welfare programs in which orders of magnitude are not all that different. I do want to stipulate that we are giving a substantial amount of money and that's not something I think we cannot we can necessarily ignore the issue associated with resources. Now opportunity cost is a little bit of a dangerous argument. And the reason for that is if I say to her, "Oh Sara- if I spend all the money on vaccinations in the third world," it would be impossible for her to
justify a policy imaginable. In contrast, I don't think the opportunity cost is zero so what it places me as in position that gives something that is reasonable. And so what I am going to claim as reasonable, and the way I want to think about it is I have $60,000,000,000 miraculously to help the disadvantaged. Where would I place the money and in order to pick up the argument, in other words I am going to stipulate that the resources simply exist and not care about where they came from. Furthermore, I claim that it wouldn't be sufficient either. I have to have a pretty big difference between the spot and otherwise another was alive and well is an excellent difference between this policy and other ones, and that's not a sufficient argument against it. Alright and so, I'll have time to get to since, Sara it's 15 vs. 20--that's a problem, and I want to say something about the opportunity cost with respect to politics. It is one thing to advocate the policy, another thing is feasibility.

Second thing I want to say is a background issue is how to think about policy evaluation. We want two things on the table. One is how we vision of how the outcomes we care about are determined and that means if we could have substance social science disagreement with the like. And the second, we have to substitute the evaluative criteria, and so there is a lot of algebra one can put in something like that.

I think some outcomes are going to depend on the policy, and the assumptions, data, and what I think as the unknown. Those are some things we have to agree upon in the time of uncertainty of the policy. Now those are logically distinct than in the second data and it's a report of the fact that matter. And the second is that we have some notion of how we’re with a positive light of this uncertainty and so what the algebra says is the following- is that we have to have to have stances on the nature of that uncertainty and the easiest way to think of this is probability density associated with that. How would that matter so supposed what I said to her, I am not sure how spotting economics 101 is how people behave. Sara said, I don't like that assumption, that should be in the unknowns. She could take a different position, sociological approach. Because we don't want to be dogmatic on that issue, so that theme that comes up again- is that issue.

So this is what we can disagree, and we can some levels that have to with commitments, that has to do with how we think about models. The second is what we have to do with what is unknown. And it has something with our empirical philosophy, it also going to have something to what we call our prior beliefs. Or shouldn't take whatever the legal position. In other words, we go into the exercise, and the analysis knowing things. And the final thing is that there might be something about the differences in evaluated criteria. That's where we are and the crumbs are on the table and teach you in the barrels and it might be possible that you may be mistaken to put this on, because it'll be wrong to interpret anything I say too dogmatically. I think I have good reasons to believe these things, but they're all subject to reputation.

Final is background. The way I think about community college is that it's in the context of life course. Individuals are perceiving from birth through their life course trajectories, and there is a particular moment call community or possible range of moments. And the simplification of that issue- and this is not going start at people starting at 28, is that you have people going from birth to age 18, and at age 18, there is one of three things they can do: enter the labor force, go to community college, go to four-year college.

What it is that I think we can think about paths as outcomes. There is one path from a high school, go to a four-year college and into the labor force. Another path could be GED, your two year college, enter the labor forces and so forth. And so at the end, one ends up even the over simplification of the fact that you could move back and do things at different ages, with a fairly complication of what's going to be happening. And so I put this on the table because this is going to be how I think about the problem and how I want interpret the proposal. So what are the ethical commitments. There are not really going to be controversial. I want opportunities to be rich and I am sure she strongly disagrees. And the second is some notion of a flourishing life, and so I distinguished those, because the first one is non-consequential. I care about the rules being fair. So how do I evaluate the policy- its defense? So I want to call the micro-level effect, how do I think about it and that is I have this life course, and this particular moment or particular moment that when going to community college, the
price has been changed. It's been set to zero. The tuition price not the net price. That's the change and I want to think about life courses bout this particular price having been altered. So from that perspective we sorts say, why do I want to use? One reason is that when we think about price effects, they should have two sides to them. One is called an income effect. If I want to buy something, that's trickier at hand. In terms of defending the proposal, because of fairness issue, because if I want to help disadvantaged people, I could argue that why should I help the disadvantaged ones that elect to go to community college? Now I may do that because I care about education. It's a separate point and that's called a substitution effect, in other words, there is an idea of changing relative opportunities with the respect of the implied cost to them. And that's the distinguishing thing that I want to have on the table.

Now, here is the thought experiment and notice that I keep simplifying, getting rid of richness, supposed what I want is to have many four year graduates as possible. It's not fair, because it ignores the first order rules of community colleges, which is training for certificates. But I am putting this on as a way to think. So what are the paths? We could imagine that the policy and the people who have entered labor force, but go to community college.

Another one could be that if the requirements for community college are different from four year colleges, you could imagine that the people could graduate, would shift to GED that's sufficient for community college. I don't question whether the evidence as a logical possibility. A third possibility is that high school graduates or GED--recipient shift from a four year to two-year college. The reason why I put this on the table is the first one is thinking about the intuitive as clear as there. The other two is little bit less obvious and has this implication which is a possibility that if I really care about the four year graduation rates, maybe it'll be counter-productive. Strange enough by changing the role the price paid focusing on this one node, we may not be enhancing the objectives we care about with respect to the life course. And that's the part we are going to disagree, how strong is the evidence for these of the two factors. There is no evidence that is positive. We are going to judgments here. So there's background, let me just say why do I worry about these things. One piece of evidence is pretty clear that there's a big difference between completing high school and the GED in terms of the knowledge that people have and how they do in labor markets and so this table gives some evidence of that. Also, it's a lot harder to complete schooling to work for if you have a GED. I just want that on the table as something to think about. Setting comment is that, Sara mentioned this, there is considerable evidence that completion rates at community colleges are not high. Completions rates for four up for four years are also pretty low. And that's going to be important in thinking about the evidence she gave like the Denning study. But those are just going to be two ideas on the table. So we are talking about evidence, so I picked six studies. Some background is when Sara initiated this, I asked her--she knows the literature I don't. I knew some of it to be, but I was on board with her in terms of what we're going to talk about. So I picked. I didn't do great. Here are six studies that found something on community college enrollment associated with $1,000 dollars drop in tuition. I want to be careful that in some of these studies have to do with any college. For the purpose that is sufficient. This quasi-experiments means is that there is a case change in the price and see what behaviors that are manifested in it, so if you want to net off all problems in was cut on board with her in terms of what over the top of him selecting the right side of integrating a plane ticket to invite up, six examples of studies and find something of a community called a role in search of $1000 drop in to wish and a lot below the careful that, all in some of the studies and had to do with any college of the purposes that a sufficient witness who have. That is often the devils in the details and interested in examining it has done a lot of attention of the reason idea why is that they receive in different communities that bargain to draw community college districts in that though prosecutors and when you're eligible for a lower tuition to deliver the district and secondly, you raise your taxes of up to help support it.

So from my perspective as a social scientist this doesn't work for me as an experiment to be blunt and the reason for that is a there's always this deep issue of self selection. You probably all know that if you are over the age of 70, you are going to the hospital. You're more likely to die, then if you don't. Well that's because sick people go to the hospital, that's self selection in a very extreme form. This is a more subtle type of self selection. We have this dynamic state in which community districts
are more or less dynamic, and these communities are choosing to join community college districts. Self selection larger something we called fixed effect. It's an error that appears in empirical work, we can't blame for that. But nevertheless, in my judgment, is a first order reason that I read the evidence with skepticism and the final thing is just made the observation. And notice that they aren't the same policy. This is a self financing one so to speak. I just want to keep that in mind. It doesn't mean it's a bad paper. It is simply why I don't put much evidentiary weight on policy.

Alright. I am going to go much faster. I am going to skip two other papers. I only did pick economists' ones by the way. I do want to say one final thing about the data. There are controversies in social science about them. And these papers often study some things that I think are important. I mentioned one and three. The first one is the statistical analyses have functional forms in them typically, and they used something called a linear probability model. Who cares? Linear probability models ignore something important to the interactions in things in terms of probabilities of things occurring. The second thing, the third one is called model uncertainty. The reason I focus on that these are studies that still have control variables in them. You put in race, ethnicity, measures of socioeconomic status. None of these are the theories as to which variables learn how to measure them and in tying case after case after case is turned out that there's fragility to these types of results.

That doesn't mean this one is fragile. I am saying when I read this paper in isolation that's going to be an issue with me. So, I am going to skip over given the time. I'm really screwing up, let me see if I can go back. No, I can't. There is only one way forward.

There is separate issue which is what happens to people in community college and whether not it indeed has an effect of so called displacement effect etc. At some level it's a simple criticism. They are looking at women who enrolled against the national representation of a sample of women. And in the bottom line is all the women in the CUNY study. They enrolled in CUNY and that self selection is not addressed in the book. Now I put all that on the table and I want to end with one important comment, the logic that I gave you may or may not be empirically important and that's what I have a huge comparative disadvantage in the analysis. I don't do ethnographic work. I am conversant with the individuals in the system. Sara came back and want to make an argument that the type of selection I'm worried about is a factual matter is not first order, you should believe her. This is where I am on theory. In other context were self selection and disadvantaged about training programs as turns out the effect is largely (???). And there were ambitious people enrolled in them. But at the end of the day, that's why you can have principle disagreements. The macro level I am going to skip. I want to make a comment about segregation and that is I worry about plans in general, which might enhance the social status in institution resource socioeconomics status. We were debating the Goldrick-Rab/Kendall plan. I would spent the whole time on that, because she wants to fund the privates. That's what I would focus on. And I put on the table some concerns that Bill Gates children start to decide where to go where there may be more disadvantaged people. That may enhance socioeconomic situation.

And in other works I call this membership theory. The quality where you think about individuals going through life family school and neighborhood later, college and all that. And we have to be extremely careful about that. Okay. So what about alternative plan formulations? I think that any economists would say why are you paying for info-marginal people? The people who aren't going to be affected? Once two years are completed. Do you know what that would do? Set the incentives to get the four-year degree. So I put that on the table is that it might be a more radical change. Now an opportunity cost, I want to say is that there is very strong evidence of high returns to early childhood investments, programs between ages three and five. And again on the slide, we give the evidence there. Now you might my response, there might be something special about zero tuition. That's not so clear to me, and the reason I say that is that people pay more money, because it raises expectations of what they are going to get. I want those community college is say that they are share holders and they are going to bud the teachers so that they don't pay enough attention to them so on and so forth.
It's an issue of loans and grants. Two comments, in which we will move to the Q&A since we didn't get to that. So the bottom line is that on the face I don't see the evidential good. I don't think it's strong or effective. My preferences. I am very worried about these, what I say, possible adverse effects. Segregation or displacement- it doesn't mean that I have strongly. The third comment is that I do see different ways to structure the policy that I think are non-trivial. And the final thing, and this is where we do have a little bit of an ethical difference I think, which is that my view on opportunity is not equalization is that people have a certain reason chance. The bottom line, to be blunt, is that what I want-I don't like downward mobility. It's great parents can lock their kids in, is simply if the parents isn't affluent and success. And that distinction is not structural.

And I have some lovely quotes from Mill and Lincoln, but I don't have time for them.

[Sara:] We originally discussed making this two hours and now I don't know. Let me think a minute here, so first let me make a few points in the slides that don't fit in because they were not relevant. On the empirical issues, I think that it's important--I highlighted Denning, but it's one study in a set of studies. And I think the rest of the slides actually showed you that the vast majority of the alternative studies that we might look at go in the same direction. In other words, they tend to find that lowering the cost associated with the community colleges do tend to find a similar effects. And some, I want to note, that one of the studies is on the quasi-experimental study slide is actually an experiment. And there is a set of these, and there is another one that Drew Anderson and I are in the midst of right now that I don't think, I don't want to put into this body of evidence, because it's not even a working paper yet. But in other words, there is experimental work, and there is quasi-experimental work. I think that the most important thing to say at this point and then to move forward in the empirical evidence is the piece of the decision here around supporting the policy and I believe that many times we are faced with decisions and I think Washington is faced with decisions that we would love as academics to believe are entirely informed by rich and robust the body of evidence is at the moment and yet at the same time, in some ways it's not the only thing that's relevant. And I think this is very much one of those cases. I think that we can all see out there the cries from families for some sort of relief when were some sort of relief when it comes to their concerns about, not only whether they are going to fall down in terms of mobility, but whether there is any point in teaching their children that it's important to finish high school, that it's important to get academically prepared for college, if in fact we're going to see in the future what we're seeing today. I want to be clear about what we're seeing today. We're seeing very hardworking programs and people encouraging students to get ready for college successfully getting them in the door and watching them drop out after year or two as literally there's a lot of college left the end of money. And this is something we're saying over and over. Every practitioner reports that the number one stated reason for dropping out is money. We can still assume that some of that is tie up in academics but we actually cannot separate those two as clearly as we would like to, both either in the data and in reality since the academic performance that we're seeing especially in community colleges, who have obtained some college, but no degree. But most importantly they have debt. And the consequences of that debt, I think are poorly estimated at this point. I don't think there is a study on there, I think that shows a causal effect of the debt, so much there is a causal effect with the lack of affordability. But the concern that I have is, and I believe we have a graphic evidence, we believe it strongly points to, is the strong likelihood that these individuals moving forward in their lives will hesitate before sending their children to college of any type. And I think that that's a cycle that will not be virtuous one for us and it will be paying. And I think that therefore, Washington is concerned about these sorts of things. There are other particular moments that I want highlight for us in terms of history that should shape our thinking about whether this is the right policy at the right time. The first one is, we are now at the 50th anniversary of the Higher Education Act of 1965 and so we've now been doing the current system and only one system. We've only tried one way of making college affordable during the period of massification of higher education, and we've been doing that now for 50 years. It is a voucher based system. Pell grant is all about choice and actually you it's a means test system to get us. So I just want to point out at Michigan. So I want to show you the first cohort by family income during the period time when we have the current and I take at this chart as you can see here, that in fact low-income folks are essentially running in place. So yes it increase from five to nine percent, it is actually rather substantial in calculated in percentage points term. As
you can see, the poor has fallen further behind under the current system, which cost an enormous amount of money. And we can argue over whether what is too much, but I do think in Washington that if we added up the total cost of the current Federal Financial Aid System and we look at the $100,000,000,000 number and we look at this, we would have some real concerns. Andrew Kelly and I wrote a book that I will refer to later. Another thing to remember that there is evidence bipartisan interest in affordability of this moment. This state that the president traveled to Tennessee is governed by a republican who put forth a free community college plan following actually on the hills of Mississippi which was also interested in this. At the same time that the former governor now John Kitzhaber of Oregon a Democrat was also pursuing it. I think those things are relevant. I believe while we should consider opportunity cost of policies, I don't think that there actually at play in the decision-making process in the way that we would perhaps as academics like them to be. There was literally no one, I can assure you, sitting there saying there is X pot of money to spend on the disadvantaged, let's choose among the following things. If you want to see what this looks like we should look at President Obama's budget bill which includes spending for all of the things that we might like to see perhaps leading out a few but in fact includes all of that and I believe that the best thing we can do it if we were going to strengthen universal early childhood education and improve our K-12 system is to ensure that the other end lie out the opportunities that people can actually take advantage of by also showing the community college system. I am also extremely unwilling to write off the future opportunities of adults who are long past those other reforms that we might not be investing in. I believe that we do have the capacity in every which respect of political and economic capacity to act in all forms and I believe that one of the lessons that we have seen and this is, you know again, this is something we can debate on something Scotch Poll has written about and talking about lately, that universal policies are going to be sustained over the long-term far better than policies that are targeted to only the very poorest. I believe that the transition and rhetoric from talking about Pell grant recipients as hardworking individuals to those who are at likened to welfare recipients something that Katie Broton is actually going to hopefully look at in her dissertation. I think that is a highlight that we cannot look past, that the federal Pell Grant program is in grave danger already and that we're going to have to take some sort of action to shore up the affordability for these folks over the long haul. I think there many pay-fors here that are potentials. I think that the numbers that Steven put up, we went back and forth, what numbers to use, we don't know what numbers to use, because some of it is about how you going to actually do this. My proposal with Nancy highlights, what I would call to as waste in the current, he recalls it as private school attendance. I am not saying that they are not a bad place to go, they're fine. I don't understand why we, as federal taxpayers, subsidized attendance at institution that directly compete with ours and drive up our cost. UW-Madison today would not be in the situation that it is in seeking to raise its tuition, if frankly, our private school counterparts would not be showing us how much money one could spend on undergraduate education. This is now happening to our community colleges, to UW-Parkside, to Stout, etc. I also would say that if I if I had known that he was coming on the segregation piece, I would show you a fabulous part, it's hard to get more segregated than we are today. Today's higher education system is so intensely segregated between opportunities that private and public colleges, is that in fact, the concern I have is on the quote, low end, which is the segregation into the for-profit colleges and universities because the publics are unaffordable. There is actually a very nice study that shows what happens when make a good investment in the public sector is that the profit sector takes a downhill slide in terms of its enrollment. That something that I think we need to enhance. The discussion and debate are indeed this is happening on Washington is about how to do this before and Helen back to make this program work if the state and now there is high as ever and for improvement and this is what I've been spending my time right now is what can we do to make this a better policy. First it needs to be a simpler. The GPA requirement work against the effectiveness of this policy. If it's going to be means testing, you are going to lose my support for this policy. It needs to be more inclusive. I think we should add the public four years and the best argument for that is that there is substantial numbers of students who are sitting on the margins between those four year and for profit institutions. And there is a growing body of evidence that in fact they may be harm by pushing them towards the first year colleges. Although, that is sort of taking the status quo in terms of what the community colleges can deliver and I think this will enhance their performance. I also believe it should be more flexible. Two years is simply not the way
students think about college today; they think in terms of credits. And so I think that we need to do 60 credits even if it's spread over four years of whatever else like that.

In terms of who you're likely to see thinking about this, like I said before, there are legislators who are getting in this next, including I believe that we are our own senator here in Wisconsin, Tammy Baldwin. We're going to see versions of this coming out from states and they need advice about how to do this well at the state level which is a very difficult thing to do without the federal resources and frankly the thing we are most hoping for is the demonstration, because that is something that we have been lacking all the money we spent in higher education. We very rarely get any sort of waiver authority to do any sort of demo. And so I'm going to leave that out. I'm very excited to hear about your questions and answers and this was a blast.

[Steven:] Do you mind if I take a couple of minutes on universalism?

[Katherine:] How many can he take?

[Sara:] He can take two minutes

{laughter}

[Sara:] Well he asked me.

[Steven:] Universalism- so there this is something we have a disagreement. My reading of the Skocpol work, is that I am not persuade by the history that she's ratified. And what I mean by that is that it was motivated by the Reagan administration, Reagan coming to office, and Reagan's hostility to welfare. One of the many slides I skipped shows the per capita increases or the growth of the social welfare programs despite the Reagan Revolution. And I think some of Skocpol's worries did not show the case historically. Second comment and this is where we would have a specific disagreement on the price and what rich people is willing to pay for, and I think. I put this ability to create an ethical consensus on something. Besides the word of opportunity, there is another concept, and that is deserve, as is whether people deserves.

And I worry that a program that gives Bill Gates' kids to give people something that is under deserving. There are good arguments that starts in science. They have argued that the failure of egalitarian policies to prevail has to do with the given evolutionary psychology interpretation that I don't agree. The idea that people have to be adverse to policy. They think that they are being cheated in some sense and that people are not fulfilling their obligations. One can also identify empirical evidence for that. The U.S. Army is often said to engage in supply side instead of the demand side. And the affirmative action, there is resentment in education among white soldiers, so these policies have to do with the fact that there is a co-payment in addition to these studies. Charles Mosso (sp?), and Butler have argued that. Again, this is not simply a proof on this issue. The final things I will grumble about is not about you, but about President Obama. The reason why I called it an empty proposal in that newspaper ago was, a couple of years ago, everything was about ECI. This was going to be the place where the publicity came. I think it's easier to get an ethical consensus on protecting the children, because the same issue of desert and responsibility, all of that. It tends to attenuate with age. My judgment is that this where the political feasibility is strongest at. That's all. Again, this is bringing up the history.

[Stephanie:] Okay we have a lot of people in the room and we have about 20 minutes. You have to speak into the mic, and so what I'm going to do is have people on this side for a few questions, a couple questions, and I'm going to move to that side. Who's got questions over here?

[Katherine:] Howdy y'all. I'm Katherine and I'm a fourth year in the economics department. I don't know anything about community college so, Sara, I was wondering if you can talk about what kind of heterogeneity or the quality of community college within certain geographies, because one of hesitation from being a big liberal and being in this plan, you know, we have universal high school,
but it's an incredible unequal production process, deliberately so, if you think of public finance. What would be the difference with community colleges and the way that they are structured that we wouldn't just be extending really unequal high school experiences for another two years?

[Sara:] Sure. I think that it's a great question. I think that the comments about our current system are also important to address. Our current system is highly unequal and in many ways it is being denigrated for not doing a great job. I still think that there are many, who would argue, it is still highly performing. We do still achieve quite a bit in our K-12 system. There is still a long way to go and we achieve different amount for different people. In terms of the variation in quality among community colleges, I would say, it is not fabulous. The state field is not strong and those of you who are students, who might want to jump into this field, I urge you to do so, because it's a very small and shallow water right now. So it's really difficult to distinguish the characteristics and organizational practices of our colleges from the people who populate them. And the data sets we have available have very few variables of which to measure these things. There are certainly people, who I would say, are ethnographers of the community colleges, who would say that there is a great deal of variation, but many of them have a hard time disentangling the organizational practices from those schools from the fact is that the quote on quote "worst performing, low-quality," community colleges in this country are located in highly segregated communities. They receive very little funding and so there have been sort of high flyers studies, right? - where they try to find two schools that looks demographically the same. One of them beats the other, but again, I find these studies to be very unconvincing. They're typically the case that somebody is overlooking some really important forms of heterogeneity. You know, it's possible sure that we would engage some students in some lousy schools, but I think overall in the whole, we are not going to do that more than we sort of doing it now. I guess that's part of what I'm arguing.

[Don:] Hi Don, La Follette School. I think this is directed to Steve. Steve, you made the claim whether the zero is different as a price point, you seem to cast some doubt about it. I like to push against that idea a little bit, because we know something about what would work in effect, so you announce that there are some new policy people who didn't know about it before- just sort of come out of that would work, even they previously would be eligible. We also know from the Hoxby and Avery work on missing one off that, especially poor people tend to have very low level of knowledge about the actual cost of going to college. And so having this big Obama free community college label might pull out some of the those people in a way that is different from choosing the cost of community college by a thousand dollars or giving someone better financial aid.

[Steve:] So one people with the slide is that I made a guess about what Sara was going to say and in addition to what her arguments were, these were the other factors, so, I agree that this is worth arguing about. A different argument, the argument that Sara has made as the credibility of financial aid promises is not high for people who are disadvantaged and have experiences a plethora of injustices in the course of their lives. So what I would like to have on the table are two questions or two points. One of them is the possibility of creating incredible changes, and that's what I refer to as the graduated tuition plan, and that's we have negative tuition. If you are disadvantaged enough, you get subsidy, but everything was kind of fixed by law. The second point is, what I want to say, is the issue of zero, there are different ways to think about it. One of them is that it is salient. A different is that the act of making a financial contribution may change the way the interactions transpire between the students and the college. So I just want those on the table and in my mind, what know from the experiment economics literature, is the place, I don't have a way of priorities tilting one way or the other.

[Nino:] My name is Nino Amato. I want to thank you both for having this forum. I wish it was a the state capitol...might of appreciate it more. By the way of disclaimer, I serve as chair on the HOPE Lab board, I am alum of the School of Education, did my master's at the La Follette institute, worked in the University System as assistant director of business outreach and technology transfer, served on the Board of Regents and was President of Technical Colleges Board. Let me take the empirical data, your global competitive effect, followed by what you called and I think you mentioned earlier, the income cost effect. And what should be called an income substitution effect. Empirical data.
Germany, strongest economy in the European market, stronger than Eastern European. They provide free education. Japan, one of the strongest economies, in the Asian market, their education is much more affordable, and much more accessible. You take Finland, free education, if you take Denmark, they actually provide $900 a month for every eligible student to go to school for six years, living costs. My point is this. if you look at the U.S., what we do is we charge students loans 10x of what we charge bankers. We then if you don't pay those student loans off, we garnish your wages, and many of those kids have parents who co-sign, who are now in retirement and now they are garnishing their wage. And then if you have the gall to have bankruptcy, you would still have to pay that off. So in essence, we are creating a generation of indentured servants for the next 15 to 20 years. Cost effect. If you look what is going on in this country in 1952, over 32% of the federal revenues came from major corporations. Last year, less than 10%, and one out of four major corporations didn't pay any income taxes, which is general electric. Fact and income effect, Governor Doyle, and Governor Walker, both have failed this university. He kept the budget $150 million dollars, raised tuition by 37.5%, and Walker cut it by 25% followed by $300 million. Governor Doyle appreciate college education, I don't know if this governor does from dropping out of school. My question is why not bring the economics department, the school of education, La Follette institution, and the sociology department to craft a program that will work for Wisconsin, and for the feds and match up state street like what we used to do decades ago and make our class. And we could get our people involved.

[Sara:] Do you want to respond?

[Steven:] It's hard to respond to be honest, because I don't actually agree with a lot of the facts you put on the tables, at least your interpretations. The fact that Denmark and Finland have free education, it tells us in my view, about the United States. Why do I say that. Typically, you hear Finland, Denmark are extremely mobile compared to correlations of parents and offspring. Well, you take those countries, you introduce immigrants for the way we have done for 100-200 years, and you tell if they have had that much success. And it's not to be disrespectful but the heterogeneity.

[Nino:] Take Germany for example, they have immigration that is better than ours. And Germany is a strong economy, there is huge set of differences.

[Steven:] And if we were having this discussion 1987, Germany and Japan don't sit here with the United States. They have been relative successes. They moved up and down and I just.. I have a stake in this. I have heard read many papers on cross country behaviors, they tend to be negative, so that they tend to be so much heterogeneity in these countries that we can't really draw that many conclusions from them. I'm sorry. I don't want to be rude, but the facts just don't agree that they speak to policy here.

[Sara:] I think what is interesting about where we do agree on this a bit is I think one of the struggles this country is having around affordability is driven by its composition. Right? It's not just immigrants, right. It's the whole history of racial inequities in the country. I think that that piece of who we have in the country, and the struggles to take care of other people's children in every which way- coupled with the fact that we have a much more inclusive higher education system, one of which it offers a lot of second chances, which Germany system does, and other systems do not make this a difficult thing to sort of finding the right kind of financing and gets political support, right. In other words, a lot of what Germany does that I think is relevant here, is a lot of sifting of people well before higher education, and I think that goes to your point, as to the degree to which people viewed them as deserving, therefore, once they get there, they sort of question in the same way, should finance this person which all they have done is passed through, essentially barely got through high school, and have entered our colleges. I think the similar sort of conversation is to sort of why did understand that living costs should be covered, when we sent our GIs to college under the original GI bill and today when anyone talks about, should living cost be a part of what is packaged in financial aid, people say, wait why is that? Why would we ever do that, because they are really clearly deserving and they have earned something. I think what is fruitful is that Nino is reflecting a very common sort
of thinking among our policymakers, which I also hear. It's something we should continue to speak to.

[Nino:] The fact is imperative. And somehow they can do...

[Steven:] So let me clear. I don't have any sort of reason to believe that Sara's policy and Obama's, that these would make the economy less competitive. All I want to put on the table is that things are sufficiently complicated. There is no lesson to draw from the cross country comparison. For what it's worth, I am also very nervous about them for a different reason. I think the case for reforming financial aid, which of course involves loans that less predatory, not just free, and that reducing costs, levels, etc. All of that, the strongest cases to me are unethical. We have a vision, a consensus in the United States about opportunity, and it worries me to introduce a fact. I think it is contestable as in you make these reforms, the rates will increase or decrease. I think the ethical argument we can win. The empirical ones, I have enormous skep.. the literature on these things is not succeeded.

[Sara:] And what is fascinating of course, is that the president went down the other road with pitching this. He turned time and time again to the global competitiveness, cross country competitiveness, all the race that we are in, not to be ethical when making these arguments, so yeah.

[Francois:] Francois S, Professor Emeritus in Sara's department, I think this question is more for you, Sara. I see the need for the 2.5 for retention, but I am worried about two things. One is that does this give an incentive to the community colleges? To inflate their grades, to keep getting the money? or the problem is, won't the most challenged students, the ones from the toughest backgrounds be the ones who are not going to return for the second year and would increase the segregation?

[Sara:] I believe that he instituted the 2.5 in order to use the word hardworking when pitching the plan and again, it has everything to do with deservingness. So I don't think if you look at the body of evidence that we have from both quantitative and qualitative work, you would not put a GPA requirement like that into place. Number one is because there's a fairly strong evidence that yes of course, it will essentially take financial assistance away from the students who most needed it in order to get good grades, rendering them far less likely to complete school. Second, there is very little evidence that such requirement actually increased motivation in higher education. Partly, I would argue because students are very unaware of the requirements and when they know what they are, they don't know what to do about them. So this has to do with the plethora of choices in higher education. The degree to which we tell students that they should explore their options and take multiple majors and things, they have a very hard time juggling credits and grade tradeoffs. One of my very favorite studies out there is by colleagues at the University of Georgia that had looked of what happened under the Georgia HOPE program, which is a merit program that does have this requirement in there that students get a 3.0 in order to keep getting money and in fact they found two different things. Number one is that students will respond by taking easier courses and majoring in easier subjects so this program that was introduced by conservatives is actually seems to have reduced success in STEM, which I'm sure the state of Georgia can't be happy about, and secondly yes it does provide incentives to institutions and the faculty maybe not so much proactively to respond by saying I will be easier but to respond to the begging and pleading of students who will rightfully come to them and say that you will cost me my financial aid. And I know it already happens among our colleagues on campus. They already hear this sort of thing, I think the lessons that we will get from the growing body of research on SAP, which is satisfactory academic progress, a standard in place for the Pell Grant is going to add to this. Hopefully, I would love to see that thing taken out of there. I worry though that politically, that any consensus around this starts to fall apart when you lift performance requirements.

[Luke:] Hi I'm Luke. I am an undergraduate sociology major. My concern has to do more with the greater political and budget constraints that we have. Professor Goldrick-Rab, you mentioned this has some bipartisan support. And I was thinking about that and the program in Tennessee, for instance, follows massive cuts to their higher education system, their four-year universities, Governor Haslam pursuing neoliberal education reform in the K-12 system ...particularly because
the proposal has a significant portion from state funds, what is the effect going to be on a lot of other programs that we care about?

[Sara:] I think that is a great question. I don't like that the Tennessee program is funded with a lottery, just like I don't like the idea of stabilizing higher education funding using a sales tax. I think we should worry about those things. I think some of what you're seeing there is the behavior of states is when they want to do something ambitious and they don't have the money to do it. And the federal government, unfortunately have been unwilling to partner with them to give them what they need, waiver authority, to enable them to use existing fund different funds. So one thing I didn't get to is this time horizon point here. I don't think the proposal have been introduced to be passed by with our Congress right now with our resources. I think there was a really long road to making public secondary education free, a road that I think is approx. 80 years long thanks to my reading of my colleague, Bill Reese’s study on this. We need to start now if want to see anything like this, you know. Frankly, not even by my lifetime, but by the lifetime of when my kids have kids. So I think that you are right, in terms of neoliberal trends in education and you are right about reduction in state funds. But that is not uniform across the country. I think that Wisconsin as its movement in a certain direction and a certain opposition to many other states that are reinvesting. So I have to wonder if this creates a sort of turn around. And also by the way, if we can engage more of the middle- and upper- class in thinking about our public system and if that can contribute to momentum in terms of investment back into that system.

Okay we have time for one more short question and Bob promises that it is short.

[Steven:] and what about the answer?

[Bob:] Great presentations from both of you. I was surprised that the issue of for-profits colleges didn't come up until late in the discuss. In my view, the biggest cancer on both efficiency and equity grounds in the higher education system is the private for-profit college sector. One of the impacts of this proposal is that it makes community colleges more attractive relative to the private for-profit college option. And anything in my view that can be done to reduce traffic away from for-profit.

I should introduce myself. I am Bob Haveman, La Follete School and Economics.

[Steven:] Well that is an issue that I have a harder line than you. For-profits are despicable, what I like to do is cut out and financial aid that goes to them from the start.

[Sara:] I would firmly agree with you, but I would not say. If you want to kill the policy, keep saying it. But I can say to you that it is one of the most single most best to activate the most powerful lobbying forces in the country. These folks spend more on advertising more than Coca-Cola. I guess five years ago I would’ve shouted out from the rooftop, but I won't anymore.

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Well let's give them a final round of applause.