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Kevin Shih

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Do International Students Crowd-Out or Cross-Subsidize Americans in Higher Education?

Kevin Shih
Rensselaer Polytechnic Institute*

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Abstract

Recent growth in international enrollment at U.S. universities has raised controversy. While critics accuse international students of displacing American students, university administrators have argued that they provide much needed tuition revenue. This paper examines how international students impact domestic enrollment, focusing on a unique boom and bust in international matriculation into U.S. graduate programs from 1995-2005. Overall foreign students appear to increase domestic enrollment. This positive effect is linked to cross-subsidization, whereby high net tuition payments from foreign students help subsidize the cost of enrolling additional domestic students.

JEL Codes: F22, I21, I23, J11

Keywords: International Students, Crowd-Out, Cross-Subsidize, Graduate Education

*Assistant Professor, Department of Economics. 110 8th Street, Troy, NY 12180. E-mail: shihk2@rpi.edu. I thank Giovanni Peri, Hilary Hoynes, Chad Sparber, Petra Moser, Brian Cadena, Norman Matloff, and Yury Yatsynovich, anonymous referees, and seminar participants at UC Davis, Williams College, and Rensselaer Polytechnic Institute for useful suggestions and discussions. This research was supported by the National Bureau of Economic Research Predoctoral Fellowship. Special thanks to Christine Farrugia and Dr. Rajika Bandhari of the Institute of International Education for providing access to data.

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