

State Merit Aid and Expanding the Supply of Four Year Colleges

Idea for Future Research

By James Sly

Most research on higher education focuses on the demand for college and how to encourage more students to attend. The research literature as a whole however has generally neglected the question of the supply of colleges, especially four year colleges. My first research question is to figure out how much the supply of college education has changed by the type of school over time, where for a certain period in history, private 4 year colleges were expanding, and at other times, public 4 year colleges were expanding, while in more recent times 2 year colleges and for-profit colleges have been expanding to accommodate the students who want to attend college.

The second research question is whether this change in which types of colleges are expanding had a big impact on the overall attainment rate for bachelor's degrees. For most of the 20th century, the US was a leader in getting students to graduate from college compared to other countries worldwide, but then this growth in graduating students leveled off in the late 1970s and many other countries caught up to the US. I am quite curious to know if one of the reasons why the bachelor's degree attainment rate among young people plateaued was that four year colleges stopped expanding the number of students being taught at their schools. The third research question I would like to answer is whether the variation in bachelor's degree attainment among young people across states around the country is linked to the supply of a four year college education available to students graduating from high school.

The fourth research question I would like to explore asks whether the new push to provide merit aid in a number of states around the country succeeded or failed based on their ability to expand the supply of slots for freshman at 4 year colleges. Florida is a very instructive example, where they had one of the lowest rates of high school graduates attending a 4 year college within 12 months of graduation before they adopted a new system of merit aid scholarships, but then over the subsequent years became one of the states with the highest rates of high school graduates attending a 4 year college within 12 months of graduation. They are also one of the most successful states in getting more students to earn a bachelor's degree after their system of merit aid scholarship was created, which has been a problem for many other states who adopted merit aid scholarships. One possible explanation is that Florida used their merit aid scholarships as a sort of coordination device, where the scholarship increased the demand for college dramatically over a very short period of time, which allowed them to expand the supply of colleges very rapidly over the same time period. Perhaps it was this coordination between demand and supply that led to Florida's success in increasing bachelor's degree attainment, where achieving similar gains might be difficult if states only focus on either demand or supply separately but not at the same time.

In general, much of the focus of the higher education literature looks at the how various policies might change the demand for college among students, but has spent a lot less effort looking at how the supply

of college might affect the overall success of a system of higher education. In particular, increasing the supply of slots available to freshman at 4 year colleges and universities might be critical to achieving success through merit aid scholarships, and these merit aid programs might be particularly useful as a sort of coordination device that allows states to increase the supply of 4 year colleges knowing there will be new demand available to use it.