

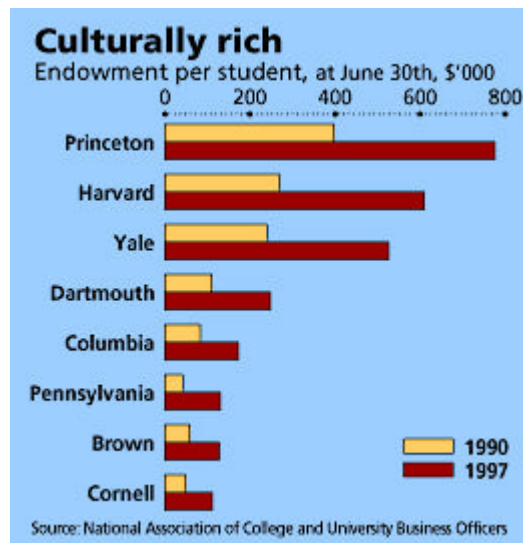
## BUSINESS

## Best-quality education, going cheap

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THE firm with the strongest balance sheet fired the first salvo, announcing discounts for customers. Other industry leaders quickly followed suit. Regulators, meanwhile, are casting a wary eye for the kind of price-fixing behaviour that has already prompted one lawsuit by the Department of Justice. The software industry? Detroit? No, this is America's elite Ivy League universities.

Princeton, America's richest university, with over \$750,000 in endowment for every student, started it earlier this year. It was concerned that its prices were keeping out clever, poorer, kids, so it decided to offer full scholarships for students with family incomes below \$40,000, and more aid for those below \$90,000. Shortly afterwards, Yale's president, Richard Levin, announced more aid for middle-income families.



Stanford and MIT (not technically Ivy League, but competitors nevertheless) soon unveiled similar plans. Harvard pondered matters and then increased its financial aid budget by 20%. Next came Dartmouth. And in October Cornell announced plans to raise \$200m of new endowments to finance greater financial aid. The other Ivy Leaguers may not have the resources to compete. Brown has already diluted the policy, still practised by rivals, of admitting students regardless of ability to pay and then guaranteeing them the aid they need to attend.

Now there are stories of students faxing aid offers to competing schools and asking them to be matched. The *Harvard University Gazette* reported that Harvard sent a letter this spring to all newly admitted students saying: "We expect that some of our students will have particularly attractive offers from the institutions with new aid programmes, and those students should not assume that we will not respond." The most striking thing about this sentence is not its clumsy double negative. It is that Harvard sounds just like an appliance salesman crying, "We will meet or beat any price!"

In the past, the Ivy League universities have not merely avoided vulgar price competition; they have colluded to prevent it. For years, the manual of the Council of Ivy League Presidents said that the schools should "neutralise the effect of financial aid so that a student may choose among Ivy Group institutions for non-financial reasons". In short, the Ivy Leaguers (along with MIT) fixed prices by, for instance, using a common financial-aid formula and agreeing not to award scholarships based

solely on merit. In 1991, the Justice Department successfully sued to stop this.

Why has it taken nearly a decade since the suit for competition to rear its head? Probably because the universities were not rich enough before. Now, after a long bull market, they have loads of money to spend (see chart). Michael McPherson, president of Macalester College, is an economist who has studied higher education. He reckons that the competition will get fiercer. "It seems to me that the logical move in the game is for someone to break out and offer merit aid," he says. And that, in the genteel world of the Ivy League, will mean that the gloves really come off.

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