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Accreditation and Government Are the Enemies of Innovation

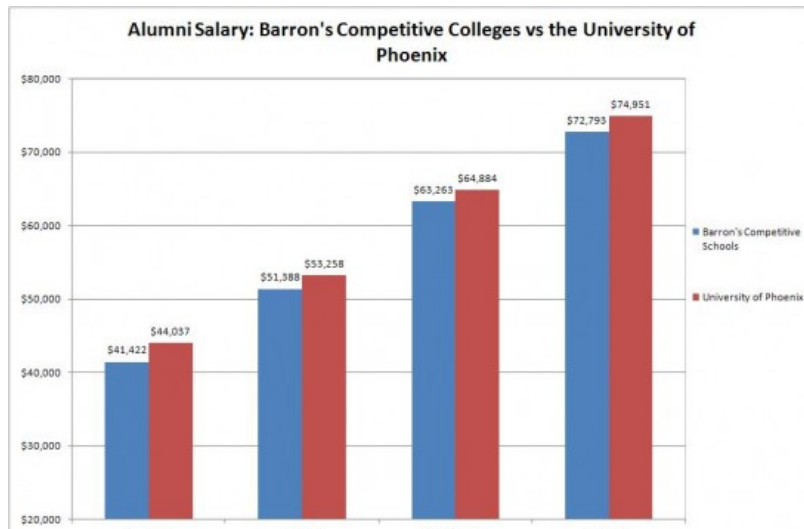
February 22, 2011, 5:56 pm

By [Richard Vedder](#)

I have long criticized traditional higher education for being relatively non-innovative, largely because of subsidies and inadequate incentives not adequately facing the “creative destruction” (Joseph Schumpeter’s term) or “disruptive innovation” (Clayton Christensen’s expression) characterizing dynamic competitive free market capitalism. For-profit higher-education entrepreneurs rightly bristle at the harassment they face from accreditors and government regulators. Five examples below make the case, three pointed out to me by Burck Smith, the innovative head of StraighterLine, and two by Dr. Dick Bishirjian, president of Yorktown University, an online provider.

- StraighterLine and others offer low-cost courses online using top-flight class materials, but do not offer degrees. Because of this, they cannot be accredited, so often other institutions will not accept these courses as transfer credit. Low-cost providers of instructional services, often serving low-income students, are discriminated against because they do not offer degrees, and the accreditation associations are controlled by degree-granting institutions, a clear conflict of interest that creates a barrier to access and cost-cutting innovation;
- StraighterLine, and no doubt other similar providers, are not generally eligible for participation in government-funded workplace-training programs. As one bureaucrat told Mr. Smith, “You’re offering specific general education courses, which do not lead to a formal award from your business or provide specific gainful employment skills or competencies, thus are not eligible for inclusion on the WIA MD State List of Occupational Training.” The bias against for-profit institutions is compounded by the perspective that workplace training must exclude general-education courses or, I suspect, certain non-vocationally-oriented majors;
- The U.S. Department of Education’s Fund for the Improvement of Post-Secondary Education (FIPSE) supposedly funds innovative projects, but proprietary institutions or firms like Smith’s almost certainly will not be funded given the Obama Administration’s dislike of private enterprise;
- Most famously, of course, the “gainful employment” rules that the Department of Education wants to enact by accident or design will stunt the for-profit industry’s growth, leaving traditional providers that have massive dropout rates and probably dubious employment successes for their graduates unscathed (although the recent lopsided House vote to forbid these rules should give the regulators some pause);
- The absolutely inane requirement that online providers get separate state authorization in each state where they teach students threatens to stifle competition in the potentially most promising way to deliver higher education services at lower prices.

On the issue of the alleged deficiencies of for-profit providers in providing job opportunities, my ever-valuable side kick Chris Matgouranis gathered data from PayScale.com on the average earnings of graduates of the largest for-profit provider, the University of Phoenix, and compared it with the average earnings of dozens of colleges in the “competitive” category of schools in the Barron’s Profile of American Colleges—mainly mid-quality state and private universities and liberal-arts colleges. The graph is below:



Source: Payscale.com and Barron's Profile of American Colleges

The results show that at various post-degree stages of life, the University of Phoenix graduates on average had earnings that compared favorably with their counterparts at traditional universities. This is not the last word on that topic, of course, and the social and demographic characteristics of the students attending these institutions vary, impacting the results in some indeterminate way. But the notion that there is a "gainful employment" problem with the for-profits that is non-existent in traditional higher education is simply wrong.

With all of this in mind, I note that the Democratic Caucus is becoming increasingly split on this issue, not walking lockstep with the Administration with all of its ideological bias against for-profit business enterprise. The February 22 Rasmussen daily tracking poll gave the President the lowest percent of respondents who "strongly approved" of his performance at any time during his presidency, a point not lost on large numbers of Democrats up for reelection in 2012. The War Against the For-Profits is not going too well for the aggressors, the Obama Administration.

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