

SOCIAL POLICY OR BIG BUSINESS?

FEDERAL FINANCIAL AID FOR HIGHER EDUCATION

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“Student debt has surpassed credit card debt in the U.S. and reached the \$1 trillion mark, a nearly 50% increase from four years ago...more than a quarter of federal financial aid goes to for-profit colleges, yet nearly 50 percent of these students drop out within four months—a development that calls for a closer look at the standards to which we hold schools that receive federal aid.”

Senator Tom Harkin, October 2012

College Affordability *and the Collapse of Shared Responsibility*

Writing in 2003, Edward St. John, a leading scholar of higher education finance and social justice, claimed: “This is the third time in its history that the United States has faced a challenge to substantially expand access to higher education” (p. 176). The first period, following the Civil War, established a strategy of “federal incentives and state responses” (p. 177) to fund institutions and expand access to technical and professional education. The Morrill Land Grant Acts shaped a structure for “funding universities with state tax dollars...[which] enabled state universities to educate a professional middle class in all states in the union” (p. 176). The second period witnessed the shift to mass higher education. Following World War II, the expansion of state colleges propelled a growing middle class, the federal government began investing in “areas of high national priority” (p. 177), and the first student aid programs were implemented. St. John documents the ideological and economic underpinnings of these milestones, namely equal educational opportunity for academically qualified students from low-income families, sustained financial access for the middle class, and the sober reality that postsecondary education is vital to national economic development and the country’s global competitiveness. The present period, however, is marked by a collapse of this historical consensus. Political conflicts about the shared responsibilities of taxpayers, the private sector, states, and the federal government exacerbate flawed public finance structures that beget disparities in educational opportunity.

Although presented a decade ago, St John’s evidence of the “new inequality in postsecondary opportunity” (p. 173) remains relevant to contemporary education reform, and tragically so following the recent global economic recession. With the tightening of state education budgets and federal research funds, suspicions of impending national and foreign debt

crises, and the overdue reauthorization of the Higher Education Act of 1965 (HEA), the demand for higher education reform has reached critical mass. In this context, federal financial assistance for higher education has been subject to increased scrutiny. The 2008 financial meltdown has been adopted as a cautionary tale: Lax government oversight, tenuous lending standards, private sector abuses of student loan and grant programs, and the rising balance of total student loan debt (approaching \$1 trillion) indicate a bona fide reprise of the subprime mortgage crisis (Thuy Vo, 2012; Federal Reserve Bank of New York, 2012; Schlesinger, 2012). Senator Tom Harkin (2012) interlaces succinctly the concerns of the past and present: “[Education] is critical to a strong middle class and remains one of the best investments for both individuals and the nation. For America to remain competitive, we must tackle the college affordability crisis head on and ensure that student loan debt does not become the next housing bubble.”

Federal financial assistance for higher education—distributed in grants and loans—was codified in Title IV of the HEA. Although conceived in the ideological climate of President Lyndon B. Johnson’s Great Society initiatives, it has since been mired in incongruous political rhetoric and competing social and moral principals (Somers, Hollis, & Stokes, 2000). Over time, the goals of federal aid programs have encompassed (a) expanding college access to those with “exceptional financial need,” that is, lower-income and underrepresented students in institutions of higher education (b) adopting free market economics by coordinating the private sector (e.g., banks) and the federal government (c) empowering student choice by putting funds directly in the hands of students rather than institutions, and (d) increasing competition between public, private, and for-profit colleges.

In this paper, I uncover the outcomes of initiatives that pursued the latter three goals, at the expense of fulfilling the first. I use Critical Social Theory (CST) to (a) elucidate the historical

trajectory of the federal financial aid system, highlighting milestones that expanded the role of the private sector, and (b) examine policies that supported private student loans and proprietary (for-profit) colleges. In sum, I will demonstrate how the social justice and economic equity goals of federal financial aid are incompatible with the principles of neoliberal capitalism that inform the design and implementation of student loan policies.

Rationale

Federal financial aid for postsecondary education occupies a unique domain in the merger of public policy and education policy. As such, research in the field of financial aid is disparate and vast. Few studies, however, fuse social theory with policy developments to establish a preliminary survey of the student loan boom in the preceding decade, specifically its impact on those for whom access to higher education has historically been elusive: students from lower-income and lower-middle income families, and African American and Latino students who remain proportionally underrepresented in institutions of higher education. A theoretical or analytical lens is necessary to illustrate how seemingly abstract networks on federal, state, and institutional levels operate together. For this, I turn to the principles of Critical Social Theory (CST), specifically critical political economy frameworks and Critical Race Theory (CRT). A review of the literature reveals few applications of critical frameworks to federal financial aid. Existing CRT studies in higher education, for example, address affirmative action (Zamudio et al., 2011; Clifton & Weerts, 2004; Dixson and Rousseau, 2006), desegregation in higher education (Clifton & Weerts, 2004), and inherent economic and racial biases in college admissions exams (Zamudio et al., 2011). Additionally, studies in financial aid that address issues of class and race tend to focus on rising tuition costs, college affordability, availability of financial aid, and college enrollment decisions among lower-income and minority students.

These works, however, fall into the “student price responsiveness,” “student demand,” and “student price elasticity” literatures, which are not based on the theoretical principals and assumptions of CST in education (Heller, 2005, p. 85).

Leonardo (2004) asserts that CST in education “penetrates the core of relations of domination, such as race, class, and gender [Leonardo, 2003b]....[beginning] with the premise that criticism targets systematic and institutional arrangements, how people create them, and how educators may ameliorate their harmful effect on schools” (p. 13). A critical political economy analysis, when applied to educational issues, reveals how policies reproduce economic and social inequalities. With respect to systemic relations, I argue that the outcomes of federal financial aid for postsecondary education are contingent upon shifts in macroeconomic policy and the supposed plasticity of our social stratification system. Institutionalized forces uphold hegemonic ideologies that operate through inequalities of social class and capital, and support resilient power networks that are counterproductive to the goals of these policies. A routine class-based analysis, however, is insufficient because, as critical theorists assert, “race is always classed, and class is always raced” (Dumas, 2011, p. 708). Thus, I look to the tenets of CRT in education, which decipher systemic power dynamics *and* the lived experience of oppression. Critical race theorists argue that race is still a “powerful *social* construct and signifier” in American society, which demands new “ways for framing discussions about social justice and democracy and the role of education in reproducing or interrupting current practices” (Ladson-Billings, 1998, pp. 8-9). According to Solorzano and Ornelas (2004), CRT in education borrows from other disciplines and methodologies to deconstruct the nature of discrimination and “the centrality of race and racism and their intersectionality with other forms of subordination in education” (p. 16). An intersectional analysis in which these theories are in dialogue, however, is not

necessarily a seamless composite of conceptual tools and apparatuses. Therefore, I present critiques of these approaches as they pertain to the foundations of contemporary frameworks like *cultural political economy*. By understanding the limitations and nuances of these theories, we gain enriched “ways to speak of culture and political economy in the same critical analytical breath” (Dumas, 2011, p. 708). With this in mind, applying CST to federal financial aid policy can provide an invaluable perspective on the structural forces that undergird the ambitious business of increasing the nation’s college educated population.

Roadmap

In Part One, I review existing social theory and research on financial aid. In Part Two, I outline the theoretical foundations for my analysis. In Part Three, I apply the principals of CST to the history of federal financial aid, highlighting legislation that expanded the role of the private sector to explore (a) what federal financial aid legislation and policies sought to achieve in terms of social justice and economic equity, and (b) which federal policies embraced or eschewed neoliberal, free market economics in the service of social justice. I cite from the HEA and related scholarly material about the historical context of federal financial aid initiatives (e.g., St. John & Parsons, 2004; Sommers et. al., 2000), and I trace the federal government’s commitment to financial aid, from the moral responsibilities of the Great Society, to the neoliberal ethos of legislation from the 1970s and 1980s.

In Parts Four and Five, I apply CST to examine legislation that invited the private sector into the federal financial aid system and permitted practices characteristic of the student loan boom of the 2000s. Specifically, I review findings that demonstrate how lenders of private student loans engaged in dubious practices and how proprietary (for-profit) schools capitalized on federal student assistance programs (Consumer Financial Protection Bureau, 2012; Chopra,

2012; Lynch et al., 2011). Research suggests that lower-income, African American, and Latino students have not benefited from these programs to the same degree as their upper-middle class and higher-income White and Asian counterparts.¹ Overall, I will demonstrate how structural arrangements between the private and public sectors in the federal financial aid system permitted regrettable policy outcomes across race and socioeconomic status.

¹ The distribution of financial aid and college enrollment across class and racial/ethnic lines is more nuanced than these broad categories would suggest. For example, “underrepresented” populations may reflect African American, Hispanic/Latino students, *and* Native American students, as well as students from some Asian “subgroups” (Solorzano and Ornelas, 2004). In some cases, Asian “subgroups” may not be disaggregated in the data. Most research studies, however, present the most reliable data about African American and Hispanic/Latino students, who seem to be disproportionately affected negatively by these policies (Lynch et.al., 2011). Therefore, I will represent data according to the categories used by each researcher/analyst, and make note of discrepancies across and within studies.

Part One: Relevant Scholarship

I situate this paper within two lines of research in education. First, I am interested in Critical Social Theory (CST) studies in postsecondary education and, to a lesser degree, corresponding research in K-12 education policy. Second, I consider research on financial aid for higher education, regardless of theoretical perspective or level of implementation (e.g., institutional, state, federal). These are distinct from various sources of data about recent trends in federal financial aid, specifically reports, policy briefs, and quantitative academic research. In this section, I outline relevant scholarship, or lack thereof, and suggest what significance this research may have for unanswered questions (or unasked questions). In doing so, I refer to numerous theoretical traditions, on which I will expand in Part Two.

Critical Social Theory *in* Higher Education

The abundance of critical research in education policy is encouraging. Critical theorists share the opinion that interest in “policy should be regarded as part of the broader interest in power in education and society” (Simons et al., 2009b, as cited in Gulson, 2011, p. 16). Ladson-Billings (1998) identifies five areas in K-12 (public) education in which Critical Race Theory (CRT) has been applied: curriculum, instruction, assessment, school funding, and desegregation. These studies are concerned primarily with social practices, pedagogy, intelligence tests, and economic disparities that subordinate persistently African American children in the classroom and foster grievous social ramifications. For example, school curricula has been studied as a “culturally specific artifact designed to maintain a White supremacist master script” in which the “stories of African Americans are muted and erased when they challenge dominant culture authority and power” (p. 18). In addition, “inequality in school funding” is critiqued as “a function of institutional and structural racism” (p. 20). Furthermore, extensive studies in the

desegregation of public schools, from *Brown v. Board of Education* to *Parents Involved in Community Schools v. Seattle School District No. 1*, have introduced invaluable theories of *interest-convergence*, *white supremacy/racism*, the *constitutional contradiction*, and the *redistribution-recognition dilemma* (see Bell, 1980; Cole, 2009; Dixson and Rousseau, 2006; Dumas, 2009, 2011; Fraser, 1995, 2000; Gillborn, 2010; Zamudio et al., 2011). All in all, critical race theory in education is concentrated on the subject of mass public schooling—the consummate institutional device through which a dominant culture inculcates hegemonic ideologies, thereby reproducing social inequality.

It goes without saying that institutions of higher education, and the project of postsecondary education in general, are not immune to the complications of K-12 policy. This is apparent in critical education policy studies of public schooling, which identify the historical, social, and ideological contexts for federal financial aid policy. For example, Anyon (2005, 2011) examines, from a neo-Marxist perspective, developments in capitalism and neoliberalism that have redefined public policy, much to the detriment of education policy for inner cities. In addition, theorists from the UK are at the forefront of research on the global influence of neoliberalism in education (e.g., Ball, 1997, 2006, 2012; see Cole, 2009, for similar work in CRT). Furthermore, Apple (2006) adopts Marxian and Foucauldian techniques to critique the effects of neoliberalism and neo-conservatism in schooling, to unravel the marketization of social practices and subjectivities, and to dispel discourses of choice, standards, and accountability. These critical theorists agree that the marketization of education is “the introduction of competition and market-exchange into public education systems” which “are meant to represent and achieve more efficient, competitive, and thus effective schooling, resulting in higher educational standards (Olssen et al. 2004)” (Gulson, 2011, p. 6). Overall,

these studies represent just a slice of the requisite literature for any application of CST in education research.

When critical theory makes its way to higher education, there is little or no examination of federal financial aid, even though researchers are typically concerned with impediments to equal educational access and opportunity. Social reproduction theory is adopted in studies of financial aid (see Paulsen & St. John, 2002; St. John, 2003), which are the closest attempts at a critical response. In general, however, critical research speaks to the imbalances in educational attainment (see Jain, et al., 2011, for a critical race perspective on community college transfer). CRT is applied to high-stakes admissions exams, such as the SAT, to demystify the myth of meritocracy (Zamudio et al., 2011). Moreover, affirmative action and university diversity action plans represent the bulk of critical research interests in higher education. There are numerous critical race studies on the well-known Supreme Court cases *Gratz v. Bollinger* and *Grutter v. Bollinger*, and state anti-affirmative initiatives in California (Proposition 209) and Michigan (Proposition 2) (e.g., Zamudio et al., 2011; Clifton & Weerts, 2004; Dixson and Rousseau, 2006; Iverson, 2007; Morfin et al., 2006; Yosso et al., 2004). Critical race theorists argue that, on an ideological and pragmatic level, “backlash against affirmative action serves to reinforce whiteness as property, and solidify the mechanisms that reproduce racial hierarchy” (Zamudio et al., 2011, p. 76). On a macro-policy level, anti-affirmative action initiatives are considered the height of colorblind racism, a twisted notion of equality that “seeks to reverse the gains made by the Civil Rights Movement” under the fundamentally false premise that society is or can be colorblind (ibid., p. 76). Akin to this topic is the federal desegregation of higher education, about which critical literature is scarce (e.g., Clifton & Weerts, 2004).

Research *in* Financial Aid

When we do find research about financial aid, it is embedded in various disciplines and theoretical traditions. For instance, McDonough and Fann (2007), in their review of research on college access, collected 114 articles over a 31-year period published in various academic journals. Financial aid and policy/institutional analyses were two of the seven major topics they discovered. Forty percent of the articles were about financial aid, and were concentrated in journals of higher education; however, only one article appeared in a sociology journal, specifically on the subject of “black-white differences in parental expectations of responsibility for funding college” (p. 57). By and large, sociological studies integrate economic theory, with the overall objective of “[establishing] a causal relationship rather than one based on the correlation of trends or patterns” (Long, 2007, p. 2372; see Edlin, 1993; Price, 2004). Studies on college choice, for instance, use the *human capital model* or a *theory of markets* to explore how financial aid policies impact enrollment (Kim, 2011; Long, 2007). For example, research in the “student price elasticity,” “student price responsiveness,” and “student demand” literatures focus on “the relationship between college tuition prices, financial aid availability, and the decisions that potential students make about enrolling in college” (Heller, 2005, p. 85; see Perna, 2005; De La Rosa, 2006). In addition, the concept of “cross-sector price elasticities” explains how changes in tuition and financial aid in one sector of higher education (e.g., four-year colleges) affect enrollment in another sector (e.g., community colleges) (Heller, 2005, p. 86). According to Melguizo & Chung (2012), the economics of higher education theory “assumes that colleges act as competitive firms in the market for higher education,” using financial aid as a tool in creating the desired (and diverse) college population (p. 405).

According to Lillis (2008), economic models do account for “the role that finances play in the college selection process,” but they do not address adequately cultural and social factors. Thus, some researchers incorporate social reproduction theory, constructs of cultural and social capital, and Bourdieu’s *habitus* to understand differential effects across family income and race, (e.g., Kim, 2011; Lillis, 2008; Paulsen & St. John, 2002). St. John and colleagues (e.g., Paulsen & St. John, 2002; and St. John, 2003; St. John & Parsons, 2004) have made substantial contributions with the *student choice construct* and the *financial nexus model*, to understand the relational contexts for college choice and persistence across social class, with the primary goal of understanding how “diverse patterns of educational choice...[are] related to differences in social class, and the ways public policy (e.g., financial policy) can promote and support diversity in higher education” (Paulsen and St. John, 2002, p. 193). Furthermore, educational and sociological studies have found that “students’ perceptions of their college opportunities are grounded in family background and school culture and, as such, are limited by their family’s understanding of the college and financial aid application process” (Melguizo and Chung, 2012, p. 408). For instance, lower-income students are generally more “vulnerable to what is known as ‘sticker price shock,’ given that they tend to overestimate the costs and are not as well-informed about the financial aid options available to them” (ibid., p. 408).²

Research findings *and* assumptions.

Regardless of methodological approach, research findings on “tuition prices, financial aid, and college access” coalesce around certain points (Heller, 2005, p. 85). The existing literature, in conjunction with recent and up-to-date research, provides a frame of reference for the acceleration of educational lending in the previous decade. Studies that embrace economic

² *Net price* is defined as a university or college’s list price (or “sticker price” of full cost of attendance) minus expected aid (grants and scholarships) (Long, 2007). Net price can be significantly lower than sticker price, but students have reported eliminating colleges based solely on sticker price (Reed and Cochrane, 2012).

theory (e.g., student choice literature) and social theory (namely, reproduction theory) have established basic assumptions about how students interface with the financial aid system. First, higher education is understood “like most goods and services in the economy,” and is generally considered a “normal good,” meaning “all other things being equal, as real incomes rise, more students will enroll in college” (ibid., p. 86). Second, studies that have moved beyond economic models to understand student choice have demonstrated “that traditional economic assumptions of perfect information do not hold in higher education” (Melguizo & Chung, 2012, p. 406; see De La Rosa, 2006). Students do not have equal options and resources available to them when applying for college and evaluating financial aid options. This perspective is often used to explain why “low-income and racial/ethnic minority students tend to overestimate the costs of education, and underestimate the subsidies” (ibid., p. 406). For example, these students are generally unaware that “larger private institutions” offer a greater “proportion of financial aid in the form of grants...to high-achieving, low-income minority students” (ibid., p. 426). This information-gap is cited often to explain why lower-income minority students are underrepresented at selective private colleges, whose financial aid packages are more competitive compared to those of public universities. In fact, Melguizo and Chung (2012) claim

...even if low-income families had more access to information and were able to observe the actual differences in subsidies across public and private sectors, the institutional price schedules would still be nontransparent, making it difficult for students and their families to select the institution that would produce the most valuable aid package for the student. (pp. 426-427)

Third, researchers have found that loans, grants, and work-study have different effects on college enrollment behavior, that is, “need-based grants tend to have a stronger influence on college access” (Heller, 2005, p. 86). Fourth, researchers agree that students of varying backgrounds respond differently to tuition and financial aid. Paulsen and St. John (2002) have demonstrated that lower-income and African American students are “more sensitive to college costs in their

decision making” (p. 196). Heller (2005) elaborates on this concept of “student price responsiveness”:

African-American, Hispanic, and low-income students tend to be more price responsive (i.e., are less likely to enroll in college or change the type of institution in which they enroll in the face of tuition increases) than are white and middle- and upper-income students. (p. 86)

Last, Melguizo & Chung (2012) have discovered that even high-achieving, low-income minority students who receive the ideal, heavily subsidized financial packages, need to “borrow [loans] to meet the cost of attendance” at elite private colleges (p. 426). For example, in 2010-11, 40% of Pell Grant recipients were dependent students, whose “aid eligibility is a function of their own and their parents’ financial circumstances” (College Board, 2012, p. 12). Among this group, 95% were from families with incomes of \$60,000 or less (ibid., p. 26).³ What is more, Melguizo & Chung (2012) discovered that lower-income “students at private institutions had to take almost three times more unsubsidized loans than those students in public institutions” (p. 424). As tuition, the cost of living, and personal circumstances exceed students’ financial means and expectations, borrowing loans (subsidized and unsubsidized) is the default recourse (see Paulsen & St. John, 2002, for similar findings).

Finally, given these points, the literature has framed how we think about social class and socioeconomic status. Paulsen and St. John (2002) use their *student-choice construct* and *financial nexus model* to understand what happens across social class and race during college choice and college persistence decisions. The authors argue that these decisions are understood

³ Because the Pell Grant is not tied to inflation, its real value has decreased over time. A College Board study (2012) offers some telling numbers. The number of Pell Grant recipients increased from 4.3 million in 2001-02 to 9.4 million by 2011-12 (College Board, 2012, p. 25). Although the maximum Pell Grant grew by 9% between 2002-03 and 2012-13, tuition and fees in this period grew by 64% at public four-year colleges and by 26% at private nonprofit four-year colleges (all inflation-adjusted values). As such, in 2012-13, the maximum Pell Grant only covered 64% of average tuition and fees (not including room and board) at public four-year institutions, and 19% of average tuition and fees (not including room and board) at private nonprofit four-year colleges. Furthermore, the maximum Pell Grant remains fixed at \$5,550. When adjusted for inflation, its value declined from 2010-11 to 2011-12 (see College Board, 2012, for year-by-year inflation adjusted values of the maximum Pell Grant).

through students' *habitus*, in that students within a social class frame similarly their values and options during these decisions-making processes (understood as perceptions and expectations of college affordability). In their opinion, social class deserves attention in financial aid research because the policies of the last few decades have been especially suspect for low-income students and African Americans compared to affluent and White students (p. 196). Their findings lead to a critique of socioeconomic status (SES) as unit of measurement:

Social class is far more complex than is communicated by the hierarchical variables like socioeconomic status (SES). The SES measures used in sociological and economic research have grouped a number of concepts and issues related to family income and education into a single indicator that assumes a linear relationship between increased status and increased attainment. (p. 225)

For instance, Paulsen and St. John's cross-class comparisons revealed that lower-income students were "less likely than higher-income students to attend private colleges, four-year colleges, attend full time, or live on campus," suggesting "the social reproduction of the existing class-based distributions of cultural capital, economic capital, and other patterns of privilege in our society is apparent in the class-based patterns of participation in our system of postsecondary education" (p. 225). On the whole, educational research in financial aid is mindful of ingrained patterns of adversity, privilege, and opportunity. The existing literature is essential to identifying inequalities in the financial aid system, and how they are articulated through individual-level practices. Critical theorists, however, attempt to surpass the analytical distinctions between economics/social class and culture/race. A cultural political economy analysis, steeped in neo-Marxist political economy and CRT, among other traditions, provides a broader and less regimented overarching framework to understand how power is weaved through education and society.

Data Sources *and* Limitations

An interplay of theories in the critical tradition naturally offers a wide selection of analytical tools and conceptual frameworks, some appropriate for individual-level analyses, and others best reserved for organizational-level analyses. In this paper, I adopt McDonough and Fann's (2007) field-level approach, which allows, for example, the seamless application of Marx or Bourdieu across levels to understand how social mobility and equal opportunity are conditional on federal policy. This level of analysis gives "attention to the individual, organizational, and inter-organizational interests and agency at play and call[s] for simultaneous analysis of the reciprocal influence of individuals and institutions," and uses "comparative and historical research designs to examine large-scale changes in all the arenas of college access..." (p. 56). Recent reports on financial aid trends provide insight into individual-level consequences (e.g., student loan borrowing rates and loan default by SES) and organizational-level practices (e.g., proprietary schools' financial aid structures). As I will demonstrate in the following sections, federal policy and macro-economic changes since the 1970s explain these results.

Researchers and analysts often address the fragmentary nature of existing data about financial aid borrowers and lenders, and cite the plurality of sources (e.g., annual surveys) required to establish sound methodology (Kim, 2012; Doyle, 2006, 2009; Hearn and Holdsworth, 2004; Reed and Cochrane, 2012). As a result, some quantitative studies are loaded with caveats, too narrow (e.g., state-based results) or premature from which to draw statistically meaningful inferences about national trends. Nevertheless, historical analyses regarding the beneficiaries of certain policies, such as loans, tax credits, state merit aid, and need-based grants, are consistent with quantitative studies, thereby demonstrating reliable trends across graduating cohorts in the 2000s (Heller, 2005; Sommers et. al, 2000; Lynch et. al., 2011; Reed and Cochrane, 2012). In

fact, some researchers evaluate the efficacy of federal and private student loans, compared to federal and state need-based grants, in providing access to higher education and equalized opportunities for social mobility.

Accordingly, I reserve data collection and analysis to federal legislation (Higher Education Act of 1965), existing quantitative data, governmental and non-governmental research reports and policy analyses, and scholarly journal articles. Parts One through Three rely heavily upon scholarly literature in critical social theory in education, policy analyses in financial aid for postsecondary education, and data from the National Center for Education Statistics (NCES). The majority of quantitative data cited in Parts Four and Five are from the NCES, The Institute for College Access and Success (TICAS), and the Consumer Financial Protection Bureau (CFPB)—the first federal agency responsible for tracking lending and borrowing of private student loans. In addition to the quadrennial publication of the National Postsecondary Student Aid Study (NPSAS), The College Board is also a reliable publisher of annual student debt trends. Naturally, many policy goals, target actors, and tools for implementation, although crucial, are beyond the scope of this paper. Their influence, however, is not absent from the policy problem, which endures despite incremental changes in federal legislation.

“When we—researchers, community organizers, policy-makers, youth – seek to explain persistent inequalities, we are, in effect, theorizing the material and ideological roots of educational injustice.” (Dumas, 2009)

Part Two: Theoretical Frameworks

Sociologists of education draw from a number of theoretical traditions to study the mitigating effects of education on social stratification and inequality. Grodsky and Jackson (2009) define inequality as “a system of differential rewards” (p. 2348). Accordingly, stratification describes “the link between differential rewards and accidents of birth...the pattern of intergenerational (im)mobility experienced by a population or subpopulation” (ibid.). Generally, the role of postsecondary education in social stratification has been studied from the perspectives of status attainment theory, rational action theory, and reproduction theory (ibid.). Of these, reproduction theory is most attentive to issues of power in education and social policy. In this sense, it is analogous to Critical Social Theory (CST), an assembly of various academic disciplines and schools of theoretical production, with the merger of critical theory and social theory at its root. Leonardo (2004) identifies “three lines of inquiry” or characteristics of critical theory, two of which are germane to this analysis: (a) studies of “dialectical tensions in modernity” developed in the Frankfurt School (specifically informed by Immanuel Kant and Karl Marx); and (b) criticism that is “politically edgy” or radical—that is, research about “oppression and emancipation” (p.11). Likewise, social theory is an exhaustive category that includes scholarship in “sociological theory, race and ethnic theory, cultural theory,” postmodernism, and poststructuralism, among others (ibid.). As a cohesive analytical approach, critical social theory is understood as the “fundamental interruption of common sense” (Apple, 2006, p. 54), in which “criticism [is] at the center of its knowledge production” and “understanding the nature of oppression is central to its internal logic” (Leonardo, 2004, pp. 12-13).

Hence, critical social theorists investigate socially constructed sources of oppression, but its nature and the forms of power that inform it vary according to discipline. For example, a neo-Marxist critique centers on social class relations in capitalism, whereas race and racism (or white supremacy) are at the core of Critical Race Theory (CRT). CST also distinguishes the personal (lived) and social (systemic) manifestations of oppression. Critical theorists do not dismiss the lived experience of inequality and social injustice; rather, they acknowledge that personal conditions of oppression “become part of the overall rationalization of society and how it functions...personal histories become instances of social patterns, not determined by them, but certainly inscribed by them” (Leonardo, 2004, p.13). Social inequality, therefore, is “structurally immanent” (p. 14), persistent, and pervasive.

A critical approach, however, goes further than orthodox theories of social reproduction by recognizing the capacity for individual and collective resistance to and transcendence of hegemonic ideologies. Leonardo (2004) describes *ideology critique* as the process by which hegemonic networks and “notions of power and privilege” are challenged (p. 13). Likewise, he advocates a practice of *utopia critique* through a “language of transcendence [which] is the dialectical counterpart of a language of critique. Insofar as CST accepts the reality of oppression, it also assumes the possibility of a less oppressive condition” (p. 15). A familiar example of utopia critique in education is neo-Marxist critical pedagogy, promoted by Paulo Freire, through which teaching can “raise political consciousness in students through thought-provoking classroom-activity...[leading] to their increased understanding of ways the capitalist system oppresses or excludes them” (Anyon, 2011, p. 84). In other words, CST compels students (and scholars) to critique hegemonic ideologies and channels of domination, *and* imagine a better social alternative they can pursue in the “political realm” today (ibid.). This dual discourse

permits the critical school to transcend the dichotomy of structural determinism and personal agency that afflicts the conceptual apparatuses of its predecessors.

Class and Race in Critical Social Theory

As previously noted, CST is a dynamic and contested framework that can take many forms. One illustration of this is the continued effort to build a constructive dialogue between class and race (e.g., Anyon, 2005, 2011; Cole, 2009; Dumas, 2011; Fraser, 1995, 2000; Gillborn, 2005, 2010; Leonardo, 2009, 2012). In the following, I will identify the basic tenets of Marxist-inspired CST (and more broadly, CST that gives precedence to social class and political economy) and Critical Race Theory (CRT) in education. This serves as the preface to understand the limitations of intersectional analysis, and move toward practicable frameworks to analyze class and race in tandem, specifically Fraser's (1995) *redistribution-recognition dilemma* and Dumas's (2011) *cultural political economy*.

Before I proceed, it is important to note how this medley of theories orient my analysis and to what extent they can be realized within the scope of this paper. Here, I follow Gulson's (2011) lead by mapping out "some of the conceptual premises that guide, though do not determine, my analyses" (p. 3). In doing so, I echo Ball's (1997) sentiments about the "need for and efficacy of multiple theories," but also heed his warnings about labyrinthine "theoretical interplay" (p. 268). A critical approach to education and social policy requires

... 'thinking neo and post together, of actively enabling the tensions within and among them to help form our research' (Apple, 1996, p. 141). In general terms these tensions (between structure, discourse and agency) revolve around what may be gained and what must be given away. It can mean having to deal in paradoxes and having to resist theoretical closure; although this does not or should not mean licensed incoherence. (ibid., p. 268)

In other words, critical social theorists attend to subjective experiences of oppression and individual agency, the articulation of power and ideology through discourse, and the determinacy of structural (e.g., objective or institutional) relationships. These perspectives are integral to

(re)imagining policy as more than “something that is 'done' to people,” wherein “as first-order recipients 'they' 'implement' policy, as second-order recipients 'they' are advantaged or disadvantaged by it” (Ball, 1997, p. 270). Although a field-level analysis can accommodate all these components, I neither engage discursive theories of power and policy (e.g., Foucault’s power/knowledge), nor undertake narrative methods to chronicle the subjective or lived experience of the hegemonic structures in question. Without ethnographic data, case studies, and/or original qualitative data, I cannot speak to the lived experience of students whose social realities have been implicated in these policies. I recognize, as Ball (1997) protests, “it is one thing to consider the 'effects' of policies upon abstract social collectivities. It is another to attempt to capture the complex interplay of identities and interests and coalitions and conflicts within the processes and enactments of policy (see Reay, 1991; Gillborn, 1995; Hatcher et al., 1996)” (p. 271). Due to the exploratory nature and methodological limitations of this paper, however, recognition must suffice until further research can capture the missing “voices” (ibid.). Overall, I take care to note junctures at which these theoretical perspectives meet or depart, to make clear what is borrowed, what is left behind, and what tensions remain.

Capital *and* social class.

Concepts of class, capital, ideology, and hegemony appear in many theoretical traditions that deconstruct societal stratification. Leonardo (2012) recognizes the functionalist iteration, notably Emile Durkheim’s “division of labor as a form of organic solidarity” (p. 444) in modern society, in which the social order is structured and maintained by consensus, in the interest of social harmony (Sadovnik, 2005). Leonardo (2012) also points to Max Weber, who understood “the economy as primarily a set of bureaucratic structures” (p. 444), stratification as multidimensional (class, status/prestige, parties), and class as a form of *economic* inequality, in

which groups are defined in relation to markets (Weber, 1946). In contrast, the Marxist framework (and its historical imperative) is prominent in the critical approach, where the task is the deconstruction of asymmetrical power dynamics:

...it is worth insisting that a deployment of capital is informed by a project that demystifies power in all its forms....Adding *capital* means something different because of its Marxist pedigree in the realm of social theory from Bourdieu to Bowles and Gintis, which is hard to elude and even harder to elide... (Leonardo, 2012, p. 443)

Establishing this context is important for two reasons. First, despite seemingly uniform terminology, the abovementioned models disagree on the relational nature of social stratification and inequality, the role of personal agency in manipulating forms of capital and overcoming structural conditions (social mobility and social change), and the tangible consequences of the financialized capitalist economy (Anyon, 2011).⁴ Second, when conducting an intersectional analysis with CRT, one must take care not to misappropriate class-based theoretical constructs. Thus, it is important to clarify which critical approaches I am using to demonstrate the incompatibility of these programs' objectives with the dominant material/ideological conditions in which they are designed and implemented.

In a Marxian analysis, capitalism is the source of social stratification *and* economic inequality, and is “inherently contradictory and prone to crisis” (Anyon, 2011, p. 6). Capitalists (*bourgeoisie*) and workers (*proletariat*) have an objective conflict of interest, wherein the *bourgeoisie* have private ownership of the means of material production (industrial and financial capital) and exploit workers for profit, or surplus value. According to Cole (2009), the capitalist mode of production

⁴ Marx and Weber's frameworks, however, are not diametrically opposed. For example, Fraser (1995) uses the Marxian notion of class in an earlier discussion of justice as a *politics of redistribution* (socioeconomic) and a *politics of recognition* (cultural). In a subsequent analysis of recognition, she uses the Weberian notions of class and status. These contrasting paradigms pose different policy dilemmas and remedies, yet they are not wholly inconsistent for an intersectional analysis. As I will illustrate below, and in the forthcoming sections, it is possible to use Marx's idea of the “‘capitalist mode of production’ as a social totality...as an overarching frame within which one can situate Weberian understandings of both status and class” (Fraser, 2000, p. 117).

...refers to the *combination* of forces (human labor power and the means of production) and the relations of production (primarily the relationship between the social classes). This combination means that the way people relate to the physical world and the way people relate to each other are bound together in historically specific, structural, and necessary ways. (p. 25)

Accordingly, *social class* is “a person’s or group’s relation to the means of production” (Anyon, 2011, p. 11). In Marx’s telling, workers are limited in their potential to overcome their social circumstances (social structure) because “it is not by merit by which one advances in a capitalist society so much as it is because of one’s social class background and the opportunities (or lack thereof) this affords” (p. 9). To neo-Marxists, this presents a challenge to our ostensibly meritocratic system. Furthermore, Marx understood culture as the *ideological superstructure*; *ideology* is simultaneously derivative of and legitimating to the existing economic relations, in which “the dominant ideas of the time and place” (p. 12) become institutionalized truths (in politics, the state, or education) that give more power to those who profit from the capitalist system.⁵ Education, therefore, does not equalize opportunity; it reproduces inequality. As an extension of these assumptions, Gramsci’s concepts of *hegemony* and *dominant culture* “describe the dominance of capitalist ideology over subordinate groups in society” and how it is codified, reproduced, and contested through social institutions, including the education system (p. 13). Anyon cites contemporary hegemonic ideologies such as meritocracy, equal opportunity, individualism, and the superiority of neoliberal doctrine, that to some degree reinforce social inequality. Equally important is Gramsci’s *hegemonic alliance*, “a dominant cohering of powerful forces in society” (p. 43). A contemporary example is the alliance which supports *conservative modernization*: a coalition on the Right composed of *neoliberals*, *neoconservatives*, and *authoritarian populists*, whose contradictory goals nevertheless form a united “social and ideological project” that adversely affects education policy (Apple, 2006, pp. 7, 9).

⁵ The dominant class also produces *false consciousness*, which “blind[s] the subordinate class to the true nature of the social relationships...” (Jary & Jary, 1992, p. 293). Exploring false consciousness, and its critiques, would be more appropriate in an ethnographic study.

In addition, neo-Marxists employ ideology or culture to bridge critiques of capitalism with education, the basic premise being that schools are “implicated in the reproduction of economic inequalities and social ideologies” (Anyon, 2011, p. 36).⁶ As a slight departure from the historical materialism of orthodox Marxism, this line of thinking is *cultural materialism*, and its emphasis on the superstructure “is concerned with cultural reproduction in schools rather than the social reproduction previously described by Bowles and Gintis” (Leonardo, 2009, p. 50). To understand social mobility as a function of education, and transcend the individual agency/social structure dichotomy, neo-Marxists (and critical race theorists) have adopted Bourdieu’s (1985/2007) theoretical apparatus (e.g., Lareau, 2002). For example, scholars have used Bourdieu’s *cultural capital* to explain the transition from the “*direct* reproduction of class privilege” to the “*school-mediated* forms of privilege” (Apple, 2006, p. 68). A traditional reading of the different states of cultural capital (embodied, objectified, institutionalized) explains transmitted and acquired “language patterns, ways of knowing, and specific bodies of knowledge *of dominant groups* [emphasis added]” that are endowed with value by educational institutions (Anyon, 2011, p. 33; Bourdieu, 1985). Moreover, Bourdieu situated the exchange and conversion of cultural capital (among other forms) in *fields*, nexuses of social and cultural production where one can observe the actions of individuals and their reciprocal relationships with institutions (Grotsky and Jackson, 2009). Higher education is one such field, in which colleges allocate credentials, or academic capital, and students collect cultural and social capital that can be converted to economic capital in the future (Walpole, 2003).

Likewise, how one navigates the field, rationalizes possibilities and limitations, and takes action on the basis of his deductions, is determined by his *habitus*, an embodied state of cultural

⁶ But, according to Gramsci, education (i.e., critical discourse between teachers and students) can also be an invaluable source of *anti-hegemonic counter-narratives*, such as Leonardo’s utopia critique (Anyon, 2011).

capital (Bourdieu, 1985). A “constellation of preferences, behaviors, and styles of self-presentation,” *habitus* is unique to social class and developed from childhood—it permits choice (individual agency) within the bounds of social origins (Grodsky and Jackson, 2009, p. 2366). Be that as it may, the *habitus* of affluent families is congruent with the *habitus* expected in schools (Apple, 2006). In effect, “education contributes to the reproduction of social and economic elites and of the capitalist system itself (1973). In this view, rather than intellectual ability or merit, it is access to cultural capital in the home” that is recognized in education and subsequently rewarded in the economic system (Anyon, 2011, p. 33). This gives neo-Marxists more room to understand the contemporary condition of the middle classes, and how educational research on middle class privilege may distract from “the productive power of the capitalist class” (ibid., p. 51). For example, public schools may be considered “an apparatus of the middle class...[that] reproduce the value system of their privileged clients, who hold a monopoly over the legitimate power to correct others who fall out of line with ‘the middle’” (ibid.). Nevertheless, a Marxian analysis stresses that the middle class may “be the hegemon of the public schools,” but they do not “benefit from the economic system at large and in an absolute way” (ibid.).

Neoliberalism and markets.

Cultural materialism is not the only revision of Marxist economism by scholars in the 21st century. The US economy no longer resembles the industrial capitalism of Marx’s time. Hence, neo-Marxists must account for the hegemony of neoliberalism, the *financialization* of profit making, and the *discourse of markets* (Apple, 2006, p. 16). A political/economic philosophy, neoliberalism defines the regulation of the private and public sectors (Apple, 2006; Ball, 1997). According to Cole (2009), the “rule of the market” calls for the “liberation of ‘free’ or private enterprise from any bonds imposed by the state no matter how much social damage

this causes” (p. 98). Since the federal government in the 1980s effectively adopted neoliberal economic policy, it has resulted in the deregulation of banks and corporations, suppression of unions and wages, withdrawal of social welfare, and the privatization and liberalization of public goods and services—trends that can also be identified in the evolution of financial aid policy. Ball (2012) calls this the “duality of regulation and facilitation,” in which “the role of the state [is] in setting limits to the market, while at the same time creating conditions within which the market can flourish and expand” (p. 17). This has also contributed to the financialization of the economy at large; whereas profit (or surplus value, in the Marxian sense) in the economy used to be generated by the sale of products and services to consumers, it is now procured through “complex financial speculation” (Anyon, 2011, p. 82). In this setting, *accumulation by dispossession* describes activities in the private sector, such as privatization or financialization, that impinge upon public resources and the public good; in other words, “dispossessing the public (or persons) of what they owned, and turning it into private profit that can be accumulated by a few wealthy investors...” (ibid., pp. 85-86). Although traces of these practices can be found during the private student loan boom, they undeniably precipitated the Great Recession.

Given this macroeconomic backdrop, the *market*—how it works, how it is legitimated, and how one understands his relation to it—is key, because the *discourse of the market* and the *discourse of production* are not one and the same. According to Apple (2006), “the language of ‘consumer’ creates a reality [or subjectivity] that is not the same as the language of the worker, capitalist, owner, or producer...each term situates us as social actors in particular relations in economic and social processes” (p. 16). Regarding the discourse of the market, neoliberal moral and political values promote specific idealized subjectivities (Gulson, 2011). For example, individualism, entrepreneurship, and market rationality are demanded of the citizen-as-consumer

who holds the power of choice in education markets. Furthermore, there is a profound “faith in the essential fairness and justice of markets...[that] distribute resources efficiently and fairly” on the basis of merit (Apple, 2006, p. 35). But, Apple reiterates the applicability of Bourdieu’s cultural capital when he claims that studies have demonstrated “markets systematically privilege families with higher socioeconomic status (SES) through their knowledge and material resources. These are the families who are most likely to exercise choice” (p. 66). In neoliberal education policy environment, therefore, students and parents are reconfigured as clients who are responsible for seizing the options available to them, but “at the same time as opportunity arises...neoliberalism posits responsibility for success and failure as equivalent, regardless of the constraints on these choices,” such as SES (Gulson, 2011, p. 25). With this in mind, education policy must be evaluated within the context of systemic changes in public policy that are driven by neoliberal ideology and economics.

A note on neoliberalism and power.

At this point, I wish to reiterate that this is an examination of federal student assistance policies that aim to alleviate disparities in postsecondary access. Although instituted in a specific historic, economic, and ideological context, the relevant legislation has been subject to amendments since the 1970s. As such, the ubiquity of neoliberalism and the deregulation of the financial industry have influenced financial aid policy. To account for the neoliberal influence in capitalism, therefore, critical education policy scholars will make the distinction between Marxian and Foucauldian understandings of power, which, in turn, result in different interpretations of neoliberal education policy.⁷ For the most part, critical education theorists rely

⁷ For one, scholars in this field are concerned with “globalising educational policy studies” (Gulson, 2011, p. 3); they understand neoliberal education policy as globalized in that “similar policy ideas and enactments regarding markets and choice [are] introduced in myriad countries and cities” (p. 95). But they are simultaneously concerned with the local context, or understanding “educational policy in relation to spaciality” (p. 3). Gulson’s (2011) case

on poststructuralist discourse theory, specifically “Foucault’s notion[s] of power and discourse” and power/knowledge, in which power is exercised, constructive, and productive (Gulson, 2011, p. 16). My analysis, on the other hand, is congruent with the neo-Marxist/liberal policy analysis approach in which power is understood as coercive, “possessive, centralised, and repressive” (ibid.). This is in keeping with the theoretical foundations that inform my reading of social class and racial stratification, and is appropriate given the methodological limitations and scope of this paper. Moreover, although the *discourse of the market* and the *discourse of production* generate different theorizations, a (neo)Marxian analysis and a critique of the marketization of social relations are not mutually exclusive (e.g., the current neoliberal fixation on students as *human capital*, which can be understood through Bowles and Gintis’s neo-Marxist analysis, see Apple 2006).⁸ For instance, Ball (2012, p.3) defines neoliberalism in a critical education policy framework, which suits its conceptualization in this paper:

...the material and the social relations involved, that is both the neo-Marxist focus on the ‘economisation’ of social life and the ‘creation’ of new opportunities for profit, what Ong (2007) calls neo-liberalism with a big ‘N’, and a Foucauldian analytics of governmentality, and particularly the governing of populations through the production of ‘willing’, ‘self-governing’, and entrepreneurial selves, what Ong calls neo-liberalism with a small ‘n’—which is reconfiguring relationships between governing and the governed, power and knowledge, and sovereignty and territoriality. (Ong, 2007, p. 4)

studies of London, Sydney, and Vancouver, for example, demonstrate how space, specifically inner cities and their schools, and neoliberal education policy are co-generative. Combined with ethnographic methods or case study, the strength of this approach is being “attentive to the ways neoliberal education policy reconfigures the relationships between individuals (including parents, students, teachers, and administrators) and the state...[and] how education policy reconfigures relationships between schooling and the city...” (p. 97). Since the scale of my project is neither global, nor local, these concerns do not map directly onto my analysis.

⁸ In fact, Anyon (2011) considers Apple’s *Ideology and Curriculum*, published in 1979, as the “first explicit and widely read neo-Marxist analysis” (pp. 32-33) of culture, economics and education in the U.S. Apple is not a strict neo-Marxist, however; although he readily cites Gramsci, he has also critiqued “false consciousness” and Bowles and Gintis’s work as “reductive, economistic, and essentializing” (Apple, 2006, pp. 225, 268), and has readily adopted Foucault’s ideas about power/knowledge. Furthermore, his work on culture and political economy has “[challenged] the traditional Marxist paradigm by going beyond the argument that the reproduction of a compliant labor force is the primary role of education in capitalist economies” (Anyon, 2011, p. 42).

In sum, although I invoke the work of critical education policy theorists, I do so judiciously, keeping in mind the epistemological baggage that comes with these contrasting understandings of power relations.

Critical race theory and racialized neoliberalism.

As previously noted, contemporary critical theory assesses economic stratification and identifies networks of power that transverse race, ethnicity, and gender. For instance, according to Gulson (2011), neoliberal education policy engenders a specific form of racism, one that is seemingly invisible in policy formation. Through a process of *depoliticization*, “neoliberalism incorporates other seemingly oppositional discourses, such as equity (Davies and Peterson 2005) to reshape policy ‘not entirely by eliminating equity concerns but rather by embedding them within choice and accountability frameworks’ (Forsey et al. 2008: 15)” (p. 99). Choice is cast as a matter of individual responsibility and *private* preference, which Gulson calls the *privatization of difference*. Hence, difference, or social inequality, is “no longer part of the public sphere rather it is reduced to problems of ‘culture’ or ‘nature’” (pp. 98-99). Through this process, “personal preferences are uncoupled from power relations that constitute race and racism...race is not absent, but invisible (Goldberg 2009). Policy here is colour-blind (Leonardo 2009), and racism is not called to account” (pp. 99-100). Social theorists arrive at this perspective, partially inspired by work in Critical Race Theory (CRT). The CRT approach to education policy research has emerged as a unique scholarly perspective from the overarching CRT framework.

CRT is considered an offshoot of Critical Legal Studies (CLS), a Marxist inspired approach that adopted Gramsci’s hegemony to analyze how legal doctrine and ideology legitimize and recreate “oppressive structures in American society,” especially with respect to class hierarchy (Ladson-Billings, 1998, p. 10). In the 1970s, legal scholars of color expanded this

critique of American meritocracy to address racial injustice and the predominant (and paradoxical) civil rights discourses of equal opportunity and color blindness (Tate, 1997).

CRT's definition of race is important to framing an argument for social injustice rooted in racial discrimination. Ladson-Billings (1998) admits that the Black-White binary has outlived various individual, biological, ideological, and objective constructs of race. Rather than understanding this binary as "individual construction and/or biological designation," it functions to distinguish who is *not-White*, and therefore not in possession of the social value of whiteness (p. 8). Ladson-Billings argues that, over time, *conceptual* categories of race have evolved not to "reify a binary, but rather to suggest how, in a racialized society where whiteness is positioned as normative, *everyone* is ranked and categorized in relation to these points of opposition" (p. 9). For example, "school achievement" and "middle classness" are normative categories of whiteness, whereas "welfare recipients" and "underclass" signal marginalized blackness. Thus, CRT offers another perspective on how *habitus* is constructed in a racially stratified society, where "these categories *fundamentally sculpt the extant terrain of possibilities* [emphasis added] even when other possibilities exist" (p. 9). In essence, CRT operates with fluid, rather than fixed definitions of racial categories, without denying the "fixed-ness" of racism.

Furthermore, CRT cannot be reduced to a single theoretical interpretation or an absolute series of conceptual models. Its heterogeneity is due in part to its core methodology, in which theorists "integrate their experiential knowledge into moral and situational analyses of the law" (Tate, 1997, p. 210). Thus, a specific application of CRT must be understood through the "voice of a particular contributor within the critical race conversation" (*ibid.*, p. 210). Derrick Bell (1980) is among the founding voices of CRT, whose arguments regarding the *constitutional contradiction*, *interest-convergence*, and the *price of racial remedies* are especially applicable to

issues of educational equity.⁹ Ladson-Billings (1998) and Tate (1997) identify basic of tenets of CRT that are congruent with Bell's assumptions. First, critical race theorists assert that racism is a "permanent fixture" of the American social order (Ladson-Billings, 1998, p. 11), and that "the taken-for-granted routine privileging of white interest [goes] unremarked in the political mainstream" (Gillborn, 2005, p. 485). Accordingly, CRT's task is to understand how "traditional interests and cultural artifacts [federalism, standards, choice] serve as vehicles to limit and bind the educational opportunities of students of color" (Tate, 1997, p. 234). Second, experiential knowledge and storytelling, coupled with legal contextual/historical analysis, are essential for revealing the socially constructed nature of reality, individual agency, and life possibilities. Critical race scholars reject ahistoricism and eagerly use "voice" to capture individual narratives of marginalized groups. The first two assumptions illustrate what Cole (2009) labels the difference between materialist and idealist CRT. Materialist CRT "has an affinity with both Max Weber and Weberian analysis of capitalism, and with Marxism" (p. 21). Idealist CRT (the prevailing approach) uses discourse analysis to deconstruct the narratives, symbols, texts, and categories that produce stereotypes and racial discrimination. Again, due to the methodological and theoretical parameters of this project, I do not adhere to CRT's narrative style; however, Bell's structural theories capture the assumptions on which I base my analysis of federal financial aid policies.

Third, and historically rooted in its conceptual development in the post-civil rights era, critical race scholars claim the liberal legal paradigm is insufficient because its incremental approach to achieving racial equality (e.g., civil rights litigation under the Fourteenth

⁹ The constitutional contradiction is more relevant to educational research that also addresses citizenship and racial subordination. Bell's theory addresses property rights in the United States, specifically as codified and positioned in contradiction to human rights in the Constitution. Bell's work explicates the relationship between property, race, and racial oppression, namely the material and status privileges of whiteness, and its transformation after desegregation into the legitimization of whiteness as the status-quo (Tate, 1997).

Amendment) does not permit radical change. Finally, CRT asserts, “Whites have been the primary beneficiaries of civil rights legislation” (Ladson-Billings, 1998, pp. 11-12). Tate (1997, p. 214) provides a broader understanding of this claim with the *interest-convergence principle*, in which “significant progress for African Americans is achieved only when the goals of Blacks are consistent with the needs of Whites” (read: middle and upper-class whites). Bell (1980, p. 524) offers the following example:

...the decision in *Brown* to break with the Court’s long-held position on these issues cannot be understood without some consideration of the decision’s value to whites, not simply those concerned about the immorality of racial inequality, but also those whites in policymaking positions able to see the economic and political advance at home and abroad that would follow abandonment of segregation...Here, as in the abolition of slavery, there were whites for whom recognition of the racial equality principle was sufficient motivation. But, as with abolition, the number who would act on morality alone was insufficient to bring about the desired racial reform.

Furthermore, Bell’s *price of racial remedies* corresponds with interest-convergence and clarifies the implications of social class, in that “Whites will not support civil rights policies that appear to threaten their superior social status” (Tate, 1997, p. 215). Bell again uses *Brown* to illustrate the social and structural consequences:

In *Brown*, the focus was on the South...The nation was more than ready to blame white Southerners, traditionally the country’s scapegoat when there is a need to assign responsibility for racial injustice...When the school desegregation efforts moved north, the attitude toward the South changed from condemnation to complicity, with Northerners rallying to preserve neighborhood assignment patterns, avoid busing, and maintain the ‘educational integrity’ of white schools...most Northern whites do not oppose desegregation in the abstract. What they oppose is the *price* of desegregation... (as cited in Tate, 1997, p. 215)

Thus, Bell’s theories suggest more than forms oppression experienced by people of color. His work provides a means to understand white privilege, how it is rendered invisible, and under what conditions it is unveiled.

In identifying the various manifestations of oppression, CRT juxtaposes the traditional concept of racism—which has come to signify “overtly racist practices” (Cole, 2009, p. 24)—with a theoretical understanding of *white supremacy* as a *structural* exercise of power: “A regime of assumptions and practices that constantly privilege the interests of White people but are so

deeply rooted that they appear normal to most people in the culture” (Gillborn, 2010, p. 5). To be clear, CRT does not suggest, “all White people are uniformly racist and privileged. However, CRT *does* view all White-identified people as implicated in relations of racial domination” (ibid., p. 4). In Gillborn’s point of view, social class differences among White-identified people inexorably reinforce class and race hierarchies:

...non-elite Whites [act] as a kind of buffer, or safety zone, that secures the interests of elite Whites, especially when challenged by high profile race equality/civil rights campaigns. We can hypothesise that the same processes might also operate to sacrifice working class interests where elite interests are threatened (even in the absence of gains for minoritised groups)...” (ibid., p. 7)

Neo-Marxists, however, object that neither racism nor white supremacy explain racial inequality in capitalist societies. According to Cole (2009), “there is no *a priori* need in CRT formulations to connect with capitalist modes of production” (p. 25). I will return to this claim below, as this represents the perennial struggle of a neo-Marxist/CRT synthesis. Here, Cole argues that the plight of working-class White people and non-color-coded racism are not explained completely by the homogenizing concept of white supremacy, because it ignores the ideological force of the “capital/labor relation” that is essential to understanding the “relative degrees of privilege [and power] in capitalist” societies (p. 27).¹⁰ For this reason, the definition of racism must be broad enough to include biological and cultural, intentional and unintentional, overt and covert, individual/personal and institutional, and non-color-coded forms (p. 41). Cole prefers the Marxist concept of *racialization* to explain the relationship between the modes of production and the racialization of social groups, which also requires a rigorous examination specific to historical, political, and economic contexts.

¹⁰ Cole (2009) argues that racialization of social collectivities is not limited to biological traits, especially “given the way in which neoliberal global capitalism unites capitalists throughout the world on lines that are not necessarily color-coded...” (p. 34). Cole defines non-color-coded racism as the historic racialization of the Irish, Jews, and the Gypsy-Roma Travelers (GRT) in the UK. Islamophobia is also cited as a form of racism that is not coded by skin color.

For one, Cole establishes a workable definition of institutional racism:

Collective acts and/or procedures in an institution or institutions (locally, nationwide, continent wide or globally) that intentionally or unintentionally have the effect of racializing, via ‘common sense’, certain populations or groups of people. This racialization process cannot be understood without reference to economic and political factors related to developments and changes in national, continent-wide and global capitalism. (p. 92)

In particular, he uses Manning Marable’s concept of the New Racial Domain to explain racialization in the United States:

‘earlier forms of racial domination, such as slavery, Jim Crow segregation, and ghettoization, or strict residential segregation...’ were based primarily if not exclusively in the political economy of U.S. capitalism. ‘Meaningful social reforms such as the Civil Rights Act of 1964 and the Voting Rights Act of 1965 were debated almost entirely within the context of America’s expanding, domestic economy, and a background Keynesian, welfare state public policies’ (ibid.). The political economy of the ‘New Racial Domain,’ on other hand, is driven and largely determined by the forces of transnational capitalism, and the public policies of state neoliberalism... (as cited in Cole, 2009, p. 44)

In essence, as a racialized capitalist state, the US sustains the interests of capitalists and the “superior social status of whites” (p. 53).¹¹

Finally, the principles of CRT have been applied broadly in education research, primarily to illustrate how contrasting strategies for equal opportunity and redress for past injustices have nonetheless “sustained inequality that people of color experience” in the education system (Ladson-Billings, 1998, p. 18). Utilizing CRT to expose the “ideology of racism” means exploring the “pertinent historical and legal background” (Tate, 1997, p. 199). It is a matter of applying “basic insights, perspectives, methods, and pedagogies” to critique “structural and cultural aspects of education that maintain subordinate and dominant racial positions” within and beyond educational institutions (Solorzano and Ornelas, 2004, p. 16). Finally, in trying to

¹¹ Cole cites Hurricane Katrina as an example, emphasizing the overwhelming consequences for poor working class African Americans and the “racialized capitalism that put them there in the first place” (p. 51). Cole argues that neoliberal ideology led to “[im]proper safeguards prior to the disaster” (p. 51). Furthermore, the political Right “[conflated] class and race” in comments about “looters and thugs,” the “underclass,” and the “illegitimacy rate’ among blacks and ‘low-income groups...’ (p. 52). But, more significantly, “Hurricane Katrina exposed the crisis and decay of an entire social system based on private profit and the accumulation of personal wealth at the expense of society as a whole. It likewise laid bare the immense social polarization between wealth and poverty in America...” (as cited in Cole, 2009, p. 44).

understand the connection between educational equity and justice, critical race theorists observe the “ever-changing conceptions of justice” (Tate, 1997, p. 235). As I discuss below, Fraser and Dumas’s approaches provide contemporary understandings of justice, which complement a CRT approach.

Limitations of theoretical interplay.

A unique dimension emerges from neo-Marxist and CRT studies—one that has its own intellectual advantages and pitfalls. *Intersectional analysis* has been instrumental to demonstrating the gendered and classed nature of race, but it does not prevent the researcher from giving precedence to race.¹² Conversely, intersectional analysis can obscure the effects of racism and race, whereby racial and economic antagonisms are oversimplified. Maintaining “the conceptual integrity of both Marxist and race discourses” means utilizing the material, historical, and objective analysis of the former, with the subjective and ideological analysis of the latter (Leonardo, 2009, p. 46). Leonardo (2012) conducts a rigorous examination in which the limits of a unimodal (and ostensibly bimodal) theoretical approach are laid bare. Integral to his critique is the assumption that CRT engages with notions of class and capital informed by Marx, Bourdieu, and the Marxist and Weberian strands of thought in Bourdieu’s work. I emphasize his critique of CRT’s constructs of race and class, primarily to illustrate the limitations and possibilities of the aforementioned theoretical tools (e.g., hegemonic ideology, *habitus*, cultural capital) in an intersectional analysis.

As suggested above, a Marxist analysis and CRT are similar in that each assumes “social problems emanate from a center” (Leonardo, 2012, p. 430), meaning that other social ills are a

¹² Intersectional analysis was originally a Womanist, or feminist of color, sociological response to “White feminism for failing to integrate race” in its problematic (Leonardo, 2012, p. 437). As a methodology, it has since been adopted in other disciplines and branches of critical and social theory (see Tate, 1997). I do not discuss the effects of financial aid policy across gender.

symptom of class conflict or racism, respectively, and that social progress is essentially stunted until a resolution unfolds from the core.¹³ Orthodox Marxist studies focus on the “objective conditions of capital at the expense of the subjective, or ideological, dimensions of race within capitalism” (Leonardo, 2009, p. 46). Racism, therefore, “is not a field of contestation among racial groups for power, but [an] ideological distraction from the inner workings of capitalism...[Marx] brackets the subjective in order to explain the objective” (ibid.). In contrast, CRT attempts to assign a degree of causality to race. Establishing race as a precursor to class presents three challenges for a CRT/neo-Marxist analysis. First, CRT is ambiguous about the definition or analytical parameters of race. In its admirable effort to overcome the Black-White binary, race, ethnicity, nationality, culture, and social group are sometimes conceptualized interchangeably. Second, and a corollary to the first, CRT has not determined “objective descriptions of racial phenomena,” whereas Marx was able to define the “objective functioning of the capitalist economy” (Leonardo, 2012, p. 439).¹⁴ According to Leonardo, this is where the third problem arises. In its embrace of diverse and ambiguous categories, CRT has not defined the “fundamental racial tension in history” (p. 434), as Marx identified the fundamental class conflict that is the “motor of history” (p. 432). According to Leonardo, the bourgeoisie and proletariat “...are said to be the real objective classes because their resolution represents the true, dialectical progress of history...Marxists make a distinction between *historical, objective classes* and *quasi-classes* [emphasis added]” (p. 432). Leonardo notes the lack of a comparable logic in CRT, and insists that creating corresponding objective categories in a racial analysis (which must

¹³ Thus, decry “class-reductionist Marxism” or “white Marxism” that simply considers race as “epiphenomenal to class” (Cole, 2009, p. 34).

¹⁴ The preference for race as *the* causal mechanism reminds us that theories demonstrate “intellectuals’ own ideological preferences” (Leonardo, 2012, p. 439). Leonardo argues that although this defeats neutrality—positionality of the researcher should be clear in social research—it should not discourage objectivity, which he believes is within CRT’s reach.

also embrace the nuances of Marx's binary) does not suggest that critical race theorists would be quantifying suffering, or assigning and withholding victim status.¹⁵ Rather, Leonardo suggests conceptualizing a *race-for-itself*, like Marx's *class-for-itself*, which is driven to self-conscious action (class consciousness):

If classical Marxism has anything to say to race analysis, it is that social analysis begins from the working class' objective position as a class-in-itself...the working class is the only class with universal, rather than self, interests because it would rather generalize its project of negation against exploitation and realize human freedom...If this theory marries with race analysis, then a revolutionary race is privileged not for its subjective apprehension of racism but for its objective position as a race-in-itself in relation to the master race (Leonardo 2004c)...the revolutionary race's interests guide the understanding of racial contestation and its negation...Education then is precisely the process that transforms the race-in-itself into a *race-for-itself* when it realizes its historic function and universal interests. (p. 435)

In denying Marx's argumentative structure, CRT effectively "superimposes a racial discourse over class issues" (p. 438), creating a racist Marxism, which is distinct from a racialized historical materialism or Black Marxism (p. 445). Leonardo's *raceclass* approach, therefore, is "a race and class synthesis whose goal is to privilege neither framework and, instead, offers an intersectional, integrated" (p. 438) perspective that would remedy Marxism's neglect of racialized society and CRTs racialization of social class.

Leonardo offers only tentative ideas about conducting a *raceclass* analysis because scholars have not yet realized the crux of his method. Nonetheless, he believes this model is more emancipatory than CRT's use of Bourdieu's *habitus*, which does not envision a path of resistance to domination. He is especially critical of CRTs inversion of Bourdieu's cultural capital into dominant and non-dominant forms, that is, White cultural capital distinct from cultural capital of color (p. 441). The latter turns a model of disparity into a model of diversity, in which capital in communities of color has its own redeeming value and advantage in

¹⁵ Leonardo does recognize that race analysis is moving more toward "race coalitions," which nonetheless works within his framework of the revolutionary race (p. 436). He cites the Bolshevik Revolution, which included many classes, but was driven by the "workers' objective place in the relations of production" (p. 436). To Leonardo, the issue is "which class antagonism becomes the central and binding conflict that explains and implicates other levels of the class struggle. Likewise, race analysis in education would do well to pose a similar question" (p. 436).

“localized situations” (p. 444). From the perspective of critical race theorists, this version of Bourdieu’s theory is less disparaging of minorities. But in doing so, CRT ironically seems to ignore the hegemonic influence of whiteness, and does not truly adopt the Marxist definition of capital:

If CRT claims the concept of capital, then it must by virtue be at the expense of somebody else. Otherwise, it simply goes by the name of *culture*, or amended as *cultural resources*, *cultural repertoire*, *cultural forms*....Given that, we are warranted to suggest that not all groups’ culture converts into forms of capital because of existing asymmetrical arrangements...if all groups’ culture is able to convert to capital, then the concept withers away as a way to explain power differentials... (p. 443)

Leonardo notes that recognizing diversity in capital is especially appealing to CRT-based education research, because one can “explicate the actual treatment of students of color, many of whom are working-class students: their derogation, dishonor, and cultural dispossession” (p. 445). Nevertheless, Leonardo stresses that understanding cultural capital in this way, “makes sense only if we consider schooling as autonomous from the productive system” (p. 445). This is certainly not the case in the United States, and especially in higher education, in which federal policy seeks to improve the skills of the prospective workforce, and subsequently, increase the nation’s economic competitiveness (Anyon, 2011).

Critique at the Intersection of Class and Race

The aforementioned theories provide the means to understand how educational systems are implicated in the maintenance of social stratification, specifically the reproduction of inequality across class and race. The shortcomings of a strict Marxian or CRT paradigm, as outlined by Leonardo, can be amended partially by Fraser’s (1995) critical theory of recognition and redistribution, and Dumas’s (2011) extension of Fraser’s framework with a cultural political economy approach. Because Fraser and Dumas’s constructs have a clear policy component, they assist in extending the logic of CRT and neo-Marxist political economy to the role of financial aid policy in the US postsecondary education system.

Fraser (1995) suggests that social inequality can be understood analytically as *socioeconomic injustice*, based on political-economic structure, and *symbolic or cultural injustice*, which is “rooted in patterns of representation, interpretation, and communication” (p. 71). Economic inequality can be generally understood as a *maldistribution* of resources, whereas cultural inequality is a result of nonrecognition or *misrecognition* of one’s identity and subjectivity. Thus, the corresponding policy remedies seek redistribution (change in the economic structure) and recognition (cultural and symbolic change). Understanding the redistribution-recognition dilemma as such is largely for the sake of clarity:

...far from occupying two airtight separate spheres, economic injustice and cultural injustice are usually interimbricated so as to reinforce one another dialectically. Cultural norms that are unfairly biased against some are institutionalized in the state and the economy; meanwhile, economic disadvantage impedes equal participation in the making of culture, in public spheres and in everyday life. The result is often a vicious circle of cultural and economic subordination. (p. 72)

When claims of recognition and redistribution are made simultaneously, however, they can be somewhat contradictory. Whereas recognition requires an appreciation and affirmation of group difference (e.g., multiculturalism), redistribution relies on dissolving group differences (e.g., egalitarianism). Fraser uses examples of social collectivities to illustrate these dilemmas, such as social class and race (which includes ethnicity and nationality). In doing so, she defines new ideas for policy remedies that can address contradictory claims.

A social class—in the Marxist sense—can be understood as a collective defined by the political-economic structure of society. Maldistribution in a capitalist society, therefore, is the exploitation of the working class, which has an “unjustly large share of the burdens and an unjustly small share of the rewards” (p. 76). Fitting with a neo-Marxist understanding, a social class experiences cultural injustices as a result of “ideologies of class inferiority,” that is, hegemonic ideologies that serve the dominant class in exercising its power. The primary form of justice sought by the subordinate social class, therefore, is the destruction of the economic class structure. According to Fraser, “the last thing it needs is recognition of its difference. On the contrary, the only way to remedy the injustice is to put the proletariat out of business as a group”

(p. 76). In contrast, race is *bivalent*, and because a collectivity defined by race is subject to economic *and* cultural injustice, both redistribution and recognition are required. Race is “a structural principle of political economy” because the division of labor in US society is “the historic legacy of colonialism and slavery, which elaborated racial categorization to justify brutal new forms of appropriation and exploitation, effectively constituting ‘blacks’ as a political-economic caste” (p. 80). Furthermore, this system “generates ‘race’-specific modes of exploitation, marginalization, and deprivation” (p. 80). But collectives based on race also experience cultural injustice because “a major aspect of racism is Eurocentrism: the authoritative construction of norms that privilege traits associated with ‘whiteness’” (p. 81). Racism, therefore, is the misrecognition or nonrecognition of people of color and “things coded as ‘black’, ‘brown’, and ‘yellow’, paradigmatically” (p. 81).

Given the multitude of injustices a collectivity faces in any social practice, Fraser adds dimensions of *affirmation* and *transformation* to policy remedies of redistribution and recognition. Affirmative remedies generally correct outcomes and leave social structure intact (e.g., multiculturalism or the liberal welfare state), whereas transformative remedies (e.g., cultural deconstruction or socialism) seek to correct outcomes by “restructuring the underlying generative framework” (p. 82). In general, affirmative recognition remedies promote group difference, whereas transformative recognition remedies deconstruct group difference. Accordingly, affirmative redistribution “leaves intact the deep structures that generate class disadvantage” and over time can generate “injustices of recognition” (p. 85). Transformative redistribution remedies, on the other hand, seek to simultaneously abolish the underlying political-economic structure and “promote reciprocity and solidarity in the relations of recognition” (p. 86). According to Fraser, the most successful approach to policy that seeks to address economic and cultural injustice is one that combines transformative redistribution with transformative recognition, that is socialism in the economy and deconstruction of culture. But our current policy is actually one of affirmative redistribution and recognition, that is, the liberal

welfare state and multiculturalism. In the following pages, I suggest that within Fraser's framework, financial aid policy resembles the latter, which may account for its shortcomings.

In addition, indicative of the multidisciplinary nature of CST, "cultural political economy marks a convergence in which the critical Marxist tradition in political economy takes a 'cultural turn'" (p. 705). Dumas (2011) applies *cultural political economy* in a historical-ethnographic study of busing and school desegregation in Seattle. By translating Fraser's political analysis to education policy research, Dumas seeks to illustrate how "cultural productions such as the construction of rights, justice, and racial progress, and political-economic formations such as the (ab)use of the state and market by certain classes" operate in the service of one another in a given educational issue (p. 705). According to Dumas, critical studies in education postulate, too neatly, the economic as a redistribution of educational resources, and the racial as a matter of cultural recognition. Whereas Fraser's conceptual axes did not alleviate education theorists' itch for a class/race hierarchy, cultural political economy operates from the explicit belief that researchers "must move toward seeing class as just as much a matter of culture as it is economic structuration, and race as seeped with economic function and intent as it is a lens through which we produce cultural representations of ourselves and others" (pp. 729-730). In essence, cultural political economy places neither class nor race at the epicenter of systemic issues; rather, it is a variant of Leonardo's (2012) proposition of "an elliptical argument with two centers" (p. 438), in which the economic and the cultural are "acted out within, and never outside of, the relations of power" (Dumas, 2011, p. 729). Thus, Dumas's approach is not as clear a blueprint as Fraser's, but its general principles are achievable.

Finally, Dumas applies the critical gaze to the historical trajectory of an issue. Matrices of power, oppression, and domination are not necessarily self-evident. Although a source of oppression may be fixed (e.g., CRT's claim that racism is permanent in American society), the

overt exercise of such power can morph into a more surreptitious form (e.g., “race-neutral redistributive politics” (Dumas, 2011, p.707) in Seattle that do not correct racial misrecognition or maldistribution at predominately poor, “Black schools”). Cultural political economy frames social questions, imagine possibilities, and suggest solutions that not only require a rereading of historical narratives, but also a reconceptualization of prior applications of social theory. If the task is to uncover the (re)production of *misrecognition* or *maldistribution*, by complicit social actors in long-standing networks of ideological and political-economic power, then a broader temporal scale is fundamental to the project.¹⁶ In essence, cultural political economy tries to demonstrate how the “cultural and material force of race and class *breathes as one* through the historical-political trajectory” of educational policies (p. 708).

When tackling behemoth subjects such as neoliberal capitalism and racial stratification, which elude simple solutions, Leonardo (2004) suggests posing "it as a problem, to ask questions about common answers, rather than to answer questions" (p. 13). In this section, I have tried to illustrate how critical theorists understand units of social stratification and inequality, such as class and race, two especial categories or labels that are taken for granted. Accordingly, I have tried to establish how critical theorists perceive flows of power and control through hegemonic culture and ideology. Furthermore, I detailed how neo-Marxist political economy depicts power as coercive and situates social class around modes of capitalist production, whereas critical education policy theorists, attentive to but not bound by Marxian analysis, focus on the marketization of social relations. My overall objective has been to demonstrate how neo-Marxists and critical race theorists alike deconstruct binaries such as structure/agency,

¹⁶ In keeping with CST's recognition of subjectivity and agency, and CRT's use of "voice," cultural political economy also utilizes ethnography and personal history to elucidate the lived experience and material consequences for individuals. Ethnography arguably animates critical historical analysis and ideology critique. Although original research was not conducted for this paper, an extension of this project would include original qualitative data, as discussed in the conclusion.

public/private, White/Black, and racism/white supremacy. Finally, I reiterate a critical reading of capitalism, and its 21st century form as neoliberal and racialized capitalism, which serves as a launching pad for the following section.

In sum, a novel framing of a social or educational problem is an important step in a CST inquiry. In the next section, a critical historical perspective reveals how the federal financial aid system, in union with the financial industry, works against the very students for which it was designed. Even if legislation was not blatantly discriminatory on the basis of class, race, ethnicity, or gender, I demonstrate that it opened doors to policies with such outcomes, as well as philosophical and ideological justifications for these outcomes.

Part Three: Mapping the Terrain

Noftsinger and Newbold (2007) claim “the philosophy of higher education as an economic and social motivator is apparent when examining student aid programs...American higher education has uniquely identified means by which to encourage social mobility while advancing the democratic principles on which the country is founded” (p. 12). But the history of federal financial aid also demonstrates how a social policy is shaped by influential and powerful groups, robbed of its original intent, and repackaged as a business initiative. Having embraced originally the dual purpose of expanding access and choice, the expansion of educational loan programs, in lieu of grants, best illustrates the system’s gradual movement toward fulfilling the needs of middle and upper-income students and securing the interests of financial stakeholders (Somers et al., 2000). In this section, I note landmark changes in policy and philosophical shifts that contributed to a rise in educational loan borrowing and the exponential growth in student loan debt. I discuss why these changes were a windfall for financial institutions, but ultimately a setback for lower-income college aspirants.

From Great Society to Moral Hazard

As a product of President Lyndon B. Johnson’s Great Society, the Higher Education Act of 1965 (HEA) embodied a vision of eradicating poverty and racial injustice (St. John, 2003). Following the Civil Rights Act of 1964, “many members of Congress understood that access to higher education was necessary to bring about equality” (Somers et al., 2000, p. 336), but others were concerned about expanding the federal government’s fiscal obligations, especially through grants and federally insured loan programs for education. Anyon (2011) observes that regardless of political ideology, federal education policy subscribes to the notion that education can solve the problems of unemployment and poverty. But, “when the federal government and the business

communities rely on education to reduce poverty, the social costs of the failure of such an approach are enormous..." (ibid., p. 77). A series of amendments to the HEA and other financial aid initiatives demonstrate these social costs.

The HEA provided direct financial assistance in the form of "Educational Opportunity Grants (EOGs) to the poorest students and subsidized loans to lower middle-class students" via the Federal Family Education Loan (FFEL) Program—loans originated by and owed to financial institutions, but guaranteed or insured by the federal government (Somers et al., 2000, p. 331). Need-based aid in the federal system was meant to improve access for underrepresented students "while simultaneously creating a market for institutions of higher learning" by bringing "students to colleges that might not otherwise have enough students" (Noftsinger & Newbold, 2007, p. 11). The FFEL Program created a partnership between financial institutions, the government, and institutions of higher education—the consequences of which unfolded over decades that witnessed the global proliferation of neoliberalism and neo-conservatism. In the FFEL Program, students borrowed educational loans from a lender, usually a bank. Educational loans could be "sold on the secondary market to specialized lenders," such as Sallie Mae, and lenders could contract a third-party agency to service the loan, that is, process and collect payments from borrowers (Consumer Financial Protection Agency, 2011). If a student defaulted on loan in the FFEL Program, the lender or servicer would refer the matter to a state guaranty agency, whose losses were insured by the federal government. Thus, in this partnership, the original lender would experience "limited losses during collection" (Somers et al., 2000, p. 332). Under these guidelines, the student loan market became profitable for lenders and guaranty agencies.

The first amendments to the HEA set the groundwork for a student lending boom—and bust. The 1972 amendments created the need-based Basic Educational Opportunity Grants (BEOGs), now the Pell Grant, and the Student Loan Marketing Association (Sallie Mae), which would become the largest (and most denounced) lending company. Most important, the 1972 amendments moved the ideological and political basis of federal financial aid to promoting “access and choice for *all students* [emphasis added]” (ibid., p. 331). Although this meant more financial aid, the burden for higher education financing shifted from states and taxpayers to students and families, who would come to rely on loans above other forms of funding (Price, 2004). This approach was reinforced in The Middle Income Student Assistance Act (MISAA) of 1978, which made non-need based aid more available to middle-and upper-income students via the federal Subsidized Stafford Loan.¹⁷ A boom in lending of Stafford Loans between 1975 and 1980 effectively ended the “lower-income targeted, need-based, grant oriented federal policy period” (Somers et al., 2000, p. 332) and was concurrent with a decline in college enrollment among lower-income students. By the 1980s, the push for free-market economics and the preference for privatization over public sector services would reinforce the purpose of the FFEL Program and uphold its image as a reasonable compromise between the government and the financial industry. During this period, federal expenditures in the Pell Grant program were relatively unchanged (ibid.); as tuition continued to rise, equity in college access and affordability remained out of reach, alerting the public to an oncoming crisis.

¹⁷ Subsidized Stafford Loans are need-based student loans for which the federal government pays the interest while the student is in school and during a six-month grace period thereafter. Prior to 2010, these loans were either issued by the federal government *or* guaranteed by the federal government in the FFEL Program. Stafford Loans are now issued solely by the federal government, but may be serviced by a third-party agency. Prior to the 2011-12 academic year, these loans were available to both undergraduate and graduate students, but the Budget Control Act of 2011 eliminated the program for graduate students, whose Stafford Loans are now unsubsidized.

As additional evidence of Congressional pandering to the financial industry and private sector agencies, the HEA was amended in 1977 to prevent educational loans (federal direct and guaranteed) from being discharged in bankruptcy.¹⁸ The “moral hazard” justification offered by student loan guaranty agencies, financial institutions, and some members of Congress was based on “perceived abuses of the bankruptcy process to discharge educational loans among recent graduates with well-paying jobs,” leading to widespread fraud in the student loan market (Somers et al., 2000, p. 332). This argument has been discredited, however, by empirical evidence dating from the provision’s inception. Representative James O’Hara summarized the dubious motives behind the non-dischargeability of student loans:

To protect debts owed to a college, or guaranteed by a State agency is only to provide special privilege for these few institutions....The program was conceived as a social welfare program, both for the students involved and for the nation as a whole. It would be inconsistent with that objective to treat the program as strictly a business proposition when the time for repayment arrives... (as cited in Somers et al., 2000, p. 334)

Since the 1970s, studies by the General Accounting Office (GAO; now Government Accountability Office) and research conducted by the 1997 National Bankruptcy Review Commission (NBRC) have revealed that a negligible percentage of educational loans have been discharged in bankruptcy (ibid.). Both sources have refuted claims that high-income professionals would benefit from discharging loans in bankruptcy, and have confirmed that poverty-line wage earners and those in dire financial circumstances suffer the most from non-dischargeability of educational debt. Specifically, “low-income minorities, vocational or proprietary students, single parents or other financially independent students, and short-time students” are more likely than “students who complete associate, baccalaureate, or advanced degrees” to default on loans or file for bankruptcy (ibid., p. 335).

¹⁸ The only remaining exception is if a student can demonstrate that repaying student loans would present “undue hardship,” the judicial interpretation of which has varied widely (for detailed history and personal accounts see Somers et al., 2000; CFPB, 2011, 2012).

Accordingly, incremental revisions to the bankruptcy code strengthened regulations that were favorable for financial institutions, but were inimical to lower-income students' social mobility. A significant 2005 amendment to the code declared exempt from discharge "all loans made for a qualified education expense" (CFPB, 2012, p. 71). Thus, under the bankruptcy code, federal direct loans, federally insured loans, institutional loans, and private student loans are all treated similarly and are distinguished from other forms of consumer debt, despite contrasts in repayment guidelines and terms and conditions. In promoting educational loans as a means of financing higher education regardless of income-level, and simultaneously eliminating the bankruptcy discharge as a last resort, the federal financial aid system "has limited the very access and choice for lower-income students who were to benefit from the creation of public policy" that intersected with education policy (Somers et al., 2000, p. 336). Although mass higher education is arguably a "publicly owned function," the financing of access has embodied a "capitalistic market model in which [an] educational service creates profits for private business" (Anyon, 2011, p. 75).

Preface to a Lending Boom

In the 1980s and 1990s, financial aid reform took place within a different political and economic context. According to Anyon (2011) the current economic period, characterized by neoliberal, market based policies, was formalized by the Reagan Revolution (p. 81). The 1980s ushered cuts in government spending and the "dismantling of a regulatory structure that...had successfully prevented banks and other large investors from taking financial risks that could disrupt or crash the U.S. economy" (ibid., p. 66). By Anyon's assessment, this resulted in "record-breaking inequality, a financialized economy that crashed and burned and left millions of people unemployed...and federal education policy that purports to deal with the economic

crises of inequality and poverty but cannot” (p. 81). As such, the regulation, or lack thereof, of the federal financial aid system has reflected the guiding principles of the new political economy.

The 1992 Reauthorization of HEA marked the final shift from promoting “access through need-based grants to a broader strategy of loans regardless of family income or need” (Somers et al., 2000, p. 332).¹⁹ The Federal Direct Student Loan Program (FDSLPL) was created “in the context of maintaining preexisting, privately supported delivery options for guaranteed loans” (Hearn & Holdsworth, 2004, p. 49). In addition to the introduction of the unsubsidized Stafford Loan, more students became qualified for subsidized and unsubsidized loans. Likewise, the annual percentage of undergraduate borrowing of Stafford Loans has been climbing since the 1990s (Wei & Berkner, 2008). Rising tuition and fees, at four times the rate of inflation since the 1980s, coupled with the 7% decrease in family income over this period, sustained students’ dependence on loans (Lynch, Engle, & Cruz, 2011). After taking grants into account, the typical lower-income student requires \$11,000 to attend college, which compels “low-income families to pay or borrow an amount equivalent to nearly three-quarters of their family income” (ibid., p. 2). Unfortunately, as the student loan business boomed, the Pell Grant program steadily declined in funding and purchasing power (Somers et al., 2000; Lynch, Engle, & Cruz, 2011; National Center for Education Statistics, 2011). For instance, the projected \$5,635 maximum for the Pell Grant “is expected to cover less than one-third of the cost of college—the lowest since the start of the program” (The Project On Student Debt, 2012a). Cuts in the Pell Grant program and the estimated lack of annual growth over the next 10 years present the greatest risk to students of color: About 50% of African American undergraduates and 40% of Hispanic undergraduates depend on a Pell Grant to afford a college education (ibid.). I underscore Hearn and

¹⁹ Unsubsidized Stafford Loans are now issued by the federal government through the Federal Direct Student Loan Program (FDSLPL). Prior to July 2010, loans were issued either by the FDSLPL or by private lenders (and guaranteed by the federal government in the FFEL Program).

Holdsworth's (2004) assessment that "there is no evidence in the research literature that loan aid is as effective in improving lower-income students' access as is [need-based] grant aid" (pp. 52-53).

By the same token, the Taxpayer Relief Act of 1997 and the Economic Growth and Tax Relief Reconciliation Act of 2001 supported federal tuition tax credits and deductions, at the expense of the Pell Grant program. In the 2007-08 academic year, tax benefits represented about 6% of federal aid for undergraduates, compared to the 3% represented by the Pell Grant program (Radford & Berkner, 2011, p. 2). Furthermore, tax credits and deductions have proven to be most beneficial to middle and upper-income students (Somers et al., 2000; Heller, 2005; Doyle, 2006). According to Radford and Berkner (2011), among dependent undergraduates in the 2007-08 academic year, "63 percent of students from high-middle-income families received education tax benefits, compared with 48 percent of students from high-income and 29 percent of students from low-income families" (p. 5).

Finally, lax regulation of the FFEL Program contributed to the growth of private student loans (PSLs) during the mid-2000s. As noted previously, prior to 2010, Stafford Loans were issued by private lenders and insured by the federal government in the FFEL Program. Postsecondary institutions were responsible for awarding and disbursing Stafford Loans to students, via the financial aid package. The anti-inducement rules in Title IV of the HEA prohibited financial aid offices from recommending a federal loan over a FFEL Program loan, but allowed officers to direct students to various sources of FFEL loans (CFPB, 2012). Thus, lenders (banks) would engage in questionable practices to be included on schools' *preferred lender list*. Notably, some lenders offered "a companion PSL that could also be awarded (or at least referred to) as part of the financial aid package to pay the EFC [Expected Family Contribution]" for tuition and fees (ibid., p. 11). Financial institutions would consult with

schools to “certify” that approved Stafford or private loans were within a student’s EFC limit, and would subsequently disburse the funds to schools. Since the student lending crash, however, distressed borrowers have expressed that “they were never advised on the difference between a federal and private student loan” (CFPB, 2011, pp. 11-12). Following the financial crisis of 2008, offering companion PSLs became a violation of the anti-inducement rules, for reasons that will become clear in the following section. In 2010, as a result of widespread abuse and waste in the program, President Obama eliminated the FFEL Program, thereby ending government subsidies to private lenders (Office of the Press Secretary, 2010). Although a major instrument of the financial industry’s power has been excised from the system, the damage has been done. Although grants have historically been considered “the proper way to equalize educational opportunity,” student loans have been exposed as antithetical to this objective (Hearn and Holdsworth, 2004, p. 49).

The Education Bubble?

The student loan boom of the 2000s is a compelling new chapter in the history of federal student aid. The federal system’s promotion of student loans and the private sector’s blind commitment to educational lending converged with the changing landscape of higher education, only to backfire in the late-2000s. By any measure, student loan debt has multiplied in the previous decade. It is important to note that averages of total and per-person outstanding *debt* differ from measures of total educational loan *disbursement* (or student *borrowing*) and *growth rates*. Keeping these measures analytically independent is useful, because a decrease in education loan borrowing does not suggest student loan debt will follow suit.²⁰ For example, the College Board (2012) reports “the total volume of education loans disbursed doubled from \$55.7

²⁰ There are various causes for changes in all of these measures. According to the College Board, “interpreting the growth in total education loan volume is difficult because it is a reflection of both increases in enrollment and declines in the availability of other appealing sources of borrowing, such as home equity loans” (p. 9).

billion (in 2011 dollars) to \$113.4 billion between 2001-02 and 2011-12” (p. 3). However, the growth rate in education loans in this period is “*slower* than over the previous decade [1990-2000], when the total grew 150%, from \$22.3 billion (in 2011 dollars) to \$55.7 billion” (p. 3).²¹ Furthermore, “total education borrowing, including federal student and parent loans, as well as nonfederal loans, declined by 4% in real terms between 2010-11 and 2011-12—the first decline in at least 20 years” (ibid., p. 4). PSLs, the focus of Part Four, experienced similar downward trends following the “credit-crunch” that also affected the private student loan market (The Project on Student Debt, 2011). According to the College Board (2012), PSLs “grew from \$6.4 billion (in 2011 dollars) in 2001-02 to \$22.9 billion in 2007-08. Since that year, student loan volume from banks, credit unions, and other private lenders has returned to its 2001-02 level” (p. 10). As I will discuss in the following section, this growth is indicative of practices leading to the financial crash, and its decline is a result of stricter underwriting standards and increased awareness regarding the drawbacks of PSLs (CFPB, 2012).²²

According to the Federal Reserve Bank of New York, “student debt is the only kind of household debt [auto loan, credit card, home equity line of credit] that *continued to rise* [emphasis added] through the Great Recession and now has the second largest balance after mortgage debt” (2012). From 2004 to 2012, a narrower period that homes in on the Great Recession, total student debt nearly tripled, and stands at \$966 billion as of 2012 (Lee, 2013). Nearly 40 million people have student loans, with a per-person average of approximately \$25,000 (ibid.): Approximately “40% of borrowers have balances less than \$10,000,” and “3.7% of borrowers have balances greater than \$100,000” (ibid., p. 6). Of the total number of

²¹ These figures reflect student (undergraduate and graduate education) and parent, federal and nonfederal loans. In this section, I make an effort to clarify the metric used to calculate borrowing and debt.

²² Underwriting standards are designed to “ensure that safe and sound loans are issued and maintained” (CFPB, 2011, p. 108). For consumer credit, for example, lenders look to credit score, assets, and income, among other indicators, to set interest rates, and the terms and conditions of a loan.

borrowers, 17% are 90 or more days delinquent on repayment.²³ Furthermore, a little over 40% of borrowers are 25-years-old or younger. According to data produced by the Federal Reserve Bank of New York, “high levels of student debt delinquency reduces young borrowers’ ability to secure other types of credit” (ibid., p. 20). In other words, some of the negative affects of high loan balances are expected to concentrate on 25 to 30-year-olds, who presumably entered the labor market during the recession. This cohort reduced other forms of debt between 2005 and 2012, especially those with high student loan balances, but this trend “likely reflect[s] declines in demand and access to credit” (ibid., p. 20).

There are many ways to understand the increase in the number of borrowers and debt per person, but analysts generally name the following causes (College Board, 2012; Indiviglio, 2011; Lee, 2013; Thuy Vo, 2012; Quintero, 2012; Knapp, Kelly-Reid, & Ginder, 2012):

- (a) an increase in the number of students attending college and graduate school;²⁴
- (b) an increase in the length of time students take to complete a degree;
- (c) the ease of lending government-backed loans (e.g., FFEL Program), especially to students/families with mediocre credit; and
- (d) rising tuition costs, leading students to borrow more to cover their expenses.

In addition, lower repayment rates, deferment and forbearance, and the near impossibility of discharging student loans in bankruptcy has contributed to negligible downward movement in total student loan debt (Lee, 2013).²⁵ The depressed labor market complicates prospects for

²³ According to Cunningham and March (2011), “delinquency is a late payment on a loan. When a borrower becomes 60 to 120 days delinquent, the delinquency is reported to consumer credit agencies” (p. 35). Default is declared and a claim is filed by the lender if a borrower is delinquent for more than 270 days, in which case “the college, the financial institution that made or owns the loan, the loan guarantor, and the federal government all can take action to recover the money owed” (p. 35).

²⁴ From 2001-02 to 2006-07, the number of undergraduates grew at an average rate of 2% per year. The number of undergraduates has since grown at an average rate of 3% per year (College Board, 2012, p. 25).

²⁵ Income-Based Repayment (IBR) was introduced as a federal student loan repayment program in 2009. Under this plan, the required monthly payment is limited to the borrower’s family size, income, and state of residence. A borrower is entitled to loan forgiveness after 20 or 25 years in repayment, depending on the loan was disbursed (Cunningham and March, 2011; CFPB, 2012). Deferment is defined as a “temporary suspension of loan payments for specific situations, such as re-enrollment in school, unemployment or economic hardship” (Cunningham and March, 2011, p. 35). Forbearance is “a temporary cessation of payments granted by a lender or servicer” during a period of financial difficulty (CFPB, 2012, p. 106).

recent graduates. In 2011, the unemployment rate for “young college graduates,” ages 20 to 24, remained at 8.8% (Reed and Cochrane, 2012, p. 2). The underemployment rate for graduates (ages 21 to 24) was 19.1%, and 37.8% of young graduates were working in jobs that did not require a college degree (ibid.). As student loan debt continues to rise and repayment stagnates, economists and critics alike dread the long-term effects on US economic growth:

As Americans grapple with high student loan payments for the first few decades of their adult lives, they'll have less money to spend and invest. All that money flowing into colleges and universities is being funneled away from other industries where it would have been spent in future years. Of course, this would be a rather unfortunate irony: higher education is supposed to enhance a nation's growth, but with such an enormous debt burden, graduates might not be able to spend and invest enough to allow that growth to occur. (Indiviglio, 2011)

Thus, the economic principles and political rationales that forged and remodeled the federal financial aid system not only defeated the goals of access, equity, and choice, but also abetted practices that left financially indebted students stranded in the midst of the economic recession.

In sum, the federal strategy for expanding postsecondary opportunity began with the promotion of need-based grants, but started shifting in the 1970s to an emphasis on loans. A series of amendments, policy decisions, and institutional practices deflated the financial aid system into its maligned present-day form. Over time, and undoubtedly during the Great Recession, institutions of higher education managed cuts in state appropriations by increasing tuition and endorsing loans and merit-aid over need-based aid (Melguizo & Chung, 2012, p. 404). This period of “high-tuition, high-aid” (or “high-loan”) had differential effects across social class (Paulsen & St. John, 2002, p. 189). Lower-income and lower-middle income minority families faced immense challenges to funding postsecondary education, compared to their high-income and non-minority counterparts (Melguizo & Chung, 2012, p. 404). Currently, only 11% of lower-income students have the necessary funds to complete postsecondary degrees

(Anyon, 2011). If federal financial assistance is meant to equalize educational opportunity and, ideally, support degree completion, then reason would indicate that the system is equipped to stimulate social mobility and consequently improve life chances. However, as Hearn and Holdsworth (2004) argue, “the greatest burden of this movement toward loans has been on those from lower income backgrounds” (p. 53) whose financial circumstances are seemingly more dire after obtaining some postsecondary education or a degree. In essence, the historical trajectory of the federal financial aid system points to a reproduction of existing inequalities across social class and race/ethnicity in access to higher education.

Part Four: Private Educational Loans

In the previous decade, lower-income and minority students engaged with a federal financial support system that did not sustain grant programs proven to bolster college attainment. As the purchasing power of the Pell Grant diminished, the private education loan market thrived (and dived), contributing to a generation defined by its educational debt. According to the Consumer Financial Protection Bureau, “the financial institution private student loan market grew from less than \$5 billion in 2001 to over \$20 billion in 2008, before contracting to less than \$6 billion in 2011” (p. 3). In this section, I identify practices that were a product of free-market economics and relaxed government regulations. I frame these practices specifically within the years before 2007-08 financial crisis and the subsequent economic recession. Overall, I suggest that this period was lucrative for financial institutions, but fundamentally devastating to student borrowers.

A Boom and Bust Cycle

Our knowledge about the private student loan market in the years leading to and following the financial crisis is due in large part to the Dodd-Frank Wall Street Reform and Consumer Protection Act. Signed into law by President Obama in 2010, the overhaul of the nation’s financial industry established the Private Education Loan Ombudsman within the Consumer Financial Protection Bureau (CFPB) to maintain accountability over private lending of educational loans (Chopra, 2012a). The private student loan market represents the fascinating convergence of federal policy (macroeconomic and social) and private industry (financial), and is the ultimate example of discord in the federal financial aid system.

Private educational loans are any loans designated for postsecondary education and not disbursed by the federal government; however, they are intertwined with federal financial aid programs. The Department of Education requires the Free Application for Federal Student Aid

(FAFSA) for federal loan and grant eligibility. The FAFSA is used to calculate the Expected Family Contribution (EFC), “which is the amount that the student and family are expected to cover directly from their income, assets or other sources, *including loans* [emphasis added]” (CFPB, 2012, p. 10). As noted previously, the FFEL Program was the primary channel through which private lenders offered federally guaranteed educational loans, and subsequently introduced private student loans (PSL). Postsecondary institutions could present PSLs in addition to federal sources of EFC financing, chiefly the Parent PLUS, Grad PLUS, and unsubsidized Stafford Loans. Schools deduct the EFC from the total cost of attendance, and then award students Pell Grants, work-study, subsidized Stafford Loans, Perkins Loans, and other federal grants to cover any outstanding costs. Also, students may choose a private student loan instead of a subsidized Stafford Loan—further inviting competition from private lenders. If a student borrows more than the EFC from a private lender, “his or her overall federal aid can be recomputed and reduced and may even be subject to recapture” (CFPB, 2012, p. 10). Traditionally, financial aid offices at postsecondary institutions have been responsible for packaging financial aid awards and explaining the EFC to students and families (ibid., 11).

Financialization of higher education.

Of the different types of private student loan lenders, this analysis is focused on the financial institutions (banks), which represent a majority of the market. Financial institutions effectively tied the private student loan market to the market for institutions of higher education. According to the CFPB (2012), Americans owe \$150 billion in private student loans, about 15% of total student loan debt. Although private loans represent only a sliver of the financial products available to students, their growth in the last decade, especially during the 2005-07 boom, is characteristic of trends in the financial markets, specifically the subprime mortgage market.

During this period, student loans were funded by asset-backed securities (ABS). The “securitization of debt and debt payment flows” is one of the primary mechanisms to generate profit in the financialized economy (Anyon, 2011, p. 89). Securitization can be summarized as

the transformation of various types of financial assets and debts that are not convertible to cash into instruments that can be sold at a profit, or used to make speculative bets on the direction of asset prices of stocks, interest rates, currency levels, the price of oil or gas, etc. (Anyon, 2011, p. 89)

In the subprime mortgage market, for example, banks sold mortgages to hedge funds, which in turn bundled thousands of mortgages into *securities*. External investors would then “purchase the right to *part* [emphasis added] of the income flow that results from the bundle as people pay their monthly mortgage fees” (ibid., p. 89). These parts were priced according to “assumptions about the risk of the monthly payments” (ibid.). The higher the risk, the higher the interest rate and the lower the price. In this process, “the risk of non-payment” is displaced from the original bank (lender) onto the hedge fund and external buyers; hence, “the original lender is not concerned about the ability” of the individual to pay off the loan. Thus, to make a profit, lenders and issuers of student loan asset-based securities (SLABS) had to increase the volume of loans and, in so doing, presume some borrowers would ultimately fail to repay their loans:

During the boom, high investor demand for student loan ABS (“SLABS”) allowed SLABS issuers to create structures with very low collateralization ratios. ...Generally speaking, the buyer assumed all of the risk that the borrower would fail to repay the loan after such a transaction. Therefore, a PSL lender had an *incentive to increase loan volumes made for such a sale, with less incentive to assure the creditworthiness of those loans* [emphasis added]. This dynamic provided the means and the incentive for PSL lenders and SLABS issuers to originate and securitize greater and greater amounts of PSLs between 2005 and 2007... (CFPB, 2012, p. 18)

Less incentive to assure creditworthiness for a loan meant weaker credit and underwriting standards. Rather than increasing “the percentage of creditworthy borrowers in a loan pool” (ibid., p. 22), lenders lowered credit score standards to raise approval rates and “were more likely to originate loans to borrowers with lower credit scores than they had previously been” (ibid., p. 3). In doing so, lenders “made private student loans riskier for consumers” (ibid., p. 3). Whereas

most federal loans do not consider the creditworthiness of the student at the loan origination, they ensure *fixed* interest rates and debt management options—namely income-based and income-contingent repayment, deferment, and loan forgiveness—for those who cannot afford to repay after graduating. Private loans, on the other hand, generally have variable interest rates with risk-based pricing that are “higher for those who can least afford them—as high as 18% in 2008,” and do not have the generous repayment options reserved for federal loans (The Project on Student Debt, 2011, p. 1).²⁶ Even with stricter standards following the financial crisis—co-signers are now required on nearly 90% of private students loans, compared to 67% in 2008—private loans still lack the risk mitigation tools found in federal loans. Because private student loans require creditworthy co-signers at loan origination, a test of ability to repay, it is assumed that debt management tools should not be necessary. The CFPB is clear, however, “this may not be a correct assessment in all economic circumstances,” as was the case during the economic recession (p. 13).

Institutional transparency.

Given the complex structure, and the distinct features between private and federal student loans, it comes as no surprise that many graduates were confused and alarmed by the terms and conditions of their loans (Whitsett & O’Sullivan, 2012). It is disconcerting, however, that financial aid offices and financial institutions mislead and misdirected borrowers. A CFPB review of complaints filed by private student loan borrowers reveals

...the inability to recognize the crucial differences between federal and private student loans. Some respondents discussed how they thought, or were told, that their private student loans would have the same features (e.g., deferment) as a federal student loan. Others pointed to the belief that they would not qualify for federal student loans and thought that a private student loan was an economic substitute. Some respondents remarked that private student loans were 'packaged' with

²⁶ Federal loans carry a fixed interest rate, which does not change over the life of the loan. Although some private loans carry a fixed rate, many have variable interest rates, which change over the life of a loan on a “monthly, quarterly, or even semi-annually” and are tied to the borrower’s credit worthiness (CFPB, 2011, p. 108).

federal student loans in their financial aid offer, potentially contributing to the economic substitute assumption. (CFPB, 2012, p. 70)

The lack of transparency among postsecondary institutions and financial institutions has been endemic in the private student loan and servicing markets (Kantrowitz, 2009). It is common for financial institutions to arrange “marketing partnerships with schools to attract students to credit card, deposit account, and financial aid disbursement card products” (CFPB, 2012, p. 28). Financial institutions can also market private student loans through *school-certified lending*. Although this process is now scrutinized closely, its mismanagement was instrumental to the lending boom. According to the CFPB:

Prior to the changes to the Higher Education Act under the Higher Education Opportunity Act of 2008 (“HEOA”) and subsequent Department of Education regulations, there were numerous reports of inappropriate relationships between schools and lenders that reflected inducements given to, and in some cases solicited by, schools for placement on an institution’s preferred lender list...direct compensation to institutions, travel and accommodation for “advisory board” meetings hosted by lenders, and school financial aid officials receiving stock and stock options from lenders on the preferred lender list. (CFPB, 2012, pp. 28-29)

Presently, the HEOA guidelines for preferred lender lists prevent the “inappropriate relationships and associated market failures” witnessed during the lending boom (ibid., p. 29).²⁷ On the other hand, financial institutions circumvented institutional oversight by marketing educational loans directly to borrowers. In what is known as the Direct-to-Consumer (DTC) channel, lenders were able to “increase the number of borrowers and the amount each one borrowed” (CFPB, 2012, p. 3, 19). From 2005-2007, 31% of private lenders “marketed and disbursed loans directly to students” rather than schools that traditionally certify students’ financial need (p 3). Ideally, financial aid offices should assist students and families in exhausting all federal loan options before turning to private loans, but DTC lending did not provide that opportunity:

The eligibility for federal aid and the corresponding EFC, together with the school’s determination of availability of scholarships and other non-federal aid are critical tools in determining how much

²⁷ The 2010 amendments to the Truth in Lending Act (TILA) have also increased protection specifically for private student loan borrowers. Disclosures are now required at three stages of the lending process, and must include information about the interest rates and availability of federal loans.

private debt makes sense for a borrower, both in terms of excessive future loan payments and potentially jeopardizing federal aid. When separated from those tools, some students rapidly increased the amount they borrowed during the DTC-dominant years of 2005-2008. (CFBP, 2012, p. 20)

Hearn and Holdsworth (2004) argue “if you wish to institute and maintain a federal program dispensing federal funds but relying critically on private-sector actors, tight monitoring for waste and abuse is imperative” (p. 46). This has not been the practice of the federal loan program. Rather, it conformed to free-market ideology: The federal government “specified the rules of the game” but left “the day-to-day action on the field mainly to the players (schools, banks, guaranty agencies, students, families, etc.), allowing them to play the game largely unrefereed” (ibid., p. 46). As a result, students over-borrowed private loans to cover their EFC and cost of attendance and under-borrowed more consumer-friendly federal loans.

In fact, The Project on Student Debt (2011) reports that 52% of students who took out private loans “borrowed less than they could have in federal Stafford Loans,” and 25% “took out no Stafford loans at all” (p. 1). Moreover, the information-gap between affluent and lower-income and racial and ethnic minority students is dramatically clear in the distribution of private loans during the lending boom (Kantrowitz, 2009). Overall, 13% of students who borrowed private loans did *not* complete a FAFSA, and 11% of students who borrowed private loans completed a FAFSA, but did not take out a Stafford Loan. Furthermore, according to The Project on Student Debt (2011), “the percentage of African-American undergraduates who took out private loans quadrupled between 2003-04 and 2007-08, from 4% to 17%” (p. 2).²⁸ In 2007-08 alone, 14% of African American students used a combination of federal and private loans, compared to 11% of White students and 5% of Asian students (CFPB, 2012, p. 41). The demographic characteristics of undergraduate PSL borrowers are also due to these students’

²⁸ However, “in 2007-08, students’ likelihood of turning to private loans before taking out all they could in federal loans was similar regardless of race or ethnicity” (The Project on Student Debt, 2011, p. 2).

overrepresentation at for-profit colleges, the institutional sector in which the highest proportion of PSLs are concentrated. Although students at for-profit schools only account for 9% of all undergraduates, they constitute 27% of students with private loans (The Project on Student Debt, 2011, p. 2). Moreover, 97% of students at two-year for-profit schools and 96% of students at four-year for-profit schools have a combination of federal and private loans (ibid.). With these facts in mind, it is apparent that when “aid for lower-income students comes in a form requiring repayment” it “continues those students’ legacy of disadvantage” (Hearn & Holdsworth, 2004, p. 53). This disadvantage is illustrated clearly by how financial and postsecondary institutions steered unsuspecting students toward PSLs.

Bankruptcy *and* default.

The confluence of an economic recession, subprime lending, and PSL over-borrowing triggered a lending bust. In 2008, banks and investors started witnessing defaults on loans originated during the lending boom. In the wake of the lending bust, borrowers faced a stagnant labor market and an adverse loan servicing market. According to the CFPB:

In 2009, the unemployment rate *for private student loan borrowers* [emphasis added] who started school in the 2003-2004 academic years was 16%. Ten percent of recent graduates of four-year colleges have monthly payments for all education loans in excess of 25% of their income. Default rates have spiked significantly since the financial crisis of 2008. (2012, p. 4)

By 2011, “more than 10% of borrowers who took out a PSL in 2005” had defaulted—PSL defaults totaled \$8.1 billion as of 2012 (CFPB, 2012, p. 62). As noted previously, PSL borrowers are not afforded the debt management tools available in the federal system to ward off loan default. In addition, due to the bankruptcy discharge exception, students who have difficulty paying their PSLs have one less option available to them. It is unclear why PSLs and federal student loans are treated similarly in the bankruptcy code:

The realm of non-dischargeable debts is limited, and includes child support payments, alimony, debts related to tax liens, claims arising out of wrongful conduct (like a judgment against a drunk driver), and both federal and private student loans. With the exception of private student loans,

these debts have one of two primary characteristics, either they are owed to the public or the creditor lacks discretion over entering into the debtor-creditor relationship (or both). Federal student loans are owed to the government, and excluding them from bankruptcy discharge could be a method of defending the federal fiscal interest. (ibid., p. 71)

Defending the federal and public fiscal interest, however, does not apply to PSLs. According to the CFPB, there is a “lack of explicit legislative intent” to justify a similar “economic rationale for non-dischargeability of private student loans” (ibid., p. 71). The moral hazard argument is also a weak defense for PSLs. To reiterate, the moral hazard dimension of the bankruptcy code posits that students would be encouraged “to use credit to purchase a valuable intellectual asset which cannot be repossessed,” and then discharge the debt shortly after graduation, resulting in widespread fraud and a dysfunctional student loan program (ibid., p. 74). This is counterintuitive, however, when one considers that most private student loans require a creditworthy borrower or co-signer at origination:

In contrast to the pre-credit student, the co-signer asks the lender to extend credit based on the proven income, assets, employment, and payment history of the co-signer. Both lender and co-signer expect that the co-signer can service the debt. That is the purpose of a creditworthy co-signer....The lender and borrower reasonably calculate that borrower can repay the loan. If they miscalculate, both lose, and a bankruptcy discharge may be the ultimate (and appropriate) result. (ibid., pp. 75-76)

Thus, it is in neither the co-signer nor the lender’s best interest to encourage a student to discharge or default on his/her student loans. What is more, studies by the Government Accountability Office (GAO) and the National Bankruptcy Review Commission of 1997 have never found “systematic abuse of the bankruptcy system for student loan discharge” (ibid., p. 75; Somers et al., 2000). Given the rigidity of the PSL system, the CFPB argues, “there may be a percentage of co-signed loans that belong in bankruptcy” (2012, p. 74). Some co-signers and borrowers who were credit-worthy (or subprime) in 2005-07 may have found themselves in an unexpected financial situation following the 2008 stock market crash. Unfortunately, PSLs do

not provide mechanisms to prevent default or cure default (rehabilitation) after the borrower regains a stronger economic footing.

As social theorists have argued, financial markets have become a dominant source of profit in the age of neoliberal capitalism (Anyon, 2011). In a financialized economy, in which public resources/goods are privatized and capitalized for private profit, wealthy investors accumulate a fortune and the working class stands to lose just as it did in the age of industrial capitalism. Neoliberalism's influence in the economy "created a major shift in class power to the benefit of a tiny elite," who drove the economy over a cliff, but managed to bounce back faster and stronger than unwitting bystanders (ibid., p. 95). The federal financial aid system embodies Ball's (2012) "duality of regulation and facilitation" (p. 17): The government abetted "political and economic elite activity" in the private sector, which compromised the financial security of the very students it claims to serve (ibid., p. 95). Specifically, the exploitation inherent in the asset-backed securities market is antithetical to the democratized vision of postsecondary education to which underserved students aspire. In this context, the hegemonic ideologies that drive the federal financial aid system, chiefly equal opportunity and the superiority of neoliberalism, have the paradoxical effect of sustaining one another *and* maintaining the economic stratification system that generates familiar social and economic inequalities.

Part Five: The Proprietary Sector

For-profit institutions are at the nexus of the public/private debate in the federal financial aid system (Hearn and Holdsworth, 2004). In 1972, amendments to the HEA “recognized for-profit schools as eligible institutions for federal aid programs, making for-profit postsecondary training a feasible alternative to public colleges” (Chung, 2012, p. 1085). Although for-profit schools have ostensibly increased college access for underrepresented students, they have not necessarily fulfilled the second half of the bargain; that is, leading students to degree completion and improving their chances in the labor market. In fact, since the 1970s, the proprietary sector has been plagued by accusations of fraud and criticism regarding high loan default rates. Although some policymakers have been inspired to reform the system to “separate financial aid policies that address the distinct needs of fundamentally different types of postsecondary institutions and the students they serve,” but the propriety sector has opposed such measures (Hearn and Holdsworth, 2004, p. 48). Following the financial crisis, for-profit schools have been subject to fresh controversy and heightened scrutiny. Because they have traditionally attracted “a disproportionate share” of underserved students (Chung, 2012, p. 1084), it is useful to assess how these programs manipulate the federal financial aid system, condone unethical practices in the private sector, and blunt students’ future opportunities (Miller, 2010).

Borrowing Rates

The proprietary sector advertises itself as “a successful labor market venue for the disadvantaged” (Chung, 2012, p. 1084). This strategy has led to results, precisely in the years leading up to the Great Recession: “Between 1998-99 and 2008-09, enrollment at for-profit schools increased by 236 percent” (Lynch, Engle, & Cruz, 2010, p. 1). As of 2010, low-income and minority students comprise “50 and 37 percent of students at for-profits, respectively” (Lynch, Engle, & Cruz, 2010, p. 2). In the 2003-04 academic year, more than 25% of Black,

Hispanic, and low-income students started programs at for-profit schools, compared to 10% of White and 7% of non-low-income students (ibid.). Furthermore, although for-profit colleges enroll 12% of all college students, they represent 20% of Black students, and 24% of Pell Grant recipients (Lynch, Engle, & Cruz, 2010). Not surprisingly, the federal financial aid system (read: taxpayer dollars) has been the primary source of the sector's revenue:

In the 2008-09 academic year, for-profit colleges received \$4.3 billion in Pell Grants—quadruple the amount they received just ten years earlier (see Figure 2)—and approximately \$20 billion in federal student loans.¹⁰ As a result of this large federal investment, the average for-profit school derives 66 percent of its revenues from federal student aid, and 15 percent of institutions receive 85 to 90 percent of their revenue from Title IV.¹¹ (Lynch, Engle, and Cruz, 2010, p. 2)

Consider also that for-profit schools are more expensive than schools in the public sector. The unmet need for low-income students is generally higher at for-profit schools than it is at public and private nonprofit schools. For example, “at four-year for-profits, low-income students must find a way to finance almost \$25,000 each year, with only a 22-percent chance of graduating. On the other hand, students at four-year private nonprofit institutions have a lower unmet need of \$16,600...and graduate at rates three times higher” (Lynch, Engle, & Cruz, 2010, p. 3). Among graduates who earn bachelor's degrees, the median debt for “students at for-profits is \$31,190, compared with \$7,960 at public and \$17,040 at private nonprofit institutions” (Lynch, Engle, & Cruz, 2010, p. 6). The plight of students at proprietary schools demonstrates that “grant programs reduce inequality of resources, but loan programs perpetuate it when low-income graduates owe more than their affluent contemporaries” (as cited in Hearn & Holdsworth, 2004, p. 49). Moreover, for-profit colleges had an active role in exacerbating these disparities. During the PSL boom, financial aid offices were engaged in the dubious practices discussed in the previous section. According to complaints filed with the CFPB:

Some consumers described how school representatives provided information on loan programs in order for the borrower to quickly obtain financing for enrollment. Some borrowers report that they have been unable to find adequate employment in order to service the debt offered by parties affiliated with the school, despite assurances to the contrary. (Chopra, 2012a, p. 11)

In sum, low-income and minority students at for-profit schools are more likely to borrow, take out federal loans at higher rates, turn to riskier PSLs, and borrow more than their affluent and White counterparts at public and private non-profit schools.

Cohort Default Rate *and* Private Student Loans

The low degree completion and high loan default rates at proprietary institutions do not bode well for students' ambitions of financial security and social mobility.²⁹ At for-profit institutions, only 22% of first-time, full-time students seeking bachelor's degrees graduate within six years (Lynch, Engle, and Cruz, 2010). At public and private nonprofit colleges, the rates are 55% and 65%, respectively. Thus, a significant share of for-profit institutions is not conferring the coveted credentials for high-paying jobs they advertised.³⁰ Furthermore, about 10% "of for-profit students default on their federal loans within two years of entering repayment," and 19% default within three years (ibid., p. 6). The data is equally dismal when comparing the pool of college graduates and borrowers:

For-profit institutions accounted for 12% of all students enrolled in 2008-09, 28% of those who entered repayment in FY 2009, 48% of those who defaulted by the end of September 2010, and 47% of those who defaulted by the end of September 2011. (College Board, 2012, p. 20)

The federal government uses a relatively high Cohort Default Rate (CDR) to determine an institution's (consequently a student's) eligibility for federal aid. Thus, the proprietary sector has an incentive to rethink its financial aid practices and other policies that jeopardize students' success in the labor market and, in effect, their ability to repay loans. Financial institutions that lend PSLs, however, use CDR rates as low as 8% and 12% to "determine loan eligibility,

²⁹ Cohort Default Rates (CDRs) are a measure a college's "share of their federal student loan borrowers who default within a certain time period after entering repayment" (The Institute for College Access and Success, 2012b, p. 1) Rates are usually based "borrowers who default within two years of entering repayment...Colleges with significant borrowing rates and high CDRs can lose eligibility to provide federal grants and loans to their students" (ibid.).

³⁰ For instance, the six-year graduation rate at the School of Visual Arts is 67%, and ITT Technical Institute and DeVry University have six-year graduation rates of 66% and 31%. The University of Phoenix has only one campus with a six-year graduation rate of 33%, the rest are below 23% (Lynch, Engle, & Cruz, 2010).

underwriting, and pricing” (CFPB, 2012, p. 80). Although this policy is somewhat unfavorable for the institutions, it is more problematic for prospective students. In the previous section, I alluded to the concentration of existing PSLs in the proprietary sector. In 2007-08, on the verge of the financial crash, 42% of students at *two-year* for-profit colleges and 46% of students at *four-year* for-profit colleges had PSLs, an increase of 12% from 2003-04 (The Project on Student Debt, 2011, p. 1; CFPB, 2012). At private two and four-year schools, the proportions are 18% and 25% respectively, and at public two and four-year schools, the proportions are 5% and 14%, respectively. When examined in the context of the student populations at these institutions, the overall picture is disconcerting. Taking into consideration that, during the lending boom, “African-American and Hispanic students were almost twice as likely as students generally to attend schools with a CDR above 8% [and 12%] than schools with a rate below the threshold,” CDR becomes a tool to discriminate against low-income and minority students (ibid., p. 83):

Private student lenders’ use of CDR at very low default levels may present fair lending concerns because...racial and ethnic minority students are disproportionately concentrated in schools with higher CDRs. Accordingly, use of CDR to determine loan eligibility, underwriting, and pricing may have a disparate impact on minority students by reducing their access to credit and requiring those minority students who meet the lenders’ eligibility thresholds to pay higher rates than are otherwise available to similarly creditworthy non-Hispanic White students at schools with lower CDRs. (ibid., p. 80)

It is critical that the CDR does not become a tool in making these loans more pernicious than they were prior to the PSL market crash, especially to the most vulnerable of borrowers. Although I am skeptical of PSLs, the reality is that low-income and minority students are caught between the devil and the deep blue sea: maximum federal grant and loan amounts “do not cover the full cost of attendance at many schools” (ibid., 85)—therefore endangering college access—but risky PSLs can assist some students in obtaining a (costly) college education.

Through aggressive recruitment, advertising, and enrollment strategies, for-profit schools declare their mission is to educate and train low-income and racial/ethnic minority students. But a for-profit school is fundamentally a corporate operation with an eye on the bottom line. The sector's "rapid growth and record profit levels" are not correlated with students "succeeding at record rates" (ibid., p. 2). High tuition in the sector guarantees students are eligible for the maximum Pell Grant; however, as discussed above, students are also counseled into borrowing federal, private, and institutional loans (Lynch, Engle, & Cruz, 2010). The proprietary sector has been castigated for "[encouraging] students who *they believe will not be able to repay their loans*—even after receiving the education that they sell—to take on massive amounts of debt that will haunt them for the rest of their lives" (Lynch, Engle, & Cruz, 2010, p. 7). It is puzzling that an academic institution can disregard students' financial health, yet vehemently insist that the institution is entitled to billions of federal dollars (Miller, 2010). It is perhaps less puzzling when one recognizes for-profit colleges, private lenders, and the federal government subscribe to the same economic doctrine in this racialized capitalist state. Whereas financial institutions pursue profit in clandestine secondary markets, dodging regulation with complex financial instruments, the revenue and profit structure of the proprietary sector is relatively exposed. According to Miller (2010)

While the owners of for-profits see a \$29 billion industry that produces some of the best earnings ratios in the stock market, a group of well-funded short-sellers paints a picture of a fraudulent, over-leveraged industry that's poised for a subprime mortgage-style collapse. (p. 1)

The Department of Education (DOE) appears to be taking active steps, such as Gainful Employment regulations, to reign in this booming industry before such a collapse occurs.³¹ By

³¹ Gainful Employment regulations are an attempt to impose government oversight and accountability over this rather loosely regulated sector. The DOE wants graduates of for-profit schools to meet additional criteria regarding

design, however, these efforts cannot address the deeper structural and ideological fallacies that underpin the federal financial aid system, the proprietary sector, and the macroeconomic system in general. Federal student assistance programs are entrenched in macroeconomic policy that is informed by the principles of neoliberalism, which “may actually serve to reproduce—not subvert—traditional hierarchies of class and race” (Apple, 2006, p. 59). As Gulson (2011) argues, neoliberalism takes notions of equity and opportunity and reframes them as matters of choice and accountability. Choice, however, is perceived as an individual and personal responsibility. Alleviating social inequality is no longer a public venture—the spirit in which federal financial aid was originally designed. Rather, on the surface, remedying inequity is a private endeavor, to be executed by academic *companies* and consumers in a higher education market. As Apple (2006) describes it

For neoliberals, the world in essence is a vast supermarket. ‘Consumer choice’ is the guarantor of democracy. In effect, education is seen as one more product like bread, cars, and television....The ideological effects of this position are momentous. Rather than democracy being a *political* concept, it is transformed into a wholly *economic* concept. (p. 32)

Unfortunately, in a racialized capitalist society, equal opportunity may as well be an oxymoron. The proprietary sector has embraced the ideologies of access and choice, but opportunity is simply “*not* the product delivered by most for-profit colleges and universities” (Lynch, Engle, & Cruz, 2010, p. 1).

Conclusion

Ball (1997) recognizes the changes in scholarship that correspond with the growth of neoliberalism, primarily the “tension between the concerns of efficiency and those of social justice,” reminding researchers that “both sides of the tension are political” (p. 271). This analysis places a greater value on the need to preserve social justice in policy issues across higher education, especially financial aid for low-income and underrepresented minority students. It serves us, therefore, to recognize that “the bias toward privilege encoded in today’s financial aid policies not only betrays our democratic principles, it also weakens our ability to reach our collective aspirations (Lynch et al., 2011, p. 12).

In this paper, I have reviewed how the social justice and economic equity goals of the federal financial system are incongruous with neoliberal doctrine that has, since the 1980s, shaped federal macroeconomic policy and the private-sector financial markets. Reforms to the HEA, namely the incremental shift from grants to loans, the introduction of tax credits and deductions, and the enduring bankruptcy discharge exception, strengthened the federal government’s commitment to the financial industry rather than the underserved public that funds the system. The private student loan industry and the proprietary sector are just two examples of powerful networks that exposed students to the whim of financial markets and compromised any remaining semblance of a social compact in the federal financial aid system. The simple fact is that “existing efforts are not nearly enough to make college a realistic option for the lowest income Americans—even when federal, state, and institutional programs are combined” (Lynch, Engle, & Cruz, 2011, p. 12).

Educational researchers, and the social and economic theories on which they base their analyses, take “geographic, social, and economic mobility and opportunity” as a given, when, in

reality, “most of today’s students have limited mobility, choice, and financial means” (Paulsen & St. John, 2002, p. 192). Leonardo (2004) is correct that critical theorists are controversial, that they are acutely aware of their complicity in these tragedies and simultaneously perceived as elitist in their abstractions and academic jargon. But Leonardo is also correct that the project of utopia critique is never complete, and therefore, perhaps the most optimistic form of scholarship available, one in which “dreaming represents less a wandering consciousness and more a refusal to surrender to despair” (p. 15). If policy is more than “something that is ‘done’ to people” (Ball, 1997, p. 270), if critical theorists agree that individuals are not over-determined by societal structure, and if *habitus* is a dynamic medium, than responses to present conditions require “creative social action of some kind” (ibid., p. 270).

Next Steps

This paper serves as a preliminary analysis, or the groundwork, for further qualitative and ethnographic studies about the effect of these policies on student populations and the broader argument for using CST to understand the nature of the policy problem. An extension of this research would benefit from the student choice literature, specifically from Paulsen and St. John’s (2002) *student choice construct*. According to the authors, “the cultures and values or *habiti* that constitute students’ early school and family environments have a substantial influence on the ways they frame and make educational choices” (p. 192). Critical race theorists employ stories and narratives because they “add necessary contextual contours to the seeming ‘objectivity’ of positivist perspectives” (Ladson-Billings, 1998, p. 11). Thus, to stay true to the principals of CST, a forthcoming study would have to do the work of documenting the “lived experience” of these policies. Leonardo (2004) states, “part of defining oppression as the subversion of essence means that oppression must be socially pervasive. It must have material

consequences measured by social bodies...‘the actual participation of peoples in the making of human life’ (Said, 2000, p. 375)” (p. 14). I did not conduct original research for this project. Interviews with students, financial aid administrators at colleges, and agents at private lending institutions would provide invaluable insight into the social and economic costs of these programs.

In an ethnographic study, I would inquire about the conditions under which students came to borrow from private institutions instead of the federal government, and how they were led to or recruited by proprietary schools. I am interested to know if students can identify or reveal gaps in the implementation of these policies, with respect to access to information about financial aid or counseling about their options. Lack of information, or a misunderstanding about the financial aid process, is a popularly cited reason for why students do not enroll in college or make risky financial decisions. But, researchers suggest that students received misinformation from lenders, a result of a financial aid system that was not transparent, or not regulated enough, to ensure fair practices (CFPB, 2012). Narratives may also shed light on why and how for-profit private colleges recruited students from vulnerable populations, that is, largely racial/ethnic minorities and veterans.

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