

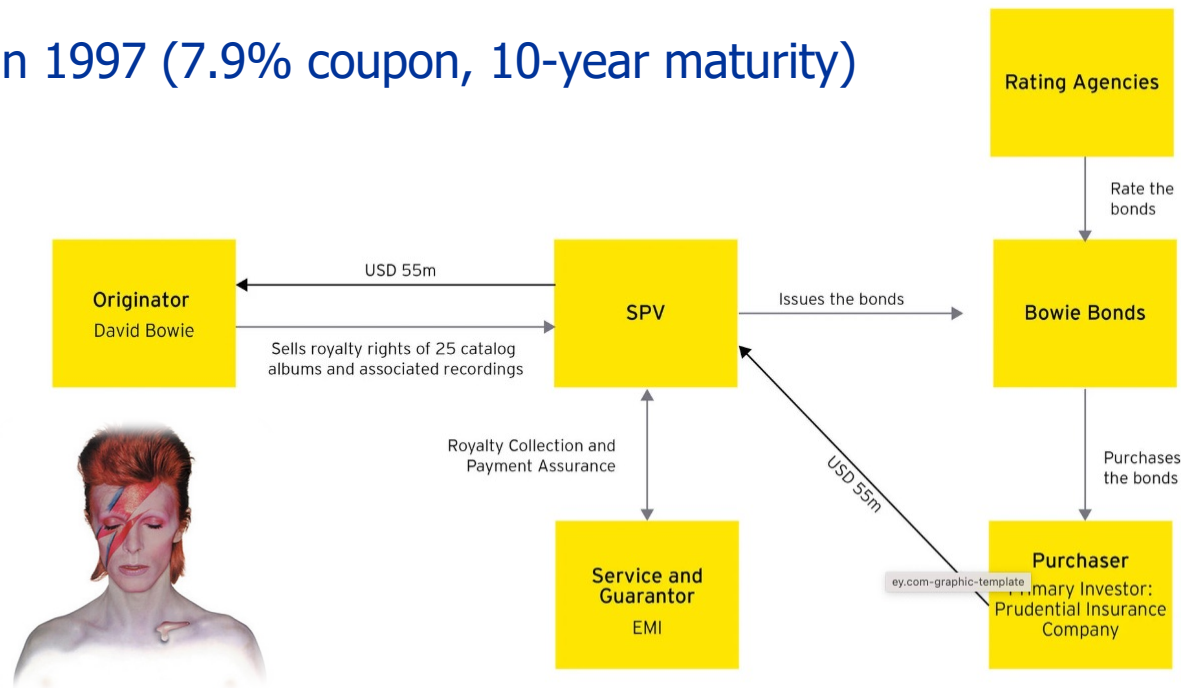
Capital Markets & Investments

Session 4: Fixed Income (1) – Bond Pricing & Interest Rates

Spring 2026
Professor Simon Oh

Asset-Backed Securities with David Bowie

- Issued in 1997 (7.9% coupon, 10-year maturity)



Source: majumdarip.com/EY Switzerland

What about human capital?

The Role of Government in Education*

by
Milton Friedman
(1955)

The desideratum is not to redistribute income but to make capital available for investment in human beings on terms comparable to those on which it is available for physical investment. Individuals should bear the costs of investment in themselves and receive the rewards, and they should not be prevented by market imperfections from making the investment when they are willing to bear the costs. One way to do this is to have government engage in equity investment in human beings of the kind described above. A governmental body could offer to finance or help finance the training of any individual who could meet minimum quality standards by making available not more than a limited sum per year for not more than a specified number of years, provided it was spent on securing training at a recognized institution. The individual would agree in return to pay to the government in each future year x per cent of his earnings in excess of y dollars for each \$1,000 that he gets in this way. This payment could easily be combined with payment of income tax and so involve a minimum of additional administrative expense. The base sum, $\$y$, should be set



Income Sharing Agreements

DealBook / Business & Policy

DEALBOOK

No Tuition, but You Pay a Percentage of Your Income (if You Find a Job)

Income Sharing Agreements are gaining the attention of higher education and Wall Street. One early success story is getting a boost from venture capital.



An old innovation?

Yale's Tuition Postponement Option

WILLIAM E. CURRAN*

Introduction

One result of the recent financial crisis in higher education has been an effort to pass on more of the true educational cost to the student consumer through higher tuition and increased fees. Most schools offer economic assistance through scholarships based on need and through employment opportunities. In addition, students are now being asked to shoulder more of the costs of education through loans.

An innovation in student loans is the "income contingent" concept. Rather than agreeing to repay a fixed amount of money at a specified interest rate, a borrower with an income contingent loan agrees to pay a small fixed portion of his income for a specified term.

With conventional loans, all borrowers pay back the same amount, and borrowers with high incomes pay a smaller part of their income than those with low incomes. Income-contingent loans, on the other hand, place an equal burden on all borrowers. Thus, while students who have low incomes after college repay less than their classmates with higher incomes, each pays an equal percentage of his income for an identical loan.

Spring 2026

'70s debt program finally ending

By Bret Ladine | 7:00 p.m., March 26, 2001

Long before Princeton University had notions of eliminating student loans entirely, Yale had another type of innovative financial aid initiative -- one that, despite seemingly noble intentions, failed miserably.

The Tuition Postponement Option was a student loan program in the 1970s that enabled groups of undergraduates to pay off loans as a "cohort" by committing a portion of their future annual income to pay back money borrowed from the University. Much to the participants' chagrin, the program did not work as it was supposed to, and most of their loan payments will only stop this year -- more than 20 years later -- when alumni make their final contribution.

With the program finally coming to an end thanks to a partial 1999 bailout by the University for those who did not default on their loans, a long saga that included lawsuit threats and the fury of thousands of alumni will be over.

5