

# That Old College Lie

*Are our colleges teaching students well? No. But here's how to make them.*

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laiborne Pell died at age 90 on January 1, 2009. In the weeks that followed, the former Democratic senator from Rhode Island was lauded for his many achievements, but one stood out: The first sentence of Pell's obituary in *The New York Times* cited "the college grant program that bears his name." Pell Grants are the quintessential progressive policy, dedicated to helping low-income students cross into the promised land of opportunity and higher education. "That is a legacy," said Joe Biden, "that will live on for generations to come."

What the encomiums to Pell failed to mention is that his grants have been, in all the ways that matter most, a failure. As any parent can tell you, colleges are increasingly unaffordable. Students are borrowing at record levels and loan default rates are rising. More and more low-income students are getting priced out of higher education altogether. The numbers are stark: When Pell grants

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were named for the senator in 1980, a typical public four-year university cost \$2,551 annually. Pell Grants provided \$1,750, almost 70 percent of the total. Even private colleges cost only about \$5,600 back then. Low-income students could matriculate with little fear of financial hardship, as Pell intended. Over the next three decades, Congress poured vast sums into the program, increasing annual funding from \$2 billion to nearly \$20 billion. Yet today, Pell Grants cover only 33 percent of the cost of attending a public university. Why? Because prices have increased nearly 500 percent since 1980. Average private college costs, meanwhile, rose to over \$34,000 per year.

But the biggest problem with American higher education isn't that too many students can't afford to enroll. It's that too many of the students who do enroll aren't learning very much and aren't earning degrees. For the average student, college isn't nearly as good a deal as colleges would have us believe.

Pell Grants do nothing to address that problem. Low-income students are increasingly forced to attend inexpensive but under-resourced, non-selective universities and community colleges, where student results are often astoundingly bad. The average graduation rate at four-year colleges in the bottom half of the *Barron's* taxonomy of admissions selectivity is only 45 percent. And that's just the average—at scores of colleges, graduation rates are below 30 percent, and wide disparities persist for students of color. Along with community colleges, where only one in three students earns a degree, these low-performing institutions educate the large majority of Pell Grant recipients. Less than 40 percent of low-income students who start college get a degree of any kind within six years.

Some might argue that colleges are just enforcing academic standards by refusing to graduate unprepared students. But the evidence suggests otherwise. A 2006 study from the American Institutes for Research found that only 31 percent of adults with bachelor's degrees are proficient in "prose literacy"—being able to compare and contrast two newspaper editorials, for example. More than a quarter have math skills so feeble that they can't calculate the cost of ordering supplies from a catalogue.

Why is the quality question so obscure, when the cost question is so well-known? In part because it has been masked by the American higher education system's unchallenged reputation as the best in the world. Unfortunately for the average collegian, this notion is entirely driven by the top 10 percent of institutions and the students who attend them—Harvard, Stanford, MIT, and the like. Much of the rest is a sea of mediocrity, or worse.

But the biggest culprit is the lack of objective, publicly available information about how well colleges teach and how much college students learn. Nobody

knows which colleges really do the best job of taking the students they enroll and helping them learn over the course of four years. After decades of inaction, some recent efforts have been undertaken to collect that information: It now exists, but colleges and their powerful (and virtually unknown) lobbies will not permit the public to see it. As a result, colleges are far less focused on student learning than they should be, and consumers haven't a clue what to do and have come to believe, mistakenly, that the most expensive colleges are also the best.

In their myopic attention to student financial aid, in their total indifference to price and quality, Pell Grants symbolize the larger failure of progressive higher education policy. Pell's heart was in the right place. But by focusing only on helping the needy—the worthiest of instincts—progressives have ignored the larger issues that are driving runaway price increases and rampant neglect of student learning.

There's a solution to these problems, but it won't come from more tinkering with student aid programs. The key to giving students a better, more affordable education turns out to be focusing less on college financial aid and more on college itself. We must fundamentally change the relationship between the federal government and higher education, forcing institutions that receive vast amounts of public funding to provide a modicum of useful information in return. The time has come to rip open the veil of secrecy that has shrouded higher education for as long as students have walked next to ivy-covered walls, and to use that information to build far more effective, more egalitarian, and more student-focused colleges than we have today.

## **The Secular Church**

Colleges are often lumped in with other non-profit entities like charities and hospitals in the public mind. But they actually most resemble the institution from which many of the oldest and most renowned colleges sprang: organized religion. Like the church, colleges have roots that pre-date the founding of the republic. They see themselves as occupying an exalted place in human society, for which they are owed deference and gratitude. They cherish their priests and mysteries, and they are disinclined to subject either to public scrutiny.

This was a tolerable state of affairs for the first 150 years or so of the nation's existence. Initially, the federal government left higher education to the states, which in turn liberally granted charters to sectarian colleges and universities. College was mostly reserved for the sons of privilege—at the turn of the twentieth century, only 240,000 collegians were enrolled nationwide. While that number had grown to 1.5 million by the eve of World War II, it was still only 1.1 percent of the total population.

But the postwar social reordering changed higher education profoundly. Returning soldiers flooded campuses using money from the G.I. Bill. Middle-class prosperity brought status anxiety and aspiration to match. The emancipation of women and minorities created new classes of students, while the erosion of well-paying manufacturing jobs drove more young people to earn degrees. Today there are 18 million college students, a sixteen-fold increase since 1900 relative to the population as a whole.

This created an obvious challenge: All those new students had to go somewhere. The existing network of elite institutions had little desire to open their doors to the masses. So policymakers, mostly at the state level, made a historic—and in retrospect, deeply flawed—decision. They stamped out hundreds of copies of the standard university model. Teacher’s colleges were converted into regional universities. Branch campuses opened up with compass point suffixes describing their proximity to the mother ship. Big states like New York and California built whole university systems from scratch.

Even this wasn’t enough to handle the tide of new undergraduates. An additional layer of community colleges was built, many in Sun Belt states where in-migration and population growth were most acute. While these two-year public institutions didn’t offer advanced graduate programs in particle physics or produce bowl-winning football teams, they were still unmistakably *colleges*, firmly in the realm of higher education.

Each of these new institutions faced a question of identity. How should they act? Who should they be? Naturally, they looked to the original colleges that shaped the mold. And without exception, those institutions offered two core lessons. First, they taught that status in higher education is derived from wealth and selectivity—the most renowned institutions have gigantic piles of money and allow only the “best” students to attend. Second, they insisted that questions of quality, particularly as they relate to what students are taught and how much they learn, are nobody’s business but the institution’s own. This position was derived from the principle of academic freedom, a tremendously important and necessary idea when it comes to protecting controversial scholarship. Unfortunately, it was extended to the student side of the equation—colleges demanded freedom to teach as well or poorly as they pleased. Thus, any attempt by the government to inquire about academic matters was resisted at all costs.

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The new colleges and universities took these values to heart. As a result, the customers, donors, and governments that finance America's allegedly world-beating institutions know remarkably little about whether individual colleges and universities are any good at the single most important thing they do: helping students learn.

American colleges grant more than 300,000 bachelor's degrees in business every year. Whose graduates are most successful in business? There are anecdotes, but no available, comparable data. Nobody really knows. Which teacher education program best prepares candidates to excel in the classroom? Nobody knows. Nearly every college teaches introductory courses like calculus and English. Where are the best calculus and English professors? Who is most successful in preparing students for law and medical schools? Whose graduates make unusual contributions to philanthropy and the arts? Who teaches writing well, given the academic preparation of the students they enroll? Who teaches *anything* well? Nobody knows.

### **How College Is Like Prada**

The near-total lack of useful information about teaching and learning has three main effects, all bad for students. First, it creates distortions in the higher-education market that drive up prices. Second, it gives colleges free rein to ignore their teaching obligations in favor of a mad contest for status and self-gratification. Third, it leaves colleges that serve the most disadvantaged students with the fewest resources.

The information deficit turns college into what economists call a "reputational good." If you go to the store and buy a shirt, you can learn pretty much everything you need to know before you buy it: the material, where it was made, how to clean it, and so on. College is different. You're paying up-front for professors you've never met and degree programs you probably haven't even chosen yet. Instead, you rely on what other people think of the college. Of course, some students simply have to go the college that's nearest to them or least expensive. But if you have the luxury of choosing, in all likelihood, you choose based on reputation.

If college reputations were based on objective, publicly available measures of student learning, that would be okay. But they're not, because no such measurements exist. Instead, reputations are largely based on wealth, admissions selectivity, price, and a generalized sense of fame that is highly influenced by who's been around the longest and who produces the most research. Not coincidentally, these are the factors that drive the influential *U.S. News & World Report* rankings that always rate old, wealthy, renowned institutions like Harvard and Princeton as America's best colleges.

The influence of reputation is exacerbated by the fact that most colleges are non-profit. For-profit institutions succeed by maximizing the difference between revenues and expenditures. While they have strong incentives to get more money, they also have strong incentives to spend less money, by operating in the most efficient manner possible. Non-profit colleges aren't profit-maximizing; they are reputation-maximizing. And reputations are expensive to buy.

The economist Howard Bowen wrote the classic treatise on how reputation-seeking influences university behavior. He called it the “revenue-to-cost” phenomenon. Essentially, colleges don't figure out how much money they need to spend and then go get it. Instead, they get as much money as they can and then spend it. Since reputations are relational—the goal is to be better than the other guy—there is no practical limit on how much colleges can spend in pursuit of self-glorification. As former Harvard President Derek Bok wrote, “Universities share one characteristic with compulsive gamblers and exiled royalty: There is never enough money to satisfy their desires.” Inevitably, much of that money comes from students.

The information deficit rewards and sustains these inclinations. In the absence of independent information about quality, consumers assume that price and quality are the same thing. At the trend-setting high end of the market, higher education has become a luxury good, the educational equivalent of a Prada shoe. These are unusually nice shoes, of course, just as Harvard is an unusually good university. But in both cases consumers aren't paying for quality alone—they're also paying extra for scarcity and a prominent brand name, the primary value of which is to signal to the rest of the world that they're rich and connected enough to pay the price.

While most colleges aren't in Harvard's league and never will be, they pay attention to industry leaders. Luxury schools set standards for faculty salaries, student amenities, and other expensive things that ripple through the higher education sector as a whole. The status-seeking mindset is infectious. Colleges all want to become more important, and they all know how to get there—spend and charge more.

Indeed, they have little choice. Ten percent of the *U.S. News* rankings are based on spending per student, with additional points for high faculty salaries and other costly items. If an innovative college found a way to become more efficient and charge less while maintaining academic quality, its *U.S. News* ranking would actually go down. Public colleges, which most students attend, also get direct government subsidies to keep prices artificially low. So even community colleges and less selective universities that aren't fighting tooth and claw for students can jack up tuition to do things like reduce faculty workload and increase administrative pay.

All of these factors combine to give colleges many reasons to raise prices and very few to lower them. To be sure, institutions occasionally try to hold prices down and market themselves as a good value (although this is difficult when the information deficit leads consumers to believe that price and quality are one and the same). But the long-term trend is unmistakable. Average inflation-adjusted college prices have more than doubled in the last two decades. The National Center for Public Policy and Higher Education recently found that the total increase in college tuition from 1983 to 2007 (439 percent) far outpaced the rise in median family income (147 percent) and even the medical care costs (251 percent) that are threatening to bankrupt the nation.

### **Information, Please**

Price increases without end are bad enough. They're made worse by the fact that the information deficit also has a pernicious impact on the quality of classroom teaching. In part, this manifests itself in spending priorities. For the reputation-maximizing university administrator on the make, the best things to buy are visible: new buildings, elaborate student fitness centers, renowned scholars who don't actually teach undergraduates, Division I basketball teams. But there are no ribbon-cutting ceremonies for hiring better teachers, and office workers across the country don't fill out photocopied tournament brackets for college learning every March.

The information deficit also acts as a powerful impediment to reform. Anyone who has ever attended college knows that many college teachers are terrible at their jobs. Universities like to pretend that great scholars make great instructors, but one indifferent, outdated lecture from a tenured professor is enough to conclude otherwise. Because scholarly outcomes are visible, in the form of publications and citations, while teaching outcomes are currently not, colleges privilege the former above the latter. Tenure-track professors are routinely discouraged from spending too much time teaching, lest students distract from the mandate to publish. Legitimate evaluations of professorial teaching skill are practically unknown.

Putting the scholarly and teaching missions in better balance would require a confrontation with traditionally autonomous academic departments. That inevitably creates controversy, and controversy is poisonous in a market that depends so heavily on hazy, decades-old reputations. As economist and longtime college professor Robert Martin recently wrote,

Reputation maximization leads to a bias against reform . . . Pointing out problems leads to controversies, and controversies damage reputations; hence, reform

damages reputations... to the present generation of administrators, faculty, and trustees, the cost of a diminished future reputation is small, while the cost of a diminished current reputation is high... Controversies always suggest that something is wrong.

This reform-resistant environment exists only because institutional reputations are so disconnected from learning. If bad teaching created negative publicity or materially affected the ability of college presidents to recruit students and raise money from alumni, presidents would have much stronger incentives to tackle reform head-on. Right now those incentives don't exist, which is one reason why less than a third of college graduates are literate in the best sense of the word.

The solution is to gather much more comparable, publicly available information about teaching and learning. That

would allow institutions to pursue a robust, value-based marketing strategy, to make the case that their learning results meet or exceed other, more expensive competitors'. It would also open up the market to new competition. Information-poor, reputation-driven markets penalize new entrants,

who have to wait for public perception to catch up with reality. This is particularly difficult when the industry leaders opened up shop in the seventeenth century. Online higher education offers new avenues for competition, and that segment of the industry is rapidly expanding. But lack of information about learning is hurting students by creating ample space for charlatans and scam artists to operate while simultaneously tarring the best online educators with the taint of the unproven and new.

Lastly, transparency would allow the great mass of institutions built in the last 60 years finally to come into their own. They've spent their whole existence looking up to their forebears as the ancient institutions grew steadily richer and more famous in our winner-takes-all society. They could never prove they were as good as—or even better than—the old colleges, because the rules of reputation were rigged against them. So they lagged in attracting students, funding, and public support. Elite colleges and flagship public universities were showered with resources while community colleges and regional institutions limped along with scraps.

The students who attended those institutions—disproportionately poor, minority, immigrant, and first-generation students—suffered as a result. Too

**There's only one thing standing in the way of transparency about teaching quality: the most powerful Washington lobby you've never heard of.**

many failed to graduate and learn. Those students deserve better. The first step to helping them is gathering the information necessary to prove how good the best of the new institutions are, and how much better the rest could be.

## **IT-Inspired Transparency**

Fortunately, there has never been a better time for transparency. The IT revolution has exponentially increased the potential for compiling nuanced data about college teaching and student learning, as well as crucial information about what happens to students years after they leave school. Because higher education is a national market—and because the institutions that sit atop the current status hierarchy are adamantly opposed to disclosing any new information that might call their primacy into question—only the federal government can make this happen.

The Obama Administration has proposed huge new increases in Pell Grants and other higher education programs, amounting to more than \$70 billion over the next decade. It should require institutions receiving these funds to provide more information to the public in exchange. It should invest in R&D to develop new methods of gauging student success. And it should be prepared to fight a scorched-earth political battle against the entrenched special interests that will, if history is any guide, surely rise in opposition.

Gathering more information is the easiest part, since a lot of it already exists. Researchers have known for some time how to create rich, useful measures of college teaching and learning. The best methods—sophisticated surveys and highly developed tests—used to be expensive and cumbersome to administer. Then the Internet slashed the cost of surveys and tests to pennies on the dollar.

First out of the gate was the National Survey of Student Engagement (NSSE), housed at Indiana University. Launched in 2000 and based on decades of research into best teaching practices, NSSE gives a sample of students at each college a battery of over 70 questions about things like the number of books and papers they were assigned, hours spent preparing for class, and group projects engaged, along with measures of student-faculty interaction, collaboration with other students, and the overall campus environment. Over 1,200 colleges have participated in the last eight years, and 643 in 2009 alone.

The Collegiate Learning Assessment (CLA) came a few years later, after being developed by a subsidiary of the RAND Corporation. Instead of filling in bubbles with a No. 2 pencil, CLA test takers write lengthy essays, analyzing documents and critiquing arguments. Recognizing that students choose very different academic specialties in college, the CLA tests the higher-order thinking skills that all college graduates should possess: critical thinking,

analytic reasoning, and communication. The exam is given to a sample of freshmen and seniors, to estimate how much students learn in college. Like NSSE, the CLA has proved very popular, with more than 400 institutions participating to date. The makers of the ACT and SAT are now promoting similar tests of their own.

Recent years have also seen huge leaps forward in the ability to track student outcomes after college, particularly in the labor market. Like all modern organizations, colleges have converted their student records to electronic form. That information can be linked to other large databases, like the earnings and employment records maintained by every state as part of the unemployment insurance system. States like Florida already use these data systems to compile employment outcomes for every public university in the state, including earnings and sector of employment.

The federal government should make major new investments in research development to create new survey and testing instruments like NSSE and the CLA. There's already a vehicle for this, called the Fund for the Improvement of Postsecondary Education (FIPSE). Sadly, Congress has made a habit of spending every dollar of new FIPSE money on pork projects like the "John P. Murtha Institute of Homeland Security" at Indiana University of Pennsylvania, named for the veteran lawmaker who has elevated the practice of sending taxpayer money to hometown cronies and contributors to a fine art. FIPSE money should instead be used to develop a wide array of scientifically valid measures of how well colleges teach and how much students learn. Congress should also subsidize state data systems that link to employment results.

Once the data systems and new instruments have been developed and fine-tuned, Congress should insist that all colleges and universities accepting federal funds regularly report teaching, learning, and long-term student employment results. It wouldn't be a one-size-fits-all process—colleges serve a diverse array of students and have a wide variety of scholarly and social missions. Each would have discretion to pick measures that fit who they are and what they do. But the measures would have to be credible, comparable, and publicly available.

There is plenty of precedent for this federal role. The Securities and Exchange Commission requires publicly traded companies to disclose detailed financial performance information every quarter, because such transparency is vital for the functioning of capital markets. Poorly performing companies undoubtedly wish they could avoid such disclosure, and bad actors occasionally cheat, but everyone understands the collective need for reliable public data. The feds don't tell companies how to make money, just as they shouldn't tell colleges how to teach calculus. They just require firms to report their results.

## Keepers of the Secret

There's only one thing standing in the way: One of the most powerful special interests lobbies that nobody's ever heard of. The most reactionary education lobby in Washington, D.C., isn't located at the 16th Street headquarters of the National Education Association, the nation's largest teachers' union. It's less than a mile away, at 1 Dupont Circle. That's where the American Council on Education (ACE), the National Association of Independent Colleges and Universities (NAICU), and a host of other alphabet-soup organizations conspire to maintain higher education secrecy at all costs. Long-established colleges that enjoy the benefits of the existing, information-starved reputation market dominate 1 Dupont.

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Three recent examples illustrate the lengths to which they'll go. To get colleges to participate in their surveys and tests, NSSE and the CLA had to strike a bargain. Colleges would control the results—the data would remain secret unless colleges chose otherwise. Then, in 2006, Mark Schneider, the commissioner of the Department of Education's National Center for Education Statistics, proposed adding some new questions to the annual survey all colleges are required to fill out in exchange for federal funds. Colleges would be asked if they participated in surveys and tests like NSSE and the CLA. If the college answered "yes," and had already chosen to make the data public, it would be asked to provide a link to the appropriate Web address. It would not be required to participate in any test or survey not of its choosing, or disclose any new information. It would just have to tell people where to find the information it had already, voluntarily, disclosed. One Dupont Circle rose up in anger and the proposal was summarily squashed. For his temerity, Schneider was nearly fired.

That same year, Secretary of Education Margaret Spellings convened a high-profile "Commission on the Future of Higher Education." In the course of its deliberations, the bipartisan commission bemoaned

a lack of clear, reliable information about the cost and quality of postsecondary institutions, along with a remarkable absence of accountability mechanisms to ensure that colleges succeed in educating students. The result is that students, parents, and policymakers are often left scratching their heads over the answers to basic questions, [including] which institutions do a better job than others not only of graduating students but of teaching them what they need to learn.

The commission went on to recommend upgrading an archaic federal data collection system to take advantage of newly developed IT systems, including electronic student records, under the aegis of existing federal privacy laws that prohibit the release of any personal student information. When the topic was broached in mid-summer, the president of NAICU issued a press release denouncing it as “Orwellian” and “an assault on Americans’ privacy and security in the shadow of the Fourth of July.” When the Commission persisted, 1 Dupont Circle ran to Congress, which obligingly passed a law making the new information system illegal.

Spellings took one more bite at the apple, this time focusing on accreditation. The accreditors, who depend on the institutions they regulate for funding, had historically declined to ask colleges for any evidence of how much students learn. Spellings proposed changing federal regulations to call on accreditors to require colleges to report some such information to the public; what information would be up to the college. Accreditors just had to require *something*. One Dupont Circle went back to Congress and made that illegal, too.

Lawmakers in Congress have spent years loudly complaining about rising college costs. Yet in the course of a few years, they shut down two of the biggest potential sources of the information that is badly needed to make higher education markets begin functioning in a cost-containing way.

### **Fulfilling Pell’s Promise**

This is one area where President Barack Obama and his education secretary, Arne Duncan, need to grab the reform baton from their predecessors. Because efforts to provide more information about colleges have been blocked at every turn, needed improvements in the higher education market haven’t occurred. Predictably, prices have continued to rise unabated. More students are borrowing more money to attend college than ever before, increasingly in the risky, unregulated private market. Loan default rates have risen sharply in just the last two years.

In addition to the toll on individual students, the higher education price explosion is also a serious barrier to national prosperity. In his February 2009 address to Congress, Obama called for the nation to regain its historic status of having the most college-educated workforce in the world by 2020. It will be exceedingly difficult to achieve this if college costs keep rising and colleges remain indifferent to how well they help students learn, graduate, and succeed in the workplace.

The president’s proposal to transfer more than \$40 billion in banking industry subsidies to Pell Grants is a great idea. But nothing in the current Obama plan

will prevent colleges from continuing to jack up tuition at double the inflation rate or more—in fact, the increase in consumer purchasing power will encourage them to. Unless something changes, by 2020 that \$40 billion will be swallowed up by the appetites of a higher education system that has demonstrated no limits on how much money it is willing to ingest and spend.

The spectacle of an industry stuck on a steep and ascending trajectory of price increases, laxly regulated and fueled by debt, should be sobering and familiar. The real estate market collapsed and almost took the global economy down with it. It's not too late to avoid a similar catastrophe in higher education. But it will take a decisive change of attitude among those who have historically been higher education's biggest defenders.

Progressives should start by acknowledging that higher education is not a perfect land of opportunity best left to its own devices, unobserved. If progressives really care about higher education, if they're truly committed to getting the most vulnerable students not just in the door to college but out the other side in one piece, they'll be the first to insist that higher education reveal far more information about its successes and failures.

If they do, the benefits will be enormous. The market for higher education will start functioning properly, giving institutions strong incentives to care more about teaching and learning and a new ability to compete with one another on value and price. Students and parents will have a much greater ability to find colleges with a demonstrated track record of helping others like them learn and thrive in their lives and careers. Policymakers will be better able to judge which colleges are truly providing a return on the public dollar. Colleges with a mission to serve the disadvantaged will finally be able to demonstrate their full worth to the world.

There's no time to waste in pushing for more and better higher education information. Without it, the coming decades will be much like the last: higher prices, diminished opportunities, the slow marginalization of higher education as a whole. Until this problem is solved, all the good works of people like Claiborne Pell will come to naught. ▀