

### Homework Problem #3

## The Cost of College Education

PRINT YOUR NAME \_\_\_\_\_  
(LAST) (FIRST)

The economic costs of a choice can vary depending on which group is considered. Differences in these costs can cause differences in opinion about the desirability of various economic policies. For example, place yourself in the unlikely position of a person who contemplates going to college and living in a dormitory. Your job is to figure out how much it will cost you and others for you to attend college for one nine-month school year, i.e., the cost of a student-year. The following figures are presented to you (use only these figures, realistic or unrealistic as they may be.) Consider these data carefully, then answer the questions below in the space provided.

- a. Tuition: \$5000/student-year.
  - b. Textbooks and school supplies: \$1000/student-year.
  - c. Faculty and administrative salaries and other university expenses budgeted by the Board of Trustees from fund provided by the state legislature: \$2500/student-year.
  - d. Contributions to the university from alumni, private foundations, and other sources: \$1000/student-year.
  - e. You can normally work and earn \$900/month when you aren't going to school. But now, except for summer, you go to school full-time and cannot work for nine months of the year.
  - f. You receive a scholarship of \$900/year from the Board of Trustees from funds provided by the state legislature.
  - g. It costs \$250/month to live at home.
  - h. Dormitory fees are \$500/month.
- I. A. How much would it cost **you**, as a student, to attend college for a nine-month school year? Indicate the components of your cost. (You may want to review the list of Main Points for Unit 1.)
- B. How much would it cost **state taxpayers** to send you to college for this time? Indicate the cost components. (Note that any money provided by the state legislature is a cost to taxpayers.)
- C. How much would it cost **society** to send you to college for this time? Indicate the cost components. (Note that the idea of "society" here is everyone who makes a contribution to paying for the student-year, e.g., you the student (or parents), taxpayers, and others who may be involved.)

- II. Suppose the state legislature decides that it is no longer desirable to devote so many public resources to education. Thus, (1) tuition increases by \$500 to **\$5500** per student-year. (2) salaries and other university expenses budgeted by the Board of Trustees from funds provided by the state legislature fall by \$300 to **\$2200** per student-year. (3) Your scholarship falls by \$100 to **\$800** per year.

Make these changes in the cost data above, and answer the following:

- A. How much would it now cost you, as a student, to attend college for a nine-month school year? Indicate the components of your cost.

- B. How much would it now cost state taxpayers to send you to college for this time? Indicate the cost components.

- C. How much would it now cost society to send you to college for this time? Indicate the cost components.

### III. Summary

- A. Did the cost of a college education rise or fall under this policy? (Be sure to consider more than one perspective in your answer.)

- B. Are there other implicit costs that might arise from this policy change? (Hint: Consider the social **benefits** of college education.) Explain.