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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 of access based on merit. 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% of its jobs as 36 million Americans filed for unemployment, the imperative to support public higher education is urgent. 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 preparing to re-enter the workforce when the economy enters a recovery phase. Moreover, the substantial size of the US 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. And, lastly, 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 should expand, not shed, their equity of 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 witnessed 6 phases since the nation’s founding. Phase 1, was the expansion of land-grant universities in the mid 19th century, 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, saw the expansion of public higher education after World War II. A lesser expansion began between the World Wars. The New Deal during the Great Depression saw the public sector's share of GDP grow. While the New Deal itself did not entirely end the Great Depression, given insufficient spending, it nonetheless put infrastructure in place that powered economic growth in the United States after WW II and into our present. Still, by 1940 higher education remained the provenance of a few, with only 6% of males having completed and 4% of females having completed undergraduate degrees.

Phase 3, witnessed the post-World War II expansion of public higher education. The US economy could not absorb 15 million returning veterans. Many GI'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 levels to the sciences were generous enough to permit trickle spending to rain on the humanities. Tuition was free for residents of 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% to 75%. Meanwhile, holders of bachelor degree holders for those between 25 to 29 years of age, rose from the single digits observed before the Cold War to 20% by the end of the 1970s.

Phase 4, 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-WW II, by the 1970s slowed with stagflation (stalled
economic growth + growing inflation). In response, Republicans looked to lower wage and tax bills in order to restore profits and began with Proposition 13 referendum in California in 1978 to cut property taxes. If workers were losing power for wages 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 adult 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% of corporate profits in the phase 3 period of public higher ed, by the end of 2001 under the financialized economy of phase 4, finance captured 45.8% of corporate profits on the way to the 2008 financial shock.

Phase 5, 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. The GOP reprised Proposition 13 with the Tea Party in 2010 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 them were in a “Koch Belt” of states stretching from Oklahoma, to Kansas, to Missouri and Wisconsin, 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 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 nationally with the number of 25 to 29 year olds with bachelor degrees rising from 21% in 1980 to roughly 35% today, and with nearly 50% of this demographic having an associate’s degree or higher, and with public higher education matriculating 75% of these students.

Phase 6, presently is being defined. Covid-19 dramatically collapsed state revenues, more dramatically and quickly than the 2008 financial crisis. Both crises briefly brought under inspection the efficacy of financialized economies for delivering sustained economic growth...
recovery. Both saw quick bailouts of financial markets, given 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 with the elimination or contraction of traditional academic disciplines in the humanities and social sciences, are accelerating in phase 6, as some public state higher education systems propose both downsizing overall, while 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. “Asteroid” like near misses on pandemics were SARS, MERS and Ebola. The United States needs to ratchet up its research capacities at all speed to handle these incoming threats to health to be branded tirelessly as “national security.”
• Present 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 assuming debts of states by the Federal government is not new. It has a history extending back to the founding of the US 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 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 lines of the Federal Reserve’s Municipal Liquidity Funding model.

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• 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% 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, universities, 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 impose formulas for higher education budgets placing limits on the percent of budgets allocated for non-educational and non-research use (e.g., administration and athletics).