

Osher Lifelong Learning Institute Aquinas College



“Is College Worth It?”

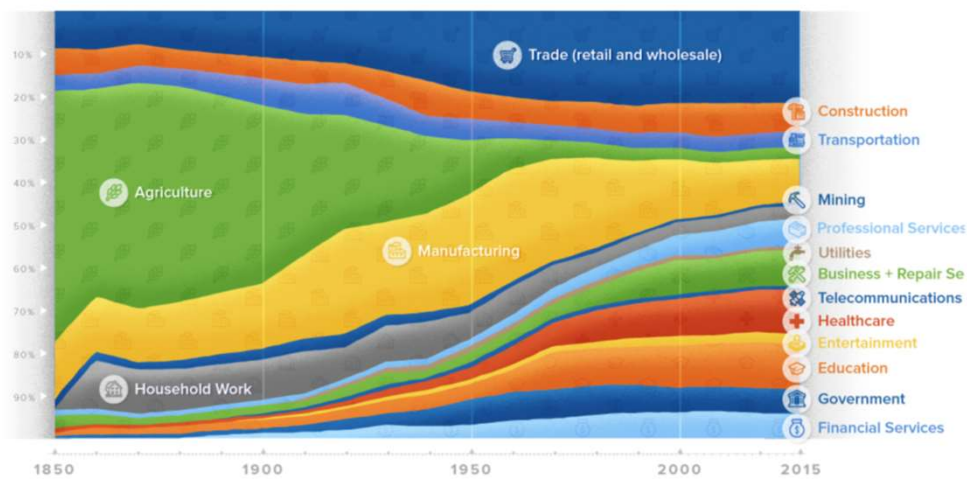
Geoffrey Woglom, Amherst College, emeritus

May 8, 2024

Outline

1. Context for our discussion of the role of Higher Education
2. Public Attitudes towards Higher Education.
3. Economic Returns to a College Degree.
4. Non-Economic Returns.
5. The Future.

Two Major Shifts in Employment



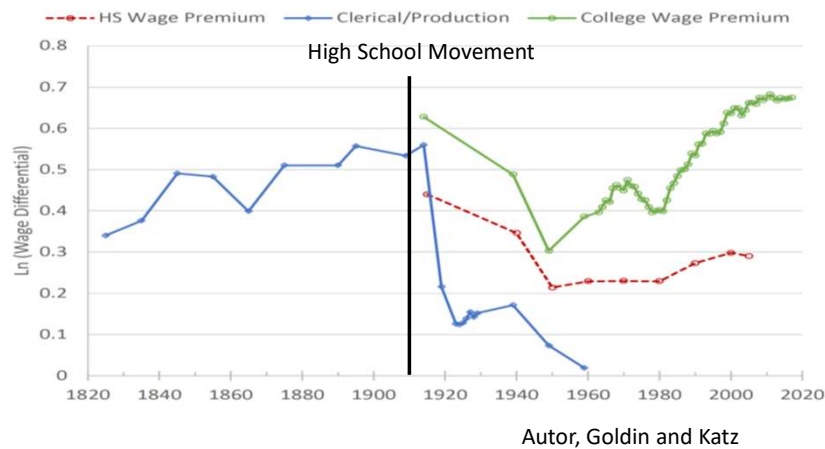
Out of Agriculture

- D. Autor, C. Goldin, and L. Katz, *Extending the Race between Education and Technology*” *AEA Papers and Proceedings 2020, 110: 347–351*
- Technology increase the demand for skilled workers tending into raise their wages.
- Education increases the supply of skilled workers tending to lower their wages.

Example: Shift from agriculture to manufacturing in the late 19th and early 20th centuries: Increasing demand for high school graduates

Historical Returns to Education

Figure 1: Educational and Occupational Wage Differentials: 1825 to 2017



Early 20th Century Technology Adjustment

Four Keys to Success:

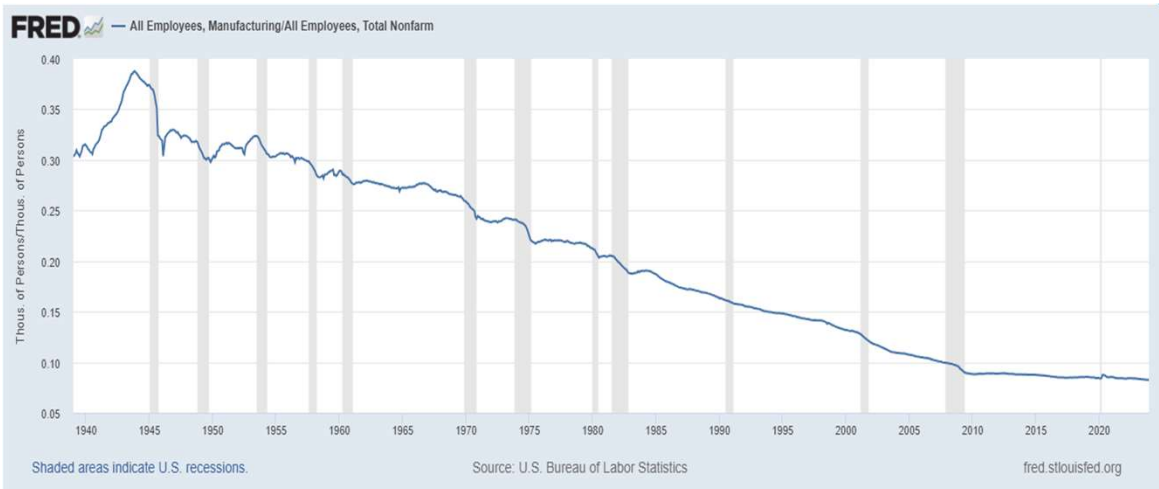
1. New technology created jobs in new sectors (e.g., Model T).
2. Wealthier nation could afford the new schooling and afford to buy the new goods.
3. Farm workers were geographically mobile to move to the new jobs.
4. Increase in educational attainment increased the supply of workers for new jobs.



NATIONAL ECONOMIC
EDUCATION DELEGATION

7

The Second Major Change Wasn't Handled Well



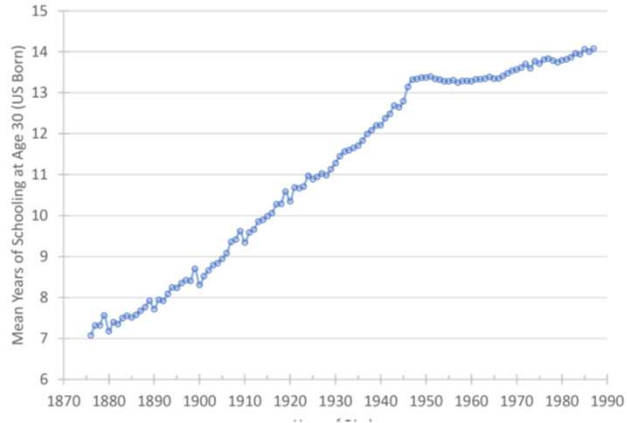
NATIONAL ECONOMIC
EDUCATION DELEGATION

8

What was Missing?

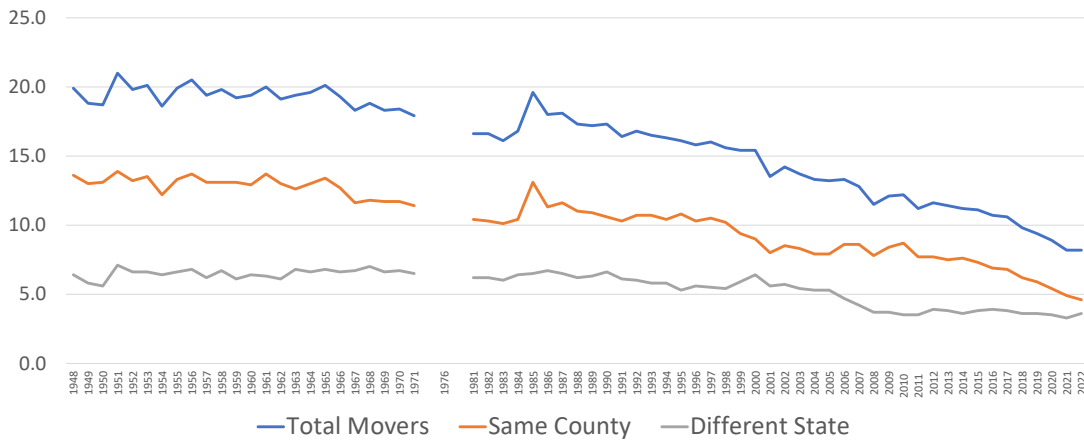
1. New Jobs ?
2. Wealth, check.
3. Education, No

Mean Years of Schooling at Age 30 for the U.S. Born
1876 to 1987 Birth Cohorts



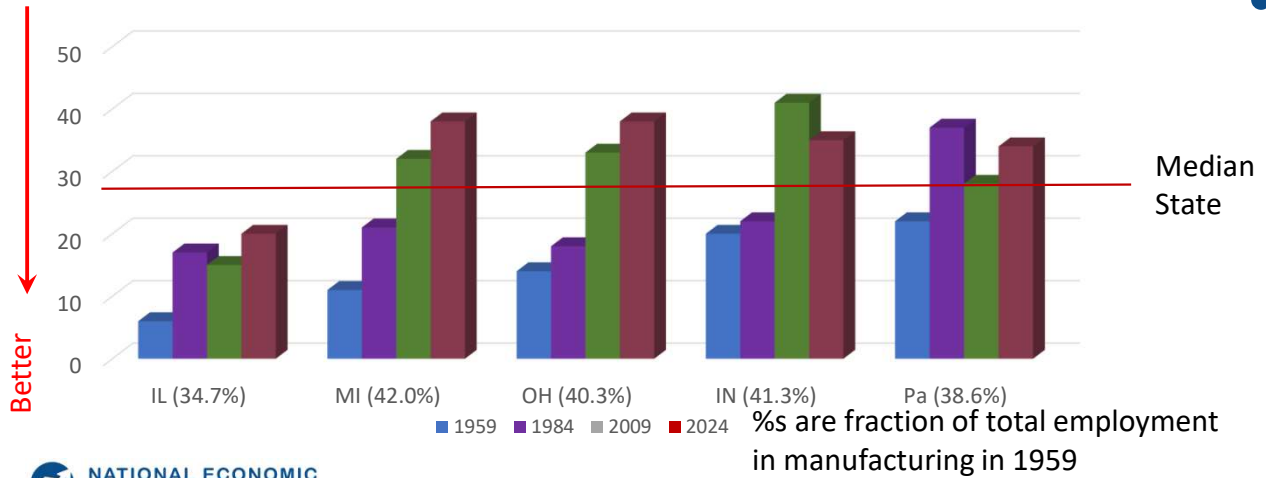
Autor, Goldin and Katz

Geographic Mobility? No

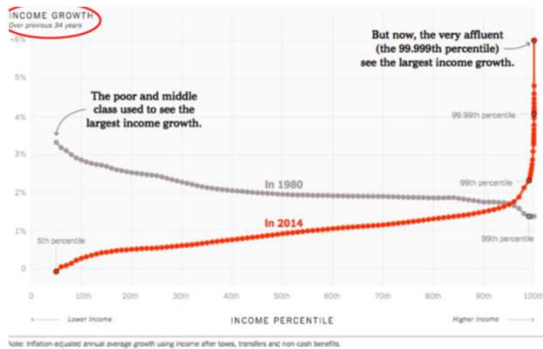


<https://www.census.gov/data/tables/time-series/demo/geographic-mobility/historic.html>

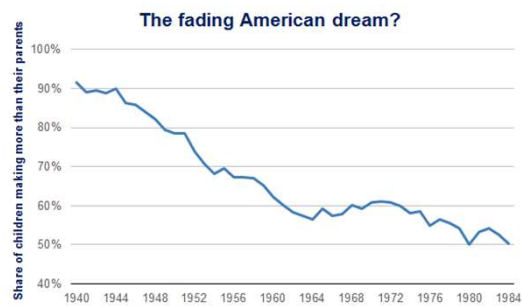
The Rust Belt and National Rank of Household Income (median)



Consequence: Worsening Inequality?



Source: <https://www.nytimes.com/interactive/2017/08/07/opinion/leonhardt-income-inequality.html>



Source: Chetty et al., "The fading American dream: Trends in absolute income mobility since 1940"

Consequences: Matters of Life or Death

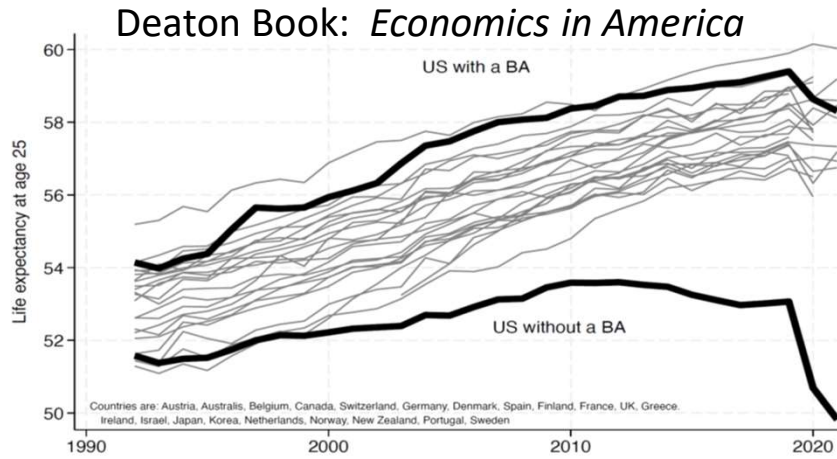


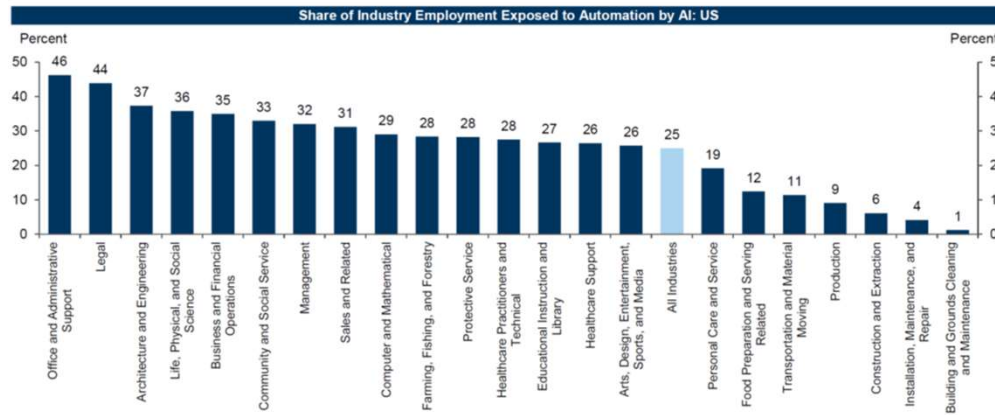
Figure 3: Adult life expectancy for Americans by college degree and for 22 rich countries
 A. Case & A. Deaton "Accounting for the Widening Mortality Gap between American Adults with and without a BA," BPEA Conference Draft, 9/28-29/23



EDUCATION DELEGATION

The Coming Disruption?

Exhibit 5: One-Quarter of Current Work Tasks Could Be Automated by AI in the US and Europe



NATIONAL ECONOMIC EDUCATION DELEGATION

Goldman Sachs, The Potentially Large Effects of AI on Economic Growth, *Economic Research*, March 2023

How Will We Adjust?

- **Can we copy the shift out of agriculture?**
 1. Is the new technology creating new jobs in new sectors?
 2. Wealthier?
 3. Will workers move to new jobs?
 4. Will workers have the skills to do the new jobs?
- **I don't know the answers to these questions, but the only answer I can imagine to 4. involves more education.**
- **So, the answer to the question "Is College Worth It?" from a policy perspective is: It better be!**



Perceived Problems with Higher Education

1. **Ideological Bias: Story of the 3 College Presidents.**
2. **"Cost of College Has Gone Way Up."**
3. **"Student Debt Has Become an Enormous Burden."**
4. **"College is No Longer a Good Economic Investment."**
5. **BA doesn't guarantee literacy or numeracy.**



Confidence in Higher Education is Falling

Shifting Confidence in Higher Education Among Demographic Groups, 2015-2023

% of U.S. adults with "a great deal" or "quite a lot" of confidence in higher education

	2015 %	2018 %	2023 %	2015-2023 change pct. pts.
Party identification				
Republicans	56	39	19	-37
Independents	48	44	32	-16
Democrats	68	62	59	-9
Education				
No college degree	54	45	29	-25
College degree only	57	50	47	-10
Postgraduate degree	67	60	50	-17
Gender				
Men	52	45	33	-19
Women	61	51	39	-22
Age				
18 to 34	60	51	42	-18
35 to 54	55	49	39	-16
55 and older	55	46	31	-24

Get the data • Download image

GALLUP



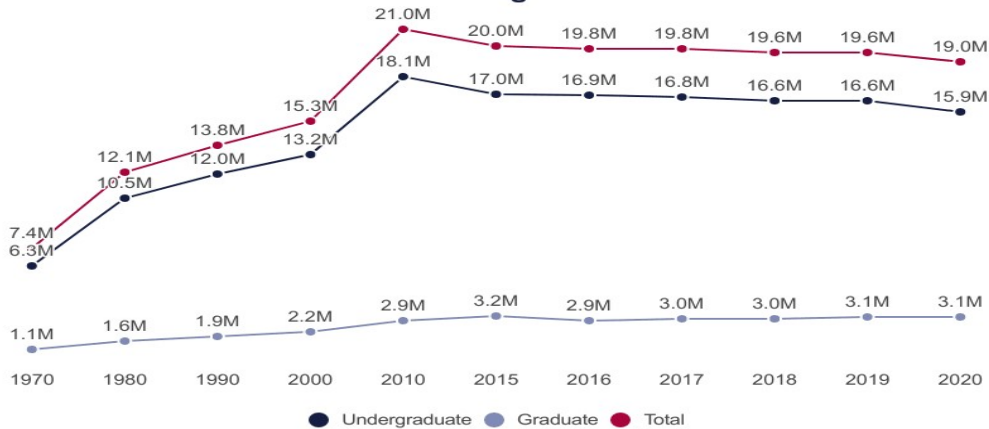
<https://news.gallup.com/poll/508352/americans-confidence-higher-education-down-sharply.aspx>

17

Tertiary Fall Enrollments

College Enrollments Falling

Historical College Enrollment



Education Data Initiative source: National Center for Education Data Statistics

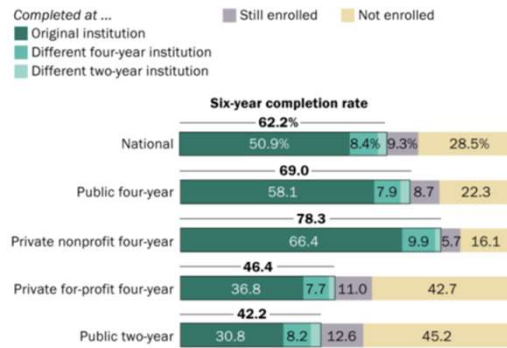


18

Many Students, However, Don't Complete the BA

Only about 62% of college students finish their program within six years

Six-year outcomes for students starting their program in fall 2015, by type of institution they originally enrolled in



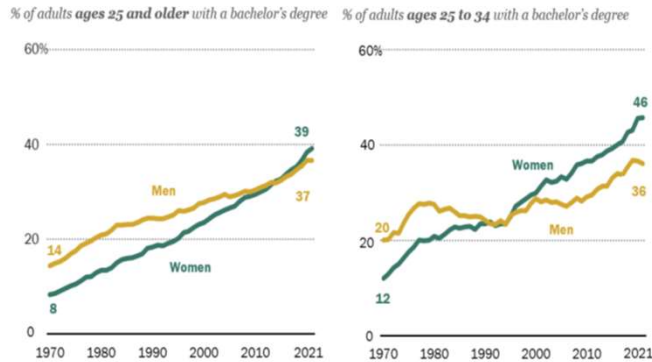
Source: National Student Clearinghouse.

PEW RESEARCH CENTER



Trends in BA Degrees

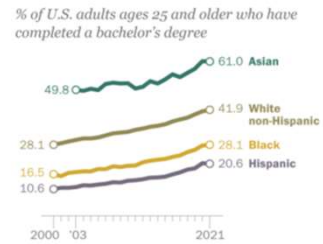
Women in the U.S. are outpacing men in college graduation



Source: Pew Research Center analysis of Current Population Survey Annual Social and Economic Supplement (IPUMS).

PEW RESEARCH CENTER

Since 2000, the share of Americans with a bachelor's degree has increased across all races and ethnicities



Note: All races are non-Hispanic. Hispanics are of any race. Source: 2000 to 2002 March Current Population Survey, 2003 to 2021 Annual Social and Economic Supplement to the Current Population Survey, U.S. Census Bureau.

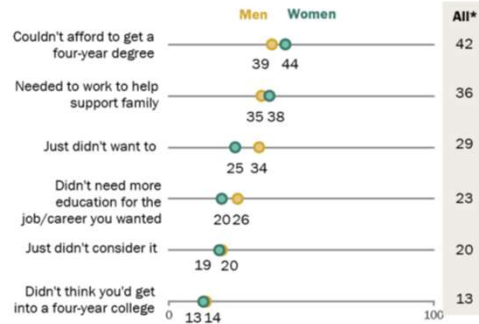
PEW RESEARCH CENTER



Major Reason for Not Getting a Degree

About a third of men who haven't completed four years of college say they 'just didn't want to' get a degree

Among adults who do not have a bachelor's degree and are not enrolled in school, % saying each is a **major** reason why they did not receive a four-year degree



*All adults who don't have a bachelor's degree and are not enrolled in school. Source: Survey of U.S. adults conducted Oct. 18-24, 2021.

PEW RESEARCH CENTER



2. "Sticker" Price Had Been Rising

FIGURE CP-10 Average Published and Net Prices in 2023 Dollars, First-Time Full-Time Undergraduate Students at Private Nonprofit Four-Year Institutions, 2006-07 to 2023-24

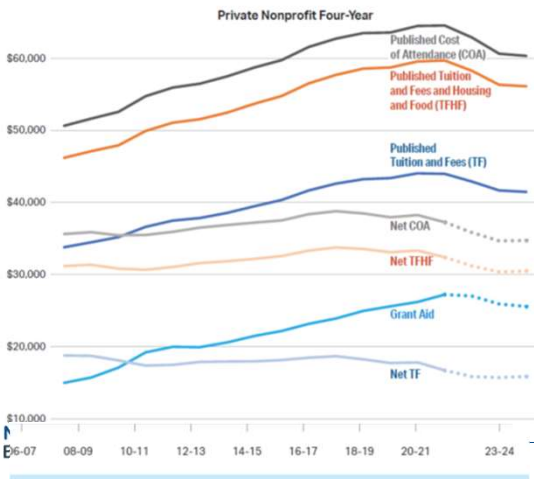
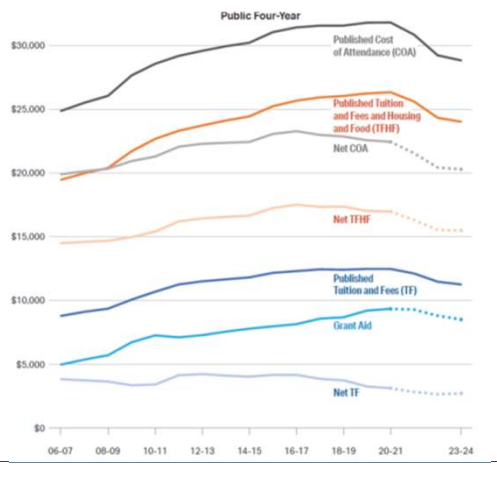


FIGURE CP-9 Average Published and Net Prices in 2023 Dollars, First-Time Full-Time In-State Undergraduate Students at Public Four-Year Institutions, 2006-07 to 2023-24



Closer to Home



Published Total Cost (in state): \$33,556
 Avg. Net Price : \$19,318
 Net price less than \$30K: \$5,713
 Student Expenses per FTE: \$70,387

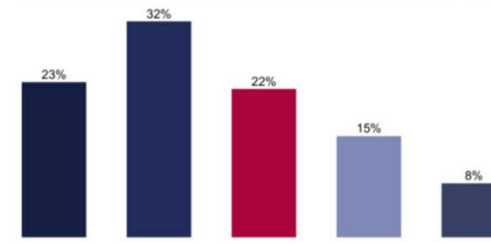


Published Total Cost: \$50,886
 Avg. Net Price \$18,605
 Net price less than \$30K: \$12,825

3. Student Debt



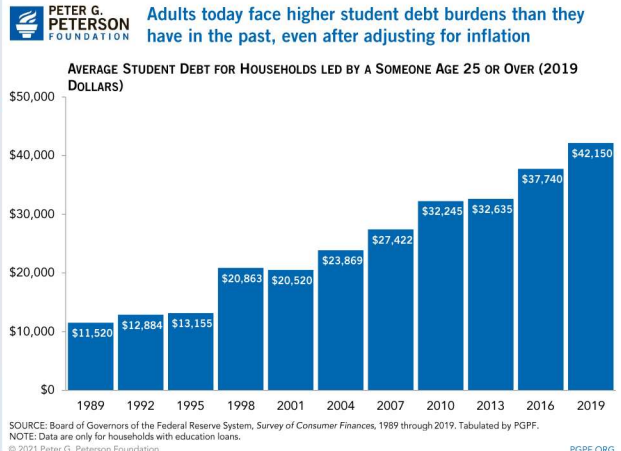
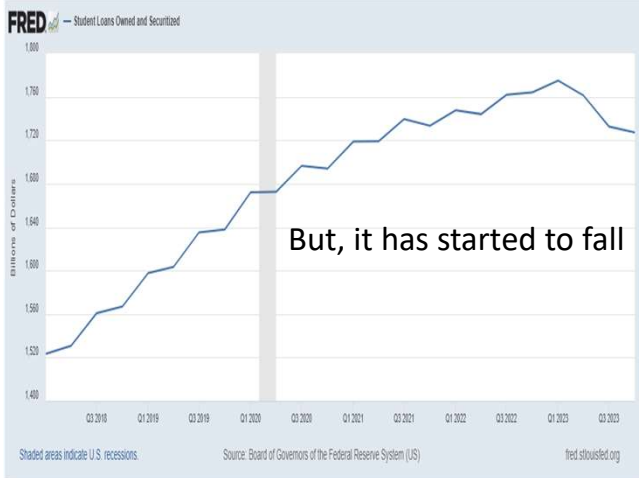
Percentage of Student Loan Debt Holders Per Age Group



● Under 30 Years ● 30-39 Years ● 40-49 Years ● 50-59 Years ● 60 Years & Older



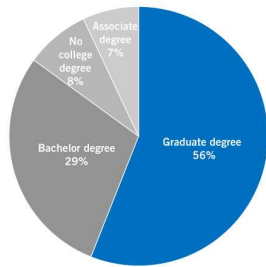
3. Student Debt Facts



3. Student Debt Facts (Cont.)

PETER G. PETERSON FOUNDATION Those with a graduate degree account for over one-half of student debt

SHARE OF STUDENT DEBT OUTSTANDING, BY EDUCATIONAL ATTAINMENT



Income and Debt by Degree Status

Degree	Median Annual Income**	Average Borrowed†
Some College, No Degree	\$48,100	\$15,236
Associate's Degree	\$52,260	\$21,123
Bachelor's Degree	\$74,464	\$59,730
Master's Degree	\$86,372	\$55,540
Research Doctorate	\$108,316	\$112,080
Professional Doctorate	\$108,161	\$189,590

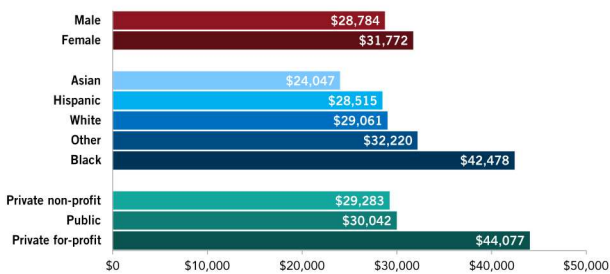
SOURCE: Brookings Institution, Who owes the most in student loans: New data from the Fed, October 2020.
NOTES: The data above are for households led by someone age 25 or older. Graduate degree refers to masters, professional, and doctorate degrees. The Brookings Institution based their analysis off of the 2019 Survey of Consumer Finances from the Federal Reserve.
© 2021 Peter G. Peterson Foundation

3. Break Down of Where There is a Debt Problem



The average federal student loan debt is highest for women, Black borrowers, and those who attended for-profit colleges

AVERAGE FEDERAL STUDENT DEBT BY SEX, RACE, AND TYPE OF COLLEGE ATTENDED

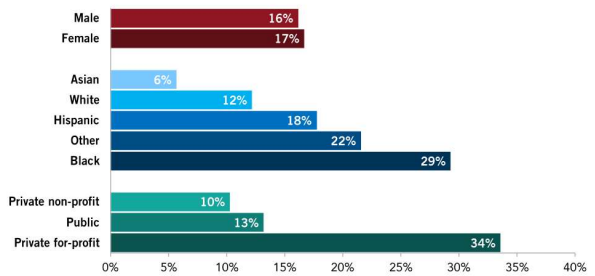


SOURCE: U.S. Department of Education: National Center for Education Statistics, B&B:17 Baccalaureate and Beyond Longitudinal Study, accessed April 2021.
 NOTES: Data reflects the average cumulative federal student loan amount owed, including principal and interest, for undergraduate and graduate education 12 months after completing a bachelors degree. Hispanic includes Hispanic or Latino borrowers of any race, all other racial categories are non-Hispanic. The race category of "Other" includes American Indian, Alaska Native, Native Hawaiian/Other Pacific Islander, and those who indicated more than one race.
 © 2021 Peter G. Peterson Foundation PGPF.ORG



Students at for-profit colleges and Black borrowers have higher student loan default rates

STUDENT LOAN DEFAULT RATES BY SEX, RACE, AND TYPE OF COLLEGE ATTENDED



SOURCE: U.S. Department of Education: National Center for Education Statistics, Beginning Postsecondary Students Longitudinal Study 2012/2017, accessed on April 19, 2021.
 NOTES: Data reflect default rates for those who entered college in the 2011-2012 academic year and had entered repayment by 2017. The race category of "Other" includes American Indian, Alaska Native, Native Hawaiian/Other Pacific Islander, and those who indicated more than one race.
 © 2021 Peter G. Peterson Foundation PGPF.ORG



NATIONAL ECONOMIC EDUCATION DELEGATION

3. What is the Student Debt "Problem?"

I am sympathetic to today's student loan borrowers—indeed, I'm outraged over the situation. It is an outrage that the federal government offers loans to students at low-quality institutions even when we know those schools [don't boost their earnings](#) and that those borrowers won't be able to [repay their loans](#) ...

Moreover, these failures are entirely the result of federal government policies. The federal government gutted accountability rules; treated online programs as if they were the same as traditional brick-and-mortar schools; ...

The government allowed-and often encouraged-people to make bad choices



NATIONAL ECONOMIC EDUCATION DELEGATION

Adam Looney, "A Better Way to Provide Relief to Student Loan Borrowers," 4/30/2019: <https://www.brookings.edu/articles/a-better-way-to-provide-relief-to-student-loan-borrowers/> ²⁸

Solution (?): Income-Based Repayment

- **And, it exists!**

- REPAYE (2015) that have morphed into SAVE Loans
- \$600 billion of the \$1.6 trillion

- **Terms**

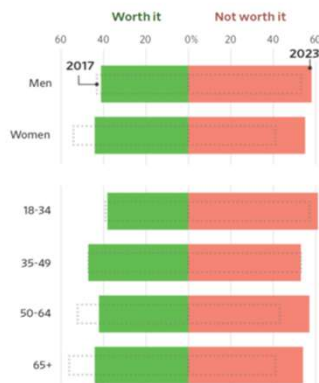
- Requires borrower to pay 10% of discretionary income.
- Payments end when the loan is repaid or after 20 or 25 years
- With better terms coming this year

- **Benefits**

- Requires equal proportional sacrifice to pursue different careers
- Reduces the risk of pursuing a degree

4. More People Think BA is a Bad “Investment”

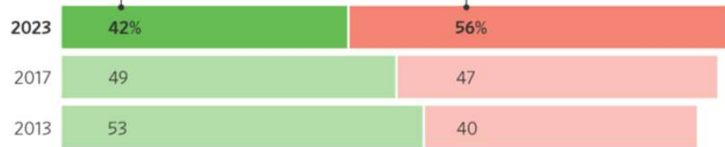
Is a four-year college education worth the cost?



Sources: WSJ/NORC poll of 1,019 adults, conducted March 1-13, 2023; margin of error +/- 4.1 pct. pts. 2017 data from WSJ/NBC survey of telephone poll of 1,200 adults conducted Aug. 5-7; margin of error +/- 2.8 pct. pts.

Worth the cost because people have a better chance to get a good job and earn more income over their lifetime

Not worth the cost because people often graduate without specific job skills and with a large amount of debt to pay off



Note: 'Don't know'/skipped/refused responses not shown. Numbers that don't add up to 100 are due to rounding.
Source: WSJ/NORC poll of 1,019 adults, conducted March 1-13, 2023; margin of error +/- 4.1 pct. pts. 2017 data from WSJ/NBC survey of telephone poll of 1,200 adults conducted Aug. 5-7; margin of error +/- 2.8 pct. pts. 2013 data from CNBC AAES survey of June 2013.

Calculating the Investment Value of a BA

1. Cost

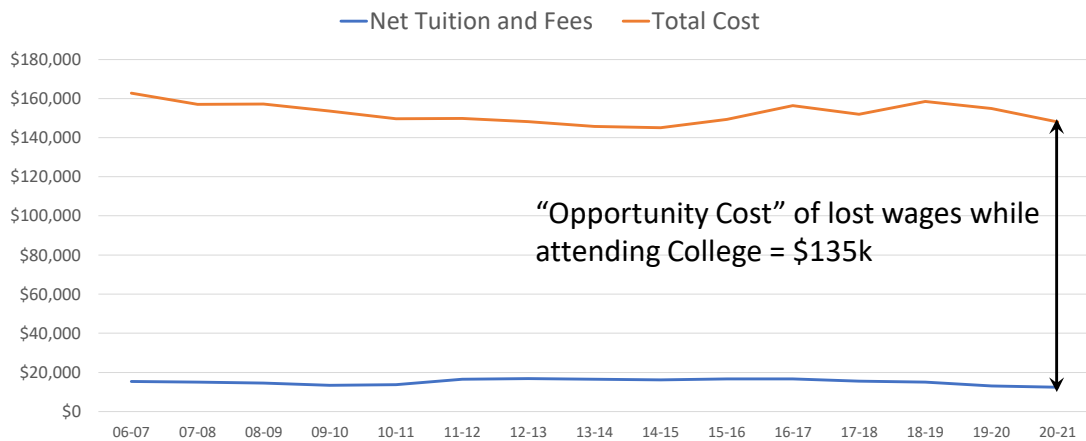
- Net Tuition and Fees.
- Wages you could have earned
- Room and Board?

2. Benefit

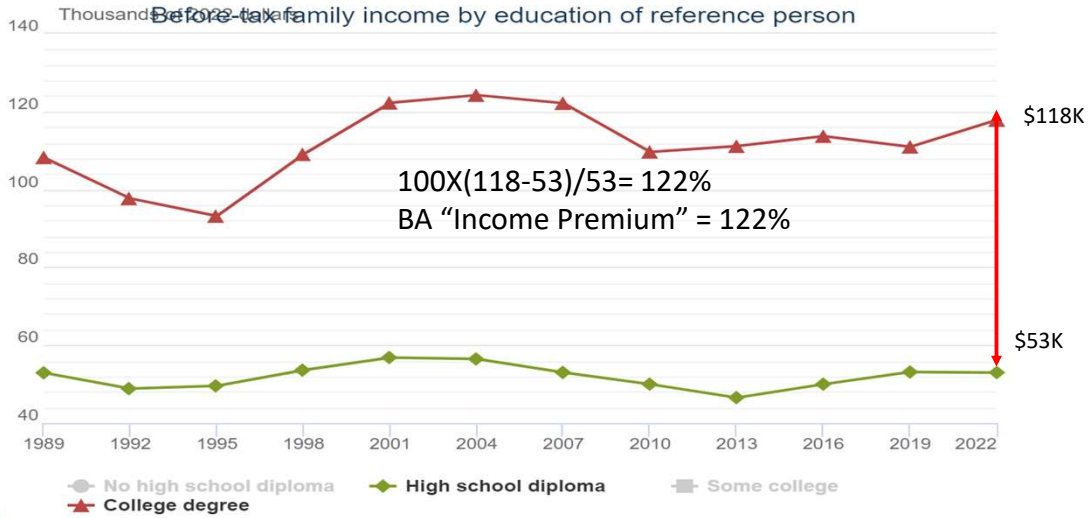
- Difference in wage earned with BA and with only high school diploma after college.

Both Benefits and Costs must account for the Time value of Money: money in the future is worth less than money today.

Estimates of the Cost of a Degree at 4Yr Public



But, Aren't Those Costs Trivial in Terms of Future Income?



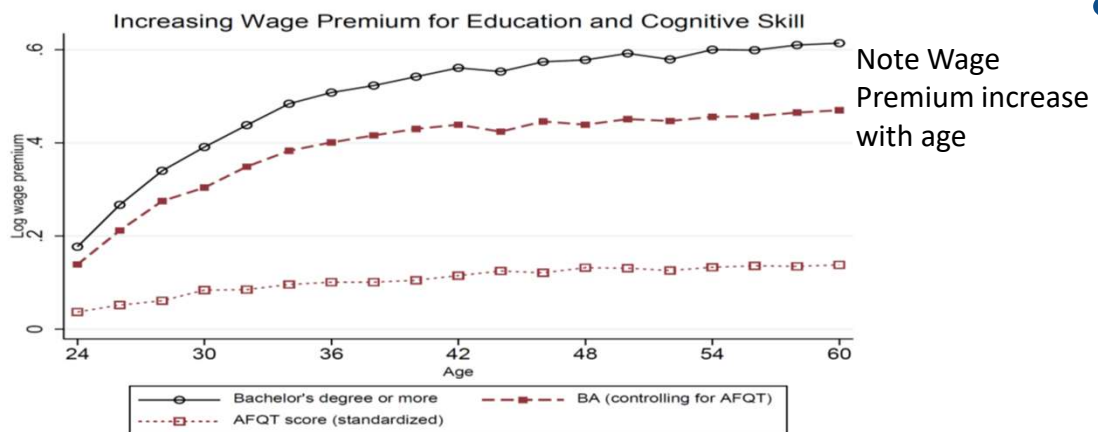
But, Averages Aren't Really Relevant

- For any individual the investment value of a college education must take into account the costs and benefits based on their individual characteristics.
- A favorite example of mine: Serena Williams could not afford to go to college. Why?

Relevant Policy Question

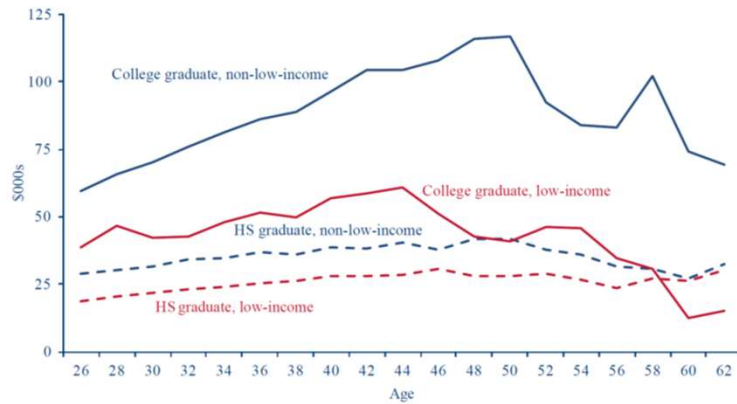
- Should we encourage more students to pursue BA degrees?
- One partial answer is provided by looking at whether College is a good investment for a “typical” high school grad who does not go on.
- But to look at this question, we have to take account of how the typical non-college high school grad differs for the typical college grad.
- We need to “control” for other differences between high school and college graduates

One Example of the Effects of Controls



How about Controlling for Parent's Income?

Figure 1 Estimated Career Earnings Profiles by Education and Family Income Background (annual earnings, thousands of 2014 \$)



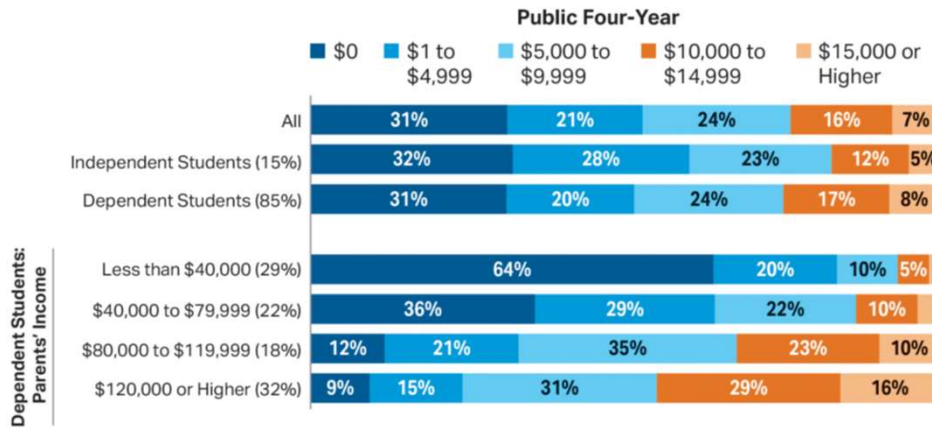
Career Earnings Ratios BA/NonBA

	College/high school: Non-low-income	College/high school: Low-income
Baseline	2.363	1.706
Include age 20+ earnings	2.176	1.602
Drop zero earnings	2.230	1.466
Drop graduate degrees	1.873	1.862
Drop 99th percentile	1.825	1.698
Median	1.938	2.231
75th percentile	1.848	1.551
90th percentile	2.026	1.472
Men	2.699	1.404
Women	1.999	1.987
Whites	2.311	1.120
Blacks	2.788	2.731



Bartik, Timothy J., and Brad Hershbein. 2016. "Degrees of Poverty: Family Income Background and the College Earnings Premium." Upjohn Institute mimeo.

Net Price by Family Income Public



<https://research.collegeboard.org/trends>

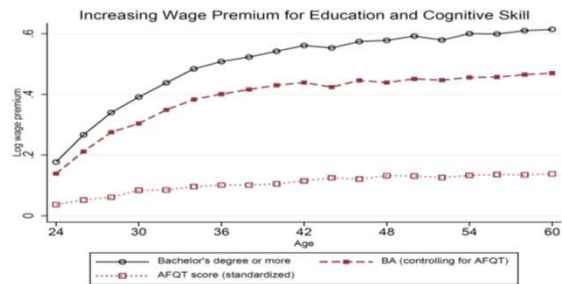
Most of the Literature: Its Worth It as a Financial Investment

What do Emmons, Kent and Ricketts Get Wrong?

There data stop in 2016, so their 1980 cohort is between 27 and 36 yrs old.

Young workers haven't had time for higher wages to offset costs of college.

Wealth is measured by Financial Net Worth, What about future wages?

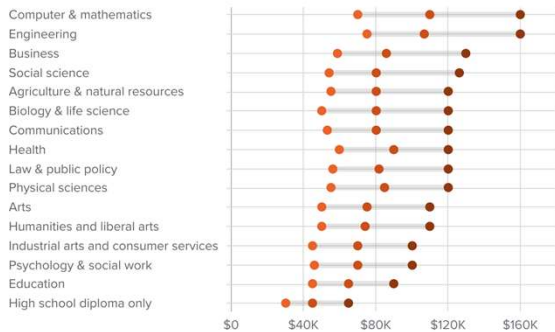


But, College is a Risky Investment

College graduates' wages vary tremendously across majors

Annual wage and salary income

● 25th percentile ● 50th percentile ● 75th percentile



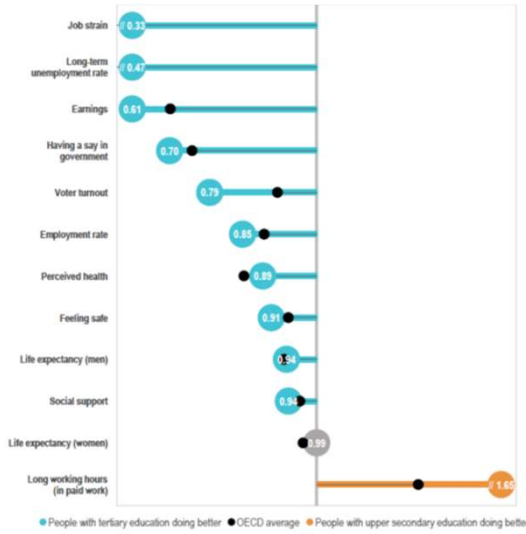
SOURCE: American Community Survey, 1-Year Estimates, 2021.

Risks:

1. Wrong Major.
2. Don't Finish the Degree.
3. Come from a Poor Family.

Education Matters for Broader Measures of Inequality

Ratio of indicators of well being



Are Colleges Increasing Economic Mobility?

- Good News and Bad News: Amherst College, a case study:

Most Importantly

- Stephen Carter, Professor Yale Law School, *NYTimes*, 1/24/2024

The difficulty stems,..., from the yielding to the “vocational ideal,”... that the purpose of education is to inculcate skills needed to excel in the labor market.

Teaching a subject is important; it is also in a sense incidental. The classroom is, first and foremost, a place to train young minds toward a yearning for knowledge – to be intellectually curious –even if what they wind up discovering challenges their most cherished convictions.

5. I Agree, but...

- **College has become more and more of a consumer culture**
 - Departmental budgets depend on enrollments.
 - Student evaluations are important in promotion and tenure.
- **Are Course such as the following consistent with Carter’s View?**
 - True Crime: Unlearning Media.
 - History of Race, Gender, and Comic Books.
- **Maybe! But..**
 - There are skills and information that educated young men and women need in addition to creative thinking and problem solving.

And, There Are No Guarantees That Education will Solve Our Adjustment Problems

Keynes (1930) *Economic Possibilities for Our Grandchildren*:

We are being afflicted with a new disease of which some readers may not yet have heard the name, but of which they will hear a great deal in the years to come--namely, *technological unemployment*. This means unemployment due to our discovery of means of economising the use of labour outrunning the pace at which we can find new uses for labour.

I draw the conclusion that, assuming no important wars and no important increase in population [climate change?], the *economic problem* may be solved [in 100 years].

Thus for the first time since his creation man will be faced with his real, his permanent problem--how to use his freedom from pressing economic cares, how to occupy the leisure, which science and compound interest will have won for him, to live wisely and agreeably and well.

But it will be those peoples, who can keep alive, and cultivate into a fuller perfection, the art of life itself and do not sell themselves for the means of life, who will be able to enjoy the abundance when it comes.

I believe that a major goal of a college education is to learn the “art of life”



NATIONAL ECONOMIC
EDUCATION DELEGATION

45

Let's Hear from You!

Geoffrey Woglom
grwoglom@amherst.edu

Contact NEED: Info@NEEDEcon.org

Submit a testimonial:
www.NEEDecon.org/testimonials.php

Support NEED: www.NEEDecon.org/donate.php



NATIONAL ECONOMIC
EDUCATION DELEGATION

46