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ABSTRACT

The Educational Opportunity Bank (EOB) has received short shrift among educators and many objections have been raised to establishing it. Among these are the workability of the plan, the problem for women borrowers, and the creation of a new force--student financial power - in opposition to the influence of the Federal Government. Though important, these are secondary questions. A MIT study has concluded that the plan is economically feasible, but questions concerning the legitimacy, adequacy, and merit of the plan are vital. Some of the plan's positive benefits are: (1) it would provide considerable monies to higher education very quickly; (2) it would improve the competitive stance between private and public higher education; (3) it will largely obviate the need for institutions to take one side or the other in the church-state issue; and (4) it places emphasis on the notion that the individual receives the primary benefit from his education. In addition, the plan would reduce Government's opportunity to manipulate choice by pulling the strings on research, facilities, and staff, and if extended to the graduate years, would free the student from economic dependence on his parents. (AF)

THE EDUCATIONAL OPPORTUNITY BANK

A working paper prepared by
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for the Commission on College Administration
of the Association of American Colleges
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The Educational Opportunity Bank has received short shrift among educators. The fact that similar proposals have been put forward in recent years may explain the inadequate response which the proposal has received. This fact does not, however, justify the casual attitude and cavalier response to the proposal. The purpose of this working paper therefore is to raise this question: Are we so convinced that no form of this plan could be acceptable that we are willing to see it die in its fetal stage?

If President Johnson is at all serious about encouraging a 27 percent increase by 1976 over the 1967 percentage of young people of college age attending college and his goal comes to be widely shared and if there are grounds for pessimism in believing that the funds now going into the Vietnam struggle will be diverted to other federal concerns--and preeminently to higher education, then a broader attack on the financing of higher education of which a variant of a plan like this may be a part deserves careful scrutiny.

The proposal prickles with questions. Among these is the question whether student reluctance to borrow, especially if the loan is long-term, can be sufficiently overcome to make the plan

workable. Another is the problem presented by women borrowers. Although recognized by the proponents of the plan as a problem, it is, nonetheless, unresolved. The proposal also appears to accept a calaculated Machiavellianism which counts on dilatoriness to keep the middle income earning borrower from 'opting out' (by paying the principal plus compound interest.) Those middle income borrowers who remain in the plan will apparently pay for their own education and subsidize the education of some of their age-group peers. Further, will the effect of this plan be to juxtapose a force--student financial power--opposite to the influence of the federal government or merely add another force, pulling in another direction--or even strengthening the government's preeminent emphasis on manpower needs. Other important questions are of a 'political' nature: e.g., is it wise to support this plan when other members of the higher education community are opposed to it? Can it be sold to the Congress? etc. All of these questions are legitimate and important, and, in the final analysis, perhaps compelling. But they are all clearly secondary questions. They tend to beg prior questions of legitimacy, adequacy, and merit.

That the plan is economically feasible seems demonstrated by a working paper prepared in the department of economics at MIT. Commenting on the allocational and distributional effects of the Educational Opportunity Bank, moreover, this paper concludes: "...it improves the uniformity and distribution of borrowing opportunitites; it subsidizes higher education through a low

interest rate; and it introduces a novel kind of insurance against failure. All three factors will tend to increase the demand for college education and the funds flowing into it."

The economics of the plan and the arguments of the Zacharias committee are not, for the most part, rehearsed here. General awareness of the existence of these arguements is assumed, however, and critical objections to them is clearly germaine to the discussion.

A list of its positive benefits may be strung out. Essentially, however, these especially appealing features deserve enumeration:

1. If successful, it could make a great deal of money available to higher education very quickly. The Congress may be reluctant to pass the enabling legislation; but this Congress may be even more reluctant to make substantial funds available to higher education in such other forms as large institutional grants.
2. By its effect on tuition in all institutions, it would improve the competitive stance between private and public higher education. If it is desirable (for the sake of both public and private higher education) that private higher education continue, it is not enough that it <u>simply</u> continue. It must continue at a level of lively competition.

3. It largely obviates the necessity of a struggle between institutions which requires that they gird themselves for the contest wearing the garb of either church or state. (A lot of this garb is in the category of The Emperor's New Clothes' but a great many people believe that it is real and will insist that it be worn.)
4. It recalls attention to a notion not altogether discredited, namely, that the individual receives the primary benefit--not necessarily or solely economic--from his education.

Let us turn to some of the reactions the proposal has created and consider these in turn.

The proposal has provoked such question-begging and specious reactions as the following:

1. "What if it replaced all other forms of support?" This is an alarmist question not similarly addressed to proposals for other kinds of support. Are there then peculiar reasons for believing that it is a fair question when addressed to this proposal? Are there reasons to believe that such a plan cannot be made to fit into a broader program of support for higher education? Such evidence or argument has not thus far accompanied the question.

2. The concern expressed for the 'rising spiral of student charges' makes the act of raising tuition appear vicious and unscrupulous, almost as though profiteering were the unworthy motive behind such action. Without considering the prior question of who should bear what portion of the rising costs of higher education, this alarmist cry unfairly ignores the fact that increased tuition would enable many colleges first to break even, then to improve the quality of education they offer. These are hardly unworthy motives.

3. The following comment is attributed to an HEW official: "While the plan would salvage hardpressed private colleges, it would also end the distinction and valuable competition between private and public schools." Just what "valuable" competition does he have in mind? Between the poor and the rich? The power to aid, like the power to tax, is the power to destroy. Tax relief is no longer enough. It is a paradoxical (but hopefully not an ironic) fact that unless the federal government supplies them with considerable positive aid (not merely relief from taxation) private colleges do not appear able to continue as <u>lively</u> institutions and <u>viable</u> alternatives to public universities.

4. "Life-indenture" is a rousing slogan suggesting the worst of Dickensian England. Its users, however, not the Educational Opportunity Bank, may be anachronistic. The Educational Opportunity Bank recognizes, as these critics apparently do not, that we have become a credit nation. To be consistent, moreover, they should rail against both a graduated income tax and social security. Like the graduated income tax, the Zacharias proposal recognizes that the appropriate standard of wealth (and for taxation) is income. Like social security it recognizes the primary interest of the individual in his future security and requires his contribution to it.

5. The complaint that this plan will place significant responsibility for the costs of his education on the student does deal with a primary question. However, the alarmist language that professes to see in this plan a scheme enabling 'this generation to largely abandon responsibility for the higher education of its young,' flies in the face of the statements, concerns, and reasonable expectations of the report. The report reasonably anticipates that funds available from existing sources would continue, but freed from the necessity of supporting institutions at

the margin of their existence and freed for improving the quality of their educational programs, Further, until it is more clearly determined what portion of that which we will spend on higher education will simply be tacked onto the national debt, the cry that the present generation should pay fully for the education of the next will have a hollow and insincere ring.

6. The further forlorn lament that this plan should be put forward in the "most affluent nation in the world's history" may also miss an important point. It is precisely rising affluence which makes it possible to assume optimistically that the future will provide the opportunity for repayment. Higher education, observes Roger Bolton, "is a capital good. Creating it is an act of investment...." Since "it is something which pays off its cost over a very long period," it does not seem unreasonable to contemplate paying for it over an equally long period.

To reiterate: the plan recognizes that the individual student derives the primary benefit from a college education. This is especially true of the education offered by the constituency of the

Association of American Colleges. The 'social utility' of liberal arts education is less direct and immediate than vocational education.

The plan would accomplish an additional measure of freedom for the student (and for the college) from immediate governmental manpower concerns. It would reduce government's opportunity to manipulate choice by pulling the strings on research, facilities, staff, specialized fellowships, etc. In the present context, this would broaden considerably a student's freedom of choice.

Especially if extended to the graduate years, the plan would also free the student from economic dependence on his parents.

It may not be too sanguine to believe that the plan would encourage the individual student to profit intellectually from his investment more than if his education were altogether free.

The plan has also this benefit: it can weave its way around church-state issues with less torture than any other plan.

Further, it recognizes that tuition is not the single--perhaps not the major--cost of an education. This plan is a greater equalizer among students than an institutional grants plan. No institution-applied program is ever catch-up for the individual student: someone can always out-bid him at the best institutions--even if these have a few total fellowships available.

A rising floor under all institutions, moreover, does nothing to redress an imbalance of financial support among institutions. Unless their competitive status is improved, resources (such as faculty and students) where shortage is acute will be as far out

of reach for some institutions as they were before the competition escalated to the second floor.

The question is: Can the plan or any of its features be developed to fit into a comprehensive program of federal aid to higher education?