

Bankers in the Ivory Tower

The Troubling Rise of Financiers
in US Higher Education

C H A R L I E E A T O N

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METHODOLOGICAL APPENDIX

A Comparative, Qualitative, and Quantitative Study of Elites

Social scientists categorize many of the analytic methods in this book as quantitative or statistical methodologies. Indeed, I use computer programs to count the characteristics and social ties of many people and organizations. I include linear regression statistics about the relationships between these people and organizations in four of the book's seven chapters.

But statistics alone cannot explain a social transformation as large and complex as the rise of financiers in US higher education and society. Big data is not a stand-alone solution for understanding big change. In fact, social scientists always employ methods of observation and analysis that are nonquantitative, even when estimating statistics. This is because the social world is organized around meaning. Meaning—in social ties, identities, and inequalities—is complex but intelligible in ways that are uncountable. Statistical analyses go awry when the quantitative researcher is insufficiently explicit with themselves or their audience about the qualitative observation and thinking that led them to count something.

I try to do one thing in common in both my qualitative and quantitative observation and thinking: use explicit comparisons. I arrived at this approach to linking the qualitative and quantitative in my own work by studying comparative and historical methodologies. But a variety of social science traditions offer the same key insights that people, including researchers, understand the meaning of a thing via comparison both to what it resembles and what it does not. The most essential comparison to explain the rise of financiers is to compare their qualities and their social position over time. As a result, every chapter chronicles differing extents of change and stasis in the roles and impacts of financiers, their ideas, and their social relationships.

At one level, the book approaches the US higher education and financial

sectors as a single case. This lens views elite private schools, federal student loan policy, hedge fund managers, for-profit colleges, public universities, and students of different social stations as all part of the same stratified system. Changes in one corner of the system, such as federal student loan policy, are then expected to reverberate across other parts of the system, like for-profit colleges, public universities, and low-income college students. With only a single case, I am limited in what I can say about how financier social ties may have transformed higher education outside the United States or prior to the 1970s.

At another level, I treat the different strata and social groupings within the system as cases within the case to be compared. For example, we can only fully understand the impact of student loan expansion at public universities facing funding cuts by comparing student loan borrowing by public university students to loan borrowing by students at highly endowed private universities and investor-owned for-profit colleges. These analyses of cases within the case resemble what sociologist Theda Skocpol has called a comparatively informed case study.¹

I decided what qualitative and quantitative data to gather for this study via Du Boisian triangulation and what Skocpol and sociologist Sarah Quinn have called the targeted primary approach.² These approaches use theories and evidence from existing journalistic and scholarly studies and supplements them with new data gathering to fill in gaps. The targeted primary approach is promising for studying elites because they are few in number and unusually motivated to protect their privacy from social scientific study.

In research for this book, I particularly draw on qualitative ethnographic and interview evidence from studies by Tressie McMillan Cottom, Megan Neely, Lauren Rivera, Hannah Appel, Caitlin Zaloom, Karen Ho, Amy Binder, Andrea Abel, Daniel Davis, Nick Bloom, Laura Hamilton, and Kelly Nielsen.³ I draw similar evidence from financier interviews in major newspapers and in books by journalists like Michael Lewis, Sebastian Mallaby, and Steven Waldman.⁴ Their combined observations of hundreds of elite university students, financial-sector elites, and investor-owned for-profit colleges provide indispensable data for the book. These data helped me begin to see how financiers used higher education social ties to amass their fortunes, and to identify where I needed more data.

Between 2016 and 2020, I assembled three broad categories of data to complement the secondary data discussed above. I elaborate on each category of data below. First, I conducted twenty-one in-depth interviews with people in key parts of finance and the higher education system at transformative moments in time. One purpose of these interviews was to consult

“people who were there” to make sure that I was not missing something in my reading of secondary sources regarding how financiers, university leaders, or students understood the meanings of their actions. Second, I gathered historical documents ranging from influential endowment investing studies and congressional hearing minutes to campaign plans and statements by student, labor, and community leaders. I selected which documents to review based on the secondary record regarding turning points in the expansion of student loans, endowments, and for-profit colleges. Finally, I linked original data and ten quantitative data sets covering the four hundred richest Americans; 5,162 university board members; and 14,759 federal aid–eligible public, private, and for-profit universities. The data go as far back as 1973.

In the book, I have tried to primarily use data visualizations and regression analyses that are relatively simple and transparent. I do so to make the argument and narrative easier to digest. I have tried to redress any oversimplifications by referring readers to related academic papers that conduct more robust statistical tests. The code and results for some of these tests is published in a Git repository for the book at <https://github.com/HigherEdData/bankersintheivorytower>. One of the most common statistical modeling techniques I employ as more robust tests are longitudinal fixed effects models.⁵ These models exploit the structure of much of my data by testing for within-school change over time in relationship to shifts in ownership, state funding, bond borrowing, and governing board composition involving financiers.

I note sources of data as they are presented throughout the book. I provide an overview of all the data here to help others who I hope will fill the gaps that I myself have left.

In-Depth Interviews

I conducted twenty-one in-depth interviews via phone, written correspondence, and in person between March 2017 and March 2021. I selected interviewees who participated in key transformations of federal student loans and of schools within each of the three major higher education strata. The interviewees include a private equity adviser, an endowment adviser, a university financial manager, a university chancellor, a university system board chair and former state assembly speaker, a liberal arts college president, lobbyists, high-level for-profit college managers, for-profit college students, two US Department of Education officials, legislative staffers, and policy advocates. Ten of the interviewees agreed to be identified by name. Eleven interviewees spoke on the condition of anonymity, including all those involved in private university and for-profit college finance and management.

I conducted a first wave of interviews in March 2017 as I formulated initial theses for the book. This also helped me identify where I needed to gather historical documents and quantitative data to validate the recollections and representations by interviewees—and to fill gaps left after the interviews. I then did the inverse and conducted another wave of interviews in 2018, 2019, and 2021 to validate and flesh out discoveries from my analyses of historical documents and quantitative data. The particular roles and affiliations of the interviewees follow.

Interviews that were particularly relevant for chapter 2 on financier ties to private schools and chapter 4 on endowments include one high-level endowment adviser for a major asset management corporation, one former president of a highly selective and prestigious liberal arts college, one top financial manager at one of the oldest and most prestigious universities in the United Kingdom, and former UC Berkeley chancellor Robert Birgeneau.

I conducted particularly relevant interviews for chapter 3's analysis of financiers' political role in student loan expansion with the following participants in the early 1990s federal reform process: Charlie Kolb, US Department of Education undersecretary and deputy assistant to the president for domestic policy for George H. W. Bush; an anonymous lobbyist for Sallie Mae; an anonymous lobbyist for other consumer lenders; Jane Wellman, executive director for National Association of Independent Colleges and Universities (NAICU); an anonymous former NAICU lobbyist; and Becky Timmons, lobbyist for the American Council on Education, the umbrella organization for college and university industry associations.

The particularly relevant interviewees for chapter 5 on the Wall Street takeover of for-profit colleges (and for the chapter 7 discussion of debt cancellation activism) are an anonymous former vice president with Corinthian Colleges; an anonymous adviser to private equity funds with postsecondary education investments; a former employee of the Association of Private Sector Colleges and Universities; a former high-level manager with Florida Career Colleges; Alyssa Brock, former New England Institute of Art (NEIA) student and We Are AI activist; Don Quijada, former NEIA student and We Are AI activist; and Kim Tran, former NEIA student and We Are AI activist.

Particularly relevant interviews for chapter 6 and chapter 7 analyses of the financial squeeze on the University of California are Chancellor Birgeneau (see above), former California State Assembly Speaker and current UC Board of Regents Chair John A. Pérez, and Max Espinoza, former UCLA student leader and senior adviser to California State Assembly

speakers. Former Deutsche Bank and Merrill Lynch vice president turned Occupy Wall Street veteran Alexis Goldstein was a key interviewee regarding the push for debt cancellation in chapter 7.

Historical Primary Documents

Prior scholarship and my first wave of in-depth interviews steered me to various historical primary documents detailing the relationships between financiers and universities. While financiers carefully guard their private lives and their business secrets, they are not shy about their university affiliations. This extends the long tradition of universities as publishers of social rank. Throughout the book, financiers' curated media profiles and biographical statements from company websites provide qualitative details of how financiers reference university ties in their presentation of self. The most extreme instance of this is the transcripts of private equity financier Dick Blum's dozens of hours of interviews for a University of California oral history project (Blum served as a UC regent from 2002 through the publication of this book). Such primary documents were especially helpful in chapters 2, 4, and 6. I often recovered financiers' company biographies and other media profiles using the internet Web Archive.

For chapter 3, I reviewed minutes from congressional hearings surrounding the renewals of the US Higher Education Act in 1979 and in 1992.⁶ These minutes provided essential contemporaneous documentation of shifts in how financiers and university leaders thought and spoke about student loans versus grant-based federal financing of US higher education. Scholarship by Elizabeth Popp Berman and Abby Stivers also helped me identify contemporaneous newspaper articles with relevant statements by financiers, university leaders, and their lobbyists.⁷

For chapter 4, the 1969 "Law and the Lore of Endowment Funds" report helped me define the dominant cultural beliefs among financiers and university leaders regarding endowments before they became hedge funds.⁸ Newspaper reportage on endowment investment also provided informative first-person accounts of the relationship between endowments and social ties involving private equity managers, hedge fund managers, and university leaders. The *New York Times* and *Detroit Free Press* published investigative reports with particularly candid self-representations.⁹

For chapter 6, in addition to transcripts of the Blum interview, I reviewed University of California Board of Regents meeting minutes from 2003 onward around key decisions regarding tuition and bond borrowing. I also draw from minutes in 2007 and the Affordability Working Group commissioned by the regents. Together, these documents helped me to com-

pare the social orientations and applications of financial logics of financiers at public universities to their counterparts at private universities.

For chapter 7, my own participation in bargaining with bankers over the millionaire tax from 2011 to 2013 in California made me aware of an array of relevant public and private documents. These documents included meeting agendas; campaign plans; and open letters crafted by community, labor, and student leaders to “make banks pay.” I provide links to these documents when they were public and web archived. I also engaged in ongoing informal conversations with national student loan advocates from 2013 through 2021. This directed me to public documents that chronicle the development of multiple plans for debt-free higher education and debt cancellation by consumer advocates, liberal think tanks, student organizations, veteran groups, and labor unions.

Quantitative Data on Elites and Universities

I have built quantitative data sets that advance the study of higher education and elites in two important ways. First, I use an open-source “data carpentry” approach to social and financial data on universities and elites from ten different data sets and supplement them with original data gathering. This is an initial step toward solving a problem of higher education data fragmentation that Kenneth Green refers to as “data babel.” Second, I provide a model for how to gather large-scale social data on elites. This builds on recent innovations in using web scraping and campaign finance data to observe elite political action.

The problem of higher education data babel is really two problems. To begin with, social scientists for decades neglected to collect good measures of the university-level policy choices or resource allocations that might influence educational inequality. Instead, they focused on gathering individual-level data on college students’ social and economic backgrounds and characteristics. These data sets, such as the National Longitudinal Survey of Youth and the Beginning Postsecondary Students survey helped scholars learn about the role of social background in college success. But the surveys did not gather sufficient information about universities as organizations to identify which policy or resource shifts could shift the needle toward greater educational equity. The part of the babel problem here is that these data cannot speak to policy interventions.

There is a solution to the lack of social scientific data on universities as organizations: obtain measures of university policies and finances from administrative and private-sector data sources. But this solution has to overcome a second data babel problem: these data sets are highly frag-

mented in their structure across the different organizations that collect them. Henry Brady, Adam Goldstein, Laura Hamilton, Mitchell Stevens, Frederick Wherry, and I have begun to build an online Higher Education DataHub to publish open-source statistical software code at <https://github.com/HigherEdData> for linking these fragmented data sets. Similar to the Open Tree of Life synthesis of all published phylogenetic data,¹⁰ we aim not only to publish code for analyzing data; we also hope to publish code for processing and linking data from different sources. Our code might contain errors or choices not appropriate for some research questions, but publishing the code will allow future researchers to modify data-processing and linking procedures without reinventing the wheel.

Code for assembling and analyzing data used in this book are published in the book's Git repository together with the additional analyses and robustness checks that exceeded what I could include in the book itself. The replication code in the repository is accompanied by source data when data are not proprietary or privacy restricted. In such cases, I hope my code will still be of use to researchers who can obtain the restricted data through appropriate channels.

Paradoxically, linking university data relevant to social equity has become easier because of the early 1990s federal student loan expansion. The 1993 student loan amendments to the US Higher Education Act required all colleges and universities using the loans to report organizational data to the US Department of Education's Integrated Postsecondary Education Data System (IPEDS).¹¹ Changes to the act also created the National Student Loan Data System. As a result, all federally qualified public, private, and for-profit postsecondary institutions have had to report data on financial expenditures, counts of instructors, graduation rates, enrollment counts by race and gender, and more since 1994. IPEDS thus provides a time-constant unique identifier and annual data for almost all accredited US postsecondary institutions ever since. The annual IPEDS directory of schools thus provides a nearly comprehensive scaffold for linking data on universities and affiliated elites from an array of other sources. Education scholar Ozan Jaquette provides an indispensable guide to overcoming challenges in processing IPEDS data for such linkages.¹²

Analyses in the book use both school- and person-level data that I have linked to the IPEDS scaffold. I will review them here as they appear chronologically in the book. Chapter 2 uses two person-level data sets linked to IPEDS data. For a parallel study, geographer Albina Gibadullina and I gathered data on the postsecondary education affiliations and firm-level financial- and technology-sector affiliations for the four hundred richest Americans in 1989, 2003, and 2017. We gathered the data from a variety of

sources ranging from company websites to news articles and obituaries. We specifically coded whether each Forbes 400 member was affiliated with a hedge fund or private equity fund. We also coded the schools from which Forbes 400 individuals had bachelor's, MBA, and law degrees using the IPEDS unique identifier.

Chapter 2 also uses data on all 5,162 individuals who served between 2003 and 2017 on the governing boards of the top thirty private and top thirty public universities in the 2017 Times Higher Education (THE) rankings. The schools are listed in table A.1. The individual board members for each year were identified using archived university web pages (<http://web>

TABLE A.1 List of universities in the top thirty Times Higher Education by sector

<i>Private</i>	<i>Public</i>
Boston University	Florida State University
Brandeis University	Indiana University
Brown University	Michigan State University
California Institute of Technology	North Carolina State University System
Carnegie Mellon University	Ohio State University System
Case Western Reserve University	Pennsylvania State University System
Columbia University	Purdue University
Cornell University	Rutgers University
Dartmouth College	State University of New York System
Duke University	Texas A&M University System
Emory University	The University of Texas System
Georgetown University	University of Arizona
Harvard University	University of California System
Johns Hopkins University	University of Cincinnati
MIT	University of Colorado System
New York University	University of Delaware
Northeastern University	University of Florida
Northwestern University	University System of Georgia
Princeton University	University of Hawaii
Rice University	University of Illinois System
Stanford University	Board of Regents, State of Iowa
Tufts University	University of Maryland System
University of Chicago	University of Massachusetts System
University of Notre Dame	University of Michigan
University of Pennsylvania	University of Minnesota System
University of Pittsburgh	University of North Carolina System
University of Rochester	University of South Florida
University of Southern California	University of Utah
Vanderbilt University	University of Virginia
Washington University	University of Washington
Yale University	University of Wisconsin System

.archive.org/) and direct inquiries to university archivists and board staff. We again used IPEDS unique identifiers to link each of these individuals to data for the school whose board they served on for every year they served. We further matched the data on all the top thirty board members to our Forbes 400 data by name. Overall, 13 percent of Forbes 400 members served on top thirty private boards during the year they were on the Forbes 400 in our three years of Forbes 400 data. We used the same procedure to code the financial firm affiliations of each board member as described above for Forbes 400 coding.

The schools for which we gathered board data include all thirty private institutions in the top two hundred of the THE World University Rankings and all thirty public university *systems* that included a university in the top 250 of the THE World University Rankings for 2016–2017 (see appendix table A.1 for a full list).¹³ Public university boards sometimes govern multiple institutions in the top 250, such as the University of California. We use all schools within the top two hundred and top 250 rankings as natural cut-off points because THE does not assign specific rankings to schools above the ranking of two hundred. Rather, THE groups schools into brackets of fifty for rankings above two hundred, such as 201 to 250 and 251 to 300. We include all public systems with schools in the 201 to 250 bracket in order to have an equal number of boards for public and private institutions in the sample. We use the THE over other rankings so that analysis could easily be extended to institutions from outside of the United States in future studies. One drawback of our sample is that it does not include elite liberal arts colleges. Reassuringly, replications of our analyses using Gary Jenkins's data on the boards of the top twenty-nine liberal arts colleges in 2014 yield equivalent results to those for the THE top thirty private universities (see Git repository).

For chapter 4, I linked endowment and donation data from two sources to IPEDS data and our board data. I use a proprietary data set purchased from the Voluntary Support of Education survey for total endowment assets by school and total donations by school annually from 1973 onward. I also use proprietary data provided to me by the National Association of College and University Business Officers (NACUBO). The NACUBO Endowment Survey data includes data from 2000 through 2013 for endowment annual rates of return and annual rates of endowment allocation to different types of investment assets. The NACUBO investment asset categories include private equity funds, hedge funds, and endowment funds managed internally as private equity and hedge funds. I supplemented the analyses of the linked data with analyses of data I purchased from the Chronicle of Philanthropy on the fifty largest donations by Americans

annually from 2000 onward. The Chronicle of Philanthropy codes the industry affiliation of each donor. Future research could link the Chronicle 50 data to our Forbes 400 and university board member data.

For chapter 5, I linked IPEDS data on student outcomes and schools' organizational characteristics to an original data set on for-profit college ownership and two other data sets measuring student outcomes. The data cover the full population of 7,904 for-profit colleges that were eligible to enroll students with Title IV federal financial aid in a degree or certificate program from 1990 through 2015. Nonaccredited entities such as the former Trump University are not included. Data are from IPEDS for total enrollments; enrollment counts by gender, race, and need-based aid eligibility; loan borrowing rates; and graduation rates. Data on loan repayment and wages after school are National Student Loan Data System and IRS data published by College Scorecard. Data on law enforcement actions are original data assembled for my study on private equity in higher education with Sabrina Howell and Constantine Yannelis.¹⁴ I also linked data on borrower defense claims published by the Century Foundation.

Ownership data for chapter 5 was assembled with Howell and Yannelis through manual searches of the ownership history of all for-profit colleges to match each school to its parent company. One way that we identify parent firm ownership is by matching schools to firms based on the employer ID number reported in IPEDS. Two other sources were especially useful: First, schools have been required since 2008 to describe their ownership history in online course catalogues, which we obtained via web archives. Second, we use unpublished documents from the 2012 Senate HELP Committee report of for-profit colleges and 10-K statements for publicly traded firms. We identify private equity buyouts of parent firms by searching the ThomsonOne and Preqin databases.

Finally, chapter 6 uses data from IPEDS on in-state enrollments, student loan borrowing, net tuition revenue, and state appropriations from 2001 through 2016. Chapter 6 also uses descriptive statistics published by the University of California and the California State University systems on their websites for in-state enrollments and student debt over time. Chapter 6 similarly uses descriptive statistics on state tax revenue from the California Legislative Analyst Office and on state GDP from the Bureau of Economic Analysis.¹⁵ Chapter 4 likewise uses descriptive statistics over time on total federal student loan borrowing and total federal student aid grant and work-study spending from College Board Trends in Student Aid. Chapter 4 also uses descriptive statistics from the State Higher Education Officers state appropriation data and federal budget outlay data from 1964 to 1970.