Jason Altmire (00:04):
Welcome to another edition of Career Education Report. I'm Jason Altmire, and today we are going to talk about the economics of higher education, and we have the best possible guest to do so. It's somebody very well known around Washington and around the country for her writings and work on this issue. She's Beth Akers, a senior fellow at the American Enterprise Institute, where she focuses on that very issue. And before joining AEI, she was a senior fellow at the Manhattan Institute, a visiting research scholar at the Federal Reserve Board, a fellow at the Brookings Institution and a staff economist at the Council of Economic Advisors under President George W. Bush.

(00:50):
She has a PhD in economics from Columbia University, and what I think is most unique about the work that she does and probably why it gets picked up by others and referenced so often is because she does focus on that issue of economics within higher education. And Dr. Akers is the author of two different books. She's testified before Congress many times and she has appeared on numerous national television news programs. So Beth Akers, thank you for being with us.

Beth Akers (01:25):
Jason, thank you so much for having me today.

Jason Altmire (01:27):
I wanted to start, it's been in the news. There's been a lot of polling that Americans' confidence in higher education has fallen sharply in recent years, and we see this decline in confidence across every group, whether it be party identification, education, gender, age, and you see some people, they blame the rising cost in education, others blame the politics, but you're a trained economist who spends your day thinking about this question trying to understand the post-secondary education marketplace. Why do you think so many Americans question the value of higher education?

Beth Akers (02:05):
Well, I think we've had a really important shift where college degrees used to be something that was available to the affluent and sort of a status symbol. And we've really shifted towards appreciating higher education or education after high school in any form as a mechanism for social mobility. So that is to allow individuals to make themselves better off. And when we're thinking of it that way, it's natural to be skeptical of the institutions and the services that people are buying.

(02:38):
At the same time, we've had some innovations in data. Students are now able to look at what previous graduates are earning coming out of the programs that they're considering enrolling in. So I think that's allowed them to be critical in a new way. So I think both this reliance in education as really serving an important role for mobility paired with this new information that we have has allowed for this new skepticism, which I don't think is a bad thing.

Jason Altmire (03:04):
A lot has been said and written and politicized about loan repayment in every possible way. And the Biden administration recently released its new income driven repayment plan, call it the SAVE Act. And as you know, the administration touts this new plan as the most generous payment plan for most borrowers because it would cut payments in half for many borrowers and protect more of the borrowers' income for basic needs. That's how they portray it.

(03:33):
Some advocates have even said that it might be the world's most generous student loan repayment plan. Now, you've had a lot to say about this and its potential unintended consequences. Can you talk a little bit more about your thoughts about that?

Beth Akers (03:48):
I believe that education's first role for our society is to allow people to make financial security for themselves. And so I appreciate that when education doesn't work, doesn't fulfill that, we don't want people suffering under unaffordable debt for their lifetime. I'm the first to say that, but I think we need mechanisms that actually aim to do that rather than what we're seeing from the Biden administration today, which is really more of just a way to give away money. My colleague, Nat Malkus called this a de facto grant program. Basically, the president wants to put more money into higher education. We can't get anything through Congress right now. And so they're using the authority that they have or their perceived authority to put money into these programs.

(04:33):
And at the same time, this is causing what I think are really concerning distortions. That is, if you think about a student who's off to college tomorrow, thinking about how much to spend, how much to borrow, and they're getting the message that yeah, pretty much you're not going to have to pay back what you borrow or you have to pay back a pretty small share of it. How careful are they going to be about thinking about whether the choices that they're making are ones that are financially savvy?

(04:59):
Now, of course, they still have skin in the game, so they're not going to be totally oblivious to this idea. But the more that we are giving away money, even to those who aren't in dire economic circumstances, the more we may see institutions even stepping up and responding or allowing prices to creep up, maybe even at a faster rate than we've seen before. That's not to say they're evil institutions or villains, but they'll just be responding to the fact that there'll be more demand in the market for the services that they're selling. So my feeling is that the changes that we've seen, rather than securing the safety net, which is what I think needs to happen, is really just distorting incentives in a way that will exacerbate the problems that we've already had.

Jason Altmire (05:44):
Talk a little bit more also about the more generalized issue of loan repayment. And the president put forward a plan that was overturned by the Supreme Court. Now there's a second plan. We'll see what the courts do about that, but you've likewise had a lot to say and write about that issue. And what I hear when I talk about this around the country is invariably somebody will say, "I put my two kids through college, paid for it," or somebody will say, "I worked my way through college, I worked two jobs, and
now if I had known you were just going to forgive the loan, I would've just gone that route." So there's a fairness issue too. What do you think about all of that?

Beth Akers (06:27):
Yeah, there's definitely a fairness issue. I don't harp on the fairness issue so much because I think a lot of things are unfair. Like the fact that we have vaccines today that our grandparents didn't have, that's not fair, but that's innovation, right? So if I felt like this was good policy, I wouldn't be pushing against it. But the idea that we have seen coming out of democratic politics in the past several years now, that we should just cancel student loans, I firmly believe it's bad policy. I firmly believe that it creates an unsustainable fiscal spending for higher education, that it distorts incentives for students, distorts incentives for institutions. It sets us on an even worse trajectory with higher ed finance than we were on previously, which was already quite concerning. And I have to say a decade ago, if you asked me if we'd be in a place where we were talking about these huge, relatively unrestricted cancellation programs, I never would've thought that we would've been here.

(07:29):
And at the time I was doing research that was counter narrative showing that in fact a lot of people, maybe even most borrowers who have debt are sums that are actually quite affordable relative to their income and they're borrowing, making good investments in education and then paying back that money. It's a smart way to make an investment. So for a lot of people, the system of borrowing to pay for college works, and I know a lot of people lament the fact that you can't work your way through college anymore because college really has gotten more expensive, and that's true. But part of the reason college is so expensive is because it's worth it. And when it is worth it, the high price tag doesn't bother me so much.

(08:10):
So I think we really need to focus in on providing relief in instances where college or any sort of education after high school fails students for whatever reason, and let people who benefit from their degrees pay them back. I don't think there's anything wrong with that.

Jason Altmire (08:27):
And I know it's your role as a scholar and researcher to give the facts more than get into the politics of various issues that you talk about. But I've been really interested in the fact that this issue, for such a big issue that touches so many people and the amount of money that we're talking about, the enormity of the issue has not really generated much political traction either way. I have not seen it as a major issue in political campaigns, whether it be the presidential race or Congressional races. Do you agree with that and is that your observation and why do you think that is?

Beth Akers (09:03):
My sense is it's actually critically important within the Democratic Party. So if we look back to the last presidential cycle, we saw that the major Democratic candidates all adopted some sort of loan cancellation program. Bernie Sanders, Senator Warren, they had the more progressive versions with larger dollar figures, and President Biden was late to the game on getting involved in loan cancellation because like moderates in this space, he's been of a similar mind to me in the past, which is to say we
don't want to be necessarily handing out taxpayer-funded dollars to people who are really doing quite well, who have the privilege of even an elite education. He was on record for saying that at a town hall with CNN actually at one point. But then it seemed like in order to hold his coalition together that he needed for the election that he ended up proposing a $10,000 cancellation plan, which was more moderate than what anyone else had proposed in the Democratic field, but pulled him in that direction quite obviously.

(10:07):
So I think that it's very important on the left. I'm not sure how important it is to voters, though it's surprisingly popular given the questions of fairness that you raised earlier. It does quite well in polling though, of course, it's very sensitive to how questions are asked. So I think that, yeah, it's very important to Democrats. And I think what's exciting for me as somebody who tends to advise Republican policymakers more than Democratic policymakers is that I think it's inspired a new or more intense interest on the right in maybe solving some of the deeper problems that Democrats may be trying to respond to with their notion of student loan cancellation.

Jason Altmire (10:49):
And you've written a couple of excellent books. Your most recent book, Making College Pay talks about how to make a smart bet on higher education. And you argue that higher education is a smart bet overall for the average person, but you point out that a good outcome is by no means guaranteed and actually hinges on a student or family and how they invest their time and their money. So it's a book about understanding risk as much as higher education. What makes higher education risky, and how can someone minimize that risk?

Beth Akers (11:23):
If you pay attention to the popular narrative, you would think that education has become just this terrible deal that people are all the time getting left off worse than where they started, and it's too expensive, debt is unaffordable. You hear all these horror stories. You would believe that that might be the average outcome, which might call into question why we continue to pump so many resources into it if in fact that's your view of it? But that's not at all the reality. We know that empirically speaking, evidence shows that degrees on average have quite high value. The estimates from the New York Fed, for example, which are backward-looking, estimate that there's approximately a 15% rate of return on the money that people spend on associates and bachelor's degrees. So that's actually a great return. The amount that you're getting in terms of additional wages, way more than balances out what you pay for upfront.

(12:16):
So what I wanted to do is really highlight both for individuals and for policymakers that the idea that college is too expensive or that debt is just altogether unaffordable, those are the wrong problems to be solving because those aren't the problems that universally we're facing. And so I needed a new way of characterizing what's happening to help people make better decisions and hopefully to push policymakers to think about the problems that we're facing in other ways. We understand how to deal with risk in other aspects of our financial life, and some of the solutions may be applying those existing ideas to education, once we can recognize that risk rather than price is a problem that needs solving.

Jason Altmire (13:00):
Is there a role for policymakers in helping to minimize risk, especially given the taxpayers' investment?

Beth Akers (13:06):
Well, I actually think the income-driven or payment program as it was maybe first conceived comes pretty close to the sort of safety net that I think is appropriate. So I believe that because higher ed is such a critical mechanism for social mobility, we just can't have it be the case that sometimes it fails and that we let people fail or suffer with consequences of a bad outcome. And so I think that it is upon policymakers to make sure that when education fails, either because institutions don't serve students well, students make bad decisions or any number of reasons, that there is a downside protection. So that would mean that if someone finishes school after spending money, maybe even taking out loans or even just paying the price upfront, if their income is low, they shouldn't be on the hook to repay an unaffordable debt.

(13:57):
But we have to be reasonable about what is an unaffordable debt. We're moving in a direction where we're saying any debt is unaffordable. The idea of even having debt is unaffordable, and that's not really the case. Debt is the system of financing that we have chosen. So just because you have debt does not mean that you are of agree without a paddle. Debt with very high income is actually a great place to be. So we need to tailor these safety net programs, the income-driven repayment programs to target funds to people who actually really do have very low incomes relative to what they paid or what they borrowed to go to school.

Jason Altmire (14:34):
You've repeatedly testified before Congress on these issues, and I think it would be interesting. Let's just reverse roles for a second and put you on the dais with the gavel. Let's say you have the power to make change to address college costs. How would you do it?

Beth Akers (14:52):
I think the number one thing I would do would be to improve the system of accountability on institutions. So I’m quite worried about where we are headed with institution quality relative to price. As we continue to see tuition inflation grow year after year, we will get to a point where the wage benefit of having a degree does not outweigh the upfront cost. So I think we need to hold institutions to account for that. And what that would mean would be having some sort of income requirements for participation in the student aid program. So if your graduates are not outearning consistently what a high school graduate would earn on average, then I think we’d need to consider very carefully whether we should continue to allow students to borrow in order to attend that program study.

(15:39):
So there's a lot of ways to do that, and the devil is always in the details, but I think holding institutions to a higher standard would probably be a top priority for me.

Jason Altmire (15:48):
And related to that, something that we talk about all the time at CECU is accountability measures being applied across all schools in all sectors so that all types of students can have the same benefits. What are
your views on universal application of accountability rather than in a more targeted way, we would argue weaponized against the for-profit sector?

Beth Akers (16:12):
I definitely think that's the case that the Obama administration put in place the gainful employment rules, which were really unfairly targeting for-profit institutions. And a lot of more conservative-minded thinkers are saying we should do away with those regulations and take the restrictions off institutions to match what non-profit and public sector institutions are facing. But instead, I'd much prefer that we go in the other direction, which is to impose those same standards across all institutions, or at least standards that are inspired by the same idea, which is that we hold institutions accountable for the earnings outcomes and career outcomes that their graduates are facing. I think it's absolutely wrong-headed to think of regulating these industries differently.

Jason Altmire (16:56):
We have found that over the past decade or so because of the more universal availability of data, the ability to compare school outcomes across sectors and types of schools, it's become a lot more difficult for the Biden administration, but other critics of the for-profit sector to only focus accountability measures on the for-profit schools because you can very easily compare, let's say there's a community college next door that has equal or perhaps worse outcomes. Why would you not give those students the benefit of the same accountability? So do you think that the availability of data is going to change the debate at all?

Beth Akers (17:36):
I think that's definitely true. Even when gainful employment was first applied and there were some non-profit programs who were captured by those regulations, I think that called attention to the issue in a really important, helpful way. So I do think that the more data becomes part of the discourse, and we've been in a mindset of telling everybody that college is like this thing that always pays, right? You don't need to think carefully about it, you don't need to shop carefully for it. And we're trying, I'm desperately to inject this idea of critical shopping and looking at data to try to get people to change the way they're shopping. It's still going to take some time to get people to think of college in those terms in terms of what are the financial trade-offs? And use the data that is now publicly available. I think the Wall Street Journal just produced a new ranking system that was based on data.

(18:28):
So the more that gets into the public discourse, I think the more we can get people to make decisions that way, the more we can get them to challenge their lawmakers to think about regulation in that way, but I think we're in the early stages of that.

Jason Altmire (18:43):
I think one of the things that's most unique about the research that you do and the thought leadership that you provide is you do look at things from the individual perspective. An individual is making a decision on higher education options and what are the economics and outcomes related to that, but you also look at things from the aggregate perspective. So I doubt that the American taxpayer on any given
day spends a lot of time thinking about how much of their money is going to pay for somebody else's education.

(19:13):
But if you really do think about it, the theory is we all benefit from that. That taxpayer benefits because we have more educated people in society. They go out and they do big things and they fill jobs that are needed. So what do you think the aggregate benefit of higher education funding is for the taxpayer?

Beth Akers (19:33):
There are tremendous returns from a strictly fiscal perspective or financial perspective in terms of the increased revenue through taxation, income tax, the lower reliance on existing social safety net welfare programs. So when education pays, it pays for the individual and it also pays for society. I think where things get tricky is when we start to look at programs of study where there's clearly a public return, but it's not matched by a private return. I'm thinking of things like social work or teaching, places where we don't feel like the market necessarily captures as much of the public return as we would like. And so I think we need a different solution in those spaces, but that may be a conversation for another day.

Jason Altmire (20:21):
And we haven't reauthorized the Higher Education Act since 2008. I was actually on the conference committee that negotiated the final language between the House and the Senate on that, and I can't believe that was 15 years ago and we are still nowhere near having a new Higher Education Act. What do you think the future is of policy in higher education if we are going to be unable to use that vehicle because Congress is so divided?

Beth Akers (20:48):
It's crazy. I've been writing in this space for over a decade now, and I remember I used to start a lot of my pieces by saying, "With the reauthorization of the Higher Education Act just around the corner..." And I long ago have stopped using that language because I no longer have faith that that is how policy will be made in the space. Unfortunately, I think a lot of the problems that we have, namely the complexity of our system, do stem from the fact that we've had incremental rather than systemic change. And so I think that the sector has suffered because of it, but if I had any ideas about how to make Washington work better, I'd probably be talking on a different podcast today.

(21:29):
But unfortunately, I think that this is a challenge that's across all policy areas and somehow we need to get Washington and Congress to work better. And I don't see how there will be any big systemic solutions without really dramatic political swings resulting in Congress and the White House being held by one Party that would allow those systemic solutions to happen. So I guess I'm not overly optimistic that we'll get the solution that I would like to see, but I'm saddened by that as well.

Jason Altmire (22:00):
This has been incredibly enlightening. We touched on a bunch of different topics, but I know there's a lot more to say. If somebody wanted to get in touch with you or learn more about your work and see your writings, how would they do so?
Beth Akers (22:13):
I say the best way to find me is to Google my name, Beth Akers. You can find my AEI webpage, which has all my recent writing, testimonies, podcasts, and I'm also on Twitter @DrBethAkers.

Jason Altmire (22:22):
And Dr. Beth Akers is a senior fellow at the American Enterprise Institute. Dr. Akers, thank you for being with us.

Beth Akers (22:31):
Thank you so much, Jason. It was a pleasure to talk with you.

Jason Altmire (22:36):
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