

Problem Set #3

Williams College publishes the "Williams Reports," a monthly newsletter sent to parents of students and alumni of the College. The October issue, written by the President of Williams, Francis Oakley, is titled "The antitrust inquiry and higher education." Oakley writes:

On July 31 of this year, Williams College became caught up in an unprecedented chain of events whose implications for this College, and for American higher education at large, remain to be discovered. With the receipt of a legal document called a "Civil Investigative Demand" (CID) from the U.S. Department of Justice, we learned that we were the object of an inquiry by the Department's Antitrust Division. Some of the recipients of Civil Investigative Demands are among the most distinguished colleges and universities in the nation. These deservedly celebrated, well-endowed institutions are among the glories of a system of independent and state supported higher education much admired around the world. Some other recipients are colleges less well known and less well off, whose student constituencies are more regional than national. For these colleges, which work with limited resources to sustain their admirable place in a varied tapestry of opportunities for students, the CID and its attendant legal costs must be especially troubling.

Though I can only speculate about the goal of the Department of Justice inquiry, I can be more precise about the information sought by the Civil Investigative Demands received by Williams and many other schools. We are asked to provide information about how we determine 1) tuition and fee levels; and 2) financial aid awards.

1. Tuition

Williams College alone sets Williams College's tuition. We have no agreements with any other colleges or universities which affect our charges in any way. We are involved in no conspiracies against "higher education shoppers."

Williams College expects to serve this nation and the world for a very long time to come. That we have endured for nearly 200 years is, I trust, a reflection of our usefulness. We have been able to endure because of the generosity of many men and women who made gifts to the endowment and physical plant of Williams College, gifts beginning with the 1755 bequest of Colonel Ephraim Williams himself. Our stewardship of the crucial resources is for us a legal and moral obligation.

Because of the generosity of past and present donors, no student at Williams pays more than a portion of the cost for his or her education. Even for those students who pay full tuition, a sizable percentage of the cost of their education is subsidized by revenue from the endowment and from annual giving. In our most recent fiscal year, for example, tuition and fees provided only about 55% of the revenue for the College's Educational and General budget. All students at Williams, regardless of how much they or their families can afford to pay for education, are to some degree the recipients of "financial aid."

When we set tuition, we must decide how much income from endowment and from gifts we can responsibly employ for current expenses. In effect, when Williams College decides how much to charge for tuition each year, it is not so much setting a "price" as it is establishing a subsidy. As

