

Colleges are failing in graduation rates

David Leonhardt

If you were going to come up with a list of organizations whose failures had done the most damage to the American economy in recent years, you'd probably have to start with the Wall Street firms and regulatory agencies that brought us the financial crisis. From there, you might move on to Wall Street's fellow bailout recipients in Detroit, the once-Big Three.

But I would suggest that the list should also include a less obvious nominee: public universities.

At its top levels, the American system of higher education may be the best in the world. Yet in terms of its core mission — turning teenagers into educated college graduates — much of the system is simply failing.

Only 33 percent of the freshmen who enter the University of Massachusetts, Boston, graduate within six years. Less than 41 percent graduate from the University of Montana, and 44 percent from the University of New Mexico. The economist Mark Schneider refers to colleges with such dropout rates as "failure factories," and they are the norm.

The United States does a good job enrolling teenagers in college, but only half of students who enroll end up with a bachelor's degree. Among rich countries, only Italy is worse. That's a big reason inequality has soared, and productivity growth has slowed. Economic growth in this decade was on pace to be slower than in any decade since World War II — even before the financial crisis started.

So identifying the causes of the college dropout crisis matters enormously, and a new book tries to do precisely that.

It is called "Crossing the Finish Line," and its findings are based on the records of about 200,000 students at 68 colleges. The authors were able to get their hands on that data because two of them are pillars of the education establishment: William Bowen (an economist and former Princeton president) and Michael McPherson (an economist and former Macalester College president).

For all the book's alarming statistics, its message is ultimately uplifting — or at least invigorating.

Yes, inadequate precollege education is a problem. But high schools still produce many students who have the skills to complete college and yet fail to do so. Turning them into college graduates should be a lot less difficult than fixing all of American education.

"We could be doing a lot better with college completion just by working on our colleges," as Robert Shireman, an Education Department official who has read an early version of the book, says.

Congress and the Obama administration are now putting together an education bill that tries to deal with the problem. It would cancel about \$9 billion in annual government subsidies for banks that lend to college students and use much of the money to increase financial aid. A small portion of the money would be set aside for promising pilot programs aimed at lifting the number of college graduates. All in all, the bill would help.

But it won't solve the system's biggest problems — the focus on enrollment rather than completion, the fact that colleges are not held to account for their failures. "Crossing the Finish Line" makes it clear that we can do better.

The first problem that Mr. Bowen, Mr. McPherson and the book's third author, Matthew Chingos, a doctoral candidate, diagnose is something they call under-matching. It refers to students who choose not to attend the best college they can get into. They instead go to a less selective one, perhaps one that's closer to home or, given the torturous financial aid process, less expensive.

About half of low-income students with a high school grade-point average of at least 3.5 and an SAT score of at least 1,200 do not attend the best college they could have. Many don't even apply. Some apply but don't enroll. "I was really astonished by the degree to which presumptively well-qualified students from poor families under-matched," Mr. Bowen told me.

They could have been admitted to Michigan's Ann Arbor campus (graduation rate: 88 percent, according to College Results Online) or Michigan State (74 percent), but they went, say, to Eastern Michigan (39 percent) or Western Michigan (54 percent). If they graduate, it would be hard to get upset about their choice. But large numbers do not. You can see that in the chart with this column.

In effect, well-off students — many of whom will graduate no matter where they go — attend the colleges that do the best job of producing graduates. These are the places where many students live on campus (which raises graduation rates) and graduation is the norm. Meanwhile, lower-income students — even when they are better qualified — often go to colleges that excel in producing dropouts.

"It's really a waste," Mr. Bowen says, "and a big problem for the country." As the authors point out, the only way to lift the college graduation rate significantly is to lift it among poor and working-class students. Instead, it appears to have fallen somewhat since the 1970s.

What can be done?

Money is clearly part of the answer. Tellingly, net tuition has no impact on the graduation rates of high-income students. Yet it does affect low-income students. All else equal, they are less likely to make it through a more expensive state college than a less expensive one, the book shows. Conservatives are wrong to suggest affordability doesn't matter.

But they are right that more money isn't the whole answer. Higher education today also suffers from a deep cultural problem. Failure has become acceptable.

Students see no need to graduate in four years. Doing so, as one told the book's authors, is "like leaving the party at 10:30 p.m." Graduation delayed often becomes graduation denied. Administrators then make excuses for their graduation rates. And policy makers hand out money based on how many students a college enrolls rather than on what it does with those students.

There is a real parallel here to health care. We pay doctors and hospitals for more care instead of better care, and what do we get? More care, even if in many cases it doesn't make us healthier.

In education, the incentives can be truly perverse. Because large lecture classes are cheaper for a college than seminars, freshmen are cheaper than upperclassmen. So a college that allows many of its underclassmen to drop out may be helping its bottom line.

If you look closely, you can still find reasons for optimism. A few colleges, like the University of Maryland, Baltimore County, have intensive programs that have raised graduation rates. The State of West Virginia has begun tying student aid to academic progress, and graduation rates there have risen. Washington Monthly magazine has published a new college ranking based in

part on graduation rates. (Kudos to Penn State, among others.) When students fill out an online form for federal financial aid, the Obama Education Department now informs them of the graduation rate at any college in which they express interest.

But an enormous amount of work remains, and it's hard to think of any work that's more important to the American economy.

Last year, even in the grip of a recession that has spared no group of workers, the gap between what a college graduate earned and what everyone else earned reached a record. Workers with bachelor's degrees made 54 percent more on average than those who attended college but didn't finish, according to the Labor Department. Fifty-four percent — just think about how that adds up over a lifetime. And then think about how many students never cross the college finish line.

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