Playing Favorites: Federal Aid to Higher Education

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The economic plight of America's colleges and universities is by now disturbingly familiar. Long before the ascendancy of "Reaganomics"—in fact, throughout the decade of the 1970s—rising costs and shrinking revenues and a levelling of enrollments in both the public and private sectors brought on what economist Earl F. Cheit called "a new depression in higher education," signifying "the greatest overall and long-run rate of decline in its history."[1] In phase with the fluctuations of the business cycle, the downswing followed the boom years of the 1960s—a period of steady and unprecedented expansion marked by multi-billion-dollar building construction programs, burgeoning enrollments, and academic employment.

In some institutions and in some sectors of the academic system the battle of the budget has been especially acute and protracted. Two of the world's largest public university systems, the City University and State University of New York (CUNY and SUNY), have since 1973 suffered massive cut-backs in their operating budgets. Many of the smaller private colleges have been forced to close their doors or merge with more financially viable institutions.

Austerity has, above all, been felt by lower-level personnel within the academic system. Everywhere faculty and staff are being laid off in large numbers, and full-time faculty positions reallocated to cost-saving part-timers.

1 Earl F. Cheit, *The New Depression in Higher Education*, Volumes I and II (New York: McGraw-Hill, 1971 and 1973).

For those that remain, administrators are imposing longer hours, larger classes, and heavier workloads, while at the same time resisting salary increases and promotions. Affirmative action is being attacked, tenure quotas established, and retrenchment begun.

Steep increases in tuition, reductions in financial aid, the curtailment of open admissions and affirmative admissions programs, enrollment freezes (especially at the graduate level), and a shrinking job market have compelled many students to forego higher education altogether. Others have been persuaded to curtail their aspirations for self-fulfillment or social mobility, lower their expectations regarding the value of a liberal arts degree, and settle instead for a vocational track at a public community college or technical institute.

Meanwhile, college administrators are attempting to streamline cost-efficient scientific management, consolidate central staffs, and tighten control over campus governance.

The crisis in American higher education, then, did not originate with the new administration nor did efforts at crisis management. Nonetheless, Reaganomics threatens to hasten the down-turn and compound the pain. A harbinger of increasingly harsh times ahead for academe is the sheer magnitude of the cutbacks for the first two years of applied Reaganomics. The fiscal 1982 higher education budget of approximately $6.5 billion represented a 25 percent slash from the budget during the final year of the Carter administration. For fiscal 1983, the Reagan administration planned to trim higher education's share to a mere $4.8 billion[2]—the budgetary ax falling hardest on the various categories of student financial aid. At a press conference, Vice President George Bush vigorously defended the cutbacks on the grounds that education has, over the years, "been the recipient of an excessive amount of federal money."[3] Echoing these sentiments, Education Secretary Tyrrel H. Bell insisted that the government could no longer afford "posh student aid" and had, besides, a "moral obligation to sacrifice."[4]

This deepening crisis of higher education is especially ironic in view of President Reagan's presumptive commitment to "crisis management" and his designation of Vice President Bush as his chief "crisis manager." Crisis manage-

2 *Chronicle of Higher Education* (March 16, 1982, and May 19, 1982). In a surprising turnabout, Congress voted to override President Reagan's veto of a supplemental appropriations bill that restored some of the original cutbacks, particularly in student assistance, proposed in the President's fiscal 1983 budget. Congress' action provided $217 million in extra student aid money for the 1983 fiscal year, including $140 million for the $2.28 billion Pell Grant program and $77 million for the $278.4 million Supplemental Educational Opportunity Grant (SEOG) program.

3 Bush quoted on WAMC Public Radio News June 3, 1981.

4 Bell quoted by Anthony Lewis, "Depleting Our Capital," *New York Times*, February 11, 1982; and Christopher Connell, "Utah Providing the Leaders and the Decision-Makers," *Change* 14 (July/August 1982):22.

ment, however, is nothing very new. It was a central feature of the technocratic administration of American institutions under advanced capitalism long before the Reagan administration made it virtually a household word. History has shown, moreover, that attempts at "managing crises" have often, instead, provoked or intensified them. While such an outcome may, on occasion, be unintended, in the case of the Reaganites it is clearly intended. Liberal social policies that were the legacy of the political struggles of the sixties are being specifically repudiated and systematically dismantled. Millions of students from low- and middle-income families who had secured access to higher education only by means of government loans and grants have had their academic chances severely jeopardized. Colleges and universities still reeling from the protracted budgetary crisis of the 1970s now face an even more severe cost-revenue squeeze, despite a recent (and, apparently, temporary) upturn in enrollments. And faculty, always the chief cost in a labor-intensive industry, are threatened anew with layoffs and retrenchment.

The crisis in higher education has been notoriously uneven in its impact; while slashes in government spending are destined to have a devastating impact on all of higher education, little attention has been paid to how selective are the cutbacks and discriminatory in their social outcomes. Implicit in the thinking of the fiscal conservatives in the new administration is that the public sector, in particular, has for too long been the recipient of unwarranted government largess. In keeping with the general thrust of Reaganomics, which is to wage budgetary war on any so-called entitlements to public welfare, a major effort is now underway to reverse spending priorities. As a result, public colleges and their constituencies are, to an unprecedented degree, being forced to bear the brunt of the crisis.

In short, the hidden agenda for academic crisis management is to implement a policy tilt to the private sector and, in so doing, to undermine public higher education. The slogan of the campus revolts of the 1960s, "Education is a right, not a privilege," is being reversed at the hands of an administration bent on shoring up privilege and the rights of property. Policy favoritism to the private sector is not, however, very new, nor is it confined to the ideology and practice of conservative administrations. On the contrary, it has been a mainstay of the liberalism of many private policy research organizations, such as the Carnegie and Sloan Commissions, and of liberal lawmakers, such as U.S. Senator Daniel P. Moynihan. This can be shown by examining some aspects of the politics of higher education finance.

In 1975 at a nationwide convocation devoted to a reconsideration of American higher education's "uncertain future," one of the more prominent participants, Senator Moynihan, complained that the high-quality education provided by elite private colleges and universities had been deteriorating—a situation he attributed largely to government "favoritism" to the public sector. "Higher education seems headed for a condition of public affluence and private squalor," Moynihan observed.

> Even if "quality" education should once more become an object of federal interest, private institutions are so outnumbered by public institutions of higher education that no matter how politically effective the American Council on Education might become, the preponderance of internal influence and interest has to be on the public side. The prospect is that one by one the great private universities will be incorporated into state systems. . . . [If so,] it will be another melancholy chapter in what Schumpeter years ago foresaw as the conquest of the private sector in the later stages of a declining capitalism.[5]

A few months later, the Carnegie Council on Policy Studies in Higher Education lent its considerable prestige to the effort to reorder philanthropic priorities. At a press conference called to announce publication of the Council's first policy report, Chairman Clark Kerr urged federal and state governments to take "decisive steps" to ameliorate the financial plight of the nation's private colleges and universities. Summarizing the collective mood of the Council's twelve trustees, Kerr emphasized that "something has to be done if we are to preserve a strong private sector."[6]

While the Carnegie policy planners' support for the private sector was neither new nor particularly newsworthy—in fact, it had been a constant theme of the scores of policy reports the Council's precursor, the Carnegie Commission on Higher Education, had published during its six-year life span—what was new at this mid-1975 press conference was the sense of urgency and the price tag attached to the recommended hike in government philanthropy.

The centerpiece of the new strategy was to be a multi-billion-dollar federal program of tuition equalization or offset grants channeled directly to students (amounting to an average annual subsidy of $1,500 per student) together with matching grants from the states, in an effort to narrow the tuition gap between the private and public sectors and thus boost enrollments in private colleges and universities. The second main item in the Council's recommended aid package to the private sector was a sharply accelerated program of federal subsidies for research and development (R & D) to ensure "maintenance of the research capacity of our universities."[7] The chief beneficiaries, however, of accelerated R & D

5 Daniel P. Moynihan, "The Politics of Higher Education," *Daedalus, Volume II* 104, no. 1 (Winter 1975) 145–6.

6 Edward B. Fiske, "U.S. Urged to Aid Private Colleges," *New York Times*, March 7, 1975.

7 W. McNamara, "Mr. Kerr Comes to Washington," *Change* 7, no. 4 (May 1975):14.

funding were, by design, and have been, in fact, those enjoying unequivocal elite status—that is, the largest, most prestigious doctoral-granting universities in the private sector.

At the mid-point, then, of this "depression decade" of the 1970s, the leading voice in policy planning for American higher education, the Carnegie Council, took an aggressive lead in redefining crisis-management priorities and in legitimating the policy tilt to the private sector. As striking as the media blitz and mood of urgency that underscored the Council's appeals (although by no means as conspicuous) was the unanimity of their endorsement by the trustees of both the Carnegie Council and its sponsor, the Carnegie Foundation for the Advancement of Teaching (CFAT). Almost three-quarters of the thirty trustees in that year were corporate executives or academics affiliated with private institutions, with ideological and professional commitments that would, understandably, predispose them to favor private higher education. Far less understandable, however, was the seemingly unproblematic concurrence of the eight trustees representing public colleges and universities in policy proposals that posed a distinct threat to the viability of their own institutions and the public sector at large. Two of the participants in this remarkable and curious consensus were: Ernest L. Boyer, then chancellor of SUNY, recently U.S. Commissioner of Education, and now president of the CFAT; and Clifton R. Wharton, Jr., Boyer's successor at SUNY, and then president of Michigan State University and vice-chairman of the CFAT.

A front page story in the *Boston Globe* as early as 1972 was prescient in its understanding of how the "zero-sum game" politics of education finance would increasingly hurt the public sector, and held the Carnegie Commission, as the leading architect of academic policy planning, largely accountable. In a single, sardonic metaphor, the *Globe*'s inch-high headline summarized the impact of the Massachusetts governor's planned budget cutbacks. "CARNEGIE HONES AX, SARGENT SWINGS IT: PUBLIC HIGHER EDUCATION ON BLOCK." Quite unambiguously, the ideology underscoring Carnegie-sponsored policy research was summed up in the Commission's final report:

> "Elite" institutions of all types . . . should be protected and encouraged as a source of scholarship and leadership training at the highest levels. They should not be homogenized in the name of egalitarianism.[9]

Almost all of the leading national policy planning commissions—especially those supported by private philanthropy—were in full agreement with the tone and content of the Carnegie Council's plan to salvage the private colleges and

8 Cited in: Robert Wood, "Academe Sings the Blues," *Daedalus, Volume II* 104, no. 1 (Winter 1975):49.

9 Carnegie Commision on Higher Education, *Priorities for Action: The Final Report* (New York: McGraw-Hill, 1973), p. 30.

universities. The list included the Committee for Economic Development, the Council for Financial Aid to Education, the Academy for Educational Development, the Brookings Institution, the Center for Applied Research in Education, the Ford Foundation, the International Council for Educational Development, the Society for College and University Planning, Educational Change, Inc., the National Commission on the Financing of Post-Secondary Education, and the International Council on the Future of the University. Some of these planning bodies had, in preceding years, made similar policy pronouncements; some merely jumped on the Carnegie-led bandwagon.

A relative newcomer to the roster of policy research organizations favorably disposed toward private higher education has been the Sloan Commission on Government and Higher Education, established in 1977 by the Alfred P. Sloan Foundation. The Commission's brief three-year history (to mid-1980) included a prodigious output of policy studies (some fifty-five in all) and a final report, *A Program for Renewed Partnership*, that created considerable furor especially among the public colleges and their constituents.

The report's recommendations called for undercutting, in effect, the opportunities for access to public institutions, mostly by means of altered financial aid formulas and a shift in emphasis from grants to loans and self-help measures, on the principle that "no one should go to college simply because there is public money to do so."[10] Recommending also new modes of government regulation, the Commission called upon each state to "see that the burden of contraction is shared fairly by the public and private sectors,"[11] and hinted that some public colleges might have to suffer the same fate as the many private colleges that have had to merge or close in recent years. In order to facilitate such an outcome, the Commission further proposed that states require periodic quality reviews of the academic programs of public institutions conducted by outside academicians (presumably from the private sector):

> Public disclosure of the results of the program reviews, if widely known to prospective students and their families, could contribute to the further decline of a college .... perhaps even causing its early demise.[12]

Fred M. Hechinger, columnist and former education editor of the *New York Times*, quite accurately assessed the consequences of this facet of academic crisis management, by declaring:

10 Sloan Commission on Government and Higher Education, *Overview* (New York: Alfred P. Sloan Foundation, January 5, 1980), p. 25.

11 Sloan Commission on Government and Higher Education, *A Program for Renewed Partnership* (Cambridge, Mass.: Ballinger, 1980), p. 15.

12 Cited by Fred M. Hechinger, "Making Less Become Better," *Educational Record* (Winter 1980):40.

> any proposal to mandate tough qualitative reviews—and an implied form of mercy-killing—for public colleges while making such reviews merely optional for the independents, can only have the effect of further aggravating existing antagonisms between the two camps.[13]

Such a calculated effort to undermine public higher education, however, is understandable, perhaps, in view of the backgrounds of the Sloan Commission's trustees. Of the forty-four institutions with which the twenty-three trustees have some affiliation, only five are public colleges or universities. Both the chairman and the vice-chairman of the Commission have long-standing ties to the private sector: Louis W. Cabot, the Commission's chairman, chairman of the board of the Cabot Corporation and member of the governing boards of Northeastern, Harvard, and M.I.T.; and Carl Kaysen, its vice-chairman and director of research, former director of the Institute for Advanced Study at Princeton, and now associated with M.I.T.

Private higher education has been the beneficiary of public philanthropy directly and indirectly in a number of ways: through tax credits and exemptions, both to individuals and institutions; through student aid in the form of scholarships, fellowships, grants, and loans; and through direct institutional subsidies.

Certain features of the federal tax code especially benefit private higher education, and in so doing they cost the Treasury "between $3 and $4 billion a year in lost revenues." Most important are the tax credits allowed individuals and corporations for charitable donations to colleges and universities, amounting to a federal revenue loss of $780 million per year. According to a Brookings Institution study:

> This tax benefit holds special importance for the private sector since private institutions presently receive three-fourths of all philantropy directed to higher education and since for some of them such gifts account for a large portion of overall income.[14]

Other important kinds of tax benefits to the private sector include the tax exemptions on construction bonds for academic facilities granted by many state governments; institutional exemptions from property, sales, and excise taxes, and exemptions from personal income taxes for student financial aid (scholarships, fellowships, grants and veterans' or Social Security subsidies).

Recently, momentum has been gathering in both houses of Congress for passage of a program of tuition tax credits, largely because of encouragement

13 Ibid., p. 40.

14 David W. Breneman and Chester E. Finn, Jr., eds., *Public Policy and Private Higher Education* (Washington, D.C.: Brookings Institution, 1978), p. 39.

given by the Reagan administration. A cozy alliance, in fact, has been struck between the Reaganites and liberal Democratic Senator Daniel Moynihan who is the cosponsor and architect of the Senate's bill. The tuition tax credit bills, of course, are an example of unabashed policy favoritism to the private sector in higher education as well as to more affluent taxpayers. Sixty percent of the benefits would accrue to families earning more than $25,000 a year. Poor families (who pay no income tax) would be left out entirely, as would self-supporting students. By making private education more attractive and accessible, the scheme would place the entire system of public education, from kindergarten to college, in grave peril.

Private policy-research organizations have consistently recommended that the principal vehicle for channeling public monies to the private sector should be student aid, whether in the form of grants, loans, or tax credits. Both the federal government and many state governments have sought to act on this advice. In 1976, for example, thirty-nine states had need-based student aid programs for the private sector, totaling $645 million; and with just three states (New York, Pennsylvania, and Illinois) accounting for more than 52 percent of the total.

In New York, the Tuition Assistance Program (TAP) for full-time undergraduates has, since its inception in 1974, expanded its income eligibility and award schedule. Most of the benefits, however, accrue to students at the private colleges, because the tuition levels at the state's two public university systems (SUNY and CUNY) are only half the maximum TAP stipend of $2,200, and at the community colleges even less. According to data from the New York State Education Department, 61 percent of the beneficiaries of TAP stipends in 1976–77 were students in private colleges (compared to 36 percent in 1975–76) and receiving twice the aggregate aid (about $73 million) that they received in 1973–74. Although 60 percent of the students currently seeking degrees are enrolled in the public colleges and universities, they received only $116.7 million in aggregate aid under the TAP program in 1980–81, whereas students in private colleges and proprietary schools received a total of $145.9 million. In addition to the TAP program, New York State maintains a financial assistance program specifically for educationally and economically disadvantaged students at private institutions—the Higher Education Opportunity Program (HEOP). Appropriations to HEOP have more than doubled since the program's inception in 1970. During 1976–77, for example, the state gave $7.6 million to HEOP at sixty-two private colleges and universities, serving 5,300 students, for a per capita stipend of $1,400.

More than 50 percent of all college students have been, until these first years of applied Reaganomics, receiving some form of financial aid from the federal government. Many of these long-standing federal programs are, of course, being substantially cut or phased out altogether, and the cuts most adversely affect public colleges and their students. Among the programs have been those that funnel aid directly to students, such as the Basic Educational Opportunity (or "Pell") Grants, veterans' subsidies under the G.I. Bill, and stipends paid through the social security program. Another series of programs has channeled funds through the colleges rather than directly to individual students—for example, the College Work Study and the Direct Student Loan Programs and Supplemental Educational Opportunity Grants. The federal government also provides matching grants to states under the State Student Incentive Grants and Guaranteed Student Loan Programs.

Although the Carnegie Council's urgent recommendations for tuition equalization grants have yet to be enacted, their purposes, nonetheless, have been largely realized by the growing number and dollar value of federal assistance programs to students in the private colleges and universities. The discriminatory effects of such public philanthropy, moreover, were apparent well before the ascendancy of the Reagan administration. Just as with state government assistance programs, the steady expansion of eligibility and award ceilings in the federal programs facilitated access to and disproportionately rewarded students in private institutions. When passage of the Middle Income Student Assistance Program in 1978, for example, made newly eligible 1.7 million students with incomes between $15,000 and $25,000, most, it was estimated, used their aid money in the private sector. Furthermore, while in the 1974–75 academic year the overall ratio of students receiving federal aid at private colleges compared to public colleges was approximately one to three, the aid gap has been steadily closing in the ensuing years.

Recent evidence, too, indicates that states have responded well to the stimulus provided by federal assistance programs. A report by the National Institute of Independent Colleges (NIICU) shows that legislatures in at least twenty states boosted aid to private college students for 1981–82. New Jersey, for example, increased by 20 percent the portion of its scholarship program earmarked for students at the state's independent colleges. Although Ohio has been beset by a fiscal crisis that forced the public institutions in the state onto austerity budgets, the legislature was considering a bill that would provide $40 million in subsidies to students in the private sector. Even more difficult to understand is the state of Michigan's generosity to the private sector at a time when its public universities are forced to bear multiple million-dollar budget cuts and its students are forced to pay sharply rising tuition rates to help close the budget gap. Nonetheless, the NIICU report notes, Michigan "stands out as having remarkably healthy programs for assistance to independent colleges." For 1981–82 the legislature approved $16 million for grants to private college students—a 75 percent increase over the previous year.

Direct institutional support by the federal government has, in recent years, amounted to slightly more than half of the federal outlay for post-secondary education. Institutional support includes subsidies for construction of instructional facilities; contributions to "developing institutions" and to land-grant colleges and universities; support for agricultural extension services and for special instructional programs (such as the recent promotion of "cooperative education"); and R & D grants. Although both public and private colleges are eligible to compete for these federal funds, according to the Brookings Institution, "recent history indicates that the private sector fares at least as well as its 'share' of the industry would warrant."[15]

By far the largest single share of direct institutional aid from the federal government comes in the form of R & D grants, and an increasing percentage—now close to 50 percent—has gone to private institutions. Perhaps even more important, however, is the highly selective and discriminatory awarding of these grants. According to the Brookings Institution, about 85 percent of all federal R & D dollars is concentrated in the top hundred universities. About 25 percent goes to the top ten alone—six of which are in the private sector.

Although nineteen states provide some form of institutional aid to private institutions, conspicuous and unequivocal leadership in this regard has come from New York State. The principal vehicle for New York State's largess to the private sector is so-called "Bundy Aid," a program of direct grants to private institutions based upon the number and type of degrees conferred—presently ranging from $450 for each associate or bachelor's degree to $4,500 for each doctorate. The grant program was named for McGeorge Bundy, chairman of the Select Committee on the Future of Private and Independent Higher Education in New York State, which first proposed the formula grants in a 1968 policy report. During 1977–78 alone, New York appropriated almost $67 million in Bundy Aid to its private colleges and universities, whereas all the other states *combined* gave only $53 million. In that same year, New York's total annual appropriations to the private sector (including student assistance) amounted to $173 million, or 14 percent of the higher education budget. While New York lawmakers' enthusiasm for support of the state's two public university systems was conspicuously cooling, it was steadily warming toward the private sector. This is strikingly evident in data showing that over the past five years, state funding for SUNY and CUNY declined 7.3 percent—forcing both systems to adopt annual austerity budgets—while it increased by 50 percent for private higher education. In the 1981–82 fiscal year Bundy Aid alone topped $93.3 million—a 39 percent increase over 1977–78.

Besides a conspicuous acceleration of the drain on tax revenues, there is the even more interesting fact that Bundy Aid has been disproportionately dispensed to the ten biggest private universities of the ninety-three institutions eligible and receiving state aid. By the State Education Department's own calculations, in the

15 Carnegie Council on Policy Studies in Higher Education, *The Federal Role in Post-Secondary Education* (San Francisco: Jossey-Bass, 1974), pp. 81–87.

period from 1973 to 1977, the five "multi-versities" (Columbia, Cornell, Syracuse, New York University, and the University of Rochester) and five universities (Adelphi, Fordham, Hofstra, Yeshiva, and Long Island University) "have received about 55 percent of the total aid payments" (or, $129.3 million). State favoritism is even more conspicuous in the funding of the top five, which received between 34 percent and 39 percent of the total. In the years since its inception, Bundy money has amounted to more than $700 million—clearly, a major weapon in the state's efforts at "management" of the financial crisis of the private sector. Yet, at the same time, a consequence of this policy tilt has been to deepen the crisis for public higher education. This is especially ironic for a state that took pride in having created in the State University of New York—not only the largest university system in the world, but one that provided high quality education for its students.

The increasing flight of public tax revenues to the private sector, however, is hardly confined to New York State. In the same year that the first in a series of severe cutbacks in the University of Massachusetts's budget occurred, $300 million in federal, state, and local government monies went to private institutions in the state, while only 180 million went to public higher education. Two of the largest private universities, Harvard and M.I.T., each year receive approximately 55 percent of their total operating costs from combined levels of government. At the public University of Massachusetts an almost equivalent percentage (56 percent) of operating costs is funded by government (primarily the State of Massachusetts), while student tuition revenue supplies the remainder.

Against this backdrop of sustained and systematic policy favoritism to private higher education, we can begin to put into perspective the budget agenda of the Reagan administration. Although an assessment of the full magnitude and effects of the cutbacks at this time is necessarily somewhat tentative, the following seems clear.

In the coming years, shockwaves from the budgetary assault on academe will be felt throughout the system. No sector will be untouched. To be sure, some of the smaller private colleges, with limited endowments and largely dependent upon tuition revenues, may be forced to close because of declining enrollment brought about by reduced financial aid to students. Nonetheless, hard times will be hardest, in the final analysis, for public higher education. This is so because the public colleges, lacking the cushion of endowments or private philanthropy to fall back upon, are wholly at the mercy of state and federal officials who control the public pursestrings. At the same time, lower-income and minority students who primarily attend public institutions will be the most adversely affected. In addition, faculty and professional staffs at those colleges will be the most subject to wage freezes, budgetary layoffs, and retrenchment. Consider, first of all, the implications of the planned reductions in student financial assistance.

A bold and grim newspaper headline summed up the impact of the fiscal 1982 budget on the opportunities for students: "REAGAN CUTS MAY FORCE 750,000 STUDENTS OUT"—20,000 in the state of Massachusetts alone.[16] The Reagan administration's multi-billion dollar reductions in federal grant and loan programs threaten, in short, to generate a population of forced drop-outs. The Department of Education has conceded that, under its proposed revisions in eligibility formulas, 800,000 of the 2.6 million students who received Pell (BEOG) Grants in 1982–83 would be dropped by 1983–84 —a 30 percent reduction. Of these students, two-thirds (600,000) attend public colleges. Hundreds of thousands more with family incomes below $18,500 would have their Pell Grants cut, possibly by $500 or more. Once again, these students are disproportionately in the public sector. The planned phase-out of education subsidies under the Social Security system will, similarly, hit hardest lower-income and minority students at the public colleges. Eighty-four percent of the 800,000 students who have been recipients of Social Security subsidies are from families with annual earnings below $20,000 (i.e., below the national median income level). Twenty percent (of 140,000) are black and 48 percent are from working-class households. Moreover, although 250,000 of these students will presumably be eligible for increased Pell Grants, they will not be fully compensated for by loss of the Social Security subsidies.

Massive cutbacks in funding levels, higher interest rates, stiffer eligibility requirements, and the proposed elimination of three important federal assistance programs (SEOG, SSIG, and NDSL) are, similarly, creating financial havoc for millions of students—most of them at public colleges. The cost of borrowing will rise sharply if the Reaganites have their way. All loan recipients must satisfy a needs test, pay a flat 10 percent origination fee (double the previous rate), and face interest charges at market rates within two years of graduation. A quarter of a million students who have depended upon work-study stipends will, presumably, have to find other jobs. Overall, the cutbacks in financial aid (for both loan and grant programs), according to the American Council on Education, "could eliminate 2.3 million awards for low and middle income students" in the coming academic year.[17]

The direct correlation between the rising costs of college attendance and enrollment decisions was dramatically revealed when CUNY in 1976 decided to revoke its long-standing no tuition policy and impose instead a tuition schedule identical to that of SUNY. During the following academic year, the "equivalent of 58,000 full-time students had vanished from the City University classrooms, a

16 Janet Hook, *Chronicle of Higher Education*, March 2, 1982, pp. 1, 14.

17 Cited in *On Campus*, American Federation of Teachers, November 1981.

27 percent reduction in enrollments."[18] That rising costs were the major reason for attrition of such proportions at CUNY (as well as at other campuses) becomes even more plausible when one takes into account the fact that over one-half of CUNY's student body in that year (1977–78) came from families with incomes under $9,000. In 1981–82, 60 percent of CUNY students and 50 percent of SUNY's came from families earning less than $12,000—each figure representing little more than half the national and statewide median income levels in those years.

Black leaders in higher education have expressed alarm at the prospect of a drastic decline in black student enrollment in the coming years. At present, nearly 90 percent of all blacks pursuing post-secondary education receive some form of government assistance "and have few options without it." According to the president of the National Association for Equal Opportunity in Higher Education:

> "Without financial aid, black students are going to be caught in an economic squeeze so serious that if the cuts are affected, we could be talking about a loss ranging from 25 percent to 50 percent in enrollment of black students in institutions of higher learning . . . by the fall of 1983."

Another spokesman concurred: "Literally thousands of black youngsters who are college bound won't be."[19]

Reaganomics, in short, is generating a new enrollment crisis for America's colleges and universities and a new population of forced drop-outs—forced, by having their financial lifelines cut.

Increasingly, state governments across the country are putting their public colleges and universities on austerity budgets. Many had been forced to declare "states of financial emergency" even before the federal outlays for fiscal 1982 and 1983 were announced. As a result, these colleges can only expect an emergency to escalate into a veritable panic when the full impact of the Reagan cuts is felt. Consider the following examples:

• In Washington, a 10 percent cutback in state appropriations has created a crisis for the public higher education system. Thirty-three million dollars was expected to be slashed from the operating budget of the University of Washington —meaning the loss of 260 faculty and possible cuts in admissions of 40 percent.

• Washington State University was slated to suffer a $10 million cut in its budget, while at the state's twenty-seven community colleges, between 400 and 600 faculty and staff faced layoffs and 17,000 students were denied admissions.

18 Report on the Temporary State Commission on the Future of Post-Secondary Education (Albany: New York State Education Department, March 31, 1977), p. 6.

19 Reginald Stuart, "Big Drop Forecast in Black Students," *New York Times*, March 28, 1982.

• Reductions of $44 million were in store for Kentucky's public higher education system for the current academic year.

• Ohio's public institutions face the prospect of a 16.3 percent budget cut for fiscal 1983. Faculty at Ohio State have been subject to a mandatory salary freeze.

• Idaho's State Board of Education declared a state of "financial emergency" for all four of its four-year colleges. More than one hundred faculty and staff have been laid off as part of a nine percent budget reduction.

Many public colleges and universities, in short, will now be facing the double jeopardy of a budget squeeze forced upon them by reductions in both state and federal appropriations. The Reagan budgets have called for massive cutbacks in a variety of programs of direct institutional aid: to developing institutions, libraries, and museums; for building construction and research and development programs; to programs for the humanities, the arts, science and mathematics. A disproportionate share of the cutbacks will most likely fall upon the public sector, judging from the regressive patterns of public philanthropy in the recent past. A headline in *The Chronicle of Higher Education* trenchantly summed it up: "WORSE THAN THE GREAT DEPRESSION: FALLING STATE REVENUES, CUTS IN PAYROLLS BRING HARD TIME TO PUBLIC INSTITUTIONS."[20]

The main thrust of crisis management, Reagan-style, is, therefore, to aggravate even further the policy tilt to the private sector and deepen the crisis for public colleges and universities. All the while, the ideologies of the free market and the virtues of private enterprise disguise the government's flight from social responsibility.

20 Jack Magarrell, *Chronicle of Higher Education*, February 10, 1982, pp. 1, 8.