



The Banking Model of Education

FROM: [GOING INTO DEBT](#)

By andrew hannon September 9, 2011

[consumer credit](#), [crisis](#), [Great Recession](#), [higher education](#), [student debt](#)

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.[\[1\]](#)

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.[\[2\]](#)

There is no walking away from student debt.



Students protest in Parliament Square, London, UK on December 9, 2010. Photo by Flickr user bobaliciouslondon.

The US university system, what we can call the Banking Model of Education, 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.[\[3\]](#) 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 that 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 government is externalizing of its costs, forcing private individuals to take on student loans.[\[4\]](#)

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, and where costs for students continue to rise at disturbing rates. With a few notable exceptions (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.[\[5\]](#)

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. A college degree even credentials one for credit, as a fictional episode illustrates. Sophie Kinsella’s popular Shopaholic series opens with character Becky Bloomwood’s first credit card offer, predicated on her University graduation. [\[6\]](#)

The supposedly “good debt” of Student Loans was claimed to create a 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. [\[7\]](#)

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.” [\[8\]](#)

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. [\[9\]](#)

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 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 have usually required a lien on the future.”^[10]

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.



Photo by flickr user ucloccupation

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.^[11]

It doesn't take a Marxist to wonder what we find when we follow the money. It has gone to management.

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.[\[12\]](#)

These changes in organization seem to, as one of our colleagues recently wrote, “have much to do with corporate philosophy and little to do with education.”[\[13\]](#)

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? Do federal loans fuel escalating tuition rates? Are for-profit universities the result of student debt? How are our 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?[\[14\]](#)

Paolo Freire in *Pedagogy of the Oppressed*, critiqued a way of thinking about education that reproduced larger hierarchies of power.[\[15\]](#)

Freire urged educators to reject what he termed the Banking Model of Education, from which I borrow my title, in which teachers set themselves above students as the source of knowledge

and deposit 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 gives a new meaning to Freire's Banking Model of Education. It reproduces those same hierarchies, and 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. For those of us engaged in education: Are the lessons of student debt the ones we want to teach?

References

- 1 Figures from Glenn Beck to Oprah Winfrey have claimed this, and it has been repeated by most every high school guidance counselor.
- 2 It has been suggested that the two are not unrelated. Federally backed low-interest loans and changes in policy that 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,”](#) Mark J. Perry, [“The Higher Education Bubble: It’s About to Burst,”](#)
- 3 Yale University, my home institution, is opening a campus in Singapore, NYU has opened a campus in Abu Dhabi, and numerous American Universities have opened and maintained campuses for study abroad for years. While the model of higher education is troubling in its own right, as this essay explores, the opening of campuses in authoritarian countries raises significant issues of academic freedom and human rights, principles claimed by American Universities, that Christopher Miller has powerfully called Yale to task for ignoring (Christopher L. Miller, “Yale in Singapore: Lost in Translation,” *The Chronicle of Higher Education* (2011).).
- 4 There is something particularly insidious about the rhetorical strategies of funding education through student borrowing. Criticizing deficit spending for saddling the next generation with debt seems particularly disingenuous when the solution offered, to move from grant based to loan based financing, is literally forcing children to take on debt.
- 5 Efforts to organize against the most recent, and most damaging, changes to United States Student Loan policy such as Student Loan Justice (“Student Loan Justice,” <http://studentloanjustice.org/>., see also Alan Collinge, *The Student Loan Scam the Most Oppressive Debt in U.S. History, and How We Can Fight Back* (Boston: Beacon Press, 2009).).
- 6 Sophie Kinsella, *The Secret Dreamworld of a Shopaholic* (London: Black Swan, 2000).

7 Debt, even the supposedly “good” debt of student loans, is treated as a shameful fact and an individual’s debt load is often hidden. The Huffington Post has been publishing individual students and their debts in the moving “Majoring in Debt” series (“Majoring in Debt,” Huffington Post, http://www.huffingtonpost.com/2010/02/22/college-debt_n_471023.html.).

8 Lendol Glen Calder, *Financing the American Dream: A Cultural History of Consumer Credit* (Princeton, N.J.: Princeton University Press, 1999). 32

9 Ibid. 32

10 Ibid. 27

11 Marc Bousquet, *How the University Works: Higher Education and the Low-Wage Nation* (New York: New York University Press, 2008).

12 Malcolm Harris, “Bad Education,” *N+1*, no. April 25 (2011).

13 Matthew Frye Jacobson, “Presidential Election Personal Statement in American Studies Association Election Booklet 2011,” http://asa.press.jhu.edu/election_book2011.html.

14 What, it might quite reasonably be asked, is to be done? Education is a basic human right and free, open, and accessible schools are in the best interest of our collective future. Free Secondary school education was once a revolutionary concept and is now a ubiquitous guarantee. It is my hope that higher education will become so as well. In the shorter term, returning basic consumer protections to student borrowers in the United States and attaching reasonable tuition increase controls to University endowment tax exempt requirements and fighting off the Banking Model of Education in countries where it is being imposed is a good start.

15 Paulo Freire, *Pedagogy of the Oppressed*, 30th anniversary ed. (New York: Continuum, 2000).



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