

THE CHRONICLE

of Higher Education

Brainstorm

[Home](#) [Opinion & Ideas](#) [Brainstorm](#)



Previous
← '12 Angry Men'

Next
Practical Tips for Surviving
Academic Life (Part 2: The
Untenured Years) →

The Meaning of Kaplan U.

April 11, 2011, 12:44 pm

By [Kevin Carey](#)

The Washington Post's [lengthy account](#) of how the *Washington Post* made a huge, successful, and increasingly troubled bet on higher education isn't as hard-hitting as it might have been (a common weakness of self-exposes, I'm guessing), but it provides a clear, well-documented business narrative that nicely encompasses the last decade of federal policy toward the for-profit sector. And that's how I think the Kaplan story is best understood: as an account of systematic, bipartisan policy failure by federal policymakers in Congress and multiple presidential administrations.

For a long time there have been only two things standing between bad actors and the vast billions of public dollars provide by the federal government through student financial aid. The first thing is the strong value system that governs traditional public and private non-profit colleges, as expressed through the voluntary accreditation system.

Accreditation has always been a light-touch (albeit time consuming) process for already accredited institutions, with [dire consequences for students](#) at poorly-run colleges. But for the most part it's been good enough to prevent mainstream institutions from running amok, mostly because they're not inclined to run amok in the first place. The president of a liberal arts college isn't going to set up a boiler room full of shady recruiters, because that's embarrassing and déclassé and doesn't help you become president of a better liberal arts college. As a friend of mine once put it, "until recently the main risk in higher education was incompetence, not criminality."

The liberal-arts college president is also not building a boiler room because of the second thing: Until recently, colleges were place-bound and expensive to scale. Even national chains like Strayer and Phoenix with standardized, low-cost facility and faculty models still had to rent space and fill them with actual people. So if a bad actor bought a small accredited college in Iowa, the problem was limited to a small number of students in Iowa.

The Internet changed all of that. Suddenly, as long as you were accredited *somewhere* you could be in business *everywhere*. Meanwhile, traditional colleges were in the midst of their insane multi-decade campaign to make higher education unaffordable, requiring big increases in federal financial aid. Firms like the Washington Post Company saw an opportunity to expand rapidly and profitably and took it.

The smart thing would have been for the federal government to recognize the enhanced risks of the new reality and regulate federal aid programs accordingly. Instead, aided by "an assistant secretary for postsecondary education who had been a lobbyist for the biggest for-profit education company"—isn't *that* a phrase that sums up the 2000s in a nutshell—and aggressive lobbying, Congress did exactly the opposite. Restrictions on paying college recruiters based on the number of students enrolled were eased, the cap on the percentage of revenues coming from federal sources was raised, and Internet-only colleges were given open access to the financial-aid system as long they were accredited by someone, somewhere. Meanwhile, the biggest for-profits went public, vastly increasing their access to the capital needed to recruit new students and creating commensurate pressures to constantly grow enrollment and revenue.

The results were predictable. The Post bears total ethical responsibility for the lapses of Kaplan U., from the "who cares whether you pay your loans back" pitches to the manuals instructing recruiters to exploit "FUD"—fear, uncertainty, and doubt—among servicemen and women whose federal military education benefits, incredibly, counted (thanks to more lobbying) among the minimum 10 percent of revenues colleges were required to obtain from sources *other than* the federal government. Kaplan has a lot of interesting ideas when it comes to online higher education and I hope it finds a way to make them work without exploiting students or the taxpayer. But it can't escape culpability for its sins and excess.

That said, there's a reason that the government doesn't rely exclusively on the ethical compasses of gigantic for-profit corporations when setting policy. Dump a huge pile of hundred dollar bills in front of the Washington Monument, hire a few ill-trained security guards to stand around it during the day but not the night, and it's no surprise what happens next. Even good people and good organizations can be caught by temptation and exigency. As the Obama administration works to finalize its new regulations of the for-profit industry amid the same kind of profit-fueled lobbying blitz that caused this mess in the first place, it should keep that in mind.

This entry was posted in [Uncategorized](#). Bookmark the [permalink](#).

Comments

Powered by DISQUS

Add a comment



betterschools (change settings)

178 comments 495 likes received

Post as betterschools

Showing 4 comments

Sort by Oldest first Follow comments: [by e-mail](#) [by RSS](#)

Real-time updating is **enabled**. [\(Pause\)](#)



tgraham13 15 hours ago

The irony is that the Obama administration's "new regulations of the for-profit industry" were suggested by (and in some cases actually written by) investors holding short positions in the proprietary sector, who stood to make billions when the market tanked, which it promptly did when the new regulations were released.

Laws and sausages...

1 person liked this. [Like](#) [Reply](#)



forprofited 12 hours ago

Kevin Carey: *"For a long time there have been only two things standing between bad actors and the vast billions of public dollars provide by the federal government through student financial aid."*

You forgot one major barrier that has been broken down -- [NACIQI](#).

2/3 of the House Republican NACIQI appointees may easily be considered online for-profit college lobbyists. Arthur Keiser, a Career College Association board member and William Pepicello, President of the University of Phoenix.

Someone should take an in depth look at the influence Keiser and the Career College Association/APSCU have had on NACIQI.

The points you made regarding the online Potemkin Institutions are right on! Imagine if all of the Medicare/Medicaid providers began collecting Federal Funds for providing 100% online consultations. Heads would roll and strict regulations would be implemented immediately.

[Like](#) [Reply](#)



don_heller 12 hours ago

I think you need to be this forward about the proprietary sector at the next AEI higher education meeting, where the representatives of that sector can hear it in person from you

[Like](#) [Reply](#)



forprofited 11 hours ago

Create a compensation matrix based on Bush Administration safe harbors, hire several thousand call center sales people, tell them to enroll as many students as possible (to hit bi-annual salary targets), train them on "finding the pain" and psychological exploitation techniques designed to target low income sales prospects and buy millions of leads from vendors like ClassesUSA and EducationDynamics. What do you have? Publicly traded, (often) regionally accredited, online for-profit colleges tapping FSA funds like never before.

It is a corrupt, unsustainable business model akin to the sub-prime mortgage industry and debt consolidation industry (previously reported on by the GAO). Are Career College lobbyists going to attempt to distort the April 2010 GAO Report "Debt Settlement: Fraudulent, Abusive, and Deceptive Practices Pose Risk to Consumers"?

<http://www.gao.gov/products/GA...>

The for-profit colleges are supplied with students by the same vendors that supplied the sub-prime mortgage and debt consolidation industries. Sub-prime! There is one difference, the taxpayers are funding upwards of 90% of the revenue in the case of for-profit colleges.

Education Connection LLC. was owned and operated by Kaplan before they sold the company to Education Dynamics LLC in 2010. <http://www.educationdynamics.c...>

Like Reply

Copyright 2011. All rights reserved.

The Chronicle of Higher Education 1255 Twenty-Third St, N.W. Washington, D.C. 20037