How quickly things change. As late as 2017 the late Harvard Business School professor Clay Christensen was still defending his belief, put forth in his 2011 book *The Innovative University*, that online learning represented a “disruptive technology” that would close or bankrupt about “half of all colleges in the United States.”¹ Today, several months into a pandemic that looks almost designed to obliterate campus-based higher education, college officials see distance learning as higher education’s lifeline. Not only is the entire California State University—the nation’s largest—going exclusively online in the fall of 2020, but a survey conducted by the American Association of Colleges and Universities found that 36 percent of college presidents “anticipate continuing virtual instruction for all of 2020–2021.”² But isolating course content from the physical college experience could reveal a fundamental misconception about what colleges teach, bringing with it a salutary diminution of the unearned market power of colleges and universities. Christensen’s “disruption” may yet occur.

Universal online learning might be the perfect vehicle to address what has become one of the nation’s most intractable structural defects: economic mobility in America is largely dependent on a higher education system that pauperizes a large portion of those who seek it.

¹Clay Christensen, *The Innovative University: Changing the DNA of Higher Education from the Inside Out* (Jossey-Bass, 2011); Doug Lederman, “Clay Christensen, Doubling Down,” *Inside Higher Education*, April 28, 2017.
²“COVID-19 Strategy Survey of AACU Presidents, ABC Insights for Association of American Colleges and Universities,” April 3, 2020.

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This market failure has developed in large measure because of the poorly understood consequences of civil rights law. As Frederick Hess of the American Enterprise Institute explains in the spring, 2020 issue of *National Affairs*, civil rights laws prohibit employers from discriminating against persons on the basis of race, religion, sex, or national origin. But due to the widespread judicial acceptance of “disparate impact” doctrine, employers are also, as a practical matter, prohibited from implementing competency based employment tests that might result—as all of them do—in racial or gender disparities. First articulated in *Griggs v. Duke Power Company* in 1971 by the Supreme Court, then codified into law in 1991, if a process for selecting employees results in disproportionately fewer minority employees the employer must prove the selection process was directly related to job performance. This strict legal scrutiny makes hiring tests too risky for employers who, in the absence of any other universally accepted credentialing mechanism, opt for a college degree as the “default hiring device.”

The monopoly power this has conferred on colleges is confirmed by a recent Harvard Business School survey that found nearly two-thirds of employers admit to rejecting applicants simply for lacking a college degree—even when the job itself requires little of what might be learned in a college classroom. Despite studies indicating that only around 10 percent of high school graduates possess the intellectual capability to absorb a rigorous liberal arts college curriculum, and that probably not many more than that actually desire a four year program, the solidification of a college degree as the “union card” for membership in the middle-class has guaranteed a virtually unlimited demand for higher education. Ninety-two percent of parents expect their kids to have some form of post-high school education, and 70 percent of high school graduates immediately enroll in college.

Unfortunately, as with other unaccountable monopolies, colleges and universities have used this power to extract exorbitant sums from consumers (parents and students, primarily, but taxpayers too). Inflation adjusted average costs for tuition, fees, room, and board have risen from $18,140 in 1971 to $48,150 in 2019, fueling the much-publicized explosion of student-loan debt, now a staggering $1.5 trillion. Nearly 70 percent of college students graduate with student loans averaging $30,000, resulting in monthly service payments of

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3Frederick M. Hess, “The Next Conservative Education Agenda,” *National Affairs*, (Spring, 2020)
4Charles Murray, “Do Too Many Students Go to College,” *American Enterprise*, September 8, 2008.
5Scott Jaschik, “Do High School Students Think They Will Go to College?,” *Inside Higher Education*, July 8, 2019.
6Stephen Mihm, “Coronavirus Pushes Higher Education to the Brink,” *Bloomberg News*, April 4, 2020.
over $300, before any other bills are incurred. Along with decades of stagnant wages and explosive housing costs, this indebtedness has put middle-class prosperity—symbolized most powerfully by homeownership—out of the reach of millions of college graduates.

This is a cruel irony, given that parents and students seek a college education in the first place for the “earnings premium” afforded those who graduate: bachelor degree holders aged 25-34 working full-time earn a median wage of $51,000, compared to a median wage of $32,000 for similarly situated high school graduates, according to the U.S. Census Bureau’s 2019 Current Population Survey.

The deception lies in why this earnings premium exists. Students and parents believe—and are encouraged by colleges and universities to believe—it is because of the mental skills and knowledge acquired in classrooms. This isn’t true. In his 2018 *The Case Against Education*, Bryan Caplan documents decades of research showing that college students either forget, never really learn, or are unable to operationalize most of the course material they engage with in college. These findings come on top of the seminal 2010 study by Richard Arum and Josipa Roksa, which found that almost half of college students show no significant improvement in learning in the first two years, and that more than one-third of students show no significant improvement in learning over the entire four year period. Those students that do improve show only minimal increases in learning.

Instead, the earnings premium exists because getting into college and spending four years there—going through the rigmarole of earning a degree—“signals” to employers that a graduate possesses the traits they value most in an employee. These traits have little to do with calculus or the writings of Ta-Nehisi Coates. They have to do with, 1. the basic literacy and numeracy necessary to get into college in the first place, and 2. the non-cognitive traits that are exhibited by sitting through four years of what most students undoubtedly perceive as boring, repetitious, and frankly, irrelevant course work.

Beyond basic literacy and numeracy, which college admissions offices screen for, employers want to know that a job applicant possesses the persistence, patience, sociability, and the willingness to follow company rules that most jobs require. With a bachelor’s degree in hand, a job applicant demonstrates that he has followed an adviser’s instructions to register for and pass the appropriate

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7 Abigail Hess, “Here’s how much the average student loan borrower owes when they graduate,” *CNBC.com*, May 20 2019.

8 Richard Arum, Josipa Roksa, *Academically Adrift: Limited Learning on College Campuses* (University of Chicago Press: 2010).
classes, sacrificed the income he could have earned if he worked full-time, put aside other more pleasurable pursuits, organized his private life so as not to interfere with school, and prioritized the achievement of a long-term goal. As a result, employers assume the degree holder would likely make a decent employee. As Caplan puts it, “The labor market doesn’t pay you for the useless subjects you master; it pays you for the preexisting traits you signal by mastering them.”

The shift to online learning can make this obvious to higher education consumers and the employers they look to impress. The reason it can do so—again, with irony—is the very same reason online learning is useful in the first place: it makes college more convenient, eliminating most of the rigmarole that is crucial to employer signaling. When students are surveyed, they point to convenience as the most positive attribute of online instruction: “You can tune in at any time.” Needless to say, this is not what most employers want to hear. In general, employers don’t want employees to “tune in” to work “at any time.”

As a long-time college instructor, I can attest that my online students on average learn more course material than my in-person students, and that those who don’t drop out (attrition rates are high) are, on average, brighter than other college students. But by making college convenient, online learning reduces Caplan’s “signaling” effect. For all of its improvements, online learning is still perceived as something students do when they can’t sit through classes in person, and need to do schoolwork on their “own time.” If Woody Allen is right that “just showing up is 80 percent of life,” then by not “showing up” on campus, online students are signaling just 20 percent of the traits required for life.

The proof of that is in the pudding. In general, completely online programs, especially those in the for-profit sector, have had poor earnings outcomes. In 2019, research by George Mason University professors reported that “[s]tudents in online education, and in particular underprepared and disadvantaged students, underperform and on average, experience poor outcomes,” and that online education, “does not produce a positive return on investment.” In 2015 through 2018, a Stanford University scholar published a study that “provide[s]...
little support for optimistic prognostications about online education.” The study goes on to find little, and in most cases no, return on investment to learning online. Another report presented at the October 2015 Conference on Research on Income and Wealth, looking at IRS data, found that “[t]here is scant evidence that online enrollment moves people toward jobs associated with higher labor productivity.”

It is possible these findings reflect the disproportionate number of individuals taking online programs through unaccredited for-profit schools, as some critics have suggested. But it seems likely that at least a portion of these poor outcomes is the result of employers not having confidence that graduates of online programs possess the traits they are looking for. We will see whether that changes as online learning becomes universal for college students.

But as distance education reveals that the substance of what is being taught in college courses has little bearing on incomes, students and parents will likely demand that employers find other, less costly and maybe even less time-consuming ways to demonstrate the presence of important non-cognitive traits. At the very least, it could strengthen demands that employers end the blanket use of the bachelor’s degree as a screening tool for most entry-level jobs.

But the jig is up. A permanent move to online learning for a large percentage of college instruction will reveal that course content is not crucial to the successful performance of non-specialized jobs. Artificial demand gave higher education officials undue power to replace the rigorous liberal arts curriculum with easier vocationally oriented programs, ideological fads, and theory-driven faux disciplines, while bankrupting a large portion of its students for services never rendered. Now is the time to break the monopoly on credentialing, drive college costs down through appropriate reductions in demand, and begin the tough scrutiny of what colleges have been teaching under the cloak of monopoly power.

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13Derek Newton, “What if Online Education Simply Doesn’t Work,” Forbes, May 29, 2019.
14Caroline M. Hoxby, “Online Postsecondary Education and Labor Productivity,” Stanford University and National Bureau of Economic Research, October 2015 Conference on Research on Income and Wealth, https://www.nber.org/chapters/c13709.pdf
15Marshall Toplansky, “Rethinking the Social Safety Net,” Newgeography.com, May 6, 2020.