Accepted Manuscript

Title: LOCALIZED COMPETITION IN THE NON-RESIDENT STUDENT MARKET

Author: Manuel Sacramento Gonzalez Canche

PII: S0272-7757(14)00079-X
DOI: http://dx.doi.org/doi:10.1016/j.econedurev.2014.09.001
Reference: ECOEDU 1506

To appear in: *Economics of Education Review*

Received date: 19-5-2013
Revised date: 28-8-2014
Accepted date: 1-9-2014

Introduction

Given the social and economic relevance of college degrees, tuition price-setting has been part of an ongoing debate. The public concern with the approaches colleges and universities use to set their prices relates to understanding the reasons for tuition variation and its impact on students' opportunities to attend college. There are, however, no simple formulas that allow debaters to disentangle the factors driving the variation of the sticker price, much less the final tuition amounts paid by students (Griswold & Marine, 1996). Although research on student migration and price-setting spans more than four decades (Tuckman, 1970), this study is the first to rely on a set of geospatial indicators built to account for variation of tuition prices charged to non-resident students while considering the impact of neighboring institutions on such variations. This is also the first study that, while relying on spatial econometrics, includes both public and private not-for-profit 4-year institutions in the modeling of non-resident tuition price-setting. The rationale and feasibility of this approach is presented in the following paragraphs.

The attraction of non-resident students brings institutional, local, and state-level benefits (Cooke & Boyle, 2011). Although all sectors and levels in the U.S. postsecondary education system attracted a portion of the 582,235 non-resident, first-time, full-time students in 2010-2011 (U.S. Department of Education, Integrated Postsecondary Education Data System [IPEDS], 2012e), more than 73% of them enrolled in the public (31%) and private not-for-profit 4-year sectors (42.4%). Interestingly, during the same academic year, non-resident students represented less than six percent of the total (N=2,771,288) number of first-time, full-time degree seeking students enrolled in the contiguous U.S. (IPEDS, 2012a). Under this perspective, it is evident that there is a limited supply of non-resident students. The prevalence of the public and private 4-year sectors in enrolling these students (and the financial benefits associated with their enrollment) makes it feasible to argue further that both sectors are interested in, and compete for, attracting them.

The claim that public and private institutions compete for non-resident students, tacitly assumes that both sectors have a similar degree of freedom to manipulate the prices these students are willing to pay when making decisions about where to enroll. In this sense, both types of institutions require the autonomy to set higher or lower tuition amounts to remain a marketable option for non-resident students. While the liberty of setting tuition prices is clear in the case of private institutions, the tuition-setting process in public institutions is more complicated due to political