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'Change.edu' and the Problem With For-Profits

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By Robert M. Shireman

It is clear that Andrew Rosen, the chief executive of Kaplan, wants to leave readers of *Change.edu* with the idea that for-profit colleges are innovative, efficient, and effective in serving people left out by traditional higher education, and that their bad reputation is the result of unfair attacks.

I picked up Rosen's book wanting to see how the power of the market can transform the enterprise and improve student learning. Instead, I am now more concerned about the hazards of for-profit colleges than I was before.

The eye-opening, gasp-inducing elements involve Rosen's descriptions of the intense pressures on company executives to produce quick, huge profits for investors by shortchanging students. "An investor who wants to make a quick hit can, at least theoretically, buy an institution, rev up the recruitment engine, reduce investment in educational outcomes," and deliver "a dramatic return on investment."

The nefarious temptation is not just theoretical, though, and Rosen says so when he introduces the case of abuses by the Career Education Corporation. "There will always be some leaders who choose to manage for the short term ... particularly when they hold the highly liquid equity stakes that the leadership of private-sector institutions sometimes receive as part of their compensation. This isn't a theoretical issue; it has happened."

The word "always" concerns me. Always as in: This can't be fixed? And how many are the "some" who would eagerly dismiss student needs in the pursuit of a rapid, profitable expansion?

I would have liked to hear that the contrasting example to CEC is the for-profit college where the investors are committed to the long term and never bring up the idea of a get-rich-quick scheme that victimizes students. Instead, Rosen presents the chief executive of Strayer University as the good-college leader who has valiantly managed to resist the terrible, incessant pressure from shareholders to increase profits by "shortchange[ing] the educational offering." Apparently, that's what it's like to run a for-profit college: The temptations to do ill are unrelenting.

Not just unrelenting, but according to Rosen, "inherent in this model." Nevertheless, he insists, we should cherish the for-profit college model because "when executed well, [it] can incent a much greater focus on learning outcomes." Pause and review that statement again. It only *can* bring better outcomes when it's executed well. I would certainly hope that when the model is executed well, it *does* incent better outcomes.

What happens when it's not executed well? I guess I'm accustomed to more bullish claims from executives of for-profit colleges. I don't recall any of them saying, "We face powerful short-term incentives to shortchange students, but if we can resist those and manage to implement our model well over the long term we might find that the incentives exist for more student learning."

Perhaps I should find Rosen's honesty refreshing, but it's just scary that he doesn't realize how bad his descriptions sound. To wit: "The vast majority of the players in for-profit education work very hard to avoid succumbing to these short-term temptations." The words "vast majority" seem horribly wrong in this context. Imagine that Mr. Rosen is on the podium speaking to a crowd of for-profit college leaders, and he says, "I'm so proud that the vast majority of you are not crooks and cheats." Applause.

And notice that they "work very hard to avoid succumbing." Personally, when I try to avoid succumbing to chocolate cake, I invariably end up eating the cake. ("Do or do not. There is no try." -*Yoda*) If Rosen thought that the vast majority of his fellow leaders actually succeeded in their resistance, it seems like he would say so. Instead, I'm picturing them working hard to avoid succumbing, but ultimately giving in.

To his credit, Rosen does admit that regulation is needed to prevent a repeat of the "deplorable and unacceptable" behavior that has occurred. Not partial to stupid regulation, he supports "smart regulation to ensure that private-sector colleges act in ways that are beneficial to their students." What smart rules does he recommend? "If a buyer of an institution were on the hook for educational outcomes for at least seven years after acquisition—or, even better, for several years after it sold a school—there would be less incentive for that buyer to exploit the school and its students for short-term gain."

That's all. It is his only specific suggestion for addressing the genetic defect he says afflicts for-profit higher education, and it's not even specific enough to be adopted: Figuring out how to measure "educational outcomes" and how to hold anyone accountable for them is the central struggle of education policy.

The rest of Rosen's reforms are even less helpful—but they make for excellent sound bites for Congressional testimony: Instead of a "simplistic, one-size-fits-all approach [that] promotes spending in the wrong places and doesn't encourage the kind of innovation and excellence we need," the government should adopt "more nuanced, results-oriented federal and state funding systems that tilt dollars toward performance and away from mediocrity," a "funding mechanism to encourage learning, access, and other national education priorities." Traditional colleges should learn from private-sector colleges, which "build virtuous cycles that will continue to improve the quality of learning outcomes for many years to come."

And one more in the parade of empty statements that make reform-minded foundation executives swoon: "Those who are charged with higher-education policy should have their own Learning Playbook. They should explicitly reward and subsidize activities that further learning—not just deep learning for a select few, but quality learning for many." Sign me up.

I want for-profit colleges to succeed in doing what their executives have told me they can accomplish for students and for the country. The federal regulations that I helped to develop at the start of the Obama administration were designed to help steer the industry in that direction. I had hoped that *Change.edu* would provide a road map. Instead, it has made me wonder whether we can get there from here.

At one point in the book Rosen asserts that there is little of substance underneath the criticism of for-profit colleges: "It's rare for anyone to lay out a clear case as to exactly what the problem is with private-sector higher education." Ironically, Rosen himself has unwittingly produced that case.

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