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The whole Ivory Tower is full of cracks

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March 12 was quite a day for higher education. On Capitol Hill, not one but two hearings were taking place; one on simplifying the form everyone who wants federal student aid must complete, the other on a very familiar theme: “Oversight of For-Profit Colleges: Protecting Students and Taxpayer Dollars from Predatory Practices.” But the headline grabber was the FBI’s exposure of a bribery and cheating scheme to get the progeny of the rich and famous—including two prominent actresses—into elite institutions.

That the big news maker was all about traditional colleges, eclipsing the hearing on for-profit institutions, was apropos. For years, politicians have made big splashes suing for-profit schools. This latest scandal is just more evidence that they should have been directing their ire at putatively not-for-profit schools as well, and maybe looking to curb the massive subsidies they send to the whole ivory tower.

Recent Ohio gubernatorial candidate Richard Cordray did so as director of the Consumer Financial Protection Bureau, and presidential aspirant Kamala Harris did the same as California’s attorney general. The schools, facing crippling legal bills and reputational damage, often settled or went out of business without a chance to defend themselves, especially to show whether their alleged crimes were isolated employees, or systemic problems. Meanwhile, far more people—at their peak the for-profits enrolled less than 10 percent of all post-secondary students—were in not-for-profit sectors, on which the latest scandal is finally directing some sunlight.

The openly for-profit sector has had poor outcomes. Federal data show that almost 16 percent of borrowers at for-profit institutions who entered payment in 2015 were in default within three years. Information from the National Student Clearinghouse, which has data on almost all college students, reveals that only 42 percent of students who started a four-year for-profit program in 2008 had finished some program within 8 years, and only about 64 percent who had started at a two-year program had done so. And certainly some employees deceived prospective students about their earnings prospects, or whether their programs fulfilled state licensure requirements.

But are traditional colleges so much better, or just better looking? It’s almost certainly the latter, especially since the ones that tend to come to mind when we think of “college”—the kinds of schools some famous actresses and corporate magnates will allegedly cheat to get their kids into—are elite institutions like Stanford and Yale, and state flagships like the University of Michigan or the University of Virginia. Meanwhile, for-profits work with people on the academic and often social margins far more than other higher-ed sectors, including community colleges.

According to the Clearinghouse, 81 percent of for-profit students in four-year programs are over the age of 24—“nontraditional students”—versus only 39 percent at four-year private, nonprofit institutions, 27 percent at public, four-year schools, and 34 percent at community colleges. Students at for-profits are also much more likely to be low-income. A 2013 federal study found that more than half of dependent undergrad students at for-profits came from families with yearly incomes less than \$40,000, versus only around one-quarter to one-third at public and private nonprofit four-year institutions, and 41 percent at community colleges.

When you account for the advantages of their students, these “good” sectors get rotten outcomes, too. Clearinghouse data show that only about 70 percent of students who enter 4-year public institutions finish within 8 years, and only about 46 percent finish who start at community college. Even the private nonprofit sector, home of the Ivies, had more than 20 percent of students not finish within 8 years. Meanwhile, public colleges, which are artificially cheap relative to other sectors because they get state and local subsidies—more than \$97 billion in 2017—had more than 10 percent of their borrowers in default within 3 years of entering repayment.

Not only do publics get big direct subsidies, all nonprofits can get tax deductible donations that for-profits can't. Indeed, for-profits pay taxes. That gives the schools so popular with the well-to-do even more advantages. Ivy League institutions, the University of Michigan, the University of Virginia, all had endowments above \$3 billion in 2016, with Harvard's at nearly \$38 billion! And those donations sometimes give the wealthy special entrée. As revealed in filings in Harvard's on-going affirmative action case, even that mega-rich school has given special consideration to applicants that have ponied up big bucks, or whom officials think might do so.

State universities have the added dimension of political favoritism. About a decade ago it was revealed that the University of Illinois maintained a special admissions list—called “Category I”—for the children of the politically influential. The University of Texas faced a dustup in 2015, when it was revealed that the school's president would sometimes overrule the admissions committee and admit students based on “relational factors.”

And just like employees at for-profit schools, traditional colleges have sometimes outright lied to the public, only they weren't beset by state attorneys general and federal law-enforcement, or vilified as a sector. Institutions including Emory University, George Washington, Temple, Iona College, and Claremont McKenna, have sent inflated statistics to U.S. News and World Report—publishers of the nation's premier college rankings—in some cases for years.

Finally, there are the sports. A massive FBI bribery investigation is underway ensnaring college basketball coaches, shoe companies, and top players who increase the earnings of the programs and coaches that put them on the court. The University of North Carolina for years enrolled athletes in “paper courses” requiring no attendance and almost no work. The only thing that kept UNC from being punished by the NCAA—maybe other than being a marquee basketball school—is that the university let non-athletes enroll in the same sham courses.

For-profit higher ed has problems. But when you scrape down a bit, the other sectors seem no more noble, just more presentable in the polite society to which they cater. Maybe this new scandal will help expose the rot beneath the gold veneer.

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