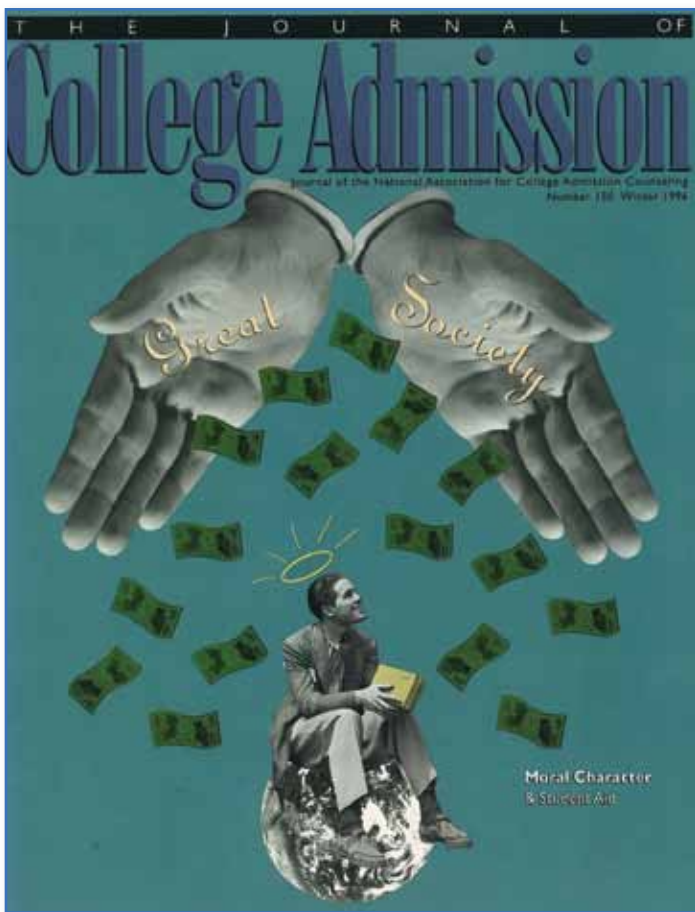


Winter 1996

Moral Character and Student Aid

Response: "Are We Losing the Morals That Guide Student Aid Policy?" Justin Draeger on page 107



Americans see their nation as a land of opportunity for talented and ambitious individuals, so the inability of some parents to financially support their children in college represents a barrier preventing equal opportunity for all citizens. Through need-based programs of student financial aid, the federal government has acted not only to insure that the government provides financial support on behalf of parents not otherwise able to do so, but also to preserve the social order by fostering hope, such that no inequality among citizens need remain permanent as long as equal opportunity exists for their children.



From 1996: **THOMAS A. FLINT** serves as vice president for financial services at Robert Morris College (IL). He received his B.S. in speech from Northwestern University (IL), his M.A. in psychology from Roosevelt University (IL), and his Ph.D. in education from the University of Illinois at Chicago.

Thirty years after the creation of federal student financial aid programs through the Higher Education Act of 1965, the link between moral character and student financial aid programs is once again influencing the public policy debate. A careful look at the debate, though, shows that the nature of our concerns has shifted. In the past, the question was, “What good character in students is needed for receiving financial aid?” Today, the question is increasingly becoming, “Is receiving financial aid good for students’ character?”

For most of American history, financial aid to individual college students was solely a private matter. Students who could not finance themselves could only hope for help from families and private philanthropy. In these circumstances both families and charities (including the gifts from higher education institutions themselves) no doubt included decisions about the moral character and worthiness of the individuals they decided to help. Lacking the anonymity and the mass scale of public programs and government operations, private charities and families usually have the advantage of making their gifts to recipients whose gratitude can be known, whose progress can be measured and whose successes can be celebrated.

In government programs, individual character evaluations are hard to accomplish. Nevertheless, from the outset of federal student aid awards, moral character has been seen as a potential screening device for student aid eligibility. In those early days, patriotism was the logical litmus test. The earliest recipients of 1959 National Defense Student Loans had to take this loyalty oath: “I do solemnly swear that I will bear true faith and allegiance to the United States of America and will support and defend the Constitution and laws of the United States of America against all enemies, foreign and domestic.” Notwithstanding this patriotic pledge, apparently it did not take long before evidence surfaced that students could take such oaths expediently. In 1963 federal rules further stipulated that awards be denied or canceled when “The oath or affirmation of allegiance was not taken or can not be taken in good faith, or there is a conviction of a crime involving moral turpitude, or conduct involving moral turpitude, unless it is established that the applicant or fellowship holder is, nevertheless, now a person of good moral character.” The authors of the rule wisely demurred from enumerating the crimes and the conduct involving moral turpitude, nor did they list the steps needed to redeem one’s good moral character after the unnamed transgressions.

In more recent years, pure patriotism (or if you will, the anti Communism of the 1950s & 60s) has been less a worry than a panoply of more modern sins. Federal student aid is still withheld from persons who by history or habit are deemed to be morally flawed. Through statute, Congress has specified its list of offenses: drug possession, penal incarceration, failure to register with the Selective Service system and defaulted student loans, to name a few. The political sentiments here are easy enough to comprehend: traffickers, prisoners, draft dodgers and deadbeats do not deserve tax payer support.

Yet to understand the moral basis of federal student aid, one needs more than the list of persons banished from its benefits. Since federal student financial aid programs are mostly creations of the Great Society, they embody moral sentiments widely shared in that era. The traditional moral justification for student financial aid is a standard tenet of liberal philosophy. The primary public interest reason that American taxpayers have supported college student financial aid is to create intergenerational equity. Americans see their nation as a land of opportunity for talented and ambitious individuals, so the inability of some parents to financially support their children in college represents a barrier preventing equal opportunity for all citizens. Through need-based programs of student financial aid, the federal government has acted not only to insure that the government provides financial support on behalf of parents not otherwise able to do so, but also to preserve the social order by fostering hope, such that no inequality among citizens need remain permanent as long as equal opportunity exists for their children. It is this moral sentiment among a majority of its citizens that creates the political necessity in America for federal student aid programs for college-bound students.

Today there is wide consensus among both liberals and conservatives about the dignity and fairness embodied in the principle of intergenerational equity for academically capable students without the money to pay for college. All generally agree that the “good character” in students that deserves public support is the ability to master college academics with a good-faith effort to succeed. Relatively few support the inegalitarian arguments of critics such as Herrnstein and Murray¹ who advocate abandonment of programs for the disadvantaged in favor of an academic or cognitive elite.

However, conflict about the moral foundations of federal student aid has not altogether disappeared—it has merely shifted to new ground. With that shift, clear differences in their views of student aid emerge between liberals and conservatives.

Using an economic viewpoint, liberals argue that financial aid creates incentives for students to enroll or to persist in higher education. The financial incentives inherent in need-based student aid programs might be regarded as rewards.

Most conservatives believe charity is better handled privately than by the government. Beyond this, conservative critics of federal student aid would first argue that there is no recognized boundary at which the condition of need ends and at which capability begins, and second, that programs of intervention to solve problems often have the unintended consequence of rewarding the very behaviors they were designed to eliminate.

Definitions of “financial need” and “poverty” exist by social convention, not by nature. There is no logically compelling reason to stop at 10 percent of the population being defined as needy than at 100 percent. In terms of student financial aid, we are, in fact, well beyond the 10 percent threshold, because in the space of 30 years, America has gone from a handful to nearly half of all under graduates being recipients of student aid awards. This great democratization of student financial aid has had the unfortunate effect of undermining the moral foundation behind the idea of financial need. When so many are receiving help, who isn’t financially needy? Colleges themselves have undercut the legitimacy of the concept of financial need by their rapid expansion of the practice of tuition “discounting” through institutional grants for middle- or upper-income families.

For many families today, financing a college education is nearly like buying a car: the sticker price is not taken as the sale price, and the dickering is done using student financial aid. Many middle-class families have moved beyond the stage of tuition sticker shock to a preemptive and unashamed challenge to potential colleges to beat the “best deal” offered by the competition. Often, families do not even pretend to have moral justifications based on the student’s ability or financial need when requesting more financial aid—it is merely enough to state one’s prospects for enrolling elsewhere. Market competition has its own morality, predicated upon the institution’s desire to survive and thrive by increasing its enrollments using student financial aid as leverage. The ethical codes of college admission and financial aid professionals forbid

unprincipled bargaining with families over student financial aid, of course, but there is little doubt that some colleges make it easier to find the moral justification for larger financial aid awards in those cases in which another college has already done so.

Willingness to pay today stands in ever-sharper contrast to *ability* to pay. Some evidence shows that families from higher income levels are looking for bigger reductions in their share of college costs than low-income students. In the last Higher Education Act Reauthorization in 1992, Congress aligned itself with the middle class by excluding home equity from financial need analysis formulae and by writing legislation enabling more non-need-based loans to students and parents. The winners from these changes are homeowners, whose average incomes are approximately twice those of renters. Nonetheless, expanding the definition of financial need is easy; funding award programs is not. Congress did not appropriate funds to match the huge increases in financial need determined by its revised formulae.

Using an economic viewpoint, liberals argue that financial aid creates incentives for students to enroll or to persist in higher education. The financial incentives inherent in need-based student aid programs might be regarded as rewards. Yet, who is the U.S. taxpayer rewarding by providing widespread programs of financial assistance? To conservatives, the concern is that we may be unintentionally rewarding families for not saving for their children’s college or rewarding institutions for raising their tuition in order to capture taxpayer subsidies.

In this sphere as in others, conservative critics argue that mere intentions are not enough to morally justify a policy—we must look at the results. From the perspective of conservative philosophy, many social programs of financial assistance are not a cure but rather are the cause of social problems. In the most hotly debated area of public policy, welfare dependency is said to cause families to raise children who lack a work ethic, ambition and self-determination. College student aid is not the central concern of this policy debate; however, student aid has the potential to contain a similar self-perpetuating character. If reliance upon student financial aid for higher education is self-reinforcing across generations, then as the use of student aid becomes widespread, it discourages those parental behaviors that prepare and enable them to pay for their children’s postsecondary education, thereby increasing the demand for student aid. This shifts the burden from today’s parents to tomorrow’s taxpayers, thus initiating a cycle of dependency on non-family financial sources. From this viewpoint, cash gifts to a young person can be helpful or harmful, depending upon the source. Gifts from the government are at best character-threatening if not outright morally destructive, while philanthropy from one’s parents

constitutes a morally positive inheritance which can reinforce a sense of responsibility within the family across the generations.

Conservatives are not alone in their concern about the impact of financial aid upon student character. However, the type of financial aid at issue often distinguishes the difference between conservatism and liberalism. Conservatives worry that government grants may become a reward for “just being alive.” Liberals, on the other hand, worry about deleterious effects from loans and work, especially when doled out in large quantities.

Liberal critics of student loans have a long history of complaint. In the 1970s, Rep. Edith Green coined the phrase “negative dowry” to refer to the undesirable loan indebtedness an otherwise marriageable female college graduate presented to prospective male partners². Others worried that undergraduate borrowing would deter promising students from graduate study, family formation, or home ownership. More recently, the ever increasing probabilities for substantial borrowing in the face of high tuition and meager grants have raised the concerns that students’ academic and career choices would be influenced by their ability to repay their loans after graduation³. The huge influx of student borrowing in the last decade has also frequently led to speculation that the taxpayer must foot the bill for more frequent student loan defaults as more and more students find themselves unable to service their loan debt after leaving school.

Working during college foretells a different set of potential threats to the undergraduate. While conservatives generally see nothing wrong with “self-help” forms of financing, many liberals are concerned that time and attention devoted to jobs detracts from study time, risking a student’s best possible academic performance. Some fear that the ever-escalating percentages of undergraduates who work significantly slows students’ degree attainment, and at worst is responsible for much of the stop-out and drop-out behavior at many institutions.

finally, one cannot discuss morals and money without acknowledging how the latter can corrupt the former. The more money that is at stake, the larger the temptations become. Some may believe that this is the motive behind conservatives’ efforts to shrink government programs, student aid funding included. It does not suffice to characterize conservatives’ objections to student financial aid programs as mere resistance to the possibilities of greed, fraud and abuse by students or schools. Although former Secretary of Education William Bennett attacked “greedy” colleges for raising tuition to capture financial aid, the politically liberal administration of Jimmy Carter was the first to draft college financial aid administrators into a war against student fraud and abuse of federal student aid by requiring virtually all applicants at that time to submit copies of tax forms which would prove applicants’ truthfulness on their student aid applications.

Throwback: 1996

52nd NACAC National Conference is held in Minneapolis, MN. Ron R. Koger (University of Alabama in Huntsville) is NACAC president.

US first Lady Hillary Rodham Clinton testifies during the Whitewater scandal.

Chess computer “Deep Blue” defeats world chess champion for the first time.

The number of US higher education institutions reaches 3,706.

Dolly the sheep is the first mammal to be successfully cloned.

A pessimist might survey this whole spectrum of concern and complaint and conclude that, like welfare, our nation's system of student financial aid is "broken:" its moral compass seems to be spinning in all directions and towards no place that we want to go. This is a large part of the reason that today so many are raising the same question, in one form or another, "Is receiving financial aid good for students?"

The answer to that question is yes. Almost without qualification, financial aid has been shown time and again to be accomplishing most policy objectives the programs were designed to achieve. The arguments and concerns about the moral impact of student aid awards made by liberals and conservatives alike are burdened by many myths.

A few of these myths are rather easily dispatched by citing a few recent studies: Recipients of student aid awards in college a generation ago do not seem to be neglecting their parental responsibilities today to pay for their children's college education⁴. Student aid awards, and borrowing in loan programs in particular, do not seem to have adverse effects upon graduates' decisions to marry, form families or attend graduate school⁵. Even very heavy levels of student employment seem to cause minimal delays in graduation⁶. Notwithstanding the anecdotes to the contrary, the prospects of using student loans seem not to have affected students' curricular choices during college⁷. While some evidence shows off-campus employment may somewhat increase the risk of withdrawal, on-campus employment seems to have a favorable retention effect, and students with more work experience during college appear to enjoy at least short-term benefits in the labor market following graduation⁸. Large loan balances do not seem to be correlated with the likelihood of later default; rather, academic performance (GPA) and availability of work seem to have a lot to do with repayment or default⁹. Finally, the evidence does not support the theory that colleges raised tuition just to capture the available student aid funds¹⁰.

What then should one conclude about the relationship of moral character and student aid? Need-based programs of federal student aid have operated over many decades with little evidence of having evolved into a dysfunctional system of perverse rewards. Our current preoccupation with the question, "Is receiving financial aid good for students' character?" thus seems largely to be an ill-founded concern. Moreover, questions and arguments of this nature, whether from liberal or conservative viewpoints, detract attention from other moral considerations such as the question, "Is college itself good for students?"

Since financial aid is only a means to an end, we ought to first be certain that the end-goal is desirable. Here, the evidence is overwhelming. The public's expectations of the contributions of a college education to the well-being of graduates are (happily) satisfied in reality. By almost any measure a free and open society ought to value, college generally changes students for the better. Besides their intellectual growth in areas such as verbal, math, logical reasoning and critical thinking skills, college graduates show marked superiority over non-degreed individuals in such areas as reflective judgment, aesthetic and cultural values, autonomy and child nurturance practices. Moreover, these values are made manifest in society and influence others because college graduates have superior oral and written communication skills¹¹.

We have come full circle. The question to which we must return is essentially the same as that at the beginning: "Who deserves the taxpayers' generosity, and why?" As the federal student aid programs enter their fourth decade, the classic formulation of the answer from the Great Society era still looks workable. Studies too numerous to mention here do support the notion that need-based student aid programs promote access, choice and persistence¹². To be sure, flagrant offenses to the public's moral senses will continue to be cause for forbidding access of some people to award funds. Yet the American sentiment for fair play and individual achievement will continue to provide a strong motive for the public to want to offer all of its citizens the chance for upward mobility and personal fulfillment, even for those otherwise without the ability to pay for college.

Endnotes

1. Heimstein, R. J. & Murray, C. *The Bell Curve*. New York: Free Press, 1994.
2. Green, E. "Federal Student Aid: Past, Present, and Future." *Journal of Student Financial Aid* (May 1971): 14-21.
3. Kramer, M. A. & Van Dusen, W. D. "Living on Credit." *Change* (May/June 1986): 10-19.
4. Flint, T. A. "Legacies of Paying for College: The Intergenerational Effects of Financial Support to Attend College." Unpublished doctoral thesis, University of Illinois at Chicago, 1994.
5. Sanford, T. R. "The Effects of Student Aid Upon Recent College Graduates." *Research in Higher Education* (June 1980): 227-243.
6. Baird, L. L. *The Graduates*. Princeton: Educational Testing Service, 1973.
7. St. John, E. P. "The Influence of Debt on Choice of Major." *Journal of Student Financial Aid* (Winter 1994): 1-12.
8. Gleason, P. M. "College Student Employment, Academic Progress, and Post College Labor Market Success." *Journal of Student Financial Aid* (Spring 1993): 5-14.
9. Volkwein, J. F. & Szelest, B. P. "Individual and Campus Characteristics Associated with Student Loan Default." *Research in Higher Education* (February, 1995): 41-72.
10. McPherson, M. S. & Schapiro, M. O. *Keeping College Affordable*. Washington, DC: Brookings, 1991.
11. Pascarella, E. T. & Terenzini, P. T. *How College Affects Students*. San Francisco: Jossey-Bass, 1991.
12. St. John, E. P. "Impact of Student Financial Aid: A Review of Recent Research." *Journal of Student Financial Aid* (Winter 1991). 18-32.