Raise or lower tuition

Literature, Russian Literature

Raise or Lower Tuition? al Affiliation Raise Or Lower Tuition? The price elasti of demand assesses the quantity of product responsiveness to a change or variation in its price. The accessibility of substitutes is the key determinant of price elasticity of demand for the product. Demand tends to be elastic when there is availability of good substitutes and a sizable element of the item in the consumers' budget. On the other hand, demand tends to be inelastic when there is availability of poor substitutes. Generally, a product's price elasticity increases as the consumers get more time to adjust to the change in the product price (Gwartney, Macpherson, Sobel, and Stroup, 2009). The idea of elasticity assists an individual to determine how an alteration in price will influence total consumer expenditure on the institution's revenue or a product. If the demand for a product becomes elastic, a price alteration will make the total spending on it change in the other direction. On the other hand, if it is inelastic, an alteration in price will lead to the total spending on the product to change in a similar direction (Gwartney et al., 2009). For the Nobody State University (NSU), whether a tuition increase will cause an increment in the total revenue relies on the elasticity of demand of the student. For instance, one can consider the impact on the total revenue of an increment in tuition from $5, 000 to $6, 000 annually when the demand is not elastic (that is, inelastic). In this instance, the decrease in attendance caused by an increase in tuition fails to offset the increment in tuition revenue for each student. The ultimate effect is that the total revenue increases significantly from around $25, 000 to $29, 000 when the tuition is increased (Carbaugh, 2010). However, when there is an increase in tuition, a number of students may ask whether enrolling in

NSU is worthwhile. An option for the student is to drop out of school to pursue employment or enroll in a private university. Consequently, a comparatively huge decline in attendance may happen following a tuition increase, indicating that demand is elastic. Alternatively, an increase in tuition from $5, 000 to $6, 000 annually and a decrease in attendance offset the increases in tuition for each student. Therefore, the total revenue reduces from approximately $25 million to $24 million. It is imperative to conclude that any attempt to increase the total revenue by increasing tuition does not work when the demand is elastic (Carbaugh, 2010). The impact of enrollment is not very obvious, and it relies on both demand and supply elasticities and the quantity of existence demand/supply and several environmental factors. Tuition elasticity is referred to as the percentage decline in enrollment caused by a percentage rise in tuition. The available estimates suggest that demand is inelastic for higher education. Therefore, a percentage rise in tuition causes less than a percentage decline in enrollment and thus to an increment in tuition revenue. It is crucial to indicate that the presence of substitutes for an individual university or college means that the demand is more elastic than it is for the common demand for higher education. When enrollment declines by a bigger percentage or margin than tuition rises (demand schedule is elastic); hence, tuition revenue falls instead of rising, and an increment in tuition loses its meaning (Fethke and Policano, 2012). To make up the revenue shortfall or increase the tuition revenue, public institutions can raise their undergraduate revenues through various ways. The first option is that they can increase the tuition level they have put for the in-state students.

However, such a move is considered not popular politically. The second option is that because all the public research institutions impose higher charges on out-of-state students than on in-state students, they can raise the tuition fees for former and/or enroll more out-of-state students (Hoxby, 2007). Regulating the composition of students originating from out-of-state is best short-term solution. However, for political reasons, it can be less regulated than the tuition level for out-of-state students. After some time, it can become very hard to further expand the composition of out-of-state students while, at the same time, the state officials may become less concerned about charging nonresident students considerably higher tuition rates. The political complications arise because enrollment of more nonresidents can prevent qualified students from enrolling the flagship public university in their own state. However, it is not very wise to exclude nonresidents from universities because other states can retaliate against the students from the other state (Hoxby, 2007). References Carbaugh, R. J. (2010). Contemporary economics: An applications approach. Armonk, NY: M. E. Sharpe. Fethke, G., & Policano, A. (2012). Public no more: A new path to excellence for America’s public universities. Stamford, CA: Stanford University Press. Gwartney, J. D., Macpherson, D. A., Sobel, R. S., & Stroup, R. L. (2009). Economics: Private and public choice. Mason, OH: Cengage Learning. Hoxby, C. M. (2007). College choices: The economics of where to go, when to go, and how to pay for it. Chicago, IL: University of Chicago Press.