

Financial Independence and Age: Distributive Justice in the Case of Adult Education

Matthew A. Smith, Sandy Baum, and Michael S. McPherson

msmith@spencer.org

October 26, 2007

I. INTRODUCTION

The American system for financing higher education functions on the assumption that parents are and should be financially responsible for the undergraduate education of their children. Indeed, this assumption is so prevalent that it goes unquestioned in almost all the debates about financial aid, access to elite schools, and social mobility. Harvard University was typical in this respect when it announced in March of 2004 that “parents of families with incomes of less than \$60,000 no longer will be asked to contribute to the cost of their child’s education” (Harvard College Admissions Office). Similarly, even the most radical proposals for college admissions reform tend to preserve parental contributions. For example, in a New York Times op-ed published September 24, 2007, Jerome Karabel never mentioned the propriety of parental contribution in suggesting that granting admission by lottery for some proportion of students would increase social mobility (Karabel, 2007).

To be sure, the assumption that parents should contribute to their children’s higher education is bolstered by the strong moral intuition that parents have a responsibility to put their children in a position to succeed before withdrawing financial support. On this view, parents owe it to their children to ensure that they can ultimately live prosperous, functionally independent lives. Given the increasing market returns for a bachelor’s degree and diminishing market returns for a high school diploma,¹ part of what parents owe their children is the opportunity to pursue a financially subsidized college education.

¹ Between 1980 and 2004, the median salary for males with a bachelor’s degree grew from \$46,300 to \$50,700 while the median salary for those without a degree fell from \$38,800 to \$30,400. During these 24 years, the salary differential between the two groups grew from \$7,500 to \$20,300 (U.S. Department of Education National Center for Education Statistics, 2003). Salary statistics are in 2004 dollars.

Yet, for all its prevalence, the assumption that parents should pay for college may play some role in decreased social mobility. When parents are expected to pay, the more expensive prestigious colleges are the more they may act as vehicles for wealthy parents to transmit their privilege to their children. For example, if an expensive college does not commit to meet all of a student's financial need, an impoverished background may constitute a substantial bar to matriculation. Similarly, although committed to meeting all of a student's financial need, Harvard's decision to eliminate parental contributions for families making under \$60,000 was based on the idea requiring *any* contribution from low income families may make college less accessible. All of which suggests that one way to help stymie class preservation may be to eliminate parental contributions entirely. And, indeed, the idea that parents have a moral obligation to get their children through college has far less traction outside of the United States. In some European countries, Sweden in particular, the provision of higher education is considered a state function and is financed with grants and loans exclusively to students, not to parents (Swedish National Agency for Higher Education, 2007).

Our ultimate interest in this paper is the financial relationship between students and their parents in the area of higher education, particularly undergraduate study. We will not, however, question here the underlying assumption that parents should be financially responsible for their children through roughly the age of 22, a putative finishing age for college. That is a much larger normative task, involving the moral scope of parental responsibility as well as the role of social mobility in distributive justice, and one we hope to undertake in future work. Rather, for the purposes of this paper, we will accept as a primitive that parents' financial responsibility for their children extends through the "traditional" college period of ages 18-22. The normative question we want to consider, then, is at what point, past the age of 22, should students be

considered financially independent from their parents? At what age or under what circumstances should the financial relationship between parents and children sever?

So posed, the question might be colloquially termed “adult education.” The traditional image of incoming college students, 18-year-olds fresh from high school and fully supported by their parents, fits an increasingly smaller number of the students enrolled in degree-granting institutions. For example in fall of 2005, a total of 3,836,000 individuals age 19 and under enrolled as undergraduates in degree-granting institutions (i.e. institutions granting at least associate or bachelor’s degrees); at the same time, a total of 6,877,000 individuals age 25 and older did the same. Overall, between 1980 and 2005, the number of people 25 years and older seeking an associate or bachelor’s degree increased by 52% (U.S. Department of Education National Center for Education Statistics, 2006).

In this context, determining when, after the age of 22, students should be financially independent is vitally important. The financial repercussions of declaring all non-traditional students dependent or independent are vast: error in the former direction may adversely affect parents and the ability of students to finance their education if their parents are unwilling to help, while error in the latter direction may result in regressive redistribution if financial subsidies are given to students with wealthy parents. And either error, aggregated across students pursuing higher education, may affect millions of individuals. Adult education as an object of study thus has the unassailable virtue of mattering in the real world. Like race, health care, and socioeconomic status, the finance of higher education has immediate and indelible import.

The present system for financing adult education begins with a series of sufficient conditions used to determine financial independence. The federal government considers an undergraduate student independent if he or she is any of the following: 24 years of age or older,

married, responsible for half or more of the support of at least one dependent, an orphan or ward of the court, or a veteran of or actively serving in the United States Armed Forces in a non-training capacity (U.S. Department of Education, 2007).

Students who are financially independent are considered eligible for aid without regard to their parents' income. Instead, a percentage rate is applied to their own resources (both assets and previous year income), with allowances for dependents. The monetary value of this percentage is a student's "ability to pay" and, if it is less than the costs of the proposed education, the student is eligible for federal financial aid. The varieties of aid available and the conditions attached to aid receipt are copious and beyond our present scope. Instead, we will focus on the conditions for "financial independence." More specifically we will argue that the age condition imposed by the federal government results in unjust allocations of resources; and further that replacing the age condition for financial independence with a minimum income condition would result in more just allocations.

Our argument begins in Section II with a conceptual distinction between two types of financial independence, which we term *financial independence proper* and *financial independence pragmatic*. Where the former is the quality of truly being financially independent from one's parents, the latter reflects a conventional use of "independence" that characterizes situations where, owing to any number of non-financial reasons (e.g. parental abuse or hardship), students are not considered part of their parents' households. Focusing on *financial independence proper*, in Section III we tell a tale of two 25-year-olds, Mark and Mary, and detail their circumstances as well as the resulting misallocations of aid. In Section IV, we describe some of the conceptual ambiguities in "ability to pay" analyses of the type that would determine Mark and Mary's financial aid allocations and argue that their aid allocations are unjust.

In Section V, we outline the normative framework that underlies *financial independence proper* and illustrate the conceptual basis for ascription into that category. We also suggest that the age condition for financial independence in the case of adult students should be replaced with a condition that requires students to meet a minimum income level. We also suggest that students should be required to meet this minimum income level for at least two years. In Section VI, we argue that this minimum income condition for financial independence would result in more just aid allocations. We also consider the practical effects of our proposal and argue that the incentive structure it would create is compatible with the goals of the financial aid system.

II. TWO TYPES OF FINANCIAL INDEPENDENCE

As a term, “financial independence” is a catchall used to cover a range of circumstances in which children are considered financially separate from their parents. For example, a 17-year-old undergraduate who has been physically abused and eventually disowned by his family and an independently wealthy 35-year-old undergraduate would both be labeled “financially independent” at most major U.S. institutions.² In our attempt to elucidate the norms for “financial independence” after age 22, it is accordingly helpful to distinguish in kind between these two cases. We thus propose a conceptual distinction between *financial independence proper* and *financial independence pragmatic*.

Financial independence proper is the normative condition of being considered financially separate from one’s parents as a result of having independent sources of income or independent assets. Over the age of 22, one should only be considered *financially independent proper* if one’s own labor and assets (or the combined assets of two adults who form a household) result in

² Most U.S. colleges will declare a student “financially independent” at the institutional level if they have experienced an “extremely adverse home situation” (Stanford University, 2007). The federal government in turn will recognize such institutional declarations in its determination of financial independence (20 U.S.C.S. § 1089).

financial returns sufficient to support the lifestyle one lives. *Financial independence pragmatic*, on the other hand, is the normative condition of being considered financially separate from one's parents for any reason other than having independent sources of income or independent assets. A complete specification of all the reasons someone may be considered *financially independent pragmatic* is unnecessary. Rather, two examples will illustrate the concept. First, consider parental abuse: at whatever age, colleges consider students who have been abused by their parents financially separate not because they necessarily have their own income and assets, but because considering them financially dependent could prolong or heighten the abusive relationship. Similarly, students who are orphans or wards of court are considered financially independent regardless of their actual financial situation. Indeed, such students may be financially *dependent* on the government or other individuals. But, because their parents are absent, they are financially independent for the purposes of financial aid. *Financial independence proper* thus concerns finances where *financial independence pragmatic* does not.

Our goal in this paper is to consider the financial relationship between parents and their children after the age of 22: bracketing extraordinary circumstances like abuse and abandonment, when should children's finances devolve from their parents for the purposes of financial aid? As such, our concern is *financial independence proper*.³ And indeed, the past criteria used to determine "financial independence" for federal purposes were direct attempts to measure *financial independence proper*. Beginning with the Higher Education Act of 1965, independent students were those who "(i) will not live with parents for more than six weeks; (ii) will not be claimed by parents as a dependent on any tax return filed for purposes of Federal income taxes;

³ Under our set of assumptions, there may be reasons to apply *financial independence pragmatic* both before and after the age of 22. Financial aid should never be conditioned on the extension of an abusive relationship. This is as true for a 16-year-old as a 25-year-old. But because we take parents to be financially responsible for their children through age 22, *financial independence proper* is a normative category that should be applied only after that age.

and (iii) will not receive more than \$750 in support from parents” (20 U.S.C.S. § 1089).

However, conditions (i) and (iii) were impossible to verify in practice. The 1986 Amendments to the Higher Education Act therefore changed the conditions for financial independence: all students 24 years of age or older are considered independent (Hogan, 1987). This divorce between *financial independence proper* and the present criterion used to determine it, the age condition, results in unjust outcomes.

III. A TALE OF TWO STUDENTS

A concrete example will help illustrate the possible errors of the age condition. Mark and Mary are both 25 years old, one year beyond the current age limit for financial independence. Mark comes from a family of modest means while Mary comes from an upper middle class family. Their experiences post high school diverge radically. After high school, Mark moved out from his parents’ house and did not pursue higher education. He and some high school buddies began a small landscaping business: mowing suburban lawns, weeding, light gardening, etc. The work was not unpleasant and the salary was sufficient for to support a decent lifestyle with sparse luxuries. He lived on his own dime for seven years.

With the urging of her parents and for lack of more appealing non-collegiate alternatives, Mary matriculated at one of her state’s public universities. Her tuition, books, and living expenses were all paid directly by her parents. Her education was peripatetic. She took classes in a wide variety of subjects, always on the cusp of finding her niche. Eventually the distractions of social life and the all too palpable wonders of being in a band overwhelmed her desire to continue her degree course. At 23, she dropped out to tour regionally. \$300 a gig did not add up

when split between 5 band members, so her parents maintained her in the lifestyle to which she was accustomed.

At 25, both Mark and Mary went back to school. Mark felt acutely the wage limits of his job and found daunting the idea of eventually raising a family on the salary that supported him. Mary had a wonderful time touring but realized it was time she claimed the social position her birth makes possible. A bachelor's degree, maybe law school, would do just the trick.

Both applied for federal financial aid. Mark realized that the costs of his undergraduate education at one of the state schools would be substantial. And although a bachelor's degree would significantly increase his earning potential, he desperately wanted to avoid debt. Mary's parents naturally committed to paying her way, but insisted she take any free subsidies she could get. In filling out the Free Application for Federal Student Aid, both checked the box for financial independence on the basis of their age. They did not provide parent information and were evaluated on their individual incomes and assets, with 50% of their previous year's income and 35% of their assets considered available for college (Kane, 1999).

With no appreciable income or assets, Mary qualified for a Pell Grant, the federal program which provides "floor" level financing for all eligible undergraduate students. She received the maximum allowable amount of \$4,310. Her parents reveled in the \$4,310 reclamation of their pre-tax income.

Mark also had no appreciable assets, but because his previous year's income was, say \$30,000, his ability to pay was calculated at \$15,000 – well above the costs of tuition and room and board. Unsurprisingly, he had already spent his previous year's income on the basic living expenses of the previous year. He thus tried to continue his landscaping business while in school, but found that the demands placed on fulltime students are incompatible with fulltime

employment. Mark quit the business and took out loans sufficient to finance the entire first year of his education.

Certainly this example is intended to be stark: in the microcosm of Mark and Mary, public subsidies for higher education are directed toward the student who least needs them. However, there are strong reasons to think that the errors present in this example are quite common. First, there are literally millions of independent students. In 2005 alone, a total of almost 7 million individuals age 25 and older enrolled as undergraduates in a degree-granting institution (U.S. Department of Education National Center for Education Statistics, 2006). Data on the parental income of these students is unavailable precisely because they are all independent. But even granting that many of these students will be part-time and have correspondingly different aid allocations, the sheer number of students helps ensure that a nontrivial number will receive aid allocations that mirror our example. Consider that, if only 1% of these independent students receive financial aid allocations like Mark's and Mary's, almost 70,000 students would be affected and potentially hundreds of millions of dollars would be misallocated in a single year.⁴ To be sure, the question of what constitutes an acceptable error rate is itself a morally salient question. When an imperfect system is inevitable, at some point the costs of attaining a better system outweigh the benefits. Whatever the answer to this question, however, we believe and will argue that the benefits of the minimum income condition are clear enough to make it morally preferable to the age condition. Second, Mary's error in particular does not depend on matriculation at or after the age of 24. Any wealthy student who turns 24 may be considered financially independent for their remaining years, even if they matriculated at a much younger age. Of the 1.2 million Bachelor's Degrees recipients in the

⁴ If all 70,000 students received the full Pell Grant amount (over \$4,000) when they should not have, then at least \$280 million would be misallocated. A modest error of \$1,000 per student would still result in a \$70 million misallocation.

1999-2000 school year, 16.9% of those whose parents had master's degrees and 13.4% of those whose parents had PhD's or professional degrees were 25 years old or older (U.S. Department of Education National Center for Education Statistics, 2003b). A substantial number of students are thus likely to receive financial aid allocations that in some measure mirror our example.

IV: ABILITY TO PAY IN THE CASE OF MARK AND MARY

We will argue that Mark's and Mary's situations are injustices that mirror one of the ambiguities implicit in any "ability to pay" analysis.⁵ But first some background: "ability to pay" is one of the few concepts that has found a home in disciplines as diverse as law, education, and medicine. Its success is largely due to its intuitive simplicity – ability to pay is what any particularly situated individual can afford for the service in question. The more money one has, the more one can afford to pay. The service, of course, changes with the discipline. In the legal profession, ability to pay is most often associated with vertical equity in taxation and the resulting public goods; in medicine it is often argued that patients should be required to pay only within their means for reliably lifesaving services; and, most importantly for our purposes, in education it is the percentage of college costs a family or individual is expected to contribute.

Despite its currency, however, there are two latent ambiguities in the concept that complicate its application. The first ambiguity centers on whether individuals' ability to pay should be calculated based on the financial choices they could have made or the financial choices they actually made. In economic terms, individuals' resources are not limited to their present financial holdings but include their skills, knowledge, dispositions, education, etc. It seems

⁵ We are aware that "ability to pay" analyses must themselves be embedded in larger theories of justice that encompass both the aims of higher education and public subsidy for it. For example, were it to be the case that the provision of higher education is itself not a legitimate government concern or that the subsidy of higher education is unjust in the context of other distributional arrangements, criticism of an "ability to pay" formula would be futile. For the purposes of this paper, however, we bracket these broader concerns, noting only higher education is widely regarded as a legitimate government concern as is its subsidization.

intuitive that these holdings should be considered in determining ability to pay: even if two individuals have the same income and financial assets, the one with more marketable skills, knowledge, etc. will have a greater “ability” to pay. This idea is most often articulated via a tax on an individual’s “endowment” of talent and skills, but where it is attractive in theory it is fatal in fact. The practical difficulties in calculating an individual’s skills, knowledge, etc. are obvious and sufficient to decide the question in favor of calculating “ability to pay” using an individual’s actual choices. Endowment taxation remains an academic pursuit and we are aware of no serious policy proposals which consider it.⁶

The second ambiguity is correlative to the first but rarely articulated. It is, however, far more important for our purposes. Accepting that only an individual’s actual occupational choices should be taken into account, how much change in living circumstances should be required in exchange for free money for education? Or, put another way, in a lexical ordering of fiscal priorities, where should education rank? The most conservative reading of ability to pay

⁶ While the practical problems with an endowment tax are indeed insurmountable, there are also strong conceptual objections. Consider two high school teachers with the same salaries and assets. Teacher A has a greater endowment than Teacher B: while Teacher A could have been a high-powered lawyer, Teacher B is earning at his maximum potential. All other jobs open to Teacher B pay the same salary. A common argument for the endowment tax, and one advocated by Murphy and Nagel (2002), is that Teacher A is free riding: he is realizing as good, something he cares about, without being taxed on the income he uses to purchase it. For example, perhaps Teacher A prefers being a teacher to a lawyer because of the decreased stress. In economic terms, he has purchased that decreased stress with a decrease in salary. But that money is untaxed. Teacher B, meanwhile, is taxed on the goods he can buy in his position, e.g. the funds for his BMW. Allowing Teacher A to pay for a good with funds that are tax free while taxing Teacher B on all funds he can use to buy goods is inequitable and the remedy is a progressive tax on endowment. We think that there are at least two problems with this argument. First, it is psychologically naïve to think that the affirmative choice to become a teacher is the psychological equivalent to the negative choice to not pursue a possibly higher paying position, even if they are mutually exclusive. To be sure some lawyers will choose to become teachers, but such cases are a distinct minority. In general, people rarely make a choice for x by ruling out a member of the (possibly infinite) set not-x. Second, the example uses “being a lawyer” as a baseline to consider Teacher A’s decision to be a teacher, while remaining agnostic about Teacher B’s decision to be a teacher. But Teacher B also has choices other than being a teacher. Say he chooses to be a teacher rather than an equally paid social worker also because of the decrease in stress. He receives the same good as Teacher A but he does not have to pay for it. One might thus reason that Teacher B is the real free rider: to the extent that endowment is morally arbitrary, it is inequitable to make Teacher A pay for a good that the Teacher B can realize for free just on the basis of his smaller endowment. This is the case even if Teacher A does not have to pay taxes on the money he uses to buy the good. A possible remedy is a regressive tax on endowment – a conclusion which, if anything, indicates a conceptual problem in the original argument.

would require that education rank first: families are able to pay if and only if, making no allowances for other living expenses, their entire post-tax income is equal to or greater than the costs of education. This reading of ability to pay would require that low income families change their living circumstances radically. A family would be “able to pay” even if directing money to education necessitated living in abject poverty. On the opposite periphery, a liberal reading of “ability to pay” would allow education to be very low on a lexical ordering of fiscal priorities. On this reading, a family would be “able to pay” if and only if they had cash uncommitted to other priorities – virtually no change in living circumstances would be required. For example, there is a sense in which a high income family who spend their money on a Porsche (or any other extravagant luxury) are unable to pay: their money is already committed to the Porsche and thus unavailable for education. In short, “ability to pay” analyses always take some good as their referent. We talk of ability to pay *for higher education*, ability to pay *for medical services*, ability to pay *taxes*, etc. And, of course, any individual’s ability to pay for that good is determined in part by the other goods for which they pay. The second ambiguity is thus the requirement to define generally those other goods.

And the most natural way to think through those other goods is in relation to the referent itself or other socially desirable values. On one end of the spectrum, “ability to pay” for a referent must not be interpreted in a manner which would ultimately mitigate or undermine the goals associated with that referent. For example, if ability to pay for heart surgery were interpreted so conservatively that it forced a payee into abject poverty, the stress of financial burden and the lifestyle it necessitated (among many other things, the consumption of low-cost, trans fats instead of higher-cost, monosaturated fats) could undermine the beneficial effects of the surgery itself. If the goal of the surgery is the enable a continued life at some level of

functioning, interpreting “ability to pay” conservatively may undermine that very goal. This analysis, of course, defers the question – in the heart surgery example, one would still have to define the appropriate level of functioning and mechanisms that would undermine it – but the point is that the referent good provides some basis for resolving the second ambiguity in “ability to pay.”

In practice, then, the financial aid system uses income, assets, and other information (e.g. number of siblings) to determine a student’s “ability to pay.” The putative idea is that, past a certain level of actual income or assets, requiring a family to spend their money on education, rather than whatever competing goods the family may have access to, will not substantially undermine the goals associated with education: it will not, for example, promote social mobility for a student at the cost of perpetual poverty and debt for the parents. For the federal Pell Grant Program, an almost absolute upper bound for family income is \$60,000 (U.S. Department of Education Office of Postsecondary Education, 2007). To state it roughly, the goods that can be bought on an income in excess of \$60,000 should be ordered below a student’s education. The goods that can be bought on an income below that may often be ordered above education. There is enormous room for give and take, but the framework is clear enough.

Whatever the merits of the federal financial aid system in resolving this second ambiguity in the case of traditional students, it fails spectacularly in Mark’s case. The financial aid system is fundamentally diachronic: although the allocations are calculated with data from the previous year, they are meant to remedy the present financial strain of higher education. The use of previous year’s income is almost purely instrumental – what’s important is that the financial aid allocations are appropriate to the circumstances that actually attend matriculation. And in Mark’s case, matriculation will result in a decrease in income precisely because it means the

abandonment of fulltime employment in exchange for fulltime study. The resulting aid allocation thus rides the conservative reading of the ambiguity: because his financial aid is too low, Mark is forced to make the very choices that the financial aid system is designed to prevent. He must choose between education and the goods that the financial aid system deems lexically ordered above education for other individuals. In Mark's case, the financial aid system fails even on its own terms.

As we know Mark chooses education and amasses a substantial amount of debt. And it is this outcome, rather than the failure of the financial aid system to correctly apply its own formula, that is more worrying. In 2004, the median salary for males with a bachelor's degree was \$50,700, accounting for work experience (U.S. Department of Education National Center for Education Statistics, 2007); Mark is likely to make substantially less in his first few years out of college. With this in mind, substantial debt may adversely affect his education in two ways. First, it may sway the original cost-benefit against education or at least dampen Mark's resolve. When one's debt is a substantial fraction of one's modest annual income, long term solvency is far more difficult to achieve. Second, Mark is likely to have to work side jobs to support his studies, a distraction that, coupled with financial stresses, is likely to have a negative effect on his academic performance. To be sure, the actual causal effects of debt accumulation are hard to estimate, but they certainly do not facilitate his education.

Embedded in the broader context of social mobility, Mark's case becomes all the more problematic. In American society at least, prestige and earnings track the graduate and professional degrees for which a bachelor's degree is a formal prerequisite. Financial hindrances to achieving his bachelor's degree may thus serve as insurmountable bars to achieving a graduate degree: the debt of a bachelor's degree *and* a professional degree, combined with the diminished

career duration and earning potential that come from a late start, help prevent social mobility of even the modest rags to riches sort. Mark's formal opportunity to join the professional class remains, but substantive opportunity is significantly reduced by the conjunction of his initial social position and age. Even the most basic version of fair equality of opportunity, "in all sectors of society there should be roughly equal prospects of culture and achievement for everyone similarly motivated and endowed" (Rawls, 1999 p.63), would prohibit this result. In and of themselves, being over the age of 24, being financially self-sufficient, and coming from modest means (together they are sufficient conditions for lower social mobility) are morally arbitrary characteristics for the allocation of future distributive shares.

The injustice of Mark's situation is stark on its own. Nonetheless, we cannot help but contrast it with Mary's situation. Recall that Mary's lack of income, enabled by her parents' wealth, resulted in a generous allocation of financial aid. The resulting distribution rides the liberal reading of the "ability to pay" ambiguity in that her parents need not lexically order their Bordeaux habit below her education: the public is subsidizing her education, which, given her complete dependence on her parents, is equivalent to subsidizing her parents' wine cellar. On almost any mainstream theory detailing the provision of public goods, this situation is unjust. That no serious theory of justice advocates regressive government redistribution should be sufficient to prove the point. However, we will consider Mary's situation under both a parsimonious libertarian reading of government provision and a more strongly egalitarian liberal conception of government provision.

Under a traditional libertarian conception of justice, and here we have in mind principally Robert Nozick's *Anarchy, State, and Utopia*, just distribution is determined by three classes of principles: principles of acquisition, principles of transfer, and principles of rectification for

violations of the former two (Nozick 1973). Although principles of rectification are underspecified, we accept as two necessary conditions for redistribution *to Mary*: 1) that in an otherwise just system, some injustice occurred such that the following iterations of transfer have resulted in diminished holdings relative to the holdings she would otherwise have had, and 2) there is some identifiable individual or entity a portion of whose holdings are not deserved because they have been augmented by the injustice done to Mary or subsequent iterations of transfer arising from that injustice (i.e. not all non-Mary individuals are entitled to their holdings). The first condition is necessary to establish that Mary is owed redistribution; the second to justify taking money from a particularly situated individual and giving it to her. In short, Mary has been wronged and someone has wronged her. Unless both conditions are met, transfer of money to Mary is unjust because it constitutes the coercive requisition of some individual's deserved holdings.

Within the current system of American taxation, it is highly implausible that either condition is met. As an initial matter, it is not at all clear that the origins of property in this country conform to principles of just acquisition, whatever those may be. Bracketing that concern, however, it tramples credulity to believe that the subsidization of Mary's education is an attempt to rectify a previous injustice. The operations of the financial aid system are completely divorced from the criminal justice system (e.g. the wrong being rectified is fraud or larceny) and do not consider the origin of income in judging eligibility for financial aid. And although it is possible to argue that Mary's receipt of the funds is compensation for the unjust taxation of her parents, such an explanation similarly bears no resemblance whatsoever to the actual mechanics of the American tax system – financial aid as a remedy for unjust taxation would be incidental and dauntingly incomplete. Moreover, her parents' situation was not

considered when her aid award was determined. Public subsidization of Mary's education is thus unjust under a libertarian conception of justice: because the taxes that create the funds Mary receives are unjust, any disbursement of them will be unjust in turn.

The case against Mary's situation is even clearer from a more egalitarian liberal theory of justice. We begin with a weakly egalitarian theory of the sort that Rawls' difference principle might endorse: "those who have been favored by nature [whether in initial social position or endowment], whoever they are, may gain from their good fortune only on terms that improve the situation of those who have lost out" (Rawls, 1999 p. 87). Although large discrepancies in income and assets may or may not be tolerated on this principle, it does require that the mechanisms which resulted in Mary's subsidization (for which her parents' wealth was a necessary condition since it alone allowed her to have no personal income) be justified by their effects on those who were socially disadvantaged at birth. The social structures that subsidize Mary's education must ultimately benefit Mark or others similarly situated. Although this is possible – the children of wealthy parents might become great philanthropists because of their subsidized education – it is unlikely. The federal financial aid system is in no manner designed such that allocations to those well-off will have salutary effects on those worse-off. Rather, each aid allocation is insular to the person receiving it: Mary's financial aid is meant exclusively to help Mary, and this is true for every student, privileged or not. There is thus no structural reason to think that the mechanisms which subsidize Mary, or those similarly situated, would help Mark, or those similarly situated. And on a stronger egalitarian theory, the injustice of subsidizing Mary's education is so obvious it requires no explanation. Her situation is the exact opposite of giving "more attention to those with fewer native assets and to those born into less favorable social positions," (Rawls, 1999 p. 86).

Mary's situation, regressive public subsidization of education, is thus untenable on any theory of justice. Mark's situation is more particularized, but the aid allocation fails on its own terms and causes a diminution in fair equality of opportunity. Both were considered financially independent because they met the age condition. In the next section, we will suggest new criteria for financial independence which would help avoid these injustices.

V: THE AGE CONDITION AND THE INCOME CONDITION

Our interest in the age condition may initially seem discordant. This reaction stems in part from the prevalence with which age is used as a legal and social condition. From birth, children are acculturated to expanding freedom at certain age-based thresholds: the privilege of staying home unsupervised (approximately 12), driving (16 depending on the state), viewing R-rated movies (17), voting (18), and consumption of alcohol (21). Entry into the rights and privileges of society is often determined by age. But in all cases, age is an empirical proxy for a normative attribute thought necessary for the activity in question (e.g. maturity or a fully developed liver) and the propriety of its use depends in part on the level of fit between the specified age and the normative attribute.

Difficulty arises in turn because the normative attributes age is used to proxy are not natural categories. By this, we mean that ascription into them is not "metaphysically precise." (Korsgaard, 1996). A 17-year-old does not gain the maturity to vote the moment he turns 18: bracketing the symbolic significance attached to the event, he is likely identically mature the day before and the day after his 18th birthday. The distinction between a 17-year-old and an 18-year-old is thus a pragmatic point in the continuum of (hopefully) increasing maturity. To be sure, there may be better and worse places to draw the distinction (one's 18th birthday would

seem slightly less arbitrary than 2 days before one's 18th birthday) but the distinction is still only pragmatic. This contrasts sharply with, say, measurements of height which precisely mirror the metaphysical reality of being x feet, y inches, and z tenths of an inch above the ground.

In the case of adult education age is meant to proxy financial independence proper, which is, of course, not metaphysically precise. In the transition from complete financial dependence on one's parents to complete financial independence, Mark and Mary represent two ends of the spectrum with their peers distributed in between. On the peripheries, Mark receives no money and Mary is entirely dependent on her parents. Meanwhile some 25-year-olds may receive supplementary income from their parents but have a primary income of their own, just as others may receive their primary income from their parents and have supplementary income of their own. Even the terms "primary" and "supplementary" are ambiguous, and the terms "money" and "income" too narrow to encompass the ranges of implicitly fiscal support parents may provide (e.g. room and board). An index of financial independence for young adults might thus look at the absolute value of support received from parents or the percentage of support received from parents relative to other sources of support. Age 24 is the dividing line used by the federal government to divide the distribution between those who receive more and those who receive less support from their parents.

The question is whether the use of age is the least unjust of the bureaucratically feasible dividing lines for financial independence proper. There are strong reasons to think that it is not. In fact, using age as the dividing line for financial independence is deeply disanalogous to using age as a dividing line for, say, maturity or a developed liver. Age 24 intuitively seems like an appropriate dividing line: in a "typical" life trajectory, students have finished with their education by age 22. Age 24 thus provides a two year buffer to become financially independent;

and it is probably the case that most 24-year-olds are financially independent, just as most 21-year-olds are mature enough to consume alcohol. The problem is that the set of students who will be applying for financial aid at 24 are precisely those who have taken an atypical path. And the result is that normal assumptions about when to expect financial independence proper do not hold. Indeed, Mark and Mary are illustrative: Mark was financially independent at 18 while Mary was not at 25, and it is precisely those atypical circumstances that lead them to seek education past the age of 22. Another way to put the point is that the rationale for using age as a dividing line depends on the general assumption that some number of individuals (a plurality or majority) will be financially independent at that age. But that assumption is not tailored to the set of students to whom the dividing line is applied. We propose that a better way to distinguish the two ends of spectrum is a minimum income condition. In the remainder of this section, we will outline the details of our proposal. In the next section, we will argue that it would result in more just distributions.

Notice that in the analytic framework we have developed, we are bracketing people who may receive support from sources other than their parents, like government or charitable social programs (e.g. homeless outreaches). Ab initio we will stipulate those who are individually supported by the government and/or charitable social programs should be considered financially independent. The reasoning here is that if one's parents are not in a position to forestall need for government/charitable provision of a basic social service, then one's parents' position need not be taken into account in determining financial aid for higher education. We trust that individual receipt of such support could be readily verified.⁷

⁷ The tax exempt status of charitable organizations would provide a basis for verifying their existence and any documentation demonstrating support to an individual.

Returning to those who are supported on their own or by their parents, we begin by noting that a necessary condition for being on the “Mark end of the spectrum” is an income sufficient to live as determined by prevailing economic standards. So, for example, an income of \$3,000 would be insufficient to live in today’s economy. Exactly where the line should be draw is debatable, but some incomes will clearly be below and some will be clearly above. A necessary condition for being financially independent should thus be some bare level of income x , such that it is impossible to live without charitable or government support below that income. This level will vary depending on the economic and geographic region, but for the sake of example we will set it at \$20,000. Of course, were our proposal to be enacted in policy, the poverty line or some upward departure from it (e.g. an income below 200% of the poverty line) would provide a concrete basis for this calculation. Two sufficient conditions for financial independence (for those who are not married or legally partnered)⁸ might thus be:

- 1) Receipt of government or charitable support, or
- 2) An individual income from work that is over \$20,000 per year (or comparable assets).

With respect to their parents (or their legal guardians before they turned 18), anyone who does not meet those conditions would not be financially independent regardless of their age.⁹ For the

⁸ We would venture that marriage or legal partnership should remain, on its own, a sufficient condition for financial independence from one’s parents (recall that marriage is one of the sufficient conditions under current law). Although we will not argue for it, once two people have joined together to form their own household in marriage it seems natural that they should be considered financially independent from their parents. For the reasons we explain in Note 10, we do not believe that wealthy families would use marriage as a loophole for financial independence.

⁹ Advanced age might be used to achieve an initially counterintuitive result on our proposal. Consider a 38-year-old seeking to get his bachelor’s degree who is not receiving government or charitable services and not making more than \$20,000 (including his total assets); nor is he *financially independent pragmatic*, however that is filled out. On our scheme, he is financially dependent. While it initially seems counterintuitive that someone of his age would financially dependent, we believe that under the criteria we have articulated an ascription of financial dependence would appropriately fit his circumstances, however particular they may be. If his income is too low to live in the prevailing market (and keep in mind, the amount might be lower than \$20,000), and he is not receiving any government or charitable support, he must be getting support from somewhere else. It is not, in these circumstances, untoward to consider the income of his parents in determining his financial aid allocation.

practical reasons discussed below, students should be required to meet the minimum income condition for at least two years, leading to a reformulation of condition 2):

- 2) An individual income from work that is over \$20,000 per year for at least 2 years (or comparable assets).

VI: OUR PROPOSAL: MORAL AND PRACTICAL CONSIDERATIONS

There are two arguments to be made on behalf of our proposal that the age condition for financial independence should be replaced with the minimum income condition. The first is moral: are there reasons to think that our proposal would result in more just aid allocations? The second is the practical challenge from incentive compatibility: are the incentives our proposal would create actually compatible with goals of our proposal? Or would people respond to our proposal in a way that would swamp the moral advantage by, for example, increasing regressive redistribution? Would Mary-types just game the system? We will consider each argument in turn.

The primary reason to think our proposal will be more just is that a minimum income condition has a more direct relationship with financial independence than the age condition. As Mark's and Mary's cases illustrate, being age 24 or older bears no direct relationship with being financially independent: it is neither a necessary nor sufficient condition for being on the Mark end of the spectrum. Students who are over 24 may or may not be completely financially independent from their parents, just as students under 24 may or may not be completely financially independent from their parents. The income condition, on the other hand, is necessary for financial independence. Excluding government and charitable support, income or assets of a certain amount are the only means by which individuals may become financially

independent of their parents. This suggests that it may be a better way to carve up the spectrum between Mark and Mary.

Of course, whether our proposal is more just ultimately depends on the total amount of money that would be regressively redistributed. *Ceteris paribus*, our proposal will be more just if the total dollar amount it redistributes regressively is less than the amount currently redistributed regressively under the age condition. In practical terms, this means that less money must go to the subset of people from wealthy families who meet our independence condition – those over 22 and earning over \$20,000 – than to the subset of people from wealthy families who meet the age condition – those over 24. Call the former the “proposal subset” and the latter the “Mary subset.” We believe there are very strong reasons to think less money would be redistributed to the “proposal subset” than is currently redistributed to the “Mary subset.”

First, because all people who qualify as financially independent on our proposal will by definition have some independent income, their overall aid allocations will be less than Mary’s (which was generous precisely because she had no appreciable income). Thus, even if the total number of people in the proposal subset is the same as the total number of people in the Mary subset, fewer dollars will be regressively redistributed. Second, the incentives to work more than part time, generally a necessary condition for making more than \$20,000 on a high school student’s skill set, are very low for individuals who have wealthy families supporting them in full. Earning over \$20,000 a year is thus a higher bar than just being over the age 24. In general, all non-traditional students from wealthy families will achieve the latter while not all students from wealthy families achieve the former. This makes it plausible that, not only will grants given to the proposal subset tend to be smaller, but the total number of students in the proposal subset will also tend to be smaller.

Naturally all of this assumes that wealthy families would not change their behavior in response to our proposal. If the minimum income condition were adopted, there are two possible types of behavior that would result in more overall regressive distribution: first, wealthy families might encourage their children to delay entry into college and establish independent incomes; second, wealthy families might encourage their children to establish independent incomes in their later college years. Either would allow the students of wealthy families to be considered apart from their parents; and if either occurred in nontrivial numbers, our proposal might result in more regressive redistribution than the age condition.

To begin, it is unlikely that wealthy families would encourage their children to wait until after the age of 22 to enter college. There is no indication we are aware of in the education community that wealthy families encourage their children to wait until age 24 to take advantage of the present condition for financial independence. It is accordingly implausible that wealthy families would encourage their children to wait until 23 (i.e. after the age of 22) to enter college, the time when parental obligation ends under our set of assumptions. The second possibility, that wealthy families might encourage children to establish incomes in later college, and thus game the system toward the end of their college career, is far more likely. And, indeed, the average time to degree is sufficient that many students who started college at age 18 would not finish well after they have surpassed the age of 22. For example, in 2000 the average number of months between post-secondary entry and degree completion for first-time bachelor's degree recipients was 55.4 months, excluding students who took more than 6 months off (U.S. Department of Education National Center for Education Statistics, 2003a). Many students may thus be over age 22 for their final year/s of college. Wealthy families may encourage their students to establish independent incomes either while studying or by taking gap years.

For two reasons, we think that this second possibility is also unproblematic. First, if the minimum income condition is sufficiently high, wealthy families would be unlikely to encourage their children to work toward it while in school. The amount of time and energy required to make an income of \$20,000 a year while a fulltime student is formidable. Indeed, this was precisely the reason Mark took out loans in our original example.

Second, the attraction of using gap years to establish financial independence diminishes rapidly if more than one year's worth of income is required. For example, if tax returns were used as the basis for establishing income, there is no administrative reason that at least two years' worth of income could not be considered in lieu of one year. Increasing the number of years income is considered also has the independent virtue of presenting a better overall picture of an individual's financial situation. Particularly for wealthy families, market fluctuations can make a single year's income a poor indicator of a family's overall financial position. For example, a net loss in the market can lump even the best-off families (in real terms) into the lowest income bracket for a single year. Nor would considering more than one year's income have untoward results: Mark would still be considered financially independent; Mary would be considered financially dependent; and it is highly implausible that wealthy families would encourage their children to take more than one gap year just to establish financial independence. By considering an additional year's income, the incentives our proposal creates would be compatible with our goal of decreased regressive redistribution.¹⁰ Hence, the minimum income condition should be applied for two years.

¹⁰ To be sure, Mary's parents might game the system in at least three other ways: pushing their children into welfare programs or other charitable programs, setting up fake jobs for their children, or pushing their children into marriage. All of these possibilities are implausible. Receipt of welfare or other charitable benefits would require a level of deception and class condescension Mary and her parents would be unlikely to exhibit. For example, to be eligible for federal food stamps in the State of Illinois, Mary would have to submit to an interview with a social worker. And because the amount of money and support she receives from her parents is likely to disqualify her for food stamps, in order to be eligible she would have to lie when asked: "How much money have you or anyone who

Our proposal is thus more just with respect to Mary. There are two reasons to believe it would also be more just with respect to Mark. First, under the age condition, the earliest Mark could be considered financially independent is age 24. Before that age, he would be unable to apply for financial aid, let alone receive financial aid, without his parents' assistance. In contrast, the minimum income condition would allow Mark to be considered financially independent at age 23 and thus pursue his education earlier. Moreover, were we to relax our assumption that parental responsibility to pay for higher education extends through the age of 22, Mark could be considered financially independent even earlier: after two years of work, Mark would be considered financially independent and start his education around age 20. In short, where the age condition functions as a complete bar to financial independence prior to that age, the minimum income condition would be far more flexible. Second, in reforming the conditions for financial aid, an independent reform could also be applied to the percentage rate independent students are expected to contribute. Because, as in Mark's case, fulltime work and fulltime study are incompatible, expecting a lower contribution from Mark would be more just. The lower his loans, the more degrees will be open to him (including graduate degrees) and the more opportunity he will have, realized or not, for social mobility. Mark may yet join Mary.

VII: CONCLUSION

For the reasons we have outlined, we believe that age condition for financial independence in adult education is suboptimal. We began by arguing for a conceptual divide

lives with you received or expect to receive from any source in the month of application?" This would constitute a criminal offense in Illinois (State of Illinois Department of Human Services), as in all states, and is not an avenue Mary and her wealthy parents are likely to pursue. Similarly, only especially greedy families would set up fake jobs for their children because of the level of complexity (in tax calculation and documentation among other areas) this might entail. Nor do we believe that wealthy parents would be likely to push their children into marriage so they could be financially independent: the legal ramifications of marriage and the possibility of a messy dissolution are strong deterrents.

between *financial independence proper* and *pragmatic*. Concerning ourselves with *financial independence proper*, we used Mark and Mary to show how financial aid allocations resulting from the age condition may be unjust and mirror an ambiguity inherent in any ability to pay analysis. We proposed that a minimum income condition replace the age condition and argued that the resulting aid allocations would be more just, even taking into account the incentives our proposal would create.

REFERENCES

- Harvard College Admissions Office 'Harvard Student Recruitment Program' Available at <http://www.admissions.college.harvard.edu/prospective/hrp/index.html> (accessed 18 October 2007).
- Hogan, B. (1987) 'Financial Aid: Uncle Sam Changes the Rules' *The Washington Post* 9 August 1987.
- Kane, T. (1999) *The Price of Admission: Rethinking How Americans Pay For College* Washington D.C.: Brookings Institution Press.
- Karabel, J. (2007) 'Why Not Just Play College Roulette?' *The New York Times* 24 September 2007.
- Korsgaard K. (1996) *Creating the Kingdom of Ends* New York: Cambridge University Press.
- Murphy, L. and Nagel, T. (2002) *The Myth of Ownership: Taxes and Justice* New York: Oxford University Press.
- Nozick, R. (1974) *Anarchy, State, and Utopia* New York: Basic Books, Inc.
- Rawls J. (1999) *A Theory of Justice*, rev.ed. Cambridge, MA: Harvard University Press.
- Stanford University (2007) *Financial Aid Handbook 2007-2008* Available at <http://www.stanford.edu/dept/finaid/pdf/08FAOhdbook.pdf> (accessed 18 October 2007).
- State of Illinois Department of Human Services *Food Stamp Application*, Available at <http://www.dhs.state.il.us/serviceProviders/Forms/IL444-2378B.pdf> (accessed on 18 October 2007).

Swedish National Agency for Higher Education (2007) 'Financial Support for Students'
Available at <http://www.hsv.se/highereducation/undergraduateeducation/studentfinancialsupport.4.539a949110f3d5914ec800066308.html> (accessed 18 October 2007).

U.S. Department of Education (2007) '2007-2008 FAFSA on the Web Worksheet, Section 2'
Available at <http://www.fafsa.ed.gov/fafsaws78c.pdf>. (accessed 18 October 2007).

U.S. Department of Education National Center for Education Statistics (2007) *The Condition of Education 2007* Indicator 20.

U.S. Department of Education National Center for Education Statistics (2003a) *The Condition of Education 2003* Indicator 21.

U.S. Department of Education National Center for Education Statistics (2003b) *A Descriptive Summary of 1999–2000 Bachelor's Degree Recipients 1 Year Later* Available at <http://nces.ed.gov/pubs2003/2003165.pdf> (accessed 18 October 2007).

U.S. Department of Education National Center for Education Statistics (2006) *Mini-Digest of Education Statistics 2006* Available at <http://nces.ed.gov/pubs2007/2007067.pdf> (accessed 18 October 2007).

U.S. Department of Education Office of Postsecondary Education (2007) *2005-2006 Federal Pell Grant Program End-of-Year Report* Available at <http://www.ed.gov/finaid/prof/resources/data/pell-2005-06/eoy-05-06.pdf> (accessed on 18 October 2007).