

# The cost of free

Business



The 2016 election cycle is slowly eroding from the bombardment of promises and entitlements. As a first-time voter, it is my responsibility to sift through the clutter of information to find the truth. One of the issues in this election cycle that directly affects me is tuition costs at state universities. Some politicians promise that, if elected, they would offer zero-tuition. Even though the glimmer of this promise tries to obscure my vision, I know it is necessary to look into how free tuition would affect the quality of my educational and experience.

In the 8th chapter of Armen A. Alchian's (1977) book "Economic Forces at Work," the impact of free tuition on the education experience is examined from the perspective of a student who attended California State University, which offers zero-tuition. By looking at applied economics, we can see the effects of who pays the tuition, whether by the student or the government through zero-tuition, on the quality of education and how the educational resources are distributed and delivered to the student. Post-secondary education in the United States comes with a price tag that is daunting to many American families. Even with low-interest student loans, intended to provide low-income students with access to educational opportunity, students graduate with a seemingly insurmountable debt.

Alchian (1977) takes a closer look at the economic return on educational investment when he explains that college education increases work value between \$20,000 and \$50,000 annually. Accordingly, he states that future post-degree income more than justifies the cost of education. There is more to consider, however, when looking at the benefit to students who pay for their own education. Alchian (1977) explains that students buy more than

increased earning potential with their tuition dollars. Parents and students are also gaining control over the quality of their education by making universities compete against each other by providing reputable degree programs and enriched opportunities to make paying students competitive in the future job market. If the tuition dollars come from a government bureaucracy which only values cost, then the university is less focused on the quality product of education that the student desires.

Alchian (1977) points out that universities become motivated by self-interest at the cost quality of education. Who should be responsible for the funding of students' education? We can look at three options. To begin with, we have the option of zero-tuition paid for by the government through tax increases. This would mean that anyone who wanted to go to college would have the ability to do so. The purpose would be to encourage the general population to be "cultured" to benefit society, known as "external social effects.

" Conversely, requiring students to fund their own education, without the help of grants-in-aid or scholarship programs would mean that students who cannot afford their education would not have access or would be forced to incur debt. The idea is that if the student invests in their own education, they will appreciate it more. Finally, we have the system that most universities use, which includes scholarships and grants-in-aid programs which offer access for anyone who'd like an education and demonstrates academic achievement, but cannot afford tuition. The universities compete for these dollars by offering quality education. On the surface, it would seem as though zero-tuition students would receive the same. On the surface, it would seem as though zero-tuition students would receive the same post-  
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graduation salary without having the burden of student debt. Supporters of a zero-tuition education system claim that this would provide education for poorer students and preserve a free and prosperous society while maintaining a system of high education.

Unfortunately, as Alchian (1977) points out, the unintended result is a self-interested system that does not deliver a quality product. When students pay, whether out of their own pocket or through scholarships or grants-in-aid, a high quality of education is demanded resulting in universities competing against each other for the students dollars. As we take these reasons into consideration, the long-term costs of zero-tuition becomes increasingly high. When students fund their own education, they are given control over the quality of their education. High quality education means marketable skills which translates to higher earnings in the work force. When the government pays for zero-tuition, students no longer have consumer control over the quality of education.

This 2016 political cycle has has been full of shiny promises of free tuition. These politicians may not have the students best interest in mind. Gaining control of the state university system serves the bureaucracies at the expense of the students' quality of education and eventual earning potential, which gives free tuition a costly price tag.