

#70 The Case for Making College Free

Jennifer Berkshire: Welcome to Have You Heard, I'm Jennifer Berkshire. My cohost Jack Schneider is off doing whatever academics do during the summer months, and that means that I'm free to explore some of my very favorite topics. Don't say I didn't warn you... Now a couple of months ago there was an essay in the *Atlantic* by hedge funder Nick Hanauer about what he defined as educationism, the belief embraced with great fervor among the billionaire class that poverty and rising inequality in this country are caused by the failures of our public schools. Fix the schools and voila! We get our middle class back. Hanauer told his brethren that he was giving up on educationism and they should too. And that if they really wanted to do something about low wages, they should do something about, well, low wages. It was a great essay. You should read it if you haven't already. And yet I came away wanting more.

I wanted an explanation of the thinking and the theories behind education. Deism and since this is my podcast, at least for now, that is our topic today. I reached out to one of my very favorite economists. His name is Marshall Steinbaum. You may know him from Twitter where he does daily battle against lazy economic thinking. Marshall is very focused these days on one measurable impact of educationism: the huge amount of debt that students have amassed in hopes of landing a job. Or as economists would say, these students are investing in their human capital. And that's where we're starting today. Marshall, please begin.

Marshall Steinbaum: Sure. So human capital theory is an economic theory about who gets what in life in general and specifically in the labor market. It developed through the work of a couple of prominent labor economists in the late fifties and early sixties, Jacob Mincer and Gary Becker. And they basically proposed their theory that people are paid in the labor market according to the value of the capital they possess. So economics had a long history of dividing capital from labor and the idea that capital earns its return based on its productivity in the economy was a longstanding theory before that. And the innovation of Mincer and especially Becker in articulating the theory of human capital is that what ideas, what skills human laborers, people, bring into the labor market can be analyzed by economists in exactly the same way that productive capital can be analyzed.

Berkshire: So I know what you're thinking. Is Marshall talking about THE Jacob Mincer as in the Mincer regression??? Also, what does any of this have to do with education? And is the whole episode going to be this, well, challenging? The answers would be yes, everything, and don't worry. So Marshall, keep going and I want you to just sum up for us how human capital theory really sort of sets the stage for the whole way we think about education today.

Steinbaum: If you think that individuals who are being educated are investing in their future skills and as a result of that education, their skills go up and therefore their earnings go up, it starts to make sense to think that it might be worth it for individuals to say, for example, take on student debt in order to invest in their earnings during their years in higher education because

that debt will pay itself off more or less through increasing the amount of earnings that they're able to obtain.

Berkshire: Now you probably remember a few years back when the value added movement swept the land, teachers were going to be held accountable for student test score growth if the scores went up. That's how we would know the teachers were good. President Obama and his secretary of education, Arnie Duncan, we're huge fans of this approach. They really believed that the answer to our collective economic woes was more highly effective teachers as measured by student test score growth. Here's a little clip to refresh our memories.

[Obama clip]

Berkshire: Now Obama and Duncan, to my knowledge, never talked about human capital theory. Instead, they talked about whether teachers were succeeding in preparing their young charges for college and career.

Steinbaum: I think in some ways that's like the kind of crazy end game of the human capital theory because there you're not only saying that students are investing in their skills, say when they're in kindergarten, and those skills will pay off in the labor market. But teachers can be evaluated on the basis of the skills that kindergarteners develop and can then be measured in the labor market. I mean that's the essential underlying theory behind the value added metric of, you know, for teacher effectiveness. So I would say there, I, you know, the reason why I would view that as kind of an extreme devolution, um, is because it not only sort of individualizes labor market outcomes for the people who experience those outcomes, but it then takes that one step further and, um, ties those outcomes to their teacher. The, the implication is that what the teacher is there to do is impart the skills that when the students later enter the labor market are then paid off. Um, that is a sort of comprehensive theory of how economic outcomes are determined. And as far as I'm concerned, every single step of that theory is false.

Berkshire: Marshall has been thinking a lot about how human capital theory has shaped the way we view higher education. Specifically this whole idea that young people are supposed to invest tons of money to acquire the "right skills" and that the compensation will follow. Of course, as tuition has gone up and up, students have accumulated more and more debt, a burden that falls the heaviest on racial minorities. Marshall wrote a fantastic piece a couple of years ago making the case for what he calls a Brown v Board of Education for Higher Ed. And one of the really interesting things he points out is that we haven't always viewed higher ed as a product to be purchased by individuals who are investing in their own human capital. In fact, there was a point in time where things look like they were going to shake out very differently.

Steinbaum: In the post-war era there was an understanding that the expansion of higher education was a progressive policy for the development of the American economy and American society and that this was a function that the government should undertake. In the pre-war era, we had a, what's called the high school movement that made, uh, secondary

education more or less universal. And that was a government policy, but it was not a federal policy, not until *Brown v Board of Ed.*

So we had the expansion of secondary education to the majority of the population other than to Black students in the South. *Brown v Board of Ed* was the federalisation and civil rights-ification if you will, of the high school movement. That is it demanded and recognized that Black students should not be excluded from universal secondary education on the basis of race. That's the essential thrust of *Brown v Board of Ed* in the context of the history of education.

And after that, in the post-war era, there was a widespread understanding that the next step was to universalize higher education. So the history of American higher education up until then had been a basically an elite function, certainly in respect to the oldest universities in the country. And even with, you know, what was the expansion of the land grant colleges in the 19th century, higher education was not viewed as something that the vast majority of American people would ever come into contact with.

Berkshire: California led the way. There was an actual master plan for California Higher Education. And the whole idea was to create a more or less universal public higher education system. There were research universities, teaching colleges, community colleges, and if you graduated from high school and wanted higher education, there was somewhere in that system for you and it was the government's responsibility to provide that to you. So Marshall, what went so wrong? How did we end up moving from this brief moment where higher ed was going to be a universal public good to, well, what we have today?

Steinbaum: What I think happened in the late sixties was a backlash against the seeming social turmoil that was ushered in by universal higher education and the kind of nationalization of the California master plan type of policies. So if you look at, say for example, the campus protests in Berkeley, the Reaganite backlash to those protests, in some ways it's, I would say interesting that, you know, in the early sixties, you had the civil rights movement that was demanding equal access to essentially the fruits of the New Deal state on the basis of race. So you cannot be discriminatory, and that gave rise to federal legislation that was essentially about integrating public goods that had been at that point in existence for 20 or 30 years. Whereas at the same time you had the federalization of any type of higher education policy in the 1965 higher education act.

And then especially in the 1972 higher education act there was a move away from using the instruments of federal power as a tool of integration. And I think that's why I say that higher education policy is kind of this vanguard of backlash to the New Deal in the neoliberal turn. I think there were, as I was just alluding to, there were campus protest in the 60s, and the view that public higher education was a site of social discord, and that it was dangerous for the government to be bringing that sort of social situation into existence.

Berkshire: One of the things we talk about a lot on this program is the push to redefine public education as a private good. If you've been listening for a while, you may remember an episode we did way back with Tressie McMillan Cottom about her book *Lower Ed* and the shift of financial risk, particularly onto low income students and students of color.

Marshall, as I'm listening to you talk about how higher ed was on the leading edge of this shift, I'm thinking about how the goal of school choice proponents is to individualize K-12 education. Our recent episode from Michigan looked at what this looks like in practice and you know, we laugh when we hear Betsy DeVos talking about funding individual students rather than an education system. But your point is basically that higher ed got there first.

Steinbaum: Yeah. I think that the logic of the individualization of higher education, the abandonment of the public good ideal, and the shift in this specific case of higher education finance away from a responsibility of states to institutions to responsibility of the federal government to essentially complete the capitol market that is ensure that every individual can borrow the amount of money that they need to invest in their future earnings. To take the human capital logic exactly as you say, that is being extended down the age distribution to children.

And the assumption is that introducing choice so long as children—and in the case of children, you sort of have to admit that their families are part of the picture—as long as they can make choices among alternatives, then it doesn't really matter what those choices are. I think Tressie has a great quote. It's something like, 'there's an abundance of choice, but no real options.' And I think that really captures the race to the bottom type of a dynamic that you get in Michigan. I have a former colleague who kind of facetiously predicted that we would soon see sort of individual savings accounts to pay for preschool. And actually that has been proposed. It's not that outlandish to imagine that.

Berkshire: Okay. Just to sum up what we've covered so far, for a brief moment, it looked like public higher education was going to look like our high school system: universal and publicly funded. But instead the feds go in a very different direction and they fund individual students. That shift away from public goods wasn't just happening in higher education. We got suburbanization to avoid school integration and we got subsidized home loans to all white neighborhoods, and of course we got an ideology of economic individualism that would shape pretty much the whole approach to policy making from here on out.

So Marshall, one of the things I look forward to about being without my cohost during the summer months is that 1) I get to play the part of education historian and 2) I get to go down whatever intellectual rabbit hole I want with no Jack Schneider to yank me back. So I want you to indulge me here and tell us a little about public choice theory. First, just explain what it is.

Steinbaum: For a brief introduction to this, public choice theory is a theory of the application of economic principles to political outcomes. That sounds somewhat innocuous because, of course the unity between economic economics and politics has long been recognized well

outside scholars who are under the influence of public choice. So when public choice people say 'the application of economic principles to politics' they have in mind a very, very specific set of economic principles that is individual rationality, the kind of inability of the state to serve any conception of the public interest.

Berkshire: Listeners may remember the interview we did with Nancy MacLean a few years ago about her book on public choice economics, *Democracy in Chains*. Go back and check it out. If you haven't, it's episode 22. But Marshall, I want you to walk us through what public choice theory has to do with the history that you've been telling us about this backlash against integrating public goods.

Steinbaum: Origins of this theory is really in the backlash to the New Deal order. And I would say especially in the backlash to the New Deal order where we should understand the civil rights movement as being an extension of the New Deal order. So as I was saying before, um, the Brown v Board event and more generally that civil rights movement that emerged in the early 60's, well, came to fruition in the early 60's, was really about integrating the New Deal state that had been in existence, for the last, for the previous 20 or 30 years, but had been segregated. There was increasing pressure to deny that continued segregation, to not permit discrimination on the basis of race and access to the edifices of the public state that the New Deal created, including the education system. And that was a social movement that gave rise to political outcomes: integration, the Civil Rights Act, and lots of Supreme Court decisions that favored the aims of the civil rights movement. And all of that historical political economic process was interpreted by public choice scholars as the capture of the state and its power in service to special interests.

Berkshire: By this point, you may be feeling a little bit, well, theoried out. I get that. But I want you to understand just a little more about why this particular topic obsesses me like it does. If you follow the debate over education reform, you know that teachers unions and parents of color are basically represented as being on opposite sides of a struggle for resources and power. Think about that epic battle that played out in New York City in 1968 when the teachers union shut down schools that the community wanted more control over.

That divides still colors pretty much every conversation we have about unions and race and public education. But here's the thing. That economic theory that Marshall was just talking about that underpins so much of the push to privatize public institutions, it sees urban constituents and teachers unions as being on the same resource-consuming, special-interest side. Marshall, this is the real reason I brought you on the show, just to ask you if I'm right about this.

Steinbaum: Yeah, I think that's such a crucial point. Because if you think of like the ed reform type of discourse, you know, they used to their advantage the idea that teachers unions and labor power on the part of educators, or on the part of anybody involved in providing education is at odds with the interests of the most victimized constituency of public education. And so they can treat their own crusades against teachers unions as empowering otherwise subjugated

Black schoolchildren for example. Whereas as you say, I think the much accurate take is that they view both of those as special interests hostile to the public interest, and the public interest is represented by white taxpayers.

Berkshire: Okay, so you've learned about human capital theory and public choice theory, and about why our approach to higher education involves funding individuals. Students. Now we're going to pivot to a subject Marshall is particularly passionate about these days: free college. He argues that free college is a civil rights agenda item. Just as *Brown v Board* recognized that exclusion from public K12 education meant exclusion from economic life, you can make a similar case today about higher education.

Steinbaum: For various reasons, it has become essentially impossible to get a job unless you have some form of higher education, some form of credential. We're pushing people to get more and more higher education. This is the most flagrant sense in which, say, the Obama administration believed the skills gap narrative that it followed this theory, this human capital theory. And so their prescription for wage stagnation was the expansion of higher education, increasing attainment for people who already had some higher education. Just more and more and more, effectively. And that had the effect of barring the labor market to anybody without that access to higher education other than if you want essentially a minimum wage job.

Berkshire: *Brown v Board* is relevant here too because higher education is intensely segregated. For example, students of color are far more likely to end up at for profit institutions. But that's just one piece of a segregated system.

Steinbaum: Even traditional nonprofit universities and even nonprofit public university systems are enormously segregated. And if we're going to decide, as I think we have already decided, that higher education has been universalized as a credential necessary to obtain, then we can no longer continue to dole out that credential on the basis of race as we currently are. So that is why I think that free public free and equal high quality public undergraduate education needs to be understood as a public good. It needs to be universalized and specifically needs to be desegregated.

Berkshire: So Marshall, there are lots of free college proposals floating around out there. Is there anything that really gets at what you've been talking about?

Steinbaum: If you look at what's actually proposed in them, it is more or less a replacement of lost state funding for institutions, for state public university systems with federal funding, or partnerships, I think is how they all work. And so the idea is that well, if the federal government ponies up a lot of money then, and funds institutions, then the states can be induced to kind of come back to the table where they had previously convinced themselves they did not need to be significantly funding their state university systems. And I worry that just that without attending to institutional accountability, credentialization, and especially to segregation, will not reverse the

neo-liberalization of higher education that we have suffered through in the withdrawal of state funding to begin with.

I think it would be correct to describe this as, you know, a lot of money was withdrawn from state funding, in university business models, to use an annoyingly capitalistic term, changed as a result to be a more consumer focused type of institution. Especially if public universities stopped being, you know, or stopped trying to be universal to the citizens of their state and instead seek a more, a wealthier clientele, drawing from a wider population of rich people outside the state. And, you know, charging tuition or charging whatever tuition they can get people to pay as opposed to a low flat fee for basically anybody. You know, that's all a consumeristic business model and I worry that sort of backing a truck load up of money to that type of higher education system is not actually going to reverse the changes to that business model that we now know have been so harmful.

Berkshire: The occasion for having you onto the pod was my obvious fandom, but also your reaction to our previous episode that Jack and I did where this issue of free college came up. We were talking about one presidential candidates, opposition to free college, which you vehemently disagreed with and you disagreed with Jack as well. Jack's obviously not here to defend himself, so let's bring in Mayor Pete instead. Here he is stage at one of the recent debates explaining his opposition to free college.

[Clip from Pete Buttigieg]

Berkshire: Marshall, this isn't the first time we've heard this argument.

Steinbaum: So I remember when I was an undergraduate—I actually went to undergrad in the UK—and so at that time they were just in the process of introducing university tuition fees. Now those fees have been like multiplied by 10 times since when I was there only 10 or 15 years ago. But there that argument that, you know, that for 50 years or however long public higher ed, you know, nationalized public higher education has existed in the UK, it has been a system in which the poor have subsidized the rich. And that was based on the idea that the people who have higher education are the people who went to Oxford and Cambridge in the old days, you know, the aristocracy or the professional class. And everyone else, the vast majority of people who worked for a living did not get a university degree. They were paying for it. And that was unfair. And so introducing university tuition fees was in fact egalitarian because it would mean finally that the, you know, the, the Tufts as the British called them were paying for themselves.

Berkshire: No, you were only 19 or 20 when you found that argument compelling. But what do people like Pete Buttigieg who are making that same case today get wrong? What are they missing?

Steinbaum: The reason why it's flawed is because the conception of who gets a university education is just very different than that in a credentialized labor market. Now, the people who

are being forced into the higher education system, and I use that advisedly because I think there's a disconnect between the way that sort of policy people think about the role that higher education played in their lives and the role that it actually plays in most people's lives. People who have...people go into the system of higher education because their basically other options are closed off. They can't get a job through any other means. And so they are left in this privatized higher education financed system with student debt that they carry with them through the rest of their lives.

And it was the policy wonks who said, 'oh, no. That's fine because you're going to get, as a result of having done this, you're going to get a wage increase and that wage increase is going to make your student debt you're carrying easy to pay off.' And the policy wonks were just wrong about that. So we've forced everybody into this pipeline, caused them to take on debt, and then they come out of it and are aggrieved that they didn't get what they were promised out of the system. And then the part, the same policy wonks, are coming along and saying, 'no, if you have this, then, then you're privileged and you don't deserve our sympathy. Think of all of the benighted people who didn't have this wonderful blessing in their lives of higher education. Why would we want them to pay for you to have had to have had that either prospectively in the form of free college or retrospectively in the form of student debt cancellation?' And, you know, to hear that chain of arguments coming from people who've been wrong every step of the way in interpreting the role that higher education plays is, I think, really galling. It's especially galling to me right now because you know, these presidential candidates have proposed mass student debt cancellation.

Berkshire: Marshall, I'm hoping that this conversation inspires people to read your great piece in the *Boston Review*, "A Brown v Board for Higher Ed." But I want you to just sum up for us how free college fits in with this history you've been recounting and why the erosion of the idea of higher education as a public good matters so much.

Steinbaum: Our labor market is discriminatory. Minority students start out with less household wealth and less family wealth than white students. And so they're forced to rely more relatively on debt than on their family to pay for higher education in the first instance. And then they have to get more of it because of our discriminatory labor market. White students, white graduates are hired into jobs more quickly into better paying jobs, whereas in order to overcome the issue of racial disadvantage, minority students have to take on further degrees and go further into debt in order to get access to those same jobs. And I think that dynamic is exactly why somebody like Pete Buttigieg getting up and saying, 'oh well, you know, we shouldn't have the disadvantaged paying for the advantaged.' I mean, it just, you know, doesn't even begin to scratch the surface of, of the actual role that higher education plays in a racialized, credentialized labor market and society.

Berkshire: That was Marshall Steinbaum. He's an associate professor of economics at the University of Utah and a very active presence on Twitter. You can find him there @Econ_Marshall. And I'll be right back with another very special guest.

[Music]

Berkshire: So while Jack is off on his very lengthy academic break, I'm under strict orders not to contact him unless it's a podcasting emergency. But here's the thing. We got a response to our last episode that I think merits luring him out of summer retirement. If you remember, we had the winner of our very first graduate student research contest on and she told us about what happens when charter schools started with progressive missions run into the buzzsaw of market-based education reform. Well, Chalkbeat reporter Matt Barnum listened to the episode and he took issue with what he saw as the conflation "market-based" with "test-based accountability." Fighting words! As he pointed out, there are lots of folks out there who wave the market flag. Think of Betsy DeVos for example, who are not fans of closing schools on the basis of test scores. It's a key distinction these days and I've roused Jack from his poolside cabana to help us tease it out In the Weeds.

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