ABSTRACT
Under the present system of financing higher education, only slightly more than 25 per cent of American families can meet the cost of tuition, even when it is as low as $200 a year. In view of this fact, the author proposes a revolving federal loan fund to cover the operating costs for public and private institutions of higher education. Students would apply for loans and these would be administered by the Higher Education Finance Corporation. Over a ten-year period, loans would be paid back by the graduate and his employer through a surtax on his income when it reaches a reasonably affluent level. A model describes how the loan fund would become revolving within ten years, or when the first group of borrowers' loans are due for repayment. (RC)
A PROPOSAL FOR FINANCING HIGHER EDUCATION

Junior College Leadership Program
University of California
Revised October, 1969

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UNIVERSITY OF CALIF.
LOS ANGELES

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CLEARINGHOUSE FOR
JUNIOR COLLEGE
INFORMATION
Who can deny that whatever else it may fail to be, higher education is like a machine that manufactures money? Nations having such higher education machines are rich, and nations not having them are poor. In the U.S., the higher education machine is vital in producing the $850 billion gross national product (G.N.P.). "40% of the increase in total national income is now attributable to advances in knowledge and the rising skill levels of the labor force." Firms hire well-educated personnel because the firms will profit from them. The top-drawer engineering, law, and business firms bid from $10,000 to $16,500 for the 1968 graduates in engineering, law, and business administration. Whether or not it produces humanistic enrichment, higher education does award the bulging pocket to the man who pursues it. In 1966, the average income of the college graduate was $3,480 more per year than that of the high school graduate. If, therefore, higher education brings dividends to the general society, to the employers in the economy, and to those who secure this higher education, there is palpable justice in requiring the general society, the employers, and the graduates to make the investment that produces these dividends. What percentage each of these three groups should pay, and how and when each should pay his share are the complex
problems that will be dealt with in Ty's proposal.

A SAD FINANCIAL TALE

The basic problem is that this money-making machine, higher education, is expensive to operate and even the beneficiaries of its magnificent largesse are reluctant to spend the money to keep it running properly. It takes billions of dollars to make the higher education machine run: for operating costs only, $13.2 billion in 1967 and as estimated barebones $16.8 billion by 1970. As a comparison, these operating cost figures are less than half the yearly expenditure for the Vietnam military adventure and, in fact, this $13.2 billion did pay for a year of full- or part-time collegiate education for almost seven million Americans. The multi-billion-dollar bill is paid by the taxpayers of the federal, state, and local governments (50%), by the students or parents who pay the tuition and fees (40%), by endowments, private scholarships and gifts (8%), and by direct contributions from the businesses whose handsome profits depend on the knowledge factory (2%).

No one of these groups is paying its share of the operating costs very graciously. The tuition-paying parents are grumbling, and with good cause, that "little more than one-fourth of America's families can meet all college expenses, even when tuition is as low as $200. Only 14% of American families can meet the entire cost of high-tuition institutions, the ones in the $3,000 range for resident students." The taxpayers are saying "no" by voting down school bonds and tax overrides, and their political spokesmen are using

*These figures are for operating costs only and do not include capital outlay. The Carnegie Commission on Higher Education, using "total institutional expenditures," quoted $17.2 billion for 1967-68 and estimated $41 billion in 1976-77 for a projected full-time-equivalent enrollment of 9 million students.¹²
their control of state money to force the colleges and universities to heel to their command. The philanthropists are chagrined to find they cannot even keep their favorite private colleges solvent and sadly watch them wither, unless transfused by public monies and transformed thereby into public institutions. The less sophisticated businessmen threaten to stop their 2% contribution and to pressure their state legislators to cut off all funds if controversial figures like Eldridge Cleaver or Tom Hayden or Angela Davis or Herbert Marcuse are allowed on campus, while their more knowing associates remind them that to close the colleges or the universities is to shut off the supply of trained talent that creates their profits. Almost everyone, (the expert and the naïve) shouts for help from the federal government but with the same breath objects to interference and control by whatever apparatchiks are running the show in Washington.

The State of California is a prize example of how the money squeeze threatens a much-touted system of public higher education. One of the first acts of Governor Ronald Reagan in 1967 was to impose on the University of California an across-the-board 10% budget cut. Other reductions followed. For fiscal 1970, University President Charles Hitch asked for $374 million, and despite the mounting Black, Brown, and White enrollment pressures, was given a guarantee by Governor Ronald Reagan of only $286 million. Each supplement to this base figure must be justified to and approved by the Governor through his State Department of Finance. President Hitch suggested the possible necessity of mothballing one of the campuses, eliminating a planned medical school, and resorting to several other measures that "---would mean (1) cutting student enrollment, (2) cutting quality, or (3) eliminating selected programs while keeping enrollment and quality as high as possible."
The State College System with nineteen campuses fared no better. Chancellor Glenn Dumke's budget request of $328 million for fiscal 1970 was amputated to $265 million, even though some of the state colleges were already turning away not only freshmen but also fully qualified transfer students from the junior colleges. The promises of ethnic studies, made in settlements with Third World militants after awesome confrontations in the Spring of 1969, were put in serious jeopardy, if not made invalid, by the draconian budget cuts. Even more loaded with social dynamite was the budgetary pressure to close the door that had in recent years been opened slightly to Black and other Third World youth whose high potential was measured by admission standards other than the traditional and narrow ones of academic aptitude test scores and previous grade point averages.

The financing of the public junior colleges in California is, if anything, more chancy than that of the University and State College Systems. They cannot charge tuition even under such university and state college euphemisms as incidental fees; they are literally free and are open to any high school graduate or state resident over 18 years old. Only 30% of their current operating budgets are funded from state resources. The remaining 70% of operating costs and all of their building and other capital expenditures must be secured from local property taxes. The junior college districts are obliged to pass bond elections with a 66 2/3% "yes" vote to raise money to buy sites and build campuses and must pass tax override elections with a 51% vote to raise money beyond the out-of-date and artificially low 35% assessment rate. In the 1950's and early 1960's, when the wave of enthusiasm for universal higher education was cresting, the taxpayers rather consistently voted to tax themselves to build new community colleges and to expand and upgrade the existing ones. In recent years, a successful tax election is such
a rarity that a district superintendent who brings one off becomes a statewide educational hero.

The financial status of a California junior college can no more be judged by the richness of its buildings than a book's worth by its cover. The campus may have been built in the early 1960's and since then the district may have fallen on hard times. Peralta District Chancellor John Dunn masterminded a $47 million bond election in 1965 but in 1969 every ingenuity of Chancellor Dunn and his board of trustees is required to stretch the budget to cover basic current operating costs. The reason: the enrollment curve goes up at a faster rate than the income curve. Deficit financing follows if, as in the Peralta District, the average enrollment increases 11% per year while the assessed valuation and state funding increases only 3% per year. This brink of financial disaster in Peralta District is approached by many community colleges in California and, ironically, is most often faced in formerly rich districts where the sight of the beautiful campuses blinds the taxpayers to the desperate need for money for increased operating expenses.

Financing junior colleges in other states may be based on better schemes than in California, but the soundings that have been made indicate that many junior colleges nationwide are near or on financial shoals. Those that depend heavily on tuition can attract students from only the small percentage of families who can afford tuition. Those junior colleges that get 100% state support have to compete with the state university, the four-year colleges, and dozens of other pressing needs for those state dollars. Those with some type of district tax base have the same problems as California junior college districts; worse usually, since California is one of the richest of the fifty states.

There are now over 900 junior colleges in the United States engaged in the task of educating nearly 2 million students, 25% of all students in
higher education; and the number and the percentage keep rising. But will the dollars keep rising and, if so, from whom will they be raised? The fact is that, at every level of higher education, including the cheaper junior college level, those who are poorer subsidize the children of those who are richer. In the mid-1960's, University of California students averaged $5000 in public subsidy (actual operational cost per student minus tuition paid by the student), state college students averaged $3,800 in public subsidy, junior college students averaged $1,000 in public subsidy, and the 40% of California youth who do not go to any college got $0 in public subsidy. The average incomes of the parents of each student group was $12,000+ (UC), $10,000 (SC), and $8,500 (JC). "Thus, the average subsidy received by students at UC is 30% greater than that received by SC students, and 400% greater than the JC subsidy--in spite of the fact that "need," as reflected by family income, runs in the opposite direction." If, in truth, the taxpayers voted according to the dictates of their pocketbook, the middle and upper classes would vote for college bonds and tax increases; the lower classes would vote against them. Historically, the "no" vote has come largely from those who profited most from a "yes" victory. The recent trend is toward a "no" from every precinct, from the ghettos and from the mansions on the hills. This, of course, leaves the question of just how higher education can and should be financed.

NO DEARTH OF PROPOSED SOLUTIONS

What is wanted is a perpetual motion machine that feeds harmlessly on its own product, that can expand as rapidly as demand, that can operate independent of the politicians who turn it on, that will produce as well and as equitably in Mississippi as in New York, and that gives motion to higher education but leaves direction to the educators and to the trustees.
in whose care the people have placed this marvel. Impossible? Maybe not.

Social mechanisms are only analogous to strictly mechanical machines and may be capable of self-generation, while nuts-and-bolts contraptions are not. With some ups and downs, the national economy seems successful in using its own product to make itself grow bigger. A rich man in today's financial world has to do something rather stupid to keep from growing richer. The New Deal's Social Security scheme has been so profitable to everyone, including the national treasury, that not even an ultra-conservative administration would have scuttled it. And, closer to the subject of financing higher education, the effect of the G.I. Bill was to bring the federal government much more revenue in increased income tax payments than it invested in the education of the veterans of World War II and the Korean War.

As the pinch has grown more painful, any number of schemes to provide the student with tuition money and the college or university with an operations budget have been developed. Pure capitalism has been resorted to: "A number of banks handle educational loans as they would any other consumer loan transactions, with charges running roughly from 9 to 11% a year in simple interest, though the rate may be expressed in jargon that makes it sound much lower." One part of the National Defense Education Act of 1959 provides for loans up to $1,000 per year for undergraduates and to $2,500 per year for graduate students who meet the scholarship and need qualifications. The colleges have to put up one-tenth of the money, and although the interest is only 3% with ten years to pay, the delinquency rate has been high and "collections, which the schools must handle, add to the cost of maintaining the program." The Higher Education Act of 1965 also has a provision by which banks lending money for tuition costs at 6% interest will have their investment guaranteed by the federal government. Many writers on financing higher education and many
concerned congressmen and senators have proposed compensatory income tax deductions to make present, even increased, tuition costs bearable. Of course, there is no self-perpetuating quality to tax write-off schemes. They are simply ways of having the federal government pick up all or part of the tab— and for those middle- or upper-class parents who have a moderate or large income tax to pay. Such a plan would help neither the poor parents nor the lean-budgeted, tuition-free junior colleges to which they send their youngsters.

The proposal of recent years that sent the editorial writers scurrying for their pens was made by Kingman Brewster, President of Yale University. President Brewster would make federal loans for higher education readily available and would keep the revolving fund slowly revolving by having those who profited from higher education pay back not just their own loans but a percentage of their lifetime incomes. "The President of Yale, Kingman Brewster, has come up with an intriguing proposal for financing a college education through loans that a student would pay back out of his earnings throughout his working years. Mr. Brewster suggests that a student who borrows funds for his college education would pay back not only the borrowed amount, but the amount he borrowed plus an additional amount based on his increasing income level. It is similar to the progressive pattern of our income tax system with individuals who earn more repaying more."

The Johnson Administration tried to mount an attack on this tough problem of financing higher education and came up with a variation on the Brewster plan. "A government advisory group, the Panel on Educational Innovation, recently recommended the creation of a federal 'Educational Opportunity Bank,' which would make loans to undergraduate students to cover the full expenses of their college education. Under the panel's proposal, the bank would borrow money at government rates and lend money to students without regard to their resources. The loan could be large enough to pay for tuition, costs,
and subsistence at any university or college the student attends. At the time of the loan, the student would pledge a percentage of his future income for as many as thirty or forty years after graduation. Preliminary estimates were that the bank could be self-sustaining by charging borrowers 1% of gross income over thirty years for each $3,000 borrowed. The borrower would have the option of withdrawing from the plan by paying in full the amount borrowed plus interest compounded at 6%.

If funded, this plan would materially sweeten the pot for the students and for the colleges they elected to attend. Most important, it would allow tuition to reflect the full operational cost of education, help colleges improve the quality of their offering, and would allow poor as well as rich students to attend the colleges of their choice. The critics chose to attack it with the venerable argument that all citizens should pay for whatever contributes to the general welfare. "It is an ironic commentary on our times that in this most affluent nation in the world's history, in the year 1967, a panel should seriously take the position that our society cannot afford to continue to finance the education of its young people, and must therefore ask the less affluent to sign a life-indenture in return for the privilege of educational opportunity."

In Brookings Institution's advice to the Nixon Administration, Agenda for the Nation, James Tobin, who was a member of Kennedy's Council of Economic Advisers, recommended the establishment of a National Youth Endowment, "entitling every citizen to $5,000 in government credit upon graduation from high school or at age 19. This credit could be drawn on for higher education or vocational training and would be paid back starting at age 28. Since there are presently over 4 million Americans who would be eligible for this $5,000 endowment, the first year cost to the federal taxpayers would be
$20 billion. By the time repayments began nine or ten years later, the federal
government would hold IOU's in excess of $200 billion.

The proposed plans for financing higher education that are most recent,
Olympian in their prestige, and carry the heaviest political clout, are those
coming from the Carnegie Commission on Higher Education. The plan proposed
by Howard R. Bowen, President of the University of Iowa, calls for federal grants
to any student who could demonstrate need. These minimal grants would cover
only those educational and living costs that parents could not afford. The
grants, under President Bowen's scheme, would be supplemented by a national
system of student loans with no means test, would be as available to the rich
as to the poor, and would be conventional loans "subsidized by the federal
government as to interest and guaranteed as to risk." This grant-loan system
would give financial backing to the students but would not add much to the
budgets of collegiate institutions. To correct this, President Bowen outlines
a complex formula calling for federal grants to fill the budgetary gap between
income from the states, from donors, and from tuition, and the actual amount
of money needed by the institution to provide better higher education to an
increasing enrollment of students.

The recommendations that emanate directly from the Carnegie Commission
on Higher Education touch on all financial facets, but the major recommendations
are not unlike President Bowen’s proposals for student grants, student
loans, and heavy federal supplements to fill the ever-enlarging hole the
institutions find in their budgets.

Student grants, based on demonstrated need, would range from a maximum
of $750 per year for lower-division students to $1,000 per year for upper-
division and graduate students. The federal bill for these grants would grow
from $.9 billion in 1970-71 to $1.6 billion in 1976-77. On a "to-him-who-hath
shall-be-given" basis, students awarded non-federal grants would have their
federal opportunity grants enriched by a 50% increase. Present work-study programs would allow undergraduate students to earn up to $500 per year in institutionally administered programs of employment "in tasks important to academic institutions." Student loans, irrespective of need, would be made to undergraduates, not to exceed $2,500 per year, and to graduates, not to exceed $3,500 per year. These loans would be repaid on a basis of fixed percentage of income per $1,000 of loan over a 30- to 40-year work-life. Even so, initial federal funding would start at $2.5 billion in 1970-71 and expand to $5 billion by 1976-77. Finally, the institutions would receive a sizable supplement for each grant holder ranging from $525 for lower-division students through $1,050 for first-year graduates to $3,500 for doctoral candidates. The pricetag on this institutional supplement would begin at $1.13 billion in 1970-71 and by 1976-77 would be hiked to $2.71 billion. In grand total, these recommendations, generally attributed to Chairman Clark Kerr of the Carnegie Commission, would raise the federal investment in higher education from the present $3.5 billion to $7 billion in 1970, and to $13 billion by 1976. Under the Carnegie Commission plans, local, state, and private support to higher education would not only continue but would continue at a higher rate.

Whether it be the N.D.E.A., the Higher Education Act of 1965, compensatory tax write-off, the Kingman Brewster plan, the Educational Opportunity Bank, the National Youth Endowment, the plans of the Carnegie Commission on Higher Education, or the proposal to be presented here, the cost is going to soar into the billions, for higher education is not a bargain-basement item. These billions should be seen in the perspective of a society that has handed over $902 billion to the military in the twenty-five years since World War II, that has actually spent over $30 billion to put a man on the moon while it seriously contemplates spending $300 billion
for space exploration of Mars, and, on the positive side, a society that fully expects its educated citizenry to elevate the present $850 billion gross national product to $1.5 trillion by 1977.

If the society can afford a military establishment priced at $82.5 billion this year, an anti-ballistic missile screen with a cost range of $6 billion (Chinese thin) to $40 billion (Russian thick), and $5 + billion a year for exploring outer space—if it can afford these, it can undoubtedly afford the $16.8 billion projected as minimum operating cost for higher education in 1970. If the priorities were reordered, it could afford $20 or $25 billion or however many billions first-class higher education really costs. Unfortunately, the question is not "Can it afford?" or "Should it afford?" but rather "Will it afford?" If the answer is "no, not by present financing," then those committed to universal higher education cannot just sink into the inaction of despair. They need to cast about for feasible and more equitable ways to finance this higher education.

THE MAJOR PROPOSAL

Consider now a proposal whereby the federal government establishes a revolving loan fund to provide the operational cost of public or private higher education for any and all citizens, a loan that will, over the years, be paid back by the beneficiaries through a surtax when their income reaches a level of reasonable affluence. Here is the scenario: For the academic year 1970-71, the total operating cost for all accredited institutions of higher education is upgraded from the estimated $16.8 billion to the more realistic figure of $18 billion. But at the same time, homeowners claim to be staggering under the tax burden of supporting the elementary and secondary schools. They openly rebel against the property tax that provides 60 to 70% of the
operational costs of the tuition-free junior colleges. The legislatures, hoping to punish "those radical activists" at the state colleges and universities, are niggardly in their appropriations of state revenues to higher education. The Blacks and Browns and others banking on the revolution of rising expectation find themselves dealt out just as they were demanding to be dealt in. Only the upper class can afford the rising tuition at the private liberal arts colleges and the ivy league universities. Into this crisis steps the 91st Congress and sets up a plan that hews to most of the virtues of free enterprise and at the same time affords opportunity for quality higher education to all on the basis of "learn now; pay later."

An independent agency, The Higher Education Finance Corporation, is established and is initially funded with $18 billion. The corporation is authorized to extend loans to any citizen qualified to enter the public or private college of his choice. Each college is required to make a cost analysis of operating expenses and to legally certify the operating costs to its accrediting association. These loans are then made in the amount of the average per-student operating cost of that college plus standard student fees and the cost of books and supplies. The loan contract is part of the admission process, and the money for the quarter or semester is paid directly to the college upon certification that the student did in fact enroll and attended at least the first three weeks of the term. The same procedure is repeated each term, the only bureaucratic control being the paperwork of loan contract and enrollment certification going to Washington and the check for average per-student operating costs going to the college.

*Eighteen billion dollars is only 2.1% of the present G.N.P. of $850 billion. The Carnegie Commission on Higher Education advises that 3% of G.N.P. be spent on higher education by 1975.
No collateral or co-signers would be necessary, for at the time of the loan the applicant would take out (or increase) the Corporation’s term insurance sufficient to cover the amount loaned, the Corporation being the beneficiary of the policy in case of the applicant’s death. The student would be allowed to continue to borrow the operational costs for each term at whatever college he chose as long as satisfactory academic progress was certified. If the student dropped out after the third week, the college would still get the tuition and the student would still owe the amount borrowed for the entire term.

The freshman beginning in 1970 would probably still be borrowing as he completed an A.A. in 1972, an A.B. in 1974, and perhaps even a Ph.D. in 1978. Any student who chose to pay his own costs would certainly be so allowed; however, the student who wanted to be independent of his rich parents would be as eligible to borrow as the student without a nickel’s worth of assets.

If the first year’s funding took $18 billion, increased numbers and improved quality would up the ante a billion a year, and the dribble of repayment that might begin by 1975 would not reach flood proportions until 1980. To first paint the picture as shocking as possible, the federal government might have funded the Corporation with as much as $225 billion in the decade it would require to make the fund self-revolving. Predictably, in that decade the G.N.P. would have climbed past $1,500 billion, so the whole scheme is analogous to a family with a $1,500 a year income borrowing from $18 to $27 a year or $225 over a period of 10 years to set up a family kitty that would provide quality education for the children, grandchildren, great-grandchildren, ad infinitum. Actually, it isn’t nearly that awesome a debt: in the second decade, much more money would be paid back each year than would be paid out.

By Orwell’s dire 1984, approximately 75 million beneficiaries would have paid or would be paying what they borrowed, whereas (projecting a half million
increase in college enrollment each year) the 1984 potential borrowers would be 14 million, twice the figure for the 1968-69 school year.

Unlike many foreign and domestic loans made by the federal government, this one would actually be paid back—and at the same time the better educated citizenry would make themselves and the U.S. society richer than ever. The hooker, of course, is the fact that for the first five to ten years the federal government would have to pungle up $18, $19, $20, $21, $22 billion per year before incoming money would begin to equal outgoing money. In the long run, money borrowed would be repaid, so that the federal government would only be priming the pump to make money for higher education flow in proportion to the need, in an automatic fashion, and in perpetuity.

The rather astronomical figures that have been bandied about would in no wise represent a federal grant-in-aid. They would be loans, and the persons who would have to repay them would be those who benefited from them financially (and, to be hoped, in more significant ways). Until and during the period of repayment, the loan would be guaranteed by the Corporation’s term insurance policy which, for the duration of the loan, would name the Corporation as the beneficiary. The premium on this insurance would follow National Service Life Insurance rates and would be collected by that peerless collection agency, the Internal Revenue Office. It would be a destitute student indeed who would have trouble paying these annual premiums:*

<table>
<thead>
<tr>
<th>Age</th>
<th>Amount of Loan at $1,000 Per Year</th>
<th>Annual Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>$1,000</td>
<td>$14.21</td>
</tr>
<tr>
<td>20</td>
<td>$2,000</td>
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<td>$60.60</td>
</tr>
<tr>
<td>23</td>
<td>$5,000</td>
<td>$77.55</td>
</tr>
<tr>
<td>24</td>
<td>$6,000</td>
<td>$95.16</td>
</tr>
</tbody>
</table>

*No doubt there would be some students too poor to pay these premiums. In such cases, private money from foundations, or from scholarship or other funds raised under college auspices, could be used for a gift payment of the insurance premiums.
By the end of his sixth year, the student in this hypothetical case should have earned a master's degree and should soon be affluent enough to start repaying the loan. But, to put the case in the worst possible light, assume a student attended a high operational cost university ($2,000 per year) for his undergraduate years and then went to a $3,000-a-year dental college for four years. Obviously, the premium costs would increase, but they would still not be too formidable:

<table>
<thead>
<tr>
<th>Age</th>
<th>Amount of Loan at $2,000 Per Year</th>
<th>Annual Premium</th>
</tr>
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<tr>
<td>19</td>
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<tr>
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</tr>
<tr>
<td>22</td>
<td>$8,000</td>
<td>$121.20</td>
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</table>

<table>
<thead>
<tr>
<th>Age</th>
<th>Amount of Loan at $3,000 Per Year</th>
<th>Annual Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>$11,000</td>
<td>$170.61</td>
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<tr>
<td>24</td>
<td>$14,000</td>
<td>$221.94</td>
</tr>
<tr>
<td>25</td>
<td>$17,000</td>
<td>$275.74</td>
</tr>
<tr>
<td>26</td>
<td>$20,000</td>
<td>$333.80</td>
</tr>
</tbody>
</table>

Not a cent of these premiums would be lost unless the student died or failed throughout his whole life to repay his loan. As the loan was repaid, the borrower would gain dollar-for-dollar equity in this mandatory term insurance policy. By the time the loan was fully amortized, the student in the first example would be paid up to date on a $6,000 term insurance policy, and the student who finished dental college would be current on a $20,000 term insurance policy.

Thus far, the loans envisioned in this proposal have been guaranteed but not repaid. If the Higher Education Finance Corporation were to be funded from actual federal revenue, not federal borrowing, there would be no overriding reason to charge any interest on these loans. Once the Corporation's fund became self-revolving there would be even less of a rationale for charging interest, but, of course, it would hardly be fair to charge the first decade of borrowers interest and then let all subsequent borrowers off
interest-free. The anticipated cost of staffing and operating one Corporation would be infinitely less than the administrative costs for the 40 federal agencies now used to dole out the $3.5 billion federal contribution to higher education. Further, a service agency of the society should legitimately be paid for by the whole society; the members of the Federal Reserve Board or the Security and Exchange Commission or the National Service Life Insurance Board do not have to make their own salaries from the profits of their agencies. The most cogent argument: Since the whole society benefits from the education of any member, the society should not extract interest on borrowed money that results in the betterment of that society. Let the premise then be that the loans will be without interest, that the student (with an equal contribution from his employer) will eventually repay exactly the sum he borrowed.

As briefly noted before, the loan would be repaid by a surtax, automatically added to the borrower's federal income tax when his net income reached a legislated level of reasonable affluence. The borrower would not have to repay before he could afford to repay, and the amount of the surtax would be calculated by the amount of net income over the "reasonable affluence" level. The rare borrower who never reached this level would never personally repay his loan; he would simply have the Corporation's insurance premium tacked on to his income tax each year and when he passed on to a more affluent afterlife the insurance money would pay off his loan.

The amount of the loans would, of course, depend on the nature, (operational costs) of the college and the number of years of college attended. If, for the purposes of the moment, all differences are averaged out and the total 1967 operational costs of $13.2 billion are divided by the 1967 full- and part-time enrollment of 6,893,977, the annual operational cost of higher education turns out to be $1,928 per student. Actually, the 1967 operational
cost for a student in a California junior college ranged around $800, in a
California state college about $1,600, and in a California state university
nearer $2,000. These examples are another way of showing that lower-division
education is cheaper than upper-division education and is much cheaper than the
small-class, research-oriented graduate division. Be that as it may, in
describing how the loan would be repaid, the annual operational cost of $1,928
will be used as the average, and the generous assumption will be made that the
student completes the A.B. or B.S. degree. His loan from the Corporation would
then total $7,712 (4 x $1,928).

During 1967, the median gross income per family in the United States was
in the neighborhood of $7,800 a year. As this is certainly short of "reasonable
affluence," let the annual net income of $8,500 be the figure that triggers
the Internal Revenue Office computer to start adding a surtax earmarked for
loan repayment. Employers would be notified by the I.R.O. that surtax payroll
deductions should begin. As noted in the introduction, since the employer
profits directly from the higher education of his employee, he will be required
to pay one-half of the surtax deduction as long as the debtor is in his employ,
or until the loan is completely amortized. Even a simple actuarial table will
demonstrate that this loan of $7,712 could be repaid within ten years with-
out severe hardship for either the debtor or his employer.

<table>
<thead>
<tr>
<th>Years</th>
<th>Percentage</th>
<th>Estimated Net Income</th>
<th>Annual Payment</th>
<th>Employee's Monthly Deduction</th>
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$7,788
If the mechanical engineer or lawyer or business administrator who captures that first-year job paying $16,500 wants to pay off his whole debt ($7,712) the first year, he could still live it up pretty well on the remaining $8,788. Of course, it would be a rare employer who would agree to pay off "his half" of any employee's debt to the Corporation in one year or in any period less than the standard ten years. What medical doctor (1966 mean income: $25,000) or dentist (1966 mean income: $21,000) or lawyer (1966 mean income: $27,000), who may have borrowed as much as $20,000 could not repay an average of $2,000 a year for ten years? Every self-employed beneficiary of a Corporation loan will be obliged to pay his entire debt. However, private or public employers, competing for the educated young men and women who will materially benefit their business or agency, will see the value of partial repayment of their employees' educational loans as one of the fringe benefits to attract those with educated talent.

Just as future college graduates, like those in the past, will find that expenditures expand to fit or exceed incomes in some budgetary equivalent of Parkinson's Law, so repayment of the loans they incur will not be painless. Nonetheless, their returns on borrowed investment would certainly make it possible. Even in 1966, the median income of family heads with four years of college or more was $11,697--$3,480 more than that earned by the family head with only a high school education. Based on 1956-1966 figures, the family breadwinner with five years or more of college had a mean lifetime income of $587,000 which was $246,000 more than the $341,000 mean income of high school graduates. The monetary benefit of higher education is by no means the only, or even the most important one, but it is persuasive perhaps because it is so tangible: the average college graduate in his 35-year worklife gained $246,000 from an investment that, during his tenure in college, would have
been a lot less than $7,000. This approximates a 3,700% lifetime return on out-of-pocket investment. All of this demonstrates that the beneficiaries of higher education become able to afford the benefits they have gained; if the federal government would just get the higher education loan fund revolving, the surtax on the increased income of the borrowers would keep it revolving forever-

*SOME IFS, ANDS, and BUTS

If this proposal were to make higher education into a federal government enterprise, it would not only be unconstitutional but would deserve the universal censure it would probably get. Actually, the role of the federal government would be to establish and initially fund the Higher Education Finance Corporation—and that is all. To be sure, the U.S. Office of Education would probably be the logical agency for keeping records on normative costs and a host of other valuable statistics. No doubt the Department of Defense, the CIA, and the military-industrial complex would still contract with the universities to be their R. & D. departments; however, with a constant and adequate source for the operational budget, "...institutions of higher learning could stop whoring after strange gods and settle down to good teaching."

The U.S. Office of Education would still perform its many valuable coordination and leadership functions. But the Corporation would be a fiscal, not a regulatory, agency. The reassuring point being made is that federal funding of the Corporation's revolving loan could, if properly legislated, mean much

*This is admittedly an oversimplified statement, for such qualifiers as loan leakage, devaluation of the dollar, and constant annual increases in enrollment would require the federal government to keep investing at least a nominal amount in the revolving fund each year. If a small interest were charged on the loans, even these qualifiers could be erased.
less, not more, federal control and bureaucratic harassment.

Nonetheless, $18 billion + is a gargantuan temptation to avarice and neither the corporate institutions of higher education nor the people in them are entirely free of this deadly sin. What is to keep a college from doubling its previous figure for operational costs and charging the students accordingly? Will some universities not mask the exorbitant cost of research and of certain graduate programs behind an average per-student operational cost? Might academic senates not vote their members a $10,000 across-the-board pay raise? How are diploma mills with an eye for the easy buck to be scotched? All the maneuvers of man's cupidity cannot be anticipated, nor ways be described to checkmate them. Even so, these very real questions demand some real answers.

The most powerful deterrent to temptation would be professional ethics, scrutinized and enforced by greatly strengthened accrediting associations. The organic law would give formal recognition to the policing functions of the existing college accreditation associations. Institutions without the stamp of approval of the accrediting agency would simply be barred from participating in the program, from receiving one cent from the Corporation's revolving fund. As in any true profession, the members set the code of standards for every significant aspect of professional behavior. Only those who can reach these standards qualify; those who fail are disqualified.

Clear definition of "current operating costs" would be spelled out in the basic law. The science of cost accounting could then be used by the accrediting association to establish exact operational cost figures for colleges of various quality, for upper, lower, and graduate divisions within any one college or university and even for academic majors, if that fine a breakdown were desired. Educators within a college would have to justify to their professional colleagues on the accreditation team any significant
escalation of their operational costs. Organizations such as the American Association of University Professors and American Federation of Teachers, professional associations such as the American Medical Association or the American Bar Association, and higher education agencies such as the American Association of Junior Colleges and the American Council on Education would all do yeoman service in the defense of professional ethics.

A second force for honesty would be the dynamics of the marketplace. A college with excessive operational costs would price itself out of the market. Students would not borrow money for paying Harvard prices to attend Old Siwash. Equally important, many students would not pay, say, $2,000 a year for lower-division education at their state university if they could get as good, or perhaps better-taught, lower-division work for $900 a year at an attractive junior college in their community. Those who did opt for the university would not be willing (or allowed by the accrediting association) to pay the same amount for the cheaper lower-division work as for the much more expensive graduate work. Obviously, if higher education is going to be universal it must also be plural and diverse. Differential pricing would reflect this pluralism and diversity.

The impression should not be given that a lid must be hermetically sealed over present operational costs. If the operational costs were not allowed to rise, there would be no likelihood of a rise in the quality of education. The private Black colleges of the South are generally of poor quality because they are generally broke. Good teachers, good counselors, a good library, a good student personnel program, good equipment, good supplies, good cultural events, good this, and good that all cost money, and the money has to be spent if the college itself is to earn the adjective "good."

New York has a better quality of higher education than Alabama because it
it can and does spend more money on it. There is no more reason a New York student deserves a better education than an Alabama student than there is for a White student to deserve a better education than a Black student. But if equal opportunity is to be approached, the unequal operational costs have to be somewhat equalized, and the role of the accrediting association will often be that of encouraging poor colleges not only to spend more money on education, but also to charge more for it. Of course, the accrediting association will also have the unpleasant task of telling some colleges that they are charging too much for value received--and cancelling accreditation if the college fails to lower its tuition charge to the students.

The third protection would be inherent in the legislation, for it would authorize the Corporation to grant student loans to pay for the operational costs of higher education, and only higher education. By legal definition, higher education would mean accredited private and public colleges and universities. It would not include flying schools or training for bartenders or barber colleges or any of those "frongey" money-making schemes that plagued the operation of the G.I. Bill of Rights. Such a legal definition would probably mean that junior colleges would have to divorce themselves from the Manpower and Development Training Act and even from their highly specialized vocational certificate programs. These may be valuable, but they are, by definition, training, not education; to include them would open the door to confusion and allow all manner of educational scamps to enter. If narrow, short-term, production-line, skill-development programs make any sense at all in the fast-changing cybernated economy, then perhaps special skill centers or non-collegiate vocational schools should be established for this purpose.

Such a tight legal definition leads to the question of whether developmental or remedial education would be admissible under the loan provisions.
of this plan. If no provision is made, those who have been damaged by twelve years of shoddy education would be effectively blocked from ever repairing the damage. Since the society at large is the perpetrator of this educational crime and, at the same time, would be the beneficiary once correction were made, then perhaps that society should pay for development in basic skills, just as it should and does pay for the universal elementary and secondary education of which most of those needing remediation were cheated. The deficient young adults can not be sent back to grammar school or even high school, nor can their self-concepts sustain the humiliation of being relegated to special readiness schools. Even though it would mess up the neatness of the plan--student loans defraying all operational costs--it is suggested that those courses taught in the junior colleges (or any colleges) that are clearly sub-collegiate and whose basic aim is remedial should be paid with state funds. Cost analysis would determine the bill the college should send the state for educational therapy to those crippled by the state school system. This might mean that a Chicano, a Black student, or a disadvantaged White student would go for a semester or so to a junior college without incurring any debt at all. By the same reasoning, it would mean that poorly prepared students would not elect to enter content courses for which they would become indebted until they were properly schooled to handle them.

If a student could not be brought to a competency whereby he had a reasonable chance to profit from college level courses (relatively defined), he would be counseled, perhaps (with due process) even barred, from incurring educational debts that he probably could never repay. The parenthetical "relatively defined" should be underscored, for there is no absolute definition of college level; Coalinga Junior College is not Yale University. It may be that Black Studies, devoid of any vocational objective, are first necessary
so that Black students can gain the self-love, identity, confidence, and other components of motivation needed to handle the all-too-often "colorless" curriculum. Accrediting associations will have to be as flexible as the times and circumstances demand in ruling on the definition of a college-level course.

One last qualification: This scheme is not a federal "give-away" program or even a system of annual federal aid. The concern for the student is, in a way, secondary, for universal and quality higher education presupposes more and better institutions of higher learning, and that is a vain presupposition unless these institutions get a stabilized source and a heavier flow of money. The plan proposes a bold use of the enormous lending power of the federal government, not only to keep U.S. higher education from going bankrupt, but to give it a solvency in future expansion and improvement. "Whether public or private, most U.S. colleges are in such desperate financial straits that by the year 2000 they will be almost totally dependent on the federal government for support. So... argued Alan Pifer, President of New York's Carnegie Corporation in a frank and chilling analysis of the nation's academic future... Although educators may regret it, Pifer concluded, the trend toward federal funding is irreversible."

Colleges and universities are in deep financial trouble. In 1969, the State College System in California was forced to curtail both freshmen enrollment and even acceptance of bona fide transfer students from the state's junior colleges. The student militancy over unmet demands for an immediate Black Studies program may be a painful exercise in futility if, in the first place, college officials have no money in the budget to institute them and, in the second, have to pander to racist prejudices to get the state legislators to appropriate even insufficient operating funds.

On a key bond issue in the November 1968 election, the California voters
turned down a $250 million transfusion to the higher education system by a 55% "no" vote. A taxpayers' revolt has been building in fury, and the colleges and even the elementary and high schools are the most vulnerable Bastille to attack. "In the State of California during the school year 1966-67, 200 school districts held 240 tax elections of which 128 (53.3 per cent) passed and 112 (46.7 per cent) failed. Likewise, during the school year 1966-67, 169 school districts held 207 bond elections of which 85 (41.1 per cent) passed and 122 (58.9 per cent) failed."* And California is not the only battlefield: "Yes, there was a revolt in the November 5 election, and you may not have heard about it. Local communities all around the nation tossed overboard plans for improvement. It was like the Boston Tea Party. Over the side went bond issues for schools, sewers, mass transit, pollution controls, new jails. The projects were often desperately needed but that didn't matter. Overboard they went as voters rejected bond issues to implement them."

If the public colleges and universities are calling for help, all but the few private institutions buoyed up by tremendous endowments are drowning or have already drowned. And, these financial troubles are occurring when the total operational costs of higher education stand at $13.2 billion. How will the lean $16.8 billion requirement for 1970 be met? If the taxpayers rebel at the $13.2 billion pricetag for higher education covering about 7 million students in the late 1960's, what will happen by 1984 when there are 14 million college students to educate?

*An election to increase the school tax rate takes only a majority vote, whereas a bond election requires a 66 2/3% "yes" vote.
MORE PRO THAN CON

A plan such as that proposed is not going to want for nay-sayers. When given serious consideration, a large mixed chorus will no doubt soon develop and without much harmony will create a lot of decibels of objection. Some economists will object that the federal government cannot raise an $18 + billion kitty for the original loan fund and even if it could it would disrupt the economy by inflation and/or flooding of the bond market. The doctrinaire liberals will object that, since the whole society benefits from higher education, the whole society, not the students, should pay the entire cost. The students in public institutions will object that this will end "free" higher education and will force them to mortgage their futures to pay tuition on a charge-it basis. The colleges will be tempted by the prospects of a more stable and a higher income but will object, or at least be suspicious, that federal money will bring federal control. The state and local taxpayers will anticipate a tax cut, and when their higher education taxes are diverted to upgrade elementary and secondary schools, to pay for rapid transit, urban renewal, anti-pollution, or to effect other social benefits, they will object that they have had the double shaft: increased federal taxes without decreased state and local taxes. The Black and Brown and the achromatic poor will object that tuition (payment of operational costs) will be a neat and effective barrier to keep their children out of college. The rich will object that it will be the progressive income tax, not the present regressive taxes, that will provide money for the revolving fund. There will probably be other objections but, "sufficient unto the day is the evil thereof;" let them be considered only after the present and loudest objections are answered.

Carnegie Corporation President Alan Pifer concludes that both public and
private colleges are so broke that by the year 2000 they will be almost totally dependent for their support on the federal government. J. P. McMurray, President of Queens College, says about the same thing and applies it to the present, not the year 2000: "Most economists and educators, I among them, long have held that the federal government, with its greater fiscal capacity, should assume much more responsibility than it now does for higher education."

What these men know, and most men do not, is that the federal government could afford to invest in higher education while the local governments cannot. "Our gross national product has been rising at a rate of about 5%. But local government expenditures are rising at a rate of about 7%. From 1952 to 1966, federal expenditure fell from 20.5% of gross national product to 18.1%, while state and local expenditures rose from 6.5 to 9.2% of gross national product."

The $18 billion projected as the opening ante in the Corporation's revolving fund represents slightly over 2% of the present $850 billion G.N.P. If the magic wand of a Congressional act were to institute this plan tomorrow, the effect would be a return of federal expenditure up to 20% of G.N.P. and a lowering of state and local expenditure from 9.2% down toward the previous 6.5% of G.N.P. Actually, the national economy, one way or another, is going to have to afford 2% (and more) of its product on R. & D. in order for the G.N.P. to rise from $850 billion to the $1.5 trillion projected for 1977.

In this context R. & D. is being used as a metaphor for the total higher education system, but it is pertinent to note that the federal government is now paying 70% of the $25 billion now spent annually for the actual, not metaphorical, research and development that brings millions in dividends to the huge conglomerates that dominate the new corporate economy. It does not appear that the state and local governments will, or can, muster sufficient funds for the super R. & D. department called higher education, which means
the investment will have to be made by the federal government. Two per cent of the $1.5 trillion G.N.P. predicted by 1977 is $30 billion.* If the Corporation were actually being funded at 2% of G.N.P. up to 1977, by then the loan fund would be large enough to be completely, or at least nearly, self-revolving. Alan Pifer's prediction that higher education will be totally dependent on the federal government by the year 2000 would have become irrelevant.

Even if it can be concluded that the federal government should be the banker, this does not tell how it is to get the annual $18 + billion or what effect getting this amount would have on inflation or on the interest rates of bonds. In this regard, several factors have to be remembered: Higher education is going to be paid for, willy-nilly; the only questions are how? and by whom? Unlike the Vietnam war, which created a new and added expenditure of $25 + billion a year, only improvement in higher education over the present level would constitute a new and added expenditure. Spending the recommended $18 billion rather than the rockbottom $16.8 billion in 1970 would hardly be inflationary. The federal government is already contributing $3.5 billion a year to higher education. If, as will be proposed later, the present $4.7 billion contribution of state and district governments were completely channeled to needed capital outlay, the federal government would, in 1970, be obliged to raise an additional $14.5 billion to bring the initial loan fund to the proposed $18 billion figure. This could be done by re-allocation of present expenditures, by increasing taxes, or by borrowing. To borrow this huge sum would not only upset the bond market but would, inevitably, argue for imposing an interest charge on the loans to be made to students. Nor does borrowing

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*Clark Kerr, speaking for the Carnegie Commission on Higher Education, recommended 3% ($45 billion) of G.N.P. be spent on higher education by 1975 but this would include capital outlay as well as operational costs.13
appear to be necessary. Holding the present level of income tax constant while other federal expenditures are reduced should provide the needed billions without either borrowing or increasing taxes. A neat trick, but can it be done? Some knowledgeable people point to promising ways.

The most auspicious time for the federal government to begin funding the revolving loan would be as it quits financing war in Vietnam. "Carl Kaysen, who was national security adviser McGeorge Bundy's deputy in the Kennedy White House, argues the case for a sharp reduction in the U.S. military budget, from its present level of $82.5 billion down to roughly $50 billion during the 1970's." Assuming a cease-fire in Vietnam in 1969, former Budget Director Charles Schultze predicts a surplus of $21 billion in 1971 and $24 billion in 1974. Schultze also suggests possible use of the Social Security surplus, which grows by $4 billion a year, to help finance pressing domestic programs. Even if taxes had to be raised, this increased taxation would be only for a decade or less. Further, it would be a tax on the income of those who could afford it, not the usual regressive sales tax and property tax used by local governments, that would pay for the R. & D. department that makes the rich richer.

No doubt the liberals are right in saying that higher education benefits the whole society. However, the liberals are not right in thinking the society pays for higher education in an equitable manner. Dow Chemical certainly wants those chemists the universities are educating at public expense. Bank of America appears delighted with those M.B.A.'s who have been trained at the taxpayers' expense for Bank of America's use. It may even be, though the evidence is scanty, that the products of higher education take a more ethical view on the great social issues and act in a more politically responsible manner. In any case, the liberals would have to admit their failure in getting Dow Chemical or Bank of America or all the companies listed
in Dun and Bradstreet to finance higher education, or provide the in-service training they would have to finance if the institutions of higher education did not exist.

The community colleges, for example, are financed largely from property taxes, and even though the poor do not own the property, as renters they pay the landlord's taxes indirectly. "A report by professor Richard Netzer for Paul Douglas's National Commission on Urban Problems shows that property taxes fall heaviest on the poor. They amount to a sales tax, he says, of as much as 24 per cent on housing, and this takes the biggest bite out of low-income budgets in rent. It's simple enough. Mrs. Smith, with $2,000 a year income for her three children, pays 8.5 per cent of this on property tax included in her rent. But her slumlord with income of, say, $20,000 pays only 1.5 per cent of this income on the so-called housing tax. The property tax bite is regressive."

Financing state colleges and universities by sales taxes, as has been proposed, would be even more regressive. However, there is nothing illiberal in having those who benefit directly and monetarily from their higher education eventually paying for the benefit they receive. Further, if higher education comes close to being universal, then almost everyone will have borrowed money, almost everyone will have repaid his loan, and thus the liberal dictum "all pay since all gain" will have been followed.

The anticipated student argument that such a loan plan would end "free higher education" is based on the specious premise that higher education is now free. Somebody has to pay for it, and there is a common-sense justice in saying that those who are the most direct beneficiaries should pay for at least half of it. Of course, they should not have to pay their share in advance, for this would mean, as it has historically meant, that only the
children of the rich could buy the means of becoming richer. If there were really equal opportunity to borrow the money to gain the benefits of higher education, there would be no inequity in requiring that those who borrowed the money pay part of it back. There is lots of precedent for and a good deal of logic in the idea of paying for what one gets. The trouble is that youth can non pay for the means to gain the end of wealth until the end has been reached. Once reached, however, the end (increased wealth) should be used to pay for the means (higher education). The same logic applies to the employer whose end (increased profit) should be used to pay for the means (higher education of his employees). This plan simply stipulates that the major beneficiaries from higher education repay exactly what was borrowed. The student can non really complain of mortgaging his soul if, in fact, he is only obliged to pay for the bet in the event (probably as it may be) that he wins that bet.

Whether federal money to fund the revolving loan system would mean increased federal control of higher education would depend on the care with which the legislation were drafted. The Higher Education Finance Corporation could be made into a purely fiscal agent, a bookkeeper to tot up the loans made by students and to pay them to the accredited colleges the students select. The accrediting association, not the federal government, would be the agency of quality control. There would still be boards of trustees or boards of regents to give the representatives of the people the ultimate voice in policy decisions. The academic senates and the student senates would still initiate most policy issues. The administration would play its various roles of interpreter, mediator, brake, expeditor, implementer, and general whipping boy. The functions of these major players in the theatre of higher education might be modified by the new importance of the role of the accreditation
agency but would not, for any compelling reason, be affected by the creation of this monetary middleman, the Corporation.

State and local taxpayers are not, in fact, likely to experience any appreciable tax reduction. When graduates (and their employers), after the initial period of delay, begin paying for their own college education, the taxpayer, particularly the property taxpayer, should expect some reduction in his taxes. The likelihood is that he will not get much relief since the fulfillment of so many other social needs is in arrears. The best answer that can be given to this objection is the positive one that, if tax money is not required for higher education, it will be available to meet other serious needs. Or, to put it in the negative, if present tax sources are depleted to pay for increased numbers of students and better quality in higher education, the other needs will move from serious to dire to desperate.

The victims of the society, the dispossessed of any color, have good reason to be suspicious of anything that smacks of tuition, for it is one of the old ploys that keep the classes in their respective places. However, given the ground rules described in this proposal, such suspicion would be rather paranoid. Anyone who wanted to attend an accredited college and could meet the admission requirements would, by virtue of these conditions, be eligible for the loan. He would have to put up no collateral; there would be no co-signers; there would be no charity or special forgiveness; he would have the dignity of paying his own way, like all others, and the responsibility of paying it back, like all others. He would also have the powerful voice of the consumer who is paying for the product.

The objection of the upper-middle class and the rich is well-founded. Even if funding were possible by re-allocation of present federal expenditures, the progressive income tax, not regressive forms of taxation, would still
provide the seed money for the Corporation's revolving loan fund. No excuse is offered, for it is higher education that is ultimately responsible for their being able to afford to make this forced investment in higher education. Not only that, the higher education of the many will act to raise the G.N.P., and by this multiplication, the affluent will become more affluent. And, for sugar to coat the pill, as the Corporation's loan fund will become almost completely self-revolving within a decade, their income tax for ten years simply becomes a terminal investment that should result in an unending upward spiral of their own and their society's wealth.

SOME ANTICIPATED SPIN-OFFS

Several significant changes are likely to occur when the piper begins to be paid by the students; for example, they will help call the tune. A college presenting an outmoded, irrelevant curriculum may find its students making an exodus to a college with something better to offer. The same goes for the individual instructor. Students who might tolerate an arrogant or inadequate or punitive instructor when others were paying his salary might not be so kind when it was their money subsidizing his vices. This side-effect may eliminate many of the causes of present student unrest.

In a free enterprise set-up, market research is going to become an integral part of the system. If many Black students want a Black Studies Program, colleges are going to develop a Black Curriculum, and if it is second rate, they will lose their Black students to colleges with better programs. Curriculum and instruction committees will begin to welcome student participation, and many faculty committee members will be delighted to find they no longer have to sustain worn-out old courses or antiquated curricula in order not to offend crotchety colleagues. Perhaps at this point the reassurance
should be given that student power, though much strengthened, will not be too threatening. The accreditation associations will not tolerate a cafeteria curriculum offering only soft sweets. The students as well as the college staff will know that stern standards must be maintained or accreditation may be withdrawn. Even so, the days of the arbitrary college administrators or the uninterested or tyrannical faculty members will be over. The peripatetic professor will have to give up his place in the middle-class jet-set and begin to meet his classes. Teaching will ascend from the depths and join research and publication as a top-priority function.

The composition of the boards of regents or the boards of trustees may undergo marked change. The 2% contribution to operational costs made by business can no longer be used to justify boards whose membership is 75 to 100% businessmen. Perhaps the students will insist that one or two of their leaders sit on the boards. Maybe the faculty senate president will get a chair. The alumni, whose money will actually be operating the college, may insist on representation. None of this is to suggest that the boards will be obliged to relinquish their ultimate control over policy. It is to speculate that, when boards of regents are appointed, or when college district trustees are elected, the membership may have a different composition, a different bias.

Another shift in the power dynamics can be anticipated. When students are directly responsible for footing the bill for their own higher education, the state and local politicians will no longer be able to speak so self-righteously of privilege and gratitude. They will no longer be able to threaten to take away the nice present if the students are naughty. The cliches of free enterprise could be thrown back in the teeth of those who drop them at each opening of the mouth. If the students are paying for their education and if they and
their mentors and the accreditation agency agree that, on the subject of
racism, Eldridge Cleaver is eminently qualified to tell it like it is, no
state governor or any other politician will be able to say, in effect, "Educa-
tion is a privilege, not a right. I will decide how your money will be spent
for your education." To be sure, boards of trustees will sometimes or
temporarily be able to abridge the academic freedom of students as well as the
academic freedom of faculty, but the likelihood is less, for the power equa-
tion will have been greatly shifted.

For many years it has been said, particularly in junior college faculty
lounges, that if students were only paying for their education then student
motivation would shoot up like a skyrocket. The evidence for this has not
been overwhelming, for there have continued to be many unmotivated students
in high-tuition colleges. Of course, in such colleges the tuition is paid by
the parents, and poor student work under these circumstances could be a neat
way to punish parents. It may be, though, even when the payment is delayed,
that if a student knows that he has to pay it himself he will be motivated to
get his money's worth. Most evidence from psychological studies reveals
that motivation is quite existential, deterrence from punishment or attraction
to reward being directly proportional to the time-lapse between act and carrot
or stick. Improved motivation, under this plan, might come from quite a
different dynamic. Presumably, the students would insist that the education
they are buying be relevant. If, in fact, educators are capable of making it
relevant, motivation becomes intrinsic; significance inheres in the substance
being taught.

All members of the academic community, including many of the students
now to be described, are well aware that some students simply should not be in
college. A few are mentally incapable of profiting from what is offered.
More than a few are still too immature to benefit from the experience. Some have been so damaged psychologically that therapy must precede education. Others need time and different life circumstances in order to find themselves. Some just go, figuratively and literally, to get in out of the rain. Such students, and there are probably other categories, should not have to buy a bad bargain and be pushed to indebt themselves for an education that, for good and bad reasons, will bring them nothing, or next to nothing. Of course, to enjoy equal opportunity, such students must have freedom to make the choice: to decide if or when higher education would be a reasonable investment for them. This means the counseling services of colleges would need to be comprehensive and of top professional quality. It would also mean that much of the deadwood in college student bodies would float away, allowing the current of education to flow more freely.

Under a plan such as that proposed, any student, no matter how poor he is or his parents may be, would be eligible to borrow the operational costs of his education. The effect of this should be to equalize the opportunity for higher education among rich and not-so-rich students and among rich and not-so-rich states. If a poor Third World student is otherwise qualified, he could go to Stanford University just as easily as he could go to Merritt Junior College. If some Black students wanted to go to a Black college they could elect to do so and could insist on paying more tuition, so that the quality of the Black college could be greatly upgraded. The same principle would apply in Alabama and New York colleges; the quality of the college would not be dependent on the prosperity of the state. There would be colleges of various qualities and various prices, but these would not follow any ethnic or geographic lines. They would simply follow the dictates of the educational marketplace. For many good and bad reasons, some people will
prefer Volkswagen colleges and others will prefer Cadillac colleges.

Community colleges would not go out of business; they would, in all probability, continue to grow in number and in size. Hopefully, as they became more plural in their criteria of quality, they would also continue to improve that quality; they could not, however, start charging Princeton tuition without pricing themselves right out of the market.

If this proposal of "learn now; pay later" worked successfully in the United States, there is good reason to think that it would also work in other countries, perhaps even in underdeveloped countries. Certainly the have-not nations can not readily become have nations until they produce a sizable group with the necessary expertise to push them rapidly into the latter half of the twentieth century. Unfortunately, most economically underdeveloped countries are overdeveloped in the finesse of tax dodging, so there is no stern and inexorable collection of a progressive income tax. As a matter of fact, since there may not even be an income tax, this proposal would be on shaky grounds without a reliable source for financing until the loan fund became revolving. Possibly underwriting the revolving fund might be the most proliferating foreign aid that the have-s could give to the have-nots and and the aid could be more loan than gift.

A bold but poor nation might make the plan work even without foreign aid. The real value of money, of course, resides in the faith people have in the symbol. Psychologically, if the people believe in the stability and integrity of their government, the government could flirt with inflation and simply issue the money for the operational costs of higher education backed only by the prospect of early repayment by those who have taken the educational path to affluence. Such an operation would not be the first time a desperate nation has taken high risks to extricate itself from pending disaster.
TWO SECONDARY PROPOSALS

The major concern of this monograph, thus far and in the fantasied model to follow, is on the crisis in funding public and private collegiate institutions. The colleges and universities cannot continue to be bailed out by last-minute aid programs, or by their mounting an annual bond or tax override or endowment campaign. The institutions must find a reliable, constant and expanding source of income, free of the vagaries of politics and of public whim. If this financial stability for the institutions is not found, it will not matter much whether money is raised for student aid or for the building program. Hence the priorities: subsistence to students and money for more buildings make sense only if the institution itself is viable. Nonetheless, a blind eye cannot be turned to the problems of student aid and capital outlay.

Money for subsistence need not be found for all 7 million full- and part-time college students: Far from it! "Almost half of the undergraduate college students in the United States now come from the country's highest family income quartile; only 7% come from the lowest income quartile." Literally millions of these students can look to their middle- and upper-class families for subsistence, particularly when the burden of tuition is lifted from the family. Many will solve the subsistence problem by attending a college close to home and continue to claim their own beds and their own places at the family table. The colleges and universities, no longer on starvation budgets, will be able to provide an aggressive placement service to help thousands of industrious and able students find part-time jobs to keep body and soul together while improving their minds. The 10% of operating costs now furnished by gifts, endowments, and contributions from business could be diverted to multi-criteria scholarships and outright grants-in-aid.
Even now this represents $1.3 billion, which would go a long way toward caring for those in need.

All of these means of subsistence notwithstanding, some students will need an iron-clad guarantee of subsistence if "equal opportunity" and "universal higher education" are to be more than hollow phrases. The Carnegie Commission recommends grants to remove financial barriers to 1.7 million students, 27% of the 1970-71 enrollment projection. This Carnegie Commission estimate may be too low for the purpose at hand. Despite the new sources of subsistence money described above, the ground rules of this scheme proscribe the indignity of any means test; hence as many as two million students may elect to be employed in the federal work-study program hereinafter proposed.

Although some American educators advocate it, and the U.S.S.R. and other socialist countries already do it, a no-strings-attached salary to students going to college is not exactly the proposal to be made. Instead, it is recommended that any full-time student who so requests will be put on the federal government subsidized college payroll at $2 per hour for 15 hours a week as long as he is enrolled. This would guarantee $30 a week, $120 a month, $1,200 an academic year to any student who wanted to invest up to 60 hours of work each month in this work-study program. The colleges would administer the program and the money would be funneled through their placement offices. Ultimate responsibility would rest with the board of trustees, but the policy-recommending committee should include students, faculty, and community representatives.

What is envisioned is literally work or study. Work as a tutor, a teacher-aide, a library assistant, a laboratory helper, a recreation director--any task important to academic institutions at any level or to public agencies serving the community--would be arranged by the placement office of the
college for those students who would not put themselves in academic jeopardy thereby. For the marginal student, the academically disadvantaged student now being beckoned into college, the salary would be paid for receiving 15 hours of intensive tutoring each week. He would be paid this subsistence money as long as he needed the compensatory tutoring—and demonstrated serious effort. The judgment of who should be assigned to work tasks and who should be assigned to study tasks would rest with the counseling staff, working with their colleagues in placement and in remedial or developmental instruction.

There should be no stigma attached to being paid for tutorial study. Value patterns should be changed so that the worth of study is given weighting equal to any other form of work, e.g., tutoring. It should also be stressed that the nature of the work be one of social contribution. The first objective would be to provide a means of subsistence, but the secondary gain would be to strengthen social conscience, to educate for a higher ethics, to help make students service-oriented, and, frankly, to entice many able people into the teaching and service professions.

What is proposed here, both in structure and in motive, is not qualitatively different from the existing work-study programs. Admittedly, it is much bigger in scope and would therefore, cost much more than the $112.5 million federal share of the 310,000 student work-study program of fiscal 1968. Unlike the loan provision of the major proposal, this grant-in-aid would not have a termination point. It would be a continuing federal expenditure, a compensation to the disadvantaged, an investment to bring all into the realm of affluence and to elevate the whole society in the process.

Assuming two million students employed under this work-study plan, it would require an annual federal subsidy or endowment to the colleges and universities totaling $2.4 billion. This would rise gradually as higher
education became more nearly universal. By 1977, with enrollment approaching 10 million, as many as 3 million might be so employed and the annual federal expenditure would have grown to $3.6 billion. Also, by 1977, as the G.N.P. will have escalated to $1.5 trillion, the subsistence factor in the federal investment in higher education would only be .24 of 1% of G.N.P. By 1977, repayment of the tuition loans would have reached such a return flow that actual federal outlay for higher education would have peaked, and the expenditure curve would be downward.

The third large category in the financing of higher education, capital outlay, can be dealt with much more briefly. The major proposal called for current operating costs of public and private colleges to be paid in arrears by the direct beneficiaries of higher education through a federally financed revolving fund. Next, it was recommended that subsistence for students who wanted it be provided by federal grants-in-aid to collegiate institutions in sufficient quantity to hire these students in work-study programs. These two proposals would afford such tax relief to the supporters of public colleges, and would so unburden the private colleges from their desperate search for endowments and contributions, that both public and private colleges could, without doubt, find the tax and endowment money for land, buildings, equipment, and other capital outlay.

The taxpayers of Grossmont Junior College District, for example, would make no complaint about the tax assessment on the $11 million bond issue that built and equipped the college if they no longer had to pay property taxes to provide 70% of current operating expenses. The taxpayers in California would readily pass bond elections to build new state colleges and new campuses of the university if they were freed of annual operating expenses and student-aid costs. And, of course, the fund-raisers for Stanford University, or
Saint Mary's College, or any private institution, would be vastly unburdened if they had to raise private money only for buildings and equipment.

It appeals to common sense to hold that the local community should own its community college, that the people of the state should own their state colleges and state universities, and that the alumni and friends of a private college should own it. There is also the ring of common sense in holding that those people who benefit most directly from what goes on in these colleges should eventually pay for the benefits they received. And, finally, there is no violation of common sense in saying that the national goal of universal higher education will have to become the major responsibility of the national government. The federal government has the tax system sufficient to get the revolving fund revolving and at the same time to compensate for the gross economic inequities that now block the attainment of equal opportunity and universal higher education.

The junior college districts, the state governments, and the private college corporations will still have a sizable burden to carry. There are now nearly 7 million students enrolled in institutions of higher education. It is estimated that by 1984 there will be 14 million students enrolled. In effect, it means that every existing collegiate facility will have to be replicated within fifteen years. A quote in point: "Colleges to serve the inner-city youth are urgently required in many of our metropolitan areas. To meet this need, it is estimated that 500 community colleges and 50 urban four-year colleges should be established by 1976." This recommendation alone would cost in the neighborhood of $15 billion. Even in 1966-67, the nationwide expenditure for capital outlay in higher education was $3.6 billion. By 1970, this figure will be $4 billion even if enrollment of students continues to outstrip buildings to house them. It would be $5
billion if capital outlay needs were actually being met. All of which adds to this conclusion; the district and state governments and the private college trustees will be doing well if they can fully provide the capital outlay now required by higher education.

A FANTASIED MODEL

John Smith and Mary Brown are members of the graduating class of 1970 at Berkeley High School. John has been an active member of the Black Students' Union, a lionized athlete, and a scholar who finds himself among the top 12% academically. He always wanted to enter U.C. Berkeley and it appears that he is eligible in every regard. Mary, on the other hand, has never been turned on by what the schools were offering, and her academic record is as indifferent as her attitude toward reading. Even so, Mary has an uneasy feeling that she will need an education beyond high school and decides to enroll at the new Berkeley Community College.

In the meantime, John, who comes from a family as poor as Mary's, has checked out the relative operational costs at U.C. and B.C.C. and finds he would have to pay $500 a quarter for lower-division work at the University as opposed to $300 a quarter at the Community College. He decides to go to B.C.C. for his first two years, since he plans to go all the way to a law degree and doesn't want to get too burdened with debt. Mary is advised to take two developmental or remedial courses and to limit her academic load to two other collegiate-level courses in data processing, the major she has tentatively chosen to follow.

When John and Mary go to register at B.C.C., they find a contract among the registration papers by which they can agree to borrow money from Higher Education Finance Corporation to cover tuitional costs, books, and
student fees. John, who has programmed himself for a full load, signs for the full loan of $300 for the fall quarter. As Mary is not charged for the developmental courses in reading and composition (the State will pay B.C.C. for these), her contract is for a one-third load, hence a loan of $100. John and Mary are still enrolled at the end of the third week; B.C.C. certifies their enrollment and attendance and two things happen: the Corporation's computer system records the amount borrowed by John and by Mary and instructs its check-writing machine to send B.C.C. $300 for John's total costs and $100 for Mary's.

Both John and Mary sign up for the work-study program for neither family can contribute to their subsistence costs. John is placed as a tutor and, as fate will have it, Mary is placed as a student under his tutelage. John is paid $120 a month for the 60 hours he spends in special teaching and Mary is paid $120 a month for the 60 hours she spends in special studying. By the end of the first year, Mary has been switched from study to work as a student helper in the data-processing center. Instead of studying with John, she now dates with him.

Berkeley Community College anticipated a full-time equivalent (FTE) enrollment of 3,500, but when certification is made at the end of the third week, the registrar happily reports an FTE of 3,600 students. Once all contracts were verified, the Corporation sends B.C.C. a check for $1,080,000. The FTE drops to 3,500 in the winter quarter, and to 3,400 in the spring. For the academic year, then, B.C.C. receives an income of $3,150,000, which can be used for every legally defined operational cost, but not used or saved for capital outlay.

John does his usual fine work and completes an Associate in Arts degree with a 3.5 grade point average and with a debt to the Corporation of $1,800. Mary finds new motivation and a release of talent and energy,
particularly through the Black Studies Program offered at B.C.C., and also completes an Associate in Science degree with a major in computer programming. At the end of the two years, she owes the Corporation $1,500 and gets a job as a junior-grade programmer with the Census Bureau paying $7,200 a year. John and Mary have fallen in love and plan to be married as soon as John enters law school.

John transfers to U.C. Berkeley, and when he registers there he contracts to pay $600 per quarter, the operational cost of upper-division work being more than that of lower-division. In his junior year his debt to the Corporation increases by $1,800, and his senior year adds another $1,800. By the time he and Mary are married, John owes $5,400 and Mary still owes the $1,500 borrowed for work taken at B.C.C. Neither of them has paid back a nickel, but at age 21 Mary is paying $22.20 per year premium on the Corporation’s term insurance guaranteeing her loan. John, also 21, is paying an annual premium of $79.92 to underwrite his $5,400 loan.

The University of California, during John’s senior year, has its usual 28,000 students, and when it balances out the $1,500 a year for lower division, $1,800 for upper division and $2,400 for graduate division, the University finds its annual operational cost averages $2,000. Many of the richer students opt to pay their own tuition. This money plus the loan money from the Corporation totals $56,000,000 for the Berkeley Campus. Since the State-wide University System has 172,000 students, the total budget for operational costs has a ceiling of $344,000,000. All of these figures reflect only the three quarters of an academic year. Tuition for the summer quarter would add materially to these totals.

Mary and John marry and, after their first child arrives, Mary cuts back to half-time work, hence her income is far from the $8,500 net income figure set for loan repayment by monthly surtax deduction. John enters Boalt Hall
of Law, paying $2,400 a year for the three years it takes to earn the L.L.B. Throughout his years at the law school he continues under the work-study program as a legal aide in a community action agency. By graduation time, John owes the Corporation $12,600, and Mary's debt of $1,500 brings their joint indebtedness to $14,100. Mary's debt is, of course, her own responsibility, not John's, and therefore in no way represents a negative dowry. She alone is responsible for it, and although she will be required to continue paying the Corporation's insurance premium, even if she never pays off the loan itself, the insurance will finally cover it.

When John joins the legal staff of the American Civil Liberties Union in 1977, the G.N.P. has reached its predicted $1.5 trillion, and half of all American families are earning at least $10,000. John's yearly salary of $15,000, low for any but civil liberties lawyers, is still far in excess of the newly legislated "reasonable affluence" figure of $10,000 net income; hence repayment of his loan begins immediately. The Corporation's computer system has continued to feed all loan data into the Internal Revenue Office computer bank, which now calculates John's repayment rate at 8% on his $13,000 net income: $1,040 per year at $86.66 a month. John's monthly check shows a deduction of $43.33; the other $43.33 is paid by A.C.L.U. John's income will undoubtedly increase materially over the next decade, but even if it creeps up at a snail's pace, he still will have repaid his loan within a ten-year period. He could pay it off in a lump sum any time a windfall might allow, but even if his salary ascends like an elevator, the I.R.O. computer will never make automatic deduction at a higher rate than 10% of his net income.

Mary continues to work part time, and since she and John file a joint income tax return, deduction from Mary's salary in repayment of her loan
begins long before she individually reaches a net income of "reasonable affluence." Before the ten years have passed, the money John and Mary used for their education has been returned to the revolving fund and is being used to finance the education of someone from the next generation. During this decade, Berkeley Community College, the University of California, and all their accredited sister colleges in the United States had operational budgets dependable enough to allow sound planning and fat enough to purchase the necessary ingredients of good education. By the time John and Mary paid back their individual loans to the Corporation, the Corporation, in turn, reimbursed the federal treasury for all but the hub money of about $30 billion, upon which the revolving fund continues to turn and turn and turn.

**A SUMMING UP**

There is an element of absurd presumption in this kind of eat-your-cake-and-have-it-too proposal, particularly when it involves billions of dollars. But the hard fact is that some such plan is as inevitable as the rising of tomorrow's sun. The U.S. is committed to higher education. Higher education is going to increase dramatically in size and cost. Under the present taxing system, generation A appears to be unwilling, and perhaps unable, to pay for the higher education of generation B. The parents and the state and local governments can barely manage the present $13 billion operational cost. If more billions are to be added, and added they must be, the federal government's mammoth taxing base is the most feasible source.

The know-nothing and the expert are in perfect agreement that the federal government must pull the chestnuts out of the fire, but the question is—how? Simply increasing federal aid, the basis of most financing schemes reviewed in the first part of this monograph, gives temporary relief without
doing a thing about tomorrow's needs. Expensive as this loan plan may sound, it at least has the virtue of a termination point; the federal government would not be obliged to give increasing aid forevermore. Those who benefit financially from higher education would begin to use part of this benefit to pay for having received it. Grants-in-aid for student subsistence would be a continuing federal expenditure; a continuing social investment would be a better term, for the more universal the higher education the more prosperous the whole society.

The liberals' objection notwithstanding, there is an essential justice in requiring people to pay for what they get. Youth should help pay for the benefits of higher education, but the trouble is that youth are almost always poor. If they are to pay for their own education, someone must lend them money so they can get the education to make them rich enough to repay the loan.

What has been proposed here is that the federal government establish a revolving loan fund to provide the operational cost of higher education for any and all citizens: an insured loan that will, over a ten-year period, be paid back by the graduate (and his employer) through a surtax when his income reaches a level of reasonable affluence. Within a decade the loan fund would become revolving so that, in effect, poor generation A would pay for its higher education after it became richer generation B; in the delayed payment it would leave a working legacy to generation C and, by progression of this system, on to generation Z.

This kind of financial "Operation Bootstrap" has some rather tricky qualifications, not the least of which is how to raise the initial billions to get the revolving fund whirling. This and other problems were explored in some depth, perhaps to the satisfaction of some and no doubt to the dissatisfaction of others. Secondary proposals for financing both student aid and capital
outlay were outlined. The pros and cons were argued with a pro bias. Finally, some anticipated spin-off values were presented, and as a closing fillip, a fantasied model was described to show how the whole scheme would work.
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