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For-Profit Colleges on the Brink

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By Peter Wood

The for-profit sector of higher education is in the political spotlight these days. Last year an Obama administration official launched an attack on the legitimacy of for-profit colleges and universities. Although that official subsequently resigned his position in the Department of Education, the measures he promoted took on a life of their own. Now the for-profits are faced with what could be an existential crisis. The legal challenges have driven down the stock prices of the publicly-traded institutions and a daunting new regulation is about to take effect.

The story has been well-reported in the *Chronicle*. The former official who got the anti-for-profit ball rolling is Robert Shireman, who served as deputy undersecretary of education, until his [resignation](#) in July. Shireman [jawboned the accrediting associations](#) to be tougher on for-profits; called for a new system whereby each individual state in which an online university does business would have the right to regulate the enterprise; and pushed for the now notorious idea that for-profit colleges and universities would have to show high levels of “gainful employment” for their graduates in the fields they studied. His animus against the for-profits didn’t seem to sit all that well with the rest of the Obama administration. On May 11, Secretary of Education Arne Duncan went to a policy forum held by the for-profit DeVry University and declared that the for-profits play a “vital role” in educating underserved populations.

Shireman had played a key role in the Obama administration’s successful effort to abolish the role of commercial lenders in making Title IV federally-guaranteed student loans and replacing that system with direct lending managed by the Department of Education. So his decision to head for the exit had more an air of victory than of forced departure. The *Chronicle*, however, ran an [in-depth analysis](#) pointing to an all-out lobbying campaign by the for-profits to discredit Shireman. Whatever the case, the administration continued with the tone of suspicion and hostility toward the for-profit institutions, despite Secretary Duncan’s reassurances.

The debate that has emerged is only at the most superficial level about the for-profit motive in higher education. The problem to which Shireman drew attention is that most of the for-profit colleges and universities are aggressive [rent-seekers](#), i.e. they had learned how to exploit the federal student-loan system with astonishing efficiency and often with unscrupulous disregard for the quality of education they provided students and for the disastrous debt they often burdened those students with. They were (and often still are) “for-profit” in the sense of creaming government resources, but not in the sense of competing in a market by offering an especially good service.

But the hard truth of the matter is that a great many colleges and universities in the not-for-profit sector are barely distinguishable from the for-profit institutions on any of these parameters—except perhaps the efficiency with which they exploit the federal loan system.

The challenge that looms for the for-profits is a Department of Education regulation that would impose a rationing of student loans proportional to the percentage of their graduates who succeed in finding “gainful employment” in their majors. The matter has been tied up in debate among officials for several months but a meeting scheduled in late January may determine its fate. The legacy of Robert Shireman, however, includes his role in sufficiently traumatizing the for-profit institutions that they are now very actively lobbying for their case.

I have been meditating for some time what position my organization, the National Association of Scholars, should take. The for-profit colleges and universities as they are now are certainly not bastions of scholarship or liberal arts education. I see no grounds on that basis for NAS to take an interest. But they are very much part of what I take to be the fundamental transformation of American post-secondary education—and that is very much a matter of concern to NAS and to anyone concerned with the survival of liberal education. I’ll address that in my next post.

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