



Destroying the Marketplace in Higher Education

Hans Bader

September 13, 2016

The federal government happily subsidizes awful state colleges that graduate few if any of their students. That includes Chicago State University, which has just a 12.8 percent six-year graduation rate. The Obama administration has rewritten federal student loan rules in a way that encourages colleges to raise tuition and effectively subsidizes the worst colleges the most. The Federal Reserve Bank of New York found that each additional dollar in government financial aid results in a tuition hike of about 65 cents. The federal government also subsidizes expensive, low-quality third-tier law schools whose graduates are often unemployed. It does so even though many of their graduates will never pay back their student loans because of their low graduating salaries, and the huge amount of money law students are allowed to borrow from the government.

But while the government is indulgent towards wasteful state colleges, it has a very different, hostile attitude towards for-profit colleges. It will sometimes financially destroy them even without any proof of wrongdoing. The *Washington Post* editorial board gives the latest example of the Obama administration doing this, its destruction of ITT Technical Institutes:

“Never mind that the higher education plans of tens of thousands of students will be disrupted. Or that 8,000 people will lose their jobs. Or that American taxpayers could be on the hook for hundreds of millions of dollars in forgiven student loans. What is apparently of most importance to the Obama administration is its ideological opposition to for-profit colleges and universities. That’s a harsh conclusion, but it is otherwise hard to explain why the Education Department has unabashedly used administrative muscle to destroy another company in the beleaguered industry.

“ITT Technical Institutes, one of the nation’s largest for-profit educational chains, on Tuesday abruptly announced that after 50 years in business it was shutting down more than 100 campuses in 38 states. The announcement, displacing an estimated 40,000 students, follows last month’s decision by the Education Department barring the school from enrolling new students using federal student aid and upping its surety requirements. The department said it was acting to protect students and taxpayers, noting the school had been threatened with a loss of accreditation and that it was facing a number of ongoing investigations by both state and federal authorities.

“What is so troubling about the department’s aggressive move — which experts presciently called a death sentence — is that not a single allegation of wrongdoing has been proven against the school. Maybe the government is right about ITT’s weaknesses,

but its unilateral action without any semblance of due process is simply wrong. “Inappropriate and unconstitutional,” said ITT officials.

“Such unfairness sadly is a hallmark of the Obama administration policy toward higher education’s for-profit sector. It has singled out the industry for stringent employment and student loan rules and stepped up enforcement with stiff sanctions that, as The Post’s Danielle Douglas-Gabriel reported, have some companies on the brink of ruin.”

As the Cato Institute’s Neal McCluskey notes, ITT Tech produced better graduating salaries for its students than nearby public alternatives. But no one is suggesting that those lousy public colleges be shut down.