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EDUCATION

College Cost Isn't Poor Students' Big Problem

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By Christopher Flavelle

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To judge by this summer's banner policy proposals, the most important question for higher-education reform right now is giving students easier access to loans. But evidence from Canada suggests those changes won't address the greater need: Getting more kids from poor families into college, the key to moving up in an increasingly unequal society.

In research published last year, a team of American and Canadian economists compared the connection between family income and college or university attendance in the two countries. The researchers found that coming from a poor family makes you much less likely to go on to higher education in the U.S. than in Canada, even after controlling for intelligence and other factors.

The difference wasn't small. "Canadian youth with parents in the highest income category are roughly 25 percentage points more likely to attend a PS [postsecondary] institution than are youth from the lowest income category," the authors wrote. "In the U.S., this difference is more than 50 percentage points."

Here's what makes that finding surprising: Despite Canada's image as a plush welfare state, its financial assistance for low-income students is actually much less generous than in the U.S. "Our findings imply that factors other than net costs and available student credit must explain the sizeable difference in income-attendance gradients between these countries," the authors wrote.

So, whatever's keeping low-income Americans from going to college, it's not access to student loans. What would help? I put that question to Lance Lochner, an American economist at the

University of Western Ontario who studies the two countries' higher-education systems and was one of the study's authors. He was stumped.

"What I take away from this is, there are other forces that I don't think we understand, that are much stronger in the U.S. than in Canada, and that lead to low intergenerational mobility in education," he said. "This is a huge puzzle."

Compounding that puzzle is that the link between family income and your odds of going to college has gotten stronger in the last 20 to 30 years. "The U.S. in the early '80s looks a lot like Canada," he said. "Somehow they've become much worse."

Lochner offered a few possible explanations. One is price transparency: The gap between the sticker price and what you'll actually pay to attend most U.S. colleges is enormous and hard to quantify, and that may be more of a disincentive to low-income families than to those for whom money is less of a concern.

A more troubling explanation, and one that's far harder to fix, is that people are less likely to come into contact with those from other income groups in the U.S.

"In the U.S., people are much more segregated in where they live," Lochner said. "It could be, because of that, you have more segregation of knowledge." In Canada, by contrast, "you're more likely to go to a school where everybody hears about" the advantages of going to college, and where somebody can help you figure out what steps to take to get there.

If that's true, it means that income inequality hasn't just increased the economic value of going to college, by increasing the earnings premium associated with a degree. It has also made going to college harder, by reducing the odds that young people from poor families will be told that a college degree is something they can attain, or should even try to attempt.

There are plenty of ideas for mitigating those kinds of barriers. They range from the modest -- requiring that high school students complete an application for both federal student aid and at least one college as a condition of their graduation, say -- to the less modest, such as tying federal funding for colleges to the share of low-income students they admit and graduate.

But building momentum on those types of changes first requires building a consensus on what ails U.S. higher education. If the goal is to make loan payments for college graduates a little more manageable, this summer's proposals are promising. If the goal is making the distribution

of income in the U.S. more meritocratic (more equal seems too much to ask at the moment), then better loan terms probably won't help.

To contact the writer of this article: Christopher Flavelle at cflavelle@bloomberg.net.

To contact the editor responsible for this article: Stacey Shick at sshick@bloomberg.net.