

@CharlieEatonPhD



Higher Ed  
**DATAHUB**



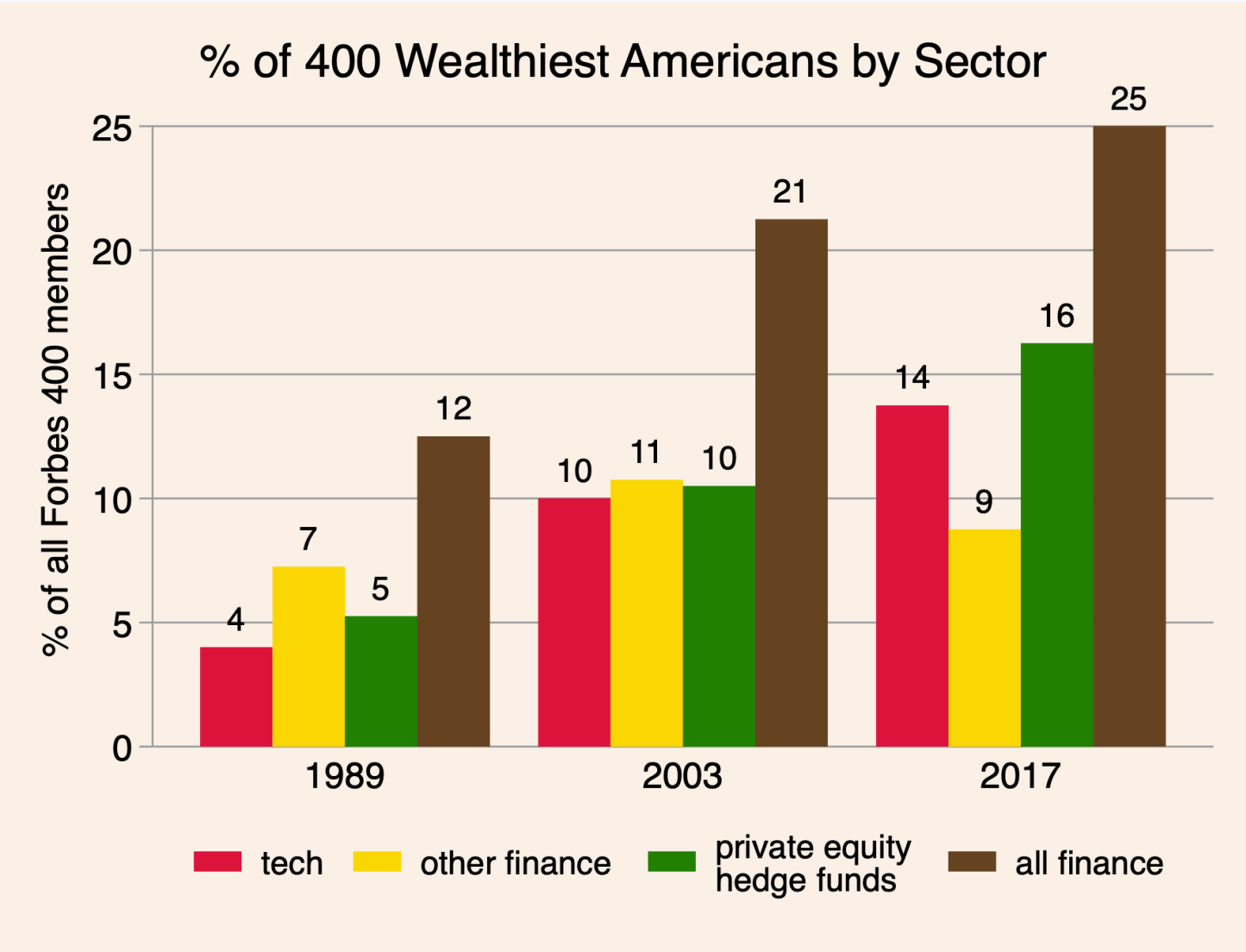
**Here Lab**

**HIGHER EDUCATION,  
RACE AND THE ECONOMY**

# 2 NEW INEQUALITIES

**INEQUALITY 1:**

**A RESURGENCE IN FINANCIER WEALTH**



Source: Eaton and Gibadullina (2021)

**INEQUALITY 2:**

**UNEQUAL STUDENT DEBTS**

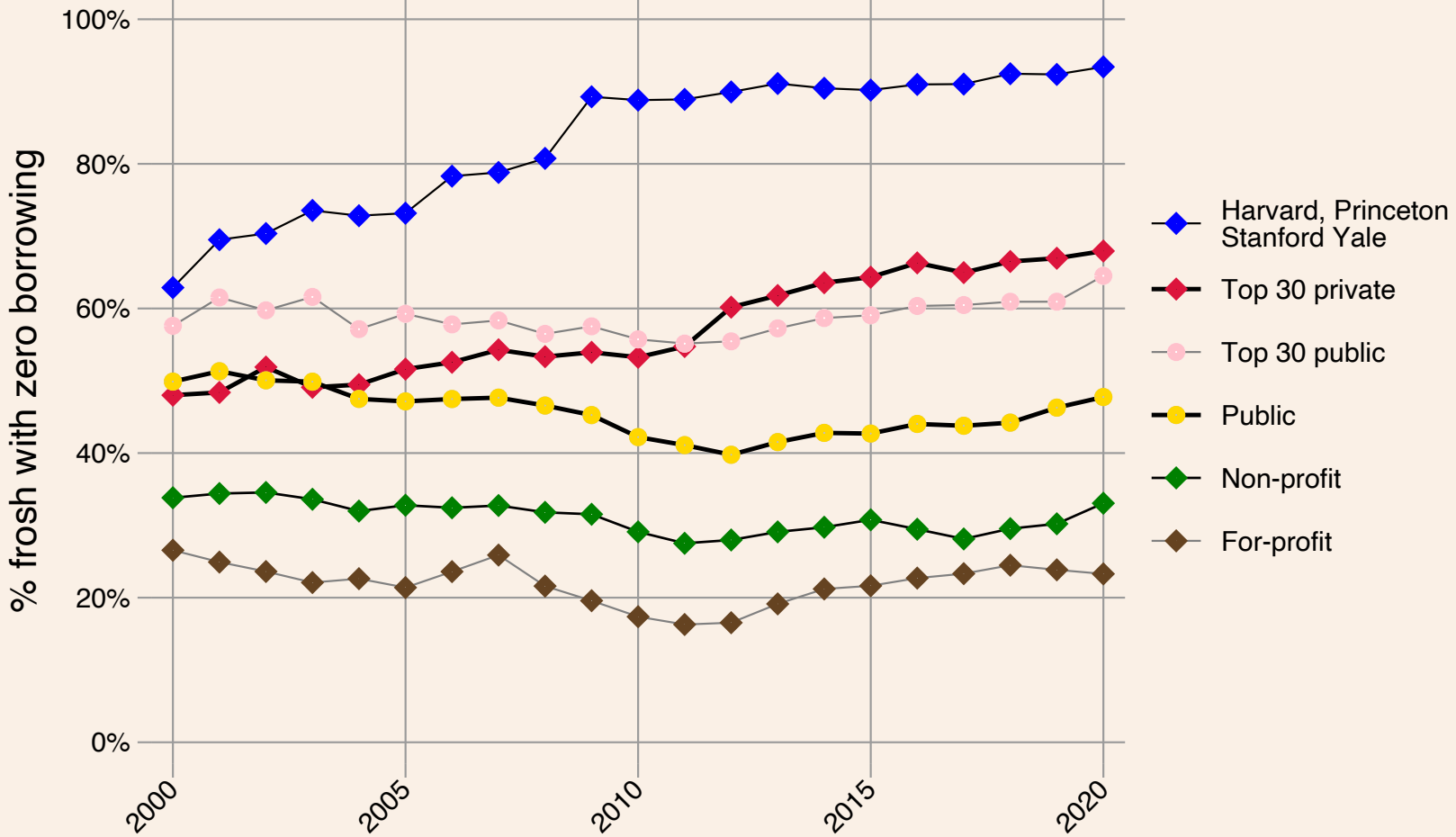
**1 IN 8 UNDERGRADS HAD STUDENT LOANS  
IN THE 1970S**

## 3 higher ed strata of debt today:

- The top: elite privates
- The middle: public universities
- The bottom: for-profits



# % Students who are debt free by university strata





**THE ROLES OF FINANCIERS IN EACH STRATA  
SUGGEST GENERAL MECHANISMS IN  
FINANCIERS' RESURGENCE**



## Policy was prerequisite:

- tax cuts
- financial deregulation
- regulation for the rich

## Varied financier roles by strata:

- **The Top:** endowment tax subsidies & hoarding
- **The Bottom:** for-profit college subsidy capture

## Varied financier roles by strata:

- **The Top:** hoarding an endowment boom
- **The Middle:** tax and subsidy diversion to top and bottom
- **The Bottom:** for-profit college subsidy capture

## Regulation for the rich: 1992 Higher Ed Act etc.

- Eliminated means test for loans
- Doubled undergrad loan cap from \$30k to \$70k+ (2015\$)
- Eliminated cap on parent loans
- Gave “guarantee” subsidy to private lenders to make ½ of all federal loans

The bankers wrote the act:



Bank of America.



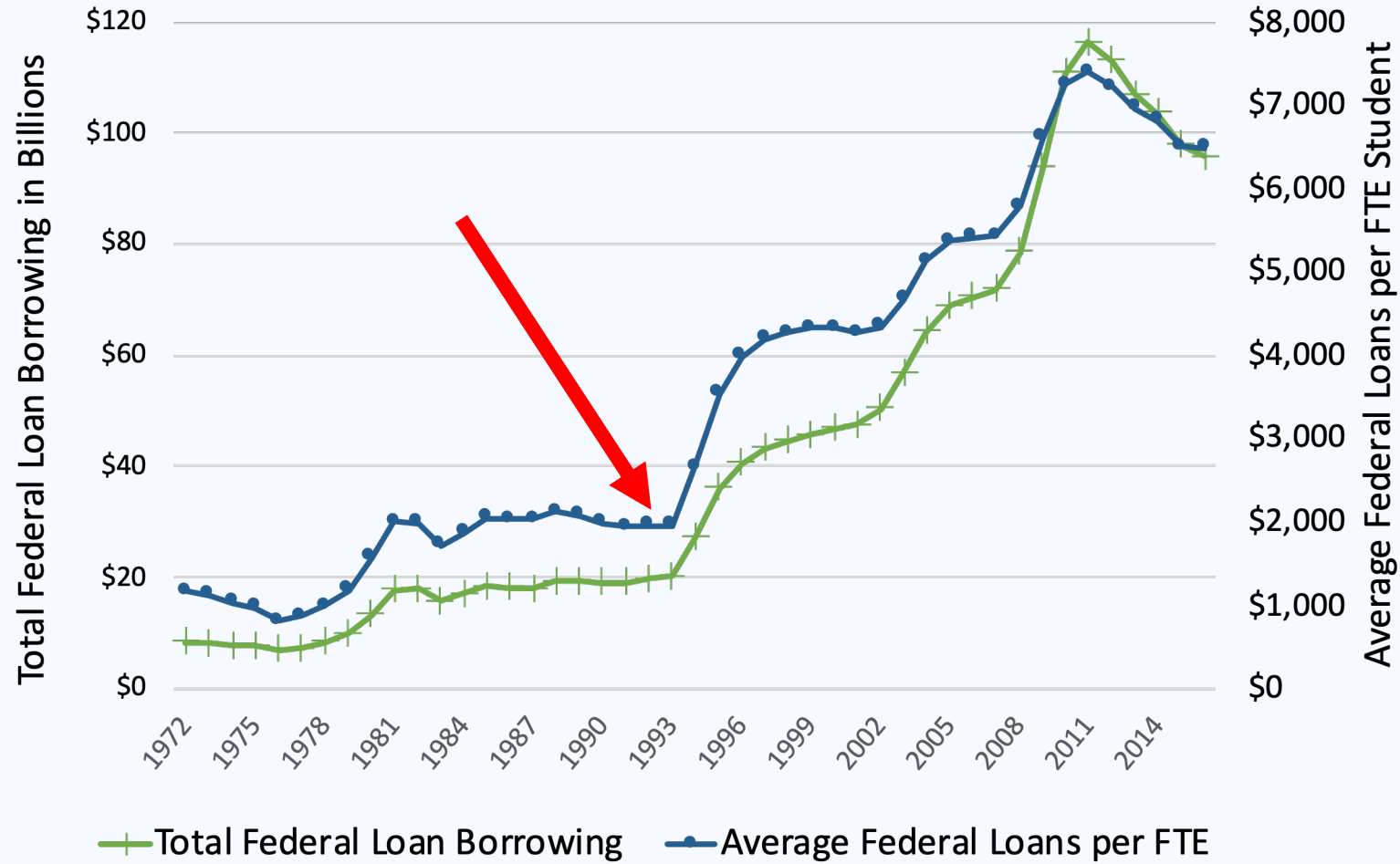
JPMorganChase



WELLS  
FARGO



## Annual Federal Student Loan Borrowing



Source: College Board Trends in Student Aid. Amounts in 2015 Constant Dollars.

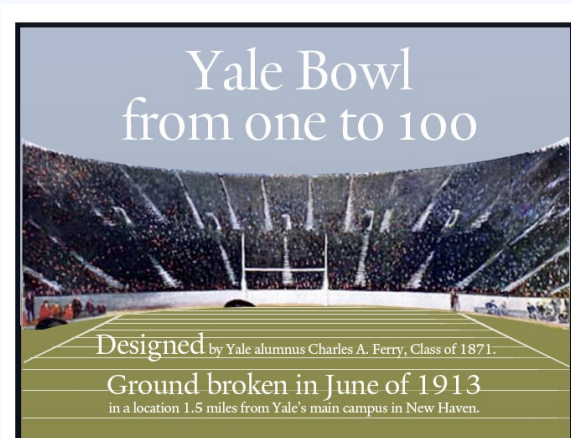


**THE TOP: ELITE PRIVATES HOARD THEIR  
ENDOWMENTS FOR RELATIVELY FEW SOCIO-  
ECONOMICALLY ADVANTAGED UNDERGRADS:**

**38 TOP PRIVATES ENROLL MORE STUDENTS  
FROM RICHEST 1% THAN FROM BOTTOM 60%**

## The Top: Endowments, private equity, & hedge funds

- 1980s tax cuts/ deregulation allow much bigger after-tax returns
- Elite private universities were earliest major investors
- Private equity and hedge funds gain private information from university social ties to find lucrative investments and raise capital



Tom Steyer



David Swensen

The New York Times

## *For Yale's Money Man, a Higher Calling*

“David told us: ‘I don’t see why we would give you any money. You might shut down after a bad year,’ ” Mr. Steyer recalled.

It was only after Mr. Steyer swore that he wouldn’t shut down — and that he wouldn’t immediately charge Mr. Swensen 20 percent of his profits and other fees — that Mr. Swensen gave Mr. Steyer [\$300 million] of Yale’s money.

**BROWN, COLUMBIA, CORNELL,  
DARTMOUTH, HARVARD, PENN,  
PRINCETON AND YALE ALL DISCLOSED IN  
2013 THAT THEY HAD INVESTMENTS  
INVOLVING AT LEAST ONE BOARD TRUSTEE**



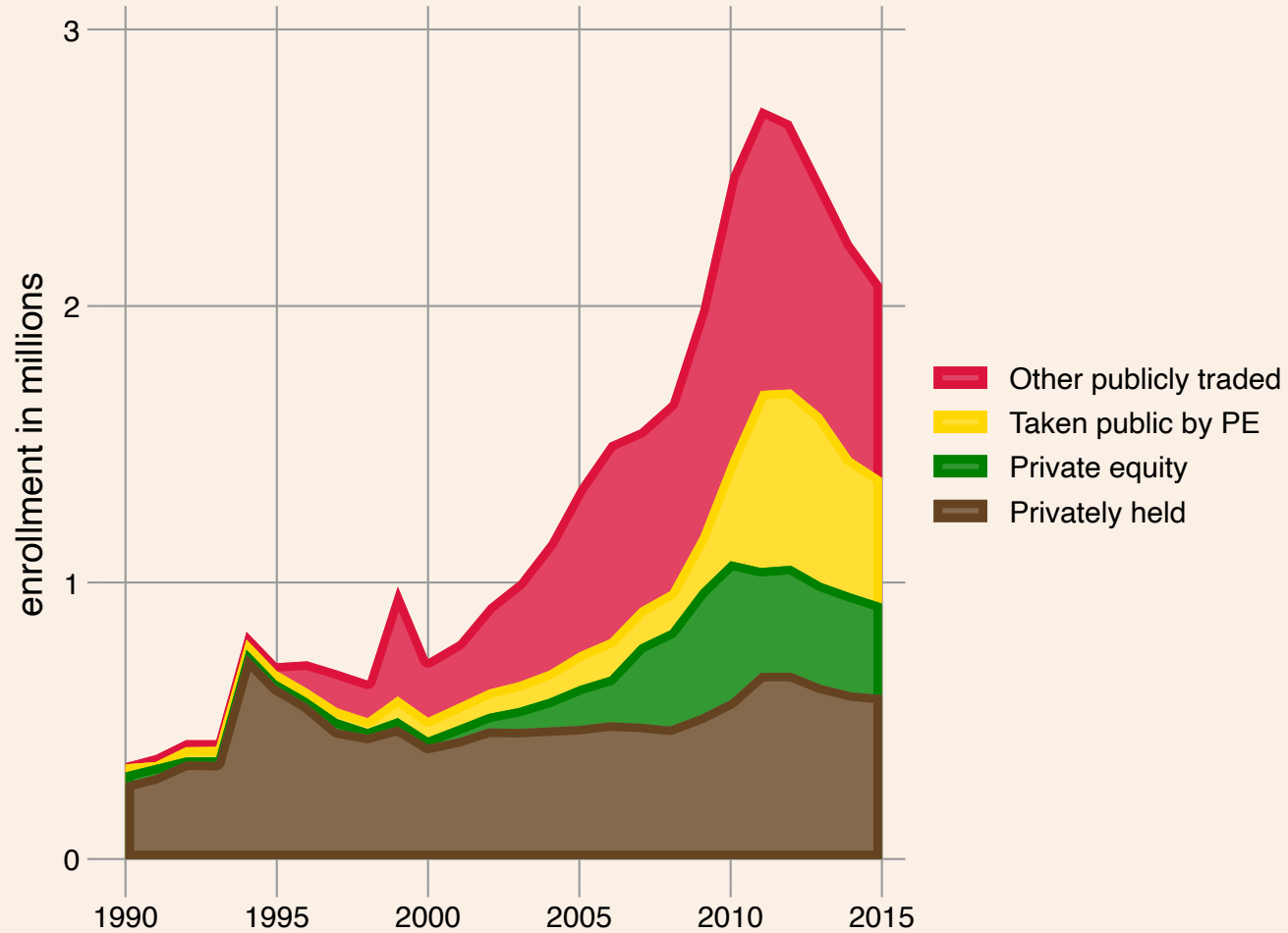
## What about UK endowments?

“We did not have the contacts with Wall St hedgies... We did not have the scale to be welcome as Wall St hedgy customers.”

*-financial administrator for an elite UK university*

**THE BOTTOM:** PRIVATE EQUITY INVESTORS  
ACQUIRED 994 COLLEGES TO CAPTURE TUITION  
REVENUE FROM EXPANDED LOAN PROGRAMS

For-profit enrollment by ownership



**THE MIDDLE: TAX CUTS AND SUBSIDY CAPTURE AT  
THE TOP AND BOTTOM DIVERT RESOURCES FROM  
PUBLIC UNIVERSITIES**



## Returning taxes and subsidies to publics

- \$20 billion annual tax expenditures for endowments
- \$10 billion annual Pell Grant subsidies to for-profit schools
- \$6 billion annual increase in Pell Grant funding from 2010 elimination of the “guarantee” lender subsidy

**A BETTER FUTURE: MOBILIZING A DIVERSE AND  
INCLUSIVE PUBLIC UNIVERSITY TO REIMAGINE  
[HIGHER EDUCATION] FINANCE FROM BELOW**

America's Choice 2012

# Californians approve massive tax hike on the wealthy



THE POLITICAL SCENE

*University of California*

THE ~~FRENCH~~  
ECONOMIST WHO  
HELPED INVENT  
ELIZABETH WARREN'S  
WEALTH TAX

By Benjamin Wallace-Wells

October 19, 2019



**THANK YOU**