



The Pleasure and Pain of Business Travel



Interactive: Analyze Your Smile



Gallery: Stocks From The Buffetts Next Door



AdVoice: Bad PR and Charlie Sheen

Free Issue >



Fight Back. Fight Plaque.

[Learn more »](#)

In people with coronary artery disease and abnormal cholesterol levels, NIASPAN, in combination with a bile acid-binding resin (e.g., colestipol), is used to slow down or reduce atherosclerosis, the hardening of coronary arteries due to plaque buildup.

IMPORTANT SAFETY INFORMATION

NIASPAN should be used with caution if you consume large amounts of alcohol and/or have a past history of kidney or thyroid problems.



CCAP

HIGHER EDUCATION AND THE ECONOMY

[MY PROFILE](#) [MY HEADLINE GRABS](#) [MY RSS FEED](#)

LIFESTYLE

For Whom the Pell Tolls

Mar. 7 2011 - 11:02 am | 0 recommendations

By: Richard Vedder

I have long criticized the federal student financial assistance system for being Byzantine, dysfunctional, and irrational. Indeed, I have argued the nation would be better off if the [federal government got out of the business of financing college education](#) (especially with money borrowed, often from foreigners). My sidekick Andrew Gillen (my financial aid guru) and I have always made one exception to that criticism: the Pell Grant Program. Unlike other federal programs, its existence may meaningfully impact college enrollments, improving access for low income groups. It, along with some assistance for veterans, is the closest program to an educational voucher, probably the best way to dispense financial assistance for higher education. It is not a particularly costly program to administer. When I served on the Spellings Commission, I went along with the recommendation pushed by former North Carolina Governor Jim Hunt to expand Pell Grants.

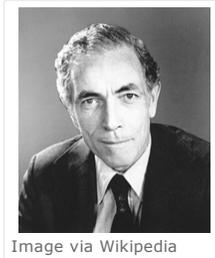


Image via Wikipedia

I am having second thoughts, however. In a single year, from 2008-09 to 2009-10, Pell Grant spending rose from \$17.907 billion to \$28.213 billion, [an increase of 57.6 percent](#). Not only did the average size of grants rise sharply but so also did the number of recipients. I believe that an increased number of those getting Pell Grants would have gone to college anyhow, reducing their effectiveness in terms of increasing access.

Beyond that, I have [increasingly questioned](#) whether we want more students going to college. A large portion drop out, but amongst those getting degrees, huge numbers are [taking jobs that historically did not require college degrees](#): working construction, driving trucks, removing trees, driving taxis, cutting hair, etc. We are likely ["overinvested"](#) in higher

Engines of a Smarter Planet

Engines
Rosenau
GSMS
Sun World



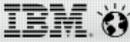
What is an engine of a smarter planet?
IBM and its Business Partners are helping midsize businesses drive economic growth and innovation. [Download the PDF](#)

Midsize business success stories
See mini documentaries, case studies, animated videos, and the solutions that midsize businesses are using on a smarter planet. [Visit the site](#)

IBM Global CEO Study
See how midsize businesses capitalize on complexity. [Download the study](#)

Inside the Midmarket: A 2011 Perspective
Companies are finding new ways to grow their business. [Download the study](#)

[Click to learn about data driven business](#)

[Click here to contact IBM](#) 

[Top 2010 Online Grants](#) [www.ClassesUSA.com](#)

You May Qualify For a Grant to Go Back To College!

[Federal Pell Grant](#) [CourseAdvisor.com/PellGrant](#)

Do You Qualify for a Pell Grant? Free Info from Accredited Schools

[2011 Students Grants](#) [SearchByDegree.com/StudentGrant](#)

Want Uncle Sam Pay For College? Get Your Federal Grants & School Guide!

[Make Less Than \\$45,000?](#) [Schools.YourDegree.com](#)

You May Qualify For Education Grant More you Learn, More you Earn



education, with people going to school for 16 years to do jobs that workers used to take after 12 years of schooling.

But the thing that most convinces me the Pell Grant program has been too big is that a large portion of the money is wasted—students fail to graduate. At Chicago State University, for example, a majority of students are on Pell Grants. If one assumes that only Pell Grant recipients graduate (that is, the graduation rate among non-Pell Grant recipients is zero), only 23.7 percent of recipients graduate in six years, and around five percent in four years. 19 out of 20 fail to graduate in four years—and that figure probably overstates the rate because in reality Pell Grant recipients typically are less likely to graduate than other students, so the true graduation rate is probably about 2 to 3 percent after four years, and perhaps 12 or 13 percent after six years. At private not-for-profit Heritage University in Washington, it is worse—no Pell Grant recipients make it through in four years, and probably well under 15 percent in six years. My guess is that nationally, a majority of Pell Grants recipients fail to graduate within six years of entering college, and probably roughly two-thirds fail to graduate within four years.

Of course, much of the problem cited above may be largely with the schools—probably Chicago State and Heritage should be closed down. But the Pell Grant gives absolutely no incentives for students to succeed, and students cannot be rejected for any reason other than income. Is it not unreasonable, in an age of trillion dollar budget deficits, to deny funds to students whose high school records, previous college performance, or test scores suggest have little likelihood of success?

The negative spillover effects of the Pell Grant program are hard to measure but I think real. The grants go mainly to students who do *not* succeed academically. Does the presence of marginal students in the classroom lead to a “dumbing down” of the curriculum in an attempt to minimize drop outs? Does it aggravate grad inflation? Do high schools lower standards, as Jackson Toby avers, reasoning that high standards are not needed since almost anyone can go to college, no matter how poor financially or academically they are?

Is there a conflict between the American Dream and economic efficiency? It depends on how you define the American Dream. If you mean that capable and hard working persons should be given a helping hand to provide them an opportunity to further their education and enhance their career possibilities, perhaps the answer is no (or at least not an unequivocal “yes.”) But if the “American Dream” means anyone of any level of talent, motivation, and performance can get years of public subsidies to promote an educational and vocational outcome that likely will be elusive, than the answer is clearly yes. And, given the reality of the data, I think the efficiency arguments for changing or eliminating Pell Grants trump any equity arguments that might be offered.

Recommend

 Buzz Up!  Reddit  StumbleUpon  Facebook  Twitter  Email this

Previous Post:

[Government Should Exit Higher Ed](#)

