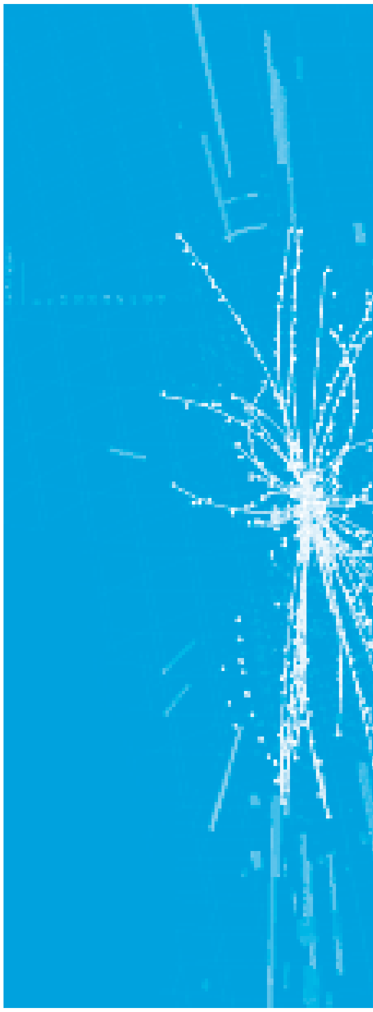

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Taking Fairness Seriously in College Admissions and Financial Aid

The temptation to view ethical concerns as a luxury that must be sacrificed in difficult economic times is great. Without a strong bottom line, the rationalization goes, we cannot accomplish any of our goals. Sandy Baum, professor emerita of economics at Skidmore College and independent policy analyst for the College Board, disputes the notion that ethical considerations can be dismissed in the interest of financial stability. That idea, Baum says, threatens the very core of the mission of higher education. She notes the complexity of seemingly straightforward matters such as need-blind admissions, which is very hard to oppose. A closer look at policy options frequently reveals ambiguities in determining ethical choices. Leadership calls for discovering the best path between what to the outsider may appear to be so clearly right or so clearly wrong—that optimal outcome achieved by considering both efficiency and economics on the one hand, and values and mission on the other.

PERCIEVED TRADE-OFFS BETWEEN EQUITY AND EFFICIENCY

The purported trade-off between equity and efficiency is evident in many contexts: Developing economies can't worry about pollution controls because they have to put growth at the top of the list. Feminism is an issue for affluent white women, not for those who are struggling to meet daily needs. And in the context of higher education, we can't afford to admit and educate large numbers of low-income students who cannot pay their own way when we are struggling to balance the budget. That is, while thinking about "right" and "wrong" is admirable, the thinking goes, we simply cannot afford to put such abstract notions at the top of our list when issues of survival are at stake.

Yet higher education institutions (with few exceptions) do not exist to generate profits. They exist to provide appropriate quality educational experiences for the benefit of students and of society as a whole. Ample revenues are required to fund this endeavor, but the need for revenue cannot justify sacrifice of the central mission.

- Appearing to be generous or socially conscious does not always lead to the best outcomes. Both in terms of process and in terms of outcomes, a closer look at choices is important in almost every realm. Admissions and financial aid are not exceptions.
- We must face the potential trade-off between more generous need-based aid and either charging higher tuition to full-pay students or sacrificing the quality of educational programs or facilities.
- Equity and efficiency in aid and admissions policies are frequently complementary and we do not have to choose between abandoning the goals of diversity and educational opportunity and risking institutional insolvency.
- In recent years, ethical considerations have taken a backseat to what is viewed from the institution's perspective as efficiency. This imbalance is likely to be exacerbated by current economic circumstances, making it all the more vital that campus decision makers reject the notion that ethical priorities are a luxury they cannot afford.

The challenge presented by this view of a moral imperative is moderated by the reality that the perceived trade-offs between equity and efficiency are often based on misperceptions and superficial notions of ethical practices, and may present less serious conflicts than often imagined. Appearing to be generous or socially conscious does not always lead to ethically preferred outcomes. Both in terms of process and in terms of outcomes, a closer look at choices is important in almost every realm, including admissions and financial aid.

ADMISSIONS AND FINANCIAL AID

The realm of admissions and financial aid is only one of many where ethical issues face higher education institutions. Yet it is among the most visible and is an area where those outside the academy feel most justified in launching attacks. Recent concerns in Illinois over a "clout list" for students with political connections join controversies about the role of standardized test scores, legacy status, and race/ethnicity in admission in providing reminders of the ownership outsiders feel towards these practices. These controversies also highlight the conflicts among appearances, an abstract standard of equity, and the realities and pragmatism known by insiders to be part of the complex admissions task. There may be a fine line between finding reasonable ways of making difficult choices among qualified candidates who differ in ways that may or may not be relevant to their chances of academic success and providing unfair advantage to those who happen to have money or connections or other attributes that might make them desirable students—even if there is no reason to expect them to have a higher probability of succeeding.

Financial aid polices are probably most susceptible to the equity/efficiency trade-off argument. Historically, the idea of financial aid has been to subsidize students who would not be able to enroll without financial assistance. In a society that values equal opportunity, denying educational opportunities because of inability to pay is difficult to justify. But when it comes to using institutional funds to provide discounts to selected students, life becomes more complicated. While in principle we would like to help students of limited means (and perhaps to generate socioeconomic diversity on our campuses), budget constraints loom large. Can we afford to give generous aid if it means either charging higher tuition to full-pay students or sacrificing the quality of educational programs or facilities? It is easy to look around and find other, better-funded institutions and become convinced that it is their responsibility to help low-income students. They can afford it. We cannot. This quandary is not a new one and is not limited to times of particular financial distress. Certainly as long as there has been a question of using financial aid funds to fill or shape the class—not just to provide opportunity—the questions of what is right and of what is affordable have been front and center. And the tension between those who argue that doing the right thing must be the first priority of educational institutions that are either public or non-profit and those who argue that fiscal stability must be at the top of the list are perennial. They are particularly acute in this time of real financial threat to many institutions.

In fact, while we certainly face difficult choices, we do not have to choose between abandoning the goals of diversity and educational opportunity and risking institutional insolvency. One reason the choice is not so stark as is sometime suggested is because the appearance of the most ethical choice does not always coincide with the choice that will lead to the most socially desirable outcome.

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One example of the issues colleges and universities have faced in recent years comes from the sweatshop debates. No one wants to stand up and argue that it is right to produce college sweatshirts in factories with oppressive and inhumane working conditions. But what is the best approach to this problem? Is it best to avoid countries with very low wages and no worker protection, leaving even greater unemployment there? In the 1990s when this issue was particularly prominent, two competing organizations grew up around it and the debate between them became almost as sharp as the debate with those not interested in improving the situation. It just wasn't clear what it meant to be on the right side of this issue.

A similar situation exists in the realm of admissions and financial aid. There are some practices that sound like they are definitely "right" and should be abandoned only if it is truly impossible to maintain them without doing serious damage to the institutions. Who could oppose need-blind admissions? It is not easy to argue that the most ethical approach is to deny admissions to students simply because they don't have the money to pay. If our admissions criteria are focused on who merits the opportunity to study at our institutions, depriving those who through no fault of their own cannot pay the price is simply a violation of our basic value of equality of opportunity. However, for most institutions, accepting all qualified applicants without regard to ability to pay is likely to create a situation where there is not enough financial aid

There is no question that in recent years, the pendulum in admissions and financial aid has swung too far from a focus on equity and access toward a focus on improving the prestige and/or the bottom line of the institution. In other words, ethical considerations have taken a backseat to what is viewed from the institution's perspective as efficiency.

available to make it feasible for them to enroll and succeed. There are several possible outcomes. The financial aid budget could be expanded at the expense of other institutional priorities, potentially having a significant deleterious effect on the quality of the educational experience available to all students. Tuition and fee levels could be increased in order to bring in new revenues. But this would increase the need of all aided students, in addition to generating need among some students who would have been able to pay the lower price. Most likely, applicants will be admitted but will not be awarded the aid they need to really make attending the institution a good choice. For many, the acceptance will be meaningless and they will not enroll. There may be a few who have hidden resources and will enroll successfully, but many others are likely to enroll but borrow excessively, work excessively, and/or be unable to participate fully in the campus experience because they just don't have enough money. Is this the "best" outcome? Is it "right" to admit these students even though they would probably be better off going to a college they can afford? Need-blind admissions is not a guaranteed route to equity.

Many possible financial aid policies appear to be clear ethical winners, but when circumstances are more fully considered, the choice becomes more ambiguous. The fact that federal, state, and institutional aid policies have all moved away from a pure focus on financial need in recent years has elicited considerable concern. Non-need-based grants are generally designed to attract desirable students to one institution instead of another—not to increase educational opportunities. In other words, they are rooted in the pursuit of institutional interests, not in the pursuit of the greater social good. The simple conclusion is that need-based aid is good and non-need-based aid is not so good. If there were enough money to give everyone all the need-based aid they require to enroll, then additional selective subsidies might be fine. But depriving low-income students of the opportunity to enroll in the institution of their choice in the interest of increasing the average SAT scores of the school or the chances of making the basketball playoffs is hard to sell as a strong ethical position.

But again, reality is not so simple. Many institutions have difficulty attracting enough middle- and upper-income students to bring in the needed tuition revenues. Schools with very large endowments don't generally have this problem. Aside from the fact that they have the capacity to provide generous funding to a large proportion of their students, these well-off institutions have no trouble attracting large numbers of qualified students who are able and willing to pay their high prices. But for other institutions lower down the food chain, it may be difficult to fill beds and particularly difficult to attract students from families with ample financial resources. These schools are less selective, less prestigious, and have much less affluent student bodies. If they gave only need-based aid, they might find it extremely difficult to attract students who have a wide array of choices. And they will not survive if none of their students can pay. The real argument against non-need-based aid is that it takes dollars out of the pockets of those who cannot afford to pay. But in some circumstances, strategic aid to affluent students may actually increase the dollars available for those who are less fortunate. In this case perhaps some amount of non-need-based aid designed to attract students who can pay a significant portion of their own way will increase net revenues and make it possible to provide better educational experiences—and more need-based aid than the budget would otherwise allow.

Another seemingly obvious ethical choice related to financial aid is the idea of meeting full need. The choice is between analyzing the financial need of accepted candidates and providing them with enough grant aid to fill the gap between the amount they can afford to pay supplemented by aid from other sources and the total cost of attendance—or leaving them with a gap so they have to search high and low to make ends meet if they enroll. Surely it is "right" to meet full need. Surely it is right—if available resources are ample and the choice is between meeting full need or buying new cars for the applicants with the highest SAT scores. But more often, meeting full need will collide with the practice of need-blind admissions, which, as discussed above, seems similarly appealing. Meeting full need may well be feasible if the number of students with high need is limited. But it will become impossible at most institutions if they admit needy students without limit.

Some institutions solve this problem either by re-defining need or by re-defining financial aid. Measured need might be reduced by counting previously ignored resources or disallowing consideration of expenses such as child care or medical costs. Need might be "met" by including a parent loan or a private bank loan and calling it student aid. A claim to equity is asserted, but the reality is much more problematic.

RAWLS' MAXIMUM CRITERION

The perspectives on equity provided by philosopher John Rawls provide a helpful framework for understanding why and how some practices that do not on the surface appear to promote social justice may, in fact, be most equitable. Rawls argued that in a state of nature, people designing the optimal society would opt for maximizing the level of well-being of the worst-off members of society. This would occur because people are risk-averse and would not know ahead of time where they would find their places in the anticipated society. Rawls' theory has provided the basis for the policy analyses of many economists interested in reducing inequality. According to Rawls, inequality can be justified if and only if it improves the well-being of the people at the bottom.

Rawls' "maximin" criterion, however, does not necessarily sacrifice efficiency in the name of equity. He makes it quite clear that if too much is transferred from the top to the bottom the disincentive effects will cause the size of the entire pie to shrink. Everyone will have less. A similar principle may be applied to the enrollment management quandary, if we apply the maximin framework to the students within a particular institution (rather than to society as a whole). A single-minded focus on equity might lead to giving priority to the neediest students, offering them enough aid to meet their need. But this could quickly deplete the aid budget and end up being an inefficient policy. If some funds are diverted to attract students who would not otherwise enroll but will bring significant tuition dollars to campus with them, more money will be available for need-based aid and other endeavors. In other words, a focus on the efficient allocation of student aid may increase opportunities to use aid funds in the pursuit of equity. Of course, if none of the additional revenues brought in are dedicated to need-based aid, the equity argument falls apart.

One student aid policy that has garnered considerable attention over the past couple of years as an effort to increase access and opportunity is the promise by a small number of highly selective institutions that all of their students—or in some cases just students from low- and moderate-income families—can graduate debt-free. These colleges promise that they will meet all of a student's measured financial need with grant and possibly work aid. On the surface this seems like an unambiguously positive step. Students need not fear that the fact that their parents can't pay for an expensive college will mean that they will accumulate unmanageable debt. The announcement has the great advantage of encouraging students who might not otherwise even think of applying to consider enrolling in these high quality institutions. Yet there are valid questions about how these policies might influence the vast majority of students who will not attend these highly selective institutions. Will they be discouraged from borrowing because of the increased sense that student loans are really a destructive force? Might these institutions be able to enroll more students from low- and moderate-income families if they used their aid budgets to increase the number of grants they award instead of giving such generous grant aid to a smaller number of students?

The second question becomes increasingly pressing in the current financial environment, where institutions are facing pressures they could not have imagined when they designed these no-loan policies just a short time ago. These schools, deeply committed to equity and access, now face an ethical dilemma. They have made a promise—a promise in the name of equity—and breaking that promise hardly seems like the morally preferable route. On the other hand, it is certain that more of their students will have trouble paying their bills and the demands on the student aid budget will be unexpectedly high. It may be that keeping the no-loan promise will require some institutions to significantly cut back on the proportion of qualified applicants who can be aided. There could, for example, be a choice between keeping this promise and maintaining a need-blind admissions policy. Is it possible, for example, that as a result of the decline in the endowment and the increase in the number of needy applicants the more fair and responsible policy would be to have students borrow $1,000 a year? It is important for leaders to consider whether their qualms about breaking a "no loan" promise are grounded in moral commitment or in fear of bad publicity.[1]

Granting that making ethical choices is not always so straightforward does not diminish the importance of keeping ethics in the forefront of the decision-making process. There is no question that in recent years, the pendulum in admissions and financial aid has swung too far from a focus on equity and access and toward a focus on improving the prestige and/or the bottom line of the institution. In other words, ethical considerations have taken a backseat to what is viewed from the institution's perspective as efficiency. This imbalance is likely to be exacerbated by the new financial constraints imposed by economic circumstances, making it all the more vital that campus decision makers reject the notion that ethical priorities are a luxury they cannot afford.

The efficiency of revenue-maximizing choices also may be more ambiguous than appears at first glance. Much of the strategic packaging of financial aid takes a very short-term perspective. How can we fill the class and maximize net revenues this year? But over the longer run, some of the practices adopted

1 As this essay goes to press, several colleges are reconsidering their no-loan promises. We now know that some will explicitly modify the promise, while others will find ways around that for the sake of appearance. These strategies might include, for example, increasing expected contributions from student earnings.

could actually backfire. If a college denies admission and/or financial aid to high-need students, but offers generous grant aid to less-qualified but more-affluent applicants from the same high school, this pattern will become apparent to college counselors. The school is likely to lose both respect and qualified applicants. Moreover, if the college succeeds in winning desirable applicants from peer institutions by offering non-need-based aid, the peer institutions are not likely to sit by idly. They will offer competitive packages. It is easy to see how competition for these students can lead to a price war, depleting institutional funds without bringing any more qualified and well-heeled students into the applicant pool. Everyone will lose in the long run—except those lucky students who could have paid full price, but now enjoy lower net prices than even students from the lowest-income families.

The issue of destructive competition that can lead to losses for all is frequently difficult for institutions to grasp. They look at short-term successes and can't see how it could be in their interest to sacrifice those successes for the greater good. But the reality is that if all institutions behave this way, those students without the ability to pay will simply drop out of the pool and everyone will lose.

Efforts to reinstate ethics as a salient factor in campus decision-making may be strengthened by a closer review of the misleading idea of an ever-present equity/efficiency trade-off.

In reality, equity and efficiency frequently reinforce each other, in higher education and in other spheres. It is equitable to provide basic health care to all. But it is also efficient to assure that all individuals have the health care they need to be as self-sufficient as possible and to be productive members of the labor force.

Education is an area where equity and efficiency are particularly likely to coincide. It is fair to give everyone access to educational opportunities from which they can benefit, and it's unfair to limit access based on ability to pay. But it is not just the individuals in question who suffer from barriers to access. Society's wealth increases when we use all of our resources efficiently, and human beings are our greatest resource. Failure to develop our human capital potential by denying access to quality education to people without the money to pay is wasteful. The social return on investments in educational opportunity is high.

How do these broad social realities apply to the level of the individual college or university? Equity seems to dictate that each institution provide the best possible education to the students who are qualified to enroll—regardless of ability to pay. That means admitting as many students as possible without regard to financial circumstances and providing them with the most generous need-based aid possible. This means making need-based aid a priority—possibly at the expense of institutional prestige, some campus amenities, programs, or other worthy expenditures.

Efficiency means making decisions that allow the institution to provide as much quality education as possible at the lowest possible cost and assuring that the institution has a strong bottom line in both the short-run and the long-run. Rising in the rankings might be a good way to attract more applicants. Providing discounts to students who could afford to enroll elsewhere in order to draw them to campus might increase net revenues. Assuring financial strength is a pre-requisite to providing equitable opportunities.

In other words, a focus on equity does not mean ignoring efficiency. And a focus on efficiency cannot exclude equity.

CONCLUSION

Keeping ethical considerations high on the agenda is part of responsible leadership, which requires taking foreseeable consequences into account, not just following rules that sound morally defensible. Focusing just on what looks like the "right" thing to do—or will create the best superficial appearance to casual onlookers—is not a sound guideline. Rather, responsible leaders must think more deeply about the most promising ways to accomplish their goals, which even in the most difficult of times must include matters of mission and values high on the list. Again, the mission of colleges and universities is not to maximize net revenues, but rather to provide quality educational opportunities to those who can benefit from the experience—and this mission requires sufficient resources.

The moral responsibilities of leadership extend not only to choosing good policies, but to explaining and defending them openly and honestly. Presenting reasoned arguments for institutional policy choices has the important educational benefit of modeling for students the kind of decision-making we want to see them undertake as they move forward in their personal and professional lives.

Ethical leadership presents many challenges even in the best of times. Perhaps it would be easier if the choices were clear cut. If the choice were between being good and being efficient, life might be simpler. But defining "good" is quite complicated. Institutions' primary mission requires both efficient operations *and* a strong ethical grounding.. In the economist Alan Blinder's words, we must approach our problems with hard heads and soft hearts.

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