ones that need updating. As a nation we will continue to slide away from the greater equality and more widespread upward mobility that characterized the mid-twentieth century, and become increasingly beleaguered by problems that could be mitigated through a reasoned public policy response.

Citizenship in the United States has never come with a guaranteed standard of living or political influence. Historically, however, it has offered the possibility of upward mobility. And it has provided means for citizens to improve their understanding of public life and their capacity to participate in it, thereby enhancing democracy. Not many decades ago, higher education was an important key to this dynamic.51

When the US House of Representative discussed federal aid for the for-profits in February 2011, to those listening in the gallery it might have sounded like this American tradition being revived. The inclusive spirit of earlier higher education policies was echoed, for example, when Edolphus Towns of New York implored his colleagues to vote against federal restrictions on the for-profits: "Supporting this amendment is supporting educational opportunities for minorities. A ‘yes’ vote is a vote for economically disadvantaged students. Many of them are the first in their families to attend college. These students wish to have the opportunity to attend a flexible program that trains them to be the best they can be.”52 This view united him and other members of the Black Caucus together with Tea Party Republicans, who praised the schools as exemplars of the free market. The more telling indication of what was actually at stake, however, may have been provided in the midst of the economic downturn in 2008, when the top for-profit companies experienced growth in their stocks while other major companies posted huge losses. A for-profit analyst at the time noted with satisfaction, "We’ve been trouncing the S&P."53 When elected officials coalesced in the House vote in 2011, they clearly endorsed opportunity for industry elites, but their actions provided little hope for Americans struggling for a better life.
their skills to tests that aren't taught by some liberal college professor."

Washington Post columnist Robert Samuelson criticized what he termed the "college-for-all crusade" that had captivated US policymakers ever since the creation of the GI Bill in 1944. He pointed to the rise of debt-laden college graduates and to recent findings that students in a selected group of colleges showed little evidence of learning—or studying, for that matter—implying that universities had dumbed down academic standards in order to accommodate an increasingly unprepared student body. He lamented, "We overdid it. The obsessive faith in college has backfired." In the Atlantic Monthly, reporter Clive Crook argued that the economic gains to a college degree had "flattened out" in recent years, showing that "college is not an economic cure-all." One report noted that dropping out of college worked just fine for some of the nation's most successful contemporary entrepreneurs such as Mark Zuckerberg, Bill Gates, and Steve Jobs, and the founders of Twitter and Tumbler. Peter Thiel, who left Harvard partway through his freshman year and later founded PayPal, started an organization that awarded $100,000 each to promising visionaries under age twenty on the condition that they would drop out of college and pursue their ideas.

The common theme of these varied complaints is that there is a crisis in higher education and that colleges aren't worth the debt they impose on students. The critics are correct that the United States faces a higher education crisis today, but they miss the mark in identifying what it is. Contrary to claims that we have a glut of college graduates, in fact we are not producing enough. Even more troubling, our system of higher education is exacerbating inequality in the United States in multiple ways.

Understanding why higher ed has gone off course requires us to put American politics front and center. The higher education policies created by earlier generations still endure but require maintenance, updating, and rerouting if they are to function effectively. Yet the rise of partisan polarization has undermined the capacity of policymakers to engage in these fundamental tasks. And when lawmakers do legislate, they often cater primarily to powerful monetized interests and wealthy households. As a result, the nation has failed to maintain its historic legacy of expanding opportunity through higher education.

Too Few College Graduates

In the middle decades of the twentieth century, the United States experienced a meteoric rise in the rate of people earning four-year college degrees, as it soared from 6 percent of twenty-five- to twenty-nine-year-olds in 1947 to 24 percent in 1977. During the next two decades, the percentage remained flat. In the mid-1990s, progress resumed but at a more modest rate; as of 2011, 32 percent of young adults had obtained bachelor's degrees. As recently as the 1980s, the nation was the undisputed international leader in the percentage of citizens graduating from college. The baby boomers, born in the decades immediately following World War II, pursued higher education in large numbers. Entering college during the late 1960s and 1970s, they swelled the ranks of college students and became the most educated members of their generation worldwide. As shown in Figure 1.1, in 2010, 32 percent of Americans between fifty-five and sixty-four held four-year college degrees, a higher percentage than citizens in the same age group in any other nation. (Norway claims a distant second place, with 25 percent of its citizens in that age group as college graduates.)

But among younger groups, the US lead has disappeared. In 2010 Americans between twenty-five and thirty-four had a college graduation rate of 33 percent—a mere one percentage point increase over the older generation. By contrast, young people in the ten nations shown in Figure 1.1 have catapulted over their American counterparts.

Those who claim that the United States is sending too many people to college discount these global historical trends, focusing instead on data points such as how recent college graduates have fared since the financial crisis in 2008. Yet in fact, while 6.8 percent of them suffered unemployment during this period, that figure pales in comparison to the 24 percent of recent high school graduates who were jobless. The
recession accentuated a trend that has been under way for decades in the United States: the loss of good paying jobs for low-skilled workers and the increasing demand for highly skilled, well-educated workers. Since the early 1980s, this development has led to the so-called wage premium for those with college degrees. In 2010, among young adults between twenty-five and forty, those with four-year college degrees earned $40,000 on average compared to $25,000 for high school graduates.11

Moreover, the return from a college degree increases over an individual's lifetime, with the gains in employment prospects and income being only the most obvious and easily measured benefits. One recent study focusing on income estimated that a four-year college degree pays an average return of 15.2 percent annually—far more than average returns in the stock market, at 6.8 percent since the 1950s; or corporate bonds, at 2.9 percent; or housing, at 0.4 percent.12 Those with higher rates of education enjoy better health and longevity.13 They participate in larger numbers in politics and civic life, making their voices heard in the public sphere and providing innumerable services to their communities.14 As economist Susan Dynarski testified to the US Senate Finance Committee in 2011, "A college education is one of the best investments a young person can make. Even with record high tuition prices, a bachelor's degree pays for itself several times over, in the form of higher income, lower unemployment, better health and enhanced civic engagement. Within ten years of college graduation, the typical BA will already have recouped the cost of her investment."15

However, not all college degrees offer these benefits. As we will see shortly, some institutions produce poor results for their students and interfere with what is otherwise a clear pattern of success. In the main, however, the evidence is quite unequivocal: the United States needs to increase the percentage of its citizens who attain college degrees.

**Graduating Inequality**

If we look more closely to see who completes college today, we find that the ranks of college graduates reinforce income inequality. Figure 1.2 shows the rates of four-year college degree attainment by age twenty-four among individuals who grew up in families in each quartile of the income distribution in 1970 and in 2011. While we would expect that those from more affluent backgrounds are likely to attain more education than those who grow up poor, the extent of their advantage over the bottom three-quarters of the income distribution is striking. For those who grow up in high income families today, going to college is a routine part of life—like getting childhood immunizations—and the vast majority of such individuals, 71 percent, complete their bachelor's degree in early adulthood. Among those in the upper middle income quartile, this same achievement, though more than twice as common as it was forty years ago, is still relatively unusual, reaching just 30 percent. Among Americans who have grown up in households below median income, the gains since 1970 have been meager: those in the lower middle quartile have increased their graduation rates from just 11 to 15 percent, and among those in the poorest group, from 6 to 10 percent. All told, degree attainment among upper income households so dramatically outpaces that of low- and
Middle income people that the percentage who obtain diplomas among the top income quartile is greater that of the other three quartiles combined.\textsuperscript{16} Our system of higher education not only fails to mitigate inequality but it exacerbates it, creating a deeply stratified society.

The unimpressive gains in graduation rates for most Americans have occurred despite the fact that access to college—being admitted and then enrolling—has improved dramatically over time, including among the least advantaged. Increasing enrollment is in part attributable to sharp increases in high school graduation rates, particularly among lower income groups, as many more now possess the necessary qualifications for higher education. In 2010, 83 percent of all eighteen- to twenty-four-year-olds had earned a high school diploma or equivalent certification, and this included 73 percent of those in the bottom quartile—a nearly 20 percent improvement since 1970. Once individuals graduate from high school, most of them now continue on to college—75 percent of eighteen- to twenty-four-year-olds as of 2010. Here again, the biggest recent gains have been made in low income groups. Among students who enroll, however, completion rates by age twenty-four hover at only 47 percent. In effect, more students are starting college but they not graduating. Here economic inequality becomes apparent: nearly all of those from the highest income group who start college—97 percent—gain diplomas by age twenty-four, a stunning improvement of forty-two percentage points since 1970, compared to just 23 percent of those in the bottom quartile, a mere one percentage point improvement over the same period. Those in the second quartile fared little better, with only 26 percent reaching graduation by age twenty-four; and even in the third quartile, just over half (51 percent) completed degrees in a timely fashion.\textsuperscript{17} In short, completing college, or at least doing so promptly, eludes most young people from low and moderate income backgrounds.\textsuperscript{18}

Such outcomes may appear, at first blush, to indicate that our societal emphasis on the importance of college is misplaced. Certainly college is not for everyone and it should not be viewed as the only acceptable path following high school. The United States could do a far better job of linking those who are not college bound with jobs, a point made by James E. Rosenbaum in his insightful book, Beyond College for All.\textsuperscript{19} But others who criticize calls for increased college attainment insinuate that those who fail to enroll or fail to complete college are simply not motivated. “School bores and bothers them,” writes Robert Samuelson.\textsuperscript{20} Richard Vedder claims that “college graduates, on average, are smarter and more disciplined and dependable than high school graduates.”\textsuperscript{21}

Without a doubt, the nation could do better by those who do not have an interest in or aptitude for college. However, the implication that less advantaged students fail to graduate owing to a lack of motivation or incompetence misses the mark. When we look closely at the link between income and college graduation, we find that more is at play. Certainly young people from higher socioeconomic backgrounds are typically better positioned to excel in the prerequisites for college admission and success.\textsuperscript{22} They are more likely to attend better primary and secondary schools. Their parents invest heavily in providing enriching
extracurricular opportunities, including music lessons, travel, summer camps, and so forth. Not surprisingly, they earn higher grades and do better on standardized tests than those who grow up without such privileges. Yet scholars have found that even among individuals with the same academic credentials, those from less advantaged families are less likely to gain college degrees. As Figure 1.3 shows, of students with high test scores, the vast majority from the highest income group graduate, while just over half of those in the middle income group and just a small majority of the rest manage to complete college. In fact, the college graduation rates of high-scoring low income individuals, at 30 percent, barely surpass those of low-scoring high income individuals, at 29 percent. Among students who enroll, attrition occurs most dramatically among those from families below median income. Clearly there must be something else going on here other than the weeding out of the unqualified and unmotivated.

**Figure 1.3. It's Not All About Aptitude: Percentage of Students Who Received A Four-Year College Degree or More, by Test Scores and Income, 2000**


In fact, ample evidence reveals that neither changes in college readiness nor shifts in the demographic characteristics of college students go very far to explain the unimpressive college graduation rates. A rigorous study by a group of economists, for example, found that rising tuition in public sector colleges bears most of the blame for this development. In addition, it shows that rising costs compel more students to work longer hours to finance their education, which makes it difficult for them to carry enough credits to graduate in a timely manner, if at all. Illustrating these trends, in 2013 students at Central Connecticut State University braced themselves for a 4.1 percent increase in tuition and fees—$19,897 per year for those who live on campus. Amber Pietrycha, a junior, already works two jobs per semester on average in order to make ends meet. "Eight hundred bucks for me will bring it close to the line where I'm not entirely sure I could do it," she said. Sophomore Salam Measho agreed, explaining that the increase "means I'm going to have to work more hours on weekends back home. That means less time studying. That's too much of a strain on myself." These developments are not inevitable, as demonstrated by a special program at the University of North Carolina–Chapel Hill that provided extra financial support to low income students, and significantly boosted their graduation rates.

Not long ago, the United States led the world in promoting higher education for its citizens, spurring social mobility in the process. Many who grew up during the middle decades of the twentieth century became the first in their families to go to college. Many were assisted by generous GI Bill benefits or Pell grants, and all had access to public universities and colleges with affordable tuition. Their lives were often transformed as they gained jobs, income, and opportunities to participate in public life that had been beyond the reach of their parents.

Today, however, the United States has evolved into an international outlier for its lack of such mobility. A group of researchers compared ten countries in terms of the quality of children's lives on multiple dimensions—economic status, educational attainment, socioemotional well-being, and so forth—and found that in the United States quality of life was more determined by parents' level of education than in any of the
other countries investigated. In fact, the single most powerful relationship they detected was between the educational level of American parents and the subsequent level of education attained by their children: more than anywhere else, the vast majority of children fortunate to be born to highly educated parents acquired high levels of education, and conversely, the children of those with little education were penalized by receiving little education. They concluded that the United States is "the country with the least intergenerational mobility and the least equal opportunity for children to advance." For those who are left behind, the consequences are severe. As recently as 1980, a male with a college degree earned about 20 percent more on average than one with a high school degree; by 2011, the difference had grown to 45 percent.

Citizens of the United States cherish the ideals of social mobility and opportunity that are widely associated with the "American dream." Many consider the chance to attend and graduate from college as both an end in itself—a manifestation of that ideal—and a crucial means toward its fuller realization over the course of a lifetime. In the middle of the twentieth century, federal student aid policies and public support of state-run colleges and universities helped make a college education possible for growing numbers of individuals across the income spectrum. Now, more individuals than ever from every income group pursue a college education. But for most of those who do from the bottom half of the income spectrum, the effort proves futile. Their greatest obstacle to completing a four-year degree is not lack of ability or motivation, but insufficient financial support. As nearly all of those in the most affluent quarter of the population earn their diplomas in short order and reap the benefits of doing so, social stratification becomes more deeply entrenched. For those who born into modest means, the gaps that separate them from the upper echelon grow increasingly insurmountable.

### Not All College Degrees Are Created Equal

If poor and middle income Americans are now finding it difficult to graduate from college, it's also true that those who do manage this feat often have a very different experience than their wealthier peers, depending on the institution they attend. In recent years, the gap has widened between what different types of institutions offer their students. In terms of faculty-to-student ratio, money allocated per student, class size, and general approach to learning, colleges are growing increasingly disparate. In addition, as seen in Table 1.1, institutions vary dramatically by sector in terms of the published "sticker price" for tuition and fees; the percentage of students who graduate within 6 years; and the extent of their reliance on student loans and indebtedness. Differences among colleges, therefore, are also exacerbating inequality.

### Table 1.1. Disparities in the College Experience, by Sector

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The Upper Tier

Students from high income backgrounds increasingly attend elite private universities and colleges and the flagship public universities—those with national and international reputations. This trend has accelerated in recent decades, driven by these colleges’ use of sorting mechanisms such as SAT scores that identify a select student body from across the nation, by their selective reputations, as confirmed in *U.S. News & World Report* rankings, as well as by the availability of abundant resources to attract affluent students. At the most prestigious institutions, 70 percent of students come from the top income quartile and although the percentage from the bottom income quartile increased between 1994 and 2006, it changed only from 3 percent to 5 percent. Overall, both highly selective and very selective colleges enrolled a slightly higher percentage of students from the top quartile in 2006 than they did in 1994, while the percentage of students from households below median income at these colleges remained unchanged. Meanwhile, the percentage of white students at less selective and noncompetitive institutions declined from 79 to 58 percent between 1994 and 2006 as they flocked to more elite ones.

The costs of tuition, room, and board at private, nonprofit institutions now run as high as $62,000 per year, and yet this “sticker price” can be misleading. In fact, only some of the most affluent students pay full freight, whereas most students pay considerably less because they receive a financial aid package based on either merit or need, or both. In 2012–2013, the average private nonprofit college had published tuition and fee charges of $29,060, but in fact the average student—afer receiving grant aid and tax benefits—received a bill of only $13,380. Nationwide, the average “discount rate,” as this reduction in charges is called, reached an all-time high of 45 percent in 2013. As a result, the list price of the nonprofit colleges in particular overstates what most students actually pay.

The advertised prices of attending these universities may actually understate the value of what many of them offer their students. Some devote far greater resources to students than even their full-paying students contribute: the most selective colleges spend up to $92,000 per student while the least selective colleges spend approximately $12,000 per student. Students attending the wealthiest 10 percent of institutions pay just twenty cents for every dollar spent on them, whereas at the other end of the spectrum, students contribute seventy-eight cents for each dollar. Private nonprofit institutions have been able to increase their spending per student by as much as 11 percent on average in recent years at research universities. Although slowed somewhat by the economic downturn, they have also invested considerably in improving their buildings and facilities, hiring new faculty, funding programs, and in other ways enhancing the experience of the mostly affluent student body.

Degrees from elite institutions generally yield the most impressive returns for their graduates: their earnings are 45 percent higher than those who receive college degrees elsewhere, and they produce a disproportionate share of the nation’s top corporate and government leaders. The impact of these institutions for the few low income students who attend them, relative to those who attend elsewhere, are particularly impressive. These colleges and universities bear the hallmark of excellence, and those fortunate to attend them typically reap considerable value from doing so.

Certainly the sector classified as “private nonprofits” in Table 1.1 includes a wide array of colleges beyond the elites, and some of these admit more students of modest means but serve them poorly. They may do little to supplement low income students’ Pell grants, charging them tuition that is very high relative to their family income, such that they take on excessive debt to attend. Some of these colleges could afford to help them but instead use their own resources to offer financial inducements to students with high SAT scores—a strategy that helps them to move up in the *U.S. News & World Report* rankings—and they also provide incentives to those who will pay nearly full tuition. Other nonprofit schools are cash starved and simply cannot offer extra assistance to students in need. The most problematic among this latter group have earned the reputation of being “drop-out factories” because
while they enroll many low income students, so few graduate; approximately thirty nonprofits have abysmal graduation rates of 20 percent or lower.45

Generally, however, nonprofit private colleges serve most of their students well. Although the vast majority of their students—69 percent—must borrow student loans to attend, in fact they borrow far less than students pursuing the same degree at public and for-profit colleges. Moreover, these schools feature the highest graduation rates—65 percent on average complete their degrees in six years—and they have the lowest default rates, only 7 percent. Certainly the higher income status of many of their students contributes to these outcomes, but so does their comparative advantage in offering financial aid and substantial resources to students.

**Gutting Public Sector Colleges and Universities**

The nation’s vast network of public universities and colleges, by contrast, have faced scarce resources over the past two decades as states have balanced their budgets by reducing their commitment to these institutions. Throughout the mid-twentieth century, these schools paired low costs with high quality for the vast majority of those attending college, particularly those from low and middle incomes. The flagships among them—especially renowned institutions such as the University of Michigan and University of Virginia—emulate private nonprofit universities, raising private donations from their alumni to make ends meet. But most public institutions lack such capacity. As a result, the gap between what the average public university and the average private nonprofit university can offer their students has widened considerably. In 2010, private nonprofit four-year universities spent $46,700 on average per student compared to $36,400 at public four-year universities and $12,400 at community colleges.46 These differences manifest themselves in myriad ways, perhaps most obviously in the student-faculty ratio, which varies from 18 to 1 in highly selective private colleges to 22 to 1 in public flagship colleges, 28 to 1 in other public four-year colleges, and 57 to 1 in community colleges.47

As a means of dealing with budget shortages, public universities have turned increasingly to online teaching, which enables them to offer courses to many more students and at dramatically reduced costs.48 As of 2011, 89 percent of four-year public universities had already provided online classes compared to only 60 percent of four-year private nonprofits.49 Proponents believe this approach is nothing short of evolutionary; writes Thomas Friedman in the *New York Times*, “Nothing has more potential to lift more people out of poverty—by providing them an affordable education to get a job or improve in the job they have. Nothing has more potential to unlock a billion more brains to solve the world’s biggest problems. And nothing has more potential to enable us to reimagine higher education.”50 The actual value of distance education compared to traditional methods, however, remains in question. Scholars who evaluated the performance of 40,000 students in 500,000 online courses found that those who enrolled in online courses were more likely to drop the courses than those who took the same course in person. Assessing students in various subgroups who enrolled in such courses, they found that members of all groups performed less well than they did in traditional courses, but that the impact was most severe for men, African Americans, and those with weak academic credentials.51 These results are particularly troubling because such individuals are already underrepresented among college graduates. This suggests that as public universities move to online education, graduation rates among students who already face challenges in college completion may continue to fall, unless substantial efforts are made to provide student support.

**The Growth of For-Profit Schools**

Meanwhile, a rapidly growing proportion of American college students, particularly those from less advantaged backgrounds, have been flocking to for-profit colleges.52 The earliest degree-granting private for-profit institutions were founded in the late nineteenth and early twentieth centuries, such as Strayer University in 1892 and DeVry in 1931. In the
1970s, they enrolled only 0.2 percent of students and still in 1993, just 1.6 percent. But by 2005 their share had grown to 5.1 percent and then soared to 9.6 percent in 2010.\textsuperscript{53} There were only 343 for-profit colleges in 1990; by 2009 that number had risen to 1,199.\textsuperscript{54} The largest of them, owned by the Apollo Group, is the University of Phoenix, which enrolled 395,361 students in 2008-2009—nearly eight times as many as the largest traditional campuses such as Arizona State, Ohio State, the University of Texas-Austin, or the University of Minnesota.\textsuperscript{55}

What has driven the growth of this sector? Advocates explain that it is addressing unmet needs, serving the educational needs of an underserved population. Not everyone possesses the aptitude to succeed at a traditional college, it is argued, but they still require skills training to make the transition from high school to employment. According to this narrative, the for-profits step into this void by offering practical training in areas such as criminal justice, information systems and technology, and health-related fields. They strive to accommodate their student bodies, which consist of a higher percentage of older students, those already shouldering employment and child care responsibilities, as well as many from minority groups and disadvantaged backgrounds. They have accommodated these students’ busy schedules and learning needs by providing opportunities to take just one or two courses at a time, making extensive course offerings available year round, and finding enough instructors to teach as many students as wish to enroll in a particular course. Kaplan CEO Andrew S. Rosen says in his book Charge.edu: Rebooting for the New Talent Economy that “private-sector institutions have shown more nimbleness, more innovation, and more commitment to learning outcomes than just about any institutions on the American higher education scene.”\textsuperscript{56}

Unfortunately for many students, the reality of these schools has not matched the rhetoric. They have had experiences like that of Sandra Muniz, of Davis, California. In 2007 the forty-three-year-old emergency room clerk decided to pursue additional training. “I needed some skills so that if I got laid off I’d be able to find another job.” She enrolled at Heald College, a for-profit institution, borrowing $10,000 to pay for a three-month program in office skills. But when she finished the program, she couldn’t find a new job that would use the skills she had acquired. No problem—Heald enabled her to borrow again so that she could enroll in a criminal justice program, with the intent of transferring to Sacramento State to finish her degree. But then she discovered that Sacramento State would not accept most of her credits from the for-profit institution. Afterward, with no degree, $19,000 in student loan debt, and a job that barely allows her to pay the interest on her loan, Muniz says of the college she attended, “I feel very scammed. They pay more attention to the profit for them, not the students’ education.”\textsuperscript{57}

How do the for-profits fail so to live up to their promises? For one thing, the tuition they charge, typically much higher than the cost of comparable programs at public sector colleges, vastly surpasses what students can repay after acquiring their degrees. The nonprofits and public institutions, not being driven by the profit motive, invest extra revenue back into their operations—for example, in the form of student financial aid, new buildings, or enhanced programs. For-profits invest only $2,659 per student in instruction, compared to $9,418 by public colleges and $15,289 by private nonprofits.\textsuperscript{58}

The for-profits instead focus on recruitment, seeking to enroll as many students as possible. Various investigations, including undercover operations by the Government Accountability Office (GAO), revealed that these schools have often lured students through high-pressure and deceptive practices, and sometimes outright fraud.\textsuperscript{59} Out of fifteen colleges investigated by the GAO, thirteen provided deceptive information to applicants, implying guaranteed jobs for their graduates or inflated earnings for those employed in the fields for which they offered training. One college told an applicant for an associate’s degree in criminal justice that he would be poised for a job with the Federal Bureau of Investigation or Central Intelligence Agency—both organizations that strongly recommend at least a bachelor’s degree for candidates to be considered for positions as special agents. A beauty college informed an applicant that barbers earn $150,000 to $250,000 annually—whereas in fact 90 percent make $43,000 or less.\textsuperscript{60}
Once enrolled, almost all students at for-profits—94 percent of those who attain bachelor’s degrees and 97 percent who earn associate’s—borrow federal student loans in order to afford the tuition, as shown in Table 1.1. This compares to 33 percent of students at community colleges, 58 percent at four-year publics, and 69 percent at four-year private nonprofits. Moreover, the students at the for-profits borrow much larger sums: in the case of bachelor’s degrees, 2008 graduates had gone in debt by $32,700 on average, compared to $17,700 by students in private nonprofit colleges and $22,400 by those in public institutions. Among those in associate’s degree programs, the for-profit graduates incurred more than twice as much debt as graduates of community colleges: $18,800 on average, compared to $7,100.

In spite of this price premium, there is little evidence that the training students receive at for-profit institutions does much to enhance their earnings. Contrary to recruiters’ promises of high job placement rates and future pay, those who attend for-profits—as evidenced by recent studies—experience higher unemployment rates than those who pursue training in the same subjects at other institutions. And when they do attain jobs, they make lower wages. Defenders of the for-profits have argued that such outcomes simply reflect the fact that their institutions serve students who are more disadvantaged from the start. Yet some studies controlling for such differences found that students who attended for-profits fared worse in the job market later on. One found that comparing two students with the same backgrounds, the one who attained her training at a public or not-for-profit institution reaped significantly higher wages later on, while the one at the for-profit college failed to experience increased earnings. We do not know the extent to which these differences may be the result of superior training in the traditional colleges compared to the for-profits; they may emanate primarily from the stronger reputation that more established, better-known institutions enjoy in the eyes of employers. And at least one study found no evidence of an earnings gap between those who attended the different institutions. What we can say with certainty, however, is that even if graduates of for-profits fare as well as others in the job market, they face greater financial challenges given the much higher debt levels they have assumed in acquiring their education.

Not surprisingly, therefore, students who acquire their education at for-profit colleges are more likely to default on their loans. Nearly one in four borrowers who attends a for-profit defaults on his or her student loans within three years; over time these students account for nearly half of all defaults, with taxpayers left bearing the responsibility. Student loans are a form of debt that, since 1998, may not be forgiven in bankruptcy. As a result, a large proportion of those who attended for-profits find their lives in financial ruin.

These problems of the for-profits are not limited to just a few bad apples among them. High levels of student borrowing and default pervade the sector. To put this in perspective, of the 1,635 private nonprofit colleges, 2 percent have default rates over 30 percent, and 6 percent over 20 percent; by contrast, among the 1,806 for-profits, 15 percent have default rates over 30 percent, and 44 percent over 20 percent. In fact, it is difficult to find sterling examples of for-profit schools that genuinely serve low income students well. The Washington Monthly, which provides rankings of colleges and universities, scoured its list of 1,572 and came up with a group of 349 that they call “best-bang-for-the-buck” colleges, because they “do the best job of helping nonwealthy students attain marketable degrees at affordable prices,” as indicated by the percentage of students with Pell grants, graduation rates, and default rates relative to actual prices student paid for tuition. Only one for-profit college, Trident University International in California, made it onto this list, ranked 170th.

As colleges grow more stratified, more differentiated in their accessibility to different socioeconomic groups and in what they offer them, they are generating greater inequality in American society. At the upper end, the elite private universities and colleges and the nominally “public” flagships that benefit from ample private donations attract affluent student bodies. For most students, the high costs they charge are quickly offset by the high value and high returns they offer. The wide middle tier of public colleges and universities, those attended
by nearly three out of four of the nation's college students, are under duress. These traditionally "low cost, good value" alternatives to the elite institutions have suffered from sharp reductions in state funding, forcing tuition hikes and straining resources. The developments have greatly impeded the nation's ability to improve educational attainment, particularly among low to moderate income young people and the growing proportions of African American and Hispanic students who enroll in public colleges. The bottom tier of for-profit colleges, like the nonprofit privates, charge high costs but, unlike them, invest little in students. And students can pay these costs only by taking on debt, at amounts that the jobs their degrees attract leave them struggling to pay.

In sum, the debate over the value of college is meaningless unless these distinctions of cost and value are taken into account. Even at their high cost, degrees in the private nonprofits offer high value for most graduates, although exceptions exist. Conversely, the students most likely to be left with enormous debt and limited job prospects are those who attend for-profits. Students thus emerge from these different institutions even more unequal than before. And for those who attend the schools at the bottom rungs, typically students who hoped that they could improve their lives if they pursued an education, the experience and its impact are an egregious affront to the legacy of expanded opportunity through education.

The nation's growing concern about student loan debt and about the value of a college degree blind us to what has really gone wrong in higher education. We are not producing too many college graduates but too few, especially from the bottom three-quarters of the income distribution. Low and middle income Americans are more likely than ever to enroll in college, but only those in the top income group boast strong completion rates. And even among those who do graduate, the growing disparities between different types of colleges and universities further exacerbate inequality. The higher education crisis in the United States points to the demise of opportunity and the emergence of a society with caste-like characteristics. This bodes ill for the nation's economic future, indicating that we will likely fall short in meeting the demand for a highly educated workforce. More fundamentally, if Americans born to privilege are guaranteed to maintain their status but those born on the margins of society have little hope of improving their circumstances, the American dream is called into question. Because education powerfully affects who exercises a political voice, the quality of our democracy itself is at stake.

A SUPPORTIVE PUBLIC

Given that our political representatives in the past supported policies that promoted higher education, we might think that their unwillingness to continue this tradition in recent decades reflects the public's desire to reverse course. But poll after poll shows a consistent level of support. In 2012, 81 percent of Americans told pollsters they agreed that "our government needs to invest more in America's higher education system." This included majorities of both Republicans (64 percent) and Democrats (91 percent). Sixty-six percent also concurred that "cuts in funding to public universities and colleges have lowered our country's standing as a global leader in education."

Over time, Americans' support for government's role in helping students to afford a college education appears to be holding steady and, by some counts, growing stronger. A 1986 poll asked respondents, "If you had a say in making up the federal budget this year, for which of the following programs would you like to see spending increased and for which would you like to see spending decreased?" Thirty-nine percent of Americans answered that "federal spending on financial aid for college students" should be increased; by 1996, that number had increased to 53 percent. In 2007, 70 percent told pollsters that "spending tax money to provide a college education for those who can't afford it is a good idea"; 59 percent of Republicans and 69 percent of high income people concurred. This may reflect the fact that the vast majority of Americans today believe that a college education is important
for “finding a good job” (75 percent) and for “having job mobility and success throughout life” (74 percent).72 Favorable views about policies that facilitate college-going fit squarely into the broader framework of American public opinion. Scholars have found that while Americans generally express little enthusiasm for a widespread redistribution of wealth or for policies that aim to ensure equal outcomes, they consistently support the idea that everyone, regardless of their social group, should have an equal chance to achieve.73 For instance, majorities of Americans have consistently agreed over time that “our society should do whatever is necessary to make sure that everyone has an equal opportunity to succeed.”74 Education generally is viewed as a “key ingredient in equality of opportunity and as a public good, not just a benefit of individual citizens,” and support for spending on it has grown over time.75 Graduating from college is viewed, by the vast majority of Americans, as “definitely part of the American Dream,” as indicated by 75 percent of respondents in a 2011 study.76

Even after the economic downturn that began in 2008, Americans continue to prioritize government financial aid for college students over other spending. Forty-four percent of those responding to a 2011 survey believed that federal spending on financial aid for college students should be increased—a greater percentage than those who favored increases for most other options, including health care (41 percent); energy (36 percent); antiterrorism defenses (33 percent); Social Security (41 percent); rebuilding highways, bridges, and roads (38 percent); scientific research (36 percent); economic assistance to needy people (42 percent); military defense (31 percent); government assistance for the unemployed (27 percent); combating crime (39 percent); and environmental protection (36 percent). The only areas that gained higher support for increased spending were “the public school systems” (56 percent) and veterans’ benefits and services (51 percent).77

In sum, the public has consistently believed that government has a critical role to play in making college affordable and accessible. Americans do not condone developments that place the attainment of college degrees beyond the reach of so many. To understand why the nation has abandoned its policy legacy in higher education, we need to look elsewhere.

The Policyscape and Politics

We are left with a puzzle: Americans continue to value higher education and government support for expanded access to college, and yet trends in the United States indicate that the system is in crisis and that it is exacerbating inequality. More puzzling still, higher education policies that functioned quite well in the past still exist, and yet on balance they are failing to achieve the steady upward progress in ensuring opportunity that they did in the mid-twentieth century. When I began this study, I approached this conundrum like a detective who needed to examine possible culprits and rule them out one by one. I considered factors such as the growing role of money in politics; powerful industries promoting their own agenda; and the demise of broad-based civic associations that in the past helped to articulate the voices of ordinary Americans in politics. Each of these, it turns out, has a role in explaining what has become of higher education policy today, but none of them as leading actors. Neither is this a classic story of the challenges posed by traditional features of the US political system, such as the separation of powers and federalism, although those features do complicate reformers’ plans in this issue area, as they typically have in American politics. None of these factors by themselves explains much about the changes that have occurred in higher education policy in recent decades.78

Policy Effects

The current policyscape, a political landscape cluttered with policies created in the past and dense with the organizations and industries they have promulgated, has fundamentally changed the task confronting elected officials. Policymakers of yesteryear, whether Rep. Justin Smith Morrill of Vermont advancing the land-grant college law in 1862, or
President Lyndon Johnson promoting the Higher Education Act of 1965, faced both the challenges and the opportunities of pioneers. They created such policies at a time when relatively few comparable policies existed. Of course, American public officials—at least since the later colonial period—have always dealt with an established system of higher education and the legacies of existing policies. But today's lawmakers confront circumstances that differ by several orders of magnitude—maintaining a vast, complex array of policies and ensuring that they continue to accomplish their goals effectively. At first blush, this might appear to be an easy task, as if they are merely policy superintendents. Inventive work is typically required, however, to update policies and keep them functioning well.¹⁹

But remember that every policy, when implemented, produces its own new political dynamics, as discussed in the Introduction. Characteristics inherent in policy design may cause policies to evolve in ways that, decades later, reduce their capacity to achieve their goals to the extent they did earlier on. Policies may foster unintended consequences, for good or ill, that change the resources, power, or incentives of some individuals or organizations, and sometimes—through feedback effects—even alter the political landscape. Policy development may be influenced by other, unrelated policies through lateral effects. Or some combination of these dynamics may ensue. In whatever manner policies develop, their existence creates new work for future political leaders.

Almost everything requires upkeep. Anyone who has bought an older house knows that period charm and beautiful woodwork are usually paired with an outdated kitchen and dangerous wiring. An inventive and able renovator, however, can overhaul the house in a manner that preserves its beauty and the integrity of its structure, while repairing problems and updating features that have not withstood the test of time. Such is the case with public policy—it requires maintenance to continue to function as intended. And in the case of higher education, we will see that once-effective policies have evolved, or the context around them has changed, in ways that have undermined their effectiveness and created obstacles to reform.

So policies today need the attention of good renovators. But what if the renovators face the challenge of not just updating but also convincing a polarized body to support the renovations? One of the unrecognized downsides of the great partisan polarization that has developed in recent years is not its effect on passing new legislation, which has already been the subject of much scholarship, but rather on maintaining and revising older laws. And this has created an atmosphere in which only those with political connections to both parties can bring together enough Democrats and Republicans to support their priorities. Those who can accomplish this feat, more often than not, represent the affluent. In this manner, partisan polarization makes our political system lean toward plutocracy.

The Rise of Polarization

The rise of partisan polarization in Congress is a real phenomenon that has been demonstrated by numerous political scientists.²⁰ Members vote with and form coalitions with those in their own parties more consistently than they did in the mid-twentieth century, or even as recently as the 1980s, and they are less likely to cooperate across party lines than in the past. As a result, the voting records of members of each party have grown more ideologically homogeneous and distinct from that of the other party: the most liberal Republican in each chamber is more conservative than the most conservative Democrat, with no overlap between them.²¹ In addition, everyday proceedings in the Capitol have grown bitter and adversarial, as members resort to the routine use of arcane rules to obstruct the other party at every turn.²² Take the Senate filibuster, for example: in the 1950s, the minority party used it an average of one per session to prevent an issue from coming to a vote; that number rose to seventeen in the 1980s, and to fifty-four in 2009–2010.²³ Individual senators also make frequent use of their privilege of putting secret holds on bills, preventing them from coming to a vote by objecting to some issue privately to the Majority Leader and insisting on a personal response to it before they will drop the issue.²⁴ The House began to abide by the
so-called Hastert Rule whereby the Speaker would only bring legislation to the floor for a vote if it had the support of the majority of the majority party—a clear impediment to bipartisan lawmakers.  

Note too that contemporary polarization has an asymmetric quality: since around 1980, the Republican Party has veered far more sharply to the right than the Democrats have moved to the left.  

Democrats had already drifted in a more liberal direction in since the 1960s, particularly as they lost the conservative southerners who dominated party leadership posts in the mid-twentieth century.  

After President Lyndon Johnson signed the historic Civil Rights Act of 1964 into law, his aide Bill Moyers found him surprisingly melancholy. Johnson offered a prescient rumination: “I think we just delivered the South to the Republican Party for a long time to come.” This transformation did not happen instantly but over time, as most southern Democrats in Congress were replaced by Republicans. Other dynamics were also involved in altering the base of the two parties. For example, since 1980 social conservatives have allied with fiscal conservatives in the GOP while northerners have increasingly identified as Democrats.  

The Democratic Party today remains a “big tent,” a diverse coalition of moderates and liberals. Republicans, by contrast, have lost nearly all of their moderate members, and those who remain in office—whether newly elected or, in many cases, old-timers such as senators John McCain and Orrin Hatch—have become more extreme in their policy positions and voting behavior over time. 

Republicans’ rightward shift accelerated after the 1994 midterm elections, when the GOP won control of both houses of Congress for the first time since 1954. Speaker Newt Gingrich and other leaders sought to preserve their victory by adopting an aggressive approach to party discipline. The rapid decline in the ranks of moderate Republicans became evident, said former senator Lincoln Chafee of Rhode Island, in the size of a group who lunch together: “It started in the 80s and 90s with a much more robust lunch of moderate Republicans, but through time fewer and fewer, and it got down—when I got there in the late 90s—to five of us.” After the election of Barack Obama, Republicans moved still farther to the right. In Congress the party adopted the priority articulated by Senate Minority Leader Mitch McConnell—to make Obama a one-term president—by insisting on party loyalty on major policy issues. For those who failed to comply, the Tea Party threatened a primary challenge by an even more conservative candidate, in this way several long-serving Republicans lost their seats.  

A polarized body that includes an extreme party has little incentive to care for and upgrade existing policies. Many conservatives in Congress and state legislatures today conclude that the way to deal with policies they don’t like is to permit them to deteriorate over time. Congressional Republicans often resort to a “take no prisoners” stance, abdicating responsibility for policy maintenance and in effect ceding the task to Democrats. Democrats often play the role of centrists, but when in the majority, they typically lack the internal unity necessary to forge the supermajority needed to pass regular legislation in the Senate today. When they do succeed in legislating, it is without the benefit of engagement with a loyal opposition—one that could offer different approaches to the task. These dynamics occurred in Obama’s first term, when the Democratic leadership sought to end bank-based student lending and to use the savings to expand Pell grants. The plan easily passed the House, but a few Democrats in the Senate—under pressure from bankers in their states—equivocated, and the party lacked the sixty votes necessary to withstand a filibuster. Ultimately they managed to bundle the plan with health care reform through special procedures that require only a majority of fifty-one votes in the Senate, and it became law. Republicans, solidly united against the plan, never attempted to shape it in ways that would have made it more satisfactory to them—for example, by considering how to manage either the future fiscal feasibility of Pell grants or administrative issues that might emerge in direct student lending. As this example illustrates, the American public is deprived of the value of a constructive two-party system.  

The Rise of Plutocracy  

The second political dynamic affecting US policymaking today is the rise of plutocracy, as lawmakers are responsive to the needs of powerful industries and wealthy households, and less so to those of the vast majority of Americans. The term plutocracy comes from the Greek for “rule by the few,” and in the US context it was meanly employed to describe the 19th century parties of “patricians,” or “aristocrats,” who dominated Congress, the courts, and the executive branch. The rise of plutocracy today reflects the concentration of wealth and power in the hands of fewer and fewer people, and the willingness of lawmakers to cater to their interests at the expense of the public good. The United States is not alone in this regard; other democracies are also suffering from the effects of plutocracy, as the wealthy and powerful use their influence to secure favorable policies for themselves and their fellow elites, while ordinary citizens are left behind.  

In the US, the most notable example of this dynamic is the role of the Koch brothers, billionaire industrialists who have used their vast fortune to shape public policy and influence elections. The Koch brothers are just one example of the many wealthy and powerful individuals and corporations whose interests are prioritized over those of the public at large. This trend is not limited to the Koch brothers, but extends to a wide range of industries, from energy and finance to healthcare and education. The result is a political system that is increasingly beholden to the interests of the wealthy elite, and a public that is left to bear the consequences of their actions.
majority of Americans. Scholars have observed that elected officials’ votes in recent decades have mirrored the preferences of their wealthy constituents more than others, and that they have taken their cues on various issues from elites and powerful vested interests. Certainly the dramatically rising income of the wealthiest Americans in recent decades gives them abundant resources to invest in politics, and so it is unsurprising that their voices would be most audible to elected officials. By the same token, the cost of running political campaigns has risen steeply, leading public officials to rely on their biggest contributors. The amount organizations invest in lobbying, like their spending on electoral politics, has escalated sharply. Although the precise mechanisms are not clear, it appears evident that “money talks” in American politics, as those with wealth manage to overcome the otherwise paralyzing effects of polarization and have their voices heard.

To be sure, neither the role of money in politics nor public officials’ tendency to respond to powerful vested interests is a new phenomenon in American politics. Historical examples abound of “rent-seeking” by industries, as they seek to promote, protect, or expand public policies that increase their profits. For example, since at least the mid-twentieth century, the real estate industry and home builders have routinely lobbied to protect the home mortgage interest deduction and other features of the tax code that provide people with an incentive to purchase homes instead of renting. The farm lobby and oil and gas industries regularly exert their influence to protect subsidies that benefit them. In addition, scholars have investigated possible instances of “regulatory capture,” meaning that government agencies tasked with regulating the private sector in the public interest are, instead, coopted by those interests. Agencies suspected of catering to the concerns of those they are required to regulate include, for example, the Interstate Commerce Commission, charged with regulating railroads in the nineteenth century and the Securities and Exchange Commission, presently responsible for overseeing the financial sector.

It is a surprising and contemporary development, however, for higher education policy to become in many ways beholden to the interests of the affluent and those motivated by profit. Until the past two decades, American colleges and universities consisted nearly entirely of nonprofit private institutions and public institutions; the for-profit sector involved barely 1 percent of all students. Student aid policies and public institutions helped low and moderate income Americans attend college. Responsibility for reversing that scenario does not belong exclusively to one political party or the other. In the 1980s, most congressional Democrats turned a blind eye as banks and Sallie Mae began to make considerably larger profits from student loans and as the trade schools seized greater opportunities to take advantage of student aid funds. Then by the mid-1990s, Republicans, though ostensibly still the guardians of fiscal conservatism that they were in the Reagan era, abandoned their prior skepticism about the use of government funds by bankers and for-profit colleges, and instead became its ardent defenders. In both instances, they found key Democratic allies who were also willing to channel vast public funds to private entrepreneurs. Meanwhile, on the state level, lawmakers have sanctioned scaling back support for public universities and colleges by refusing to ask those with high incomes to pay more in taxes. The cost of obtaining a college degree has thus been shifted from higher income residents to young people from low to moderate income families, who make up the majority of students at public institutions and are now required to pay much higher tuition. In these ways and others, the political system exhibits plutocratic tendencies as officials act in the service of the powerful and the privileged, sometimes in a bipartisan fashion.

Whereas polarization means that lawmakers leave the policymaking in a state of neglect, plutocracy generates even more invidious consequences. Existing policies offer a treasure trove of opportunities for public officials, even those who were once foes. It can provide them with a source of “patronage,” resources to bestow on those whose financial political support and loyalty they seek. This helps to explain the altered stance of congressional Republicans beginning in the 1990s, when after decades of skepticism toward student aid, they suddenly found a political opportunity in it—the means to cater to banks and for-profit colleges that might in turn contribute to their campaigns. In becoming staunch advocates of
student aid—as long as it was channeled through these conduits—they abandoned their prior argument that such organizations were "milking" the federal government for profits. Now they championed them as businesses who embodied the spirit of free enterprise. In an approach to governance that would be repeated in other issue areas, they vociferously disparage government spending in general, far more than their predecessors did in the 1980s, while just as forcefully condoning it when it benefits particular groups. The 2013 House version of the farm bill repeated this formula—by eliminating the Food Stamp program for poor people while approving large subsidies for wealthy farmers. The selective support of government programs that aid the affluent epitomizes how public officials can utilize the policiescape for plutocratic ends.

When the Occupy Wall Street protestors turned away from their broad focus on inequality and began to concentrate on student debt, their motivation made sense but how they chose to frame the issue undermined their broader intent. By turning the focus to financial challenges facing college graduates during the Great Recession—a group that even then enjoyed employment rates more than three times as high as those of high school graduates—they cut themselves off from the broader issues of inequality that have emerged in American college-going and graduation rates since the 1980s. Nonetheless, their effort to turn attention to financial issues surrounding college attendance was long overdue. After more than two hundred years of promoting higher education, the nation's incapacity to do so effectively in our times represents a departure from a historical legacy that is tied to deeply rooted national values. Despite the fact that college degrees are more linked than ever to opportunities over a lifetime, the American public has been largely silent concerning this radical departure. Tuition increases have elicited student protests on individual campuses, particularly in recent years, but typically those are only small events of limited duration. The public's quietude may owe in part to the fact that what's gone wrong emanates

not from just one policy but many. In fact, to understand it, we need to consider both national policies and state-level ones, and spending programs as well as regulatory policy governing schools receiving aid. We will begin by examining developments involving some of the major policies that constitute federal student aid.