



11350 Random Hills Road, Suite 800, Fairfax, Virginia 22030 Phone (703) 934-6101 Fax (703) 352-3678

[fff@fff.org](mailto:fff@fff.org) [www.fff.org](http://www.fff.org)

## **Do We Need a New G.I. Bill — Or Even the Original One?**

**by George C. Leef**

The G.I. Bill turns 60 this year. That legislation, of ficially known as the Servicemen’s Readjustment Act, guaranteed, among other things, that returning soldiers could attend college at the expense of the federal government, or to be more accurate, the expense of federal *taxpayers*. It was the first of Washington’s many forays into higher education. Before the G.I. Bill was passed, federal politicians paid no attention to colleges and universities, an omission that is explained by the complete absence in the Constitution of any authority for Congress to subsidize or regulate education at all. Since the enactment of that bill, Congress has passed many laws and regulations covering higher education. The G.I. Bill, we could say, served as the icebreaker for federal intervention in waters that had previously been closed.

To almost everyone in the education establishment, it is a given that the G.I. Bill and its subsequent extensions were a wonderful thing. Without the massive assistance that the federal government has given students so they could afford a college education, no doubt America would be lagging far behind other industrialized nations and could not have achieved the rate of economic growth that it has experienced since the end of World War II. That’s the conventional wisdom, anyway.

The reverential attitude typically adopted toward the G.I. Bill was displayed in an October 31, 2003, article in *The Chronicle of Higher Education*, by Paul Simon, the late U.S. senator from Illinois. He wrote, “The GI Bill’s education benefits made a huge difference in the lives of millions of veterans who otherwise would not have gone to college — and it enriched the nation immeasurably. We would not have our high standard of living in the United States if the GI Bill had not been enacted.”

Simon went on to list the benefits from the GI Bill: “It produced 450,000 engineers, 240,000 accountants, 238,000 teachers, 91,000 scientists, 60,000 physicians, 17,000 journalists, and untold numbers of dentists and members of the clergy.” Impressive. Who could possibly doubt that it was a good investment?

In short, the conventional wisdom is that more formal education is good and the federal government should further subsidize it. Like most of the conventional wisdom about government, it's mistaken.

### **What is seen and unseen**

When politicians point to favored programs and say, "Look at the wonderful results," they are playing an intellectual trick. The trick (which they may not even realize is a trick) lies in the hidden assumption that in the absence of the program, people would have done nothing on their own. Consider all those engineers, accountants, teachers, and so on. Simon would have us believe that if it hadn't been for the free college training under the bill, the nation would have had 450,000 fewer engineers, 240,000 fewer accountants, and 238,000 fewer teachers. Obviously, the country would have suffered under those shortages. Right?

Wrong. Before the federal government started subsidizing college attendance, did the United States have a shortage of engineers and accountants? Did lots of engineering work go undone and books go unbalanced because we just didn't have enough of those professionals? No. You will look in vain for evidence that the labor market was failing to provide enough qualified people to perform those or any other tasks.

Through the operation of the free market, the United States had always been able to fulfill its manpower needs. The only difference that the G.I. Bill made was to shift away from direct training programs — apprenticeships, for example — and toward training provided in college classrooms. If the G.I. Bill hadn't been passed, the United States would still have had enough engineers, accountants, teachers and so on, but many would have learned their trade without spending four years in college, learning many other things (some valuable, some not) in the process. We no more need government educational subsidies in order to produce the right number of accountants than we need agricultural subsidies in order to get farmers to grow the right kinds of crops.

Moreover, college is a very expensive way of "training" people. Students who major in marketing, for example, learn something about marketing, but most of their credits will be in other fields. Supposedly, it's desirable to require students to have a "well-rounded" education and that's why they have to take some fine arts courses, some humanities courses, some social science courses and so on. But if students want to learn such subjects, they can study Beethoven's symphonies, Shakespeare's plays, or almost anything else on their own. Bundling a few background courses on a given body of work with a smattering of courses in various other disciplines isn't very effective training — employers still need to do their own training for most entry-level positions — and rarely produces that "well-rounded" student either.

## **The illusions of the G.I. Bill**

Without the G.I. Bill, the free market would have determined the number of engineers and accountants. With it, taxpayers had to cover the costs of four-year college degrees, whereas previously individuals or employers would have borne the cost for the necessary training. With this subsidy program, the government both shifted and enormously increased the costs of occupational preparation and, at the same time, created a new source of funds for colleges and universities — the federal government. They have never stopped lobbying for more.

The point of Simon's article was to argue for a new or at least expanded G.I. Bill. "We must build a more skilled work force," he wrote. "Every economic study suggests that we must invest more in education or we will harm the nation." He proposed "a massive program of reskilling and reeducating the bottom 60 percent of the work force."

That sounds great. But how would more formal education, paid for mainly by taxpayers, do anything to raise the earnings of truck drivers, retail clerks, waitresses, construction workers, or anyone else? Workers naturally tend to find the ideal level of training to maximize their income without governmental educational subsidies. Much as the education establishment and politicians may want us to think so, we cannot raise people up by their bootstraps just by subsidizing their college degrees.

Don't get me wrong. I'm certainly not against higher education. I just don't think that it is the only or necessarily the best way for people to acquire the skills they need to succeed in life. By subsidizing it heavily for the last 60 years, the federal government has turned the college degree from a mark of important personal accomplishment into just a credential that doesn't necessarily mean anything except that the student managed to accumulate enough credits.

It's true that many employers now require a college degree as a job qualification, but rarely is that requirement based on any particular skills or knowledge that an applicant could have acquired only in college. The degree requirement is generally just a screening device to keep from having to interview applicants with only a high-school diploma or less. When you reflect upon the fact that it is now common for employers to require a college degree even for many mundane jobs such as purchasing specialist or loan officer, you can see that the requirement is not based on the need for any great degree of knowledge, but merely on the (largely accurate) perception that high schoolers are apt to be less reliable and trainable than people who have a college degree.

Despite all the talk about "the next economy," and how vital it will be to have "knowledge workers," in truth the labor market is changing slowly if at all. Most of the work that is done today involves tasks that are not fundamentally different from what they were before the great expansion of higher education began. People make or build things; they transport things; they sell things; they repair things. Many of those things are much more sophisticated than in the past and they are made with more sophisticated tools, but the abilities required are not much different from what they were in the past. Most work is still learned on the job with little if any essential

preparation in school other than the basic abilities with language and numbers. We shouldn't need college for that, although many institutions now try to fill that role with remedial courses.

Naturally, there are many students who do benefit from their college studies, particularly those who master difficult material in mathematics, engineering, and the hard sciences. It is beneficial for them to go to college and often graduate school to augment their knowledge. Those students know who they are and would enroll in college whether there were government subsidies or not.

What about students from poorer families? If government didn't subsidize higher education, its cost would be substantially lower, and there would be more private scholarships for promising students who couldn't afford to attend. Furthermore, there is now developing a form of equity investment in the education of students whereby investors can earn a return on funds they put into college assistance for students. The details are intriguing. Miguel Palacios has written a paper on this prospect ([www.cato.org/pubs/pas/pa462es.html](http://www.cato.org/pubs/pas/pa462es.html)) and there is a firm called My Rich Uncle that has been in the business since 2001. (See [www.MyRichUncle.com](http://www.MyRichUncle.com).)

Rather than a tremendous boon to the nation, economics professor Thomas DiLorenzo calls the G.I. Bill "a budget-busting middle-class entitlement scheme that had destructive effects on higher education, and set the stage for virtually all our current educational problems." I think he's right. Opening the floodgates to students and thereby changing the focus of colleges and universities from the life of the mind to mass marketing of job credentials was a blunder of the first magnitude.

A basic tenet of economics is that when you subsidize something, the result is overproduction. That's just as true for college degrees as for any other product, and that is exactly what the G.I. Bill has done. It has massively overproduced college degrees, saturating the United States with so many BA-holders that many of them now deliver pizza or sell computer games in mall stores. Only such a wealthy nation as the United States could afford to spend so much on education for so little return. The G.I. Bill played a major role in this development.

*George C. Leef is the director of the Pope Center for Higher Education Policy in Raleigh, North Carolina, and book review editor of [The Freeman](#).*

**This article was originally published in the December 2004 edition of *Freedom Daily*.**