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A debt-free college education

By [Katrina vanden Heuvel](#), Tuesday, August 6,
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Last Wednesday — almost a month after Congress failed to prevent student loan rates from doubling — Democrats and Republicans reached a [compromise](#) that will keep rates low, at least temporarily, for most graduates.

From a body with a record of procrastinating on student debt worse than students procrastinate on term papers, this was welcome news. But let's not get ahead of ourselves.

Indeed, the price of higher education — and how that price is paid — is still a huge problem in this country. Federal and student loan debt [now exceeds \\$1 trillion](#). Today, the average graduate leaves school [with nearly \\$30,000 in debt](#).

And those are just the students who actually graduate. For millions of students, America's university system is not a pathway to success but a debt trap. As of 2011, nearly half the students enrolled in four-year programs — and more than 70 percent of students in two-year programs — [failed to earn their degrees within that time](#), with many dropping out because of the cost. They leave school far worse than they arrived: saddled with debt, but with no degree to help them land a job and pay it off.

What's more, according to [some experts](#), almost half of low-income college-eligible students don't enroll in four-year colleges because of the sticker shock of tuition. And all of this is happening as state and community systems of higher education face unprecedented budget cuts, leaving students with even bigger bills.

A stopgap reduction in loan rates won't any of fix this. We need a whole new model for financing higher education.

Fortunately, though Washington remains perpetually paralyzed, some states are demonstrating refreshing creativity and determination in tackling this issue. Last month, the Oregon legislature [passed a bill](#) that paves the way for students to attend state and community colleges without having to pay tuition or take out traditional loans.

Once Gov. John Kitzhaber signs the bill — [as he is expected to do](#) — the state's Higher Education Coordination Commission will get to work designing a "Pay It Forward, Pay It Back" financing model, [similar to ones used in Australia and the United Kingdom](#). Under this model, students would pay nothing while in school. Instead, after graduation, alumni would pay a flat 3 percent of their income for the next two decades or so to fund the education of future students. Those who attend for less time would pay a pro-rated amount.

What this means is that the state's university system should eventually pay for itself. College economics classes have always taught that "there's no such thing as a free lunch." But students in Oregon may soon learn that there is such a thing as a debt-free economics class.

As I've [written](#), this marks an enormous stride toward eliminating the kind of crushing student debt that burdens 37 million Americans. "Pay It Forward, Pay It Back" asks the most of those graduates who are best equipped to pay and the least of graduates who can't. It also unravels one of the most pernicious moral hazards of a college education: Universities claim to prepare students for the workforce, yet they are paid whether they fulfill that promise or not. And it would eliminate the role of big banks, which has built a lucrative industry from student loans.

This victory is the result of tireless organizing and policy creativity by the state's Working Families Party, which worked with allies to build a coalition of students, advocates and organizations, from the Economic Opportunity Institute to Moveon.org to the faith-based Jubilee USA. Their success speaks volumes about the power of smart, strategic organizing to effect real change.

Of course, as with any new, sweeping proposal, there are concerns. Some policymakers have balked at the plan's startup costs, which are estimated [to begin at \\$1.4 billion](#) the first year, though they will decrease over time as more alumni pay into the system. Others worry that linking tuition to income will incentivize colleges to cut down on training for modest-paying, but necessary, professions, such as teaching.

These are valid concerns — but they are far smaller, more tractable issues than the vicious cycle of debt, default and bankruptcy at work in our current higher education system. By and large, "Pay It Forward, Pay It Back" is an idea with more promise than pitfalls.

Even the education policy community has rallied around the general policy framework that Oregon's proposal uses: automatically enrolling student borrowers in income-based repayment. [In a new study by the Bill & Melinda Gates Foundation](#), thought leaders in business, higher education, civil rights and public policy all submitted white papers on "reimagining" student aid "design and delivery." "The papers reached near-unanimity on a few points," according to a [review](#) by Inside Higher Ed, and income-based repayment was one.

What happens in Oregon, in this case, shouldn't stay in Oregon. Congress may have given us a short-term answer on student loan rates. But lower rates don't begin to answer the question of how to fix a fundamentally broken system. Maybe Congress can learn a thing or two from states like Oregon.

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