Master's Degrees Are the Second Biggest Scam in Higher Education

And elite universities deserve a huge share of the blame.

Jordan Weissmann July 16, 202112:57 PM

You can enter Harvard here or from any laptop on the planet. Maddie Meyer/Getty Images

Last week, the Wall Street Journal published a troubling exposé on the crushing debt burdens that students accumulate while pursuing master's degrees at elite universities in fields like drama and film, where the job prospects are limited and the chances of making enough to repay their debt are slim. Because it focused on MFA programs at Ivy League schools—one subject accumulated around $300,000 in loans pursuing screenwriting—the article rocketed around the creative class on Twitter. But it also pointed to a more fundamental, troubling development in the world of higher education: For colleges and universities, master's degrees have essentially become an enormous moneymaking scheme, wherein the line between for-profit and nonprofit education has been utterly blurred. There are, of course, good programs as well as bad ones, but when you scope out, there is clearly a systemic problem.

Few have written more convincingly on this topic than Kevin Carey, director of the education policy program at New America. As a journalist and think tanker, he's argued for years that "universities see master's degree programs as largely unregulated cash cows that help shore up their bottom line," and shown how even schools like Harvard offer effectively predatory programs. The rise of online learning has only supercharged the problem, by allowing universities to parlay their brands nationally and internationally in order to enroll students at an industrial scale.

In 2019, Carey took a long, dispiriting look at the rise of so-called online program managers, or OPMs—the private companies like 2U that major universities from Yale to small schools like Oregon's Concordia University use to build their online offerings. These companies design and operate courses on behalf of schools—sometimes essentially offering a class in a box—that the university can slap its branding on. The OPM then takes as much as 70 percent of tuition revenue. That money is largely being funded with government loans, which may never be paid back.

After reading the Journal's article, I called up Carey to ask him his thoughts on the current state of the master's degree market, and what should be done to fix it.

Jordan Weissmann: I feel like you have been methodically building up this thesis—which you would never quite put this bluntly—that master’s degrees are basically the biggest scam in higher education, and it seems like prestigious nonprofit universities are in on the grift along with for-profits. Would you say that’s an accurate description of your take at this point, or have I wildly distorted it?

Kevin Carey: Probably the biggest scam in higher education remains one-year certificates offered by shady for-profit colleges that cost, like, $25,000 and don’t lead to a job. Master’s degrees are probably No. 2. Certainly, within the confines of colleges that are not legally for-profit, they are the biggest scam by far.

Right, and what makes master’s degrees a little different from those one-year certificate programs that are offered by fly-by-night schools is that they are being delivered by Ivy League universities and online schools alike.

In some ways, they’re more similar than they might seem. Many of them *are* one-year certificate programs. We don’t call them that. We call them master’s degrees, but that’s part of the problem. They are in fact often one-year job-oriented programs that are heavily debt-financed, marketed very aggressively through online web advertising. They purport to provide very specific economic opportunities in a given field. It’s just one are being marketed to students who just graduated from high school and the other are being marketed to people who just graduated with bachelor’s degrees, but other than that, they’re kind of the same.

Can you give me examples of the types of programs you’re talking about?

The Columbia School of Journalism offers what is essentially a 10-month master's degree that costs $70,000 or something like that. It starts in September, ends in June. You can only do so much in less than a year. It's completely a career-oriented degree. There are thousands upon thousands upon thousands of [career-oriented] programs out there.

One of the reasons that universities are able to be exploitative in the master's degree market is because they're not constrained in the same way that they are in the market for bachelor's degrees. If you're offering bachelor's degrees, they all have to be four years long. You don't have a two-year bachelor's degree or a six-year bachelor's degree. You have to publicly publish your acceptance rates, your average SAT scores, so to the extent that you're selling selectivity, you actually have to back it up with data, whereas in the master's degree market, you can call almost anything a master's degree. Master's degree programs do not have to publish their admission statistics, which creates, I think, an enormous temptation for institutions that have very attractive brand names, that are attractive in no insignificant part because their undergraduate programs are very selective, to open up the floodgates on the master's side and pay no penalty in the market because people don't know they're doing it.

I want to talk a little bit about the Wall Street Journal article that drew so much attention last week. It was focused very much on MFA programs at Columbia University, specifically, and the gargantuan sums of debt some of those students pursuing degrees in film were accumulating…

I think there are two big things that are both very risky for students overlapping in the case of those Columbia MFAs. First, just in general across higher education, charging people a ton of money to go into any artistic career is often super problematic. If you look at the list of schools that have just terrible outcomes in terms of earnings, loan default rates—art schools across the board, for-profit, nonprofit. The phrase *starving artist* exists in the vernacular for a reason.

Then, the other is just the broader ability of institutions of all kinds to set up profit-making master’s degrees, which is fueled in no small part because of the very specific change that was made in federal student loan policy about, I guess it was now 15 years or so ago, where the federal government removed any limits on how much money you can borrow to go to graduate school, other than whatever graduate school happens to cost.

If you are an undergraduate, you can only borrow a certain amount of money from the federal government to go to get a bachelor’s degree, and that’s very specifically because they don’t want people to overborrow. In graduate school, you can borrow not only the full cost of tuition, but also room, board, living expenses, which, in a city, could be tens of thousands or more dollars per year, regardless of how much money you already owe to the federal government, by the way, and regardless of whether you have any real prospect of paying it back.

Why did they make that change?

Well, partly for a really bad reason, which is that grad students in the main pay their loans back at a higher rate than people in other parts of the system, and they [graduate student loans] charge higher interest rates, which means it’s scored as making money for the federal government. So you throw this into the mix of whatever budget deal you’re striking and there was more money to spend.

Also, there’s this sort of sense of, well, if they [students] don’t do this, they’re going to go and get private loans, and so better to have a federal loan where you have a lot more options than with private loans in terms of forbearance and deferments and income-based repayment and potentially loan forgiveness. But what has happened is that you're essentially creating an unlimited spigot of money that can be used to fund graduate programs, which just creates an enormous moral hazard for colleges and universities when it comes to creating these programs.

Do you think there is something to that argument, though, that if the federal government did not offer unlimited student loans to grad students that they would go to a company like SoFi or to whichever private lender would offer it?

You're just making trade-offs at that point, and I would say you're balancing access and the cost of borrowing against the danger of overborrowing, and I would argue that if you want to go to a graduate program and you exhaust what would surely be pretty generous limits on federal graduate lending, if we go back to limits, and you can't find anyone to lend you the rest of the money on nonterrible terms, maybe you shouldn't go to that graduate program.

One point you've made at length, especially in a really great article for HuffPost a couple years back, is that it's gotten really difficult to tell the difference between for-profit and not-for-profit higher education when it comes to master's degrees. You write about the rise of online program managers—essentially private companies that operate behind the scenes and quietly run online master's degrees on behalf of nonprofits, whether it's USC or a small Bible college. Do you think for-profit and not-for-profit institutions should be regulated the same way now?

I think, from a regulatory standpoint, all master's programs should be treated as for-profit, because I think they essentially are. I think if you just look at what nonprofit and public institutions charge in master's programs, they are charging market rates. There's really not much difference between them, just whatever the market can bear. I think they act like for-profit companies in the way they engage in marketing. They are profit maximizers. Their pricing decisions don't reflect some public mission in terms of affordability or anything like that.

Here's a funny example. The Obama administration promulgated these regulations called the gainful employment rule, which only applied to for-profit colleges or programs that were specifically job-oriented at nonprofit schools. It's pretty simple. It just looks at how much money people borrow from a program and how much they earn after they finish. If the debt is so much bigger than the earnings that students could never pay their loans back, that's bad.

Harvard University, when this regulation was first put in place, had an MFA program that showed up as being bad under the gainful employment regulations. I wrote about it in the New York Times. Only because the program happened to be affiliated with a drama school that was sort of Harvard-adjacent, because of this quirky legal status, they were subject to these new regulations and the numbers looked just as bad as the ones from Columbia that we saw last week: Lots and lots of debt for very little earnings because, news flash, there's not a lot of money in being a stage actor, particularly early in your career, or probably any point in your career.

So, yes, I think any master's program should be treated as for-profit and regulated that way. The fact that colleges have, over the last five or 10 years, very aggressively moved to enter into business relationships with for-profit corporations that do all of the marketing, much of the online infrastructure, all of the things that you have to do to basically grow a program at scale, and in some cases give those corporations up to 70 percent of their tuition revenue, just, I think, underlines the fact that this distinction between for-profit and nonprofit in the master's degree space especially has become all but meaningless.

To what extent are online master's degrees driving the market now?

The statistic you hear is that we're at the point where, probably, at least half of all enrollments in master's degree programs are online, way more than undergraduate, and probably more than doctoral programs, because doctoral programs tend to be much more intensive with relationships to mentors and faculty, and a lot of doctoral students teach on campus. A lot of that just makes total sense and has nothing to do with anyone doing anything dastardly. It's just people who get master's degrees often or maybe even usually are working. They're older. They often have families. They have jobs. It's a lot more convenient for them to study online.

However, where online does intersect with the more troublesome parts of this issue is that gave colleges with valuable brand names an opportunity to monetize those brands in a way that never existed before, so you could be a very famous college that everyone knows about and people want to attend, but before the internet you could only more or less serve people who were able to travel and live where you were. Now, all of a sudden, you can have a global brand name that can be accessed globally, and the whole premise of the for-profit OPM market is that all of the money in online education is at scale.

Who do you think the victims are here, in the end? Is it students? Is it the taxpayer? Is it all of the above? Who gets the worst end of this deal?

It's certainly not the colleges. They get paid upfront. They bear no risk in these transactions. The students certainly are being victimized. Their trust is being exploited. People have been instructed by the culture that they should trust colleges, and that trust is being turned into money by colleges with very little thought for the consequences, and the American taxpayer is going to pay part of this bill.

It is the federal government that is lending the vast majority of loans used to pay for graduate school. Anyone who reads about how we have $1.7 trillion in outstanding student loan debt should always keep in mind that almost half of all new student loans in particular are for graduate school, not for undergraduate. You hear somebody that’s got $200,000 or $300,000 in debt, they almost surely went to graduate school. They didn’t borrow that much money from the Department of Education to get a bachelor’s degree. How it’s going to play out in terms of who’s actually going to pay their loans back is complicated both because it takes a long time to pay loans back, also because so many graduate students are now enrolled in income-based loan repayment programs that in theory offer the promise of loan forgiveness.

What is your ideal solution here? We’ve talked about limiting federal loans for graduate degree programs. You’ve mentioned possibly regulating master’s degree programs the same way you would a for-profit college program, so kind of a gainful employment rule. But what’s your ideal solution?

We need a stronger regulatory hand in the master’s degree market. One, I would put a cap on how much money you can borrow to go to graduate school. I would put a cap on how much of your graduate school loans can be forgiven under any kind of loan forgiveness program, so we’re not in this situation of unlimited money, because I think unlimited money is a moral hazard. We need more transparency around how selective are graduate programs, how effective are they in helping people get jobs in their field and pay their loans back, and we need to regulate programs around their effectiveness.

We can't just rely on the market to provide all of the quality discipline that master's programs need. I think it's completely reasonable to say that if a master's degree program consistently induces students to borrow far more money than they can ever afford to pay back, the federal government should not be in the business of lending those students money.

Pretty much the end of the MFA program.

Maybe. Again, the numbers have to add up somehow, and right now they're just not adding up for the students. They're adding up for the colleges. The only defense the colleges really have to offer is "We need the money." Well, everyone needs money. That's not a defense in and of itself.