The following is an example of the kinds of questions you should be writing for your News Analysis assignment.

**TAX BREAKS MAY RAISE TUITION**

In the late 1990s, the federal government introduced a tax break for college tuition. The original proposal was for it to take two forms:

- A $1500 to $3800 exemption for tuition based on the family's tax bracket (this was passed)
- A $1500 credit for a student maintaining a B average during the first two years of college (this was not passed)

1. Draw supply and demand curves for college education and find the predicted effect of a subsidy on college enrollment and on tuition.

2. How might these policies affect college major choices?

3. From a news article at the time:

   "Critics fear that universities will simply use this as an excuse to raise tuition - an assertion hotly disputed by University of Michigan provost J. Bernard Machen. Wayne E. Becraft, director of the American Association of College Registrars and Admissions Officers is quoted as saying: "Tuitons are going up fast already, but I expect them to go up even faster (if the proposals are enacted)... But colleges won't just increase tuition for the heck of it. Schools will have to adjust staff and facilities to meet the volumes that are expected from an influx of new students."

   What kind of a supply curve would be consistent with Wayne E. Becroft's remark?

4. According to the story Provost Machen at the University of Michigan said that "except for inflation, tuition at the University of Michigan is about as high as it can possibly be," and therefore the proposed tuition subsidies would only benefit the students and not the university itself.

   Use a graphical analysis to evaluate Provost Machen’s claim. Will the subsidies only benefit the students?

5. The story suggests that tuition is most likely to rise at community colleges, where the tax credit is $300 larger than the average tuition. As a result, the article predicts that two-year schools are expected to raise tuition to match the full amount of the tax credit.
Explain why the community colleges are almost certain to raise their tuition to be at least as high as the subsidy.

6. A White House spokesman, Barry Toiv, is reported as saying, "But we hope that colleges will be responsible and not make this a problem or an incentive to raise tuition."

Is “responsibility” adequate reassurance that colleges won't raise their tuition by the full amount of the subsidy? Under what conditions might they might not raise their tuition very much? (What would have to be true of the supply curve?)

7. Robert McGee, a taxation and public policy professor at Seton Hall University, said the tax breaks would lessen the pressures on these schools to keep costs down. The story reports that according to Mr. McGee, "In the past, when the government has helped with higher education expenses, colleges have raised tuition. From 1944 to 1947 the college population doubled and tuition increased sharply when the government paid tuition for nearly 2 million officers in the GI bill."

Use supply and demand curves to explain these effects of the GI bill.

8. "That not only benefited the students, but more the schools," said Judy Bellafaire, a historian with the U.S. Army. "Schools began to say, 'Hey, if the government is going to pay for this, we're going to up tuition to the maximum.' Colleges knew they had a good thing going."

How would you explain the rise in tuition from the GI bill? Do you think universities said “Hey, if the government is going to pay for this, we're going to up tuition to the maximum?” And what do you suppose Judy Bellafaire means by "the maximum"?

Economics can help make sense of many things in the news that might otherwise seem mysterious, but a lot of what people say in the news doesn’t make any sense at all!