

# Back to School

*To assure higher-education access for all, we need more than just elite handouts for the lucky few.*

**T**his fall, like every year, nervous parents are delivering their sons and daughters to America's colleges and universities, replacing the cheering families who each spring happily anticipate useful and, yes, remunerative careers for their newly graduated offspring marching through auditoriums, college greens, and football stadiums. In laudatory speeches marking these commencement exercises, college officials frequently tout the collective prowess of U.S. higher education, along with the special strengths of their own institutions. At the conclusion of her first year in office last June, Harvard University President Drew Gilpin Faust joined this venerable rhetorical tradition. "American higher education is the most valuable educational resource in the world," she intoned to the assembled alums of the nation's oldest college. "The genius of the American system of higher

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education is that it has managed to combine broad access with unsurpassed intellectual distinction.”

But the synthesis of excellence and access celebrated by Faust is rapidly coming undone. U.S.-based universities continue to rank at the top of lists put together even by foreign assessors of relative institutional excellence, and America is admired across the world for its historic primacy in offering higher education to the many, not just the few. At home, the faith of Americans that higher degrees and advanced research are central to social opportunity and economic vitality has, if anything, only intensified with the advent of the information revolution and the post-industrial economy. But the United States no longer leads the world in the attainment of college degrees, and there are growing imbalances in popular access and resource gaps among institutions of higher learning that threaten to turn higher education from a great equalizer of opportunity to a force that deepens inequality.

Perhaps that is why this past year also witnessed a mini-drama between the Senate Finance Committee and the leaders of the nation’s wealthiest private universities. Grabbing the media spotlight at a time when tax-exempt private universities are building ever more eye-popping endowments (per capita leaders like Princeton and Stanford have more than \$1.5 million per student, and Harvard’s absolute total has now reached \$38 billion), the Committee’s ranking member, Senator Charles Grassley, Republican from Iowa, proposed that universities be required to spend at least 5 percent of their income each year (as private tax-exempt foundations are already required to do).

This alarmed the leaders of super-rich colleges, and they parried by creaming a bit of endowment-return froth to lower net tuition and expenses for middle- and upper-middle-class students, as well as for lower-income enrollees. A wave of commentary followed. While some praised private college largesse, regional newspaper reporters often explained, as did the *Seattle Post-Intelligencer*, that “few” other colleges “can afford to follow the Ivy League... The ripple effect of decisions by Harvard and Yale... isn’t going to produce a tidal wave of new chances for economically disadvantaged youngsters. In fact, the opposite is more likely, with students from relatively well-off families filling many of the slots that might be available for those from low-income brackets.” Op-ed critics chimed in, pointing out that the options open to the Harvards, Princetons, Yales, and Stanfords of the world are light years from the tough fiscal trade-offs faced by the modestly endowed universities and tax-starved community colleges that a vast majority of Americans attend. “Bravo for Yale and Harvard, but what about the rest?” asked Berkeley Chancellor Robert J. Birgeneau in *USA Today*.

The debate did little to expand college access, but it did dramatize why fundamental solutions must involve more and better-directed resources from the federal government, not just regulatory gimmicks that induce charity from the richest universities. Historically, U.S. higher education evolved very differently from European and other foreign systems, which use state-funded universities to channel a few highly selected elites into national bureaucratic service. In America, private benefactors, churches, and state governments promoted a raucously decentralized, competitive hodge-podge of thousands of colleges and universities, collectively offering many more citizens routes into all kinds of vocations. Nevertheless, the U.S. federal government has long used public expenditures, regulations, and tax breaks to leverage access and institution-building. Especially after the Civil War, when the land-grant university system spread higher education across the country and into practical areas of knowledge, and again during the golden era following World War II, when the GI Bill expanded student access and science grants fostered widespread research capacities, the federal government played a pivotal role in shaping a capacious and inclusive system of higher education.

However, the federal role has shifted since the 1980s, contributing—along with private and state-level choices—to diminished access and institutional disparities. The time has come to redirect federal efforts—to focus on expanded grants and simplified loans for low- and middle-income college students, and to build the capacities of the public community colleges and universities to open doors of opportunity for the many, rather than cater to the wealthiest and luckiest few.

## **The Closing College Door**

On June 16 and 17, during his early summer “economic tour” through several swing states, Senator Barack Obama visited two college campuses in Michigan. Both were non-elite campuses—Kettering University in Flint and Wayne Community College in Taylor—where, as the *Detroit Free Press* explained, “Paying for education is a daily struggle for countless students . . . as tuition has increased while state subsidies to universities have fallen.” These were just two institutions of higher learning, chosen because of their location in a politically pivotal state. But the struggles faced by their students are emblematic of the sorry state of American higher education.

Before World War II, a broad network of public and private colleges was well in place, but the Depression hurt the fortunes of both, and higher education remained an elite affair into the 1940s. Then, suddenly, the doors to higher education swung wide open. The U.S. population grew by 54 percent between 1945

and 1975 (from about 140 million to 215.5 million), yet the number of students enrolled in higher education exploded by 567 percent (from about 1.7 million to about 11.2 million), and the number of earned degrees of all types grew more than tenfold, from 157,349 in 1945 to 1,665,553 in 1975. Expansion of state universities led the way, but universities grew across the board. Prominent among the college entrants and attainers of degrees were millions of young men from modest backgrounds, who were able to complete college on the GI Bill. Advances for other groups, including women and minorities, followed.

Since the 1970s, however, not only has enrollment expansion slowed, but social opportunity has constricted, despite the heightened value of a college degree. In 1979, the “premium” for an American worker who had completed a college degree was about 1.4 times the income of a worker who had not completed a degree—and that premium grew to

1.75 by the end of the century, where it remains today. Families obviously have a greater incentive to send offspring to college, and the proportion of 18- to 24-year-olds enrolled has indeed grown by more than a third since the late 1970s. Still, the overall enrollment increase has lagged the rising wage differential,

and the response has been especially sluggish lower down the income ladder. Class gaps in enrollment have expanded in the past several decades, and so have racial gaps between whites and blacks (even in an era when U.S. blacks have become increasingly likely to graduate from high school).

More than a third of a century ago, in 1970, 6.2 percent of the U.S. population in the bottom income quartile had completed a baccalaureate degree by age 24—and that percentage actually declined slightly, to 6 percent, by the year 2000. Lower-middle-income young people from the second (to the bottom) income quartile improved their college completion rates only slightly from 1970 to 2000, from 10.9 percent to 12.7 percent. But note the contrasting trajectories for young people in the upper half of the income distribution. For those in the third quartile—solidly middle-class families—completion percentages rose markedly, from 14.9 percent in 1970 to 26.8 percent in 2000. And for the most privileged young people, those from upper-middle-class and upper-class families in the top quarter of the income distribution, college completion rates rose from 40.2 percent in 1970 to 51.3 percent in 2000. Compared to the mid-twentieth century, higher education is now increasingly exacerbating socioeconomic inequality in the United States. Its success at fostering upward mobility has diminished sharply.

**America is arguably no longer using higher education to expand opportunity; higher degrees are becoming tools of class consolidation instead.**

Many factors combine to explain deteriorating access to college for less privileged Americans: problems in the K-12 educational system, the effects of post-1965 immigration, and the impact of changing family structures and practices. But institutional policies, both public and private, also played a prominent role. In the 1960s and 1970s, college tuitions rose relatively modestly compared to inflation and family incomes, but thereafter took off. As education expert Tom Kane explains, “Between 1965 and 1980, the average tuition at a private four-year college rose only 22 percent faster than inflation. However, between 1980 and 1999, tuition at private four-year institutions rose 136 percent in real terms. After rising by 17 percent in real value between 1965 and 1980, the average public four-year tuition rose by 114 percent between 1980 and 1999.” Nowadays, the in-state cost of over \$13,000 for a year at a public college can equal a large chunk of the annual income of a poor or lower-middle-class family. Given the obvious costs they would have to struggle to pay directly or by taking on debt, many lower-income and modest-income families do not understand the putative value of future income gains of higher education. This helps explain why less privileged young people with the highest test scores attend college at substantially lower rates than their privileged age-peers with the same scores (and the enrollment gap is even wider between high- and low-income students with the lousiest scores).

At the same time, public grants and subsidies have failed to keep up with rising education costs, and the process of obtaining aid has become harder for people without tax accountants to guide them through it. From the GI Bill of 1944 through the enactment of Pell Grants in 1973 (voucher grants to help low-income students), federal college aid policies stressed grants to make college predictably affordable. But from the 1980s on, the bulk of federal programs shifted toward student loans, with the government providing subsidies to banks to encourage them to lend to student borrowers—and more recently, toward tax credits as well. Typical indebtedness for college graduates who take loans has risen sharply, and it is now at about \$20,000 on average, a daunting amount for young people from the least, or simply less, privileged backgrounds.

Moreover, recently favored federal policies stressing guaranteed bank loans and nonrefundable tax credits help the privileged disproportionately, in effect subsidizing college costs for families whose children would have attended anyway. In the meantime, Pell Grants for low-income students—notwithstanding recent increases—have been allowed to deteriorate in real value. In 1975, maximum grants covered 84 percent of the cost of a public education, but by 2006 the subsidy had shrunk to less than a third of the cost. According to education experts Ted Mitchell and Jonathan Schorr, in 1995 38 percent of students enrolled

in four-year public institutions came from Pell Grant-eligible low-income families, but that percentage dropped to 28 percent in 2003. And of course Pell Grants cover even less of the cost of private college attendance for the modest numbers of low-income students who can manage to gain acceptance to such colleges. Some states have grant programs of their own, but in recent years much state aid has shifted toward “merit scholarships,” which are likely to be won by middle- and upper-middle-class students, thanks to better educational resources and access to college counseling. And still another aspect of the aid system that is highly detrimental to low-income families is its opaqueness and unpredictability. Families rarely know up front when their children must apply to college and how much help they will qualify to receive—especially the total they might expect from state, national, and private sources combined.

As these trends have played out, according to a 2007 OECD report, “the United States has moved from first place for higher education attainment levels among 55-to-64-year-olds to fourth place among 35-to-44-year-olds and tenth place among 25-to-34-year olds.” In the youngest age cohort, Belgium, Canada, Denmark, France, Ireland, Japan, South Korea, Norway, and Spain have all overtaken us—a startling development for the one-time world leader in access to higher education and a worrisome development in an ever-more-competitive world economy. America is arguably no longer using higher education to expand opportunity; higher degrees are becoming tools of class consolidation instead. Can America’s economy and polity flourish while the potential of so many of our young people remains untapped and underdeveloped?

### **The Chimera of Charity**

Given the partisan deadlock and fiscal obstacles in Washington, some in Congress are trying to address cost increases in higher education with cheap regulatory gimmicks, such as mandated payouts from the richest college endowments or a “watch list” ranking colleges by their rate of annual tuition increases. But “watch lists” can end up hurting poorer colleges that must boost top tuition rates (paid by the wealthiest) to survive or improve, while lower prices at the Harvards and Stanfords of the world can, ironically, end up making things worse for most U.S. students and their families as the effects reverberate through the entire system of competing colleges and universities, creating a “keep up with the Joneses” effect that hurts all but the wealthiest institutions.

Senator Grassley proclaimed progress when, for the 2007-08 admissions season, a few super-rich universities cut prices across the board. Harvard and its peers have reduced the effective price of undergraduate slots not just for working or middle-income families, but for the well-to-do, making the annual

cost for families up to the 95th income percentile less than half the cost of purchasing a new luxury car. These same universities brag about their promises of a free ride to families making under \$40,000 to \$60,000. This is good for these universities' souls and for some of their lucky enrollees, but in the context of higher education as a whole, so what? Very few students from low-income families gain admission to the top colleges, which since the 1920s—and even more in the era of *U.S. News & World Report* rankings—have guarded their prestige by restricting entry. These institutions admit 1,000 or 2,000 new students apiece per year, and the preponderance of their slots go to upper-middle-class or rich offspring who, having attended suburban high schools or prep schools, can present the best grades and scores, boast of rich resumes full of extracurricular activities, and enjoy eloquent recommendations from guidance counselors. The only way highly privileged institutions could even slightly widen the tiny dent they make in higher-educational disparities would be to double or triple the size of their entering classes and actually set aside growing proportions of slots for less-privileged students to whom they offer substantial remedial and support services along with free tuition. With a few exceptions—such as Massachusetts' Amherst College, a leader in adding and supporting low-income students, and Kentucky's Berea College, which admits only low-income students for a no-frills, debt-free education—the best-endowed institutions show little inclination to use their wealth in such a way. Instead, they deploy burgeoning resources to enhance research programs, poach top faculty, and subsidize aid and fabulous services for the small numbers lucky enough to gain admission.

A policy focus on high-priced, high-prestige institutions also obscures the reality of modern higher education. Eighty percent of college students attend public institutions, and nearly half of them are enrolled in two-year community colleges. State-level and local subsidies to such institutions have shrunk in recent years, even as the demand for places in them has grown, and inevitably the publics have raised their tuition in a struggle to survive. This makes access to them, too, more and more costly for average and less privileged families. Faced now with greater competitive pressure from lower sticker prices for middle-class kids at Harvard and the other elite universities, state universities will have an even harder time attracting top high school seniors, and they will face sharper trade-offs between giving merit aid and need-based aid, and between giving student aid and supporting institutional facilities.

In short, regulatory gimmicks and Ivy League noblesse oblige worsen the distributional dynamics of U.S. higher education because in the realm of tuition subsidies, what is good for Harvard is not automatically good for U.S. higher education as a whole. In an ever-intensifying rat race that produces less aid and

support down the pecking order, the wealthiest half-dozen private universities are squeezing the less-endowed privates, and all of the endowed private institutions are, in turn, putting pressure on little-endowed colleges and public universities. The macro-institutional story—more and more flowing toward the top of the top—mirrors the trend of class inequality in America since the 1970s, and of course further widens class inequalities overall.

The focus of policy, in other words, should be not on the kids at the top but on the vast majority of potential college-goers in the middle and at the bottom. Broadening opportunity should be the goal, and that means making college more affordable for less-privileged families and enhancing incentives and capacities for community colleges, public universities, and private colleges of lesser means to recruit and educate students from families of modest means, including families whose breadwinners have not previously attended college.

### **Washington's Assignment**

American voters are just weeks away from going to the polls in a watershed election that may re-empower the federal government to enlarge social opportunity and redress inequities in America. Without a doubt, the public mood about government is shifting, as millions of families realize they need public support to cope with rising costs and prepare their offspring for the future. Legislators can no longer ignore issues of access and excellence in higher education—not least because opportunity, citizenship, and economic competitiveness are all implicated in the choices the federal government makes about this critical sector of our society.

The federal government must renew its commitments to broad social access by bolstering a wide array of institutions, reweaving the links that draw masses of students into higher education. The obvious top priority has to be further boosting outright grants for low- and lower-middle-income students. Pell Grant levels rose significantly in 2007, but increasing the enrollment and graduation rates of less advantaged students will require additional growth beyond the “keeping up with inflation” that candidate Obama is promising.

Besides direct grants, other aspects of federal assistance need work. As Obama suggests with his “American Opportunity Tax Credit,” such help must be refundable to those with limited tax liability if credits are to help to expand access. Furthermore, federal loan policy should take advantage of the current banking crisis to shift toward a higher proportion of direct federal loans, or institute tough competitive measures for would-be private lenders, as the New America Foundation has proposed. Reducing the premiums government and citizens pay to private lenders also can contribute to increased access and improved equity.

In addition, linking all types of governmental or governmentally guaranteed college aid to public service contributions can help to rejoin citizenship contributions with entitlement to individual public support.

Next, college aid of all sorts needs to become easier for families to understand, apply for, and predict. For low- to moderate-income students, the apparent “sticker price” of college tuition combined with the overwhelming complexity of federal policies and the timing of public and private financial aid decisions—coming after students apply and gain admission—may preemptively discourage many from even applying. The 2007 College Cost Reduction and Access Act included important reforms aimed to simplify the financial aid application process. Policymakers should further streamline the process so that potential students have better information up front and thus can base their decisions on more realistic

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understanding of how much financial aid will be available to them. Obama’s plan to use high school graduation year tax returns is a start; using the proper predictive tools, information about potential financial aid packages could be given to families even earlier in the high school period.

Furthermore, repayment policies need careful attention because of the burdens and distributive inequities they create. Current practices impose severe penalties on past borrowers for college who fall into financial trouble, often making them worse off than if they had never attended college in the first place. What is more, if the repayment system overall could be made somewhat redistributive, that could help make federally guaranteed loans progressive rather than regressive in impact. As a default rather than a special choice, why not make student loans automatically repayable through the annual tax return system? Repayments universally set at a fixed percentage of incomes over a period of years after college would ensure neutrality about career choices; and eventually this approach might allow the collection of slightly higher repayments (perhaps up to 110 percent) from the highest earners. Their unusually good fortune would then bolster the system’s capacity to make loans to others.

Beyond individual support, a renovated federal approach to higher education must find ways to encourage states to invest in public universities and colleges, so as to counter the growing institutional imbalances that are weakening our system as a whole. Over recent decades, state support for public universities has declined dramatically, and has been increasingly diverted toward students

whose families can afford college without assistance. Federal policies can help reverse these trends, yet we should realize states are more likely to respond to “carrots”—incentives to boost their spending—than to “sticks” (such as a plan recently discussed in Washington to exact a federal penalty on states that reduce their higher-education funding). State budgets have been burdened by growing obligations in entitlement spending, most notably for Medicaid and K-12 education, but appropriate shifts toward higher education could be spurred by federal supplements to financial-aid allocations for low-income students. Or the federal government could specifically give incremental general-purpose support to higher education institutions that increase enrollment and graduation rates for Pell Grant students. Some private colleges might benefit in this scheme, but most of the federal reward would go to the public institutions that enroll the bulk of needy students.

To that end, the nation’s 1,045 community colleges deserve particular attention and added support. Funded by states and localities, these two-year institutions attract large numbers of less-privileged students and funnel graduates with basic college skills into local workforces. Making community colleges more affordable, and increasing their capacity to link to local employers and counsel students with the ability to go further in college, can arguably do more for open access than any other sort of institutional support. That is because barriers to access in U.S. higher education are about social networks and institutional pathways, not just prices and debt ratios.

Sociologist Mitchell Stevens underlines this truth in his rich ethnographic study *Creating a Class: College Admissions and the Education of Elites*. As a participant observer in the admissions office of a private Northeastern college, Stevens spent eighteen months tracking the efforts of college staff to attract and enroll a diverse entering freshman class. Despite sincere efforts—including travels to visit high schools in urban poor areas and downscale working-class suburbs—the officers had a hard time identifying and motivating less-privileged applicants. Crucially, college counselors are numerous only in well-off high schools, where they have the time, money, and social connections to direct the flow of even average kids to appropriate colleges. But such staffers are few and far between in most high schools, and they have many other things to do besides college counseling. Hence even the most promising graduates of ordinary public high schools may never be linked to opportunities in elite colleges and universities. Aggressive outreach by privileged private colleges can modify things at the margin—and of course make a big difference for a few hundred kids a year—but we should recognize that most youngsters who might usefully attend college need effective advice and support in their ordinary high schools;

and most who end up enrolling will start out, at least, at local community colleges or nearby state universities.

Federal grants can be used to enhance the capacities of community colleges to link students to employers and to four-year institutions, but the efforts required will be more than just governmental. Community college students often find that few of their credits transfer to four-year institutions, a situation that could be remedied by better institutional cooperation. The Jack Kent Cooke Foundation, for example, has recently created an exemplary program to support efforts by Amherst College and seven other highly selective institutions that have formed partnerships with nearby community colleges. The idea is to identify promising potential transfers and help them make the transition to four-year college. Both the federal and state governments need to learn from such efforts. Ultimately, institutional linkages and enhancements should reach down to the high schools that enroll students from families that have not previously earned college degrees. Those institutions need trained staffers and counselors to lift student aspirations, channel their efforts in realistic ways, and make connections to colleges seeking to broaden admissions.

Should they win in November and actually take office next January, Barack Obama and enhanced majorities of congressional Democrats may well grapple first with Iraq, the economy, and health care. But they won't be able to ignore higher education, since our country can't compete without broad access to it. Progressives must use new and improved policies not only to help families and students pay for college, but also to encourage inter-institutional cooperation and bolster the capacities of the full range of high schools, community colleges, and public universities.

Harvard, Princeton, and Stanford may dominate the headlines, but public institutions are at the front lines of access to higher education, and we must foster their efforts to identify and direct talent for the future. American citizenship and global economic effectiveness both depend on rejuvenating the marriage of excellence and opportunity characteristic, historically, of America—and American higher education—at its best. ▀