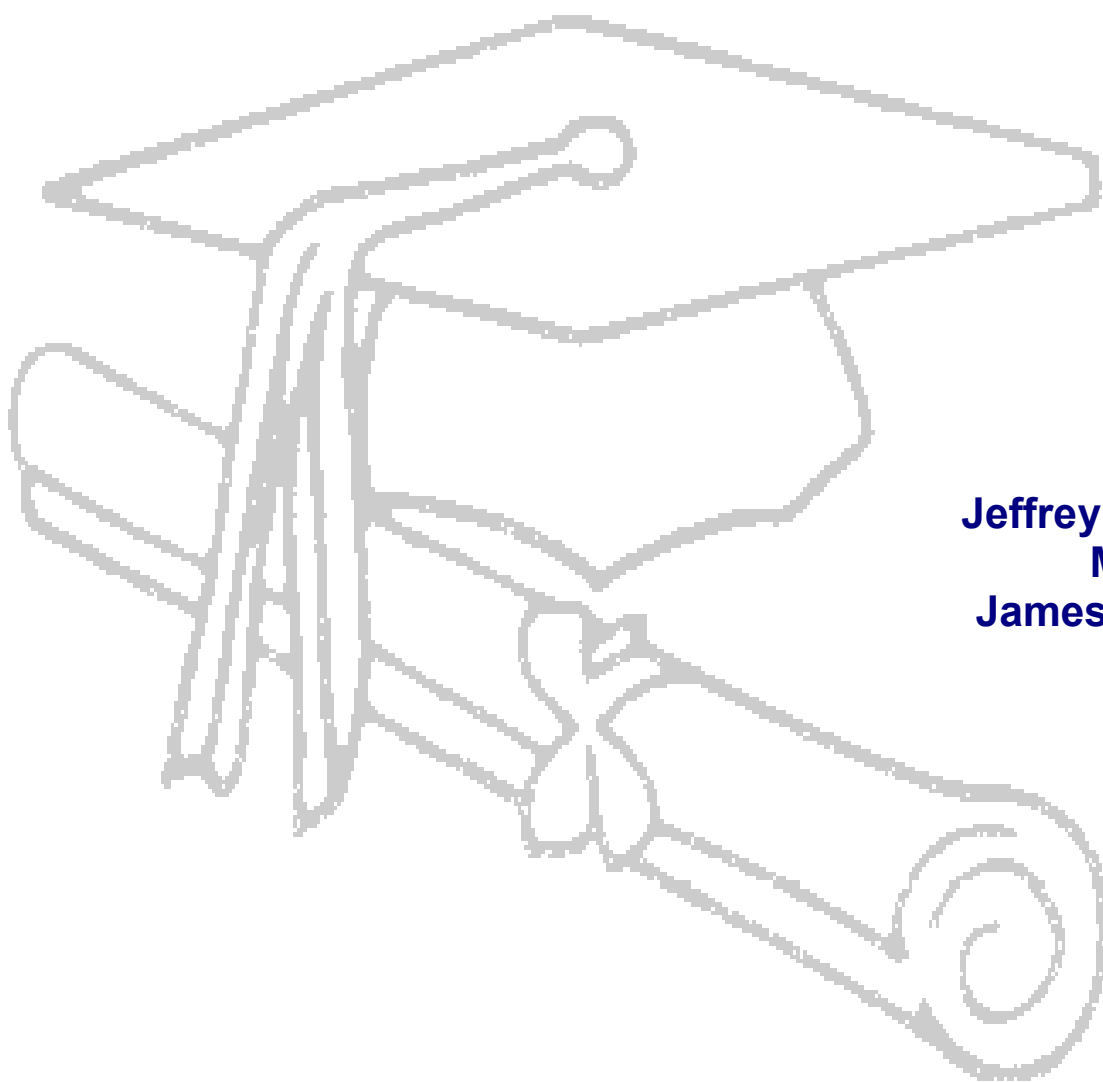


A New Deal: the Coronavirus Pandemic and Rebuilding Higher Education



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A NEW DEAL: THE CORONAVIRUS PANDEMIC AND REBUILDING HIGHER EDUCATION

Background

Government supported higher education in the United States evolved from sponsoring knowledge in the public interest, from what was once the provenance of a select few based on inherited privilege, to a democratic expansion based on access. In the process, by the mid 20th century until our present, public higher education provided pillars supporting social stability after the political turbulence of the first half of the 20th century (e.g., fascism and Stalinism). Additionally, it was the foundation for research and workforce training requirements of an increasingly complex post-World War II economy. Meanwhile, it recycled money through our economy, sustaining consumer demand and business growth. The present erosion of support for public higher education, therefore, has troubling implications for: maintaining social cohesion; social mobility; the research and training required to respond to national security challenges (e.g., infrastructure to manage crises, such as with Covid-19); sustaining economic demand; and keeping the United States competitive in the global economy.

Combine these structural needs with an economy that in March and April lost 25 percent of its jobs as 36 million Americans filed for unemployment, the imperative to support public higher education is urgent:

- First, public higher education is one of the nation's largest sources of employment. And, the Covid-19 crisis unemployed could productively spend their time acquiring skills as preparation to re-enter the workforce when the economy enters a recovery phase.
- Second, the substantial portion of the U.S. economy comprised of brick and mortar retail, restaurants, cafes and bars, will not recover soon, and, barring the development of effective Covid-19 vaccines, may never fully rebound. This gives further impetus to maintain and expand other sectors of the economy, such as with public higher education.
- Third, given the social turbulence already observed (e.g., military assault weapon-wielding protestors at Midwestern state capitol buildings) early on in this public health crisis, public higher education institutions should not shed but rather expand humanities offerings that help young people understand society and how badly events can unfold if it unravels.

Phases of Public Higher Education from the Start to Now

Public higher education has undergone six phases since the nation's founding. These stages reveal the growing complexity of the United States economy and increased social mobility up until the 1970s, and subsequent slowdown of both productivity and social mobility. Our current phase is marked by the possibility of significant reversals of past access and quality should the government fail to support higher education during the Covid-19 crisis.

Phase 1 (1862-1945), saw the expansion of land-grant universities in the 19th century with the Morrill Acts of 1862 and 1890, delivering both a humanities/social science university curriculum and practical knowledge to the United States' expanding interior. Charles Van Hise, the President of the land grant-created University of Wisconsin, articulated the mission of these public institutions of higher learning as delivering both practical education with "searching for the truth" and "improving the human condition."

Phase 2 (1918-1945), saw a moderate expansion in public higher education between the World Wars. The New Deal saw the public sector's share of GDP grow. While the New Deal itself, due to insufficient spending, did not entirely end the Great Depression, it nonetheless put infrastructure in place that powered economic growth in the United States after World War II and into our present time. Still, by 1940 higher education remained the provenance of a few, with only 6 percent of males and 4 percent of females having completed undergraduate degrees.

Phase 3 (1945-1978), witnessed the post-World War II expansion of public higher education. The U.S. economy could not absorb 15 million returning veterans. Many G.I.'s were directed into higher education, where they could productively ratchet up skills for the growing managerial and technical sectors. Moreover, the benefits of a population with exposure to humanities education following the emergence of fascism and Stalinism should not be overlooked as a prophylaxis against political extremism. Cold War exigencies saw massive funding directed toward scientific research. Events, such as the Soviet Union's launch of Sputnik in 1957 and purported "missile gaps" with the USSR, further fueled federal spending directed at universities. Funding allocated to the sciences were generous enough to permit trickling down of spending to the humanities. Tuition was free for residents at many public institutions, such as the University of California or the City University of New York, or very near nothing at others. The 1960s and 1970s saw significant expansion of public colleges and universities, adding many new campuses chiefly serving first generation students. This phase saw the share of students at public colleges and universities rising from 50 percent to 75 percent. Meanwhile, the proportion of those between 25 and 29 years of age holding bachelor's degree rose from the single digits before the Cold War to 20 percent by the end of the 1970s.

Phase 4 (1978-2008), saw the twin movements of scaling back government funding commitments for public higher education, while ever greater numbers of young people

poured into public colleges and universities. What had been a virtuous circle of ever-growing manufacturing profits and wages in the post-World War II era had slowed by the 1970s with stagflation (stalled economic growth + growing inflation). In response, Republicans looked to lower wage and tax bills in order to restore profits, and they also began, with the 1978 Proposition 13 referendum in California, to cut property taxes. If workers were losing power as wages failed to keep pace with inflation, then the GOP's answer was to lower taxes. But this was akin to "saving money" by refusing to fix the hole in one's roof. The costs of cuts to public investments were shifted to students now having to pay ever increasing tuition. Students worked and borrowed more as entry level wages dropped and tuition costs soared. Moreover, upon matriculation, students were saddled with debt. Debt service payments required access to even more credit to sustain purchases, while impeding young adults' independence, as it proved costly to exit parents' homes. Nonetheless, debt squared the contradictions of stagnant wages and allowed reduced commitments of government support for higher education, while at the same time growing numbers of young people pursued higher education. While finance comprised 8-16 percent of corporate profits in the third phase of public higher education, by the end of 2001, under the financialized economy of phase 4, finance captured 45.8 percent of corporate profits on the way to the 2008 financial shock.

During phase 5 (2008-2020), the debt solution to pay for higher education after the 2008 financial shock failed. Faced with the proverbial fork in the road of either a return to public investments generating employment, efficiencies and capital formation to escape the debt trap, or austerity, by 2010, many state governments imposed austerity. In 2010, the GOP and the Tea Party reprised Proposition 13 as an economic and political strategy to deal with the crisis. They won a majority of governorships and state legislatures and shrank public institutions. With the power to redistrict legislative district maps during a census year, the GOP gerrymandered legislatures, thus protecting their program from change. The boldest of these efforts were in a "Koch Belt" of states stretching from Oklahoma, to Kansas, to Missouri and Wisconsin, taking their agenda from Koch Industry Headquarters in Wichita, with legislation often drafted from the Koch-funded American Legislative Exchange Council. Public sector unions and public education were assaulted, most infamously in Wisconsin, with then-Governor Scott Walker's Act 10 diluting public sector union power, and following up with "Right to Work" legislation. Dramatic cuts were made to public higher education, which the GOP preferred to characterize as "workforce development" rather than education. Symbolically, this was punctuated by Walker's attempt to delete "searching for the truth" and "improving the human condition" from the Wisconsin Idea, in order to focus solely on worker training as the public university's mission. Phase 5 nonetheless ended with the national proportion of 25 to 29 year olds with bachelor's degrees rising from 21 percent in 1980 to roughly 35 percent today, with nearly 50 percent of this demographic having an associate's degree or higher, and with public higher education matriculating 75 percent of these students.

Phase 6 (2020-) is presently being defined. Covid-19 dramatically collapsed state revenues, more dramatically and quickly than did the 2008 financial crisis. Both crises briefly brought under inspection the efficacy of financialized economies for delivering sustained economic recovery. Both saw quick bailouts of financial markets, thanks to the power of Wall Street,

along with financial markets underpinning the retirement accounts of the middle classes and wealthy alike. Letting markets implode was politically not an option. A floor was placed under asset prices after both the 2008 financial and present Covid-19 shocks. Both crises saw only meager bailouts for state and local governments and labor. Workforce development “reforms” of public higher education begun under phase 5, including the elimination or contraction of traditional academic disciplines in the humanities and social sciences, are accelerating during phase 6, as some public state higher education systems propose both downsizing overall, as well as a shifting emphasis to career training and increased use of standardized distance learning instruction. Needless to say, this restructuring of public higher education targets regional campuses that disproportionately service students of color in urban areas and first-generation white students in rural locations.

Problems for Public Higher Education

Long-term:

GOP support of Supply-Side tax policies (tax cuts) that starve the public sector.

Balanced-budget laws in states. Limits on state capacities to borrow to cover revenue gaps.

Short-term:

Control of the Senate by Senators opposed to bridging the funding gap for states and municipalities to pay for higher education.

Using Covid-19 crisis to further curtail public-sector spending, advance cuts and further restructure higher education along strictly workforce development lines

Solutions: A Marshall Plan for Rebuilding Higher Education:

- Argue that, as in the Cold War, public universities possess the only scientific infrastructure of scale necessary to defeat an “enemy,” in this case disease, not only with Covid-19, but what are projected to be a string of forthcoming pandemics as well. “Asteroid”-like near misses on pandemics — SARS, MERS and Ebola. The United States needs to ratchet up its research capacities with all available speed to handle these incoming threats to health to be branded tirelessly as “national security.”
- Presently, public higher education is needed more than ever to absorb students that otherwise would have gone to small private colleges that are in a state of collapse given the inability of many of them to contain costs, along with unfavorable demographic trends. Public higher ed will be needed more than ever to absorb students that otherwise would have gone to these now-failing private schools.

- Create a new *Reconstruction Finance Corporation* (RFC). First created in 1932 under Herbert Hoover and expanded under FDR, the RFC was a government-owned corporation able to finance large parts of the New Deal and World War II mobilization. It provided funds to rebuild railroads, for electrification, to support the appliances sector, for housing, for hospitals and many other purposes. It had authority to borrow with the full faith and credit of the United States for these purposes. As such, an RFC could fund an expanded set of research capacities in public colleges and universities to meet national security needs — e.g., infrastructure for public health.
- Reach out directly to the Federal Reserve to ascertain their interest and capacity to make direct purchases of public higher education-issued bonds at below inflation rates of return to bridge funding gaps until tuition and state and federal tax dollars arrive. Look to the Federal Reserve's Municipal Liquidity Facility as a bridge funding model for public higher education when tax receipts drop.
- Remind the public and politicians that in 11 states a public university system is the largest employer. The economic fallout for consumer demand plus austerity policies directed at higher education will depress local businesses receipts.
- Assert that the Federal Government assuming states' debts is not new. It has a history extending back to the founding of the U.S., when our first Treasury Secretary, Alexander Hamilton (of the Federalists, the antecedents of today's Republicans), absorbed the debts of states following the Revolutionary War. The Federal government converted old state debts existing at higher interest rates to new Federal debt at lower rates. Today the Federal government could both cover state budget gaps, while also buying state bonds at rates of interests ranging from near zero to even negative interest.
- Have states declare an emergency that places balanced budget laws in temporary abeyance if money can be borrowed at below cost. As above, lobby the Federal Reserve to buy bonds from states at rates of interests ranging from near zero to even negative interest. In short, encourage the Federal Reserve to act if the Congress refuses to cover funding gaps — e.g., along the lines of the Federal Reserve's Municipal Liquidity Funding model.
- Outreach to politicians and media in advance of November 2020 election. Communicate the idea that economies should run at near full employment. That we can afford all investments in our people, economy and health (as national defense) not inducing inflation or too much employment (say over 5 percent as a trigger for both, using U6 for unemployment). That the Department of Treasury can create money as needed, thus obviating the need for accumulation of debts.
- Split the GOP. Argue that Mitch McConnell, Lindsey Graham and the GOP leadership are undermining President Donald Trump, and GOP figures such as Senators Josh Hawley,

Marco Rubio and Mitt Romney that look to advance economic policies supportive of the middle class.

- Federal program for student loan debt elimination to the level of past tuition paid by a student at public colleges and universities. Ultimate aim is to restore tuition-free public higher education. This would support communities across the nation by increasing capital available for consumption and savings. Freed capital will increase demand for goods and services, generating employment and creating new tax revenues for local and state governments.
- Use Tobin Tax (high-speed financial transactions tax) to partially fund tuition-free public higher education.
- Restoring union rights in right-to-work states and eliminating legislation placing limits on forming collective bargaining units in higher education, such as with Act 10 in Wisconsin, would strengthen shared governance among faculty, adjunct professors, and paraprofessional staff in public higher education.
- Public colleges and universities, as well as community and technical colleges, are essential for social mobility among poor rural and urban communities, enabling movement from poverty to the middle class. As such, federal funding should be provided to sustain these institutions at levels maintaining both educational quality and without tuition that punts costs forward to students, with debt service traps ensuing.
- As a condition of funding, the federal and state government should stipulate that funding for public colleges and universities can only be used for education and research.
- Withdraw all federal aid to for-profit colleges and universities (including their online operations), as these institutions have dubious quality and matriculation records.
- Demonstrate commitment to increasing quality of higher education by providing better working conditions (chiefly increased pay, benefits and prep time) for contingent faculty.
- Support the American Association of University Professors (AAUP) [“New Deal for Higher Education.”](#)