

# == Chapter 1 ==

## Introduction

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IT IS well known that students from less economically privileged families face considerable barriers to entering and completing college. There is also little doubt that postsecondary education is one of the most important indicators of future labor market success and therefore one of the most critical avenues for reducing persistent societal income inequalities. Estimates suggest that an additional year of education causes an 8 to 10 percent increase in wages (Card 1999) and the Bureau of Labor Statistics (2006) reports that a postsecondary degree is necessary for twelve of the twenty fastest growing occupations. Postsecondary education may have broader social benefits by increasing overall productivity, increasing civic participation and decreasing criminal activity (Moretti 2004; Haveman and Wolfe 1994). Without access and persistence, higher education does not necessarily mean success for lower-income individuals and does not spur greater economic opportunity and mobility nor reduce existing gaps between the “haves” and the “have-nots.”

This volume addresses this premise directly. We begin by documenting new and existing evidence on the extent to which income inequality persists before, during, and after higher education. In chapter 2, Haveman and Wilson find an almost 50 percentage point gap in college attendance between students in the top and bottom economic quartiles, measured either as family income or wealth, with a 35 percentage point difference in college graduation rates. Even after controlling for other factors that affect college attendance and persistence, they find that a student from the top economic quartile is four times more likely than a student from the lowest quartile to graduate from college.

These dramatic statistics document the extent of inequality in access, persistence and success in higher education, but in doing so raise a number of critical questions. What are the underlying causes of these economic

disparities? Does it matter only whether a student attends college or also where a student attends college—for example, public versus private, two-year versus four-year? What are the most effective policy levers available to promote access and success in college for students from economically disadvantaged families?

As with most critical and contested public policy issues, the answers to these questions are complex and multidimensional. This volume takes such a broad brush approach to answering them.

## **The Focus of the Book**

This volume is about improving higher education opportunities for students from low-income and low-wealth families, regardless of their race, ethnicity or gender. We proceed under the premise that greater economic inequality results in significant education inequality. There is, of course, a strong link between economic inequality and membership in groups traditionally underrepresented in higher education, such as first-generation college-goers and black and Hispanic students, so indirectly we address these issues. We focus more broadly on economic inequality, however, because it encompasses many students from these groups yet includes other underrepresented groups.

Why does income matter? Affordability may be the most obvious response and may receive the most policy attention. However, though the costs associated with higher education undoubtedly present a serious barrier to college attendance and completion for low-income students, financial aid and college costs cannot and do not account for most of the inequality in higher education processes or outcomes. For instance, income and socioeconomic status are also highly correlated with levels of preparation for college. Preparation comes in the form of information about the higher education process and academic training. Of course, preparation influences the decision to attend college, but also where to attend and the probability of success. Where students attend college is highly segregated by income, with low-income students overrepresented in two-year community colleges and dramatically underrepresented in the selective four-year universities. Unequal opportunities in high school may thus divert low-income students onto less productive paths than those of their higher-income, better-prepared counterparts.

What institutional structures cause inequality and how can they contribute to reducing inequality? The underlying causes of economic inequality in higher education are multifaceted and require a wide-ranging and diverse policy approach. Although higher education institutions are key actors in reducing inequality, they cannot effectively eliminate inequality on their own. Higher education institutions, particularly in the public sector, work in a decentralized and fragmented educational system that includes early childhood, elementary and secondary schools, and an array

of executive branch governing boards and legislative committees. Both public and private institutions face additional pressures from multiple external forces, including ranking publications (such as *U.S. News and World Report*), testing companies, alumni, and the media. All these actors have helped to create current cycles of inequality and must play a role in reducing inequality in the future.

Within the higher education sector, reducing inequality will require a concerted effort among all types of institutions. Elite institutions, detailed in chapter 6, often receive the most attention for their efforts, but both space and resource constraints prevent them from significantly reducing inequality on their own. The substantial resource commitment by the elites may play an important role in setting an agenda for higher education institutions, but public and private, two-year and four-year institutions at all levels of selectivity are key if large numbers of traditionally underserved students are to be reached.

Under this framework, we convened a conference in September 2005 to focus on the current state of our knowledge about economic inequalities in higher education and the policy levers to address them. The goal was not to assign blame but to examine the extent and causes of these inequalities, and to identify promising solutions to address them. Toward that end, we brought together many of the country's top experts to discuss ways to improve access, persistence, and success for all students, regardless of economic circumstances. We sought to focus on issues often overlooked in current policy debates. The authors each examined a specific topic affecting access and success in higher education for students from low-income families. They have succeeded in producing a series of thought-provoking and insightful chapters that shed considerable light on the past, present, and future conditions of inequality in higher education. The authors document the extent of current problems and future prospects objectively, but the chapters also provide considerable hope that we can reduce these persistent gaps.

## Overview of Chapters

In chapter 2, Robert Haveman and Kathryn Wilson set the stage for the discussion by documenting the extent to which growing income and wealth disparities in society widen disparities in higher education attainment. Their approach is novel because it follows families over more than twenty years of data to consistently show that, conditional on individual, family, and neighborhood characteristics, family income and wealth remain highly correlated with educational attainment, particularly college attendance and graduation. They estimate that the increase in U.S. income inequality over the past three decades has decreased the level—and increased the inequality—in educational attainment between those with high and low incomes. Widening disparities in higher education attainment, in turn, exacerbate income and wealth disparities, perpetuating a vicious and

difficult-to-break cycle. They conclude boldly, that “contrary to the oft-stated belief in the leveling effect of higher education, because lower-income individuals are much less likely to secure higher education, the nation’s colleges and universities appear to be an integral part of the process whereby family economic status is passed along from generation to generation.”

In chapter 3, Michael Kirst begins to zero in on the causes of economic inequality within higher education. Specifically, he sheds light on how students’ elementary and secondary school experiences allow them to arrive at the gates of higher education with dramatic inequalities. He introduces two themes that emerge throughout the volume: academic preparation for college and the role of broad-access postsecondary institutions, either nonselective four-year schools or open enrollment community colleges. Kirst challenges us to focus on the large group of lower-income students who attend broad-access postsecondary institutions and for whom the most relevant issue is not gaining admission to college, but succeeding once they have enrolled. He demonstrates that students at such institutions often arrive at college academically ill-prepared to complete college-level work and with little knowledge of college requirements, procedures, or expectations. Kirst argues that “the better high school students are becoming more closely aligned with higher education, but the weaker students are more disconnected.” The increasing K–12 emphasis on standards and testing has revealed this disjuncture in stark relief because there is typically little alignment between the content of state-mandated secondary school assessments and the content of postsecondary placement exams. After documenting the causes and extent of the disjuncture, Kirst offers constructive recommendations for bringing K–12 and higher education into greater alignment to create a more seamless K–16 education system and improve opportunities for postsecondary success for students from low-income families.

Chapter 4, by Eric Bettinger and Bridget Long, and chapter 5, by Dan Goldhaber and Gretchen K. Peri, follow and continue to highlight the themes of preparation and the role of broad-access colleges. Bettinger and Long present important new evidence on one of the most common—and controversial—ways that higher education institutions, particularly in the public sector, address the needs of underprepared students: required enrollment in remedial or developmental coursework. They report that nationally in 2001 nearly one in three first-year students enrolled in remedial courses in mathematics, reading, and writing. Not surprisingly, remediation is more likely for black and Hispanic students and for students who report family incomes in the lowest income groups. Policies regarding remediation vary considerably within and across state educational systems, though, and only a few convincing studies identify their causal effects. Measuring causal effects of remediation is, of course, extremely challenging because students placed in remediation are relatively ill prepared for college and, therefore, have lower success rates than their counterparts.

Bettinger and Long, however, provide promising evidence from a unique Ohio data set that, for a subset of students, remediation improves outcomes such as college retention and graduation. At the same time, more systematic knowledge regarding the effectiveness of different methods of remediation and developmental coursework is needed. Noting the burden that remediation policies often place on community colleges, Bettinger and Long reiterate Kirst's sentiment that "the need for remediation is rooted in the K–12 system, and that reform efforts may therefore be better served by focusing on this level of education."

Dan Goldhaber and Gretchen K. Peri follow in chapter 5 with a more in-depth examination of community colleges—the institutions that have traditionally served as the gateway to higher education for most low-income students. They report that in 2002 almost 45 percent of postsecondary undergraduates students were enrolled in community colleges, with low-income students disproportionately represented. Goldhaber and Peri conclude that though academic performance, parental involvement, and policy<sup>1</sup> play a role in the decision to attend community colleges rather than four-year institutions, cost is the paramount factor. Because the choice of community college rather than four-year college attendance is highly correlated with income, assessing the role of community colleges in exacerbating or reducing inequality in higher education is not straightforward. On one hand, the authors point out that the lower cost of community college may provide opportunities that students would not otherwise have due to the high costs of four-year institutions—a democratization effect. However, choosing a community college may divert students from their ultimate goal of completing a four-year college by slowing their educational process down. Goldhaber and K. Peri point to at least two sets of studies that conclude that community colleges both divert and democratize, but that democratization dominates, suggesting that community colleges play a role in decreasing inequality. They conclude by calling for more research on how the links between community colleges and public four-year institutions influence the transition between the two.

At the other end of the higher education landscape are elite institutions. Amanda Pallais and Sarah Turner argue in chapter 6 that because these institutions are "perceived to be important stepping stones to professional and leadership positions, the representation of students from a broad range of socioeconomic backgrounds at these institutions is a significant demonstration of commitment to opportunity and intergenerational mobility." They examine recent efforts by the nation's elite institutions to recruit and retain more lower-income students, who have historically been vastly underrepresented in the nation's most prestigious colleges and universities. After identifying a number of barriers that lower-income students face—costs, lower academic achievement levels, inadequate information—they review recent initiatives intended to help students overcome them.

The initiatives at elite private universities have, for the most part, focused on financial aid, stressing transparency, reduced reliance on loans, and an emphasis on financial need rather than merit. Given the lower sticker and net prices of public flagship universities and the greater financial constraints they have faced in recent years, it is not surprising that their efforts have often stressed outreach, mentoring, and counseling efforts more than financial aid. Initial evidence from these initiatives is promising: a number of participating universities have seen substantial increases in the matriculation of students from lower-income families. Pallais and Turner argue, however, that it is too early to declare these programs unequivocal successes. Evaluations of the mechanisms by which these programs increase matriculation and longer-term study of student success after enrollment are critical. At the same time, such evaluation is not straightforward. Pallais and Turner note both the difficulty of isolating the impact of specific components within a multipronged initiative and the danger that evaluations of individual programs might fail to recognize potential reshuffling (rather than enlarging) of the pool of lower-income students at selective institutions. They conclude that, given the high costs and high stakes of such programs, rigorous evaluation is essential.

Examination of inequality in higher education is incomplete without a discussion of perhaps the most oft-cited factor potentially exacerbating higher education inequalities—the cost of attendance. The notion that high and rapidly escalating tuition is a primary factor reducing opportunities for lower-income and, increasingly, middle-income students, has gained considerable attention in recent years. Amy Ellen Schwartz brings data to bear on this issue in chapter 7 by examining trends in college costs, focusing not only on sticker prices (published tuition and fees) but on also on net prices (tuition and fees less financial aid). Surprisingly, perhaps, she concludes that “the news about college costs is not all bad.” As most casual observers would suspect, she finds fairly dramatic increases in sticker prices between 1991 and 2005, even accounting for inflation. For lower-income students, however, the net price may be a more important indicator of affordability than sticker price. Using College Board data, Schwartz reports that as net prices rose among private institutions, they fell among public two-year and four-year schools. In recent years, two-year colleges have actually reported negative average net prices, reflecting average financial aid awards higher than average tuition and fees (not including room and board and, more important, opportunity costs associated with college attendance). Schwartz then takes this analysis one step further by also examining college prices adjusted for aid and changes in quality measures (such as faculty and student characteristics and campus life indicators). Although data are available only for the 1990s, the analyses suggest that quality improvements somewhat mitigated price increases during the period, particularly in the public sector. To the extent

that students are sensitive to these price changes, recent trends may serve to sort lower-income students increasingly into public and, especially, two-year institutions. Borrowing a concept from elementary and secondary education finance, Schwartz discusses the importance, then, of ensuring adequate educational opportunities at higher education institutions, particularly those public four-year and two-year institutions that lower-income students are most likely to attend.

The concluding chapter, by Ron Ehrenberg, provides an overview of the barriers facing low-income students, the competing pressures buffeting higher education institutions, and thoughts on what future efforts to reduce inequality in higher education may hold. His review starts with a number of negative trends and their potential impact on students from low-income families, particularly those affecting public universities. Echoing Amy Schwartz's analysis, he points to stagnant public financial support and smaller tuition increases (in real dollars) relative to private sector institutions. These trends have left public institutions further behind private institutions on a number of important input measures, such as faculty salaries, average class sizes and use of full-time faculty. At the same time, financial aid policy in both public and private universities has increasingly moved away from the need-based aid (both internal and external) most likely to benefit economically disadvantaged students toward the merit-based aid more likely to benefit middle and upper income students. The jury is still out on the effectiveness of the initiatives Pallais and Turner describe in chapter 6, but Ehrenberg suggests considerable potential for improving opportunities for low-income students, particularly at some of the more selective public and private institutions. He aptly concludes with both a look to the future and thoughts on what can be done to improve access and success for lower-income students. Much like the other authors in this volume, he focuses on ways to align institutional incentives with the goal of improving the representation of lower-income students.

## **Policy Agenda and Recommendations**

The high level of private and social benefits associated with higher education justifies strong policy interventions. The chapters in this volume contain a wealth of advice, recommendations and action items focused on improving opportunities for students from low-income families to enroll and succeed in higher education. Below we draw on the collective expertise of the contributors to set out a policy agenda for reducing inequality in higher education.

### ***Improving Student Preparation***

The chapters in this volume are consistent in demonstrating that inequalities in higher education reflect inequalities in family resources

and educational opportunities that begin long before students reach the transition from high school to college. As Haveman and Wilson show, low-income students are less likely to graduate from high school, to attend college (even contingent on graduating high school), and to graduate from college (even contingent on attending college). The Kirst and the Bettinger and Long chapters describe the disconnect between expectations for students in high school and in college. If students are not prepared for college, no amount of financial aid will help them succeed. Inadequate preparation may be especially prevalent among low-income students who are more likely to attend schools with too few resources. Improving student preparation will not be easy and requires breaking down the traditional barriers that have separated elementary and secondary education from higher education. A multipronged effort could include:

*Reducing the Disjuncture Between High School and College Assessments* Although testing is prevalent at both college and secondary school, there is rarely alignment between the content and standards of the tests given at each level. This allows students to pass high school exit exams yet find themselves unprepared for basic college work (as defined by the colleges) and required to begin their college careers in noncredit remedial courses. Reducing this disjuncture would entail two major components. First would be greater cooperation between secondary and higher education officials in the development of the tests used for diagnostic and accountability purposes, and efforts to align both content and standards. Second, though we are reluctant to call for even more high school testing, students should be allowed and encouraged to take college placement exams before enrolling in college. Such early testing, for diagnostic purposes only, could allow schools and students to focus on problem areas well before students begin their college careers. The advanced placement (AP) program is an existing model of links between high schools and colleges that might effectively be extended to a broader base.

*Improving Governance Linkages Between K–12 and Higher Education* Addressing disjunctures between education sectors is made more difficult by the “silos” in which each typically operates. Without unified statewide leadership and governance structures there may be little hope of getting all of the many moving parts of state educational systems working together. At the very least, each state must have structures and forums in place that enable leaders of each sector to communicate and plan collectively. More formal coordination, such as a statewide governing board with responsibility for elementary and secondary schools, community colleges, and four-year institutions, is a promising model.

*Improving Linkages Between Two-Year and Four-Year Institutions* The Goldhaber and Peri chapter highlights wide variations in state policies

to promote smooth transitions between community colleges and four-year institutions, despite the role community colleges often play as a critical starting point for students from low-income families. State efforts should focus on providing incentives for greater coordination and improved articulation between two-year and four-year public institutions. Some improvements, such as common course numberings and the governance changes just recommended, can be implemented directly by state policy makers. In other cases, incentives for greater cooperation may be the most effective policy levers. For example, state funding systems could provide financial incentives for four-year institutions to enroll and graduate transfers from two-year institutions. These incentives could also be tied to process improvements, such as the co-admission agreements that Goldhaber and Peri describe. Although financial incentives are not without cost, policies that improve the efficiency of transfers and help more students to eventually graduate from four-year institutions could easily recoup this investment.

*Improving Resources in Secondary Schools* Students from low-income and first-generation college-going households need better information on the pathways to college, including college opportunities, standards, requirements and culture. Such information is now largely the responsibility of high school guidance counselors. Resources, however, are increasingly stretched thin, particularly in rural and urban districts. Because testing requirements are at the same time taking up an increasingly large share of teachers' and administrators' time, accurate and timely guidance services for students often become a low priority. Student preparation for college includes knowing which courses to take in high school, selecting schools to which to apply, and navigating the complex application and financial aid mazes. It is unrealistic to expect guidance counselors—who may be responsible for up to 700 students, as Bettinger and Long note—to provide the kind of high-quality counseling services that students from low-income families often need. A federal commitment to funding and training guidance counselors may be required, perhaps through generous matching grants for hiring and training counselors, targeted at poorer school districts. The call for higher resources need not stop in secondary schools, of course. As Haveman and Wilson show, income inequality over an entire childhood has long-term consequences. A commitment to early childhood education and enhanced resources for elementary school students could also help to reduce inequalities in preparation for higher education.

## **Providing Better Financial Aid Information**

Researchers, policy makers, and the public have focused considerable attention on college costs, including both the rising sticker price of higher education and the distribution of financial aid. Several of the chapters in

this volume address these issues. We conclude that creating a more streamlined and transparent system of distributing financial aid is necessary if need-based aid is to effectively increase opportunities for students from low-income families. As Pallais and Turner demonstrate in chapter 6 and Schwartz in chapter 7, the net price of college often approaches zero for low-income students, particularly at community colleges and a small number of elite institutions. Students and their families, though, may be largely unaware of the true cost of attending college during the critical years of preparation for and application to college. Providing better information can include several components:

*Simplify Financial Aid Forms and Processes* Applying for financial aid requires filing the lengthy and complex Free Application for Federal Student Aid (FAFSA) and, potentially, providing additional information and documentation required by individual schools. Simplifying this process, perhaps by relying primarily on existing tax data (Dynarski and Scott-Clayton 2006) or providing a short version of the FAFSA for families with limited income and assets, could help demystify the financial aid process.

*Provide Financial Aid Information Earlier* Many able students may not even apply to college, discouraged by the perceived high cost of attendance and the assumption that college is unaffordable. Even with a simplified financial aid process, students and their families need information on the actual costs of college attendance early in the process. Families should be permitted and encouraged to fill out financial aid forms while students are in the middle or early high school grades. Although changes in financial aid policies or family economic status may change actual aid awards when a student reaches college age, it is critical that students and families learn that college is affordable while they are still able to respond to the incentive of college attendance.

*Reduce the Uncertainty of Financial Aid Awards* The growth of state merit aid programs over the past decade has largely benefited students from middle- and upper-income families, who are more likely to attend college and to meet merit-based eligibility requirements (Rubenstein and Scafidi 2002). A strength of these programs, however, is that eligibility requirements are simple, clear and well-known, and evidence suggests that students respond to the incentive of free college tuition (Henry and Rubenstein 2002). Although eligibility tied to grades or standardized test scores may do little to improve opportunities for low-income students, aid tied to other criteria, such as family income and high school course-taking, could provide simple and clear incentives to increase the pool of well-prepared low-income students interested in college. Such programs would likely need to offer guaranteed benefit

levels—for example, full-tuition at public universities—along with clear eligibility criteria.

## **Improving Quality and Incentives in Higher Education**

Much of our discussion thus far has focused on whether students go to college, but an equally important concern is where they go to college. As Kirst, Goldhaber and Peri, and Schwartz all note, the majority of students do not begin their higher education careers at selective four-year institutions but rather at less selective, often open enrollment institutions, many of which are two-year community colleges. The efforts of the selective universities, as described by Pallais and Turner, are important in setting agendas and focusing attention on the underrepresentation of lower-income students in higher education, but these institutions would hardly dent the underrepresentation even if they were to enroll only students from low-income families. Clearly, efforts to ensure that all students in higher education receive a quality education must look beyond the small set of elite schools and toward the institutions that most students will attend. Proposals to enhance quality and opportunities in these institutions include:

*A Renewed Commitment to Funding Public Higher Education* The Ehrenberg chapter documents the declining state support for public higher education, with financial aid increasingly focused on merit rather than need. Schwartz's chapter, though, offers some cause for hope, finding net price decreases in the public sector, as well as quality increases during the 1990s. It is critical that students from lower-income families not simply have access to higher education per se, but have access to a high quality education and the services they require. Experience in K–12 education suggests that these students may require not only comparable but also additional resources if they are to have an equal opportunity for success (Duncombe and Yinger 2005). Such resources could include improved remedial courses, smaller classes, and help with study skills and time management. Policy makers at the state and federal levels must commit to ensuring that public comprehensive and broad-access institutions have the operating and capital resources needed to provide high quality education and services for students from low-income families.

*Changing Institutional Incentives* As Ehrenberg notes, there is little doubt that higher education institutions respond to incentives, such as those embedded in the *U.S. News and World Report's* rankings, among others. These rankings though, which place a high premium on factors such as student SAT scores and admission rates, tend to disadvantage schools

seeking to serve a diverse student body. The policy lever here is unclear; policy makers have no control over rankings produced by private companies. Pressure for reform from within and outside the higher education community, though, has led *U.S. News* to report data on Pell Grant recipients, though not in the rankings themselves. States, which have been quite active in promoting accountability in K–12 education, could play a key role. At one end of the spectrum, states could simply collect data and report on the enrollment and success of lower-income students through widely disseminated institutional report cards similar to the school report cards begun in the 1990s. At the other end, states could offer rewards—such as increased funding and freedom from some regulations and oversight—or impose sanctions, based on institutions’ success at enrolling and graduating increasing numbers of students from low-income families.

The authors in this volume add significantly to our understanding of the dynamics of economic inequality in higher education. At the same time, they—like all good researchers—also set out an ambitious research agenda to further our knowledge of causes, effects, and ways to reduce inequality. For example, what policies work best to mitigate the intergenerational transmission of inequality? How do college costs and perceptions of college costs affect enrollment decisions across income groups? What types of developmental courses are most effective for promoting success among lower-income students? What are the long-range effects of recent initiatives and programs aimed at reducing inequalities? What are the costs and benefits of these and other programs? As a practical matter, can we improve the available data on students that would allow us to identify causal links between policies and outcomes? These are but a few of the many questions raised in the chapters that follow. It is imperative that we expand efforts to rigorously study the effects of higher education policies and programs to better understand whether and how they work, what unintended negative consequences they may produce, and how to get the incentives right. The chapters in this volume provide much evidence and cause for hope, but also show that there is much work left to be done.

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## Endnote

1. This includes states that require developmental coursework and remediation training to be provided by community colleges rather than four-year colleges.

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