

## College pays off, but not like it should

Neal McCluskey

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If you are prepared for college-level work, and especially if you intend to major in something in demand in the economy, by all means go to college. The price you will be charged will be inflated, but the investment will still pay off. If you are unprepared for college, however, or plan to major in a field with few job prospects, you should really think twice.

A factoid you might have heard before — the average college graduate makes around \$1 million more over her working lifetime than the average person with just a high school diploma — continues to hold. There are lots of caveats — it doesn't account for the decreased value of a future dollar, investing what would have been tuition money would likely have produced unaccounted-for gains — but it still exists. On the whole, even with an average four-year undergraduate degree running roughly \$40,000 to \$134,000 in tuition and fees, depending on the type of school, college is worth the investment.

Which isn't to say that degrees are priced right. They are almost certainly inflated, fueled especially by federal student aid including Pell grants, loans and tax-favored savings plans that enable colleges to jack up their prices to capture always desirable revenue, and allow students to pay (and demand) more than they would were they using their own money or funds voluntarily given to them.

Numerous studies have found that aid fuels tuition cost inflation, and the “help” it provides is a major reason that for decades inflation in higher education has eclipsed even the infamous inflation rates in health care and housing.

Another crippling unintended consequence of gigantic subsidies is credential inflation.

Basically, more and more degrees that represent less and less learning make having a degree not so much a sign that one possesses valuable skills and knowledge, but rather make it so that not having one is a red flag suggesting you have some sort of deficiency.

The hollowing out of degrees has been borne out in research showing declining literacy rates for people possessing bachelors and advanced degrees, and in stagnant or declining earnings for degree holders over the last 15 years. The big college wage premium is more a function of a high school diploma's value dropping than a college degree's rising.

This is a big reason that having a degree is no guarantee of success. According to 2014 research from the Federal Reserve Bank of New York, about a third of people holding a four-year degree are in jobs that don't require it, and are in such career tracks on a largely permanent basis. And

while various types of engineering majors and a few others can make big bucks right out of college, people with softer majors, like psychology or English, can struggle to find well-paying work.

That said, investing in college is far riskier if you're teetering on the margins of preparation, or aren't motivated to do college-level work. Poor preparation or focus are major reasons a little less than half of people who start college don't finish within six years, and many never complete. For these people, the cost of college can be an albatross even with relatively small debt. Indeed, there are higher default rates for student borrowers who owe relatively small amounts, in the \$1,000 to \$10,000 range, than those paying off larger sums. Defaulters have basically paid for part of college but left without getting the degree essential to increasing their earnings. For millions of such people, the "investment" in college was a significant loss, not a gain.

So is college worth the money? Thanks to massive, distorting subsidies extracted from taxpayers, that is a far tougher question to answer than it should be. For those who are truly ready for college and are focused on in-demand fields, it almost certainly is, even if it should cost far less. For everyone else? It's a far more dicey proposition.

*McCluskey is the director of the Cato Institute's Center for Educational Freedom.*