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Is College Worth It? Clearly, New Data Say

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By David Leonhardt

Some newly minted college graduates struggle to find work. Others accept jobs for which they feel overqualified. Student debt, meanwhile, is approaching \$1.5 trillion.

It's enough to create a wave of questions about whether a college education is still worth it.

A new set of income statistics answers those questions quite clearly: Yes, college is worth it, and it's not even close. For all the struggles that many young graduates face, a degree has probably never been more valuable.

The pay gap between college graduates and everyone else reached a record high last year, according to the new data, which is based on an analysis of Labor Department statistics by the Economic Policy Institute in Washington. Americans with four-year college degrees made 98 percent more an hour on average in 2013 than people without a degree. That's up from 89 percent five years earlier, 85 percent a decade earlier and 64 percent in the early 1980s.

There is nothing inevitable about this trend. If there were more college graduates than the economy needed, the pay gap would shrink. The gap's recent growth is especially notable because it has come after a rise in the number of college graduates, partly because many people went back to school during the Great Recession. That the pay gap has nonetheless continued growing means that we're still not producing enough of them.

"We have too few college graduates," says David Autor, an M.I.T. economist, who was not involved in the Economic Policy Institute's analysis. "We also have too few people who are prepared for college."

It's important to emphasize these shortfalls because public discussion today — for which we in the news media deserve some responsibility — often focuses on the undeniable fact that a bachelor's degree does not guarantee success. But of course, it doesn't. Nothing guarantees success, especially after 15 years of disappointing economic growth and rising inequality.

When experts and journalists spend so much time talking about the limitations of education, they almost certainly are discouraging some teenagers from going to college and some adults from going back to earn degrees. (Those same experts and journalists are sending their own children to college and often obsessing over which one.) The decision not to attend college for fear that it's a bad deal is among the most economically irrational decisions anybody could make in 2014.

The much-discussed cost of college doesn't change this fact. According to a paper by Mr. Autor published Thursday in the journal *Science*, the true cost of a college degree is about *negative* \$500,000. That's right: Over the long run, college is cheaper than free. Not going to college will cost you about half a million dollars.

Mr. Autor's paper — building on work by the economists Christopher Avery and Sarah Turner — arrives at that figure first by calculating the very real cost of tuition and fees. This amount is then subtracted from the lifetime gap between the earnings of college graduates and high school graduates. After adjusting for

inflation and the time value of money, the net cost of college is negative \$500,000, roughly double what it was three decades ago.

This calculation is necessarily imprecise, because it can't control for any pre-existing differences between college graduates and nongraduates — differences that would exist regardless of schooling. Yet other research, comparing otherwise similar people who did and did not graduate from college, has also found that education brings a huge return.

In a similar vein, the new Economic Policy Institute numbers show that the benefits of college don't go just to graduates of elite colleges, who typically go on to earn graduate degrees. The wage gap between people with only a bachelor's degree and people without such a degree has also kept rising.

Tellingly, though, the wage premium for people who have attended college without earning a bachelor's degree — a group that includes community-college graduates — has not been rising. The big economic returns go to people with four-year degrees. Those returns underscore the importance of efforts to reduce the college dropout rate, such as those at the University of Texas, which Paul Tough described in a recent Times Magazine article.

But what about all those alarming stories you hear about indebted, jobless college graduates?

The anecdotes may be real, yet the conventional wisdom often exaggerates the problem. Among four-year college graduates who took out loans, average debt is about \$25,000, a sum that is a tiny fraction of the economic benefits of college. (My own student debt, as it happens, was almost identical to this figure, in inflation-adjusted terms.) And the unemployment rate in April for people between 25 and 34 years old with a bachelor's degree was a mere 3 percent.

I find the data from the Economic Policy Institute especially telling because the institute — a left-leaning research group — makes a point of arguing that education is not the solution to all of the economy's problems. That is important, too. College graduates, like almost everyone else, are suffering from the economy's weak growth and from the disproportionate share of this growth flowing to the very richest households.

The average hourly wage for college graduates has risen only 1 percent over the last decade, to about \$32.60. The pay gap has grown mostly because the average wage for everyone else has fallen — 5 percent, to about \$16.50. "To me, the picture is people in almost every kind of job not being able to see their wages grow," Lawrence Mishel, the institute's president, told me. "Wage growth essentially stopped in 2002."

But from almost any individual's perspective, college is a no-brainer. It's the most reliable ticket to the middle class and beyond. Those who question the value of college tend to be those with the luxury of knowing their own children will be able to attend it.

Not so many decades ago, high school was considered the frontier of education. Some people even argued that it was a waste to encourage Americans from humble backgrounds to spend four years of life attending high school. Today, obviously, the notion that everyone should attend 13 years of school is indisputable.

But there is nothing magical about 13 years of education. As the economy becomes more technologically complex, the amount of education that people need will rise. At some point, 15 years or 17 years of education will make more sense as a universal goal.

That point, in fact, has already arrived.