Show Me the Money!

A Review of

Degrees of Inequality: How the Politics of Higher Education Sabotaged the American Dream
by Suzanne Mettler
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Reviewed by

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Higher education in the United States has become something of a Rorschach test among social commentators. Some see a collection of colleges and universities that includes many of the strongest institutions in the world and that in aggregate is the envy of other nations. Others see a system in rapid decline, beset by mediocrity, avarice, and failure. As a political scientist, Suzanne Mettler is one of those rare subjects who focuses on the white spaces rather than the inkblots. In her book Degrees of Inequality: How the Politics of Higher Education Sabotaged the American Dream, she is interested in the political and policy regimes that define and shape our higher education system. Her book is part history, part political analysis, and an overall argument that current policy rewards institutions—especially for-profit ones—that are not acting in the best interests of the public.

As her subtitle suggests, Mettler’s particular interest is in the degree to which higher education serves as an engine of social mobility. For much of American history, it has been an article of civic faith that education is the means by which each generation moves up the socioeconomic ladder. This conviction motivated some of the most progressive and far-sighted policies ever produced in Washington, DC, including the 1863 Morrill Act that created land grant universities, the GI Bill after World War II, and the elaborate system of loan and grant programs that have grown steadily since the 1960s. The social compact at the foundation of each of these programs is that the public has a strong interest in increasing access to higher education, and, in return, universities will produce a more educated and successful citizenry.

After a period of dramatic growth in college participation rates between 1947 and 1977, the percentage of U.S. citizens with college degrees has remained fairly flat at about 32 percent. Although participation has stagnated here, it has grown rapidly in other countries, leaving the United States currently in 10th place, behind countries such as Norway, Australia, and Korea. Moreover, rates of college completion vary widely by economic status. Whereas more than 70 percent of young adults in the top income quartile earn degrees, only about 10 percent from the bottom income quartile do so. This is Mettler’s major concern: “Our system
of higher education not only fails to mitigate inequality but it exacerbates it, creating a deeply stratified society” (p. 24).

Although this book is purported to be a broad analysis of educational policy and the politics that create it, in fact it is primarily a diatribe against the for-profit higher education industry and those in Congress whom Mettler regards as its enablers. Mettler recounts a number of criticisms of for-profit educators that will be familiar to anyone who has followed their rise over the past 20 years. As a group, they have at times engaged in unscrupulous recruitment practices, exploited a lack of accountability in the student loan regime, and apparently sacrificed educational quality for profits.

The rapid growth of this industry, Mettler argues, has exacerbated disparities in outcomes because for-profit schools cater primarily to low-income students who often get over their heads in debt and either fail to complete their studies or earn a credential of dubious value in the job market. Meanwhile, students from wealthier families are overrepresented at those elite private institutions with the best reputations that provide the best entrée to high-paying careers. In the middle, nearly three quarters of all students attend public institutions where tuition prices have increased dramatically to offset declines in state support. Increasingly, we have a stratified system of higher education that serves to reinforce a student's entering socioeconomic status rather than facilitate social mobility.

The political environment that has led to this situation is characterized by “polarization and plutocracy” (p. 17), according to Mettler. Polarization refers to the political gridlock that makes almost any legislation in Congress impossible to pass. Plutocracy refers to the growing financial power of the for-profit higher education industry, which it has used effectively to gain influence in Congress. In combination, Mettler argues, these two factors have “created a perfect storm that fueled industry profits—and accelerated the devastation for low income students” (p. 99).

I find myself agreeing with Mettler that U.S. higher education is badly in need of reform, but I cannot agree with much of her analysis. To start at the most basic level, it is reasonable to ask whether the higher education system causes disparity in our society or simply reflects it. The case for causation implies that the divergence in economic fortune begins at the moment one enters college, whereas we all know that in fact it starts much earlier in life and is the product of many factors, only one of which is college history.

Beyond this, I have questions about whether polarization and plutocracy are really at the root of our problems, at least as Mettler analyzes these terms. Although it is true that the two political parties agree on almost nothing these days, as Mettler points out, for-profit higher education is one of the few issues that enjoys bipartisan support in Washington. Republicans champion the for-profits as market-based alternatives to public education, and at least a few Democrats applaud the effort to find new ways to expand access. This coalition has made it difficult for President Obama's administration to implement some of the reforms it has proposed, to be sure, but the stalemate is not quite of the same character as in the cases of immigration reform, gun control, or health care. One has the sense that there are real, substantive issues at play here, not simply knee-jerk party politics.

As for plutocracy, it is certainly true that the for-profit higher education industry has used its financial clout aggressively, but there is no shortage of lobbyists working on behalf of other higher education interests. And here, I think, Mettler’s determination to make the for-
profit industry the villain of her story gets in the way of a broader examination of public policy and the vested interests that influence it.

Mettler discusses two kinds of public investment in higher education: student loan programs and direct state support for public institutions. However, there is a critical third kind of public investment that escapes her attention but may do more to reinforce privilege than any other factor. Tax policies that exempt the wealth of private institutions and their donors have played an important role in separating a few elite institutions from the rest of the pack.

Consider the following back-of-the-envelope calculation. The 20 private universities with the largest endowments controlled assets of $170.5 billion dollars in 2012, the most recent year for which figures are readily available (Chronicle of Higher Education, 2013–2014). Last year, university endowments as a whole reported average gains of 11.7 percent (McDonald, 2014), which would yield just under $20 billion in gains for those top 20 institutions. If those investment returns and new gifts were taxed, say, at the capital gains rate of 20 percent, the tax bill would be around $4 billion. A series of quick Google searches would reveal that those wealthiest 20 institutions serve a combined student population of around 342,500, meaning that current policy produces a tax exemption valued at roughly $11,678 per student among these institutions.

Now consider that average direct state support for public universities has fallen to below $6,000 per student (State Higher Education Executive Officers, 2013). In my state of California, for example, this has led to a dramatic reduction in available seats in many courses and programs, and diminished capacity to serve the state’s still growing population.

Finally, consider that the federal government made a profit of $41.3 billion from student loan programs in 2013 (Jesse, 2013)—more profit, in fact, than that made by all but two companies in the world—Exxon and Apple! We tend to talk about student loan programs as if they were equivalent to other kinds of public expense, but this is not the case. Unlike tax exemptions and direct subsidies, loans are, by and large, repaid.

This analysis would need to be substantially refined to withstand close scrutiny, but I offer it here to suggest an alternative thesis to Mettler’s. If one looks at the broad array of policies affecting higher education, it may well be that they most heavily favor those elite institutions that cater primarily to wealthy families and that boast proudly that they turn away up to 95 percent of their applicants as proof of their exclusivity. These institutions do not, for the most part, view broadening access (in terms of enrolling greater numbers of students) as a part of their public obligation; as a result, the benefits of their growing wealth are bestowed on a relatively fixed and comparatively small number of lucky students.

One can only imagine the ferocity of the reaction if politicians were to consider changing this system. Meanwhile, states have found it impossible to increase their direct spending on higher education, leaving it to alternative players to take up the challenge of expanding access. Far from receiving a public handout, the students who avail themselves of loans to attend these institutions are more than repaying the public for its support.

Does this alternative narrative excuse the more rapacious practices of many of the for-profit institutions? Not at all. Here I join Mettler in lamenting the lack of sensible regulatory oversight of this new industry, along with the rest of higher education. Students who put up
their hard-earned money to earn a degree should have a reasonable prospect of completing their studies and obtaining a credential with economic value. This is not always the case now, and the present chaotic oversight regime of accreditors, state governments, and the federal government does not seem up to the task of ensuring even minimal consumer protections. There is no doubt that we need a rational, efficient, and effective method for assessing and ensuring value.

We must also recognize that higher education is a capital-intensive enterprise, and if we take seriously the challenge of increasing access, it will require substantial new investment. This could come from redistributing some of the public largesse bestowed on the elites or by finding more resources in strapped state budgets, but neither of these seems likely. The only other alternative is private capital. We need a system that holds for-profit education fully accountable but also treats it as a necessary, full partner in the effort to expand capacity and opportunity. Only then will it cease being primarily the route for those disenfranchised by other segments of the higher education system.

It is not correct to hold the for-profit industry responsible for growing economic disparity in our country, nor is it correct to overlook the role that support for elite institutions plays in maintaining it. If the broad public policy goal is to create more opportunity for everyone, reform is needed across the board, not just at one end of the spectrum.

References


