Journal of Urban Affairs

ISSN: (Print) (Online) Journal homepage: https://www.tandfonline.com/loi/ujua20

Bankers in the ivory tower: The troubling rise of financiers in U.S. higher education, by Charlie Eaton

Chicago, The University of Chicago Press, 2022

Katrin B. Anacker

To cite this article: Katrin B. Anacker (05 Dec 2023): *Bankers in the ivory tower: The troubling rise of financiers in U.S. higher education*, by Charlie Eaton, Journal of Urban Affairs, DOI: 10.1080/07352166.2023.2282927

To link to this article: https://doi.org/10.1080/07352166.2023.2282927

Routledge
Taylor & Francis Group

BOOK REVIEW

Bankers in the ivory tower: The troubling rise of financiers in U.S. higher education, by Charlie Eaton, Chicago, The University of Chicago Press, 2022

For more than 2 decades, town-gown relations between urban universities and their respective local governments have been extensively discussed in U.S. literature (Anacker & Altrock, 2005; Baldwin, 2021; Etienne, 2012; Perry & Wiewel, 2005; Wiewel & Perry, 2008; Wolf-Powers, 2022). Recently, some authors have started to discuss how financiers and their affiliated organizations impact the state of higher education, including decreased and decreasing public funding and the increased and increasing financialization of U.S. society. Financiers may be lenders who originate student loans, hedge fund managers who oversee endowment investments, investment bankers who sell university bonds, or private equity partners who buy and manage for-profit colleges.

In *Bankers in the Ivory Tower: The Troubling Rise of Financiers in U.S. Higher Education*, Charlie Eaton argues that financiers' decades-long activities have not only contributed to an increase in many college and university endowments, they have also increased student debt. He argues that these two trends have been connected, ultimately increasing social inequality in higher education. He also argues that financiers' activities and federal student loans have led to a three-tiered college and university system in U.S. higher education that has been in place since the 1990s. At the top there are many elite private schools, which have achieved large endowment growth thanks to hedge fund managers, investment bankers, and private donors, typically benefitting students. Located in the bottom tier are some for-profit colleges, bought by predatory organizations, and typically not benefitting students. In the middle there are many public universities, which collaborate with financiers and private donors, also taking advantage of federal student loan programs to some degree.

Eaton achieves triangulation by perusing historical primary documents, including congressional hearing transcripts and university board minutes; conducting 21 interviews with experts in finance and higher education; and analyzing data, including the U.S. Department of Education's Integrated Postsecondary Education Data System (IPEDS), the National Student Loan Data System, the 2017 Times Higher Education (THE) World University Rankings, and a data set hosted by the National Association of College and University Business Officers (NACUBO), among others.

In Chapter 1 ("Universities and the Social Circuitry of Finance") Eaton revisits T. H. Marshall's theorized concept of the social responsibility of the state to its citizens to explain access to more homogeneous social goods (i.e., health care, subsidized housing, unemployment insurance, or Social Security), including higher education, a more heterogenous social good. Eaton introduces the role of financiers and their affiliated organizations, the three-tiered higher education system, the increase in inequality, and then an outline of the chapters of the book.

Eaton discusses old and new financial oligarchies, based on the theory that economic transactions are embedded in social ties, in Chapter 2 ("Our New Financial Oligarchy"). The author analyzed data about the members of both public and private university boards, as well as the 400 wealthiest Americans. He found that the new financial oligarchy disproportionately received undergraduate degrees from the most selective private schools, and then they drew on their alma mater ties to position themselves ("social circuitry of finance," p. 17) and participate in hiring cartels. They have also used their social ties to establish consolidated financial service corporations (e.g., Bank of America or Merrill Lynch to originate municipal bonds or student loans; Fidelity for asset management; or Sallie Mae or Wells Fargo for student loans) and private equity firms and hedge funds (e.g., The Blackstone Group or Bridgewater Associates). Eaton concludes that these corporations, private equity firms, and hedge funds have transformed the entire U.S. higher education system through student loans and for-profit colleges, among other innovations.

In Chapter 3 ("Bankers to the Rescue: The Political Turn to Student Debt"), Eaton discusses the policy shift from the 1970s to today, as student loans became the primary tool for funding students' higher education, triggered by financiers, institutional investors, and policymakers facilitating student loans (including Pell Grants), deregulating the (student loan) financial sector, and passing tax cuts for corporations and high-income and high-wealth people while real wages and job security for workers without college degrees declined.

In Chapter 4 ("The Top: How Universities Became Hedge Funds"), Eaton discusses how both the rise of hedge funds and private equity and the increase in student loans have transformed U.S. higher education since the 1990s, facilitated by intimate elite ties, trust, and reciprocity between financiers and universities. These developments have led to exponential growth in endowments and massive surpluses for many private colleges and universities, leading many universities to add financiers to their boards. The author introduces "philanthropic homophily," where "wealthy financiers disproportionately boosted donations to the endowments of their own elite alma maters" (p. 56). Eaton concludes that these developments have led to a growing divergence in resources between highly selective private universities and other institutions in higher education, discussed in the following chapters.

Chapter 5 ("The Bottom: A Wall Street Takeover of For-Profit Colleges") is about how 1990s Wall Street financiers, connected through intimate elite ties in high finance, together with private lenders, lobbied Congress to expand access to student loans, created shell companies, and finally targeted low-income people, people of color, females, and potential Pell Grant recipients to enroll in for-profit colleges and public universities (Bernstein, 2019; Harrington, 2016). The author concludes that policymakers and university officials have done little to address predatory lending in colleges and universities (although there are activities addressing it in Congress, as of this writing).

In Chapter 6 ("The Middle: A Hidden Squeeze on Public Universities") Eaton takes the University of California system as a case study, examining the challenges of declining state revenue and budget cuts to public universities in California, as well as their dependence on the expansion in student loans (which receives much publicity) and bond borrowing (which receives little). Based on quantitative analyses, the author shows that student enrollment has increased little, and higher education did not become more affordable for many students. In sum, he concludes that neither student loans nor bond borrowing have provided benefits for most students and universities.

Chapter 7 ("Reimagining [Higher Education] Finance from Below") takes a "big picture" approach, suggesting two strategies to change higher education finance: first, "bargaining with bankers" (p. 123) by gradually putting social pressure on financiers to support tax increases on themselves, bypassing bankers, and second, launching a "financial big bang" (p. 123) by immediately resetting the rules of finance without involving the financiers. Examples of the second strategy include canceling all student debt and providing free federally funded college for all. Indeed, President Biden has worked on achieving the "financial big bang," although the outcome is still uncertain.

This book will appeal to students in sociology, urban studies, geography, and higher education. Some readers may wonder if there is a chicken-and-egg situation when Eaton states that "public universities used student loans to increase tuition revenue" (p. 4). Most tuition increases are determined by boards of trustees or boards of visitors, although governors may not allow tuition increases for public universities in the first place or put a cap on them. This reviewer assumes that factors that determine tuition rates are past, current, and future institutional expenditures, not necessarily student loans, which may nevertheless help students finance tuition. Other readers may wonder whether the University of California system, discussed in the last two chapters, is a representative case study of public universities in the U.S.

This is a timely book given the current and future student enrollment crises, the long-term retrenchment of states, the increasing unaffordability of college for an increasing number of students, and the increasing uncertainty of a college degree leading to a career-relevant job. University leaders should provide solutions for institutions of higher education—and Eaton provides some. The question remains whether there is a political will at the state and federal levels to adopt and implement them.

Past work has focused on the relationship between higher education and their surrounding urban places ("town-gown relationships"). This book analyzes the decades-long, intricate relationship between higher education leaders and financiers. Future work could look at the impact of this relationship on urban places.

References

Anacker, K. B., & Altrock, U. (2005). From conversion to cash cow? The case of Lüneburg, Germany. In D. C. Perry & W. Wiewel (Eds.), *The university as urban developer: Case studies and analysis* (pp. 40–56). M. E. Sharpe.

Baldwin, D. L. (2021). *In the shadow of the ivory tower: How universities are plundering our cities*. Bold Type Books.

Bernstein, J. (2019). *The laundromat: Inside the Panama papers, illicit money networks, and the global elite*. Picador.

Etienne, H. F. (2012). *Pushing back the gates: Neighborhood perspectives on university-driven revitalization in West Philadelphia*. Temple University Press.

Harrington, B. (2016). *Capital without borders: Wealth managers and the one percent*. Harvard University Press.

Perry, D. C., & Wiewel, W. (Eds.). (2005). *The university as urban developer: Case studies and analysis*. M. E. Sharpe.

Wiewel, W., & Perry, D. C. (Eds). (2008). *Global universities and urban development: Case studies and analysis*. M. E. Sharpe.

Wolf-Powers, L. (2022). *University city: History, race, and community in the era of the innovation district*. University of Pennsylvania Press.

Katrin B. Anacker
George Mason University
kanacker@gmu.edu http://orcid.org/0000-0002-3423-6738

https://doi.org/10.1080/07352166.2023.2282927