

Gainful employment rule – a hustle?

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Harry Alford

Op-Ed Columnist

Today's lesson shines a spotlight on another reason why the National Black Chamber of Commerce is calling for the Department of Education to do away with the Gainful Employment rule. On top of proposing bad policy that will harm minority students—The Department of Education is working behind the scenes with Wall Street short-sellers who have launched an aggressive campaign to bring down the stocks of for-profit colleges and make millions. These money-grubbing short-sellers are playing a destructive role in promoting a rule that will limit opportunities for minority students who wish to attend career colleges.

The Wall Street Journal recently featured a front-page story detailing how “A Short Plays Washington.” How are short-sellers shorting minority students? Well it's not so easy, but now it's been done, as detailed in the lesson plan below:

Lesson #1: Identify your prey: Wall Street investor, Steve Eisman of Frontpoint Financial Services gained notoriety (see: Michael Lewis' *The Big Short*) for successfully betting against the subprime mortgage market as it began to collapse. He made a killing for investors. This time, Eisman turned his sights on the rapidly-growing for-profit, career college sector, whose stock prices have risen sharply in recent years. Volatility in the sector continued to be fueled by a series of staged public hearings called for by the Department of Education in mid-2009 to discuss reforms.

Lesson #2: Dig up some dirt: Analyzing the vulnerabilities of the for-profit college sector, Eisman and others on Wall Street hatched a plan to torpedo the stock prices. They began by recruiting a private investigator to dig up evidence of shady recruitment tactics. The investigator recruited homeless shelter executives to write a letter to the Department of Education asking for stricter regulations. Many who signed on to the letter had no knowledge that a P.I. was organizing behind the scenes.

Lesson #3: Hire a lobbying firm and talk to Department of Education and Congress. In early 2010, Eisman et al. began meeting with government officials, offering expert counsel and spurious research findings. Eisman also lent his notoriety and media star power to testify at the Senate Committee on Health Education Labor and Pension Committee Hearings.

Shortly thereafter, another HELP Committee Hearings was held where the Government Accountability Office issued a report condemning the recruiting practices by the for-profits...the GAO later redacted significant portions of this bogus report due to false information. I have never seen nor heard of a bogus GAO report before. This was done to crash the stock value of the for profit colleges which would allow the short sellers to rack up their stock at bargain basement prices and gain millions as it returned to normal after the truth would eventually come out.

Lesson #4: Influence the markets. In a widely publicized keynote, "Subprime Goes to College Speech," delivered to hedge fund managers at the Ira Sohn Conference, Eisman likened for-profit education to the sub-prime mortgage industry. This is extremely vile and perhaps racist. The sub-prime attack targeted Black families in large numbers and victimized us beyond any hint of morality. In the end, Black Americans lost approximately 35 percent of their total net worth to the effects of the sub-prime mortgage scandal. That was extremely costly and probably the worst single blow to a race of people since the Holocaust of Europe. They did it with a smile and are smiling now while they try to perform this new atrocity.

Lesson #5: Fan the flames in the media. The HELP Committee hearings and "Subprime Goes to College" created frenzy with the media. Stock prices for many of the for-profit companies were substantially driven down in the wave of negative publicity.

Lesson #6: Enjoy the spoils. But, don't get caught! While Eisman et al. delivered substantial financial awards to their clients, their attempts to unduly influence the Department of Education's rule making process has not gone unnoticed, including by The Wall Street Journal. NBCC and other groups, such as the Citizens for Responsibility and Ethics, in Washington, have pointed to this improper relationship and asked Education Secretary Arne Duncan to investigate. Our Department of Education should be focused on providing opportunities for the thousands of minority students who gain valuable skills from for-profit colleges, not creating rules that have been influenced by the corruption of Wall Street short-sellers.

The above seems like old school Chicago corruption. But, it isn't. It is your federal government teaming up with some of the sleaziest attitudes known to mankind at the expense of our children. We must fight this and fight it hard. It is time for us to rise up and say "Hell no!" They are putting our college students at risk and also negatively affecting our future workforce. We need educated persons to fulfill the jobs we create. The stakes are just too high.