CHRONICLE OF A DEBT FORETOLD: THE STUDENT LOAN CRISIS AND THE EROSION OF THE AMERICAN EDUCATION DREAM

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Foreword: The title, a pun on Gabriel García Márquez's short novel *Chronicle of a Death Foretold*, refers to a disaster everyone saw coming, yet no one prevented. The pun has been used profusely to refer to various financial debacles in the past four years, from the US national deficit to Mexico's, Argentina's, and various EU nations' financial troubles, and by spontaneous teach-ins in the Occupy Wall Street movement. My own use of the coined phrase refers to the gutting, as in the novel, of an innocent victim, in this case the American student borrower.

List of Abbreviations

CESCR: International Covenant on Economic, Social and Cultural Rights
CESR: Center for Economic and Social Rights
CUNY: The City University of New York
ERIC: Education Resources Information Center, Washington, D.C.
FFEL: Federal Family Education Loan
GAO: Government Accountability Office, Washington, D.C.
HELP.: US Senate Committee on Health, Education, Labor and Pensions
NBER: National Bureau of Economic Research, Washington, D.C.
NCES: National Center for Education Statistics, Washington, D.C.
NELNET: National Education Loan Network
OHCHR: Office of the United Nations High Commissioner for Human Rights
PAC: Political Action Committee
PSC: Professional Staff Congress (CUNY Union)
SUNY: The State University of New York
UC: University of California
UVA: University of Virginia

ABSTRACT

This thesis traces the decline of accessibility, affordability and quality in the American higher education system from the seventies to the present and the growing indebtedness of working and lower middle class students who pursue the dream of a higher education as a passport to a better life. The thesis begins by defining higher education as a human right and traces the development of the American system from its golden years to the end of free tuition in the seventies, the proliferation of for-profit colleges and universities in the nineties, the questionable loan practices of the past ten years, and the recent attempted dilution of academic curricula at public colleges such as CUNY. Through an analysis of government divestment, excessive spending in non-instructional university undertakings, the effect of market policies and corporate structures at universities, and the privatization of student loans, this thesis focuses on the student loan debt which just reached one trillion dollars. Finally, the thesis ponders about the incipient rise of a two-tier education system according to affordability, and ends with a reflection on the deleterious impact on human rights and democracy of diminished access to quality higher education by the working classes in the United States.

1. CHAPTER ONE: INTRODUCTION

> *The States Parties to the present Covenant recognize the right of everyone to education. They agree that education shall be directed to the full development of the human personality and the sense of its dignity, and shall strengthen the respect for human rights and fundamental freedoms. They further agree that education shall enable all persons to participate effectively in a free society, promote understanding, tolerance and friendship among all nations and all racial, ethnic or religious groups, and further the activities of the United Nations for the maintenance of peace.* [1]

Thus begins article 13 of the International Covenant on Economic Social and Cultural Rights of the Office of the United Nations High Commissioner for Human Rights, which lays out the definition and purpose of the right to an education. Article 13.c of Part III refers specifically to higher education, stating that "*Higher education shall be made equally accessible to all, on the basis of capacity, by every appropriate means, and in particular by the progressive introduction of free education*." [2] Though the United States is a signing party to this covenant, it has not ratified it, and thus it is technically not codified as a right in United States law.[3] In fact, free higher education in the City of New York ended in 1976, the very year in which this Covenant entered into force.[4] And yet, having an educated population is a quintessential component of

1 International Covenant on Economic, Social and Cultural Rights (CESCR). Office of the United Nations High Commissioner for Human Rights, Adopted and opened for signature, ratification and accession by General Assembly Resolution 2200A (XXI) of 16 December 1966, entry into force 3 January 1976 in accordance with article 27. http://www2.ohchr.org/english/law/cescr.htm, (consulted 30 April 2012).

2 Ibidem

3 The CESR website states that "*American administrations -- regardless of the broad global consensus to the contrary -- regularly take the position that economic and social rights are merely "aspirational," unenforceable and best approached as a policy matter leaving broad latitude to governments to provide or deny such rights depending on the political context of the moment. On the domestic level, the United States provides no federal constitutional guarantees for economic and social rights, and has yet to ratify the International Covenant on Economic, Social and Cultural Rights*." Available at http://www.cesr.org/article.php?id=53 (consulted 9 July 2012).

4 "*In 1976, as CUNY finally faced an end to free tuition, students marched in the streets of Harlem and boycotted classes for three days, while 13 members of the English*

a stable and cohesive democracy, and provides the means by which the disadvantaged can uplift themselves from poverty and find greater success intellectually and economically to the benefit of society as a whole. We will explore the role of higher education in the development of the United States and trace the place of higher education within the context of the American Dream.

The phrase "The American Dream," first used by James Truslow Adams in 1931 to define "*a dream of a social order in which each man and each woman shall be able to attain the fullest stature of which they can be innately capable*"[5] did not then have the almost exclusive connotations of wealth and power that it has today; on the contrary, it included the expectations "*that our children will do even better than we do—becoming better educated and able to take advantage of living in an upwardly-mobile society.*"[6]

The United Kingdom National Committee of Inquiry into higher education in a published report referred to as the "Dearing Report" attempts to identify the core purposes of higher education by identifying the following goals:

> The aim of higher education should be to sustain a learning society. The four main purposes which make up this aim are:
>
> • *To inspire and enable individuals to develop their capabilities to the highest potential levels throughout life, so that they grow intellectually, are well equipped for work, can contribute effectively to society and achieve personal fulfillment;*
>
> • *To increase knowledge and understanding for their own sake and to foster their application to the benefit of the economy and society;*
>
> • *To serve the needs of an adaptable, sustainable, knowledge-based economy at local, regional and national levels;*

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faculty started a hunger strike [...]." Hartocollis and Moynihan, *The New York Times,* 19 December 2010.

5 Adams, 1931, p. 374.
6 Cammisa, 2011, p. 11.

• *To play a major role in shaping a democratic, civilized, inclusive society.*[7]

Since the deregulation of the market and state divestment from public goods such as education from the end of the sixties, accelerating after 1980 and into today, state and local governments, whose resources were crucial to keeping the costs of education down, have contributed less and less money to public higher education institutions and to financial aid. This has increasingly created a situation where the brunt of the costs of higher education are passed on to the students and their families.[8] But in addition, what has been the role of the higher education sector itself in driving up the costs of tuition payments? To what extent has a business model taken hold of academia and driven university planning and structuring to market policies, and what have been the effects on these changes on higher education? All of these factors as well as the rise of a completely proprietary sector in higher education have contributed their share of making the burden of a higher education one to be weighed against the value of the degree itself, and the financial impact on families already facing one of the great financial crises of our times.

If the United States had been a ratifying party to the CESCR, would this be considered a violation of the human right to a higher education? As student loan debt hit one trillion dollars in total debt in the United States on April 25th 2012, a day colloquially dubbed "One-T day" marked by nationwide Occupy and student protests,[9] the significance of this crisis cannot be overstated. Since the majority of debt holders are young people just starting to make their way in society, what are the implications of entering a shattered job market while shouldering a massive debt burden, which in default can easily double and sometimes even triple or quadruple?

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7 Fielden, 2008, p. 4.

8 See Figures A.A1 and A.A2 for steady increases in higher education tuition in the US, especially in the past two decades.

9 Students demonstrated "with some burning student loan documents and others demanding a right to 'debt-free degrees.'" Honan, "College Students Protest Debt on 'Trillion Dollar Day'" *Reuters*, 25 April 2012, available at http://www.reuters.com/article/2012/04/26/us-usa-colleges-debt-idUSBRE83O1JL20120426 (consulted 25 April 2012).

The current grassroots movement collectively referred to as Occupy Wall Street has been accompanied by numerous student protests against the annually rising costs of higher education, as per Figures A.A1 and A.A2 in the Appendix.

The goal of this thesis is to explore the impact of state divestment and the adoption of market policies on the affordability and quality of higher education in the United States, the changes in the strong public university system created by the Morrill Act of 1862, and the partial dismantling of the GI Bill of 1944[10] which provided college tuition for veterans.

Research Questions. We will explore the current situation of higher education as a public good in the United States as a fundamental element of its democracy, and analyze the deleterious consequences of the erosion in equal accessibility, affordability and quality of American higher education today. Since the deregulation of the market in the 1980s, many areas of the economy have enjoyed preferential tax policies as well as much greater freedom to do business without New Deal[11] era government regulations. Part of the neoliberal ideology behind deregulation holds that the state should divest itself from industry, including public goods such as education and focus only on defense, leaving the rest to market forces.[12] This ideology has led to less federal and state spending on public universities[13] as well as decreased subsidies for private higher education such as federal student loans.[14] These actions have brought about a rise in the price of private and public higher education, putting it out of reach for many lower and middle class families, or subject to considerable indebtedness.[15] To fill the void left by state divestment,

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10 "A Brief History of the GI Bill." *Time*, 29 May 2008. http://www.time.com/time/magazine/article/0,9171,1810309,00.html, (consulted 24 May 2012).

11 The term "New Deal" refers to the socioeconomic reforms introduced under President Franklin D. Roosevelt (1933-45), which included regulations on business and industry as well as the creation of social welfare measures and support for education. See Leuchtenburg, *Franklin D. Roosevelt and the New Deal (1932-1940)* 2009.

12 See Cammmisa, 2011, Charts B2, B3,B5.

13 Bowen et al., pp. 166-191.

14 Bowen et al. pp. 149-165.

15 Collinge, pp. vii-21.

several private sector corporations and endowments have stepped in to fund university budgets, and in the financial aid sector, an entire industry has developed in the past 20 years.[16] The consequences of these actions have been far reaching, not only for the average citizen who wishes to pursue higher education but fears financial risk, but also for the future of a society which faces the prospect of a less educated, more indebted and underemployed population. We will explore the impact of these factors on human rights and democracy.

Methodology of Study

This thesis is not focused from an economics perspective, although major theories in that field will be mentioned in the next chapter. Instead, it will combine several approaches within the central focus of a human rights perspective, since the reasons for the high cost of tuition in the United States are multifaceted and cannot be explained from a strictly economic, legal, or socio-cultural perspective. The impacts through the lenses of these combined fields must be viewed collectively. Using historical comparative analysis as well as longitudinal comparisons of higher education trends in the past forty years, we will highlight trends in higher education funding since the deregulation movement of the 1980's to prior trends from the welfare policies of the Franklin D. Roosevelt administration. Using empirical data such as statistics, we will highlight major changes in higher education as the paradigm changed from a welfare to a market model. Within that context, we will consider how increasing corporate involvement in university boards of trustees, the participation of university financial aid offices in the business of student loans, and the decreased faculty input in academic governance have directly contributed to the current student loan crisis, as well as the increasingly limited accessibility of quality higher education to many low and middle income families. Furthermore, we will discuss how a broader definition of the goals of higher education in the United States (the rise of the “multiversity”) in the middle of the twentieth century contributed to rising costs.

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16 Collinge, pp. 22-51.

We will further consider the impact of changes in government policy, such as the repeated amending of the Higher Education Act of 1965 (Title IV)[17], the erosion of consumer protections, and the recent controversial attempts to streamline curricula at public colleges such as the City University of New York (CUNY) and the University of Virginia (UVA).

Structure

Chapter One defines the right to education as a human right, and specifically the right to higher education as one of the elements of the American Dream of social mobility and full participation in democracy, and identifies the main focus of the thesis **Chapter Two** provides an overview on literature on the subject of American higher education as a component of the American Dream of social mobility and equality, its different categories of institutions of higher education. It further relates the topic of higher education to various theories such as human capital, identifies literature on the market model in academia, and changes in academic governance. **Chapter Three** analyses the rise and growth of for-profit institutions, their share in federal loans, their recruitment strategies and low graduation rates, and their various legal entanglements. **Chapter Four** delves into factors other than state divestment that have contributed to the steep rise in tuition at private and public non-profit institutions over the past thirty years, and the resulting need for increasing financial aid in the form of loans. **Chapter Five** chronicles the development of the student loan crisis as a result of bank deregulation and the parallel erosion of consumer protections. **Chapter Six** deals with recent developments in American higher education as changes in governance have shifted major academic decisions from the faculty to boards of trustees. We will focus on two cases in which boards and faculty were at odds regarding changes in curriculum that downplayed the liberal arts and focused on technical skills. **Chapter Seven** presents the general and cumulative conclusions of this thesis.

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[17] The text of the Higher Education Act (Title IV) is available at http://www.tgslc.org/pdf/HEA_Title_IV_Oct02.pdf (consulted 20 April 2012)

CHAPTER TWO: EXISTING LITERATURE AND THEORETICAL APPROACHES

Much literature and discourse already exists on the state of higher education in the United States today. This work seeks to highlight the key arguments in major studies on the subject and bring them together within the thesis. I intend to connect the various arguments both from economic and non-economic perspectives, regarding the effects of the adoption of market policies and corporate structures on higher education and show how these help us to understand the increased cost of education, the increasing burden of the student loan debt, and the perceived decrease in accessibility of the working and middle classes to quality private and public higher education. Furthermore, this work will gauge the impact on democracy and human rights of this diminished access to higher education, and thus to the formation of an intelligent citizenry and their input in the democratic process.

The concept of the "American Dream," closely linked to the national and international image of the United States as the land of "equal opportunity," is closely associated with education, and particularly higher education, as a means to achieve social mobility and create a society that offers the hope of advancement to all its members. The concept, and its perceived erosion over the past thirty years, has received considerable attention in recent publications and in the reissuing of the original work in which it was formulated. The phrase "The American Dream" was first coined by James Truswell Adams, a colonial historian, in his 1931 book *The Epic of America* (republished in 2001 by Simon Publications). The book chronicles the development of the collective American ethos as it was perceived in the nineteen thirties, before the more ambitious economic, technological and cultural world-dominant role that the U.S. assumed after World War II. Doubtlessly reflecting the groundswell that followed the crash of 1929, Adams reflects on the values that ushered the Franklin D. Roosevelt era of shared wealth and social responsibility. His early comparisons and contrasts of education and values in American colonial times in relation to French and Spanish colonialism single out an early emphasis on applied, practical knowledge, as opposed to classical European university curricula and even cultural life in New Spain (Mexico):

> *The ideal of the possibility of at least an elementary education for everyone came into being, and at the same time the education of the higher class slowly declined. We make much in our history about the founding of Harvard in 1636, but this remained the only institution above an ordinary school in the colonies for nearly sixty years, and was pitiably unimportant in the training it afforded and the scholarship it produced as compared with the universities in New Spain [Mexico]. In fact, nearly two hundred years were to pass before any English institution in America reached the point which the Spaniards had attained even before the English had settled at all.*[18]

He further traces to this early period the "*lasting scar*" or "*permanent spiritual loss*" of "*the feeling developed among the ordinary people that such spiritual satisfactions as the arts can give are mere trimmings of life*".[19] The beliefs of the early Puritan settlers in the Northeast that they were a chosen race added to "*this burning belief in their own superiority"* and their disdain for cultivated tastes that had no practical applications: "*Practically all the settlers at first had belonged to the middle or laboring class, with the somewhat narrow point of view that belongs in general to them."*[20] Though this work from 1931 is somewhat outdated and predates the role prestigious American universities would perform in cultural leadership since the later thirties and forties, as well as the creation of the National Endowments for the Arts and Humanities for the furthering of the liberal arts, it does offer an insight into the continuing ambiguous perception of higher education and its role in American society that would point the way to the creation of land-grant agricultural and mechanical colleges in the 1800's, the development of for-profit universities since the 1980's,

18 Adams, 1931, p. 38.
19 Adams, 1931, p. 38.
20 Adams, 1931, p 39.

and the proposed streamlining of liberal arts curricula at public colleges, to be considered in Chapter Six of this thesis.

Adams concludes that The American Dream consists of:

> *The dream of a land in which life should be better and richer and fuller for every man, with opportunity for each according to his ability or achievement [...] a dream of a social order in which each man and each woman shall be able to achieve the full stature of which they are innately capable, and to be recognized by others for what they are, regardless of the fortuitous circumstances of birth and position.* [21]

James V. Cammisa Jr. [22] identifies Jim Cullen[23] as the first discussant of this concept; his work stresses equality and upward mobility as its seminal elements. Cammisa continues to state that the Dream, rather than a socio-political doctrine, was an ethos of hope "*that our children will do even better than we do—becoming better educated and able to take advantage of living in an upwardly-mobile society.*"[24] His work concludes with a series of tables delineating changes in American society since the seventies in the areas of economic well-being, quality of life and social safety nets.[25] The charts pertaining to higher education indicate (B-5)
a correlation between higher education and the ability to achieve and surpass the median salary of $50,971. Table C-3 shows that the United States has slipped to fifth place in a ranking of developed nations in post-secondary school enrollment.[26]
Table C-7 shows higher education attainment of U.S. persons aged 25-34 as follows:

Some College: 19.1%

Associate Degree: 9.3%

Bachelor's Degree: 21.8%

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21 Adams, 1931, p. 374.
22 *The American Dream,* 2011, p. 10.
23 *The American Dream: A Short History of an Idea That Shaped a Nation*, 2003.
24 2011, p. 11.
25 Cammisa, 2011, pp.157-201
26 The rankings are: 1. Finland; 2. South Korea; 3. New Zealand; 4. Sweden; 5. United States; 6. Norway; 7. Greece; 8. Denmark; 9. Latvia; 10. Slovenia. Source: *The Economist Intelligence Unit,* 2005, in Cammisa, 2011, p. 185.

Advanced Degree: 8.1% [27]

Claudia Goldin and Lawrence F. Katz in their work *The Race Between Education and Technology* (2008) approach the decline in the educational system from a human capital perspective. They assert that from 1900 to 1980, the increase of educated workers in the United States boosted their income and lowered inequality; however, the reverse has been true since 1980. Their book addresses the correlation between education and economic growth in the U.S., and demonstrates that after leading the world in supplying educated workers to serve technology, the U.S. has fallen behind, and that this failure has resulted in the present rise of wage inequality. Acemoglu and Autor have conducted a lengthy review of Katz and Goldin in their NBER working paper from 2012, "What Does Human Capital Do? A Review of Goldin and Katz *The Race Between Education and Technology*." The authors, through different means and methodological perspectives, reach the same conclusions as Cammisa, asserting in their conclusions that "*whereas the United States was the leader in high school graduation and then college graduation for most of the 20th century, over the last 30 years it has become something of a laggard in both compared to the industrialized nations [...] and this, from a country that surpassed almost all others in both categories as late as the 1960's"*[28] The authors suggest that these trends are a result of a "*failure to ensure high quality education for more disadvantaged Americans*," and that the system is "*failing particularly for poor, minority and immigrant children.*"[29] The authors summarize Goldin and Katz three-step recommendations, which include allocating additional resources to primary and secondary education (Kindergarten through 12th grade), a return to centralization, and progressive taxation to ensure the availability of funds. They also go beyond Katz and Goldin by offering their own interpretation of why 75 years of rising completion rates in the U.S. sharply decelerated in the mid-1970s and remained stagnant for the next thirty years:

[27] Source: U.S. Census Bureau, *Current Population Reports*, 2006; in Cammissa, 2011, p. 189.
[28] Acemoglu and Autor, 2012, p. 29.
[29] Acemoglu and Autor, 2012, p. 30

> *Research by political scientists and economists alike (e.g., summarized in Bartels, 2008) suggests that the U.S. political system has been giving much more weight to the rich and wealthy and much less to the poor. If the political voice of minority and low-income Americans remains limited, it is unlikely that the sort of broad-based and far-reaching investments in the schooling of the most disadvantaged that Goldin and Katz advocate will be undertaken*.[30]

The human capital approach offers a well-documented explanation of the correlation between the decline in education and the rise of inequality. However, this approach seems to exclude other elements of social mobility, such as the development of cognitive skills that go beyond technological tasks and prepare citizens for positions of leadership, or for the ability to choose their leaders effectively, and full participation in the cultural life of a society. Another approach to the subject can be found in endogenous growth theory, which posits that investment in human capital and education becomes an engine of economic growth and that a knowledge-based economy will lead to economic development. Hence, investment in education increases growth by increasing the incentive for innovation.[31] This perspective suggests a link between divestment in education and economic decline in the United States. Other perspectives can be found in fields as diverse as linguistics (Chomsky), academic administration (Bok, Ginsberg and Tuchman) and public policy (Loss).

The works by Frank (1997), Chomsky (1999), Dickens (2000), Gosselin (2009), and Hacker & Pierson (2010), all representing the progressive ideology, trace the erosion of the egalitarian, safety-net and labor-friendly paradigm of the thirties, forties and fifties and the rise of neoliberal free-market policies since 1980. In his introduction to Chomsky's *Profit Over People*, Robert W. McChesney sees the increasing adoption of the corporate model as inimical to the workings of a participatory democracy:

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[30] Acemoglu and Autor, 2012, pp.31-32

[31] Monteils, 2002, pp. 93-107. Though her study focuses on France, it offers insights that can pertain to the relationship between education and growth in the United States.

> *...to be effective, democracy requires that people feel a connection to their fellow citizens, and that this connection manifests itself through a variety of nonmarket organizations and institutions. A vibrant political culture needs community groups, libraries, public schools, neighborhood organizations, cooperatives, public meeting places, voluntary associations and trade unions to provide ways for citizens to meet, communicate, and interact with their fellow citizens. Neoliberal democracy, with its notion of market über alles, takes dead aim at this sector [...] The net result is an atomized society of disengaged individuals who feel demoralized and socially powerless.*[32]

These books provide a general overview of the shift in paradigm from a welfare to a market-driven society that took place in the eighties and after. Gosselin's book, *High Wire. The Precarious Financial Lives of American Families* (2008), focuses on various consequences of the market economy on the quality of life of the middle class. Chapter 8 of Gosselin's book focuses on higher education, and he also addresses the changes in American education with arguments similar to the ones presented by Goldin and Katz, among others:

> *America prides itself on having the best system of college and university education in the world. Its reputation is so strong that nearly 600,000 foreigners flock here each year to study at U.S. schools [...] In 1970, the United States accounted for 30 percent of university enrollment worldwide; today it accounts for less than 15 percent. The United States—responsible for producing 50 percent of the world's doctorates thirty years ago—is in line to produce just 15 percent of them by the end of this decade. The competition from abroad has already affected U.S. science and engineering PhD's,*

32 McChesney in Chomsky, 1999, p. 11.

whose incomes have not grown as much as they previously did or as fast as they previously did [...]. [33]

The changes in educational philosophy and academic governance structures brought about by the adoption of corporate structures in academia have been addressed by various academics and administrators. These major changes are acknowledged and summarized by John Fielden in "Global Trends in University Governance" (2008). The term "governance" is used to describe structures, processes and activities pertinent to the planning, policies and personnel in institutions of higher education. The author states that "*we will also look at the internal governance of institutions, but only to the extent that the state believes it should be involved. This is in line with the key principle behind so many recent reforms—that institutions should, as far as possible, be free to manage their own affairs*."[34] The paper covers various models of governance policies, though most emphasize university autonomy. A complementary paper is the one by Lombardi (2006)[35] that discusses the blurring of the distinction between private non-profit institutions of higher education and public institutions in recent years. He points out that public institutions have turned to private fundraising to compensate for state divestment, while private institutions have received "earmarked" federal and state funds for research and special projects, and have turned to congressional lobbyists for that purpose. Ruch (2001)[36] discusses in detail the differences between private non-profits and for-profit institutions.

While many administrators seem to have embraced the business model in education,[37] others, as well as faculty members, have expressed concerns about the

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33 Gosselin, 2008, p. 219.
34 Fielden, 2008, pp. 37-44.
35 See p. 37, note 97 in this thesis.
36 For a table outlining the basic differences of for-profit and non-profit institutions, see pp. 25-26 in this thesis.
37 See, for instance, "An Overview of Higher Education in the United States: Diversity, Access and the Role of the Marketplace," published by Acenet, an organization of university presidents, deans and chancellors, which concludes that:

> *...higher education systems around the globe are struggling with some of the same issues as the United States and are exploring similar strategies, such as imposing tuition to create greater access while instituting student aid programs, creating a credit system to facilitate student mobility, and*

role of business in academia and the transfer of curricular decisions from the faculty to administrators or boards of trustees, often appointed by politicians in public universities. These concerns have been articulated by Derek Bok, *Universities in the Marketplace. The Commercialization of Higher Education* (2003) and Gaye Tuchman, *Wannabe U. Inside the Corporate University* (2009), among others. Bok focuses on research universities and their associations with business and industry, while the main focus of my thesis will be on public colleges and proprietary colleges. Washburn traces the birth of the market-model university in Chapter 3 of her book to the 1970s, when genetics Professor Stanley Cohen of Stanford University and Herbert Boyer, a biochemist at the University of California at San Francisco (UCSF) were approached by Niels Riemers in order to patent their discovery and potential commercial applications of recombinant DNA technology under the aegis of Stanford University.[38] This action marked the start of the association of research universities with the medical and pharmaceutical industries, among others, and the conflicts of interest that ensued. Washburn further elaborates on the conflicts between the traditional goals of a university, education, the pursuit of knowledge and learning, and the goals of the market-oriented university, the pursuit of profits and commercial utility, in Chapter 6 of her book, "The University as Business." Washburn observes:

> *Being more business-friendly and catering to industry's needs has had a number of direct payoffs for the university sector. First and foremost, it has helped to boost the inflow of cash. Industry funding for academic research has grown faster than from any other source since the 1980's, rising from $264 million in 1980 to $2 billion in 2001[...]Duke University now draws 31 percent of its research and*

> *standardizing degree programs. Other nations wrestling with these challenges may benefit by understanding the philosophical beliefs that shape U.S. higher education—distrust of government, faith in markets, and reliance on education as a gateway to social mobility—and the ways in which the United States continually struggles to balance market forces, government intervention, and access to high-quality education.*

Eckel and King, 2004, p. 40.

38 Washburn, 2005, pp. 49-50.

> *development budget from industry. At Georgia Institute of Technology, MIT, Ohio State, Penn State, and Carnegie Mellon, these percentages have now jumped to 21, 20, 16, 15, and 15, respectively. Surprisingly, even many of the smaller, less prestigious research universities are highly dependent on industry funding, including Alfred University (48 percent); the University of Tulsa (32 percent); and Lehigh University (22 percent).*[39]

While Washburn concedes that contributions from business and industry were always an element in the development of American universities, especially in the Gilded Age of the early 20th century, what is new, according to her [40] is the degree to which industry has penetrated into the core of academia and its goals, at times emphasizing profits over the integrity of curricula. Another important study about changes in university governance is the book by Benjamin Ginsberg, *The Fall of the Faculty. The Rise of the All-Administrative University and Why It Matters* (2011). Recently published, the book chronicles recent changes in governance that move away from traditional shared governance by faculty and administration, and places greater authority on administrators and boards of trustees. These texts will provide the background to Chapter 6 in this thesis.

This thesis is also based on several histories of the American education system that are necessary to define the different kinds of institutions (public, private non-profits, and private for profit) that we will deal with, as well as changes in American higher education throughout history. Christopher J. Lucas[41] traces the development of modern American universities from colonial times through the present century. Especially relevant to this thesis are chapters 5-8, which cover the years after the Civil War, through the two world wars, the Civil Rights movement in the sixties and seventies, and the resurrection of the corporate university by the time we reach the 2000s. Lucas points out a major university reform movement halfway through the

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39 Washburn, 2005, p. 139.
40 Washburn, 2005, p. 140.
41 *American Higher Education: A History,* 2006.

nineteenth century and continuing through the turning of the next that "*would be supplanting the quaint 'old time' college as a dominant institutional model by that of the modern university*".[42] He identifies the major reforms as "*added courses of preparatory instruction for a range of technical occupations and professions undreamt of by traditional schoolmen a scant generation or two previously. In the process of development, the meaning of post-secondary education itself would undergo profound alteration [...] American higher learning would never be the same again.*"[43] This change is characterized by the greater accessibility and applicability of learning that distinguished the land-grant institutions (the agricultural and mechanical colleges known as "A&M") created through the Morrill Acts of 1862 and 1890 from the early, more elitist colonial colleges. Lucas continues to chronicle the swelling of student enrollment from 1870 (62,000) to 1910 (335,000). [44] He later points to the G.I. Bill of 1944 as another milestone in American higher education that enabled returning World War II veterans to attain a college education. An interesting point raised in Chapter 5, "The Evolving American University," and one that directly connects with the concept of the "American Dream" is the role assigned to "democracy" in the reforms enacted during the last two decades of the nineteenth century:

> *The concept of democracy was often invoked in support of demands for academic reform. To some critics, the democratic imperative was to acknowledge the fundamental equality of all branches of knowledge, no matter how nontraditional. For others, democracy in academe meant easing admission standards and otherwise enhancing access to higher learning, so that all interested students, of whatever background or economic circumstances, might have the opportunity to pursue higher learning. Again, democracy was appealed to by proponents of the idea that collegiate institutions*

42 Lucas, 2006, p. 146.
43 Lucas, 2006, p. 146.
44 Lucas, 2006, p. 146.

should expand their "service" role to the public at large. Finally, democratic ideals were invoked to support the theme that colleges should submit to the will of the common masses—not to a closed guild of academics—in deciding what should be taught, and to whom. E.E. Brown, a professor of pedagogy at Michigan, writing in 1892 [...] avowed [that] universities should take their direction from popular or "commonsensical" notions of what was wanted and needed"[45]

We can perceive the connecting thread with the educational philosophy that served as background to the creation of the agricultural and mechanical land-grant universities of the latter part of the nineteenth century. Another thread from this early argument of the "applicability" of the university curriculum leads to the philosophy behind the creation of the community and proprietary colleges, which are central to this thesis. Chapter 7, "Postwar Higher Learning in America," is especially relevant, since it deals with government involvement in academia.[46] Beginning with an extensive consideration of the impact of the Readjustment Act of 1944 (the G.I. Bill) and Public Law 550 of 1952, which provided billions of dollars for the education of returning soldiers after World War II, Lucas continues with a consideration of increased government role in 1958 through the creation of the National Science Foundation, the National Institutes of Health, the National Defense Education Act and other endowments to education through the late fifties and early sixties.[47]

Of a similar scope and intention is the book by John R. Thelin, *A History of American Higher Education* (2004). A University Research Professor and member of the Educational Policy Studies Department at the University of Kentucky, Thelin's sources include anecdotal materials as well as official university sources. His book complements Lucas' by including the history of two-year community colleges (though he excludes proprietary schools). His best chapters deal with the

45 Lucas, 2006, p. 151.

46 Lucas, 2006, pp. 252-265.
47 Lucas, 2006, pp. 252-253.

participation of industry and business in the creation of the golden age of American universities, 1880-1910 (Chapter 4: Captains of Industry and Erudition.) Another important aspect of Thelin's book is the extensive discussion of the rise, development, and changing mission of community or junior colleges, as their competition with proprietary schools for federal student aid will occupy a central part of this thesis.

Christopher P. Loss (*Between Citizens and the State. The Politics of American Higher Education in the 20th Century,* 2012) traces the federal government's involvement in higher education since the F.D. Roosevelt era and through the civil rights movements of the sixties and seventies, which ensured the participation in higher education of groups formerly segregated by race, gender, ethnicity and ability. He further details that "*the higher education sector grew dramatically during the twentieth century*" because of the partnership between academia and the government, and that "*despite economic crises and global wars the number of schools increased four times (from roughly 1,000 to 4,000 institutions) and enrollments more than fifty times (from 250,000 to 14 million students)*".[48] Loss concludes that the shift to the right culminating with the election of Ronald Reagan in 1980 and the downturn of the 70s dissolved the government's partnership with higher education which resulted in funding cuts and the adoption of market-driven tuition and student aid.[49]

These works will be supplemented by NBER Working Papers, Government Accountability Office Reports, and pertinent information from the Department of Education, the U.S. Census Bureau and the US Senate HELP committee.

48 Loss, 2012, p. 3.
49 Loss, 2012, p.16.

CHAPTER THREE: FOR-PROFIT COLLEGES. THE BUSINESS OF HIGHER EDUCATION

This chapter shall be devoted to the exploration and analysis of the for-profit or proprietary university industry in the United States and its role in education as well as its part in the student debt crisis. After an overview of the history and characteristics of proprietary schools, we will focus on the largest of these organizations: the Apollo Group-owned University of Phoenix, based in Phoenix, Arizona. We shall focus solely on Phoenix and not on other subsidiaries, as it accounts for 80% of the total student body under the auspices of Apollo. [50] We will address the extent to which the business model has penetrated the structures and goals of academia, and the effects of these changes.

The for-profit or proprietary university is relatively a newcomer in the world of academia[51] and one that has garnered a significant amount of federal student aid money.[52] It accounts on average for a steep 88% of the industry's profits, which average about 10 million annually.[53] Figure A.B2 reflects this showing the amount of Title IV aid[54] consumption by the top three proprietary institutions. Title IV aid is

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50 Height Analytics, S.E.C. Filings, August 2009. In Loonin, 2010, p. 1.

51 Pollack (pp. 137-140) traces the development of proprietary schools since colonial times, culminating with today's version.

52 "Roughly 11 percent of college students now attend for-profit colleges, and they receive about a quarter of federal student loans and grants." Martin and Lehren, 2012, p. 1

53 Loonin, 2010, p. 4.

54 Title IV Federal Student Aid encompasses several grants: Federal Pell Grants; Federal Supplemental Education Opportunity Grants (FSEOG); Teacher Education Assistance for College and Higher Education Grants (TEACH), and others. It also includes low-interest loans (subsidized and unsubsidized): Federal Direct Loans (Stafford, PLUS, and Consolidation). "As a result of the Health Care and Education Reconciliation Act, beginning July 1, 2010, federal student loans are no longer made by private lenders under the Federal Family Education Loan (FFEL) Program. Instead, all new Stafford, PLUS, and Consolidation loans come directly from the U.S. Department of Education under the Direct Loan Program." *Title IV Programs*, available at http://federalstudentaid.ed.gov/about/title4_programs.html (consulted 9 July 2012)

awarded on a financial needs basis among other criteria which are publicly available on the U.S. Department of Education's website.[55]

Figure A.B3 shows a comparison of proprietaries with other types of schools. The largest of these, both by profit margin and student body, is the University of Phoenix. Founded in 1979 by John Sperling, a former tenured professor at the University of California, Phoenix is also the first university of its kind and the principal inspiration of the business model for its kind.[56] Phoenix would become the prototype that would spin off a series of avatars across the country and come to develop a powerful lobbying arm in Washington. Phoenix aspires to respectability through the credentials of its former president, Jorge Klos de Alva, a renowned academic in the field of anthropology and the author/editor of 24 books.[57]

In his book about proprietary universities, Ruch defines the range of such institutions in the United States. He distinguishes the Apollo Group from trade-oriented post-secondary enterprises in the field of cosmetology, auto mechanics and the tourist industry. [58] He ostensibly excludes "*the hundreds of diploma mills, fake schools that basically sell degrees in any fields to customers who could cough up $3,000 to $5,000*" as well as "'*corporate universities*' such as Sun Microsystems University, Motorola University, and the University of Toyota,"[59] before concluding that "*The subject of this book is for-profit colleges and universities that are regionally accredited, degree-granting institutions of higher education that offer programs at the associate, baccalaureate, master's and doctoral levels[...] Instead of donors they*

55 "Student Aid Eligibility." U.S. Department of Education. Available at http://studentaid.ed.gov/PORTALSWebApp/students/english/aideligibility.jsp (consulted 23 April 2012).

56 The most complete study of the rise of proprietary universities is still the one by Richard S. Ruch, *Higher Ed, Inc.* (2001). Though not entirely objective, it does provide a history of such institutions, especially in pp. 50-73.

57 Ruch , 2001, pp. 48-49.

58 Ruch, 2001, p. 3.

59 These are actual institutions, and not sarcastic rhetoric on the part of Ruch. They serve as examples of the looseness with which the concept of "university" is used by the corporate sector and the confusion this creates for the public. The lack of federal and state consumer protection regulations regarding these dubious institutions is alarming.

have investors. Instead of endowment they have private investment capital. Instead of being tax-exempt they are tax-paying"[60]

Ruch provides an overlook of the rise of for-profits:

> *Some of the more successful for-profit education providers are relatively new organizations, such as Quest Education, founded in 1988 in Roswell, Georgia, an aggressive acquirer of non-profit colleges (with more than 30 campuses by the year 2000), some of which were facing bankruptcy. Others have been around for many years, such as Strayer University, founded in 1892 in Washington, D.C., and DeVry Institutes of Technology, founded in 1931 in Chicago. Although the for-profit model in higher education is not new, the creation during the 1990s of publicly traded holding companies that own and run universities is the newest development in a tradition of genteel businesses that existed even before the founding of the first American colleges. Indeed, many of the for-profit providers had humble and quiet births, including the boisterous University of Phoenix, which actually grew out of the humanities department at San Francisco State University in the late 1970's.*[61]

Ruch further chronicles the rise of for-profits by 112 percent in the nineties, from some 350 to 750 (as of the date of publication of his book, in 2001), at a time when many non-profit colleges were closing: as per the National Center of Higher Education Statistics, there were 669 for-profits in 1996, with an enrollment of 304,465 (2.1 % of the total U.S. enrollment of 14,367,530), a full-time faculty contingent of 26,000 (5% of total U.S. of 528,000), and growing.[62] Figure A.B5 shows the growth of enrollment in for-profits over the past decade.

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60 Ruch, 2001, p. 3.
61 Ruch, 2001, p. 3.
62 Ruch, 2001, p. 4. Ruch does not provide the amount of federal loan monies garnered by for-profits or the scandals resulting from questionable recruitment practices, as we shall further see.

Ruch proceeds to make an argument for the respectability of major for-profits in terms of their successful accreditation by various regional and other professional accreditation agencies.[63] Finally, he offers a table in which he recurs to Milton Friedman to pin point the fundamental difference between for-profits and non-profits as one between "Tax-exempt" and "Tax-paying", and contrasts the basic goals and procedures for both:

Non-Profit	***For-Profit***
Tax-exempt	*Tax-paying*
Donors	*Investors*
Endowment	*Private investment capital*
Stakeholders	*Shareholders*
Shared governance	*Traditional management*
Prestige motive	*Profit motive*
Cultivation of knowledge	*Application of learning*
Discipline-driven	*Market-driven*
Quality of inputs	*Quality of outcomes*
Faculty power	*Customer power* [64]

In his article from October 2011, Christopher Beha states that:

> *Since 2000, enrollment at America's roughly 3,000 for-profit colleges and universities has risen from 365,000 to 1.8 million. With revenues last year of $4.5 billion and half a million students, the University of Phoenix is one of many big players in the "proprietary education" market. Education Management Corporation operates Argosy University, Brown Mackie College, and other schools in*

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63 American institutions of higher education must undergo a process of accreditation every ten years in order to maintain the credibility of their diplomas and various federal and state benefits. For the process of American higher education accreditation, see Boland (2001) and Alstete (2006).

64 Table 1.1 "Non-Profit and For-Profit Distinctions in Higher Education" (Ruch 2001, p.10).

> *thirty-two states, with a total enrollment of about 158,000; DeVry, in addition to its better-known technical schools, runs degree-granting universities with a total student body of 71,000; the Washington Post Company–owned Kaplan University has about 65,000 students, most of them studying online. These schools differ in many ways, but they have two traits in common: they mainly serve lower-income students, and they get the majority of their revenue from the federal government.*[65]

The role of deceptive marketing and advertising has played a central role in the success of non-profits as well as the loan crisis; as Martin and Lehren have observed in a recent article for *The New York Times*: "*Until Congress banned the practice a few years ago, some colleges outsourced counseling to private lenders, the same ones offering loans. Now many colleges do little beyond what is required by law, experts say.*"[66]

The Apollo Group is the parent company of the University of Phoenix and also the owner of three other for-profit universities: Institute for Professional Development, Western International University, and College for Financial Planning. In total, it has 137 campuses in the United States and Puerto Rico. Its enrollment surpassed 100,000 in 2001 and has grown since, offering diplomas through the master's degree. It is accredited by North Central States Association and other accrediting agencies.[67] It is by far the largest for-profit corporation, followed by Education Management Corporation. The University of Phoenix is the largest private university in the United States (including for and non-profit). Average student age is 35, and average student income is $56,000. The profile shows a student body of working adults with higher professional aspirations.[68] However, a Government Accountability Office report on proprietary schools shows a much lower median income ($24,300), as in Figure A.B2.

65 Beha, 2011, p. 51.
66 Martin and Lehren, 2012, p. 21.
67 Ruch, 2001, p. 28.
68 Ruch 2001, p. 46.

Proprietary schools first originated in the early seventeenth century as an alternative to the classical education that was the privilege of the upper classes. These institutions offered the kind of curriculum favored by business: basic literacy, handwriting, mathematics and career training.[69] While their development was modest at first, they have experienced an unprecedented boom in the past ten years, eliciting the concern and the attention of the federal government because of alleged fraud in their recruitment practices, the large share of financial aid that they draw, as well as their low graduation rates. According to John Sperling, Phoenix was founded in order to provide higher education to adults already in the work force who did not have a background in higher education and who could be educated around their work schedule. Offering open admissions is indicative of this, since pretty much anyone can enroll, the only requirement being a high school diploma or equivalent degree. As stated in a report by the Government Accountability Office "*Proponents of for-profit colleges argue that they offer certain flexibilities that traditional universities cannot, such as online courses, flexible meeting times, and year-round courses. Moreover, for-profit colleges often have open admissions policies to accept any student who applies.*"[70] Another trait shared by the for-profit universities is that they primarily serve low income students. This is not terribly surprising as the tuition to attend a school like Phoenix or a comparable institution is quite low by U.S. standards though still astronomical compared to most other developed nations, as can be seen in the comparative annual tuition chart below:

Private Non-Profit 4 year:	*$33,935*
For-Profit:	*$22,950*
Public 4 Year:	*$17,497.50*
Public 2 Year:	*$9,762.50*[71]

Ruch does not give a detailed analysis of the student body. Other sources indicate a high and growing number of racial and ethnic minorities, as well as a growing

69 Pollack, 2011, pp. 140-141; Ruch, 2003, pp. 50-73.
70 Kutz, 2010, p. 4.
71 College Board Trends in College Pricing, 2009. In Loonin, 2010, p. 4.

demand for financial aid.[72] Beha points out that "*Currently, proprietary institutions educate about one in ten American college students while taking in nearly a quarter of all Title IV funding—$4 billion in Pell Grants and $20 billion in guaranteed loans in 2009.*"[73] Despite being the largest receiver of federal aid within the sub categories of institutions of higher education, the for-profit camp also boasts the highest number of newly enrolled students as well as the lowest number of graduates. An astonishingly low 13% of students who attend the University of Phoenix, for example, achieve their degree within 6 years. As Beha states:

> *Almost three fifths drop out without a degree within a year, and virtually all take on debt to help pay for their education. They default on their loans at about twice the rate of students at public colleges and universities and three times the rate of students at private ones. Those who graduate often wind up in low-paying jobs, doing tasks with minimal connection to their degrees*.[74]

In their NBER paper on "The For –Profit Postsecondary School Sector: Nimble Creatures or Agile Predators?" Deming, Golden and Katz describe their five-year longitudinal study of proprietary schools in which they assess the performance of first-time undergraduates in for-profits as compared to students in community colleges or other public or private non-profit institutions. They found that for-profits attract "*a large fraction of minority, disadvantaged, and older students*" and that they succeed at short programs such as certificates and associate degrees, but their graduates in the long run end up with higher rates of unemployment and lower salaries.[75] Despite this, the for-profit camp continues to pull an increasing numbers of new students annually, thanks mostly to its unique traits of open admissions and aggressive marketing campaigns by way of television and internet ads, as well as billboards and subway ads. Ruch acknowledges that University of Phoenix devotes a

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72 Loonin, 2010, p. 3; Pollack, 2011, pp. 142-157.
73 Beha, 2011, pg. 52. See Figures A.B1, A.B3 and A.B4 in the Appendix for the share of non-profits in financial aid.
74 Beha, 2011, p. 53.
75 Deming, Golden and Katz, NBER Working Paper 17710, December 2011.

large part of its budget (about one third of its profits) to advertising, often using questionable tactics:

> *In the for-profits, the admissions offices are basically sales organizations, and the admissions staff is made up of salespeople. As such, they use selling techniques to enroll students, leading them through a decision process that, however inadvertently, is not always based on accurate information, may sometimes lead to a certain amount of misrepresentation, and usually involves sales closure tactics that pressure students to sign up*.[76]

Recent scandals and resulting court actions have argued that university recruiters were paid incentives based on the number of students they were able to enroll, until the Obama administration began enforcing a government regulation which bars the practice. The proprietary university industry has been no stranger to litigation and the industry leaders, Phoenix and the Education Management Corporation, have each faced federal and whistleblower lawsuits in the past four years alleging fraud, deception, and unethical marketing practices among other grave charges. [77]

Beha adds:

> *Last summer, Senator Tom Harkin initiated hearings on proprietary schools, and the Government Accountability Office delivered a damning report on the industry's recruitment policies. The GAO sent undercover investigators to apply for admission to fifteen for-profit colleges, Phoenix among them, and found that all fifteen made "deceptive or otherwise questionable statements." Applicants were encouraged to falsify their federal financial-aid forms and pressured to sign enrollment contracts on the spot. Admissions counselors misled applicants about costs, time commitment, and graduation rates, and overstated salary potential for graduates. One common sleight of hand was to calculate a program's duration on the basis of year-round*

76 Ruch, 2001, p. 96.
77 Loonin, 2010, p. 3; Pollack, 2011, pp. 142-157.

study while calculating annual tuition on the basis of a nine-month academic year.[78]

To the outside observer or to one not familiar with the United States education system, the existence of an institution of higher learning, an entity that has a considerable impact on shaping the future generation and political/electoral behavior of the citizens of the nation, yet run as a corporation and thus focused on the profits of shareholders and investors might seem ethically questionable. But when we also consider that these institutions are a monumental failure in terms of graduation percentages and avid consumers of an already inadequate pool of student aid money, their unregulated existence raises ethical questions

. The aggressive advertising and recruiting tactics and the exaggerated and often fraudulent job prospects that are floated by recruiters also would offer quite a promising image for the poorly paid prospective student who is increasingly in need of a bachelors degree in order to earn competitive pay and conform to the growing idea that a bachelors degree makes you a better member of society.[79]

Having established a better understanding of the incentives that would attract prospective students, what exactly are they getting for their money? What does the curriculum at one of these schools consist of and what is the value of the education given? Former student of the University of Phoenix Christopher Beha described his experience in a Phoenix classroom as a "*surreal riff on the socialization process of higher education, where secondary characteristics of college graduates become the actual subjects of the courses.*"[80] Indeed what Beha is touching upon with this comparison is the quality of the education that is provided at proprietary schools like the University of Phoenix.

Controversies with Proprietary Schools

78 Beha 2011, p. 53.
79 Kutz, 2010, p. 7.
80 Beha, 2011, p. 57.

Proprietary schools have been the subject of much controversy in the past decade and have come under investigation by the U.S. Department of Education as well as the Government Accountability Office (GAO) for their marketing practices as well as their procurement and management of Title IV Federal Aid. federal aid, which is awarded under Title IV of the Higher Education Act of 1965 (as amended). The Higher Education Act provides that students which meet certain criteria are eligible for either subsidized or unsubsidized federal loans as well as Pell Grants. According to the findings of two GAO investigations, conducted in 2009 and 2010, proprietary schools were found to have engaged in deceptive marketing techniques and outright fraud, by encouraging students to miss represent their income on Federal Aid (FAFSA) forms in order to be eligible for higher amounts of student aid as well as pressuring students into signing enrollment forms and paying fees before being allowed to confer with financial advice[81]. The investigation also uncovered aggressive marketing techniques ranging from excessive phone calls after an online information request, scolding-like rhetoric used by admissions representatives In order to pressure prospective students to enroll, and assurances that student loan debt would be undoubtedly offset by future salaries made possible by obtaining a degree.[82] Furthermore, it was also learned that some for-profit schools do not disclose their graduation rates to students as required by law, which raises the issue as to the quality of education received by the students. [83] A GAO report conducted in 2009 reveals that proprietary schools lead the area of Higher Education in loan defaults by a considerable margin.[84] This is a very important point, as regardless of whether a student completes the degree for which he or she borrowed money, the borrower is still responsible for repaying the loan (this excludes a Pell Grant, which is not a loan). If a student drops out before completion of the program, this will only add the likelihood of a default on the loan which results

81 Kutz, 2010, p. 11.
82 Kutz, 2010, p. 11.
83 “Student Debt and the Class of 2008,” in Loonin, 2010, p. 4.
84 “PROPRIETARY SCHOOLS, Stronger Department of Education Oversight Needed to Help Ensure Only Eligible Students Receive Federal Student Aid,” GAO, 2009, p. 1.

in damage to the borrower's credit report, and adds to the burden of the federal government and taxpayers who guarantee the loans, becoming responsible for the debt. Further controversy revolves around the issue that of the top ten proprietary schools in the nation, not a single one could claim a graduation rate of above 50% during the academic year 2008-2009 as revealed by an investigation conducted by the U.S. Senate Committee on Health Education Labor and Pensions (H.E.L.P) and led by Senator Tom Harkin (D-Iowa).[85] Adding this to the fact that for-profit schools account for the highest receivers of federal aid,[86] serve overwhelmingly low income students, and lay claim to some of the lowest graduation rates in the country[87] one could conclude that proprietary schools contribute greatly to the student loan crisis by profiting from the burdensome loans that students incur, as well as the added burden to the government and taxpayers when students default.

What is the quality of the education being conducted at proprietary institutions? We will focus on the Apollo Group's University of Phoenix, the largest by enrollment. However, the H.E.L.P. Committee's report shows that even though the proprietary sector receives the highest amount of federal aid, it is also the sector which invests the least on instruction.[88] On average, the thirty institutions investigated spent $2,730 per full time student, which is 2.5% less than non-profit private institutions and almost 2% less than public institutions. The proprietary sector was also found to invest few resources in career placement services and career building, even though better pay after graduation was a selling point heavily emphasized by recruitment staff and school marketing campaigns. Apollo, the owner of the University of Phoenix, and the largest provider of proprietary education, was

85 Harkin, http://harkin.senate.gov/help/forprofitcolleges4.cfm (consulted 24 April 2012).

86 See Figures A.B1, A.B3 and A.B4 in the Appendix.

87 Harkin, http://harkin.senate.gov/help/forprofitcolleges4.cfm (consulted 24 April 2012); and "PROPRIETARY SCHOOLS, Stronger Department of Education Oversight Needed to Help Ensure Only Eligible Students Receive Federal Student Aid," GAO, 2009, p. 20. See also Deming, Goldin and Katz, 2011, pp. 9-10.

88 Harkin, http://harkin.senate.gov/help/forprofitcolleges4.cfm (consulted 24 April 2012)

found to not employ a single person responsible for career placement services.[89] Several other institutions investigated had very poorly staffed career placement services. These controversies demonstrate that the proprietary sector is costing the most resources and producing the least benefit to society while posting billions of dollars in profits of which 88% are derived from federal student loans that students are indebted to repay.[90]

Though proprietary schools do provide opportunities for adult working students to enroll and at least potentially provide an opportunity for those with no higher education background to obtain a degree, the discussion above raises serious doubts as to the effectiveness of the schools in delivering the benefits to society that they . purport to provide. Furthermore, in view of the above, are these institutions draining valuable federal aid monies which could be allocated to institutions with higher graduation rates and better job placement services? The previously discussed GAO report also mentions that though proprietary schools do serve predominantly low income students with no background in higher education, they are not cheaper than two year public community colleges which provide similar programs.[91] In regards to the student loan crisis and to the limited funds available for education in the United States, measures have been taken recently to rein-in for-profits through the "Gainful Employment" regulations passed by the Department of Education, which require most for-profits and certificate programs at public and non-profit institutions to pass at least one of three metrics in order to continue to receive Title IV aid:1) at least 35% of their students repaying their loans;2)annual loan payments cannot exceed 30% of graduate's discretionary income, and 3)annual loan payments cannot exceed 12% of a graduate's earnings.[92]

For-Profit Schools vs. Public Community Colleges

One point brought up by the GAO report is a comparison between proprietary schools and public community colleges that have the same or similar programs. Both

89 Ibid.
90 Loonin, 2010, pp. 4-6
91 These findings are also supported by Deming, Goldin and Katz, 2011, pp. 4-6.
92 Deming, Goldin and Katz, 2011, p. 17.

types of institutions cater to low income students with little or no family background in higher education. In the H.E.L.P committee's report, as well as in the GAO report on fraudulent activities in the proprietary sector, it is made note of that when similar courses were offered by both types that the public community colleges offered the programs for a substantially cheaper tuition payment. However, Christopher Beha observes that this is the only type of institution that outperforms the proprietary sector in dropout rates.[93] Still, proprietary schools compete with community colleges for student loans yet have a much worse track record in terms of student employability, legal complications due to allegedly fraudulent activity, and student loan defaults. Another important difference with community colleges, as pointed out by Deming, Goldin and Katz (2011) is that proprietaries offer almost no general education and liberal arts courses, and thus do not prepare students for the continuation of higher education, as is the case with community colleges.[94]

As a way to summarize the findings in this chapter, we will quote from a recent front page article in *The New York Times* about the student debt:

> *The student loan crisis has spread from for-profit colleges to more traditional institutions, but the for-profit colleges continue to represent the worst of the problem. Students complain that they were misled about the costs of education and that their job prospects were exaggerated. Government reports and lawsuits have accused some for-profit colleges of outright fraud, including doctoring attendance records or peddling near-worthless degrees. The result? Students at for-profit colleges are twice as likely as other students to default on their student loans. Moreover, among students seeking a bachelor's degree, only 22 percent succeed within six years, compared with 65*

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93 "*There is one sector of American higher education with even worse graduation numbers than for-profit schools: public two-year colleges. These schools share an essential feature with most for-profits, which is open admission. All New York City high school graduates, for example, are guaranteed admission in one of City University's associate's degree programs; 75 percent do remedial work when they get there.*" Beha, 2011, footnote 8, p. 54.

94 Deming, Goldin and Katz, 2011, pp. 4-5.

percent at nonprofit private schools and 55 percent at public institutions.[95]

Chapter Conclusions

In this chapter we have seen how the rapid rise and development of proprietary schools, their aggressive and often deceptive recruitment tactics, and their cornering of the student loan industry have contributed significantly to the creation of the student loan crisis, which we shall analyze in Chapter Five. And yet, as Martin and Lehren have pointed out: "the for-profit colleges have played another role in the worsening debt problem: drawing attention away from nonprofit private and public colleges and universities, which have been slow to face public scrutiny."[96] We will next scrutinize how the student loan abuses, in fact, have not been the exclusive province of for-profits, but have found a place in private and public universities as well.

95 Martin and Lehren 2012, p. 21.
96 2012, p. 21.

CHAPTER FOUR: FROM UNIVERSITY TO MULTIVERSITY

In this chapter we will discuss the role of private and public non-profit universities[97] themselves in driving up the cost of tuition to levels which put access out of reach to most students without financial aid. We will show how the expansion of services offered at institutions of higher education beyond academia and research, as well as administrative overload, have contributed to exploding costs, in addition to the raises in tuition resulting from government divestment. We will explore how universities, in a bid to offset their own rising costs and government divestment have turned to a corporate model in pursuit of greater efficiency and cost effectiveness, vis a vis technology transfer offices. We will also explore university bloat as we consider how peripheral services such as extravagant cafeterias, athletics programs, and even internet download services all have contributed to the steep tuition hikes of the past two decades, when combined with state divestment and greater industry influence on campus. Furthermore, we will trace the negative effects of overly aggressive marketing campaigns that some schools have adopted in order to meet admissions targets.

In order to offset the costs from state divestment, non-profit and public universities, like their proprietary counterparts, have engaged in aggressive selective marketing campaigns, hiring marketing firms to advise or craft the recruitment ads. The decreased role of the state in funding universities, combined with rising expenditures on administrative salaries at bloated institutions and growing expenditures on sports and campus amenities, have resulted in higher tuition fees. As

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[97] Traditionally, the basic distinction between public and private non-profit institutions of higher education was that the first received federal, state or city subsidies, while the second relied on private donors or endowments. However, as per Lombardi (2006), these distinctions have become blurred as private colleges have increasingly received public funds in terms of research grants and tax breaks, and public colleges have relied on fundraising to make up for state divestment. The main difference still resides in the appointment of board members by elected officials such as mayors and governors, which is not the case in private schools, where appointments are made through internal processes, which vary among institutions according to their governance plans.

the cost of a college education rose out of control in the past twenty years, as per Figure A.A1, the value of a college degree in the face of a possible lifetime of debt has become questionable. As mentioned in an article from *Dwyer Education Strategies Inc*., a magazine targeted towards admissions staff, training manuals for admissions staff "*urged writers of admissions materials to "avoid bad words like 'cost,' 'pay' (try 'and you get all this for...'), 'contract' and 'buy' in your piece and avoid the conflicting feelings they generate.....There are direct marketing 'words' that can make or break your piece,*" the article, published in 2009, added."[98] Indeed, college enrollment materials, which a prospective student could start receiving automatically upon reaching college age, could be surprisingly and deliberately ambiguous in order to detract attention from the cost of pursuing higher education, and instead encouraging prospects to pursue their dreams regardless of cost. A recent front-page article from *The New York Times* published on 12 May 2012 [99] focuses on this practice by reporting on an admissions letter received by a student who applied to Drexel University in Philadelphia. The letter implied that the costs of attendance were nearly non-existent and that the student could actually walk away with money. "*The expected payment to Drexel, it said in highlighted bright yellow, would be a negative $5,900. The calculation presumed grants, student loans and a $42,120 loan taken out by the parents toward the $63,620 estimated cost — figures also included in the letter but not highlighted*"[100]. Such techniques are reminiscent of the ones discussed in the previous chapter in relation to proprietary schools. The fact that even respected non-profit institutions such as Drexel University are resorting to these marketing techniques only underscores the new reality of higher education as it has been recast following the business model over the past three decades. Consider that the State of Ohio, once a poster child for accessible education, has now ranked 6th

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98 Clark, "Multi-Channel Marketing for Enrollment Development," 2009.

99 Martin and Lehren "Degrees of Debt" *The New York Times*, 12 May 2012. Available at http://www.nytimes.com/2012/05/13/business/student-loans-weighing-down-a-generation-with-heavy-debt.html?pagewanted=3&_r=1&emc=eta1 (consulted 13 May 2012)

100 Ibidem.

from the bottom in terms of per student investment.[101] The state invests 11% of its annual expenditures on education in 2012, down from 17% in the late 70s.[102] The average student loan debt of students attending 4 year public and private non-profit institutions is $ 27,713[103] and the state is ranked 7th in overall student debt in this category with 68% of the graduating class of 2010 holding student debt.[104] Ohio is hardly an exception and in the tables provided by "Project on Student Debt" we can see the extent of this problem by comparing the states with the highest student debt versus the states with the lowest student debt. [105]

Since 2010 Ohio has slashed even more of its expenditures on all education funding, bringing it down to the bottom of a list of states known as the "Mega-states." Expenditures on education by state are seen in the table mentioned above.

We now turn to the response of the universities to these telling numbers, and we will see what has transpired, partially out of necessity, but also in the spirit of the newfound competition between universities to attract students, which has come to resemble the struggle between companies to attract investors and customers. When asked about the cuts in state spending, Governor Kasich (R-OH), whose policies have been controversial amidst tax breaks for the wealthy and curtailing the collective bargaining rights of unions, among other controversies, responded; "*To say that tuition goes up because the state doesn't pay enough money, well, that is the taxpayers' money.*"[106]

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101 Martin and Lehren, http://www.nytimes.com/2012/05/13/business/student-loans-weighing-down-a-generation-with-heavy-debt.html?pagewanted=3&_r=1&emc=eta1 (consulted 13 May 2012).

102 Ibidem.

103 "Project on Student Debt. State by State View" Available at http://projectonstudentdebt.org/state_by_state-view2011.php?area=OH (consulted on 15 May 2012).

104 Ibidem.

105 For a detailed comparison of expenditures by states see "Student Debt and the Class of 2010" November 2011, available at http://projectonstudentdebt.org/files/pub/classof2010.pdf (consulted on 15 May 2012)

106 Martin and Lehren, http://www.nytimes.com/2012/05/13/business/student-loans-weighing-down-a-generation-with-heavy-debt.html?pagewanted=3&_r=1&emc=eta1 (consulted 13 May 2012).

State officials go on to cite university bloat and inefficiency, as well as excessive expenditures on administrative salaries and athletics departments. Though this is done chiefly to shift the blame from the state to the universities for rising costs, the issues that they raise are indeed valid and do account for out of control tuition fees. This, however, does not excuse or outweigh the effects of state divestment, which have had a direct impact on the accessibility of education to all citizens, a human right under the International Covenant on Economic, Social and Cultural Rights, as per our introduction. The same governor and Republican-controlled congress in Ohio which saw divestment in education as unavoidable recently eliminated an estate tax which is estimated to be costing the state 72 million dollars, while prison expenditures there have risen from 4% to 8% in the same time period when education expenditures were dropping. Though such statistics are beyond the scope of the present thesis, they serve to undercut the classic argument by politicians in many states, which insists that the state simply cannot afford to spend on education as a result of the budget deficits and the present financial crisis.

University Bloat and Excess

One of the most observable examples of excess and bloat at public and private non profit universities is the so called "administrative overload" which is a reference to the dramatically increased administrative and other non-faculty positions over the past 30 years.[107] This trend has gone hand in hand with an expansion of services that Andrew Hacker and Claudia Dreifus have dubbed an "*amenities arms race*"[108] and it has indeed become a national trend as universities compete against one another to have the biggest and best gymnasiums, athletic facilities, dining facilities, coffee stations, etc. In addition to these facilities, public and private non-profit universities have begun to offer a range of support and caretaking services which include babysitting, dormitory counseling, health and wellness counseling. The parents of students attending Williams College can surprise their son or daughter with a "special

[107] Ginsberg, 2011, pp.1-39.
108 Hacker/Dreifus, 2010, p.33.

occasion cake" from the school's dining services.[109] All these non academic facilities and services, which continue to proliferate, require administrators and supporting staff, who in turn require salaries and retirement accounts or pensions, the costs of which are all passed on to the student in tuition fees. The number of administrative professionals employed at public and private non-profit schools, such as admissions officers and deans or assistant deans, has nearly tripled in number since 1976, outpacing even the growth of the student body.[110] This is a national trend.

A glimpse of some of the positions currently being offered by universities can be obtained by looking at the jobs advertised in *The Chronicle of Higher Education*, where the cost of a quarter page runs at $2,936.[111] Positions such as "*Vice President of Student Success, Credentials Specialist, Director of Knowledge Access Services, Director of Active and Collaborative Engagement,*" to name just a few, proliferate. These positions, whose value would surely be justified by the university or by the person thus employed, must be questioned in terms of necessity in the face of the tuition raises that are imposed to support them. Finally, we can look to curriculum and course offerings for yet another example of university bloat.

Today's great public and private non-profit universities in the United States have been striving for and competing amongst one another not just in the amenities race, but also the race to become the most all-encompassing multiversity. The idea of the multiversity is not just a convenient moniker one can bestow on institutions with remarkably broad focuses and programs. This ideology was first espoused by Clark Kerr, who headed the now highly acclaimed University of California from 1958 to 1967.[112] Kerr, during whose tenure college attendance was doubling nationwide, seeing new types of students from an ever diversifying spectrum of society, had a vision to transform what he saw as an archaic and modest university model into one which was "*willing to take on any assignments related to knowledge, no matter how*

109 Hacker/Dreifus, 2010, p.33.
110 Hacker/Dreifus, 2010, p.30.
111 Hacker/Dreifus, 2010, p.30.
112 Hacker/Dreifus, 2010, p.35.

remote the association."[113] Making the case for this then sweeping change was not very difficult since during Kerr's tenure there were huge influxes of students as a result of the GI Bill and Higher Education Act of 1965, as well as a rapidly transforming economy which was creating new jobs and technologies on a constant basis. Though this idea was chiefly aimed at research, mainly industrial and military, and other applicable sciences, it would permeate higher education on every level over the coming decade.

Today's universities offer an almost unbelievable diversity of fields and topics to pursue. Though this is not necessarily a negative outcome, as it does promote pursuit of knowledge, all these programs cost money, and some would argue that with such broad parameters the university loses focus and its original purpose becomes obscured and called into question. There are no shortage of examples of Kerr's multiversity in the United States today and to mention just one example, at the University of Minnesota one can take classes on subjects ranging from Spirituality and Healing, to Animal Health and Safety, to Transdisciplinary Tobacco Use.[114] Indeed, the breadth of offerings has becoming a key point of competition among universities that constantly try to out-do their rivals by adding newer and more original programs, courses, and facilities, not unlike an intercollegiate arms race. The benefit is that, as Bok points out, no other country can claim such a wide ranging and varied curriculum to suit every vocational or intellectual purpose.[115] Neither can any other country offer such a comprehensive and all-encompassing range of student services such as the ones previously mentioned. But is it worth the exorbitant tuition fees that accompany them? During the present financial crisis, are these programs being curtailed or capped, or is it other university functions and positions that are getting the axe?

Athletics

113 Hacker/Dreifus, 2010, p.35.
114 Hacker/Dreifus, 2010 p.37.
115 Bok, 2003, p. 23.

College Athletics are a huge source of university expenditures and have long been regarded by many in the field and those who study it as one of the most substantial reasons for the high cost of tuition. Universities spend vast sums on their athletics departments on items as state of the art practice facilities and arenas to state of the art sports equipment and attire to considerably high salaries on coaches and trainers. Though the price tag for all these items has grown throughout the life of the schools, the practice of having expensive sports departments at universities is an old one.

In fact, according to Bok, athletics is the oldest form of commercialisation that exists on the American university[116] from its beginnings in the mid 19th century to the present day as de facto big business on campus. Bok argues that by the end of the 19th century many of the "trappings" of big-time athletic programs were already visible in the form of high expenditures on coaches, paid recruiters and wooing over potential prospective players with scholarships.[117] Intercollegiate sports, American football and basketball in particular, were potentially very lucrative programs, bringing in all kinds of revenue in TV rights, attendance sales, and agreements with apparel manufacturers who would pay handsomely to have teams wear their insignia on their uniforms.[118] However, in spite of all this revenue potential, as football programs grew, it became apparent that large amounts of money were needed to fund the best possible teams, and expenditures thus continued to grow. Only about a dozen schools in the nation end up making a profit out of their entire athletics program[119], which is an alarming statistic when placed in the context of tuition costs and student debt burdens. Money was spent on specialized training staff and programs, including all-weather practice facilities and body-building facilities. The result of this growing investment is characterized in the findings of the 2001 Knight Commission[120], which

116 Bok, 2003, p. 35.
117 Bok, 2003, p. 36.
118 Bok, 2003, p. 37.
119 Bok, 2003, p. 38.
120 The Knight Commission was formed in an attempt to reform college sports which had long been viewed as spiraling out of control in terms of cost and internal corruption. See http://www.knightcommission.org/ (consulted 31 May 2012) See also Thelin,

found that as of 2001, about thirty football and basketball coaches were earning over 1 million dollars a year, and several times the salary of most college presidents.[121] For the exorbitant salaries of football coaches and college presidents, see Figures A.C1, A.C2 and A.C3 in the Appendix.

Since the early 20th century and well before the GI bill, when higher education was still a privilege for many Americans, the Ivy League schools[122] always vied amongst each other for the most prestigious academic and athletic performance. So much so that in the early 20th century Harvard University saw fit to hire a well-respected football coach at higher compensation than any of the tenured full professors or even the president of the University. Lucas points out that in his 1923 work *The Goose Step: A Study of American Education*, noted American intellectual Upton Sinclair judged that "*Love of power and money had irremediably undermined the academic integrity of most institutions of higher learning in America, and with it their leadership. As for the typical university president, Sinclair dismissed him as 'the most universal faker and the most variegated prevaricator that has yet appeared in the civilized world.'*"[123] This trend is hardly the monopoly of the Ivy League, since throughout the 20th century and into the present day colleges and universities across the United States compete viciously for the most prestigious football teams, and having a Division I league football team is regarded as a mark of distinction among universities. Curiously, competition among the state universities for this type of team is particularly fierce. As Bok points out "*well over one hundred institutions, including almost all of the major public universities, do engage in high-pressure intercollegiate*

2004, p. 299 for the regulation of intercollegiate athletics.

121 Bok, 2003, p.38.

122 The term "Ivy League" refers to the high status of the private schools that fall within the denomination. These schools are regarded as the most elite institutions in American higher education and put out the next generation of American leaders. Their admissions policies are the strictest in the nation. They are situated in the original New England states of the East Coast and comprise prestigious schools such as Harvard (Massachusetts), Princeton (New Jersey), Yale (Connecticut), Dartmouth (New Hampshire), Cornell (New York), Columbia (New York), Brown (Rhode Island) and the University of Pennsylvania. A diploma from these institutions is considered a passport to positions of leadership in government, business and culture.

123 Lucas, 2006, p. 200.

athletics to an extent that seriously conflicts with academic principles."[124] The public universities are those that can least afford to have such high expenditures on football teams in the face of state divestment and the fact that 7 in 10 students attend these types of institutions. In fact, in the present day, the football coach is one of the highest paid employees at the university, being only out-compensated by the president. Figure A.C1 shows the compensation of some of the highest paid football coaches in the United States. This table shows only the highest compensated coaches in football; the salaries of basketball coaches are not far behind.[125]

An article in *USA Today* chronicles that in the 2012 fiscal year, the salaries of many coaches are set to increase further, even in the face of the financial crisis, slowing or shrinking investment in academics, and further state divestment.[126] Table A.C1 shows differences in salaries of football coaches from 2011 to 2012. We would like to call special attention to Ohio State which, as mentioned earlier, had an average student debt of $27,713. As shown in the graph, some schools have responded to the crisis by making cuts to coach salaries. Some schools such as our own Alma Mater, Hofstra University, sacked their entire football program in order to divert more funds to academics. The mean, however, remains at excessive compensation for just football coaches, even without considering the costs of the entire football program, and then the costs of a given school's athletics department as a whole.

Executive Pay and the President

Along with major athletics coaches, university presidents are on average among the highest paid employees at the university when compared to other positions including tenured full professors. In response to the changing nature of the universities themselves, the presidents of today have also evolved into highly compensated executives, more reminiscent of the corporate CEO, in terms of their

124 Bok, 2003, p. 41.
125 Schnaars, Upton and DeRamus, http://www.usatoday.com/sports/college/mensbasketball/story/2012-03-28/ncaa-coaches-salary-database/53827374/1 (consulted 1 May 2012)
126 Berkowitz and Upton, *USA Today* Jan 16, 2012.

never-ending search for ways to finance and justify the university's competition to provide the most impressive array of curriculum, services, and athletic institutions. Indicative of the market forces permeating university operation, presidents actively seek ways to expand the university, in order to keep up with competing universities that do the same. Unfortunately, these expansions, though ambitious and beneficial to the universities prestige and image, are billed to the students in the form of tuition hikes. The salaries of some presidents have also been singled out as examples of university excess and bloat, as per Figures A.C2 and A.C3 in the Appendix. The president of Ohio University, for example, E. Gordon Gee, is the highest paid president of a public university, pulling in a $2 million dollar salary.[127] By contrast, the average debt of an Ohio University student is $24,840 as mentioned earlier.[128] And the average full professor makes $161,400.[129]

Though Mr. Gee and his immediate runner-up Michael D. McKinny of the Texas A&M University system are about $900,000 ahead of their other counterparts, executive pay for public university presidents remains considerable and faced with extraordinary student debt and tuition hikes, the justifications for such high compensation for a non-academic position becomes questionable, particularly in the face of state divestment, and when some of these presidents are receiving additional income from outside of their role as university president. When we compare data from Figures A.C2 and A.C3, the highest compensated university presidents at public and private universities as of the 2011 fiscal year, to previous data on the salaries of football coaches, and the constant increases in tuition since 1980 from Figures A.A1 and A.A2, we can see how the decision to raise tuition is a choice, not a necessity,

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127 Hacker/Dreifus, 2010, p. 40.

128 Martin and Lehren, http://www.nytimes.com/2012/05/13/business/student-loans-weighing-down-a-generation-with-heavy-debt.html?pagewanted=3&_r=1&emc=eta1 (consulted 13 May 2012).

129 *The Chronicle of Higher Education.* http://chronicle.com/article/Public-President-Profile/131913/#id=21926 (consulted 20 May 2012). And Lewin, "Median Compensation for Public College Heads Grew 3% in 2010-11." *The New York Times,* 20 May 2012. http://www.nytimes.com/2012/05/21/education/median-compensation-for-public-college-heads-grew-3-in-2010-11.html?_r=1 Accessed 22 May 2012

that places the interests of students below the business of athletics and the interests of administration.

The compensation of presidents at private institutions is even higher though these institutions tend to be smaller in student body and total faculty and staff when compared to the state university systems. However, though they are on average in possession of greater endowments and fewer students, the average cost of tuition at a private non-profit school tends to be the highest, as mentioned previously. Data on the compensation of the most highly paid private non-profit university presidents is shown in Figure A.C2 in the Appendix. Previously we had explored some of the costs associated with attending Drexel University which had the highest compensated president in the nation as of 2009. Though the top four in this table are significantly greater than the average, once again it remains that the average president is compensated at three times the amount of a full professor.

The argument for maintaining such compensation is the need to provide incentives for the presidents to do their job well enough to maintain the competitiveness of the university. It should be noted that though base pay might seem modest, part of the president's compensation comes from outside the base pay, such as trip expenses, fellowships, personal services and so forth, as well as living accommodations.[130] A university's competitive advantage comes predominantly from the strength of its academics and the quality of its faculty, and this is the biggest concern for incoming students, rather than how many extracurricular programs and ancillary services it can provide. Yet some institutions, in particular public community colleges, have responded by cutting the staff of full-time professors and instead relying more on teaching assistants and adjuncts which can be compensated at less expense.[131] Administrators, on the other hand, continually expand their presence on campus exponentially as mentioned previously.

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130 See Appendix, Figure A.C3.

131 See Moltz, "The Part-Time Impact," *Inside HigherEd*16 November 2009, available at http://www.insidehighered.com/news/2009/11/16/ccsse (consulted 9 July 2012).

Corruption in the admissions and financial aid offices

Corruption of financial-aid officers and collusion with the financial aid industry is among the most egregious examples of cronyism that has directly contributed to the student loan debt crisis and has amounted to practices that are not unlike the predatory lending that led to the current mortgage market collapse. To briefly give an overview of this practice, it essentially amounts to the practice of university financial-aid officers, who are in charge of assisting students in navigating the convoluted and cumbersome process of taking out loans for their education, steering students in the direction of lenders on the school's preferred lender list, or a lender which has made an agreement with the university. The financial-aid agents, several of whom receive incentives from the lender in the form of lavish parties, paid vacations, or just monetary gifts, then steer the student to borrow from said lender regardless of the students' best interest.[132]

A report released by Senate H.E.L.P committee, then headed by the late Senator Edward M. Kennedy (D-Massachusetts)[133] documented rampant corruption among student financial-aid officers. In a 50 page report released in June of 2007 by the Senate H.E.L.P committee, financial aid officers of universities were found to have been involved in accepting payments of illegal or improper inducements at dozens of colleges by lenders both large and small, including several lavish, bank-paid trips for college financial-aid officials.[134] This report was accompanied and backed up by a 530 page compilation of e-mails and documents that supported the claims made in the report.

The H.E.L.P committee report, which investigated, in addition to the institutions previously targeted by the attorney general, the FFEL program, was released in June and September of 2007 and asserted that, in addition to securing payments of the

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132 Collinge, 2009, pp. 80-82.

133 "Senator Edward M. Kennedy Releases Report on Student Loan System" 14 June 2007. Available at http://www.help.senate.gov/newsroom/press/release/?id=b8abd3bd-402f-4232-a88c-e4ceb246253b&groups=Chair (consulted 20 May 2012)

134 Basken, "Attorneys General and Senate Panel Cite More Evidence of Lender Corruption."*The Chronicle of Higher Education.* 29 June 2007. Available at http://chronicle.com/article/Attorneys-GeneralSenate/2974/ (consulted 20 May 2012).

universities, financial-aid officials were also using the preferred lender lists to secure their own personal benefits. For example, the financial aid office of Texas University at Austin, headed by Dr. Lawrence Burt, was found to be making preferred lender decisions based on personal favors given to Dr. Burt. These favors included parties for Dr. Burt's family, tickets to sporting events, and even free wine and tequila.[135] Dr. Burt, who had served on the advisory boards of Citibank and Sallie Mae among others, actually dropped Citibank from the preferred lenders list of the university when it refused to provide favors that Citibank deemed inappropriate[136]. Citibank was re-awarded its position on the list after it offered Dr. Burt a position on its advisory board. In 2004 the University of Nebraska accepted an arrangement with the National Education Loan Network (Nelnet) to provide loans to its students exclusively through them. This arrangement which brought hundreds of thousands of dollars into the university, which itself held over 800,000 shares of lender's stock in Nelnet through its nonprofit foundation, also dropped out of the Federal Direct Loan program as part of the arrangement.[137] Nelnet is also the owner of a student loan collections company based in Indianapolis.

The H.E.L.P committee report was preceded by an investigation conducted by the attorney generals of several states including and headed by my home state of New York. Former New York State Attorney General Eliot Spitzer, and then his successor Andrew Cuomo, led the investigation and found that grossly unethical and illegal activities were being perpetrated by institutions of higher education ranging from Ivy League institutions such as Columbia University to state universities such as those of

135 Collinge, 2009, pp. 83-84. See also the US Senate HELP Committee Report "The Return on the Federal Investment in For-Profit Education: Debt Without a Diploma." September 30, 2010, available at http://www.help.senate.gov/imo/media/doc/Education%20Report.pdf (consulted 18 May 2012)

136 Collinge, 2009, p. 84.

137 Collinge, 2009, pp. 83-85. See also "Chairman Kennedy Releases Second Report on Lender Ethics." 4 September 2007. Available at http://www.help.senate.gov/newsroom/press/release/?id=d5cf1cad-85ef-46f3-bae5-c773f6440d12&groups=Chair (consulted 18 May 2012)

California, Texas, and Pennsylvania.[138] Initial findings of the New York State investigation, made public on May 15th 2007, revealed that:

-Lenders were paying kickbacks to universities based on a percentage of loan volume that the schools financial-aid offices steered towards the lenders.

-Lenders provided colleges with computer systems and put financial-aid administrators on their advisory boards.

-Lenders offered large sums of money to universities to drop out of the government's direct loan program.[139]

-Lenders ran call centers on behalf of the universities, often answering phones claiming to be representatives of the universities' financial-aid offices when in fact they were employees of lending companies.[140]

Besides preferred lender arrangements, there existed a program known as the “School as lender program”. In this program, the University would directly give a loan to the student, which is then repurchased at a premium from the University by a lender on its preferred list. The university receives, in addition to the cost of the loan, “administrative fees” money, and the university then agrees to exclusively promote said lender's loans.[141] Preceding the Attorney General's investigation, this practice was exposed in the United States media, in the popular news analysis television program *60 Minutes* in May of 2006.[142] On this investigative program, Michael Dannenberg, the director of education policy at the New American Foundation went so far as to refer to this program as one of kickbacks.

Chapter Conclusions

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138 Collinge, 2009, p.80.

139 The strategic interest of the loan industry against the federal direct loan program will be discussed in further detail in the following chapter.

140 New York State Attorney General [now Governor] Andrew Cuomo to CBS news: “Student Loans Target of Investigation,” 16 March 2007. Available at http://www.cbsnews.com/stories/2007/03/16/eveningnews/main2579808.shtml?tag=mncol;lst;2 (consulted 19 May 2012)

141 Collinge, 2009, p.81.

142 See http://studentloanjustice.org/history.htm (consulted 20 May 2012).

In this chapter we have explored the impact of public and private non profit institutions on the student loan debt crisis and their contributions to the high cost of higher education in the United States. We have explored how state divestment has greatly eroded the affordability of the state university systems on which 7 out of 10 students in the United States rely for their education, and how this divestment has caused schools to struggle to seek outside funding and to take on new ventures in an attempt to close the gap. We have also seen how the schools themselves, both public and private non-profits, have contributed to the high price tag by taking on too many ancillary roles within student services and curriculum, and by maintaining costly athletics programs, overpaid coaches, and very high executive salaries. We have also seen how universities have employed legions of administrators who often do little to advance the academic goals of the university and themselves cost valuable resources. We have seen how their numbers on campus have exploded almost as fast as the amount of students. We have also explored how in response to the current financial crisis and state divestment, though some schools have chosen to reduce these programs and services, many have instead balanced the budget largely at the expense of the students, by hiring more adjuncts at lower cost, as in the case of public community colleges, and slowing or curtailing academic programs while still maintaining costly ancillary services, the costs of which translate into higher tuition billed to the students, who in turn must take out loans to be able to afford it. These very tuition hikes are putting higher education out of reach for many low income citizens and rendering many others into the hands of oppressive lenders. In the following chapter we will explore the nature of the student loan industry whose purpose is to provide students with the resources to pay for higher education in spite of the high costs associated with it.

CHAPTER FIVE: THE DEBT FORETOLD. THE STUDENT LOAN CRISIS

In this chapter we will discuss the powerful industry responsible for providing loans for students to meet the ever-climbing price of tuition in American higher education today. The previous chapters have detailed the gradual adoption of the corporate model by proprietary, public and private institutions of higher education, the divestment of the state in higher education, and the kinds of expenditures that determined the meteoric rise of college tuition over the past decades. This chapter will be divided into individual sections that will discuss crucial aspects of state involvement in education, the abandonment of those practices, and the resulting rise of private financial aid as the result of state divestment in education. We will trace the origins of the industry and the policies that enabled it to become so lucrative, and engage in a detailed discussion of Sallie Mae, the industry leader, and finally the consolidation of firms within the industry and the stripping away of consumer protections for student borrowers. Specific changes in U.S. government policies will be discussed as well as their role in the development of the debt crisis. Charts and other empirical data will illustrate the correlation between deregulation of the industry, decreased consumer protections, and higher debt for borrowers. Furthermore, we will frame the discussion of the loan debt crisis within the larger issue of its impact on the human right to education and on the consequences of its erosion for a leading democratic society.

In his chapter "The Rise of Sallie Mae and the Fall of Consumer Protections,"[143] Collinge tracks the development of the greatest turnaround in American higher education accessibility and one of the biggest financial crises since the mortgage crisis of 2008. He chronicles how student loans, which barely existed in the sixties, grew at the same pace that consumer protections and bank deregulations declined through the eighties and became the most oppressive debt in U.S. history. [144] He

143 2009, pp. 1-21
144 On April 25th 2012, the student loan debt reached three trillion dollars. Honan,

stresses the aspect of the American Dream that became prominent after World War II: the belief that every citizen, regardless of socioeconomic status, could attain a college education and thus aspire to a better future. He refers to the G.I. Bill of 1944, the Education Acts of 1965 and 1972, the creation of Pell grants, and the continued existence of free or low tuition urban and state colleges, as well as the rise of community colleges in the sixties and seventies, as steps in this increased democratisation of education, which had been the province of the elites throughout most of the nineteenth century and the first half of the twentieth:

> *From 1960 to 1970, the nation's population increased by about 16 percent. For non-white Americans, this number increased far more dramatically, by over 200 percent. Also, when students realized that they could afford to go to college, high school graduation rates surged, from roughly 63 percent to almost 80 percent. Owing to investment in both teaching development and brick-and-mortar projects, the capacity of universities, community colleges, and trade schools nationwide increased similarly.*[145]

Since the seventies, college tuition began its meteoric rise, at the same time that bank regulations and consumer protections eroded. While the average student in the seventies graduated with a minor debt of a few thousand dollars, or none if he or she went to public institutions such as SUNY and CUNY, today's undergraduate student amasses a debt of at least $20,000, double for graduate students. Collinge points out that tuition inflation for this period has exceeded the consumer price index by a factor of two to one, and that the Higher Education Act (Title IV) has been amended six times "*becoming progressively more lucrative for the lenders and less beneficial for the students*."[146] During the Reagan-Bush administration, as part of the shift from

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"College Students Protest Debt on 'Trillion Dollar Day'" *Reuters*, 25 April 2012, available at http://www.reuters.com/article/2012/04/26/us-usa-colleges-debt-idUSBRE83O1JL20120426 (consulted 25 April 2012)

145 Collinge 2009, p. 3.

146 Collinge 2009, p 4.

Keynesian economics to the Chicago School,[147] bank deregulation laws enabled lending institutions to do away with bankruptcy protections, statutes of limitations, refinancing rights and other consumer protections.

The Depository Institutions Deregulation and Monetary Control Act of 1980[148] and the Garn-St. Germain Depository Institution Act of 1982[149] diminished the distinction between banks and other financial institutions. The Riegle-Neale Interstate Banking and Branching Act of 1994 prevented the Federal Deposit Insurance Corporation from pursuing cases against insiders in savings and loans. It also raised the statute of limitations on cases pursued against wrong-doers, but not on cases of willful or gross negligence.[150] Later, the final repeal of the Glass-Steagall Act through the Gramm-Leach-Bliley Act of 1999[151] eliminated the conflict of interest protection, effectively allowing banks to lend to speculators and take unprecedented risks.[152]

The End of Free Higher Education

The International Covenant on Economic, Social and Cultural Rights (CESCR) states that "*higher education shall be made equally accessible to all, on the basis of capacity, by every appropriate means, and in particular by the progressive*

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147 The Department of Economics at the University of Chicago, whose most salient figures were Milton Friedman and George Stigler, both winners of the Nobel Prize in Economics (1976 and 1982, respectively) became identified, especially since the 70s, with a defense of conservative economics and capitalism. Its basic tenets revolve around decentralization and deregulation. "What is Chicago School of Economics?," Available at http://www.businessdictionary.com/definition/Chicago-school-of-economics.html (consulted 9 July 2012).

148 Available at http://www.fdic.gov/regulations/laws/rules/8000-2200.html (consulted 14 April 2012).

149 Available at http://www.fdic.gov/regulations/laws/rules/8000-4100.html (consulted 14 April 2012).

150 Available at http://www.fdic.gov/regulations/laws/rules/6500-3500.html (consulted 14 April 2012).

151 Available at http://banking.senate.gov/conf/ (consulted 14 April 2012).

152 Donahue and Weisman chronicle "*the gradual evisceration of Glass-Steagall over 30 years, culminating in its repeal in 1999.*" "Wall Street's Best Investment: 10 Deregulatory Steps to Financial Meltdown." *Multinational Monitor.* 2009. Available at http://www.multinationalmonitor.org/mm2009/012009/weissman.html (consulted 14 April 2012)

introduction of free education" in article 13 Section 2.c .[153] How accessible is higher education to the middle-to-poor citizens of the United States today?

For most of its history, higher education in the United States was treated as a privilege and not an entitlement. Until the Morrill Land Grant Act of 1862[154] during the Civil War, which mandated every state to have a state-run university system,[155] education at the nation's oldest and most well known and respected University, Harvard,[156] was a privilege enjoyed only by the elites who came from wealthy or well-connected families in the fields of government or business. After the creation of the land-grant state universities, access to these institutions was still out of reach for the average citizen, not only because of means, but also because of the practical orientation of most of the population and their relative disregard for the study of the liberal arts which had to clear application to business or daily life. Lucas chronicles the development in the last third of the nineteenth century of the German-inspired

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153 CESR, at http://www2.ohchr.org/english/law/cescr.htm (consulted 20 April 2012).

154 "*Morrill decided to introduce a bill on his and Turner's idea. The bill passed Congress, but President Buchanan vetoed the bill on February 26, 1859. Buchanan said that the colleges would be unsuccessful and that agriculture and mechanics were not college degree fields. Although disappointed, Morrill did not stop. He changed the bill only slightly and presented it to Congress for a second time. Finally, on July 2, 1862, President Lincoln, who had been influenced by Turner while still in Springfield, signed the legislation. It declared that states would receive special land paid for by the federal government to construct a state college. This college was mainly to teach agriculture and mechanics. As the years went by many colleges went on to develop many other fields, which in the long run have helped our country grow and prosper.*" McKinney 2001, available at http://www.lib.niu.edu/2001/ihy010240.html (consulted 10 May 2012).

155 "*Sponsored by Vermont Congressman Justin Morrill, the Morrill Act was signed into law by President Abraham Lincoln on July 2, 1862. Officially titled "An Act Donating Public Lands to the Several States and Territories which may provide Colleges for the Benefit of Agriculture and the Mechanic Arts," the Morrill Act provided each state with 30,000 acres of Federal land for each member in their Congressional delegation. The land was then sold by the states and the proceeds used to fund public colleges that focused on agriculture and the mechanical arts. Sixty-nine colleges were funded by these land grants, including Cornell University, the Massachusetts Institute of Technology, and the University of Wisconsin at Madison.*" "Morrill Act" Library of Congress, available at http://www.loc.gov/rr/program/bib/ourdocs/Morrill.html#American (consulted 10 May 2012).

156 Harvard College, founded in 1636, is the oldest in the United States. Its original goal was to form the clergy. It has remained one of the most elitist and prestigious institutions in the nation. Lucas 2006, pp. 104-105.

universities that differed from the earlier theological institutions of the seventeenth century and the later agricultural and mechanical focus of the land-grant institutions in their free pursuit of truth through scholarly inquiry: *Lernfreiheit* (freedom to learn) and *Lehrfreiheit* (freedom to teach), a novel development in American universities.[157] These, however, were still the privilege of the elites. Thelin adds that the twin goals of industry and erudition, the central concern of the business and cultural elites, characterized the development of the American colleges and universities from 1880 to 1910.[158]

It would not be until President Franklin D. Roosevelt created the GI bill of 1944 that higher education, for the first time in U.S. history, would be available to a much larger portion of the general population outside elite circles. The Servicemen's Readjustment Act of 1944, the official title of the bill, provided, among other benefits, the opportunity for returning service veterans to attend vocational schools as well as liberal arts universities with support from the federal government for the payment of tuition and living expenses.[159] The GI bill was a landmark piece of legislation in that it covered the costs of education for all returning military personnel; its resounding success can be measured by the fact that by 1947, almost half of all university enrollments were attributed to soldiers taking advantage of the provisions of the bill.[160] By the time the original bill expired in 1956 it was estimated that over 2 million veterans had taken advantage of the program's education provisions, and the bill was subsequently brought back under different names and with different provisions over the ensuing decades and into the present day; it presently exists as the Post-9/11 Veteran's Educational Assistance Act of 2008.[161]

Measuring the success of such bills was self-evident as the benefits were reflected in growing and unprecedented numbers of Americans being awarded bachelor and associate degrees. The question now became how to extend these opportunities and

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157 Lucas 2006, pp. 177-179.
158 Thelin 2004, pp. 131-154.
159 Lucas 2006, p. 252.
160 Collinge 2009, p. 2.
161 Altschuler and Blumin 2009, p. 118.

benefits to the general population. This question was answered by President Lyndon B. Johnson, who, having been a schoolteacher in an impoverished community in his home state of Texas, was particularly attuned to the value of education. Having famously observed "*Poverty has many roots, but the taproot is ignorance*,"[162] he went on to lead his administration in the passage of the Higher Education Act of 1965 (Title IV), which would provide far greater accessibility to higher education for the poor and the marginal, among many other social benefits including unprecedented provisions to help minorities such as people of colour and women.[163] The key provisions of this Act are its amendments, specifically the amendments from 1998 which granted the student loan industry substantial liberties such as collection powers, as well as the ability to charge greater interest on loans which were placed into default.[164]

The Birth of the Industry

When discussing the birth of the industry that has grown around the process of privatization and marketing of education loans, it is essential to discuss the birth of the Student Loan Marketing Association, which was created in 1972 and would become Sallie Mae. The creation of this body would begin a trend described by Penn State professors Dr. Larry L. Leslie and Gary P. Johnson as "*doomed from the beginning*" because it led to rising costs in education and in turn, damaged the nation's middle class which, they assert, "*Now pay their high taxes, then must turn around and pay high costs for their children*".[165] And indeed with the astronomical costs associated with higher education coupled with the present economic crisis battering the U.S. middle class, it is difficult to argue that Johnson's and Leslie's observations are off the mark. This trend started in the 70s and would go on to spawn an entire industry devoted to the business of financial aid which would see the creation of hundreds of companies in the industry sectors of loans, guaranteeing and collections. It is important to note that the entities which shall be discussed comprise

162 In Collinge 2009, p. 3.
163 Collinge 2009, p. 3.
164 Collinge 2009, p. 6.
165 Leslie and Johnson 1974, pp. 1-20.

a system of student aid that is outside the federal system of student loans, and are not guaranteed by the federal government. The components of the federal system will be discussed in a later section; however, we shall note that the Federal Family Education Loan programme, does provide guarantee for some types of private loans.

Sallie Mae

Sallie Mae is the largest private student loan company in the industry; it has loaned out substantially larger amounts of money than its closest runner-up, Citibank, and since becoming a private company in 1997, has taken considerable steps towards consolidating its position as the industry leader. It has lobbied aggressively in Washington as well as in state capitols to protect its business interests and to influence the legislative process in regards to the regulation of its industry. Sallie Mae was originally created by the Federal Government in 1972 when then President Richard Nixon signed a law that created the Student Loan Marketing Association. Its purpose was to serve as a fully government- dependent company that would provide financial assistance to lower income students by encouraging banks and schools to lend money to college students. Sallie Mae's purpose was to then purchase these loans from the banks and the schools and thus function as a second, government-sponsored secondary market which would provide the loans to the students. Sallie Mae at this time was dependent for its operations on the U.S. Treasury, which was in turn charged with oversight of Sallie Mae. Though it was a government-backed entity, Sallie Mae's operations would soon show the first indications of what would become a full-blown trend to shift the burden of funding education from the state to the students.[166] As documented in a 1974 report in the *Journal of Higher Education*, there were already signs of a shift from federal and state funding of universities to a more market-based approach which consisted of loans and grants.[167] The trend noted in said article would indeed only accelerate over the following decades,[168] which would

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166 Collinge 2009, p. 9.
167 Leslie and Johnson 1974, pp. 1-20.
168 In a recent article from the front page of *The New York Times*, Martin and Lehren show how this trend from federal and state governments continued to grow and has

see Sallie Mae transform dramatically from a small government sponsored entity, which was dependent on the U.S. Treasury, to a massive corporation with a dominant presence in each sector of the student loan industry (lending, guarantee, collections), and into a company which would be the second most profitable in the country in 2005, according to *Fortune Magazine*, and whose CEO, Albert Lord, would make it onto the *Washington Post*'s list of highest paid CEOs in Washington D.C.[169] The need for increased borrowing was a direct result of public divestment in higher education in the past ten years as state and local financing per student declined by 24 percent while tuition and fees at state colleges rose by 72 percent, compared with 29 percent for nonprofit private institutions.[170]

Sallie Mae would continue to slowly gain autonomy from the government during the 1980's as well as expand into consolidation of student loans. By 1991 Sallie Mae was in charge of one third of the forty-nine-billion dollar market of outstanding loans which were guaranteed by the federal government.[171] In 1995 Albert Lord became CEO of Sallie Mae. In response to the threat posed by the then newly established Federal Direct Loan program, CEO Albert Lord took a series of radical steps that would transform Sallie Mae into a completely private entity. Lord is credited with aggressively steering and guiding the company's success, for example, in response to the newly established Federal Direct Loan Program, which was costing Sallie Mae its market value. In 1997 Lord expanded Sallie Mae to make loans directly to students. Sallie Mae also launched a "School-as-lender programme" in which the company provided financial incentives to financial aid officials at universities, which would then put the company on a "preferred lenders" list.[172] These incentives included paying for trips and throwing lavish parties among other "gifts" for financial aid staff

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reached a peak in the last ten years, as increased tuition has resulted in increased borrowing: "*Across the country, elected officials are increasingly unwilling to assume a large share of the bill for public colleges and universities, which seven out of 10 students attend. The change has contributed to sharp increases in tuition and more fund-raising — and the need for students to borrow more*." 20.

169 Collinge 2009, p. 23.
170 Martin and Lehren 2012, p. 20.
171 Collinge 2009, p. 10.
172 Collinge 2009, p. 11.

if they steered students to borrow through Sallie Mae.[173] Sallie Mae also lobbied Congress heavily, using its increasing fortunes to donate to the political action committees (PACs) which would defend the company and safeguard its interests, which were less regulation in the student loan market, as well as attacking the Federal Direct Loan program which caused Sallie Mae to lose market value: nearly half only 2 years into the program.[174]

In the late 90's and into the early 2000's Sallie Mae moved to consolidate its power and competitive advantage in the student loan market by expanding its presence to dominate all three sectors of the student loan industry: loans, collections, and guarantors. This was achieved by the purchase of several smaller companies in the guarantee and collections division. In fact, Sallie Mae pursued this strategy so aggressively and successfully that by 2006, it was four times larger than its closest competitor, Citibank, and was managing $123 billion in student loans.[175]

Most importantly, it was thanks in large part to Sallie Mae's aggressive lobbying that the 1998 amendments to the Higher Education Act effectively stripped away several key consumer protections which protected borrowers in other loan markets. This included a provision which made student loans non-dischargeable in bankruptcy, which makes student loans the only type of loan in U.S. history which cannot be discharged by declaring bankruptcy.[176] Though declaring bankruptcy is devastating for one's credit, it provides a borrower that can no longer service his or her debt with important legal protections, absent of which they would be subject to several human rights abuses (comparable indentured servitude, slavery or imprisonment as in centuries before such protections were codified) in the form of harassment, garnishing of wages, social security payments, and even the revocation of professional licenses, as well as the denial of work in the public sector.[177]

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173 Barnett and Barnes, 27 October 2003.
174 "Changes Sought at Student Loan Marketing Association," *The Chronicle of Higher Education*. 21 April 1995.
175 Collinge 2009, p. 13.
176 Collinge 2009, p. 14.
177 Collinge 2009, pp. 14-18.

In addition to this victory, in 2005 Sallie Mae's lobbying efforts led to the removal of all statutes of limitations for collecting student loan debt, with a provision which has been attached to the Bankruptcy Abuse Prevention and Consumer Protection Act of that year.[178] Revisions to the Higher Education Act also exempted student loans from state usury laws as well as protections granted to other types of loans under the Truth in Lending Act. Furthermore, in the United States, borrowers have the option to consolidate their loans with multiple lenders to one lender of their choice in order to get better terms on repayment. This however does not apply to student loans as per the 1998 revisions. This undoubtedly contributes to the default rate on student loans, on which collection rates of up to 25 percent can be pursued once the loans have been defaulted[179]. The lack of consumer protections on student loans also means that collections can pursue borrowers with impunity by garnishing wages, administrative fees, tax returns, social security benefits, disability payments, as well as suspension of state licenses, all without a court order. This, combined with the high interest rates that can be applied to defaulted loans, would make it seem that for companies like Sallie Mae a defaulted student loan is in fact more lucrative than one which is paid on time. And indeed, a report aired in CBS's *60 Minutes* found that Sallie Mae had acquired about one fifth of its revenue from interest on defaulted student loans.[180]

At present, basic consumer protections are still absent from the student loan industry and attempts to restore them, such as the Student Borrower Bill of Rights (s3255) introduced by Senator Hillary Clinton to the 109th Congress in 2006,[181] have been defeated in Congress. Sallie Mae enjoys a strong influence on Capitol Hill and it has been found that, in the 109th Congress, 37 out of the 51 representatives on the House Education Committee were receiving donations from the Sallie Mae political

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178 Collinge 2009, p. 15. The text of the Act is available at http://www.govtrack.us/congress/bills/109/s256/text (consulted 9 July 2012).

179 Collinge 2009, p. 17.

180 Stahl, May 7th,2006.

181 The text of the Bill is available at http://www.govtrack.us/congress/bills/109/s3255/text (consulted 10 June 2012). The Bill was partially enacted in 2007.

action committee (PAC).[182] Perhaps most disturbing is that, among the top two recipients of student loan industry donations was then committee chairman (2001-2006) and current Speaker of the House (2010-) John Boehner,[183] who benefited greatly from donations and campaign contributions. Boehner was a vehement defender of the Single Holder rule mentioned earlier which prevented borrowers from reconsolidating their loans with better terms with another lender. Boehner was also instrumental in closing a loophole in federal law known as the "Super Two Step"[184] which permitted borrowers to transfer their debts to another lender, by way of a technicality which could be exploited by transferring the debt through the Federal Family Education Loan program and thus to another lender.[185]

Federal Family Education Loan

This was the original Federal Loan Program which was created by the Higher Education Act of 1965 (Title IV) in order to federally ensure private loans to students and to guarantee the loans in case of default. Under this program a private lending institution would provide the type of federal loans (Stafford, Unsubsidized Stafford, Federal PLUS, and Federal Consolidation) out of its capital and then be guaranteed against default by the federal government. Under the FFEL program, the lending institutions would also receive federal subsidies in order to keep interest rates at

182 Collinge 2009, p. 28.
183 Collinge 2009, p. 29.
184 Collinge 2009, p. 31.

185 The Student Loan Justice *Daily Kos* mentions successful lobbying efforts to pass a ban on the refinancing of student loans by "bundling" the ban into the Deficit Reduction Act of 2005 [available at http://www.govtrack.us/congress/bills/109/s1932/text ,consulted 9 July 2012] : "*When consumer groups such as the American Student Association began complaining about the proposed no-more-refinancing law, Sallie Mae lobbyists countered by spreading misinformation around designed to lead people to believe that a borrower moving their loan from one lender to another would cost the taxpayers money needed in other places, when, in fact, the borrower savings would all come from the new lender's willingness to accept less profit. In the end, Sallie Mae, which, according to Fortune Magazine, is one of America's most profitable companies, won the battle. The losers were America's millions of students and parents who have been denied the opportunity to negotiate lower rates for themselves in an open market*." Available at http://www.dailykos.com/story/2006/12/12/280131/-Will-the-110th-Congress-really-Reverse-the-Raid-on-Student-Aid (consulted 9 July 2012)

federally mandated levels and offset the costs of providing the loan. In case of default the federal government would pay back to the loaning institution, Sallie Mae for example, the principal and interest of the loan accrued until default. In 2007-2008 this program accounted for 80% of all student loans.[186]

The FFEL program was also the scene of various cases of corruption during the Bush administration. Matteo Fontana had been appointed to manage the financial partners of the FFEL program, which is the office in charge of overseeing the student lenders that participated in the program. Fontana, who was reported by the New America Foundation to have held stock in student loan companies, Student Loan Express in particular[187]. This is a clear conflict of interests but in addition, prior to this position, Fontana had been in charge of the National Student Loan Date System (NSLDS) which contained intimate details about student borrowers. In an Office of the Inspector General memo, NSLDS was found to have been tapped by student lenders to in order to market consolidation loans to students.[188] This was found to have occurred under Fontana's watch.

The Federal Family Education Loan (FFEL) program was terminated by Congress and the Obama Administration with the passage of the Health Care and Education Reconciliation act of 2010, which stipulates that the government shall no longer provide subsidies to the banks to provide federally insured loans, administering them directly instead via the Department of Education.[189]

The Federal Direct Loan Programme

In 1993 the Federal Student Loan program was created by legislation signed by President Bill Clinton. This created a means by which the Federal Government would loan to prospective students directly, without having to do so by going through the banks. The Direct Loan program which was found to cost eleven dollars less for

186 Collinge, 2009, pp. 66-73.
187 Collinge, 2009, p. 73.
188 Basken, "As Investigations of Student Loan Providers Reach Education Dept., Lenders Defend Practices", *The Chronicle of Higher Education*, 6 April 2007.
189 Anderson, "What would change if student legislation passes" *The Washington Post* 26 March 2010, available at http://www.washingtonpost.com/wp-dyn/content/article/2010/03/25/AR2010032503578.html (consulted 25 May 2012)

every hundred lent than the Federal Family Education Loan,[190] provided a somewhat cheaper means by which students could fund their education by accepting financial aid with smaller interest rates and the greater possibility of debt forgiveness than with federally guaranteed loans taken out by through private banks. The program was thus viewed as a threat to the profitability of companies like Sallie Mae and thus became the target of aggressive lobbying efforts by the industry, with the goal of killing the program.[191] During the early and mid 2000s Direct Loan program was the target of numerous runs by the industry's lobbyists and its congressional sympathizers to cut funding to the program. In 2000, newly elected president George W. Bush appointed William Hansen to the number two position within the U.S. department of Education. Hansen had previously been the president of the Education Finance council, an organization which represented the interests of FFEL lenders.[192] In 2002 the Bush Administration appointed Theresa Shaw to head the Office of Federal Student Aid. Her prior position had been vice president at Sallie Mae.

Aside from these conflicts of interests and revolving door appointments, the Direct Loan Programme came under the direct attack of Congress. Congressman, now Speaker of the House, John Boehner—whose connection to the industry was mentioned earlier—actively pursued the destruction of the program, including attempts to put federal funding for the program into a discretionary account, which would give the House greater power to redirect monies away from it. In the United States, the majority of spending decisions originate in the House of Representatives before working their way through the legislative process. At the time, both chambers of Congress were controlled by Mr. Boehner's party. [193]

The previous conflicts of interest combined with industry-lobbied congressional action saw the program's market share diminish from 34% of the student loan market in 1997 to 19% in 2007.[194] The impact of this assault on the Direct Loan Program

190 Stahl, May 7th,2006.
191 Collinge 2009, p. 10.
192 Collinge 2009, p. 66.
193 Collinge, 2009, pp. 29-31; 67; 72.
194 Collinge, 2009, p. 68.

(which even by admission of the Bush administration in 2005 costs taxpayers 11 dollars less per every hundred dollars lent than FFEL)[195] was that ultimately students end up paying back more money with less funds and loaning power being channeled to Federal Direct Loan.

Chapter Conclusions

The corruption of the financial loan industry and its influence over lawmakers through its lobbying power cannot be overstated. With a monopoly over the three sectors of the industry held by loan companies such as Sallie Mae, as well as questionable collection practices at their disposal to pursue borrowers, their negative impact on student loan debt is undeniable. In pursuit of higher profits, the industry actively works to remove even basic consumer protections and government regulations. Every dollar collected in student loans, defaulted or not, increases its financial clout, which it uses to defend its preferred position and further undermine consumer protections of students. In addition to shouldering the rising costs of higher education, students must further bear the questionable practices of an industry born out of the idea that students with insufficient financial means should be assisted in the pursuit of a university degree and given the opportunity to succeed as more privileged members of American society do.

195 Collinge, 2009, p. 68.

CHAPTER SIX: CHANGES IN GOVERNANCE AND CURRICULAR STREAMLINING

In previous chapters we have seen how the American higher education system always tended towards the existence of parallel but unequal tracks: a liberal arts education for the elites, and a more technical training geared towards applicability. This is seen in the creation of agricultural and mechanic land-grant institution of the nineteenth century, in the creation of junior/community colleges in the early twentieth century, and in the more recent rise of for-profit institutions, as surveyed in Chapter Three of this thesis. However, the movement since the creation of the GI Bill of 1944 and the Education Act of 1965 made possible the accessibility of a quality liberal arts education for all citizens through free or nominal tuition at state colleges and universities. In this chapter we will see how these human rights gains in American higher education since the civil rights movements of the sixties are being eroded by the termination of free tuition at public universities, the rising costs of tuition, the controversial practices regarding student loans, and the recent attempts at the "streamlining" of liberal arts curricula at public colleges, traditionally geared towards the middle and lower classes. As case studies, I will focus of the sweeping curricular review being developed and implemented by the Board of Trustees of the City University of New York (CUNY) under the name of "Pathways," and the recent attempts at the University of Virginia to remove a sitting president who was opposed to the reduction of the liberal arts program and the expansion of online programs.

In the conclusions to his study of the politics of American higher education in the 20th century, Loss[196] focuses on the remarkable turnaround of the state's involvement in higher education in the seventies. He attributes this change to various factors:

> *At the very instant that state-higher education partnership reached its height, it crumbled to the ground. A year after the passage of the Pell Grant in 1972—a "GI Bill for everybody"—the bottom fell out of the economy and along with it the close relationship between higher*

196 2012, pp. 214-131.

> *education and the state.[...] The net impact on American higher education was profound, bringing to a screeching halt the sector's post-1945 golden age.*[197]

Loss continues to chronicle the subsequent fall in federal research funding and the increasing costs of the research facilities that had been built during plentiful times. Then he concludes that "*Faced with less purchasing power and rapidly rising costs, colleges and universities did just about the only thing they could do to make up the difference: they passed the burden on to students. Beginning in the early 1970's, annual tuition increases averaged more than double the rate of inflation*."[198] As I hope to have demonstrated in Chapter 4 of this study, the steep rise of tuition did not result exclusively from the divestment of government and other external economic factors, but also from administrative bloat as colleges adopted the business model, and from the wasteful and extravagant expansion of athletic and other non-academic programs. Thus, raising tuition was by no means "*just about the only thing they could do*" to keep universities affordable and accessible to a greater public. Yet, while he avoids specifically linking the government's reluctance to fund higher education with political ideology, Loss proceeds to address this point by stating that the government was reluctant to assign money for higher education because most of the democratic goals of the War on Poverty, the Civil Rights Act of 1964 and the Education Act of 1965 had been achieved "*and thanks to the triumvirate of federally supported aid mechanisms—grants, work study, and loans—students had greater educational opportunities than ever before. What more could the state do?*"[199] Clearly, the state could have attempted to preserve accessibility and affordability of higher education, as well as quality, for the lower and middle classes, through progressive taxation and other measures.

The election of Ronald Reagan in 1980 had wide repercussions for higher education. Recognized as hostile to the academy since his days as Governor of

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197 Loss, 2012, p. 215.
198 Loss, 2012, p. 216. See Figure A.A1 on the Appendix for tuition rises during this period.
199 Loss, 2012, p. 216.

California, Reagan did not disappoint the constituency that had brought him into office. In the words of the director of financial aid at the University of Massachusetts at Amherst, "*The 1980s will mark the end of the dream of access, choice and retention for low-income and minority students*."[200] Those words proved prophetic, as we hope to have demonstrated in Chapters Three, Four and Five of this thesis, and as we proceed to analyse recent and incipient developments that constitute the latest link in the chain from state divestment, to tuition increases, to loan deregulation, and now seems to point to the streamlining of liberal arts curricula at public colleges. The adoption of the business model in education has entailed the adoption of the business modus operandi, which differs from traditional academic consensus of faculty in curricular decisions. As observed in the introduction,[201] recent global trends in university governance have attributed greater powers to the boards at the expense of the faculty in curricular decisions. The issue of autonomy seems to have been redefined as autonomy of the university from the state, and not the autonomy of faculty senates from administrations and boards of trustees. Clashes between the boards and the faculty over curricular decisions have been observed in two recent, high profile attempts by boards to effect sweeping curricular changes over the objections of faculty. In both cases, the changes involve a perceived downgrading of liberal arts programs at public colleges for the sake of efficiency and profitability. The first of these clashes involves curricular changes at all undergraduate units of The City University of New York (CUNY), the largest urban university in the nation.[202]

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200 Michalak, *New York Times,* 16 November 1980.

201 See Fielden, 2008, p. 37.

202 "*The City University of New York is the nation's largest urban university: 11 senior colleges, 6 community colleges, a graduate school, a law school and The Sophie Davis School of Biomedical Education. More than 450,000 degree-credit students and adult, continuing and professional education students are enrolled at campuses located in all New York City boroughs. In Fall 2003, 45% of all the college students in the City of New York were attending CUNY. An additional 40,500 students are enrolled in College Now, the University's enrichment program for high school students at CUNY campuses and more than 200 New York City high schools. Another 8,000 students are enrolled in CUNY-affiliated high schools.*" http://www1.cuny.edu/portal_ur/content/invest/cuny_history.php (consulted 1 June 2012).

The first CUNY College was founded in 1847 as the Free Academy (Now City College), and other public colleges in the five boroughs of New York were incorporated with the creation of The City University of New York in 1961, when it also created a Graduate Center and began to award doctorates. The CUNY website underscores its importance in providing quality education to New Yorkers throughout its history:

> *Alumni CUNY graduates include 11 Nobel Laureates—10 scientists and an economist—among the highest numbers from any public university in the country. A U.S. Secretary of State, a Supreme Court Justice, mayors, members of Congress, state legislators, an astronaut, actors, singers, composers, writers, and inventors are among outstanding alumni. More top U.S. corporate executives earned their bachelor's degrees at The City University of New York than at any other university in the country, according to the most recent national survey conducted by Standard & Poor's. Between 1966-67 and 2002-03, more than 900,000 students graduated from The City University of New York. According to a recent CUNY survey, more than 88 percent found work within six months of graduation and of that group, nearly 90 percent worked in New York. CUNY awards almost 9,000 associate degrees, over 14,000 bachelors degrees and about 6,400 masters degrees each year. At least one-third of college-educated New Yorkers are CUNY graduates. CUNY is one of the nation's leading producers of black and Hispanic engineers and physicians. CUNY colleges are among the top sources of doctoral, baccalaureate and master's degrees earned by minority students in all disciplines, according to Black Issues in Higher Education. Five CUNY community colleges rank among the top 26 in the nation as a source of associate degrees in all disciplines awarded to minority*

students, according to Community College Week.[203]

CUNY and SUNY (the State University of New York) provided free and geographically accessible education to New York City and State since their creation, and the quality of the instruction and caliber of the faculty were on a par with the best private institutions in the United States throughout the seventies. However, just as the State University of New York system (SUNY), CUNY, free since the foundation of the Free Academy, fell prey to the state divestment and free-market policies discussed in previous chapters and started charging ever-increasing tuition, following the national trend, in 1976.[204] While tuition rose steadily in step with the national pace, student enrollment continued to rise and the prestige of the institution survived the controversies over open admissions (a guaranteed seat in the system for high school graduates) in the seventies.

Over the past year, the CUNY Board of Trustees has been embroiled in a struggle with the University Faculty Senate and the Professional Staff Congress, CUNY's union, over a proposed complete overhaul of the undergraduate curriculum, called "Pathways," proposed by the Board of Trustees and engineered by Alexandra Logue, the Executive Vice Chancellor and University Provost, with the support of the CUNY Chancellor, Matthew Goldstein, and the President of the Board of Trustees, Benno Schmidt, a former president of Yale University.[205] Ostensibly an attempt to "ease transfer" from community to senior colleges, or among CUNY units, "Pathways to

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203 "CUNY History" http://www1.cuny.edu/portal_ur/content/invest/cuny_history.php (consulted 1 June 2012)

204 "*In 1976, as CUNY finally faced an end to free tuition, students marched in the streets of Harlem and boycotted classes for three days, while 13 members of the English faculty started a hunger strike [...] CUNY traces its history to Victorian times, when its precursor was founded with the mission of extending a free education to the sons of working men. In the early and middle 20th century, it was a beacon for immigrant children, and City College, the flagship school, was often seen as an Ivy for the poor, who were largely shut out of the real Ivy League [see p.44, note 122 for a definition of the Ivy League]. Some CUNY schools were also known for strong undercurrents of leftist dissent, and as such were perfect laboratories for the kind of protest that could summon a battalion of police officers*." Hartocollis and Moynihan, *The New York Times,* 19 December 2010.

205 "Pathways to Degree Completion" http://www.cuny.edu/academics/initiatives/degreepathways/about.html (consulted 1 June 2012).

Degree Completion Initiative" has become a battleground between faculty, who claim that their shared governance and purview over curricular matters has been abrogated, and the corporate-style Board of Trustees, which has operated with unilateral authority in the design and planned implementation of the program by Fall 2013.[206] We have based our information on public communications ("Pathways Watch") from the Professional Staff Congress on their website, as well as the CUNY website, and other publications about this much-debated program. The CUNY website describes the initiative as one "designed to create a curricular structure that will streamline transfers and enhance the quality of general education across the University." The Pathways Initiative features three central elements:

> "*1)* ***General Education Framework****: The resolution calls for a portion of CUNY's General Education Framework, common to all CUNY colleges, to be called the "Common Core" and to total 30 credits.*[207] *The other portion of CUNY's General Education Framework, the portion that is specific to each baccalaureate college, will be called the "College Option," and will consist of an additional 12 credits.*
>
> *All CUNY undergraduates will be required to complete the 30-credit Common Core in order to graduate with an A.A., A.S., or baccalaureate degree. All students who satisfactorily complete courses within the Common Core will be certified as having achieved partial or full completion of the Common Core, as appropriate, and that certification will transfer among all CUNY colleges.*

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206 For the proposed dismantling of the State University of New York (SUNY), the largest public university system in the nation, also serving the working and middle classes, see Wittner, *The Huffington Post,* "Dismantling America's Largest University System," 8 March 2010 http://www.huffingtonpost.com/lawrence-wittner/dismantling-americas-larg_b_490037.html (consulted 12 June 2012).

207 The American credit system is based on the amount of hours per week spent on a subject over the course of a week. For instance, a 3 credit course meets 3 times a week for an hour. 60 credits make an associate degree; 120 credits, a baccalaureate at CUNY. Different schools vary slightly on the number of credit hours required for a degree. See Harris, 2002, http://www.eric.ed.gov/PDFS/ED470030.pdf (consulted 30 June 2012).

> *All CUNY baccalaureate students will be required to complete 12 College-Option general education credits as well in order to graduate (with exception specified below for students who transfer from associate-to-baccalaureate-degree programs). College-Option general education credits will transfer as such among all CUNY baccalaureate colleges.*
>
> *In addition, all associate-degree students, including A.A.S. students, who transfer to baccalaureate programs will be required to complete the receiving college's College-Option general education credits depending on the number of credits already completed."*[208]

At the center of the debate over the "Pathways" initiative are two issues: the first is the alleged usurping of faculty purview over curricular matters by the Board of Trustees, mostly lawyers and business persons appointed by former Governor George Pataki or former Mayor Rudolph Giuliani, and with no classroom experience or advanced degrees in liberal arts. The second issue is the perceived decline in the quality of a CUNY degree, which protesters see as an attempt by Board-controlling business and industry to turn CUNY undergraduate schools into trade schools to meet the demands for service employment, rather than leadership in a democratic society. Documents on the "Pathways Watch" indicate that nearly six thousand professors are opposed to Pathways since it is considered that the implementation of the program will dilute higher education by limiting the study of the social sciences, humanities and arts in favor of technological skills. In the "Pathways Watch" link created by the PSC, the main objections to the initiative are identified:

1. Pathways is "austerity education" that will save money and prepare students for the low expectations of an austerity economy.

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208 "Pathways to Degree Completion" http://www.cuny.edu/academics/initiatives/degreepathways/about.html (consulted 1 June 2012)

2. Pathways is aligned with the "reform agenda" of the Gates and Lumina foundations that stresses college completion and measurable skills over quality and depth of education.
3. Pathways "imposes an impoverished curriculum over a student body that is largely working class and three quarters people of color."
4. Pathways accommodates the underfunding of CUNY by the state and the city.
5. Pathways assaults faculty governance over curricular decisions by imposing top-down administrative decisions with little or no faculty input (faculty role was limited to appointed members whose positive vote was presupposed.)[209]

Furthermore, it is expected that courses that do not fit into the prescribed patterns, particularly language courses that require more credits than are assigned in the rigid structure of Pathways, will disappear, placing students at a disadvantage in an increasingly global society. While "easing" transfer among CUNY colleges, Pathways will most likely prevent students from transferring to elite institutions that require a more solid preparation from their applicants. Lastly, Pathways constitutes a clear example of the "corporatisation" of the university through its insistence on unilateral, top-down decisions that exclude traditional academic consensus of experts, and through its emphasis on "outcomes assessments" rather than solid academic goals.[210]

The implications of Pathways—which many faculty members consider a trial run for similar curricular reforms to be adopted by SUNY and other public institutions serving minorities—are dire for the future of affordable liberal arts education at public institutions such as CUNY and SUNY. In the words of Professor Terrence Martell from Baruch College, Pathways embodies "*the subtle racism of low expectations*," while Professors Joseph Entin and James Davis of Brooklyn College characterize Pathways as "*a diluted academic experience masquerading as rigor*."[211]

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209 PSC-CUNY website, http://psc-cuny.org/sites/default/files/WhatIsPathwaysWhatDoesItMeanForUs.pdf (consulted 1 June 2012).

210 Ibid.

211"Pathways Watch" http://psc-

A similar case unfolded in recent weeks at the University of Virginia, a prestigious public institution, over the forced resignation of President Teresa Sullivan under pressure by the Board of Visitors. The case drew national attention, being featured in major newspapers and in CUNY TV's program *Democracy Now.* As in the case of "Pathways," the dispute originated over the decision by Rector Helen Dragas to reduce liberal arts offerings for the sake of expediency:

> *Members of the board, steeped in a culture of corporate jargon and buzzy management theories, wanted the school to institute austerity measures and re-engineer its academic offerings around inexpensive, online education, the emails reveal. Led by Rector Helen Dragas, a real estate developer appointed six years ago, the board shared a guiding vision that the university could, and indeed should, be run like a Fortune 500 company. The controversy, which threatens to seriously damage one of the country's oldest and most prestigious public universities, has implications beyond its own idyllic, academic refuge. For some, it is emblematic of how the cult of corporate expertise and private-sector savvy has corralled the upper reaches of university life, at the expense of academic freedom and "unprofitable" areas of study [...]In an era in which the best and the brightest financiers laid the groundwork for the worst economic crisis since the Great Depression, and the Supreme Court allowed corporate sponsors and wealthy donors to upend the political system with unlimited campaign contributions, Brewer says he sees the upheaval in Charlottesville as more of the same. "What's happening at other kinds of institutions around the country is now coming home to roost in higher education," Brewer says.* [212]

. The reinstatement of President Sullivan less than three weeks after her forced resignation, after strong protests by faculty and students, and a strong letter from Governor Mc Donnell to the board, threatening to fire the entire board if they did not resolve the situation by the 27th of June, was featured on the popular progressive news

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cuny.org/sites/default/files/WhatIsPathwaysWhatDoesItMeanForUs.pdf (consulted 1 June 2012)

[212] "UVA Teresa Sullivan Ouster Reveals Corporate Control of Public Education." *The Huffington Post*, 24 June 2012. Available at http://www.huffingtonpost.com/2012/06/24/uva-teresa-sullivan-ouster-_n_1619261.html (consulted 30 June 2012).

analysis program *Democracy Now!,*[213] broadcast nationally over CUNY TV, and internationally over the Web. However, the control of corporate-oriented boards over the curricula and policies of public colleges is a worrisome development, and one that could have a deep impact on the quality and ultimate value of affordable education for the working classes in the United States.

Loss ends his book on an upbeat note, rhapsodizing about the virtues of state divestment from higher education policies: "*At the dawn of the twenty-first century, the state is at once everywhere and nowhere on the American campus, and higher education's authority over who should be admitted and what students should learn—indeed, over the very terms of democratic citizenship—has become its alone to decide.*"[214] The two cases presented in this chapter do not corroborate his last statement: higher education's authority and autonomy, at least in these two public institutions, seem to have fallen under the authority of politically appointed boards of trustees with little experience in academic matters.

Chapter Conclusions

In this chapter we have seen how the economic downturn of the seventies triggered the retreat of gains in human rights, especially in equal access to affordable quality higher education for the working classes and people of color, through divestment in the public education sector. The end of free tuition, the operation of universities under the business model, changes in governance that curtailed academic consensus and favored unilateral decisions by administrators and boards of trustees and, more recently, the proposed adoption of impoverished curricula at public colleges constitute trends that could become a threat to democracy and contribute to the creation of a two-tier society, reflected in a two-tier education system.

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213 "University of Virginia Reinstates Ousted President After Student, Faculty Protest" *Democracy Now!* 27 June 2012. http://www.democracynow.org/2012/6/27/headlines/university_of_virginia_reinstates_ousted_president_after_student_faculty_protest (consulted 30 June 2012).

214 Loss, 2012, p. 234.

CHAPTER SEVEN: THESIS CONCLUSIONS

Education is a fundamental right and is essential to the cohesion and workings of a democratic society. Once the envy of the Western world, the higher education system of the United States now appears as one of the most expensive and debt-ridden among developed nations. The state of higher education today has prompted President Barack Obama to address the issue by setting goals of 50% degree attainment by 2020:

> *President Obama is committed to ensuring that America will regain its lost ground and have the highest proportion of students graduating from college in the world by 2020. The President believes that regardless of educational path after high school, all Americans should be prepared to enroll in at least one year of higher education or job training to better prepare our workforce for a 21st century economy. A world-class education is the single most important factor in determining not just whether our kids can compete for the best jobs but whether America can out-compete countries around the world. America's business leaders understand that when it comes to education, we need to up our game. That's why we're working together to put an outstanding education within reach for every child*[215]

These questions remain: how does this administration expect to achieve this goal with higher education in the state that it is in the present day as far as accessibility to the middle and lower classes? What measures are being taken to that end? What further measures need to the taken? What kinds of opposition do these measures encounter among the conservative politicians that control the House of Representatives and could conceivably control the Senate and the Presidency by the end of 2012? Specifically, recent measures have indeed been taken regarding the huge student loan debt and the accessibility of education to the middle and working

215 "Education," President Barack Obama, 18 July 2011 http://www.whitehouse.gov/issues/education (consulted 10 June 2012)

classes: the President signed the Health Care and Education Reconciliation Act of 2010, which:

- *Invests more than $40 billion in Pell Grants to ensure that all eligible students receive an award and that these awards are increased in future years to help keep pace with the rising cost of college. These investments, coupled with the funding provided in the Recovery Act and the President's first two budgets, will more than double the total amount of funding available for Pell Grants since President Obama took office.*
- *Ensures that Americans can afford their student loan payments by expanding the existing income-based student loan repayment program. New borrowers who assume loans after July 1, 2014, will be able to cap their student loan repayments at 10 percent of their discretionary income and, if they keep up with their payments over time, will have the balance forgiven after 20 years.*
- *Includes $2 billion over four years for community colleges to develop, improve, and provide education and career training programs. President Obama also asked Dr. Jill Biden to host a White House Summit on Community Colleges this fall to provide an opportunity for community college leaders, students, education experts, business leaders, and others to share innovative ways to educate our way to a better economy.*
- *Starting July 1, all new federal student loans will be direct loans, delivered and collected by private companies under performance-based contracts with the Department of Education. According to the non-partisan Congressional Budget Office, ending these wasteful subsidies will free up nearly $68 billion for college affordability and deficit reduction over the next 11 years.*[216]

This is a good start; however, effectively attacking the crisis must confront the issues of corruption within the loan industry, government loan programs, and

216 "Education." http://www.whitehouse.gov/issues/education (consulted 10 June 2012).

proprietary institutions. It must also address inefficiency in the public and private sector which has contributed more than its share to the runaway costs of tuition, which rise at a faster rate than inflation and certainly than the wages of the working classes and most of the middle classes. Finally, the divestment of the state, specifically the state and local governments, which traditionally were the biggest funders of their respective federally-mandated state university systems, has had far reaching impacts, not just on rising tuition costs, but in the very nature of higher education. Institutions have attempted to offset the deficits of state divestment by seeking outside funding and applying free-market business models to their operations. This has contributed to the rising costs of tuition and in many cases threatens to devalue the quality of education in favor of efficiency, as we have seen in the case of the proposed Pathways initiative of the City University of New York and in the planned trimming of liberal arts curricula and the expansion of online teaching at the University of Virginia.

Any effective and long-lasting reforms need to go well above and beyond the anemic proposals of the Obama administration listed above. The federal loan proposals [bullet four, above] which are woefully inefficient and do not even promote competition among lenders, are still in need of the kinds or regulations that will prevent them from becoming the "free ride" given to proprietary schools and lenders in the past. The cancellation of the FFEL program and the passage of the Sunrise Act of 2009, proposing regulations of unregulated functions,[217] are first steps. However, government needs to address these issues much more aggressively, and certainly beyond the laughable extension of the Pell Grant system by approximately $300 per student over the next 10 years.

Many of the elements that have contributed to drive up the costs of higher education, putting it out of reach for many, are indicative of broader economic trends that have gripped the U.S. as well as much of the rest of the world in the past thirty years. These trends have been profusely identified and documented in the causes of

217 "Sunrise Act." http://consensus.fsu.edu/stormwater-task-force/pdfs2/Sunrise%20Act.pdf (consulted 10 June 2012).

the global financial crisis that now plagues the United States and the European Union. Though a discussion of the corruption in the banking and financial sector is beyond the scope of this thesis, it is pertinent to underscore the connection between these institutions and the student loan debt crisis. The student loan industry has benefited substantially from the same weakening of regulations that allowed investment bankers to prosper by allowing for the creation and growth of incentives to prosper off of the exploitation of borrowers, in the student loan industry as well as in the mortgage loan industry.[218] Furthermore, the monopolisation that has taken place within the loan industry itself has provided the conditions for a highly rewarding "rent-seeking" culture within the industry.

But what of the counter-argument posed? Can't more student loan programs with greater loans just offset the costs of rising tuition? Don't most students manage to pay off their student loans with the higher wages afforded them by their degrees? This is unfortunately not the reality thanks in large part to the aforementioned practices and trends, which have resulted in greater hesitation on the part of middle to working class families to seek the benefits of a college degree considering the debt burden it entails and its potential for stifling the financial means of the students and their families, who often end up paying the loans themselves.[219] At a time when the income of parents is placed under extreme pressure under the financial crisis and rampant unemployment, one wonders how the Obama administration expects to reach its goal of degree attainment without taking bold and radical steps to reform not just the higher education system, but the financial industry as a whole, which is deeply

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218 See Scheer, 2010, pp. 215-249.

219 Stiglitz, 2012, pg. 94. See also "Student Borrower Bill of Rights Act of 2006 (S3255)," available at http://www.govtrack.us/congress/bills/109/s3255 (consulted 10 June 2012). The website of the National Association of Graduate and Professional Students states: "*In fact, twenty percent of qualified high school graduates decide not to attend college due to the prospect of these debts. This problem is only compounded by a profit-driven private lending industry. Those who do take out student loans are often unclear of the terms of these loans. This problem is far worse for graduate students as many do not have parental co-borrowers to whom they can turn. Thus, graduate students are often subject to predatory lending practices such as high monthly payments and interest rates*." http://www.nagps.org/node/771 (consulted 10 June 2012)

interwoven with the student loan industry. The second largest student lender behind giant Sallie Mae is Citibank, which was one of the biggest players in the events leading up to the financial crisis.[220] Can students in the present economy really afford to have the loan industry driven by such entities with little or no government supervision? What effects do these practices have on the ability to pursue an education that was supposed to provide the promise of financial stability, release from poverty and upward social mobility?

In his newly released work, *The Price of Inequality* (June 2012) former Clinton administration economist Joseph E. Stiglitz, Nobel Prize in Economic Sciences (2001), discusses the student loan crisis in the greater context of the financial crisis. He takes note of the overlapping interests within these sectors by pointing out that "*Private-for profit schools with richly compensated executives have defeated attempts to impose high standards that would make schools that exploit the poor and ill informed—by taking their money and not providing them with an education that enables them to get jobs to repay the loans—ineligible for loans*"[221] Furthermore, he takes note that there are no incentives for the lenders, many of whom were giving out federally guaranteed loans, to verify that the programs for which they were lending out money were indeed providing money towards a program that would provide the benefits of a college degree, such as is the case with the atrocious completion rates and low per student expenditures typical of the proprietary school sector.[222] What effects on the overall loan debt does a $30 billion a year industry, which derives 90% of its profits from federal funds, make in terms of sucking up scarce resources, isolating wealth and contributing to the greater debt crisis?

The grassroots responses to this state of affairs have included numerous student protests over the past three years, many organized by CUNY students who attempted to storm a Board of Trustees meeting in which the Chancellor of CUNY presented a

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220 "Rebuff by shareholders"*The New York Times*, 11 June 2012. http://topics.nytimes.com/top/news/business/companies/citigroup_inc/index.html (consulted 10 June 2012)

221 Stiglitz, 2012, p. 94.

222 Stiglitz, 2012, p. 196.

plan to raise tuition at all schools and cut money from some programs,[223] while proposing the simplification of curricula ("Pathways") at all undergraduate units. These protests have been documented extensively on YouTube,[224] via live-feed of students, and police recordings of the demonstrations on their cellphone cameras. Similar protests of note took place at UC (the University of California system, one of the largest in the nation) against a 6% hike in tuition, in which students and faculty stormed and occupied buildings on campuses across the state, most notably at UC Berkeley[225] and Davis.[226] Though the Occupy movement has made no specific unified demands, mostly because of the wide ranging political positions that form the movement, the general consensus is that corruption and defrauding of the taxpayer, and exploitation of the lower and less informed classes must be radically addressed, as well as progressive taxation and spending reform, and the return to free or affordable higher education.

If the many movements under the Occupy banner could be unified around a short list of basic demands, in concert with the student protests, more pressure would be directed at Washington and the states to respond to the student debt crisis. The implications of these issues for democracy and the human right to a higher education are enormous, and specific demands are in order for grassroots movements. Occupiers and other grassroots movement would do well to put together articulated demands for:

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223 Sperri and Phillips, *The New York Times* 21 November 2011, http://www.nytimes.com/2011/11/22/education/cuny-students-clash-with-police-in-manhattan.html (consulted 10 June 2012)

224 "CUNY students protest tuition raise" 21 November 2011, http://www.youtube.com/watch?v=kN7uV3iltno (consulted 10 June 2012)

225 "Student Protesters Disrupt UC Regents Meeting," *L.A. Now*, 16 May 2012.

226 The Davis protest became notorious as the police pepper-sprayed in the face student demonstrators who were holding a peaceful sit-in. "'Occupy Wall Street' UC Davis Protests Escalate After Pepper Spray Use Sparks Anger." *The Washington Post,* November 21 2011, http://www.washingtonpost.com/national/occupy-wall-street-uc-davis-protests-escalate-after-pepper-spray-use-sparks-anger/2011/11/21/gIQAN0r2iN_story.html (consulted 10 June 2012). The infamous event was uploaded to YouTube with record viewings, http://www.youtube.com/watch?v=wuWEx6Cfn-I (consulted 10 June 2012).

- A restoration of basic consumer protections for student loans, such as the Student Borrower Bill of Rights Act of 2006 (S3255) proposed by Senator Hillary Clinton and only partially enacted (2006 and 2007).[227]
- Renewed investment by the states and local governments in their higher education systems. The financial crisis has been the latest excuse by state governments to continue to cut funding under the excuse of "austerity measures," while many have relaxed or eliminated estate and property taxes as well as income on the upper tax brackets while cutting education investment.[228] These measures are presented as "inevitable," when in fact more democratic and equitable options do exist, such as the return to progressive taxation and the closing of tax loopholes for corporations..
- Greater funding to and expansion of the Pell Grant and Subsidized Stafford Loan programs. This would greatly increase access to education for the poorer members of society.
- A revision of granting federal money to institutions based on degree completion rates rather than enrollment rates.

The implementation of these reforms would greatly contribute to the Obama administration's degree attainment goals, and reopen the higher education option to much of the nation's population, which is increasingly marginalized by current practice and policy. As has been reiterated throughout this thesis, higher education

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227 National Association of Graduate Professional Students. http://www.nagps.org/node/771 (consulted 10 June 2012). The text of the actual Bill is available at http://www.govtrack.us/congress/bills/109/s3255/text (consulted 10 June 2012). The Bill was partially enacted by the 109th Congress. See also "Reintroduction of the Student Borrowers Bill of Rights" http://studentloansblog.nextstudent.com/2007/02/15/reintroduction-of-the-student-borrower-bill-of-rights/ (consulted 10 June 2012)

228 See, for instance, the article on the proposed dismantling of the SUNY system, while leaving tax cuts for the rich intact: Wittner, *The Huffington Post ,* "Dismantling America's Largest University System," 8 March 2010 http://www.huffingtonpost.com/lawrence-wittner/dismantling-americas-larg_b_490037.html (consulted 12 June 2012)

and education in general are essential to maintaining the stability and smooth workings of a participatory society, as well as to economic growth and expansion. Educated citizens are more involved in the democratic process, better aware of issues of fairness and social justice, and better prepared to articulate their demands in ways that conform to the workings of a democratic society, thus avoiding civil unrest and violence. To deny education on economic grounds and to subordinate the pursuit of knowledge to models of profit and efficiency lead toward a slippery slope that could ultimately sink the nation on all fronts. The attainments of American democracy in the fifties, sixties and seventies, at the height of state investment in higher education and the parallel civil rights movement,[229] have shown what a generation characterised by a high degree of educational achievement can contribute to society. Will the current and coming generations of students enjoy the same opportunities and be allowed to build on past contributions with their own?

229 See Loss, 2012, pp. 121-213; and Stiglitz, 2012, pp. 118-145.

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APPENDIX: TABLES AND GRAPHS

Figure A.A1 RISE IN THE COST OF HIGHER EDUCATION IN THE US

Total tuition, room and board rates charged for full-time undergraduate students in degree-granting institutions, by type and control of institution: Selected years, 1980–81 to 2009–10

Year and control of institution	Constant 2008–09 dollars[1]			Current dollars		
	All institutions	4-year institutions	2-year institutions	All institutions	4-year institutions	2-year institutions
All institutions						
1980–81	$7,685	$8,672	$5,526	$3,101	$3,499	$2,230
1990–91	10,518	12,185	6,300	6,562	7,602	3,930
2000–01	13,263	15,843	6,693	10,818	12,922	5,460
2001–02	13,709	16,430	6,888	11,380	13,639	5,718
2002–03	14,161	17,020	7,370	12,014	14,439	6,252
2003–04	14,942	17,855	7,734	12,953	15,505	6,705
2004–05	15,444	18,487	7,935	13,792	16,509	7,086
2005–06	15,780	18,820	7,800	14,629	17,447	7,231
2006–07	16,281	19,423	7,850	15,483	18,471	7,466
2007–08	16,385	19,592	7,744	16,159	19,323	7,637
2008–09	17,012	20,385	8,238	17,012	20,385	8,238
2009–10	17,464	20,986	8,451	17,633	21,189	8,533
Public institutions						
1980–81	$5,881	$6,320	$5,023	$2,373	$2,550	$2,027
1990–91	7,625	8,403	5,558	4,757	5,243	3,467
2000–01	9,300	10,609	5,933	7,586	8,653	4,839
2001–02	9,633	11,078	6,189	8,022	9,196	5,137
2002–03	10,021	11,537	6,603	8,502	9,787	5,601
2003–04	10,666	12,312	6,935	9,247	10,674	6,012
2004–05	11,046	12,795	7,139	9,864	11,426	6,375
2005–06	11,277	13,062	7,003	10,454	12,108	6,492
2006–07	11,618	13,457	7,166	11,049	12,797	6,815
2007–08	11,735	13,616	7,073	11,573	13,429	6,975

2008–09	12,256	14,262	7,568	12,256	14,262	7,568
2009–10	12,681	14,870	7,629	12,804	15,014	7,703
Private institutions						
1980–81	$13,555	$13,861	$10,663	$5,470	$5,594	$4,303
1990–91	20,693	21,218	14,911	12,910	13,237	9,302
2000–01	26,197	26,795	18,130	21,368	21,856	14,788
2001–02	27,000	27,581	19,064	22,413	22,896	15,825
2002–03	27,512	28,039	20,926	23,340	23,787	17,753
2003–04	28,404	28,918	22,560	24,624	25,069	19,558
2004–05	28,903	29,403	22,500	25,810	26,257	20,093
2005–06	29,006	29,467	22,836	26,889	27,317	21,170
2006–07	29,905	30,409	21,329	28,439	28,919	20,284
2007–08	30,680	31,207	21,988	30,258	30,778	21,685
2008–09	31,532	32,090	22,726	31,532	32,090	22,726
2009–10	31,876	32,475	24,248	32,184	32,790	24,483

[1]Constant dollars based on the Consumer Price Index, prepared by the Bureau of Labor Statistics, U.S. Department of Labor, adjusted to a school-year basis.

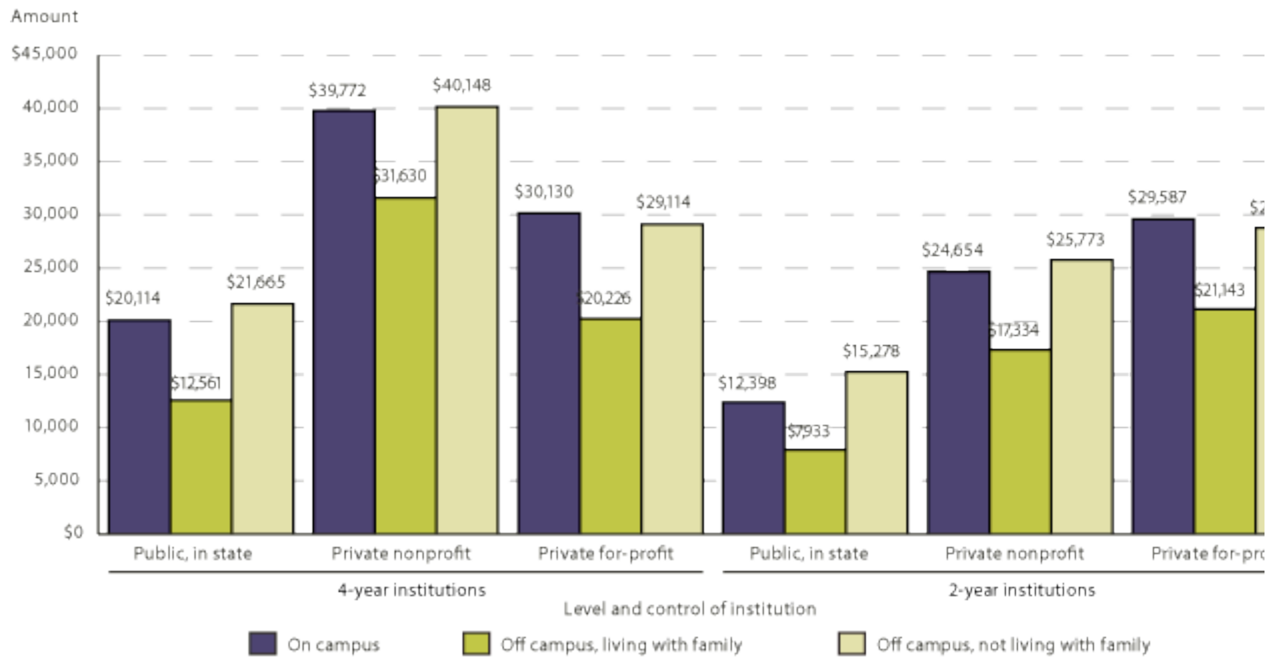
NOTE: Data are for the entire academic year and are average total charges for full-time attendance. Room and board were based on full-time students. Data through 1995-96 are for institutions of higher education, while later data are for degree-granting institutions. Degree-granting institutions grant associate's or higher degrees and participate in Title IV federal financial aid programs. The degree-granting classification is very similar to the earlier higher education classification, but it includes more 2-year colleges and excludes a few higher education institutions that did not grant degrees.

SOURCE: U.S. Department of Education, National Center for Education Statistics. (2011). *Digest of Education Statistics, 2010* (NCES 2011-015), Table 345.

http://nces.ed.gov/fastfacts/display.asp?id=76 Accessed 30 June 2012

A.A2 COST OF UNDERGRADUATE TUITION AY 2010-11

Total cost of attending an undergraduate institution for first-time, full-time students receiving aid, by l control of institution and living arrangement: Academic year 2010-11

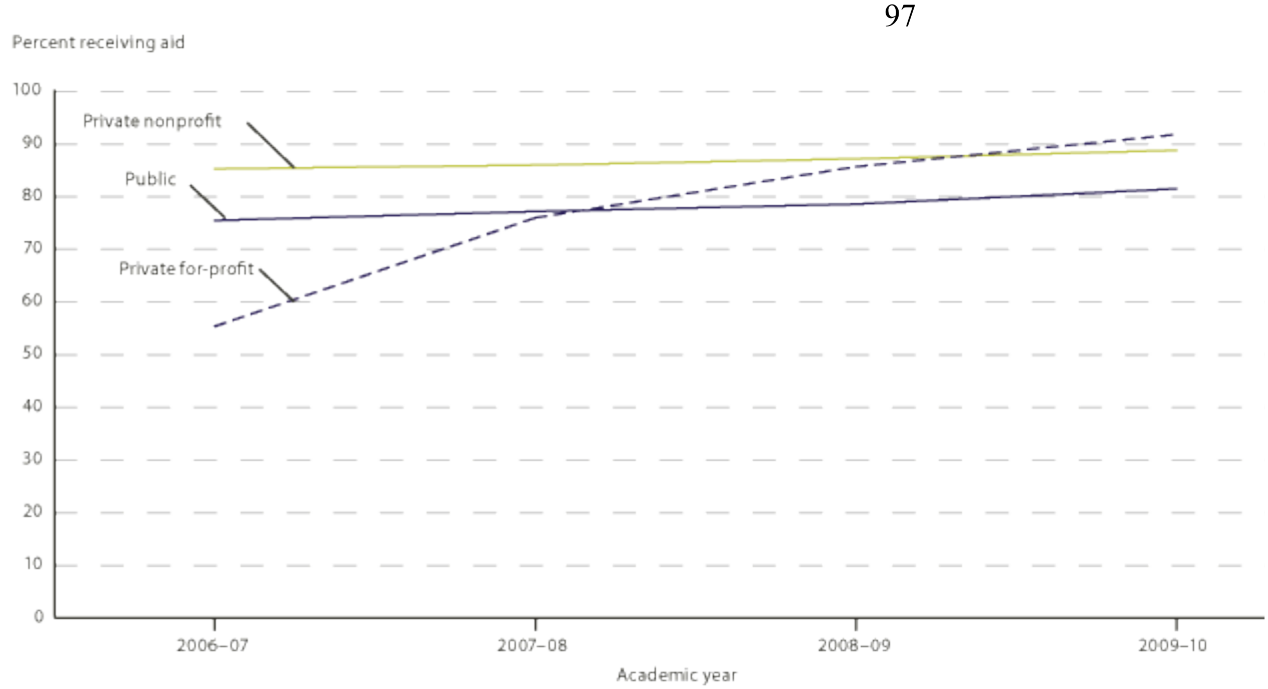


"NOTE: Excludes students who have already attended another postsecondary institution. For more information on the Integ
Postsecondary Education Data System (IPEDS), see Appendix B – *Guide to Sources*.
SOURCE: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Dat
(IPEDS), Spring 2011, Student Financial Aid component; and Fall 2010, Institutional Characteristics component."

http://nces.ed.gov/programs/coe/indicator_cst.asp Accessed 14 June 2012

A.B1 INCREASE IN STUDENTS RECEIVING FINANCIAL AID: FOR PROFIT SECTOR

Figure 41-1: Percentage of first-time, full-time undergraduate students receiving any financial aid at 4-y
institutions, by institution control: Academic years 2006-07 through 2009-10



"NOTE: Any student financial aid includes students who were awarded any Federal Work-Study, loans to students, or grant or scholarshi
the federal government, state/local government, the institution, or other sources known to the institution.
SOURCE: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPI
2008 through Spring 2011, Student Financial Aid component."
http://nces.ed.gov/programs/coe/indicator_ugl.asp Accessed 14 June 2012

Figure A.B2: MEDIAN FAMILY INCOME AND EDUCATION OF PARENTS

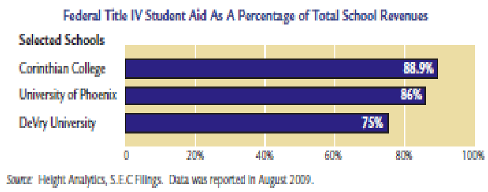
School sector	Annual median family income	Parents with associate's degree or higher (percentage)
Proprietary	$24,300	37
Public	40,400	52
Private non-profit	49,200	61

Source: GAO analysis of 2004 NPSAS dataset.

Note: These numbers are estimates and include both dependent and independent students.

Internal for-profit school documents collected by the HELP Committee. Available at http://harkin.senate.gov/help/forprofitcolleges.cfm Accessed 14 June 2012

Figure A.B3: TITLE IV STUDENT AID AS PERCENTAGE OF REVENUE



Internal for-profit school documents collected by the HELP Committee. Available at http://harkin.senate.gov/help/forprofitcolleges.cfm Accessed 14 June 2012

Figure A.B4: BORROWING BY PROPRIETARY STUDENTS

Internal for-profit school documents collected by the HELP Committee. Available at http://harkin.senate.gov/help/forprofitcolleges.cfm Accessed 14 June 2012

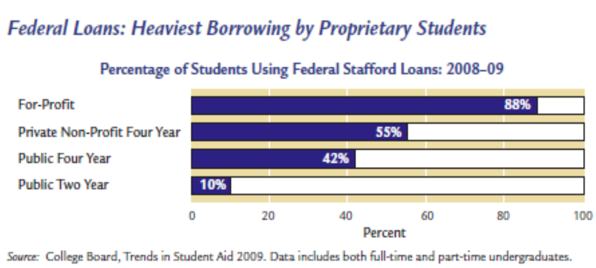
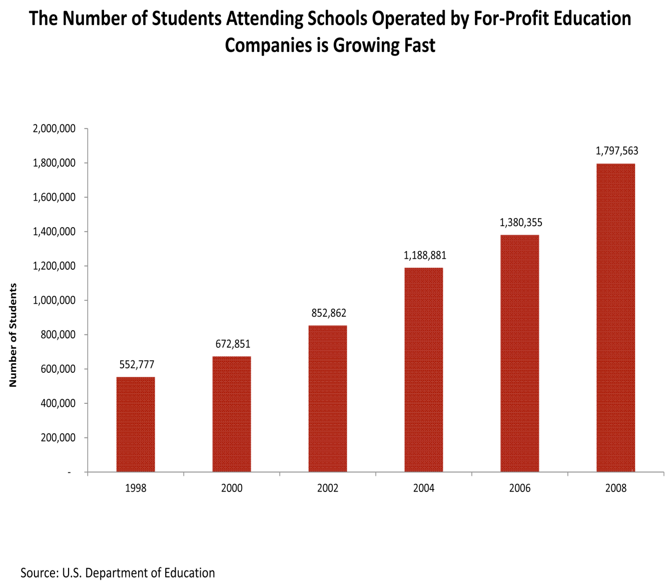


Figure A.B5: NUMBERS OF STUDENTS ATTENDING FOR-PROFIT SCHOOLS



Internal for-profit school documents collected by the HELP Committee. Available at http://harkin.senate.gov/help/forprofitcolleges.cfm Accessed 14 June 2012

A.C1 DIFFERENCE IN FOOTBALL COACHES' SALARIES, 2011-2012

School	Previous coach	2011 basic pay	New coach	2012 basic pay	Difference
Akron	Rob Ianello	$375,000	Terry Bowc	$375,000	$0
Alabama at Birmingham	Neil Callaway	$443,000	Garrick Mc(	N/A	N/A
Arizona	Mike Stoops	$1,465,000	Rich Rodrig	$1,750,000	$285,000
Arizona State	Dennis Erickson	$1,500,000	Todd Graha	$2,000,000	$500,000
Arkansas State	Hugh Freeze	$196,660	Gus Malza	$196,660	N/A
Colorado State	Steve Fairchild	$700,000	Jim McElw	$1,350,000	$650,000
Florida Atlantic	Howard Schnellenberger	$400,405	Carl Pelir	$450,000	$49,595
Fresno State	Pat Hill	$650,000	Tim DeRuy	$650,000	$0
Hawaii	Greg McMackin	$1,100,004	Norm Cho	N/A	N/A
Houston	Kevin Sumlin	$1,200,000	Tony Levi	$900,000	-$300,000
Illinois	Ron Zook	$1,750,000	Tim Beckm	$1,600,000	-$150,000
Kansas	Turner Gill	$2,100,000	Charlie We	$2,500,000	$400,000
Memphis	Larry Porter	$754,890	Justin Fuer	$900,000	$145,110
Mississippi	Houston Nutt	$2,756,250	Hugh Free	$1,500,000	-$1,256,250
New Mexico	Mike Locksley	$750,000	Bob Davi	$700,000	-$50,000
North Carolina	Everett Withers	$500,000	Larry Fedc	$1,730,000	$1,230,000
Ohio State	Luke Fickell	$1,172,000	Urban Mey	$4,000,000	$2,828,000
Penn State	Joe Paterno	$1,022,794	Bill O'Brie	$2,300,000	N/A
Pittsburgh	Todd Graham	N/A	Paul Chry	N/A	N/A

Southern Mississippi	Larry Fedora	$685,000	Ellis Johns	N/A	N/A
Texas A&M	Mike Sherman	$2,200,000	Kevin Sum	$2,000,000	-$200,000
Toledo	Tim Beckman	$409,000	Matt Campl	$385,000	-$24,000
Tulane	Bob Toledo	N/A	Curtis John:	N/A	N/A
UCLA	Rick Neuheisel	$1,250,000	Jim Mora	$2,400,000	$1,150,000
Washington State	Paul Wulff	$600,000	Mike Leac	$2,250,000	$1,650,000

Source: USA TODAY research from the schools.

N/A: Not available

http://www.usatoday.com/sports/college/football/story/2012-01-16/College-football-coaches-compenstion/52602734/1 Accessed 14 June 2012

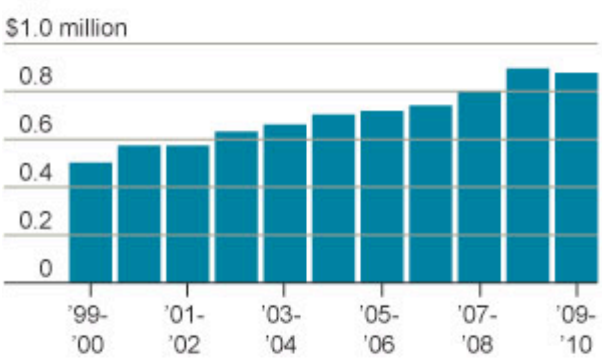
A.C2 PRIVATE COLLEGE PRESIDENTS' COMPENSATION (*The*

NewYork Times, 4 December 2011)

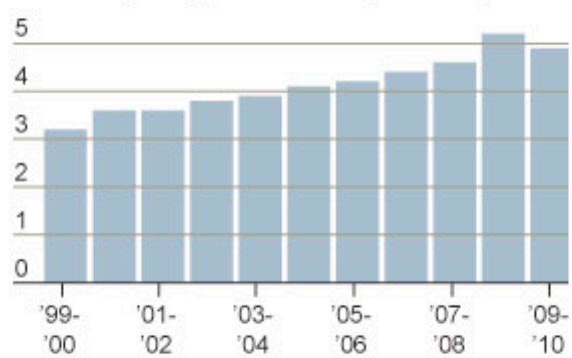
President/chancellor	College	2009 compensation	Compensation as a share of university expenditure
Charles H. Polk	Mountain State University, W.Va.	$1,843,746	3.5%
Frances Lucas*	Millsaps College, Miss.	1,214,112	2.4
Kevin J. Manning	Stevenson University, Md.	1,493,655	1.7
J. Timothy Cloyd	Hendrix College, Ark.	1,056,255	1.6
Jack P. Varsalona	Wilmington University, Del.	1,157,002	1.6
Chatt G. Wright*	Hawaii Pacific University, Hawaii	1,381,193	1.5
Nido R. Qubein	High Point University, N.C.	1,390,813	1.4
Esther L. Barazzone	Chatham University, Pa.	666,097	1.3
Joseph J. McGowan	Bellarmine University, Ky.	639,155	1.2
Gary Brahm	Brandman University, Calif.	688,404	1.0
George Campbell Jr.*	Cooper Union for the Advancement of Science and Art, N.Y.	668,473	1.0
Gary R. Cook	Dallas Baptist University, Tex.	834,224	1.0
Judson R. Shaver	Marymount Manhattan College, N.Y.	598,365	1.0
Anthony S. Caprio	Western New England University, Mass.	1,190,638	1.0

President/chancellor	College	2009 compensation	Compensation as a multiple of professor compensation
Kevin J. Manning	Stevenson University, Md.	$1,493,655	16.1
Frances Lucas*	Millsaps College, Miss.	1,214,112	11.8
Shirley Ann Jackson	Rensselaer Polytechnic Institute, N.Y.	1,771,877	11.5
Jehuda Reinharz*	Brandeis University, Mass.	1,536,401	10.8
Nicholas S. Zeppos	Vanderbilt University, Tenn.	1,890,274	10.5
J. Timothy Cloyd	Hendrix College, Ark.	1,056,255	10.1
David J. Sargent*	Suffolk University, Mass.	1,481,787	9.5
James L. Doti	Chapman University, Calif.	1,542,270	9.4
Steadman Upham	University of Tulsa, Okla.	1,184,549	9.0
Anthony J. Catanese	Florida Institute of Technology, Fla.	983,349	8.7

Median college president compensation†
Adjusted for inflation



Median college president compensation as a multiple of professor compensation†



"* No longer president † Based on the 50 largest institutions in terms of expenditures in 2009-10. President compensation in 2008-9 and 2009-10 is for the calendar year ending in those fiscal years. Note: List excludes presidents who did not serve the full 2009 year or receive a base salary. Professor compensation and overall budgets are for 2009-10.

Sources: Internal Revenue Service Form 990s; Chronicle analysis; American Association of University Professors" In Lewin, "Private-College Presidents Getting Higher Salaries." *The New York Times.* 4 December 2011 http://www.nytimes.com/2011/12/05/education/increase-in-pay-for-presidents-at-private-colleges.html?emc=eta1 Accessed 22 May 2012

A.C3 PUBLIC COLLEGE PRESIDENTS' COMPENSATION, 2011 Fiscal Year

President	Total compensation
 1. E. Gordon Gee te University (2007–Present)	$1,992,221
 2. Michael D. McKinney &M University system (2006–2011)	$1,966,347
 3. Graham B. Spanier 'ania State University at University Park (1995–2011)	$1,068,763
 4. Lee T. Todd Jr. ty of Kentucky (2001–2011)	$972,106
 5. Mary Sue Coleman	$845,105

A.C3 PUBLIC COLLEGE PRESIDENTS' COMPENSATION, 2011 Fiscal Year

President	Total compensation
ty of Michigan system (2002–Present)	
 6. Kent R. Hance :ch University system (2006–Present)	$757,740
 7. Francisco G. Cigarroa ty of Texas system (2009–Present)	$751,680
 8. Robert H. Bruininks ty of Minnesota-Twin Cities (2002–2011)	$747,955
 9. John C. Hitt ty of Central Florida (1992–Present)	$741,500
 10. Charles W. Steger Tech (2000–Present)	$738,603

SOURCE: *The Chronicle of Higher Education.* In Lewin, "Median Compensation for Public College Heads Grew 3% in 2010-11." *The New York Times,* 20 May 2012. http://www.nytimes.com/2012/05/21/education/median-compensation-for-public-college-heads-grew-3-in-2010-11.html?_r=1 Accessed 22 May 2012