

[Matt Yglesias](#)

Sep 14th, 2010 at 5:55 pm

[The Perfect, the Good and Small Government](#)



Right now, American taxpayers subsidize institutions of higher education via the student loan process. We do this because we think it's valuable to encourage people to improve their human capital. But many people who take out student loans end up defaulting, an indication that their human capital was not improved. At some institutions, default rates are extremely high indicating a systematic institutional failure. The Obama administration, as I've noted several times now, is trying to take this on by saying that the worst-performing schools will be denied subsidies. That should reduce wasteful spending and also create incentives for schools to improve quality.

So what's wrong with that? Well, one fair critique you could make is that Obama administration isn't actually denying subsidies to *all* of the worst-performing schools, it's merely denying them to the worst-performing *for-profit schools*. But still, the policy is what it is—a step in the right direction that's politically difficult to accomplish given the lobbying clout of the for-profit college industry. Adding

non-profit schools might be a good idea, or it might sink the whole concept, and either way the limited reform on the table is worth doing.

That's my take at least. The Cato Institute's Neal McCluskey, on the other hand, is [full of fulminating outrage](#) that the Obama administration tried to do something useful rather than entirely privatizing college education in the United States. He points out that Historically Black Colleges and Universities also have high default rates, but won't be targeted by this reform:

Why do I point this out? Not to pick on HBCUs, but to further illustrate the point that the attack on for-profit schools isn't really about saving taxpayer dollars or protecting students, but going after the easiest target to demagogue – people honest about trying to benefit themselves as much as “the students.” It is also to illustrate, once again, that when we let government fund something, it is political calculus – not educational benefits, economic effectiveness, or what's best for taxpayers – that ultimately drives the policies. **Which is why government needs to get out of the higher ed business that it has made both bloated and, ultimately, a net drain on the economy.**

That conclusion seems dubious to me, but even if you agree with it what's the point of adopting this attitude? Obviously it's true that “political calculus” enters into policymakers' decisions. So is this Obama administration policy a good one or a bad one? I say it's a good one. Is their political calculus that extending it to non-profit schools would be infeasible at this time right or wrong? I'm not sure, but my guess is that they got this right. Does McCluskey disagree that it's a good policy? Does he disagree with their political calculus? How does he know it's not “really” about protecting students? I know Deputy Undersecretary [James Kvaal](#) a bit and I'm pretty sure he's really trying to make higher education better. And given that for-

profit recipients of these subsidies are the “easiest target to demagogue” doesn’t it *make sense* to start there and hope that successful reform will pave the way for more ambitious efforts?

Right-of-center people are correctly outraged by the fact that there’s a lot of ineffective stuff happening in the public sector. But that doesn’t improve if you condemn every single person who tries to improve it as somehow running a scam. Quality of government varies a great deal from place to place and it’s very important.

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11 Responses to “The Perfect, the Good and Small Government”

1. *Simon* says:

[September 14th, 2010 at 5:58 pm](#)

“Update 43675, 43455”

Even Yglesias is counting the number of times it takes for his post to get through!

2. *DMonteith* says:

[September 14th, 2010 at 6:11 pm](#)

I really think the photo should have been the one of the guy

holding the wad of cash with a rubber band around it. We really haven't seen enough of that one lately.

6 Hey, at least "bad gateway" is something new about the fucking comments to be pissed off about... fuckity fuck

3. *tsg* says:

[September 14th, 2010 at 6:47 pm](#)

Why stop at higher ed? Get government the hell out of education business entirely, K-PhD. If there's one thing I know about the education business, particularly public education, is that it is bloated and ultimately a net drain on the economy.

Look at every other advanced society on earth and invariably you will find the most prosperous nations are those who leave the business of education to business interests.

4. *Don Williams* says:

[September 14th, 2010 at 7:04 pm](#)

Re Matthew's comment "Right-of-center people are correctly outraged by the fact that there's a lot of ineffective stuff happening in the public sector. "

So why don't the two-faced cocksuckers at CATO get equally outraged by the fact that there are FAR WORSE THINGS going on in the PRIVATE SECTOR?

Because the most prominent example of failure in America's education system is CATO scholars having to suck rich mens' dicks to make a living.

5. *cmholm* says:

[September 14th, 2010 at 8:06 pm](#)

Well, tsg and Don (preaching to the choir, I know), it's like this:

Cato doesn't care if Obama's policy is a net savings of tax dollars or not, just as the American Life League doesn't care if condoms prevent abortions.

A libertarian wants the government whittled down to contract enforcement and enough DoD to repulse an invasion... and I wouldn't be surprised if the "radical" wing wanted to privatize those functions, too.

So, when someone at Cato whines about public education, it's like the Pope whining about rubbers: I only give it any attention in case I need to rebut the position in public.

6. *iluvcapra* says:

[September 14th, 2010 at 8:28 pm](#)

That conclusion seems dubious to me, but even if you agree with it what's the point of adopting this attitude?

You could simply work with this premise and spit out the obvious conclusion; ideological libertarians hate melioration and practicalities, in the same way that a European socialist, circa 1880, believed having a portfolio in a coalition with liberals and center parties was "caving in to the bourgeois state and betraying the worker's revolution."

Just take any 19th-century socialist line on any state policy, replace "bourgeois" with "dependent," "worker" with "investor," "capital" with "tax," and "class struggle" with "competition," and you will obtain the modern libertarian position on that state policy.

7. *Harold* says:

[September 14th, 2010 at 9:24 pm](#)

Must read from a letter to the Nation:

As a retired teacher, union officer, and reformer, I appreciated “A New Vision for School Reform” [June 14], your special issue on education. But deeper explanation is needed. Schools have not “failed” in their mission. They were designed as inculcation factories; their job was to keep the kids off the streets, teach them work skills and turn our nation of immigrants into one nation – e pluribus unum. They did that job pretty well. After *Brown v. Board of Education*, schools had the task of integrating our society, with which they’ve struggled mightily and had some successes.

8. *Harold* says:

[September 14th, 2010 at 9:25 pm](#)

letter from Nation part 2 continued:

Those schools were more humane, more student-centered than today’s, which aim merely for high test scores. What’s been left out of the story is the mean-spirited retaliation from the right for teachers having entered the political fray, endorsing Carter for president and getting an Education Department. Reagan promised to abolish the department and created *A Nation at Risk*, which blamed the schools for the failures of business. That report was thoroughly debunked, but the press bought the idea that our schools had failed.

Make no mistake: public schools and teachers have become targets. Sadly, some Democrats, including, apparently, President Obama and his education secretary, Arne Duncan, are using bribe money to get cash-starved school districts to agree to rate their teachers by student test scores – as ludicrous as that is – firing people, responsible or not, for our society’s neglect of the poor. Creative, conscientious teachers will be leaving in droves. Good recruits will be harder to come by. And the poverty that kills kids’ chances will still exist. –Jack Burgess, September 10, 2010,

Letter to *The Nation*.

9. *jimbo* says:

[September 15th, 2010 at 6:05 am](#)

We should subsidize for-profit schools when a parent would be as happy their kid got into University of Phoenix as when they got into Amarillo College.

10. *danceswithgoats* says:

[September 15th, 2010 at 7:50 am](#)

I have worked with a lot of HBCU grads. They are uniformly poorly educated.

11. *sam* says:

[September 15th, 2010 at 9:16 am](#)

I think its bad policy. Default rates are overwhelmingly correlated with demographics. By focusing on the bottom 25% of at-risk students, you effectively cut out the neediest (largely minority) students from post-secondary education. Its an ineffective tool to judge student outcomes. Harvard University Medical School and Howard University would both fail the recent ED requirements on Title IV repayment rates targeted at for-profit schools. At a time when community colleges are straining under state budget issues, dumping the bottom 25% of students out of the for-profit system does not appear to me to be good education policy.

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