Perspectives on Higher Education and the American Dream: A Review Essay

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RESEARCH ON HIGHER EDUCATION HAS COMPETING perspectives. On the one hand, colleges and universities are the conduits of upward mobility, allowing children of all financial means an opportunity for a better life by discovering advanced information and knowledge, by acquiring research and study skills, and by accessing rewarding jobs and careers. Government encourages opportunity by funding students from every economic background. This vision defines the *American Dream model*, in which each generation improves its financial standing and life satisfaction to a level above the previous generation.

On the other hand, colleges and universities divide families by income, providing access to the best schools for those with accumulated wealth. Low- or moderate-income families are relegated to less prestigious schools, where the resources for advancement are fewer than those provided at better-financed schools. Government and institutional subsidies in financial aid may blunt the trend, but they also saddle low-income students with debt obligations beyond their ability to pay. The pattern of wealthy families sending children to prestigious schools and low- or moderate-income families sending children to two-year or less prestigious schools, or not attending college at all, perpetuates inequalities across generations—the so-called *stratification model*. We explore it later in the essay.

Ideally, social science research would contrast these models, testing which one better explains the circumstances of college students. In *Degrees*

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 DOI: 10.1002/polq.12284

of Inequality,[1] Suzanne Mettler assumes the American Dream model but provides a compelling case that higher education policy and the current partisan divide in Washington distort opportunity for those who stand to benefit the most from a four-year baccalaureate degree. Mettler's case concentrates on the corrupting influence of federal spending on private, for-profit institutions of higher education—a story that began in the early 1970s and continues today.

Chapters 2 and 3 in *Degrees of Inequality* chronicle the "policyscape" of legislative decisions and regulatory efforts in higher education. Building on the success of the GI Bill, which sent thousands of World War II veterans to college, and the National Defense Education Act, which enabled thousands of *Sputnik*-era high school students to study science, the Higher Education Act of 1965 and subsequent reauthorizations created programs to enhance educational opportunity for all, regardless of a student's financial background. Pell Grants, for example, helped fund the education of 9.4 million college students in 2011–2012,[2] and Stafford Loans helped 10.4 million pay for college.[3] Three-quarters of a million veterans have participated in the post-9/11 GI Bill.[4]

Beginning with the 1972 reauthorization of the Higher Education Act, private, for-profit institutions of higher education seized the chance to channel federal dollars toward their bottom line. The name notwithstanding, funding of *private*, for-profit higher education today depends almost entirely on *public* funding! Indeed, lax government regulation requires that only 10 percent of for-profit institutions' funding come from sources other than Title IV of the Higher Education Act.

The consequence of this policy for allocating federal dollars in higher education programs is substantial. By 2011–2012, 21 percent of Pell Grants, 21 percent of subsidized loans, and 37 percent of the monies from the post-9/11 GI Bill went to students at private, for-profit institutions, even though those institutions accounted for only 12 percent of the total postsecondary enrollment. This same 12 percent consumed an additional 21 percent of the unsubsidized Stafford Loans.

And what has been the product of these government expenditures in this sector of higher education? Two years after completion of the programs, 43 percent of the students are in default—and student loans are not forgiven

[1]Suzanne Mettler, *Degrees of Inequality: How the Politics of Higher Education Sabotaged the American Dream* (New York: Basic Books, 2014).
[2]Ibid., 52.
[3]College Board, *Trends in Student Aid, 2012* (New York: College Board, 2012), 18.
[4]Mettler, *Degrees of Inequality*, 52.

even in bankruptcy. The average amount of debt among graduates, including those who did not borrow, after four years was $19,000 in 2011–2012, compared with $15,800 for graduates of public and private non-profit four-year institutions.[5]

The often deceptive and unscrupulous practices of private, for-profit colleges help account for the high levels of debt and loan default. In 2010, the U.S. Government Accountability Office reported widespread misrepresentation among private, for-profit schools to prospective students about the financial value of a degree after graduation, as well as illegal sales tactics such as paying recruiters according to the number of students they enroll and dishonesty in the description of debt obligations and loan repayment.[6]

The immense size of private, for-profit institutions emphasizes the magnitude of the problem. The two universities with the largest enrollments in the United States are private, for-profit institutions. The University of Phoenix, with an enrollment of more than 256,000, has more than three and a half times the number of students as Arizona State University, the largest public university. Ashford University and American Public University, both private, for-profit institutions, the latter's name notwithstanding, are larger than every school in the Big Ten Conference, including Ohio State, Minnesota, Michigan State, Penn State, or Illinois, as well as several other of the nation's largest state universities, such as the University of Texas at Austin, Central Florida, or Texas A&M.[7]

What explains this growth and the recruitment tactics of private, for-profit schools? The schools address an unmet need for a population of students who are underserved in other sectors of higher education. The students are often first in their generation to attend college, immigrants, minorities, low-income, and veterans—the most vulnerable members of society. Private, for-profit institutions resolve several immediate problems by offering flexible schedules, child care, and minimal degree requirements. Public and private four-year institutions, on the other hand, make only limited attempts to accommodate this population, leaving a large market for abuse and exploitation.

Mettler's treatise raises an interesting dilemma: how can government encourage college attendance for those who lack financial resources but restrict federal dollars offering little opportunity for advancement at best or financial disaster at worst. Her answer is that it cannot, or at least it has not.

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[5]College Board, *Trends in Student Aid, 2012*, 19.

[6]U.S. Government Accountability Office, *For-Profit Colleges: Undercover Testing Finds Colleges Encourage Fraud and Engage in Deceptive and Questionable Marketing Practices* (Washington, DC: U.S. Government Printing Office, 2010).

[7]*Almanac of Higher Education 2014–15* (Washington, DC: Chronicle of Higher Education, 2014), 29.

For example, in 2006, Congress eliminated a requirement that private, for-profit schools hold at least half of their classes on campus. The change allowed the use of federal financial aid programs to support online courses, a practice that the inspector general for the U.S. Department of Education warned at the time would increase fraud. Over the next three years, the University of Phoenix and Kaplan University doubled revenues; their default rate on student loans also doubled. Simultaneously, Wall Street reaped rewards from their public stock offerings, executive salaries climbed to corporate levels, and politicians, especially Republican congressional leaders, received large campaign contributions from this sector of higher education.[8]

Mettler uses higher education policy to illustrate a larger case about the political divide in Washington. In general, Republicans are aligned with private, for-profit higher education because it is consistent with an ideology supporting competition among profit-seeking institutions. Democrats, on the other hand, seek to regulate the private sector and protect the people whom the policies are designed to help. This simple ideological framework explains much of the partisan support for private, for-profit institutions since the early 1970s, although the divide is complicated by campaign contributions that go to both political parties whose leaders stymie some reasonable limits on the use of federal expenditures.

In sum, the federal government currently allocates a substantial portion of its higher education budget to private, for-profit companies that have a poor record of producing quality education for those who could benefit the most from a college degree. A system that loads these students with lifelong debt obligations and no credentials or job placement for repayment undermines the very higher education programs that were designed to create opportunity and social mobility. They make a nightmare of the American Dream.

But Mettler's book is a bit confusing about the cause and effect. Early chapters describe the well-documented growth of income inequality in the United States since the mid-1970s. But unlike the economic analysis in *The Race between Education and Technology* by Claudia Goldin and Lawrence Katz,[9] *Degrees of Inequality* is unclear about the causal relationship between the misuse of federal dollars and overall income inequality. Surely the growth of private, for-profit institutions, with its associated dilution of Title IV funds, is not the primary reason for income inequality

[8]Mettler, *Degrees of Inequality*, 107.
[9]Claudia Goldin and Lawrence F. Katz, *The Race between Education and Technology* (Cambridge, MA: Belknap Press of Harvard University Press, 2008).

in the United States. K–12 education, tax policy, housing, racial discrimination, immigration policy, marriage patterns—and indeed, technology—come to mind as additional drivers. Higher education policy and the distortion created by private, for-profits may be pretty far down that list. Indeed, Larry M. Bartels's *Unequal Democracy* remains the most thorough and convincing discourse on the underlying political economic factors creating inequality in the United States.[10] The more narrowly stated thesis of *Degrees of Inequality* is that well-intended higher education policy will not rescue the American Dream for students from low-income families. Politics interferes, and the prospect for change in the immediate future is not good.

To remain true to its title, *Degrees of Inequality* should have also explored a stratification model of higher education. The economic divide among families that frames the chapters of the book begins with the choice of which school to attend—but not just between private, for-profits and everything else. Twenty-five years ago, Steven Brint and Jerome Karabel in *The Diverted Dream* described mechanisms for sorting students beyond high school into economic strata that anticipate their life wages in a segmented labor market.[11] They demonstrated how a four-year liberal arts education is designed for leadership, whereas a community college education conforms to the pressures of business for inexpensive training toward jobs that fall short of financial mobility despite stable employment. That analysis recalls the prior concept of "cooling out" that Burton C. Clark introduced in the early 1960 s. In "The 'Cooling-Out' Function in Higher Education,"[12] he argued that two-year colleges have created a curriculum that is designed to placate students whose aspirations and ambition exceed their academic talent and educational commitment. Thus, a community college tracks students toward technical certificates or two-year degrees, something less than a bachelor's degree and accompanying economic rewards. In this context, the selection of a two- or four-year degree probably perpetuates income inequality more than the deception and fraud arising in the for-profit sector in higher education.

The background of the students selecting two-year institutions tracks the growth of income inequality over the past three decades. The enrollment of nonwhite and foreign students in community colleges doubled from 20

[10]Larry M. Bartels, *Unequal Democracy: The Political Economy of the New Gilded Age* (New York: Russell Sage Foundation, 2008).
[11]Steven Brint and Jerome Karabel, *The Diverted Dream: Community Colleges and the Promise of Educational Opportunity in America, 1900–1985* (New York: Oxford University Press, 1989).
[12]Burton C. Clark, "The 'Cooling-Out' Function in Higher Education," *American Journal of Sociology* 65 (May 1960): 569–576.

percent to 40 percent between 1980 and 2008. The percentage of Pell-eligible students—roughly, students from families in the bottom half of the income distribution—grew from 30 percent to 40 percent of community college enrollments between 1994 and 2009. Thus, the factors associated with students' choice of college follow other established patterns of income inequality in the United States as closely as the growth of funding for private, for-profit colleges.

The nation's top universities also escape scrutiny in their role of creating income inequality. A myth perpetrated in higher education is that schools that admit students without regard to their financial background—so-called "need-blind admissions"—and that provide financial aid so that low-income students can afford to attend—so-called "meet-full-need"—create equal opportunity for all students, regardless of economic background. Some of the wealthiest colleges and universities have even replaced all loans in their financial aid package with grants, guaranteeing that students from low-income families will graduate with little or no debt.

One Ivy League university explains its admissions and financial aid philosophy this way:

> Our primary goal is to work with you and your family in developing a plan to pay for college. We want to help you achieve your goal of attending [this university] and we do not want the cost of attending … to be a barrier to your applying for admission. We understand that paying for college is a concern for most families, and as a result we have outlined a few facts about financial aid.[13]

But need-blind admissions and meeting the full need of all students have not created the access that this institution claims. With devastating headlines, the *New York Times* recently reported that a "Generation Later, the Poor Are Still Rare at Elite Colleges."[14] Differentiating between "access" to college and "affordability" is critically important because many of the wealthiest schools have incredibly generous financial aid packages that make college "affordable" for students from low-income families. Yet only a few of the same schools have simultaneously provided greater "access" by increasing the portion of enrolled students from low-income families. Vassar, Amherst, and Harvard are outliers among these elite institutions; the *New York Times* article points out that each has at least three times the

[13]See Columbia University, "Our Philosophy," accessed at http://cc-seas.financialaid.columbia.edu/eligibility/philosophy, 27 October 2014.

[14]Richard Pérez-Peña, "Generation Later, the Poor Are Still Rare at Elite Colleges," *New York Times*, 25 August 2014.

number of Pell-eligible students as peer institutions with similar wealth. The data suggest that other highly selective schools are doing far less to recruit students from low-income families despite boasting that they are "affordable" to those from all economic backgrounds. The consequence is that only small numbers of students from low-income families enroll at the nation's wealthiest private, nonprofit schools.

Access at highly selective public institutions reflects the same disparity in enrolling low-income students. The University of California System, for example, has an enrollment that is 40 percent Pell eligible, while the University of Michigan has an enrollment that is only 16 percent Pell eligible—coincidentally, the same three-to-one ratio described earlier private elite schools. The underlying reason is the public commitment, or lack thereof, to state funding that has remained relatively high in California but rapidly declined in Michigan; former University of Michigan president James Duderstadt describes the school today as a "state-located university" rather than a "state-funded university."[15] The financial impact is that students rather than taxpayers pay an increasing share of rapidly rising tuition and fees, freezing out low-income students who might otherwise have been admitted in an earlier era.

Policy research in higher education indicates that more than half of the students from low-income families with test scores high enough for admission to the most selective schools never apply, even though their chances for graduation would be high and their price for attending would be low.[16] This finding helps explain why 30 elite schools collectively decreased the enrollment of low-income students by 2 percent between 2003 and 2007, from 15 percent to 13 percent, despite highly publicized changes in admissions and financial aid policy. The largest increase in enrollment—from 20 percent to 25 percent—came from students with family incomes greater than $200,000. Most of these schools recruit from an established list of "feeder schools," which re-create their applicant and admitted pools with the goal of changing neither the profile of enrolled students nor the culture of the institution.

The Obama administration seems to recognize the stratification model as its perspective on higher education. The newly proposed ranking system, for example, should call attention to those institutions that provide value for students from low income backgrounds where current ranking systems,

[15] James J. Duderstadt, *A University for the 21st Century* (Ann Arbor: University of Michigan Press, 2000), 312.

[16] Caroline Hoxby and Christopher Avery, "The Missing 'One-Offs': The Hidden Supply of High-Achieving, Low Income Students," *Brookings Papers on Economic Activity*, Spring 2013, 1–65.

such as US News, reward the institutions that the *New York Times* article calls out for perpetuating inequalities. Additionally, so-called "under-matching" of low-income students to community colleges has gained attention of the White House, making it more than a noteworthy research topic.

In sum, *Degrees of Inequality* makes an important and significant contribution to the higher education literature. It is a comprehensive compilation of the most important, current research from both sociology and economics about unequal access to institutions of higher education. Political science informs the analysis with a focus on the legislation, policies, regulations, and electoral forces that create the unintended consequences of the Higher Education Act. However, it fails to explore the role of the nation's most celebrated institutions or the underfunding of two-year colleges that created an expansive market in which private, for-profit institutions would grow and prosper using predatory recruitment and funding practices.