

ECONOMICS AND CONTEMPORARY ISSUES

Michael R. Edgmand Ronald L. Moomaw Kent W. Olson



2nd EDITION

E C O N O M I C S
A N D C O N T E M P O R A R Y I S S U E S
S e c o n d E d i t i o n

MICHAEL R. EDGMAND
Oklahoma State University

RONALD L. MOOMAW
Oklahoma State University

KENT W. OLSON
Oklahoma State University

THE DRYDEN PRESS
HARCOURT BRACE COLLEGE PUBLISHERS

Fort Worth Philadelphia San Diego New York Orlando Austin San Antonio
Toronto Montreal London Sydney Tokyo

To Judy

To Julie, Sara, and Kate

To Carol

THE DRYDEN PRESS SERIES

IN ECONOMICS

Asch and Seneca
Government and the Marketplace
Second Edition

Baker
An Introduction to International
Economics

Baumol and Blinder
Economics: Principles and Policy
Sixth Edition (Also available in
micro and macro paperbacks)

Baumol, Panzar, and Willig
Contestable Markets and the
Theory of Industry Structure
Revised Edition

Berch
The Endless Day: The Political
Economy of Women and Work

Breit and Elzinga
The Antitrust Casebook:
Milestones in Economic Regulation
Second Edition

Brue
The Evolution of Economic
Thought
Fifth Edition

Campbell, Campbell, and Dolan
Money, Banking, and Monetary
Policy

Claudon and Olsen
Eco Talk

Demmert
Economics: Understanding the
Market Process

Dolan and Lindsey
Economics

Seventh Edition (Also available in
micro and macro paperbacks)

Eckert and Leftwich
The Price System and Resource
Allocation
Tenth Edition

Edgmand, Moomaw, and Olson
Economics and Contemporary
Issues
Second Edition

Estey
The Unions: Structure,
Development, and Management
Third Edition

Friedman
Milton Friedman Speaks (Video)

Gardner
Comparative Economic Systems

Glahe
Microeconomics: Theory and
Application
Second Edition

Green
Intermediate Macroeconomics

Gwartney and Stroup
Economics: Private and Public
Choice
Sixth Edition (Also available in
micro and macro paperbacks)

Gwartney and Stroup
Essentials of Economics

Heilbroner and Singer
The Economic Transformation of
America: 1600 to the Present
Second Edition

Hirsch and Rufolo
Public Finance and Expenditure in
a Federal System

Hirschey and Pappas
Fundamentals of Managerial
Economics
Fourth Edition

Hirschey and Pappas
Managerial Economics
Seventh Edition

**Hoerneman, Howard, Wilson, and
Cole**
CAPER: Computer Assisted
Program for Economic Review

Hyman
Public Finance: A Contemporary
Application of Theory to Policy
Fourth Edition

Johnson and Roberts
Money and Banking: A
Market-Oriented Approach
Third Edition

Kaufman
The Economics of Labor Markets
Fourth Edition

Keating and Wilson
Fundamentals of Managerial
Economics

Keating and Wilson
Managerial Economics
Second Edition

Kennett and Lieberman
The Road to Capitalism: The
Economic Transformation of
Eastern Europe and the Former
Soviet Union

Kidwell, Peterson, and Blackwell
Financial Institutions, Markets, and
Money
Fifth Edition

Kohn
Money, Banking, and Financial
Markets
Second Edition

Krein
International Economics: A Policy
Approach
Sixth Edition

Landsburg
Price Theory and Applications
Second Edition

Link, Miller, and Bergman
EconoGraph II: Interactive
Software for Principles of
Economics

Lott and Ray
Applied Econometrics with Data
Sets

Nicholson
Intermediate Microeconomics and
Its Application
Sixth Edition

Nicholson
Microeconomic Theory: Basic
Principles and Extensions
Fifth Edition

Ormiston
Intermediate Microeconomics

Puth
American Economic History
Third Edition

Ramanathan
Introductory Econometrics with
Applications
Second Edition

Rukstad
Corporate Decision Making in the
World Economy: Company Case
Studies

Rukstad
Macroeconomic Decision Making
in the World Economy: Text and
Cases
Third Edition

Samuelson and Marks
Managerial Economics

Scarth
Macroeconomics: An Introduction
to Advanced Methods
Third Edition

Smith and Spudeck
Interest Rates: Principles and
Applications

Thomas
Economics: Principles and
Applications
(Also available in micro and macro
paperbacks)

Wachtel
Labor and the Economy
Third Edition

Walton and Rockoff
History of the American Economy
Seventh Edition

Welch and Welch
Economics: Theory and Practice
Fourth Edition

Yarbrough and Yarbrough
The World Economy: Trade and
Finance
Third Edition

Zimbalist, Sherman, and Brown
Comparing Economic Systems: A
Political-Economic Approach
Second Edition

The Harcourt Brace College Outline Series

Emery
Principles of Economics:
Macroeconomics

Emery
Principles of Economics:
Microeconomics

Emery
Intermediate Microeconomics

PREFACE

Economics is not just about theory. It is about the world around us. The workings of the global economy affect each of us very personally—our careers, our families, and every aspect of our lives and well-being.

This book examines major issues of both today and tomorrow that concern all of us: the crisis in health care, farm failures, housing shortages, unemployment, social security, inflation, the federal budget and balance of payments deficits, slow productivity growth, and disparities in the wealth of nations. Topics that students hear and read about daily are used as the platform from which the basic economic principles are taught.

This text has been developed with the objective of maximizing the value of the issues approach. Students develop a heightened interest in economics because principles and theories are presented as the forces underlying issues that concern them. The chapters analyze public policy and discuss alternatives for dealing most effectively with social issues and problems. Normative questions are also raised that will challenge students to increase their understanding of these underlying forces.

NEW TO THIS EDITION

Economics and Contemporary Issues has been substantially revised for this second edition. We have updated all the data, tables and figures; examined every sentence, and carefully rewritten all those requiring clarification. We have added issues “boxes” as a means of examining various applications and examples more thoroughly, new review questions, and additional suggestions for further reading.

The second edition begins with a thoroughly revised chapter on health care, which provides the background essential for evaluating the **health care proposals** of the Clinton administration. Chapter 2 contains a new discussion of **agricultural policy**. There is a revised discussion of policy toward **illegal drugs** in Chapter 5, based on the latest data and research findings. Chapter 6 has been extensively rewritten to provide an evaluation of the benefits and costs of the

Clean Air Act. Chapter 9 has been restructured, and new sections have been added on the long-run outlook for **social security** and the effects of social security on the economy. The **national income accounts** in Chapter 10 (and elsewhere in the book) are now centered on gross domestic product, rather than gross national product. Discussions of the **1990–1991 recession and recovery** have been added to Chapters 10 and 11. A section dealing with policies to reduce **frictional unemployment** has been added to Chapter 11. Chapter 11 also includes a discussion of **job opportunities** and **discrimination**. Chapter 12 now contains an examination of **currency holdings** and **the underground economy**. Discussions of the demise of the **Gramm-Rudman-Hollings Act**, President Bush's attempt to reduce **the budget deficit**, and **President Clinton's deficit-reduction plan** have been added to Chapter 13. Chapter 15 has been thoroughly revised in response to the growing effort by economists to learn more about the causes and consequences of **low productivity**. Finally, the new discussions in Chapter 16 of the **Uruguay Round**, **the European Community**, and **the North American Free Trade Agreement** underscore our effort to make *Economics and Contemporary Issues* an up-to-date guide to the global economy.

THE INTENDED AUDIENCE

One audience for this text is students enrolled in the growing number of one-term issues courses offered by economics departments. This book contains enough economic theory, however, that it is appropriate for the traditional one-term survey course in economics. It also develops enough applications that it could be used effectively as a supplement in traditional two-semester principles courses or for teaching economics in social science survey courses.

FEATURES

Economics and Contemporary Issues has several features that we think are important elements in an issues-oriented text:

1. Effective aids to self-learning
2. A balanced treatment of microeconomics and macroeconomics
3. A basic theory core
4. Up-to-date, comprehensive, background information on each issue
5. Flexibility in the sequencing of topics and issues

AIDS TO SELF-LEARNING The most important aid to self-learning is clear, concise exposition of basic concepts. We have produced a book that we think is readily comprehended by beginning students. Every sentence has been read carefully by reviewers, editors, and students to eliminate confusing or excessive prose.

Students must understand more than the economists' prose; they must also master the basic vocabulary of economics. To help them do this, key terms are highlighted when they first appear, and they are defined in three places: in the body of the text, in the margin and in the end-of-the-book glossary. In addition, each chapter begins with a list of key terms that were introduced in previous chapters and should be reviewed, and ends with a list of the new key terms introduced in the chapter.

To help students master the standard tools of economic analysis, there is a judicious use of figures and tables, which are carefully explained both in the text and in accompanying captions.

Self-testing is an essential component of self-learning. Each chapter contains review questions (with answers in the *Instructor's Manual*), and a carefully constructed *Study Guide* is available. Each chapter provides a summary of important points.

MICRO-MACRO BALANCE The analysis of macroeconomic issues is often slighted in issues books. Not here. We devote 8 of 17 chapters to macroeconomic issues, including unemployment, inflation, the federal budget and balance of payments deficits, and economic growth and development. We also examine the microeconomic aspects of health care, agriculture, housing, crime, monopoly power, pollution, education, poverty, and social security.

BASIC THEORY CORE Both the micro and macro parts of this book are based on a small number of understandable, yet powerful, economic concepts and models.

In the microeconomics chapters, we use supply-demand and marginal analyses extensively. Models of competitive and monopolized markets are developed. The concepts of marginal benefit and marginal cost are used to illustrate market and government failures.

The basic macroeconomics tool is the model of aggregate supply and demand. Use of this versatile model enables beginning students to understand the forces that determine output, employment, and price levels, and the effects of alternative policies, without getting bogged down in the arithmetic of national income analysis.

CURRENT, COMPREHENSIVE INFORMATION Our experience shows that most beginning students know very little about economic history, data, and institutions. A good issues course provides the information necessary for understanding the nature and significance of the problems addressed. If public programs are being addressed, a good course teaches students how they work.

Essential information can be provided by both the instructor and the text. Although there is no perfect substitute for an instructor who seeks new information and provides it to students, we have tried to minimize the instructor's task by providing current and comprehensive background information on all of the issues discussed in this book.

FLEXIBILITY IN SEQUENCING TOPICS This book is structured so that microeconomic issues are examined before macroeconomic issues. The macroeconomic issues can be studied first, however, because the micro chapters (1–9) have been designed to be independent of the macro chapters (10–17). Instructors who prefer to teach macro first, following an introduction to the market system, can do so by assigning Chapters 1 and 2 before beginning Chapter 10.

Chapters 1 and 2 provide some essential foundations for Chapters 3–6. Chapters 10 and 11 provide the foundation for the macro section of the book. A one-term principles survey course could be based on Chapters 1, 2, 10, and 11, and supplemented with additional chapters.

SUPPLEMENTARY MATERIALS

Students will benefit greatly from working through the *Study Guide*, prepared by Professor Kim McCoy of Central Missouri State University. Each chapter in the *Study Guide* includes a review of key terms, true/false and multiple-choice questions, and practice problems.

Instructors will find the *Instructor's Manual and Test Bank* helpful in planning their courses and preparing exams. This aid was written jointly by Professor McCoy and the text authors. This manual includes chapter overviews, learning objectives, teaching suggestions, additional references for each issue, detailed lecture outlines, answers to questions in the text, a variety of exam questions and problems, and transparency masters. A newsletter is also issued twice a year as a means of providing adopters with the latest available information.

ACKNOWLEDGMENTS

This book is a joint product of three authors who are long-time colleagues—and still friends after working on this project. We did not produce this book alone, however, and we greatly appreciate the contributions of colleagues, reviewers, students, and the staff of The Dryden Press.

Professor Michael J. Applegate of Oklahoma State University merits special thanks. He wrote and revised Chapter 17, provided careful reviews of the entire text, and class-tested the first edition.

The first edition benefited greatly from the reviews of Gerald M. Lage, Andreas Savvides, and Larkin Warner (Oklahoma State University), Donald L. Bumpass (Sam Houston State University), Kim McCoy (Central Missouri State University), Pauline Fox (Southeast Missouri State University), Neil Garston (California State University, Los Angeles), Doug McNeil (McNeese State University), John Pisciotta (Baylor University), Steve Smith (Rose State College),

Barbara Street (Chaminade University of Honolulu), Hyung C. Chung (University of Bridgeport), Emily Hoffman (Western Michigan University), George Murphy (University of California, Los Angeles), Larry Sechrest (University of Texas, Arlington), Alden Smith (Anne Arundel Community College), Harold M. Seeberger (Heidelberg College), Michael W. Babcock (Kansas State University), Gary L. Stone (Winthrop College), and David G. Blanchard (The University of Wisconsin, Oshkosh).

In preparing the second edition, we drew on reviews provided by users of the first edition, including Michael Applegate and Steven Petty (Oklahoma State University), Ugur Aker (Hiram College), Gale Blalock (University of Evansville), James R. Frederick (Pembroke State University), Christopher Lingle (Loyola University, New Orleans), Edwin A. Sexton (Virginia Military Institute), and Ranbir Varma (Long Island University).

Former editor Liz Widdicombe insisted that Dryden was the right company for this project. We're glad that she persisted, and we gratefully acknowledge the guidance provided by the Dryden staff, including Rick Hammonds, Carla Houx, Laura Eaton, Jon Gregory, Trisha Dianne, Alison Howell, Scott Timian, Kathleen Sharp, and copy editor Janet Willen. We're still amazed by the contrast between what we started with and what came off the press.

Michael R. Edgmand
 Ronald L. Moomaw
 Kent W. Olson

May 1993

TO THE STUDENT

Welcome to *Economics and Contemporary Issues*. This book will teach you how the U.S. economy works and how economic incentives and institutions are related to important social problems. In the process of learning these things, you will also sharpen your analytical and decision-making skills.

The issues and problems you will study command the attention of concerned citizens and policy-makers. Many of them will continue to be important long after you finish this book. The principles you learn here, however, will help you to understand problems and issues that appear long after your final exam.

In examining each issue, we first develop and apply the principles that are essential for understanding its economic dimensions. Then we evaluate current and alternative approaches to dealing with the issue. The first step is the province of positive economics; the second is the focus of normative economics. Positive economics explains and predicts economic phenomena; normative economics selects social goals and evaluates alternatives according to how well they achieve these goals. This approach reflects the dual purpose of economics: to discover how the world works and to determine how it can be improved.

The basic normative questions posed throughout this book are whether government action is necessary to solve social problems and, if so, what policies should be adopted. For example, in the chapter on air pollution, we ask whether curbing pollution (a social goal) can be accomplished efficiently by the private sector alone, and we conclude that it cannot. We then evaluate existing regulations and proposed policies to determine which of them are most likely to improve the situation. We use a similar approach in examining the other issues. We hope the net result will be a greater appreciation on your part of the strengths and weaknesses of the private and public sectors.

To achieve lasting benefits from economics (and to do well in your economics course!) plan to go beyond merely memorizing this material. Learn, in addition, how to apply the principles and models developed in the text.

We have worked hard to write clearly and concisely so that you will understand the important principles and how they work. You will greatly enhance your ability to apply these principles by answering the questions at the end of each chapter and by working through the *Study Guide* to this book.

You will also progress faster and more surely in your study of economics if you master the basic vocabulary. To help you do this, we have focused on a list of essential, or key, terms. These terms are highlighted when they first appear, and they are defined in the body of the text, the end-of-book glossary, and (in almost all cases) in the margin.

Good luck in your study. May you discover, as we did, that your view of the world will never be quite the same after your first encounter with economics.

ECONOMICS
AND CONTEMPORARY ISSUES

Second Edition

BRIEF CONTENTS

| | |
|-------------------|---|
| CHAPTER 1 | SCARCITY AND CHOICE IN HEALTH CARE 1 |
| CHAPTER 2 | U.S. AGRICULTURE: WHY IS IT IN TROUBLE? 27 |
| CHAPTER 3 | HOUSING IN A MARKET ECONOMY: CAN WE RELY ON THE MARKET SYSTEM? 71 |
| CHAPTER 4 | MARKET POWER: AN EXAMPLE OF MARKET FAILURE? 99 |
| CHAPTER 5 | CRIME AND DRUGS: A MODERN TRAGEDY 127 |
| CHAPTER 6 | AIR POLLUTION: ECONOMICS AND POLICY 153 |
| CHAPTER 7 | COLLEGE EDUCATION: IS IT WORTH THE COST? 177 |
| CHAPTER 8 | POVERTY: THE PERSISTENT ECONOMIC PROBLEM 199 |
| CHAPTER 9 | SOCIAL SECURITY: WHERE ARE WE? WHERE ARE WE GOING? 229 |
| CHAPTER 10 | TRACKING THE MACROECONOMY 253 |
| CHAPTER 11 | UNEMPLOYMENT: A RECURRING PROBLEM 277 |
| CHAPTER 12 | INFLATION: A MONETARY PHENOMENON 307 |
| CHAPTER 13 | DEFICITS AND DEBT: WHAT LEGACY? 347 |
| CHAPTER 14 | CONTROVERSIES OVER STABILIZATION POLICY 371 |
| CHAPTER 15 | U.S. ECONOMIC GROWTH: WHAT'S IN STORE FOR THE NEXT GENERATION? 391 |
| CHAPTER 16 | GLOBALIZATION OF THE U.S. ECONOMY 417 |
| CHAPTER 17 | PROSPECTS FOR THE DEVELOPMENT OF THE THIRD WORLD 445 |

CONTENTS

CHAPTER 1 SCARCITY AND CHOICE IN HEALTH CARE 1

THE BASIC CHOICES 2

- *What?* 2
- *How?* 4
- *To Whom?* 5

THE BEST CHOICES 5

- *The Best Combination of Goods and Services* 5
- *The Best Technology* 6
- *The Best Distribution of Goods and Services* 7
- *Full Employment and Economic Growth* 7

THE HEALTH CARE DILEMMA 9

DO WE HAVE TOO MUCH HEALTH CARE? 10

- *Partial-Cost Pricing* 11
- *Physician-Induced Demand* 13
- *Defensive Medicine* 14
- *Technological Change* 14

RAPIDLY RISING HEALTH CARE

PRICES 15

- *Adverse Effects of Health Care Inflation* 15
- *Causes of Health Care Inflation* 16

STRATEGIES DESIGNED TO CONTAIN

HEALTH CARE EXPENDITURES 18

- *Increased Cost-Sharing* 18
- *Managed Care* 18

- *Price Controls* 19
- *Global Budgeting* 20
- *Supply Restrictions* 20
- *Utilization Review* 21
- *Lessons for Health Care Reform* 21

BOX 1.1 THE MEDICALLY UNINSURED 22

SUMMARY 22

CHAPTER 2 U.S. AGRICULTURE: WHY IS IT IN TROUBLE? 27

DEMAND AND SUPPLY ANALYSIS 29

- *Consumer Behavior* 30
- *The Law of Demand* 32
- *Other Demand Factors* 34
- *Producer Behavior* 38
- *The Law of Supply* 41
- *Other Supply Factors* 42

PRICE DETERMINATION 45

- *Coordination* 45
- *Change in Demand* 47
- *Change in Supply* 49
- *Changes in Demand and Supply* 51

POLITICS, GOVERNMENT, AND THE FARM PROBLEM 51

- *Price and Income Instability* 52
- *Preserving the Family Farm and Reducing Farm Poverty* 53

- *Price Support Programs* 55
- *Target Prices and Deficiency Payments* 57
- *Output Constraints* 59
- *Rent Seeking* 60

Box 2.1 LOGROLLING: IT'S NOT JUST FOR LUMBERJACKS 61

SUMMARY 62

APPENDIX: THE PRICE ELASTICITY OF DEMAND 66

THE ELASTICITY COEFFICIENT 66

THE RELATIONSHIP BETWEEN PRICE ELASTICITY AND TOTAL REVENUE 67

THE DETERMINANTS OF PRICE ELASTICITY OF DEMAND 68

SUMMARY 69

**CHAPTER 3
HOUSING IN A MARKET ECONOMY:
CAN WE RELY ON THE
MARKET SYSTEM? 71**

THE PRICE SYSTEM 72

- *Price Takers* 72
- *Information, Motivation, and Rationing in a Market Economy* 73
- *Information, Motivation, and Rationing in a Command Economy* 76

AFFORDABLE HOUSING 77

Box 3.1 CAN SOCIALISM USE THE PRICE SYSTEM? 78

- *Why Have House Prices Increased?* 79
- *Increased Demand* 81
- *Decreased Supply* 83
- *The Cost of Owning Your Home* 84

PRICE CEILINGS 87

U.S. GOVERNMENT HOUSING POLICY 91

- *Housing Subsidies to Middle- and Upper-Income Families* 91

Box 3.2 HOMELESSNESS: WHY AND WHAT CAN BE DONE? 92

- *Housing Subsidies to Low-Income Families* 93

SUMMARY 94

**CHAPTER 4
MARKET POWER: AN EXAMPLE
OF MARKET FAILURE? 99**

**ECONOMIC EFFICIENCY AND
COMPETITION 100**

MONOPOLY ANALYSIS 105

- *Marginal Revenue* 106
- *The Marginal Principle* 108
- *Monopoly and Economic Efficiency* 109

**MARKET POWER AND THE U.S.
ECONOMY 110**

**BARRIERS TO ENTRY AND OTHER
SOURCES OF MARKET POWER 112**

**Box 4.1 GM, FORD, CHRYSLER: NO
LONGER THE BIG THREE? 113**

**OPEC: A FEW SELLERS ACTING LIKE A
MONOPOLY? 115**

- *Cartel Formation* 116
- *The Determinants of Cartel Success* 116
- *Problems of the OPEC Cartel* 117
- *Last Thoughts on Cartels* 120

EVALUATION 121

**Box 4.2 WHY ARE DENTURES SO
PROFITABLE FOR DENTISTS? 122**

SUMMARY 123

**CHAPTER 5
CRIME AND DRUGS:
A MODERN TRAGEDY 127**

PUBLIC GOODS 128

**GOVERNMENT ENFORCEMENT OF
PROPERTY RIGHTS 129**

- *Crime* 131

Box 5.1 Is More Crime a Cost of Current Drug Policy? 133

DRUG CONTROL: IS LEGALIZATION THE ANSWER? 134

- *Liberty: An Argument for Legalization* 134
- *Paternalism: An Argument Against Legalization* 135
- *Unintended Consequences of Prohibition: An Argument for Legalization* 135
- *Unintended Consequences of Drug Use: An Argument Against Legalization* 136
- *The Final Analysis* 137

A POSITIVE ANALYSIS OF DRUG PROHIBITION 137

- *Does Increased Enforcement Work?* 140
- *Unintended but Inevitable Consequences of Drug Prohibition* 143
- *Unintended but Perhaps Avoidable Consequences of Drug Prohibition* 144

EVALUATION: HAWKS, DOVES AND OWLS 145

- *Competing Views* 146
- *Current Policy* 146
- *Owlish Criticism* 148

SUMMARY 150

**CHAPTER 6
AIR POLLUTION: ECONOMICS
AND POLICY 153**

THE PRINCIPAL AIR POLLUTION PROBLEMS 154

- *Urban Air Quality* 154
- *Acid Rain* 155
- *Global Warming* 155
- *Ozone Depletion* 156
- *Hazardous Air Pollutants* 156

THE ECONOMIST'S PERSPECTIVE 156

MARKET FAILURE: IS GOVERNMENT ACTION NECESSARY? 161

AIR POLLUTION REGULATION: THE CLEAN AIR ACT 162

EFFECTS OF THE CLEAN AIR ACT ON AIR QUALITY 165

BENEFITS OF THE CLEAN AIR ACT 166

Box 6.1 CARBON TAXES 167

COSTS OF THE CLEAN AIR ACT 168

COST-REDUCING MEASURES 170

- *Pollution Tax* 170
- *Markets in Pollution Permits* 172

SUMMARY 174

**CHAPTER 7
COLLEGE EDUCATION: IS IT
WORTH THE COST? 177**

MARKET EFFECTS OF INVESTING IN COLLEGE: A STUDENT'S PERSPECTIVE 178

MARKET EFFECTS OF INVESTING IN COLLEGE: A SOCIAL PERSPECTIVE 180

SOCIAL AND PRIVATE RATES OF RETURN BASED ON MARKET EFFECTS 180

NONMARKET EFFECTS OF A COLLEGE EDUCATION 182

**Box 7.1 THE DEMAND FOR
EDUCATION 183**

- *Positive Effects* 183

**Box 7.2 DOES WHERE YOU GO TO
SCHOOL MATTER? 184**

**Box 7.3 EDUCATION AND ECONOMIC
GROWTH 186**

- *Negative Effects* 186

SUBSIDIES TO COLLEGE STUDENTS 188

- *Principal Subsidies* 188
- *Why Subsidies?* 189
- *Evaluation of Subsidies to College Students* 190

NEW DIRECTIONS IN HIGHER EDUCATION FINANCE 192

SUMMARY 194