Rebuilding American Higher Education

From an Engine of Inequality to a Pillar of the Public Interest

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This paper is a collaboration between Higher Education Labor United and the Jain Family Institute.

Executive Summary

American higher education is in deep crisis. The existing system—dominated by privatized financing, institutional stratification, and plutocratic governance—has failed students, workers, and the broad public. It burdens students with debt, degrades academic labor, and erodes trust in higher learning and knowledge creation as public goods. Both the political right and the centrist establishment share responsibility: the right seeks to preserve universities as bastions of privilege for the elite, while the center values higher education only as a means of increasing individual earnings, while ignoring higher education's own inegalitarian role in structuring the labor market. The result is a self-reinforcing hierarchy of prestige and exclusion that reproduces inequality rather than opportunity.

Diagnosis: The Flaws of the Current System

- **Privatization of Funding:** Since the Rivlin Report (1969), federal and state policy has replaced institutional funding with tuition and student loans, treating education as a private investment in future earnings rather than a public good.

- **Tuition-Driven Inequality:** Elite universities chase prestige through merit-based aid and out-of-state recruiting, as well as front-loading aid to maximize revenue once students are on the hook. Less elite schools make workforce development their sole mission, allowing employers to dictate which programs are available and what they teach, so as to train a captive workforce on the student's dime rather than their own. Altogether, public institutions mimic private institution business models, relying on debt-fueled tuition hikes that stratify access and outcomes.

- **Institutional Segregation:** The higher education landscape has collapsed from a pooling equilibrium—shared institutions serving diverse populations—to a separating one, where elite universities serve the rich and "workforce development" schools serve everyone else.

- **Erosion of Academic Labor:** The academic workforce has been hollowed out; tenure lines shrink while contingent and student labor expands, intensifying precarity and weakening professional autonomy.

- **Plutocratic Governance:** Boards dominated by private donors and corporate interests have subordinated education and research to prestige, profit, and ideological conformity, sacrificing academic freedom and any public mission.

Proposal: Reclaiming Higher Education for the Public Good

The paper proposes a **comprehensive reconstruction** of U.S. higher education centered on **universal access, public funding, and democratic governance**:

1. **Direct Federal Institutional Funding:** Replace tuition backstopped by student lending with direct federal institutional support enabling every resident access to a free undergraduate or technical degree within their state or metropolitan catchment area.

2. **System Integration and Desegregation:** Build geographically delimited systems of horizontally differentiated but inter-linked institutions serving heterogeneous, local student bodies, eliminating price discrimination, out-of-state recruitment, and prestige-driven segregation.

3. **Funding our proposal**: Our proposal would be paid for by ending underwater federal student lending, redirecting research overhead to institutional support divorced from individual research grants, correcting past policy mistakes and short-term fixes into a durable, inclusive, and high-quality program capable of gaining widespread public support.

4. **Labor Reform:** Establish equal legal safeguards for labor organization and collective bargaining, regardless of public or private institution status, and enforce robust labor standards across the sector to rebuild the academic middle class, end the two-tier system of contingent employment, and deconcentrate the "academic 1%."

5. **Democratic Governance:** Eliminate private influence from boards, mandate faculty, staff, and student representation, and enforce public accountability through direct federal oversight from the Department of Education.

6. **Public Knowledge Creation:** Redirect federal research funding away from commercialized intellectual property and toward open, mission-driven national priorities such as climate resilience, universally-accessible low-cost technologies, and public health.

A Federal University System

In order to ensure our vision of a reformed higher education system reaches all Americans, we will create a new, federally chartered and operated university system operating across many campuses nationwide—serving as a "public option" for higher education—to guarantee access, enforce standards, and discipline the existing system toward equity and excellence.

HIGHER ED LABOR UNITED

Jain Family Institute

1. Diagnosing the Problem

Higher education is in crisis. Even as the Trump administration has gleefully set about destroying elite institutions in as high-profile and ostentatious a manner as possible, with the disturbing cooperation of those institutions' governing boards and senior administrators,[1] nobody else is happy with the state of higher education either. Students are burdened by tuition and debt and anxious about their career prospects, instructors suffer from decreasingly stable employment with little opportunity for career progression, and the broad public is worried the middle class won't be reproduced because the higher education system is increasingly exploitative and out-of-reach. Meanwhile, the knowledge that system creates is locked up as privatized intellectual property conferring benefits on a select few insiders and available to everyone else only on restrictive and expensive terms.

The current crisis in higher education is the consequence of an attenuated policy and political landscape. The right wants to radically curtail higher education. While it argues this is to re-establish 'excellence' as the highest principle, by contrast with socioeconomic diversity, the actual effect is to ensure American colleges and universities serve as a bastion of privilege for a tiny conservative elite.[2] Free and open scholarship, campus activism, inclusive admissions policies, the organized higher education workforce, federal research funding, and open-handed student lending all threaten its elitist agenda.

The political center has been unable to defend against conservative attacks on higher education. That is because it clings to the view that higher education is a private good whose

[1] Alan Blinder and Stephanie Saul, "Billionaires Have a Bigger Role in Higher Education Under President Trump," U.S., *The New York Times*, November 24, 2025, https://www.nytimes.com/2025/11/24/us/billionaires-influence-universities-trump.html.

[2] Marshall Steinbaum, "The New Politics of Higher Education," *Boston Review*, April 13, 2021, https://www.bostonreview.net/articles/the-new-politics-of-higher-education/.

purpose is to increase individual earnings.[3] Since the 1960s, the federal government has ushered in a shift in funding models away from state support for institutions and toward tuition financed by student debt, which it styles an "investment" in future earnings individuals will use to pay back their loans. Individual institutions and entire higher education systems have used this model to offset waves of austerity targeting disciplines and degree programs considered to operate outside an economic logic, or which cannot attract sufficient students willing to pay escalating tuition in the absence of state support. At the same time, it has also produced a new generation of credentializing professional degree programs that serve simply to levy a toll on access to a remunerative and stable career, and hence to the middle class.

Both the right and the center are fundamentally hostile to the idea that higher education should serve a conception of the public interest broader than individual earnings capacity. Since the 1969 Rivlin Report,[4] federal support for higher education has progressively shifted away from institutional funding and toward individual-level student loans. The guiding assumptions of that report conceived of higher education's contributions to society as primarily providing individuals opportunity to earn higher incomes in the private sector. Over the subsequent decades, and especially during the round of budget crises in the 2000s that accelerated in the aftermath of the Great Recession, state-level policy-making has also adopted the private-earnings-focused vision for higher education.

Part of the argument the Rivlin Report made against public higher education is that it represents a regressive transfer of resources from non-college-attending taxpayers to college graduates and their children. Thus, a shift to a private-sector-earnings logic was refashioned as progressive because it meant taxpayers didn't have to pay for rich kids' education. As policy has been remade by these assumptions about higher education's purpose, the idea that American

[3] For a revealing example, see Postsecondary Value Commission, *Equitable Value: Promoting Economic Mobility and Social Justice Through Postsecondary Education* (Gates Foundation and Institute for Higher Education Policy, 2021). The Gates Foundation literally made agreeing with the premise that the primary purpose of higher education is increased individual earnings a condition of its higher education research funding program in the 2010s. The 2021 report represents the integration of that approach with appeals to racial justice, but without abandoning the individualistic frame.

[4] The full title is "Toward a Long-Range Plan for Federal Financial Support for Higher Education," issued by the Department of Health, Education and Welfare. Its lead author was Alice Rivlin, then a policy staffer at HEW, later Director of the Congressional Budget Office and other senior economic policy-making positions.

colleges and universities produce positive outcomes for society at large through informed public discourse, widely-disseminated scientific and technical research, and planned workforce development has been totally absent from the federal, state, or institutional agenda. As a result, we can now infer what the real, progressive function of public higher education was thanks to its absence: to wrest control over who's allowed to have economic security and access to knowledge away from the plutocrats. Just before her death in 2018, reflecting on the American higher-education system's dependence on loan-financed tuition, Alice Rivlin, the author of that 1969 report, declared "We created a monster."

As a result of these two dominant paradigms from the right and the center, individual institutions and the higher education system as a whole shed any accountability to the broad public, replacing it with a single-minded focus on attracting tuition revenue in exchange for promised higher earnings. Those paradigms also stratified public higher education: instead of offering a place in an integrated system to all qualified student applicants, scarce seats at elite institutions are increasingly allocated on the basis of a private-sector logic: which students can pay full tuition and are likely to earn the most, both of which are in turn determined by parental economic status. Elite institutions gatekeep access so as to be able to charge high tuition and select the student bodies that will serve the imperative set down by private-sector trustees: rise in the rankings. Meanwhile, institutions further down the pecking order that are accessible to a broad swathe of the population do not provide the social advancement they once did, as their curriculum and course offerings are subordinated to the logic of workforce development and training on the worker's dime, rather than the employer's.

In the face of the Trumpist onslaught against professionalism and learning on the one hand and a new generation of campus unrest and the liberal-led authoritarian crackdown and neo-McCarthyism that preceded Trump's return to power on the other, this conception of the purpose of higher education has left colleges' and universities' self-appointed supporters in formal politics wholly unequipped to adequately defend the value of their institutions for the nation and for society.

Who is the current hierarchy really working for? Fewer and fewer of the constituencies on whose behalf it claims to operate, as the widespread public dissatisfaction and distrust of higher education among both insiders and outsiders reveals. The idea that higher education is an engine of social mobility presupposes that a broad swathe of the population has access to institutions that act as a social elevator, but that is simply not how the current system operates.

A third perspective in the higher education debate—drawn as an explicit contrast to the right and the center—is vitally necessary to protect the public interest in an educated populace, knowledge creation, and social reproduction in the broadest sense: not replicating a plutocratic social hierarchy, but enabling the broad majority to improve its economic status and security across generations, rather than sinking downward as the rich get richer.

2. How We Got Here

Wealthy individuals and corporate interests have remade higher education to resemble an increasingly pointy hierarchy: prestige matters more and more, which means a great deal of significance attaches to who attends (and works at) which institution. In economic terms, the undermining of public higher education represents the collapse of a pooling equilibrium, in which many different types of students attend similar institutions, into a separating equilibrium, where each institution caters to students of a different type. That was done through cream-skimming: elite institutions offer a tailored alternative available solely to the students they want (e.g., selective admissions, high tuition, and a campus environment understood as exclusive to the less privileged), undermining the internal cross-subsidies that enable a widely-accessible institution to serve a heterogeneous student body. Instead, in the separating equilibrium that characterizes the higher education system we have now, what determines an institution's prestige is precisely the social character of its student body as well as its workforce. That means higher education replicates, and therefore reproduces, the plutocratic social hierarchy in which status, wealth, and power depends on family background.

The emergent function of higher education is to imbue that radically inegalitarian system with the patina of meritocracy, conferred through restrictionist admissions policies at the most elite institutions and diminishing access to public universities and academic tracks for the children of the underprivileged by virtue of rising tuition. Instead, less-privileged students are increasingly consigned to demeaning "workforce development" programs by a higher education system that considers them unworthy of a high-quality academic education. The central purpose of that "workforce development" is to train the workforce on the student's dime rather than the employer's, bind students to the employers who had a hand in deciding the program offerings and curriculum, and thereby compete down working class wages. That, in turn, serves to reproduce inequality dynamically over generations, always clothed in the costume of meritocracy.

Institutional segregation, of which restrictive admissions is but one facet, is the signature characteristic of the higher education system we all live and work under: the student bodies of heterogeneous institutions are increasingly homogeneous.[5] Each institution's standing in the prestige pecking order is increasingly determinative of the types of students it enrolls, and vice versa. The children of the most advantaged have access to the most well-resourced institutions, putatively having gotten there thanks to admissions policies that define 'merit' as the fruits of an elite upbringing. In such a highly segregated higher education system, in one sense it matters a great deal who attends which institution, because the identity of your institution confers status as that institution's type of student for life. On the other, given the sorting is on the basis of family background, the identity of the college a student attends exerts very little independent effect on life outcomes.[6]

Institutional inequality breeds inequality within institutions: the "academic 1%," senior administrators and decorated professors, clinicians, and researchers who pull in significant federal and private research funding, philanthropic support, clinical dollars, and who generate commercializable intellectual property are sought after by institutions thanks to the resources those individuals command. One example is the "overhead" attached to federal research grants, which is the main source of direct federal support for institutions, typically adding an additional

[5] Raj Chetty et al., *Mobility Report Cards: The Role of Colleges in Intergenerational Mobility*, Working Paper no. 23618 (National Bureau of Economic Research, 2017), http://www.nber.org/papers/w23618. Ran Abramitzky et al., *The G.I. Bill, Standardized Testing, and Socioeconomic Origins of the U.S. Educational Elite Over a Century*, Working Paper no. 33164 (National Bureau of Economic Research, 2024), https://www.nber.org/papers/w33164.

[6] Brent R. Hickman and Jack Mountjoy, *The Return to College(s): Estimating Value-Added and Match Effects in Higher Education*, 2021.

fifty percent or more of a federal agency research award's budget.[7] Because it is tied to individual researchers and the success of their grant applications, institutions bid against one another for those researchers in order to gain access to their overhead. This only accentuates the hierarchical power that has long plagued the academic labor market, since professional success for graduate students and junior faculty ride on the same association, conferring disproportionate workplace power in the few with power over hiring, promotion, and tenure.

Another dimension of intra-institutional inequality is the segregation that happens between campuses, departments, and majors, for example when universities direct adult "commuter" students to campuses distant from the main one while reserving that for traditionally college-age residential students, or entry restrictions for some undergraduate majors to exclude the students who lack the pre-enrollment credentials necessary to access them.[8] Inequality within institutions doesn't just mirror inequality between institutions, but also inequality in the broader society. Because wealth and power concentrate at the top, those in the academic setting with access to and trust from oligarchs command disproportionate power by virtue of that association.

Healthy institutions require balancing their internal political economy: successful researchers should be funded to pursue their work in line with democratically-agreed-upon national knowledge-creation priorities, but the fate of less established workers, not to mention entire departments, colleges, and universities, should not rise and fall with it. Meanwhile, administrators who serve the trustees' mission to enhance their institution's ranking get rewarded with sizeable pay and benefits, mimicking the private sector dynamic whereby executives who serve exclusively shareholder interests are rewarded with fat compensation packages designed to immunize them from any temptation to side with any other stakeholder.[9] Instead, higher ed administrators must be made to balance multiple interests, but especially responsive to the public

[7] Ethan Ris, "Pain for Everyone," Slate, February 26, 2025, https://slate.com/life/2025/02/nih-funding-cuts-trump-indirect-costs-grants-ruling.html.

[8] Zachary Bleemer and Aashish Mehta, "College Major Restrictions and Student Stratification," Working Paper no. 33269 (National Bureau of Economic Research, December 2024), https://doi.org/10.3386/w33269.

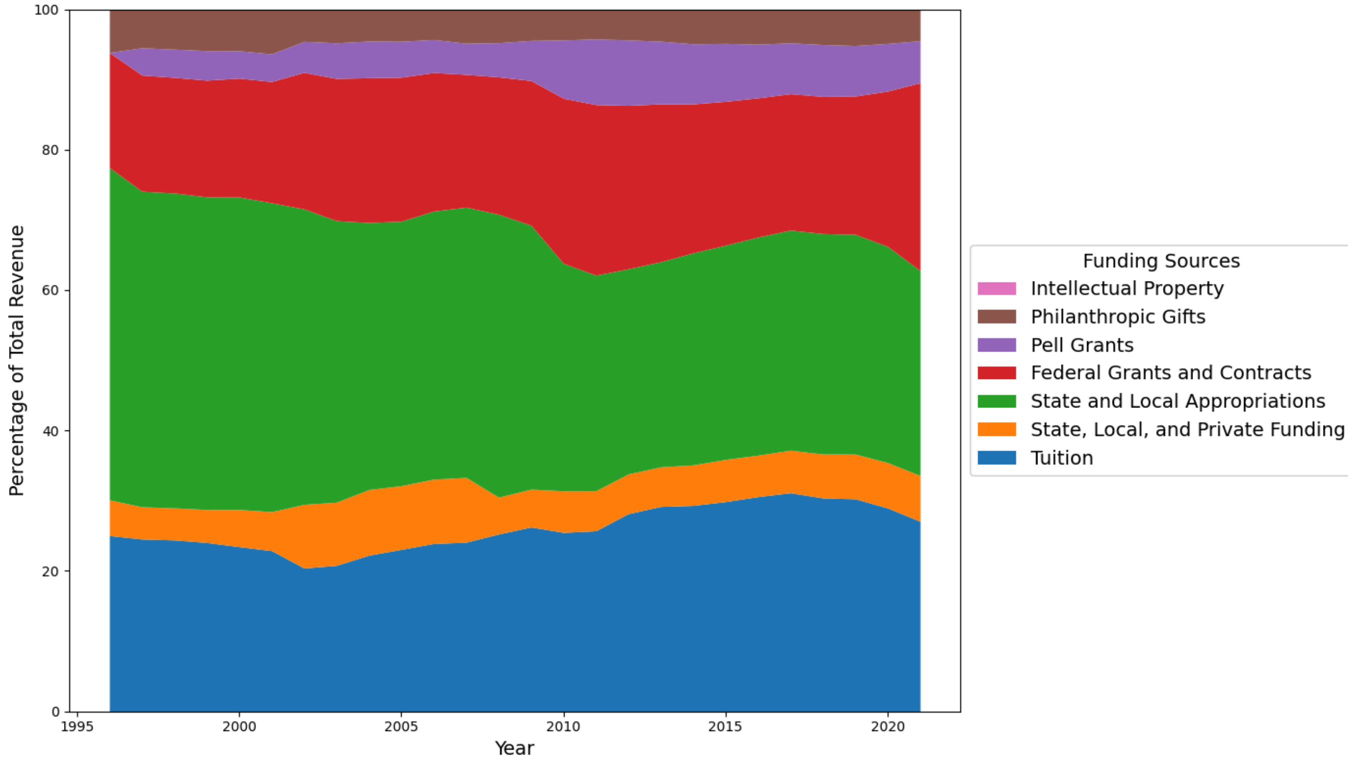
[9] There is an extensive academic literature on executive compensation and its relationship to firm performance and the power of different stakeholders. For examples of the dynamic referred to here, see Daron Acemoglu et al., "Eclipse of Rent-Sharing: The Effects of Managers' Business Education on Wages and the Labor Share in the US and Denmark," Working Paper 29874 (National Bureau of Economic Research, December 2023), https://doi.org/10.3386/w29874 and Andrei Shleifer and Lawrence H. Summers, "Breach of Trust in Hostile Takeovers," in Corporate Takeovers: Causes and Consequences (University of Chicago Press, 1988).

interest in broadly-shared education and robust knowledge creation, not withholding those things from the public in a bid to rise in the rankings or subordinating it to private employers' interest in low pay and a quiescent labor force.

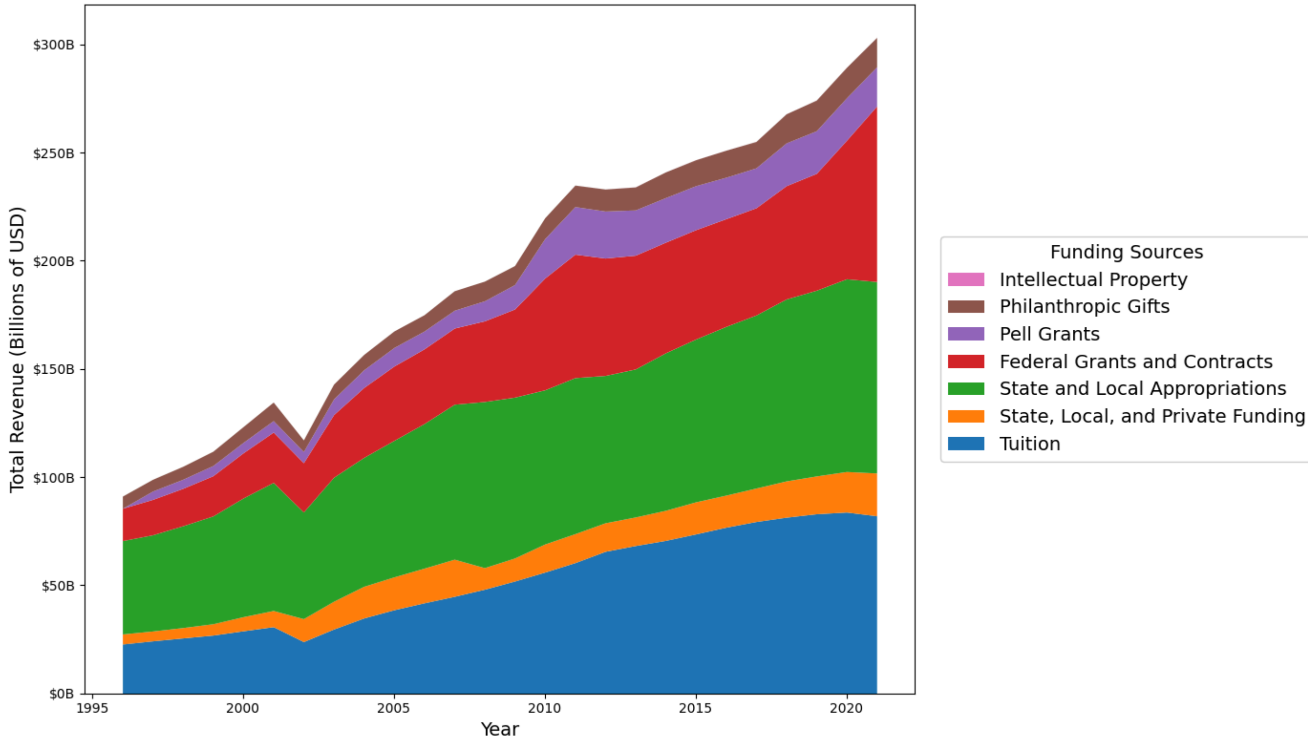
Institutional budgets and tuition levels at public institutions reflect the change in priorities, away from any public purpose and toward a purely private understanding of what higher education is supposed to do. While institutional budgets have expanded across the board, the revenue component that has increased the most is student tuition. As Figures 1 and 2 below show, state appropriations account for a declining share. Increased tuition revenue comes from two sources: higher prices, but also higher enrollment, particularly in graduate and professional programs.

Institutions take advantage of the federal government's open-handed student lending policies, especially for graduate loans, by proliferating graduate programs. Until recently, such programs were eligible for uncapped federal lending. Responding to tuition-revenue incentives, institutions also shift their student bodies away from in-state students paying lower tuition toward out-of-state and international students who pay full price, worsening the political spiral where public universities, in particular state flagships, divorce themselves from serving an in-state constituency to compete for national and international enrollments on prestige, which requires enrolling a more advantaged student body from out-of-state.[10] That, in turn, convinces the state population and their legislative representatives that they have no stake in the state's higher education system so they might as well disinvest further and encourage yet more privatization.

[10] Crystal Han et al., *Recruiting the Out-of-State University* (The Joyce Foundation, 2019), https://ozanj.github.io/joyce_report/#/title.



Revenue share by source for all public colleges and universities.



Revenue by source in absolute dollars for all public colleges and universities.

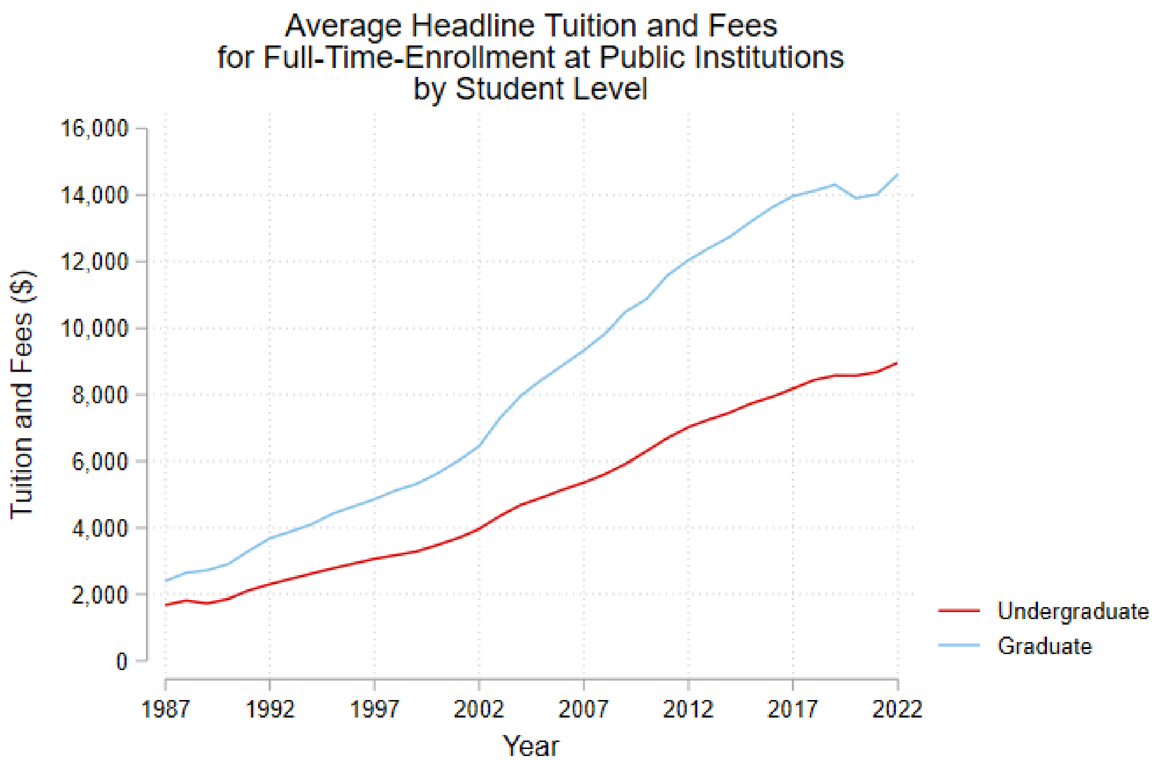
Even more insidiously, colleges have gotten better at targeting financial aid to what individual students are willing and able to pay. That takes the form of replacing need-based financial aid with merit-based, which tends to flow to students who are more affluent with many alternatives, potentially in multiple states.[11] Targeting financial aid to maximum willingness to pay also takes the form of front-loading, i.e. offering a relatively generous package to get students to enroll as freshmen, when they're more likely to be choosing between options, then restricting financial aid in subsequent years when transferring is more difficult. In short, public universities have gotten better at enrolling students for more years and more degrees while at the same time extracting the maximum net tuition those students (and their families) are willing to pay.

[11] Liam Knox, "'Merit Scholarship' or Enrollment Incentive?," *Inside Higher Ed*, December 11, 2023, https://www.insidehighered.com/news/admissions/traditional-age/2023/12/11/rise-non-need-merit-aid-raises-equity-concerns.

This business model feeds out in greater tuition dependence across the system. The current management ethos in public higher education favors this as a defensive strategy against the threat of budgetary austerity from skeptical state legislatures. The result, however, is colleges and universities that increasingly operate like private businesses, selling something at a high price that the public is willing to pay for by virtue of the availability of student loans and the demand for educational credentials in a labor market where employers have the power to unilaterally determine hiring eligibility.[12] Administrators and legislators alike prefer universities to behave this way, because it shifts the burden of oversight and regulation to the private sector in the form of student 'choice' as the supposed regulatory mechanism, with the federal government ultimately footing the bill through unrepaid student loans, not to mention the private savings devoted to tuition.[13]

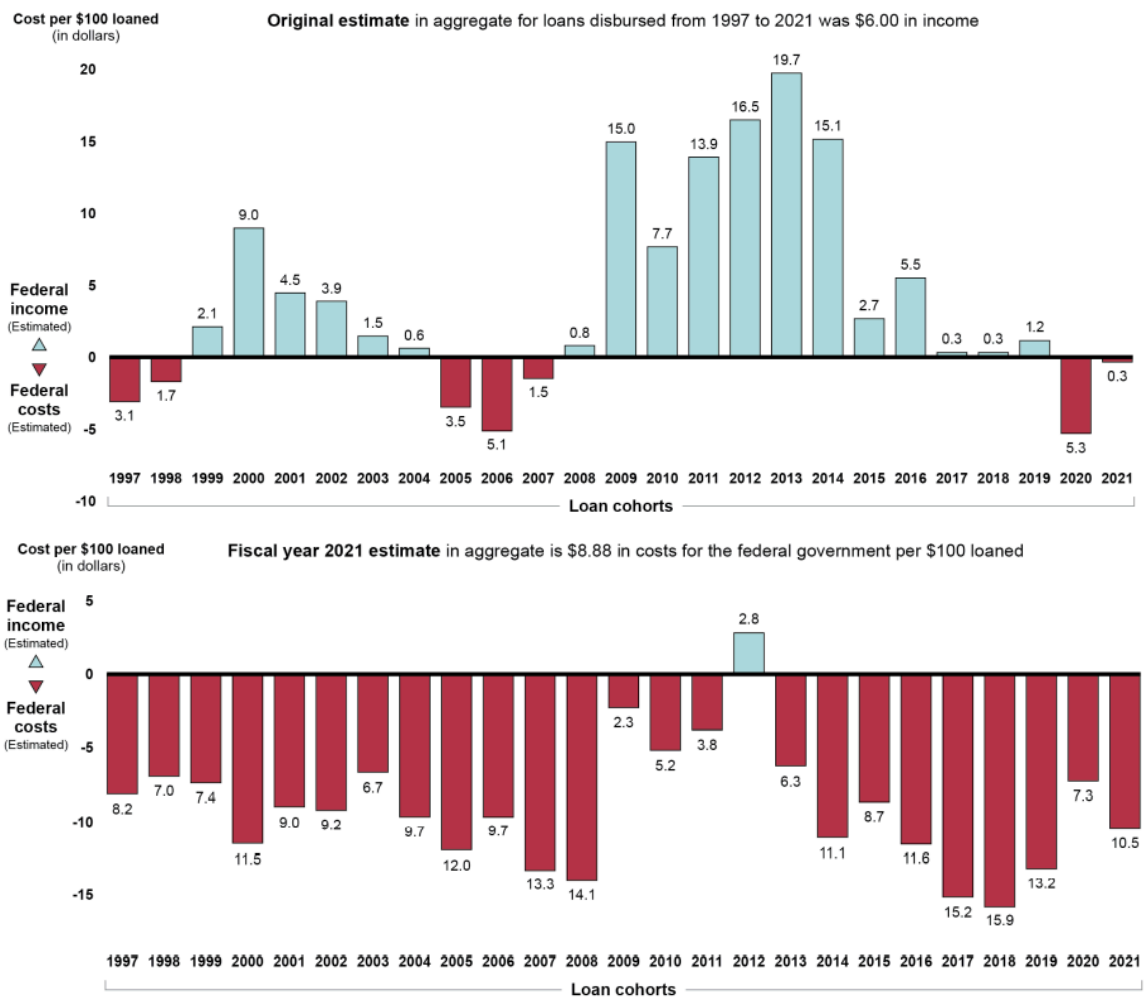
[12] Julie Morgan and Marshall Steinbaum, *The Student Debt Crisis, Labor Market Credentialization, and Racial Inequality* (Roosevelt Institute, 2018), https://rooseveltinstitute.org/student-debt-crisis-labor-market-credentialization-racial-inequality/.

[13] Marshall Steinbaum, *The Student Debt Crisis Is a Crisis of Non-Repayment* (Jain Family Institute, 2020), https://www.jainfamilyinstitute.org/assets/msd4-2020-student-debt-crisis-is-a-crisis-of-non-repayment.pdf. Laura Beamer et al., *The Repayment Pause and the Continuing Crisis of Non-Repayment* (Jain Family Institute, 2023), https://jainfamilyinstitute.org/the-repayment-pause-and-the-continuing-crisis-of-non-repayment/.



Headline tuition and fees at public colleges and universities over time.

Figure 6: Original and Current (fiscal year 2021) Estimated Direct Student Loan Cost or Income per $100 by Loan Cohort, Fiscal Years 1997–2021



Source: GAO analysis of the Department of Education's fiscal year 1997-2021 budget estimates. | GAO-22-105365

Note: Estimated costs are in nominal dollars.

Ex-ante versus ex-post fiscal prognosis for each annual vintage of federal student loans, according to the Government Accountability Office's analysis of Department of Education data. Thanks mostly to false assumptions made when these loans were originated, namely about the income growth associated with each level of education in a period of stagnant wages, the federal government massively expanded student lending, leaving students with hundreds of billions if not trillions in unrepayable debt. Source: U. S. Government Accountability Office, Student Loans: Education Has Increased Federal Cost Estimates of Direct Loans by Billions Due to Programmatic and Other Changes, GAO-22-105365 (2022), https://www.gao.gov/products/gao-22-105365.

No one is happy with this state of affairs, other than the handful of insiders profiting from it. That universal dissatisfaction with the state of higher education is woven through all the news stories and public narratives about the ostensible failure of higher education in recent decades, from the student debt crisis to a wave of labor organizing and collective action on the part of university workers to the backlash those trends, not to mention campus protest, have brought about on the part of plutocrats represented on university boards and in the federal government. They, in turn, rail against the supposed threat to free speech represented by campus activism and blame the victims for the student debt crisis and broad loss of trust in the system, which they use as an excuse to remake it further in their image.[14]

We call for a fresh start. But before we lay out our alternative vision for the future of higher education, it's worth drawing explicit lessons from the narrative of recent higher education history. We do this because the monster of inaccessible and insufficient education and knowledge production, not to mention eroded labor standards, in which federal spending in the form of bad loans fuels runaway tuition and leads to extreme segregation is premised on false assumptions about how higher education and the broader economy work. We cannot begin to reform without taking on those assumptions and disposing of them.

[14] University of Utah President's Leadership Council, "Impact 2030: A Campus-Wide Strategic Plan," January 24, 2024.

3. Lessons from the Past

A number of related claims about the nature of education and labor markets, as well as intergenerational social mobility, buttress US higher education policy and its trend toward privatization, segregation, and hierarchy. These include the claim that a college degree is what determines an individual's future earnings, that tuition reflects the wage premium workers can expect to earn, and that rising tuition therefore reflects a well-functioning market in which future earnings are purchased by present tuition. All of these claims reflect foundational assumptions underlying the $100 billion the federal government originates every year in student loans.

Each of these claims is wrong. To understand why, we review the research on how colleges and universities interact with the labor market, the government, and students' family background.

3.1. The Beltway consensus wrongly assumes the relationship between educational attainment and earnings is causal, and that it can be extended out-of-sample

One of the central myths underlying contemporary higher education policy is that "a college degree pays off." That was the refrain justifying continual increases in tuition and admonitions to individuals to pursue degrees as a means of improving their status and outcomes in the labor market: any price is worth paying for college, because the upside is so great.[15] The basis of the claim is earnings comparisons between college-educated and non-college-educated workers, the so-called College Earnings Premium, which has an apparently unique status in the social sciences of a correlation that can be assumed to be causal without further exploration.[16]

[15] For an explanation of the infiltration of this idea into policy-making and institutional marketing strategies, see Josh Mitchell, *The Debt Trap* (Simon & Schuster, 2021).

[16] This is, of course, an over-statement in that plenty of studies that attempt to identify a causal effect of higher education attainment at the margin on earnings exist. See for example Jack Mountjoy, "Marginal Returns to Public Universities," *Quarterly Journal of Economics*, November 2025. However, public discourse about the College Earnings Premium rarely if ever considers whether its measured level of a million dollars or more in lifetime income is consistent with the magnitude of the causal effects estimated in those studies, and those studies rarely consider whether micro estimates of a causal relationship hold at a macro level. In other words, they do not examine whether the relative earnings gains for marginal attainers compared with non-attainers that they estimate would hold from increasing attainment across the board. They therefore ignore any labor market credentializing/rat race effect that

Even on its own terms, however, the claim is a problematic one on which to base policy. Usually when we observe variation in earnings between people who do or do not buy something expensive, we do not conclude that the causation runs from the purchase to the earnings variation. Rather, the reverse: the richer you are, the more easily you can afford to buy something expensive. The same holds for individual institutions and degrees within higher education: more prestigious ones tend to cost more. This is the essence of a 'club good' or a 'Veblen good'—it's worth paying for precisely because it's expensive, because that demonstrates you can afford it and thus fit in with the rest of the club's membership. Higher education is no different.

Bleemer and Quincy (2025) show that the college earnings premium has become significantly more unequal since 1960, meaning that the earnings differences between people who do and don't go to college are smaller for the children of less-well-off parents and have increased substantially for the children of the elite. That is thanks to increasing segregation by institution type and especially to the decreasing value that the types of institution likely to serve disadvantaged students offer to those students in light of reductions in teaching, curriculum, and resources.[17] Precisely as that lower-prestige stratum of the higher education system has oriented itself exclusively to "workforce development," its actual value in the labor market to the students it educates (net of the cost they incur to obtain that education) has fallen off a cliff. Meanwhile, as access by disadvantaged students to elite institutions has attenuated,[18] the "value" of attending those institutions has amplified because they are the exclusive route to a career in the higher-wage segment of an increasingly stratified labor market, i.e., into the ruling class.

explains at least part of the student debt crisis. See Sérgio Pinto and Marshall Steinbaum, "The Long-Run Impact of the Great Recession on Student Debt," *Labour Economics* 85, no. 102449 (2023), https://marshallsteinbaum.org/assets/pinto_steinbaum_full_article_accepted_9-2023.pdf for a discussion.

[17] Zachary Bleemer and Sarah Quincy, "Changes in the College Mobility Pipeline Since 1900," Working Paper no. 33797, Working Paper Series (National Bureau of Economic Research, May 2025), https://doi.org/10.3386/w33797. Timothy Bartik and Brad Hershbein came to a similar conclusion earlier, albeit without the focus on institutional segregation as the causal mechanism in the more recent research. Timothy Bartik and Brad Hershbein, "Degrees of Poverty: Family Income Background and the College Earnings Premium," *Employment Research Newsletter* 23, no. 3 (2016), https://doi.org/10.17848/1075-8445.23(3)-1.

[18] For the decline in disadvantaged-student access to elite institutions since the peak during the 1970s-1980s, see Ran Abramitzky et al., *The G.I. Bill, Standardized Testing, and Socioeconomic Origins of the U.S. Educational Elite Over a Century*, Working Paper no. 33164 (National Bureau of Economic Research, 2024), https://www.nber.org/papers/w33164.

3.2. The Beltway consensus overlooks the overwhelming evidence that parental economic status is the major cause of child economic status and life outcomes

The substantial literature that seeks to estimate a causal "college earnings premium" maintains the untested assumption that individual characteristics, including educational attainment and innate ability, comprise "human capital," which determines career progression and pay in the labor market. In fact, a great deal of evidence casts doubt on this: employer and market characteristics, not individual worker ones, are the focus of contemporary research in labor economics as the determinants of pay and other labor standards.

But even though contemporary research in labor economics has largely abandoned human capital as the supposed cause of labor market outcomes, certain individual-level characteristics do substantially influence which labor markets, and more importantly, which jobs and employers a given worker has access to. Research on intergenerational determinants of economic status finds that the single most important predictor, by a wide margin, is the economic status of your parents.[19] The more stratified the higher education system becomes, the less it can be understood to push against the status quo in which socioeconomic status is increasingly correlated with birth.[20] That is one reason the definition of meritocracy has been subtly adjusted to embrace this reality: the fact that parental outcomes determine child outcomes means educating anyone other than the children of privileged parents at elite institutions displaces 'excellence' in favor of a misguided social justice that cannot overcome the logic of inherited status. Under that logic, the only legitimate purpose of the higher education system is to ratify a rigid social hierarchy across time and generations by giving some reason other than the raw fact of their birth for the children of the elite to inherit their parents' social status. That reconstitution of deservingness is eugenic in its logic and inconsistent with the survival of a middle class from one generation to another.

The myth of individual deservingness unrelated to inherited advantages is pernicious in particular when it comes to higher education. That is because it motivates individual-level

[19] Raj Chetty et al., "Is the United States Still a Land of Opportunity? Recent Trends in Intergenerational Mobility," *American Economic Review* 104, no. 5 (2014): 141–47, https://doi.org/10.1257/aer.104.5.141.
[20] Raj Chetty et al., "The Fading American Dream: Trends in Absolute Income Mobility Since 1940," *Science* 356, no. 6336 (2017): 398–406.

selection as the predicate for access to a high-quality education, which ratifies cream-skimming to collapse a pooling equilibrium of heterogeneous students attending the same or similar institutions into a separating one, where heterogeneous institutions each have homogeneous student bodies. Elite and elite-aspiring institutions favor the latter, because it confers the power to determine who belongs in the elite on themselves, a very powerful gatekeeping function. As such, they prefer individualized prices through financial aid to uniform ones, and "rigorous" selection procedures in which those admitted, particularly the few who come from disadvantaged backgrounds, are made to feel grateful rather than entitled. Meanwhile, the most important function is to disguise inherited privilege on the part of most students by festooning it with the trappings of meritocracy.

3.3. High tuition with selective discounts is a form of price discrimination. This is not only a segregation machine but a component of the rising cost of living.

In addition to the claim that "a college degree pays off"—because individual earnings are a reflection of educational attainment and merit, rather than market structure and inherited status—there is a third common justification for preserving higher education business models relying on tuition revenue backed by federal student loans. This is the claim that higher tuition prices do not reflect a barrier to entry into the higher-status segments of the labor market, because less-advantaged students get tailored discounts in the form of financial aid, while the only people who pay sticker-price tuition in full are those children of privilege able to do so without difficulty.

For example, leading higher education researchers have written that "the potential advantage of the U.S.'s high-tuition, high-aid model is that it makes use of private resources from those students who can afford to pay, while enabling any given level of public subsidies to go further by targeting aid to students who need it most."[21] Another recent paper argues that the net tuition schedules at state flagship universities in particular have become more progressive over time in

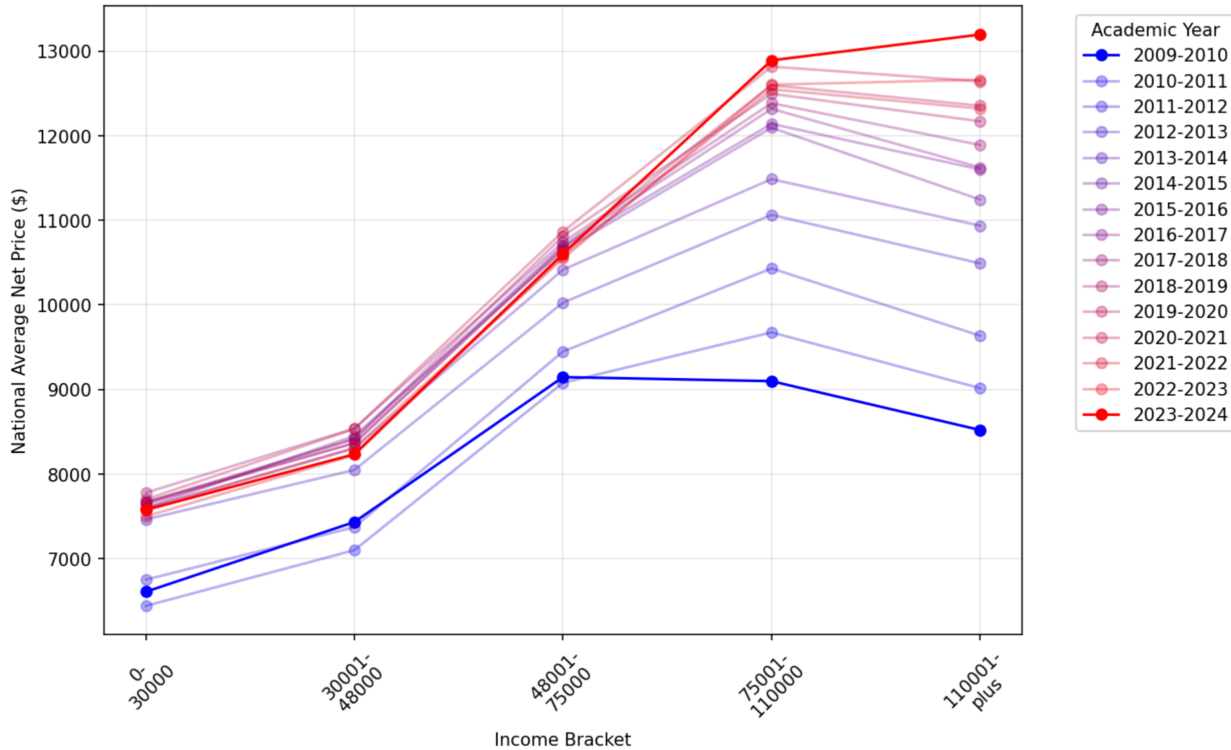
[21] Susan Dynarski et al., "College Costs, Financial Aid, and Student Decisions," in *Handbook of the Economics of Education*, ed. Eric A. Hanushek et al., vol. 7 (Elsevier, 2023), https://www.sciencedirect.com/science/article/pii/S157406922300020X.

the sense that the net discount from sticker price paid by the children of the poorest parents has gotten larger in percentage terms as that sticker price has increased.[22]

Below we reproduce and reinterpret that finding using the College Scorecard data for net price (i.e., inclusive of institutional financial aid) for "first-time, full-time" students receiving Title IV aid at public universities, by academic year.[23] The earliest, blue lines depict a gently-progressive net price schedule by parental income bracket: the children of better-off parents paid around $8,500 per year to attend public universities in the 2009-2010 academic year, on average, while the children of the lowest-income parents paid about $6,500. By contrast, in 2023-2024, the children of the highest-income parents paid over $13,000 per year to attend public universities, while the children of the least-well-off paid less than $8,000. The fact that prices paid by the highest-income families have risen more than prices paid by the lowest-income families is mobilized to argue that US higher education is becoming more egalitarian.

[22] Emily E. Cook and Sarah Turner, "Progressivity of Pricing at US Public Universities," *Economics of Education Review* 88, no. 102239 (2022), https://www.nber.org/papers/w29829. See also: Phillip Levine, *Ignore the Sticker Price: How Have College Prices Really Changed?* (2024), https://www.brookings.edu/articles/ignore-the-sticker-price-how-have-college-prices-really-changed/.

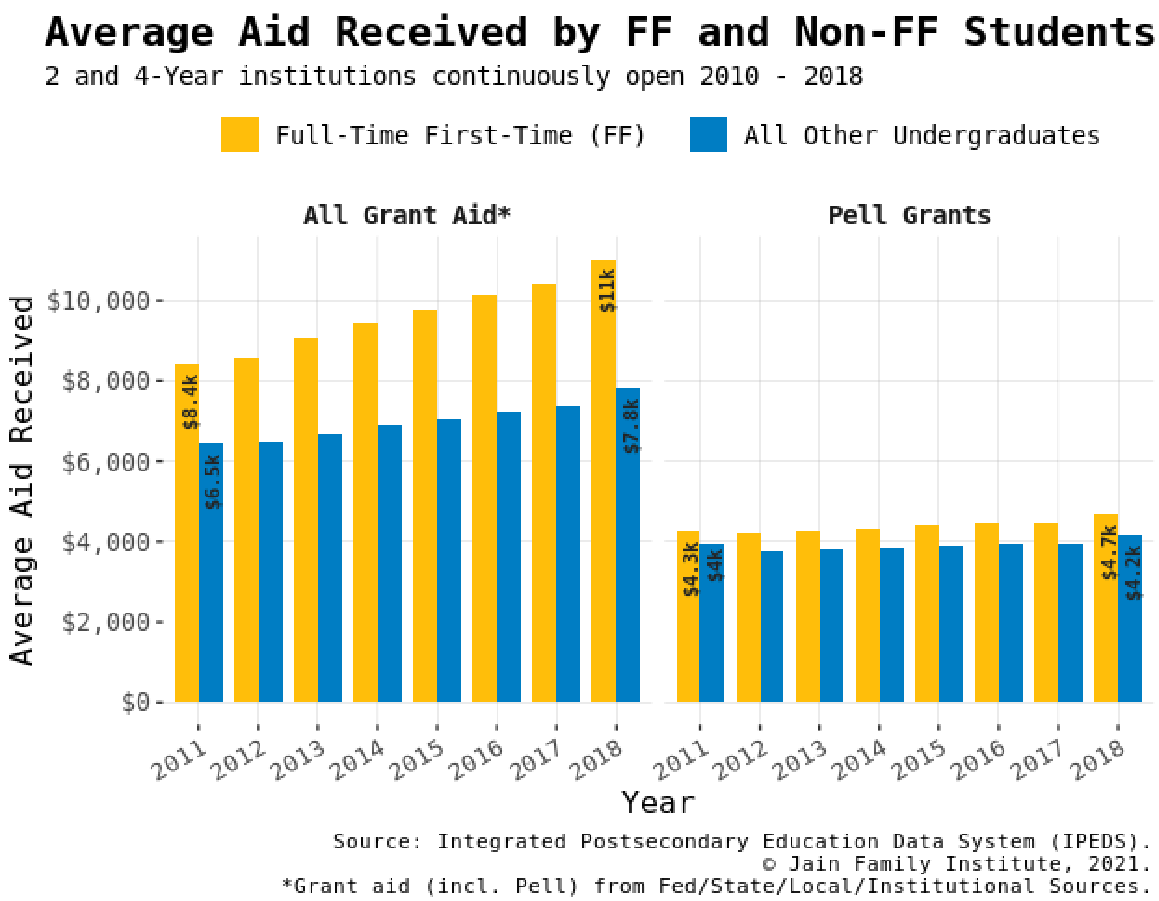
[23] Title IV of the Higher Education Act authorizes the federal student loan program, Pell grants, and federal work study aid.



Net price (tuition minus grant aid) for first-time, full-time students with parents in each family income quantile, 2009-2010 through 2023-2024 academic years, all public institutions.

Several points are worth emphasizing about this pattern. First, and most obviously, *net prices still increased for the children of lower-income parents*. Insofar as internal redistribution is going on at public institutions, it does not defray the rising cost of attendance on poorer students and their families. The fact that tuition has gone up even more for the children of higher-income parents doesn't mean college is affordable for those who start off lower down the socioeconomic hierarchy.

Second, as mentioned above, these figures pertain only to first-time, full-time undergraduates. In other words, the pattern of progressivity reflects the financial aid available in the first year students enroll, which does not persist throughout their enrollment. In reality, institutions have gotten better at "front-loading," meaning offering relatively generous aid packages to freshmen who are potentially choosing between multiple options, then reeling those packages back in once students are on the hook, as it were, and transferring is more laborious. Research from the Jain Family Institute found that, in 2021, students could expect to receive an average of $3,000 less aid as upperclassmen versus their first year of college, while eighty-three percent of higher education institutions in the academic year 2017–2018 presented information to potential freshman obscuring similar reductions in financial aid for upperclassmen.[24]



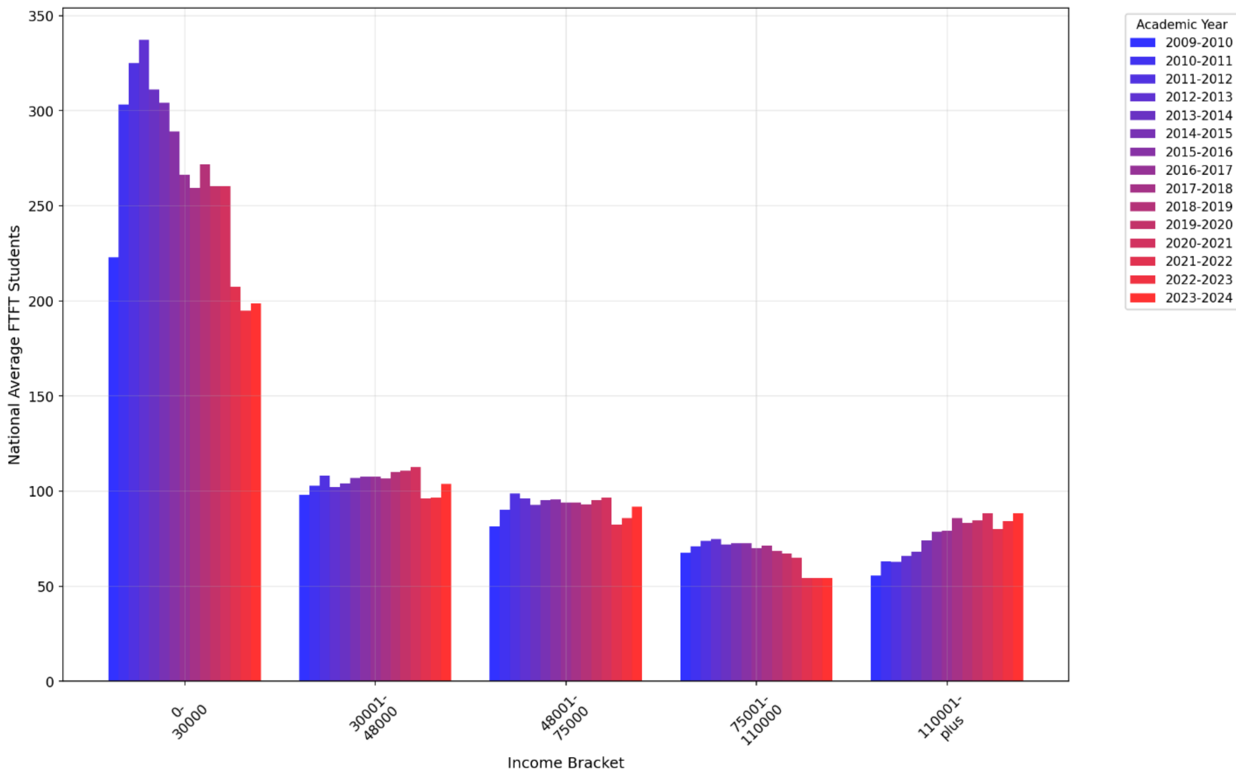
Comparing aid between first-time, full-time students versus all undergraduates, over time, for all higher education institutions that remained open throughout the study period.

[24] Laura Beamer, *How Schools Lie* (Jain Family Institute, 2021), https://www.phenomenalworld.org/analysis/how-schools-lie/.

Third, and most importantly, these net-price figures do not account for the other dimension relevant for determining progressivity or regressivity: access. Even if the children of low-income parents receive generous aid packages, the institution as a whole can't be said to be accessible to such students if only a tiny number of them are admitted and enroll. The figure below shows the time series of first-time, full-time student count receiving Title IV aid (i.e. student loans, Pell grants, or federal work study) by parental income bucket from 2009-2024. Notably, the number of low-income students has been in decline since the peak during the Great Recession, while the number of higher-income students is increasing.[25] While defenders of the basic fiscal arrangements of higher education argue that growing progressivity of the net-aid distribution means rising tuition prices are not the problem the public imagines, the enrollment figures show that public universities are becoming decreasingly accessible to the broad public.[26]

[25] The Great Recession motivated an enrollment spike, particularly among so-called "non-traditional" students encouraged to rectify unemployment or low earnings by obtaining educational credentials as an ostensible cure of labor market woes. See Sérgio Pinto and Marshall Steinbaum, "The Long-Run Impact of the Great Recession on Student Debt," *Labour Economics* 85, no. 102449 (2023), https://marshallsteinbaum.org/assets/pinto_steinbaum_full_article_accepted_9-2023.pdf. Note that each bucket includes both dependent students whose family resources are factored into any aid award and "independent" students whose parental resources wouldn't be relevant to their aid package. Independent students are probably disproportionately represented in the lower income buckets, given age-income profiles.

[26] The increase in higher-income student enrollments could be because more privileged students are being admitted, or because more privileged students previously didn't need Title IV aid (namely, student loans) and now do thanks to rising net tuition. It's not possible to distinguish between those two possible explanations in this data.



Average enrollment count of Title IV recipients by parental income quantile, 2009-2010 through 2023-2024, all public institutions. Higher tuition for advantaged students does not finance greater access by disadvantaged students.

The implication of net prices that are specifically tailored to what students are willing and able to pay is that institutions are using those prices to select their student bodies.[27] Even as increasing selectivity dominates media coverage of elite institutions, acceptance rates are climbing at most public universities, including previously-selective state flagships.[28] That pattern makes sense when you consider that in a typical market transaction, excess demand (in this case, a low acceptance rate) represents a pricing failure. Rather than a selective admissions process

[27] This is opposed to the more traditional selective admissions process, where selection is on the basis of an applicant's academic and personal background and everyone who enrolls pays approximately the same price.
[28] Senate-Administration Working Group on Admissions, *Final Report* (University of California San Diego, 2025), https://senate.ucsd.edu/media/740347/sawg-report-on-admissions-review-docs.pdf. Giuliana Perrone, "Record UC Admissions Mask Crisis of Quality, Resources," *Noozhawk*, August 20, 2024, https://www.noozhawk.com/giuliana-perrone-record-uc-admissions-mask-crisis-of-quality-resources/.

rationing access to an in-demand good, prices are "supposed" to do that in a private market transaction. Hence, institutions with low acceptance rates and uniform net prices are leaving money on the table, and the aforementioned shift to a market logic governing higher education dictates that institutions who can price discriminate among their applicants do so, in order to extract the maximum surplus. Everyone who applies can be admitted, but with a financial aid package and associated net price that extracts all their consumer surplus. Students the university is indifferent about enrolling are charged a price that renders their presence on campus advantageous from the institution's perspective, should they accept the offer of admission.

The way that is done, broadly speaking, is to shift from need-based to merit-based financial aid. Recipients of need-based aid are more likely to be in-state students from "non-traditional" backgrounds who are unlikely to travel for their higher education, while recipients of merit-based aid tend to originate out-of-state and to have options for where to enroll in a national market. The latter are attractive to public institutions seeking to construct a student body that confers prestige on the institution, the better to attract high-tuition-paying students and thus support a budgetary shift toward private tuition, backstopped by student lending if necessary. Minimum GPAs and other standards attached to merit aid awards are a useful pretext with which to implement front-loading. Meanwhile, in-state students are displaced down the institutional pecking order, or out of the higher education system entirely, especially if the net price they have to pay increases over the period of their enrollment. Attrition plays the role of further segregating the student body as a cohort ages through a given institution.

The combination of increasingly-merit-based financial aid and front-loading is also responsible for a notable feature of contemporary higher education: grade inflation.[29] Merit scholarships are frequently conditional on maintaining a minimum GPA, and not doing so is a standard excuse for withdrawing aid in subsequent years following enrollment. That makes students extremely sensitive to course grades, such that they seek out less challenging courses of study and pressure faculty to loosen grading standards within a given course. Thus, even as the stated motivation for merit-based scholarships and other neoliberal reforms to higher education is to reward "excellence," the reality is that they erode academic standards.

[29] Amanda Claybaugh, *Re-Centering Academics at Harvard College: Update on Grading and Workload* (Harvard College Office of Undergraduate Education, 2025).

3.4. The 'free market' in higher education is not an effective regulator.

The utility for institutions and policy-makers in a higher education system largely funded by tuition, financed by federal loans, which everyone understands will eventually be written off *en masse*, is that it hides the lack of institutional accountability and regulation behind the myth of the free market, where student choice about where to attend and what to study supposedly disciplines institutions to provide a quality product. That hasn't worked in higher education, just like it hasn't worked in healthcare, which shares a similar multi-payer ersatz-privatized character.

Institutional segregation in higher education mimics the result of privatization everywhere else it has been tried: customers (and workers) sorted between providers, without much meaningful discretion to select between rival alternatives who are in competition with one another for their business or their labor. Insofar as there have been paltry attempts by the federal government to regulate institutional conduct and business models in the current neoliberal era in response to concerns about excessive student debt, they have taken the form of disclosure of individual earnings and repayment data by institutions that would supposedly enable would-be students to comparison shop. In the extreme, the "Gainful Employment" rule,[30] issued by the Biden Administration in 2024, would have cut for-profit institutions off from the student loan gravy train if they could not demonstrate student outcomes better than people who don't attend college. It imposed less harsh penalties on non-profit institutions for failing to meet the same standard. The nascent second Trump administration has defended this rule in court, while signaling they intend to move in the direction of exempting the most egregious for-profit operators so they can remain on the federal gravy train, while turning the full force of the rule on non-profit institutions who would be scrutinized only for post-graduate earnings, which they don't control, rather than student debt.[31] The aim appears to be to punish institutions the administration considers too left-wing or to be educating the wrong kinds of students, with the

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[30] Financial Value Transparency and Gainful Employment, ED-2023-OPE-0089 (2024), https://www.ed.gov/sites/ed/files/policy/highered/reg/hearulemaking/2021/nfrgeunofficialcopy.pdf.

[31] Natalie Schwartz, "Federal Judge Dismisses Legal Challenge to Gainful Employment Rule," *Higher Ed Dive*, October 3, 2025, https://www.highereddive.com/news/federal-judge-dismisses-legal-challenge-gainful-employment-rule/801972/.

looming threat that they must agree to Trump's extortionate "compact" to retain access to the federal student loan program and thus to keep their doors open.

These plans have only ever barely taken effect and thus far never been enforced. But even if they were, they subscribe to the fatally flawed notion that the desideratum of institutional quality is post-graduate earnings and consequent student loan repayment, i.e. individual-level outcomes, and even more that those outcomes reflect the institution's quality as opposed to the types of students it enrolls. In other words, the entire paradigm of existing institutional regulation totally ignores the central reality of the higher education system: institutional segregation, which conveys more about students' likely post-separation earnings than anything that goes on while they're enrolled.

That lack of accountability in the current simulacrum of a free market is why higher education institutions have heretofore resisted calls for free college, even though those calls promise significantly enhanced federal funding. Why? Because under the status quo they are immune from the explicit politics of seeking public appropriations through the political system, and they fear the strings that would come with it, specifically that those strings would make it harder for administrators to do what their private trustees and the business interests they represent demand: build up the institution's prestige by admitting the "right" kind of students, charging the students who are admitted the maximum they're willing to pay, and "training" a workforce demanded by low-wage employers who don't want to pay for it themselves. Public officials, in turn, are happy to surrender any real responsibility for stewarding a public asset, deferring to the above-named private sector imperatives as they do in every other policy arena.

But we can see in the current crisis the grave danger deregulation poses to long-term institutional and whole-system health: if no one sees that they have any stake in the actually-existing higher education system (because they perceive its prices to be too high and the actual return it offers too low), they won't take action to defend it when its enemies come calling. This is why the answer to the current crisis is NOT further decline in federal oversight in fear of the Trump Administration, nor is it to somehow insulate higher education from political conflict altogether through further privatization and thus further undermining of the public trust. If higher education really does implicate social reproduction, alternatively of the plutocratic elite or the middle class, it's no surprise plutocratic interests want to (and have) seized control of it. Shifting even more toward private funding would make all of higher education's current problems worse. Instead, we must restore trust, by convincing a broad coalition, first, that they have something to gain from a healthy, well-functioning system that offers a high-quality, affordable education to everyone who wants one and can meet the academic standard for the program they seek to enter; and, second, that their interests will be protected by that system, rather than their trust exploited as it has been over the last several decades.

4. Constructing a Solution

Our aim is to wrest control of higher education away from what Alice Rivlin called the "monster" of tuition-funded institutions subsisting on federal loans. That requires confronting head-on the interests that created that monster: Trustees who only care about prestige and serving corporate and employer interests; state legislators who (for the most part, with a handful of honorable exceptions) consider higher education a whipping boy rather than a public good from which their state can and should take pride, and which is therefore worthy of protection; administrators subservient to both of those interests and motivated only by their career ambitions; and policy professionals deluded by a narrow vision of what higher education exists to do, answerable to philanthropic funders who all share that narrow vision.

All are united by the view that higher education should ratify hierarchy while making it appear less oppressive through the trappings of false meritocracy, rather than challenge it by providing pathways to genuine knowledge diffusion and social mobility to a broad swathe of society. Inherent in the ratification of hierarchy is a process of competitive selection and promotion for both students and faculty, with back doors for the most privileged and those who enjoy the greatest favor with their superiors in the hierarchy to hide their inherited status.

All of this makes plain the need for a system-wide approach, as do the piecemeal efforts to enact versions of free college at the state level. The guiding principle behind our comprehensive proposal is the opposite of the existing system in every important dimension: The current system has institutions vertically differentiated by prestige, with homogeneous, segregated student bodies. Instead, we will build a system of horizontally-differentiated institutions. The name over the door will not matter for the value of the degree or the status, resources, and pay of the job. Instead, each institution or interlinked network of institutions will offer richly-varied courses of study and modes of instruction to a heterogeneous student body. These institutions will be open, accessible, and affordable to the public, specifically the local population. They will be funded by generous direct federal institutional funding designed for institutional health, stability, and above all, a universally-accessible high-quality education. Direct institutional funding replaces the current tuition-funded system financed by unrepayable student loans premised on mistaken assumptions: that quality is conferred by exclusivity and that it pays off in a college earnings premium that makes any amount of student debt, and hence any level of tuition, worth paying, originated in full knowledge and tacit understanding that those loans will never in fact be repaid.

Instead of building country-club-like campuses to attract out-of-state students who pay higher tuition, thereby excluding locals, especially those who would attend part-time or at older ages, there must be a place in the local system for anyone who wants it and who can meet the admissions standards for the program they seek to enter.

The overall character of our comprehensive reform is a system of free undergraduate and technical education, with affordable and accessible pathways to further education for those who want it. Each institution or system of institutions should serve its *local* population and all its needs: Academic education, professional qualifications, technical training and certification, and adult education.

Institutions should be accessible regardless of age and stage of life, and institutions horizontally differentiated by function, program of study, and educational modality should be interlinked in order to facilitate transfer students and adult education, as well as providing a comprehensive set of rich and differentiated degree and certificate programs to anyone in the system, and without credentializing professional graduate programs designed as cash cows by tuition-hungry institutions. To the degree local institutions or systems cannot meet that standard, cross-border reciprocity agreements would be allowed so long as out-of-state recruiting does not displace local students' ability to access rich and varied educational offerings, as it has in the current system.

This requires uniform, free undergraduate tuition and technical training, affordable professional qualifications, and restricting admission to institutional catchment areas to sustain a pooling equilibrium in which all individuals, regardless of socioeconomic background, attend the same institution or system—rather than institutions vying with one another to attract the most elite students and professors, thereby displacing locals with fewer alternatives. **Every would-be student within an institution's or system's catchment area should be entitled to credits equal to at least one free undergraduate or technical degree, including cost-of-attendance, as well as ongoing access to professional and adult education.** It is important to note that unlike in K-12 education, geographically-delimited catchment areas are usually egalitarian by income because they are generally either states or metropolitan areas, and each state or metropolitan area is much closer to being representative of the national population than any one town or neighborhood.

In the following subsections, we lay out the parameters of our proposal for federal reform of the higher education sector:

1. Defeating institutional segregation
2. Financing higher education
3. Collective bargaining
4. Labor standards
5. Institutional and system governance
6. The production of public knowledge
7. Dismantling the academic 1% and rebuilding the academic middle class
8. Academic freedom and campus speech

Parameter #1: Defeating Institutional Segregation

In order to desegregate the public higher education system, we propose *direct federal funding of institutions (and geographically-delimited integrated systems) to a level that permits them to offer a free undergraduate or technical degree to every potential student in their catchment area (including cost-of-attendance)*, as well as affordable professional and advanced degrees consistent with the catchment area's economic and research needs, as determined by the publicly-accountable governance and regulatory structure described below. In exchange, institutions would be prohibited from enrolling undergraduate students from outside their catchment area other than through egalitarian reciprocity agreements with similar institutions and systems, and from price-discriminating among the students they do admit. Institutions and systems that do not accede to these cost-containing regulations would be barred from accessing either direct institutional aid or qualifying for the federal student loan program going forward.

Given the federal funding obligation created by such an entitlement, the Department of Education would be empowered to be a sectoral regulator, replacing the ineffective system of accreditation under which institutions currently qualify for federal student aid, as well as the more general *laissez faire* tradition of higher education in the United States, in which the competition of schools for students is supposed to guarantee educational quality and efficiency. The regulatory regime would be broadly designed to sustain a pooling equilibrium by constraining administrative costs and closing off revenue-seeking in socially destructive ways, for example by proliferating expensive degree programs designed to profit off students' well-founded anxieties about career progression. The regulator would also be empowered to set maximum tuition for graduate and professional programs they do accredit.

Parameter #2: Financing Higher Education

In order to pay for the direct institutional funding envisioned in the previous subsection, we propose to convert two major sources of indirect federal funding for higher education to a more direct use. The first is student lending. The federal government originates about $100 billion of new student loans every year, of which the CBO estimates approximately seventy percent will never be repaid.[32] The Trump administration's recent moves to render Income-Driven Repayment (IDR) far less generous in a bid to reduce non-repayment have, as of this writing, led to a spike in delinquency rather than repayment, suggesting the ultimate impact will be a return of the wave of defaults that triggered the expansion of IDR in the first place in the mid-2010s. Attempts to

[32] In its score of the 2025 One Big Beautiful Bill, the Congressional Budget Office noted "Under current law [*that is, prior to the passage of OBBB*], CBO estimates that roughly 70 percent of loan volume would be repaid under existing IDR plans." "Repaid" under then-existing IDR plans means not repaid, but rather remaining outstanding at the conclusion of the IDR repayment term. The same document predicts OBBB would lower that figure to 40% by making repayment requirements under the new IDR plan that legislation introduced more stringent. However, the CBO has consistently over-estimated student loan repayment, as has the Department of Education as demonstrated by the changing fiscal forecast compiled by the GAO and reported earlier in this paper. CBO largely agrees with Pinto and Steinbaum (2023) that more than half of student loans outstanding have higher balances than when they were originated six years after entering repayment, and that a disproportionate share of negative-amortization loans are those with high balances, suggesting the total balance represented by negative amortization is higher. For background on the (non)-performance of the federal student loan portfolio, see also Project on Predatory Student Lending, *What a Sale of the Federal Student Loan Portfolio Could Mean* (2025).

wring belated payments out of underwater borrowers can therefore be considered to only increase default and immiserate borrowers by locking them out of credit markets, without a financially meaningful return on that collections edifice for the federal government. That leaves a seventy billion dollar per-year budget toward funding the free college entitlement.

The other major existing indirect funding mechanism is overhead on federal grants, which is in the neighborhood of fifty percent of federal research funding for most agencies and institutions. That means, for example, if a federal research funding agency awards a ten million dollar grant to an institution, an additional five million dollars supports the institution over and above the project budget. Given that federal research funding agencies award some seventy billion dollars annually in grants, this indirect funding mechanism currently provides an additional thirty-five billion dollars to institutions of higher education. This dynamic creates an unhealthy competition for "superstar" researchers on the part of research universities, since they represent such a significant source of funding, in the form of additional overhead, above what it costs to carry out those researchers' projects. Ensuring there is infrastructure to support research is of course one of the core functions of a university, but the current model of federal research funding encourages competition for superstar scholars rather than broadly supporting the institution's educational and research mission. Direct federal institutional funding would instead promote those broader missions, divorcing them from the government's research prioritization and funding mechanism, which we return to below.

Our back-of-the-envelope calculations therefore indicate around $105 billion in annual federal funding through these two mechanisms combined that would instead be directed to institutional and system support. In addition to those two major funding sources, the federal government currently operates a range of programs designed to defray the cost of college to individual students and their families, which under our proposal would be re-directed to institutions so that affordability wouldn't be an exception to the rule, but rather the policy baseline.

This is sufficient to begin funding the package of reforms we describe in the rest of this paper, provided state (and local) support for public systems remains broadly constant. The key concern in this context is that it would not: states would avail themselves of the opportunity to cut their own higher education appropriations in light of the federal funding available. Nonetheless, we have reason to believe they would not, including the quality and tuition restrictions attached to the federal funding that any such move would jeopardize, as well as the competition from the federal university system whose outline we sketch in the following section.

More broadly and philosophically, the reason for states to defund their higher education systems (insofar as they have in fact done that) has been the availability of open-handed federal lending to backstop higher tuition, and the perception that privatized state higher education systems are unavailable to the state's population and are irrelevant to its economy and wellbeing. This entire proposal is aimed at remedying the loss of trust this represents; hence, we would design the federal reform to re-ignite state and local pride and support for "their" colleges and universities, to which their students would have access at affordable prices across a range of degree programs and career paths.

Parameter #3: A statutory and institutional basis for universal collective bargaining in the higher education sector

Current efforts by workers at institutions of higher learning to bargain over their pay and working conditions collectively confront a patchwork of different legal regimes that unevenly regulates labor relations across geography and institution type. Private universities are covered by the National Labor Relations Act (NLRA), which pre-empts state regulation of collective bargaining.[33] Public universities are exempt from NLRA, and therefore fall under the wide variety of state laws over public-sector collective bargaining.[34] This patchwork of legal standards for collective bargaining obstructs efforts by the industry's self-organized workers to arrest the

[33] Among private universities, the application of the National Labor Relations Act has swung with the political winds, as the National Labor Relations Board in 1980 precluded university employees under the NLRA, in 2016 redoubled its prohibition of various kinds of "academic labor" from collective bargaining, and in 2021 reversed these and began certifying an historically large number of collective-bargaining units.

[34] Among public universities, the states today operate 34 different legal regimes for public-sector collective bargaining. Nine states prohibit public-sector collective bargaining, while seven states have no law in place. Whether a given state's public-sector labor-relations law encompasses university employees differs by state, and among those that do encompass universities, the kinds of workers granted collective-bargaining rights varies by state statute.

downward trend in their share of industry revenues and thereby to reverse the segregation of the industry's workforce among a set of increasingly unequal institutions.

The increasing inequality among American institutions of higher learning is part of the reason this sector of the economy has experienced a larger growth in collective bargaining than any other sector of the American economy in decades. In 2023, according to the National Labor Relations Board (NLRB), thirty-one percent of all private-sector workers who successfully formed unions were employed by institutions of higher education. In 2024, about thirty-eight percent of all graduate-student employees in the US were covered by collective bargaining. The great majority of the recent growth of collective-bargaining agreements at US colleges and universities have been with organizations of student workers—Graduate Student Employees (GSEs) and Undergraduate Student Employees (USEs).

Why is it that colleges and universities increasingly rely on their own students to teach, grade, experiment, and otherwise facilitate the daily operations of the academic enterprise? One reason is that students have been, historically, a very cheap form of labor. Colleges and universities' demand for low-priced labor has been intensified by the factors already discussed: the imperative to gain prestige, for which resources can be freed up by replacing secure employment with insecure contract work for all but the academic 1%. It is to restore the conception of colleges and universities as a grassroots resource enlivening the public life of the community, through recognition of freely negotiated terms of employment, that so many workers on college and universities campuses have turned to collective bargaining in recent years. Between 2012 and 2024, the number of graduate students represented by collective-bargaining agents more than doubled from 64,242 to 150,104. At the same time, the share of higher-education faculty under collective bargaining has also increased. In 2024, about 402,217 or 26.6 percent of faculty were employed under collectively bargained terms.

The growth of collective bargaining reflects how employment standards at institutions of higher education have become a source of tension within campus communities. This tension has increasingly frequently risen to the point of disturbing the economic peace. Between 2018 and 2023, for example, there were at least 18 faculty strikes and 31 graduate student strikes. The largest of these, the strike by UAW Local 4811 in California in 2022, covered 45,000 workers and affected an entire 10-campus university system. Given the tremendous and rapid growth of collective bargaining in the higher-education sector, and this sector's increasing centrality to American life more broadly, the need for a common set of practices for regularizing labor relations among college and university systems is more apparent than ever.

Given existing regulatory diversity, reshaping higher education within a set of common practices will require legal and administrative reform. A simple way of directing industrial relations toward constructive collective bargaining in higher education would be to amend the National Labor Relations Act to shorten election timelines, foster genuine opportunities for concerted activity, impose meaningful penalties for employer violations, and require employers to engage in good faith negotiations with representatives of workers' own choosing. While such general re-legalization of collective bargaining among employers within the jurisdiction of the National Labor Relations Act would affect over 1.2 million workers, this remains about a third of the approximately four million workers across the higher-education sector. Among the remaining 2.6 million workers across nearly two thousand public postsecondary institutions, there are a variety of different labor relations regimes. Several states have well-developed public employee relations boards that demonstrate success in fostering both peaceful adjustment of labor disputes and a high-functioning, competitively-remunerated public-sector workforce. Other states have outlawed public-sector collective bargaining, allowing public employers to retaliate and discriminate against workers' for engaging in concerted activity and to refuse to recognize or negotiate with organizations of their workers' own choosing.

This diversity of state-level regulatory regimes for organized labor has become a major impediment to peaceful industrial relations. Many states without public-sector collective bargaining have experienced a remarkable degree of economic conflict on campus, with employment increasingly used as a weapon to redefine academic freedom, the redirection of institutional budgets towards tuition-earning conceptions of knowledge and truth, and the increasing casualization of middle-class professions. An alternative solution that preserves existing state-level regulatory institutions while creating a common national framework for both public and private universities would entail a method for states to agree to best practices for preserving industrial peace when employers' refusal to engage in collective bargaining is an obstacle to this goal. Interstate compacts for common regulatory action are one method of achieving such agreements, and cabinet agencies have recognized such compacts. When some state or set of states insists on exploiting the benefits of unfair competition, Congress has stepped in. The Public Sector Freedom to Negotiate Act, H.R. 2736, which is referred to the House Committee on Education and Workforce, would stabilize regulation among public-sector employers when it comes to collective bargaining in a way that would foster constructive solutions to the problems of inequality created by the existing higher-education business model.

Parameter #4: Labor Standards throughout the Higher Education system

Colleges and universities have shifted the composition of teaching employment as their business models have adapted to the competition for tuition and federal research grant revenues. As direct institutional support has waned amid changes in state appropriations, maintaining colleges and universities as going concerns has required economizing institutional expenditures to preserve or expand spending that will earn a return in either greater tuition or research grant revenues. One cost that universities have chosen to reduce is that of teaching labor—converting full-time tenured positions into non-tenured, frequently part-time positions. At the same time, the production of new teachers through graduate programs not only creates a supply of labor to fill the enlarged, non-tenure, increasingly part-time teaching workforce—it also facilitates the growth of the casualized, de-professionalized workforce as recent PhD graduates seek to compete with one another to climb a longer academic ladder with many more rungs.

One reason for the growth of collective bargaining at institutions of higher learning has been the expansion of forms of service performed for remuneration at earlier stages of an academic career, or outside of legal employment altogether. In 1985, over half of the US faculty workforce was employed in tenured or tenure-track positions: thirty-nine percent full-time, tenured, and fifteen percent full-time tenure-track. Thirty-three percent of the workforce was employed part time, and just thirteen percent was employed in non-tenure or no-tenure rankings. By 2021, the composition of the faculty workforce had inverted: sixty-eight percent were employed outside the tenure system, either part time (forty-eight percent) or non- or no-tenure ranks (twenty percent). Full-time, tenured employment had declined to twenty-four percent, almost half the share of the workforce in 1985. As the use of tenure in faculty employment has declined, the graduate and undergraduate student workforce has correspondingly expanded. Between 2002 and 2021, when the total number of faculty grew by nineteen percent (increasingly in part-time and non-tenure appointments), the number of graduate students grew by forty-four percent.[35]

While collective bargaining should aim to constrain this increasingly distended academic rank system and police the use of misclassification by employers, the higher education system of the future cannot risk relying on the growth of collective bargaining alone. Just as the growth of powerful labor unions can stabilize labor markets and raise the plane of competition against low-road employers, the persistence of open-shop corners of an industry means low-road competition collapsing a high-road equilibrium. It was in recognition of this unfair advantage that the federal government passed the first comprehensive wage and hour law, the Fair Labor Standards Act, in 1937—the basis of the federal minimum wage today. And it is in recognition of the similar low-road practices among colleges and universities today that reform must also include changes to statutory labor standards in addition to the changes in collective bargaining law detailed above.

Those changes should include a compression of the greatly distended system of academic rank. The US Army has fewer titles to classify soldiers than research universities do to classify teachers, and these classifications all have the potential to affect remuneration and opportunities for promotion.[36] All recipient institutions of the new federal institutional funding will be required to meet a new single-stream career standard for academic employment. Limiting the continued growth of lower-tier forms of employment in higher education, in which career progression is increasingly fictitious as the decline of top-tier employment reveals, the single-stream career standard for full-time workers that we propose will consist of four categories: graduate student, postdoc, junior faculty, and senior faculty, all with stable funding, a collectively-bargained pay scale, and carrying an escalating teaching obligation.

[35] Glenn Colby, "Data Snapshot: Tenure and Contingency in US Higher Education," AAUP, March 2023, https://www.aaup.org/sites/default/files/AAUP%20Data%20Snapshot.pdf.
[36] Douglas McCray, "Title Wave," *New York Times*, August 3, 2002. https://www.nytimes.com/2002/08/04/education/title-wave.html

To further address the growth of misclassification, contracting-out, and workplace fissuring, all personnel who work on campus must be employed by the university. Academic freedom (for all personnel, regardless of tenure status) must be protected by statute as well as contract, and insulated from federal politics. All higher education workers, regardless of rank or status as full- or part-time would enjoy job security and for-cause employment protections. Full-time and part-time status will be separated from questions of remuneration, left to the discretion of individuals (and with a common pay scale) rather than as a solution to institutional budget constraints. In such a system, tenure (which demarcates junior from senior faculty) represents a set of obligations rather than a privilege: the obligation to teach, to train the next generation of scholars, and to run the institution (with input from all other stakeholders).

Lastly, international students will be permitted on student visas provided they are not prohibited from employment or restricted as to employer. This will require changes to immigration as well as to employment law, but such changes are not only sorely needed but historically conservative. Our current system of immigration law, in which employment and labor rights are subordinated to immigration status, is a creation of the Reagan and Bush-era Supreme Court; as recently as the 1980s, the Court held that workers' enjoyed rights under the NLRA and the FLSA regardless of immigration status. Such a re-prioritization of statutory seniority is critical, because it is the growth of a workforce with fewer wage-and-hour and labor rights that has created an incentive among employers for the growth of an undocumented workforce. Separating employment from immigration is an important step toward regulating the broader labor market away from the employer incentives to hire labor outside the law. As a condition of the new federal funding, there will be no false promises that student visas will convert to worker visas, only true promises. Worker visas should be green cards, i.e. come with freedom of employment.

Parameter #5: Governing the Re-founded Higher Education System

One of the central causes of the erosion of public higher education, the vector through which it has been *de facto* privatized, is the representation of private interests on university and system governing boards. As in other spheres implicating knowledge creation and social reproduction, the lure of private funding induces institutions to do what is necessary to benefit from private philanthropy, which is to give the philanthropists a say in how the institution governs and constitutes itself. The perils of that approach have been on vivid display in recent years. For example, a regent of the University of Michigan who was also a student landlord directed the university to return to in-person education prematurely during the COVID pandemic so as to fill vacant units, and more generally to increase the size of the student body without building adequate on-campus accommodation.[37]

But private interests make themselves felt in higher education governance in less nakedly self-serving and more ideologically-inflected ways, like the crackdown on campus Palestine solidarity protests and the cooperation of the institutions with US and even foreign government and private interests in repressing legitimate freedom of speech and expression. More mundanely, wealthy people who sit on governing boards tend to espouse a vision of higher education in line with the right-wing and centrist ones with which this paper starts: that universities are either elite precincts from which the rabble is properly excluded in order to sustain a plutocratic social order, or that their purpose is to increase individual earnings and any aspect of the university that does not serve that end should be eliminated. Given that we reject those two visions, we also reject the governing apparatus through which they achieve their disastrous material consequences.

Instead, in order to receive the generous federal institutional funding that forms the backbone of this proposal, universities and public university systems must be governed by mechanisms that adhere to the following principles:

- Governing boards must have student, faculty, and staff representation, as well as appointees by state funding bodies.
- Public systems may have elected officials on the board (including officials elected expressly for that purpose, as exist in some states), but not private funders.
- A component of federal accreditation should be transparent conflict-of-interest checks on members of the board.

[37] GEO's 2020-2021 Officers, "Ron Weiser, Democracy and the University," *The Michigan Daily*, February 1, 2021, https://www.michigandaily.com/opinion/viewpoints/op-ed-ron-weiser-democracy-and-university/.

- Direct federal appointees to the board may be understood as a punishment for breaching the principles of public accountability enshrined in this proposal.

Oversight and regulation should be federalized. The accreditation model worked for a decentralized, self-regulated system, but the mess of higher education shows it has been captured. Institutional accreditation should be done directly by the federal Department of Education but overseen by a Board of Accreditation with representatives from all higher education stakeholders, enforcing the other provisions of this manifesto to ensure institutions are answerable to the public above all. Among other powers, that board would have authority over both tuition and program offerings, for example vetoing credentializing degree programs designed solely to attract tuition dollars.

Parameter #6: Creating Knowledge for the Rest of Us

The federal research funding agencies pay for the vast majority of the knowledge creation that takes place at US universities. In fact, the postwar university is in many ways the creation of the federal research edifice that emerged from the war. Instead of conducting the basic research the government needs in its own labs (for the most part), it largely outsources that function to universities. As discussed earlier, this is the major source of federal institution-level support in the status quo, due to the generous overhead attached to such grants.

Federally-supported research is probably the single greatest engine of innovation in the world and the most important reason the US higher education system attracts students and faculty from all over the world. It is also admirably non-partisan and non-sectarian. The alternative is funding by private interests, who are far more likely to micro-manage knowledge creation in their own interest. On the other hand, the events of the second Trump administration demonstrate that the current system is fragile, because it has been by wielding federal research funding as a weapon (with the crucial inside support of trustees and other elites hostile to their own institutions' missions) that a reactionary political tendency has induced institutions to sacrifice both those missions and their own students and faculty to the whims of a repressive government.

The subversion of the federal research edifice in the second Trump administration is both sudden and surprising, but it does not come out of nowhere. The idea that powerful interests should be able to both control and profit from the research that is conducted has seen steady erosion in both the efficiency with which federal funds are put to work for knowledge creation, as well as in the availability of that knowledge to the broad public who paid for it. Instead, it resembles private-sector research in all the wrong ways: institutions as well as researchers have incentives to withhold the knowledge they create in order to profit from it.

The federal intellectual property system requires fundamental reform. The Bayh-Dole intellectual property pipeline, whereby federal funding for basic research gets converted to commercializable IP that universities have a direct stake in marketing, including to the federal government that paid for it in the first place, should be significantly redirected. Any intellectual property supported by federal funding should either be freely available or revert to the federal domain. The role of universities is not to profit by commercializing research.

Instead, the funding agencies should be empowered and generously funded to pursue broad-based national priorities, for example in climate remediation, population-level environmental health, and open-source technologies freely licensed to US companies to compete with, and discipline, private ones whose business depends on restricting access and diffusion. And universities play a vital role in bringing that vision to fruition, in part because they are where succeeding generations of researchers get trained.

Federal research funds should be divorced from institutional support to better regulate both funding streams. Graduate student education, research training, and support should be removed from federal grant funding to the appropriations to institutions envisioned above so that individual researchers' education and early-stage career advancement is not tied to the success of individual labs and grants. Meanwhile, federal research funding should be under the remit of the various federal agencies that are the constituency for each field of research, with universities operating as national laboratories responsive to public purposes.

Parameter #7: Dismantling the academic 1% and rebuilding the academic middle class

The extreme hierarchy between institutions begets an extreme hierarchy of academic personnel within institutions: star researchers bring in grants and their associated overhead funds, as well as generate intellectual property from which the university can potentially benefit. They therefore command the highest salaries and are in a position to tyrannize both their direct subordinates and institutional resources more broadly.

Writing in the 1960s, the prominent free market economist George Stigler critiqued then-prevalent modes of organizing institutional research as excessively democratic. He thought the postwar expansion of the public higher education system had counterproductively diffused talent, while saddling the professoriate with undergraduate teaching obligations that interfered with the research endeavor that is the academic's true calling, at least a very narrow subset of them to which Stigler believed institutional resources should be channeled. He also thought public funding agencies and universities themselves lacked the ideological drive to direct a productive research program, at least one he would have recognized as legitimate.

> The basic trends of our time are strengthening the forces of diffusion of able men among institutions. The state has taxed away great private fortunes and generously supported public institutions… the universally premier institution is becoming increasingly more unattainable.[38]

Part of the problem as he saw it was the concentration of resources in the federal agencies, who diffused them uniformly across the higher education system, which Stigler saw as rewarding mediocrity for political reasons, when an unequal distribution favoring the most elite institutions would reward merit.

[38] George Stigler, *The Intellectual and the Marketplace* (Free Press of Glencoe, 1963), pg. 38. Quoted in Edward Nik-Khah, "George Stigler, the Graduate School of Business, and the Pillars of the Chicago School," in *Building Chicago Economics: New Perspectives on the History of America's Most Powerful Economics Program*, ed. Philip Mirowski et al., Historical Perspectives on Modern Economics (Cambridge University Press, 2011).

In order to reverse what he saw as a troubling trend, he wanted private philanthropists to involve themselves directly in constructing institutes whose output would reflect their views and political priorities, and in serving on the boards of the universities where those institutes would be housed. He considered private philanthropy an appropriate counterweight to public funding, injecting much-needed intellectual competition. That he would espouse such a perspective was unsurprising since he himself was the beneficiary of a private-financed university chair that conferred control over significant research funds, which he augmented through additional fundraising among the corporations with a stake in the research program he advocated.[39]

In the subsequent decades, the once-public higher education system has been remade in Stigler's image, in line with the prevailing plutocratic ideology that equality is necessarily in conflict with "excellence," and the latter is what the higher education system should reward. We mention this particular intellectual lineage for the retrogression of higher education because it ties together plutocracy on campus with plutocracy in society at large. The latter is a precondition for the de facto privatization of public institutions because it requires concentrated wealth, but the causation also goes the other way: what goes on on campus prefigures the organization of society, because it creates the intellectual and ideological structure within which either plutocracy flourishes, or we do. The rich seek to control the production of knowledge and of elite status in the university because avenues of knowledge-creation and social reproduction they don't control are necessarily a threat.

Our reforms aim to dismantle this inequality *within* higher education:

- Divorcing institutional funding from research grants, as proposed above, would sever the dependence of junior scholars and whole departments on "star" researchers with relations in the private sector.
- Junior scholars would be employed by institutions rather than specific researchers' labs. Insofar as employing junior researchers is a necessary part of research projects, that would be done by hiring from a pre-existing pool whose individual employment is not conditional on specific grant funding, and whose terms and conditions of work would be set by collectively-bargained contracts.

[39] Robert Van Horn, "Corporations and the Rise of Chicago Law and Economics," *Economy and Society* 47, no. 3 (2018): 477–99, https://doi.org/DOI:%252010.1080/03085147.2018.1528077.

- Outside funding should not buy senior scholars out of their institutional obligations. Instead, those are exactly the people who should be responsible for service obligations and disproportionate teaching responsibilities.
- The role of university researchers is not to generate commercializable intellectual property for their institutions. Insofar as research undertaken at institutions with federal funds is commercializable, the property must be either freely available or retained in the federal domain.
- We would also reinstate the mandatory retirement age of 70 that prevailed in higher education before the 1990s. Research has shown lifting that cap attenuated the academic labor market by shifting the entire age distribution, not just the right tail, to the right, thereby lengthening career paths and contributing to the contingency crisis our labor standards are designed to address. Uncapping the retirement age was also regressive on dimensions of race and gender.[40] It was partly motivated by the desire to get out of defined benefit pension liabilities. But healthy institutions require turnover, and we trust that better labor representation would ensure retirees an adequate living standard without having to cling to their jobs, thereby pulling the ladder up behind them.

Finally, we must do something about excessive salaries in the upper administration. Their motivation is the same as it is in the private sector: the board rewards management with plutocrat-level pay packages in order to insulate them from any danger they might side with other institutional stakeholders whom the board would want disempowered and whose claims on institutional resources should be ignored. In the absence of an effective progressive tax policy that limits such pay packages economy-wide, given that the political economy of higher education would be radically altered by prohibiting private interests from representation on university and system boards, and labor standards would be collectively bargained, we think the phenomenon of outsized administrator pay would be erased by the aforementioned elements of this proposal. On the other hand, there's no harm in setting an explicit limit on pay in the sector, which would be within the power of the federal regulator, the Department of Education. That would serve the same function within higher education as a confiscatory top marginal income tax

[40] Daniel E Ho et al., "Mandatory Retirement and Age, Race, and Gender Diversity of University Faculties," *American Law and Economics Review* 23, no. 1 (2021): 100–136, https://doi.org/10.1093/aler/ahab002.

rate would in the economy as a whole: limit the incentive for powerful insiders to self-deal at everyone else's expense.[41]

With these reforms to the top of the academic hierarchy, the imperative on the part of institutions to compete for a select few "superstars," sacrificing working conditions for everyone else, will be eliminated. And with the homogenization of the institutional landscape, the career path, pay, and resources available to scholars at different rungs of the academic job ladder will not be so extremely dependent on the institution where they are employed. It's no surprise the winners like the current system and think they deserve their place at the top, but that doesn't mean the rest of us have to agree with and submit to them.

Parameter #8: Protecting Everyone's Freedom of Speech

The parameters of governance and knowledge creation relate practically to academic freedom and freedom of expression on American college and university campuses. Currently, higher education institutions are making increasing use of both curricula and speech—including speech not made in the context of teaching or employment—in hiring and firing decisions. This represents a worrisome erosion of the principles guarding independent inquiry and expression on which the enterprise of higher education is founded. While rights of tenure, together with the form and powers of institutional governance, offer two other parameters for securing a future higher education sector held more firmly in the public's trust, the critical importance of academic freedom and free speech require new commitments to rectify the recently-accelerating erosion.

The best way to secure academic freedom, as the American Association of University Professors has advocated for since its founding, is for the profession to govern itself. Suitable judicial bodies within the profession whose decisions control dismissals and discipline, rather than the board-appointed administrators who oversee campus operations as a whole, have been the traditional standard. However, as the profession of university teaching has evolved with the transformation of the university under the force of competition for tuition revenues underwritten

[41] Marshall Steinbaum, "A Real Post-Neoliberal Agenda," *Boston Review*, February 11, 2025, https://www.bostonreview.net/articles/a-real-post-neoliberal-agenda/.

by federal student lending, the role of professional associations in governing their trades has greatly attenuated. The growth of collective bargaining in higher education reflects this fact, and accordingly the content of collective bargaining agreements—union contracts—has come to play an important role in academic workers' efforts to govern their work where professional associations no longer can.

For this reason, the scope of collective bargaining must not be limited to exclude such questions as academic freedom and freedom of speech.

But leaving the security of academic freedom and free speech to collective bargaining alone will not ensure a basis for free inquiry, teaching, and expression. The qualities, goals, and power of labor unions in higher education differ across the sector. Where unions are unable, for whatever reason, to secure agreements providing for adjudication of disputes over academic freedom and freedom of expression, law also has a role to play. This is why institutions that receive federal funding under the reforms proposed here should be required, as a condition of the funding, to guarantee academic freedom and freedom of expression to all academic personnel, as well as university staff.

Limitations on free inquiry in many ways have shaped not only the cultural and intellectual history of the country, but also the evolution of its economy. The emergence of academic freedom as a professional concern during the Gilded Age and Progressive Era occurred over economic questions—theories of antitrust regulation, natural monopoly, labor relations, public enterprise, public utilities regulation, and taxation.[42] The first waves of academic freedom cases in this period resulting in the firing of university professors occurred where university boards of trustees held commercial interests in the enterprises and industries that provoked the growth of inquiry into economic theory and law. Before the growth of specialization in the academic disciplines began in the later 1920s and 1930s, the very boundaries of what professors in political economy, natural philosophy, and the social sciences (as they then existed) were allowed to teach was shaped directly by wealthy owners of corporations often in conflict with the public and government. This merging of private financial power with academic-intellectual authority

[42] Mary O. Furner, *Advocacy & Objectivity: A Crisis in the Professionalization of American Social Science, 1865-1905* (Published for the Organization of American Historians [by] The University Press of Kentucky, 1975).

solidified the oligarchic politics that we now associate with the Gilded Age, but it has recurred over the subsequent history of higher education in America, not least during the Second Red Scare and McCarthy Era and again during the Civil Rights Movement and Vietnam War. It is because of these recurring struggles between independent inquiry and education, on the one hand, and commercial interests of college and university trustees, on the other, that academic freedom did persist as a defining professional principle through the Cold War and into the present.

Preserving those principles for the future of higher education is therefore critical to ensuring the economic transformation of higher-education institutions does not jeopardize their historical purpose. Conserving their missions requires adopting these changes.

5. A Federal University System

Our proposal as laid out thus far contemplates far-reaching reform to the existing higher education system, embracing both public and, potentially, private institutions who agree to reconstitute themselves along the lines we describe. But there is also a crucial role to be played by new institutions, specifically, a federal university system to directly provide the high-quality, accessible, affordable education everyone deserves by right. Many other countries have such a system, and it has been seriously debated at various points in the United States. Each time, existing higher education institutions and state systems successfully made the case they could achieve the same or better outcomes with federal support.

While the rest of this proposal is premised on the truth of that claim, at least as a potentiality, we view a federal university system as a necessary complement, for the same reason a public option can be a critical tool to order and discipline markets and industries where private actors would prefer to maintain business as usual and do everything they can to resist serving the public on fair and reasonable terms. Namely, to create a race to the top instead of a race to the bottom, what President Franklin Roosevelt referred to as a "yardstick" in the context of public power.

The federal university system would have the same mission as the overall proposal:

- Everyone who meets minimum academic standards would be entitled to one free undergraduate degree or technical credential.
- Advanced graduate and professional education would be accessible and affordable.
- An interlinked network of campuses would facilitate transfers and collectively provide rich and varied educational programs to everyone who wants them, throughout the United States.
- Research programs set pursuant to democratically-chosen, public-serving national priorities. Indeed, part of its function would be to provide research facilities and capabilities to other agencies.

The federal university system we envision would aim squarely at countervailing the worsening geographic concentration in the existing higher education system. Many once-vibrant local institutions,[43] both in the private[44] and the public[45] higher education sector, have been significantly diminished[46] if not closed outright by state-level austerity. Such institutions suffer in particular under the false presumption that "those people" don't need or want higher education, so there's no loss to depriving them of it, unless they're willing to pay for it themselves, which, thanks to the generalized disinvestment from rural America, "they" aren't able to do.

We would construct the federal university system from financially insecure public and private colleges who volunteer to join the system. That would likely account for the majority of the newly-founded edifice. But we would take a more punitive line against the financially flush elite colleges who have acted against the public interest by violating norms of academic freedom and sacrificing their educational and research missions to the Trump administration and its plutocratic allies on their own Boards of Trustees and ensconced in upper administration. Such institutions have disproportionate sway, and the subtext of the recent assault thereon is that too

[43] Mitch Smith, "Students in Rural America Ask, 'What Is a University Without a History Major?,'" U.S., *The New York Times*, January 12, 2019, https://www.nytimes.com/2019/01/12/us/rural-colleges-money-students-leaving.html.
[44] Christine Chung, "Lincoln College to Close, Hurt by Pandemic and Ransomware Attack," U.S., *The New York Times*, May 9, 2022, https://www.nytimes.com/2022/05/09/us/lincoln-college-illinois-closure.html.
[45] Lydia DePillis, "Colleges Have Been a Small-Town Lifeline. What Happens as They Shrink?," Business, *The New York Times*, March 13, 2023, https://www.nytimes.com/2023/03/13/business/economy/college-towns-economy.html.
[46] Molly Parker, "A University, a Rural Town and Their Fight to Survive Trump's War on Higher Education," *ProPublica*, March 27, 2025, https://www.propublica.org/article/regional-public-universities-trump-funding-dei.

many undesirables, both by class and intellectual background, were able to gain access and thus pose a threat to higher education's most important function: elite reproduction. That is a threat not only to the institutions directly implicated, but also to the system as a whole. Any institution corrupted by that cooperation cannot be allowed to persist without risking the success of the overall higher education reform project, because their existence performs the same function as special, peripheral "zones" carved out of economic regulation—to pull down standards in the core. The "compact" for higher education the Trump Administration offered to a handful of elite institutions in the fall of 2025, which would involve discriminating in their admissions processes in favor of white applicants and in their employment processes in favor of conservatives while prohibiting academic scholarship on topics triggering to conservatives, serves as a useful test in this context: any institution agreeing to those terms has forfeited its right to independence while subsisting on federal funding, and so would be brought into our proposed federal university system.[47]

Finally, the federal university system we envision would stand up new campuses in underserved areas, particularly if state systems attempt to avoid the overall sectoral regulations proposed above. That would amount to declining to provide an affordable and high-quality education on a non-discriminatory basis to all Americans, in which case it is the federal government's job to step in.

The most important reason a federal university system is a necessary component of our overall proposal for sectoral reform of the higher education system is that to date, neoliberalized private and especially public institutions have been the most implacable and effective opponents of free college, beyond the plutocrats themselves, whose interests those incumbent stakeholders represent. That is because free college, and especially the increased federal oversight it represents in comparison to the status quo of ineffective regulation by the "free market," is directly at odds with the marching orders institutions and their senior administrators have from those plutocrats. As such, any hope of reforming the existing higher education system depends on the perception that reform is inevitable because it will be instantiated through a federal university system even if existing universities seek to block or evade those reforms, because in

[47] Josh Moody, "White House Floats Compact for Preferential Treatment," Inside Higher Ed, October 2, 2025, https://www.insidehighered.com/news/government/science-research-policy/2025/10/02/white-house-floats-compact-preferential.

the event they will be bypassed. Under those circumstances, it is far more likely existing institutions would meaningfully accommodate themselves, rather than dig in to defend their turf and prestige, as well as that of their private-sector-dominated boards whose authority would be wholly eliminated under our plan.

6. Conclusion

The United States has tried to make affordable higher education widely available before. While systems consolidated during the Progressive Era, in line with then-fashionable notions of efficiency in large organizations, they expanded in the inter-war years as high school education became near-universal, a growth that was supercharged after World War 2 with the GI Bill and eventually the Higher Education Act of 1965. Alongside federal legislation, many states remade their higher education systems both to take advantage of federal largesse and because, in the postwar boom, the idea that an affluent society could afford a wider diffusion of advanced knowledge was seen as a civilizational advance, supported by a broad coalition of students, parents, business leaders, elected officials, and academic workers.

The tide turned with campus protest in the late 1960s, accelerating through federal austerity, the shift to student lending, and eventually de facto privatization of state systems and institutions. The prevailing received wisdom of that devolution, at least among elites, was that "we tried" to make higher education universal and affordable and "look what happened": social upheaval, trashed campuses, and declining standards, amounting to the dangerous loss of control of elite reproduction. In the neoliberal period, the idea that college offered an earnings premium for individuals justified its continued existence, a thin apparently pro-social reed for the higher education system to grasp in the face of hostility from the political system, but which only further compromised it when the resulting student debt piled up.

The reason to "try again" to make a high-quality higher education freely accessible to anyone who wants it is that we've seen the dire consequences of neoliberalism run amok in higher education as in the rest of society: plutocratic control, violations of basic rights and freedoms if they prove inconvenient to contemporary power brokers, and sky-high tuition and student debt while labor standards are steadily eroded. If student protest in the 1960s discredited one era of expansion, plutocratic and political interference in the 2020s discredits a long period of contraction and lowered horizons. The current, acute crisis would not be possible without the preceding decades of loss of trust, such that the constituencies that should be rallying to the defense of higher education are instead found among the opposition. We make this proposal in the belief that the current crisis demands not a piecemeal, half-hearted defense that even the people making it don't believe, but rather an aggressive counterattack aimed directly at the people and interests responsible for destroying a once-great system.

The source of hope is this: people want to be educated, and they don't agree with elites that only a select few deserve to be. Too much of the protest against the devolution of higher education has presumed that the public is not on the side of higher education, so its defense must appeal to a wealthy minority who might be swayed. But that is because we have not activated the public with an appeal that draws the billionaire agenda into the domain of public, democratic contestation. Billionaires don't think most people deserve an education, and the few that do are their own children and the ones they see as proper successors to themselves. That is not a majoritarian vision, and it can be defeated by offering the promise of free, high-quality, and above all egalitarian education to the broad public.

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HIGHER ED LABOR UNITED

Jain Family Institute