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May 9th, 2011

The Banking Model of Education

Two thirds of American College graduates graduate in debt. Traditionally student debt, like a home mortgage, was thought of as “good” debt, a wise investment in the future. The current financial crisis has disrupted that common sense, and while it is possible to abandon a home that isn’t worth the money you paid for it with a hit to your credit rating, student debt in the US cannot be discharged through bankruptcy.¹ There is no walking away from student debt.

The US University system is becoming the model for the world. American institutions are opening campuses abroad and serving as models for reorganizing Higher Education in China, India, the Middle East, and Europe.² In Britain this fall, the language of financial crisis was used to justify massive cuts in government funding of Higher Education, tripling the fees and tuition for students. Students took to the streets in massive rallies in response to suggestions they pay higher costs by taking on debt. “We won’t pay for your crisis” was a prominent slogan of the moment, and it captures profoundly the situation at hand. In the name of avoiding Public debt, the British

¹ It has been suggested that the two are not unrelated. Federally backed low interest loans and changes in policy incentivized home ownership while making it easier to get loans were a part of what drove the housing bubble. Similarly, discounted loans backed by Federal guarantee have been blamed for the exponential increase in tuition over the last 25 years, creating what some term the “tuition bubble.” See Doug Lederman, "Evidence of the Tuition Bubble," http://www.insidehighered.com/news/2009/02/04/tuition. Mark J. Perry, "The Higher Education Bubble: It's About to Burst," http://mjperry.blogspot.com/2010/06/higher-education-bubble-its-about-to.html.

² US universities, including New York University in Abu Dabui and Yale in Singapore, have begun opening autonomous campuses. As Christopher Miller recently observed, important issues of academic freedom and intellectual autonomy at theses branded campuses in autocratic states have yet to be addressed (Christopher L. Miller, "Yale in Singapore: Lost in Translation," The Chronicle of Higher Education (2011).
government is externalizing of its costs, forcing private individuals to take on student loans.

This tripling of fees and tuition, which sparked massive demonstrations, raised costs at Britain’s flagship schools to approximately twelve thousand dollars per year. This seems like a bargain by the standards of US Universities, where instate tuition at most State schools is about fifteen thousand and private universities cost as much as three to five times as much, where costs for students continue to rise at disturbing rates. With a few notable exceptions (in New York at New York University and in the University of California system last year) US students have not yet taken to the streets to protest ever-escalating costs.

These costs, of tuition and the interest on the loans used to pay tuition, are incurred not to pay for some luxury commodity but higher education, which increasingly seems to be a necessity for securing the very means of living. A bachelor’s degree appears to be replacing a high school diploma as a minimum acceptable level of education. As President Obama noted in the State of the Union Address “Over the next ten years, nearly half of all new jobs will require education that goes beyond a high school education.”

For individuals, a college degree has been considered a sound investment in the future, the high cost of tuition and interest on student loans thought of as an advance taken in anticipation of future wages. It has been thought of as a ticket to a better life and a better job. The supposedly “good debt” of Student Loans was claimed to create a

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3 Higher Education also provides entry into the world of credit in other ways. A college degree can secure a first credit card (as it did for Sophie Kinsella’s character Becky Bloomwood in The Dreamworld of a Shopaholic, for instance (Sophie Kinsella, The Secret Dreamworld of a Shopaholic (London: Black Swan,
beneficial credit history, to establish a credit score and enable future borrowing, on the assumption it could be easily paid off after graduation. The current crisis has disrupted this logic as students find themselves graduating into debt, but not into jobs.

Student Debt eases the sticker shock of the cost of college. Transformed from a lump sum to deferred monthly payments the cost appears more manageable. While most would balk at total costs that can approach a couple hundred thousand dollars, many gladly take on several hundred dollars a month. These monthly payments perform other, perhaps more important work, as well.

As historian of consumer credit Lendol Calder has argued, the technique of monthly payments serves a disciplinary function. “I regard consumer credit as an instrument of both cupidity and control. And by ‘control,’ I mean … an actual enforcement of economic imperatives in the lives of consumer debtors.” Transforming a huge cost into deferred future payments serves to lower the barrier to acceptance but also to control future actions.

Once consumers step onto the treadmill of regular monthly payments, it becomes clear that consumer credit is about much more than instant gratification. … The nature of installment credit ensures that if there is hedonism in consumer culture, it is a disciplined hedonism, and if there are hedonists in consumer culture, they are less likely to be found lounging on island beaches than keeping their noses to the grindstone at one or more places of employment.

Rather than simply enabling excess it serves to produce control and discipline. This discipline forecloses future possibilities that do not prioritize servicing the debt.

Paradoxically this is the opposite effect higher education theoretically exists to serve, that

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2000). 1) and the practice of credit card companies camping out at college orientations has only recently been banned.
5 Ibid. 32
of broadening future possibilities. Despite these issues, Americans have become accustomed to monthly payment plans, particularly in service of their dreams of a better future. As Calder writes, “American dreams frequently have required a lien on the future.”

This lien on the future has an impact on education in the present. It pushes to the foreground questions such as “will this major help me get a job?” with the implication “to pay off my crushing student debt” left unstated. This creates pressure to perceive education through the lens of the debt, to choose majors based on future ability to pay back what was incurred while learning.

Student debt aids the intrusion of market logic into the classroom, emphasizes the individual rather than the collective, and is part of the driving force to consider students as consumers and education a commodity. Student debt encourages us to think about education the wrong way, as an individual experience rather than a collective endeavor. Thinking about it in terms of individuals also blinds us to the systemic implications of funding Higher Education through personal debt.

The increased cost of tuition is not going to Professors. Tenure track salaries across the country have barely kept pace with inflation. When we considered casualized adjuncts who make up the bulk of the teachers in American Higher education it is clear that wages for teaching have dropped dramatically. It doesn’t take a Marxist to wonder what we find when we follow the money.

“[W]hile the proportion of tenure-track teaching faculty has dwindled, the number of managers has skyrocketed in both relative and absolute terms.” Malcolm Harris notes

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in a recent n+1 article. As tuition has expanded so too has the academic managerial class, transitioning from a system in which administrative responsibilities were filled by faculty members to one modeled on corporations, featuring managers paid more like their industry equivalents than their faculty coworkers. This change has implications beyond the imposition of a new bureaucratic class. Malcolm Harris argues in a recent n+1 article that:

> When you hire corporate managers, you get managed like a corporation, and the race for tuition dollars and grants from government and private partnerships has become the driving objective of the contemporary university administration. The goal for large state universities and elite private colleges alike has ceased to be (if it ever was) building well-educated citizens; now they hardly even bother to prepare students to assume their places among the ruling class.

Increasing tuition correlates strongly with Universities pursuit of US News and World report rankings. Schools have spent massively on student common space square footage, one of the categories used to calculate their ranking. There has also been a massive increase in spending on advertising and recruitment. This serves to inflate applications and decrease the percentage of admitted students, because “selectivity” is another category factored into the rankings. These are tremendous expenditures with dubious linkages to an educational mission, expenditures ultimately translated into student debt.

This debt forces us to ask unpleasant questions. Why should the intellectual debt of learning, become a literal debt? Are student loans actually an advance by students to their future employers? Is this a new way of owing one’s soul to the company store, and should we think of it in the terms Eli has put forward? Do Federal loans fuel escalating tuition rates? Are for profit universities the result of student debt? How are our

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University’s endowment funds, which could be considered tax exempt investment funds with a sideline in education, complicit in the creation of this crisis? Who should pay for this crisis? What lesson do tens of thousands of dollars in debt teach our students? What is the pedagogy of this banking model of education?

Paolo Freire in *Pedagogy of the Oppressed*, critiqued a way of thinking about education that reproduced larger hierarchies of power. Freire urged educators to reject what he termed the Banking Model of Education, from which I borrow my title, in which a teacher set himself above his students as the source of knowledge and deposited information in an individual’s mind. Freire and others urged a revolution in educational practices to emphasize knowledge production as a collective enterprise. This included a rethinking of the implications of educational practices to consider the ways in which a teacher is complicit in reproducing larger systems of oppression. They urged us to reconsider how to make education serve the cause of liberation. Keeping students in debt is another way of reproducing those same hierarchies, in that it circumscribes their intellectual freedom through obligations to the banking system.

A depressing conclusion to arrive at is that student loans aid the mission of producing “good citizens”, that in neoliberalism a good citizen is an indebted citizen, someone who willingly shackles themselves with debt, and shackles themselves to a lifetime of monthly payments, who internalizes the discipline of debt. This piece asks a final question for those of us engaged in education: Are the lessons of student debt the ones we want to teach?
Works Cited:


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