



## Debate Brief · Cost of College

***Resolved: The benefits of obtaining a bachelor’s degree outweigh the costs to students and their families.\****

*“...[A]s far as I can judge I do not pay out except where the return is of more value to me than the money...”*

*—Calvin Coolidge, 1895, Amherst College Student*

*“Every dollar that we carelessly waste means that their life will be so much the more meager. Every dollar that we prudently save means that their life will be so much the more abundant.”*

*—President Calvin Coolidge, 1925 Inaugural Address*

\* About the resolution: This resolution defines a bachelor’s degree as a traditional, on-campus, undergraduate degree. Bachelor’s degrees typically take four years to complete, though some are five-year programs.

## **ABOUT THE COOLIDGE FOUNDATION**

The Calvin Coolidge Presidential Foundation is the official foundation dedicated to preserving and promoting the legacy of America's 30th president, Calvin Coolidge, who served in office from August 1923 to March 1929. These values include civility, bipartisanship, and restraint in government, including wise budgeting. The Foundation was formed in 1960 by a group of Coolidge enthusiasts, including John Coolidge, the president's son. It maintains offices at the president's birthplace in Plymouth Notch, Vermont, and in Washington, D.C. The Foundation seeks to increase Americans' understanding of President Coolidge and the values he promoted.

## BACKGROUND

It is common today to hear that everyone should go to college. Many young people and their parents assume that upon the completion of high school, going to college is the automatic next step for anyone who wishes to achieve big things in life. One prominent national foundation, the Lumina Foundation, has even set as its explicit goal to increase the percentage of Americans with postsecondary degrees to 60 percent by 2025.

Some statistics seem to back up this assumption. According to an analysis of Labor Department statistics by the Economic Policy Institute in Washington, the pay gap between college graduates and people without a college degree is bigger than ever before. Americans with four-year college degrees made 98 percent more an hour on average in 2013 than people without a degree.<sup>1</sup> That pay gap is increasing—in the 1990s it was roughly 85 percent, and in the 1980s it was 64 percent.

But is the case for attending college really so clear and simple? Some scholars and economists are starting to question whether, as the cost of college continues to rise, attending college really still is the best investment of your time and money.

One third of Americans now hold at least a bachelor's degree, and many are going into extreme levels of debt—\$100,000 or more—for that experience. Americans owe over \$1.5 trillion in student loans, more than 2.5 times as much as they did just ten years ago.<sup>2</sup> According to a large but unscientific survey conducted by the media firm Morning Consult, nearly half of millennials (people ages 22 to 37) who have gone to college say college was not worth the student loan debt.<sup>3</sup> Many college graduates, crowded out by a competitive job market and made anxious by their high student loan debt, end up moving back in with their parents after graduation rather than embarking on the life of independence they imagined they would have.

Calvin Coolidge attended Amherst College in Massachusetts. When Coolidge was a student at Amherst in 1891, the annual costs for tuition and fees, room, board, and other living expenses totaled around \$300—the equivalent of about \$8,000 today. Coolidge and his father discussed the possibility of Calvin attending law school after Amherst, but the family ultimately decided Calvin would “read the law” as a clerk in the office of Hammond & Field in Northampton, MA, avoiding the cost of law school. For Coolidge at the time, going to college was worth it, but going to law school was not. Have things changed since Coolidge's time, or not?

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<sup>1</sup> Leonhardt, D. “Is College Worth It? Clearly, New Data Say” *New York Times*. May 27, 2014. <https://www.nytimes.com/2014/05/27/upshot/is-college-worth-it-clearly-new-data-say.html?partner=rss&emc=rss&smid=tw-nytimes&r=1>

<sup>2</sup> Federal Reserve Bank of St. Louis. Student loans Owned and Securitized, Outstanding. Accessed April 14, 2019. <https://fred.stlouisfed.org/series/SLOAS>

<sup>3</sup> Hoffower, H. “Nearly half of indebted millennials say college wasn't worth it, and the reason why is obvious” *Business Insider*. April 11, 2019. <https://www.businessinsider.com/millennials-college-not-worth-student-loan-debt-2019-4>

## KEY TERMS

**Opportunity Cost** – Suppose you have a choice to make about whether to do one thing or another. The opportunity cost is the cost of the best opportunity you forgo when you make your specific choice. For example, if you choose not to play soccer this fall because you want to run cross country, you lose any chance you had to star in soccer. Similarly, if you are trying to choose between going to college and going straight into the workforce to begin earning money right away, then if you choose college, a relevant “cost” to consider is the amount of money you would have made if you had gone into the workforce.

**Compound Interest** – Compound interest is interest calculated on the principal amount *and* the accumulated interest of previous periods. It can thus be regarded as “interest on interest.” The “Rule of 72” is a useful tool. This “rule” is a rough way of estimating how long it takes for invested money to double in value. The formula is  $\text{NUMBER OF YEARS} \times \text{RATE} = 72$  (about). Example: at a 9% interest rate, it takes about eight years for an investment to double in value.

**Earnings Differential** or **College Wage Premium** – The difference in pay between two or more people or groups. An earnings differential may be justified for a variety of reasons, including if there is a difference in the educational backgrounds. When referring to college-educated workers versus non-college-educated workers, this is called the College Wage Premium.

**Signaling** – This is something that happens when two people are trying to negotiate a contract or an agreement, and neither one of them has perfect information about the other. Consider a situation with a job seeker and a potential employer. It can be hard to tell how smart or hard-working a job applicant really is. To overcome this information hurdle, job applicants might send a “signal” about themselves to potential employers by doing things such as acquiring education credentials (i.e., obtaining a degree, a certificate, or some other form of training).

**Financial Aid** – Financial Aid is a broad term used to refer to any grant, scholarship, or loan that is intended to help a student meet his or her college expenses. Grants and scholarships are gifts that do not need to be paid back. Loans, on the other hand, do need to be paid back.

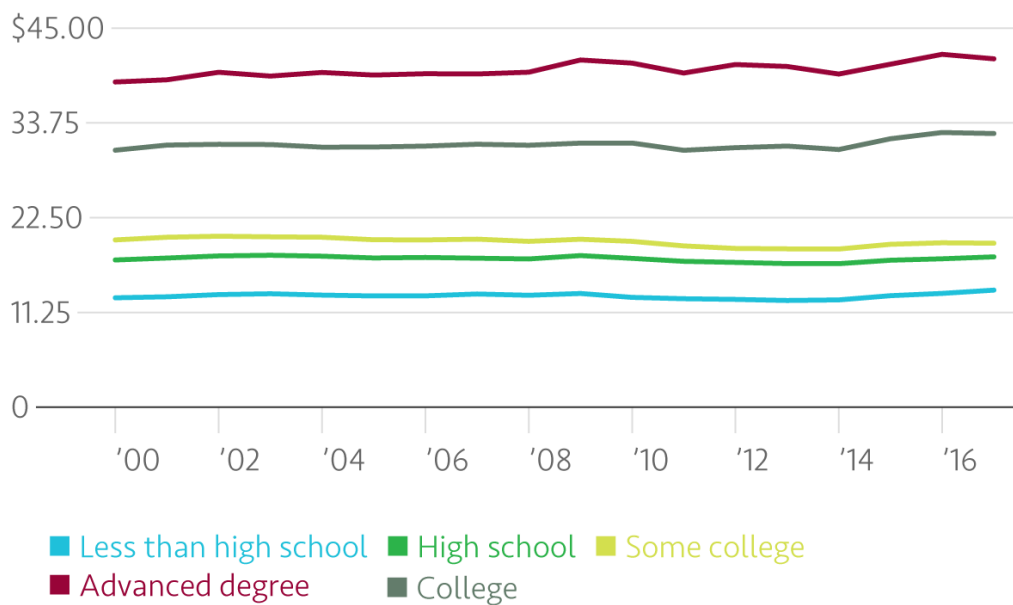
**Deferment** – A deferment is a postponement of the date when you are required to start paying back your loans. For instance, if you decide to go to graduate school, you may be able to get a deferment on the loans that you took out for your undergraduate education so that you do not need to start paying back your loans until you are done with graduate school. A deferment can also temporarily reduce your monthly student loan payment.

## AFFIRMATIVE ARGUMENTS

### 1. College graduates are rewarded with higher earnings once they enter the workforce.

Data show that individuals with more education tend to have higher earnings compared to those with less education. Viewed on an hourly basis, people with a traditional four-year-degree make almost twice as much as people with only a high school degree. In 2017, workers with high school diplomas made on average \$17.85 an hour, while those with a bachelor's degree earned an average of \$32.49 an hour and those with advanced degrees earned an average of \$41.36 an hour (see Figure 1).

**Figure 1. The College Wage Premium**



Source: Economic Policy Institute's State of Working America Data Library, 2017.

Full-time, year-round male workers who possessed only a high school degree had median earnings of \$40,289 according to a 2013 estimate (see Table 1). Meanwhile, male workers with a bachelor's degree enjoyed substantially higher median earnings: \$67,236 per year. Put differently, men with bachelor's degrees earn almost \$27,000 more each year than those who only finished high school. The earnings gap becomes even greater as people gain higher and higher levels of education beyond a bachelor's degree. For instance, workers with doctoral or professional degrees often earn more than \$100,000 per year.

**Table 1. Median Annual Earnings for Year-Round, Full-Time, Male Workers in the United States, 2013**

All Workers	HS Graduate	Associate Degree	Bachelor's Degree	Master's Degree	Doctoral Degree	Professional Degree
\$51,116	\$40,289	\$50,998	\$67,236	\$86,308	\$105,281	\$126,725

Source: U.S. Census Bureau, Current Population Survey, 2013 Annual Social and Economic Supplement.

Another way to think about the gap in earnings is to calculate an earnings differential between workers with different levels of education. In 2013, this earnings differential between workers with a bachelor's degree and workers with a high school degree was 66.9% for men and 64.8% for women. What is more, this earnings differential has widened over time. Back in 1991, male workers with bachelor's degrees earned 52.2% more than those with only high school degrees, while college-educated female workers earned 53.3% more than their high-school graduate counterparts. In other words, from an earnings perspective, it is more advantageous today to earn a bachelor's degree than it was in the 1990s and most of the 2000s.

## **2. College teaches valuable skills that are useful in your career.**

A major reason why people go to college is so they can get the skills they need to get off to a good start in their career. College teaches skills and conveys knowledge that is useful professionally. Students can gain advanced knowledge in fields of study that interest them and that prepare them for a career. For example, students who wish to become accountants can learn the important elements of that field, students who wish to become engineers can learn the fundamentals of engineering, and students who wish to become scientists can take courses in disciplines such as biology or chemistry to learn the principles of those fields.

Not only do college courses teach specific subjects, students also learn general thinking skills, such as how to engage in critical thinking and how to work through difficult problems. These skills are helpful in one's career and in life generally. Without going to college, it would be more difficult to obtain these skills.

## **3. A traditional college degree is a signal of competence to potential employers.**

A traditional bachelor's college degree is a strong signal to potential employers that you are an intelligent person who will be a good worker. When an employer is looking to fill a job, the employer usually has many possible candidates to select from. Since the employer does not

have complete information about the job candidates, the employer often relies on other factors that signal a job candidate will be valuable to the company.<sup>4</sup>

One of the strongest signals is a college degree, since obtaining a degree suggests a student is intelligent, a hard worker, competent, reliable, and has gained knowledge in courses that will be helpful on the job. Without a college degree, it is difficult to get a “foot in the door” with employers and differentiate one’s self, even if one is highly intelligent and skilled. The benefit that one gets from degrees or certificates that require fewer years of education do not give as strong a signal to potential employers.

The more selective and “elite” the school, the stronger the signaling effect. The value of a degree from a selective school is so strong that, in the spring of 2019, a college admissions scandal captivated the nation. Celebrities and CEOs were charged with paying hundreds of thousands of dollars (and in one case, \$1.2 million) in bribes in exchange for guaranteed admission to elite schools for their children.<sup>5</sup> The fact that people are willing to pay so much is an indication that the signal sent by going to college—especially a selective one—is valuable.

#### **4. College graduates earn considerably more over their lifetimes**

The earnings differential between high school graduates and college graduates is already large on an annual basis, but it gets even larger when one considers the difference in earnings over an individual’s entire lifetime. The median college graduate earns \$1.2 million over their lifetime, which is \$600,000 more than someone with only a high school degree.<sup>6</sup>

The College Board estimates that individuals with a bachelor’s degree earn 65% more over their lifetimes than individuals with only a high school degree.<sup>7</sup> And the Federal Reserve Bank of San Francisco has estimated that workers who receive a bachelor’s degree earn on average \$830,800 more over their lifetimes compared to those with only a high school degree.<sup>8</sup> We also see that once again, the better the school, the higher the earnings differential: according to a 2009 study, white men who attended more selective universities earned 20 percent more by the time they were in their early thirties than similar white male students who attended less selective colleges.<sup>9</sup>

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<sup>4</sup> Spence, M. “Job Market Signaling.” *The Quarterly Journal of Economics*, Vol. 87, No. 3. (Aug., 1973), pp. 355-374.

<sup>5</sup> Carey, K. “How Much Does Getting Into an Elite College Actually Matter?” *New York Times*, March 15, 2019

<sup>6</sup> The Hamilton Project, “Lifetime Earnings by Degree Type” April 26, 2017.  
[http://www.hamiltonproject.org/charts/lifetime\\_earnings\\_by\\_degree\\_type](http://www.hamiltonproject.org/charts/lifetime_earnings_by_degree_type)

<sup>7</sup> Baum, Sandy, Jennifer Ma, and Kathleen Payea. Education Pays 2013. Rep. The College Board, 2013. Web.

<sup>8</sup> Daly, Mary C., and Leila Bengali. *Is It Still Worth Going to College?* Rep. Federal Reserve Bank of San Francisco, 5 May 2014. Web.

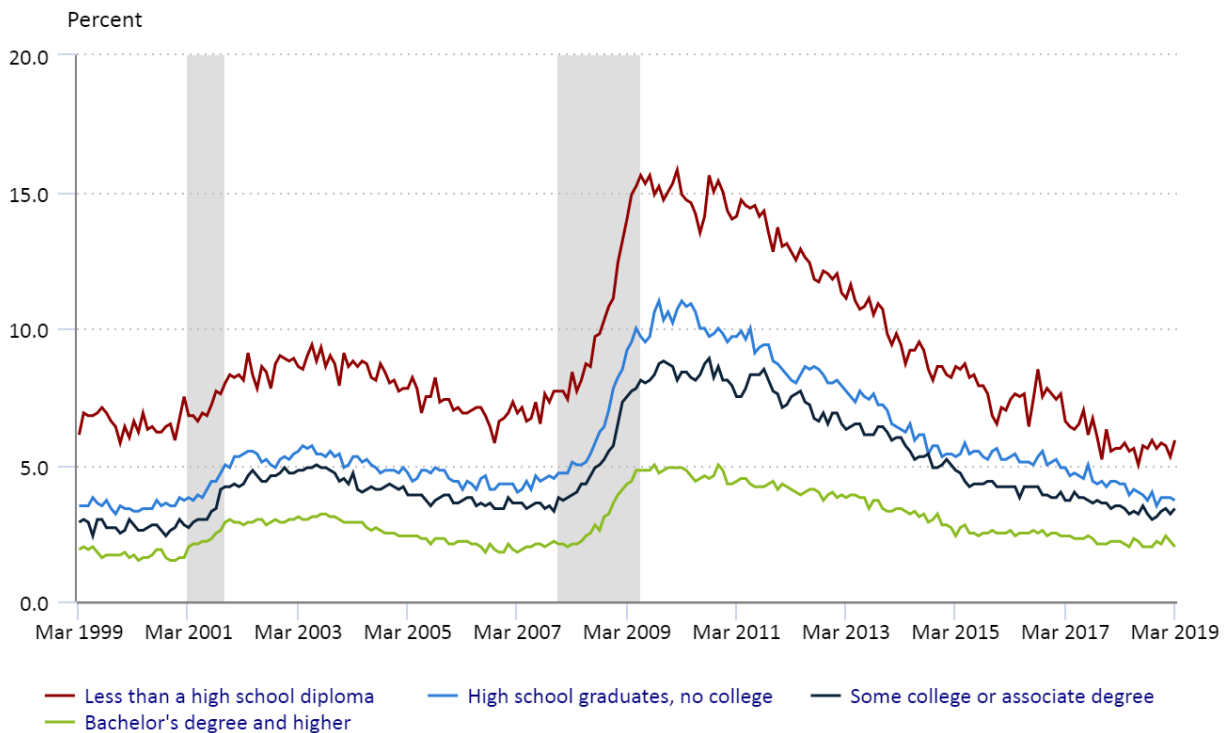
<sup>9</sup> Hoekstra, M. “The Effect of Attending the Flagship State University on Earnings: A Discontinuity-Based Approach” *Review of Economics and Statistics*. 91:4 (2009) p.717-724

## 5. College graduates fare better during economic recessions and downturns.

Occasional recessions and downturns are an economic reality. During these times practically everyone is affected negatively, but college graduates are not hurt as badly as non-college graduates because they generally have more stable jobs and greater employment options.

Consider the graph in Figure 2. Unemployment spiked for both groups during the Great Recession which began in 2008, but workers with at least a bachelor's degree were affected much less harshly. During the Great Recession, unemployment for the college educated reached a maximum of 5.0%, while unemployment for people with only a high school degree was more than double that rate, reaching a maximum of 11%. In other words, during the worst of the recession, one-in-twenty college graduates were unemployed versus more than one-in-ten high school graduates.

**Figure 2. Unemployment Rate in U.S. for Persons 25 Years and Older, 1999-2019, By Educational Attainment**



Source: Bureau of Labor Statistics, April 2019



## **6. College helps to clarify one's interests and career plans.**

It is difficult for people to know what they want to do for their career when they are only 17 or 18 years old. Studies suggest approximately 50% of students enter college undecided on their college major. Furthermore, by the end of their freshman year, about one-third of students have already changed their major.<sup>10</sup>

College is a time for intellectual exploration that helps students to explore the many options available to them and to clarify their interests. It is important for students to have this opportunity for intellectual exploration before they begin their careers. In the college environment, changing one's interest every few months is considered normal. In the workforce, however, changing jobs every few months is seen as a sign of a person who is unreliable.

## **7. Even if it does not prepare you for a specific job, college teaches you how to think.**

Even if a college degree did not convey such positive economic benefits to people with degrees, many people might still want to attend college because for the non-economic benefits. Such people see value in learning simply for the sake of learning. They want to learn about history, and science, and culture. They want to learn about classic literature, art, and music, and other subjects so that they can participate in what is sometimes referred to as "the great conversation" about western civilization.

Even if this knowledge did not translate directly into higher earnings, many see value in college because it makes them a more educated and well-rounded human being. Calvin Coolidge held this view. In a 1919 commencement speech at his alma mater, Amherst College, Coolidge said: "If society lacks learning and virtue, it perishes." He continued: "a vocational or technical education is not enough. We must have every American citizen well-grounded in the classical ideals."<sup>11</sup> Clearly Coolidge thought that a deep education was vital for civilization.

## **8. College provides social capital and networking opportunities.**

College offers the added benefit of providing a time to develop valuable relationships that can last a lifetime. Many people make lifelong friends during college. Some people meet their future spouse on campus. Many hold a special bond with their alma mater. The existence of clubs like the Harvard Club and the Princeton Club is evidence of this. Many of these relationships prove to be valuable networking and can lead to career opportunities.

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<sup>10</sup> *Your First College Year Survey 2014*. Rep. UCLA: Higher Education Research Institute, Nov. 2014. Web. <<http://www.heri.ucla.edu/briefs/YFCY2014-Brief.pdf>>.

<sup>11</sup> Coolidge, Calvin. "Amherst College Commencement," June 18, 1919. Speech text available online at: <http://www.gutenberg.org/files/13748/13748-h/13748-h.htm>.

## NEGATIVE ARGUMENTS

### 1. College is extremely expensive.

For the 2018-19 school year, tuition, fee, room and board charges averaged \$21,370 at public four-year institutions. At private colleges, the cost is even higher: an average of \$48,510 per year, when you include room and board.<sup>12</sup> Some colleges are even more expensive. The average reported tuition in 2019 to attend a private, non-profit four-year college is \$35,830.<sup>13</sup> For the 2019-2020 academic year, the cost of tuition, room and board at Amherst College, Coolidge's alma mater, is now \$72,950 per year.<sup>14</sup>

These are just the costs for a single year. It typically takes a student at least four years to obtain a bachelor's degree—and sometimes longer. Assuming tuition does not rise during this time, the average cost for a four-year degree is around \$75,000 at a public university and around \$170,000 at a private college. At the top 40 private schools, a bachelor's degree can cost over \$230,000. This is more than the median price of a new home sold in the U.S.<sup>15</sup>

Over the past four decades, college costs have skyrocketed, growing faster than inflation in virtually any other area of the economy, including healthcare. In 1975, annual tuition, fees, room, and board averaged, in inflation-adjusted terms, just under \$8,000 at public universities and approximately \$16,500 at private colleges. This means that between 1975 and 2015, college costs increased a total of 139% at public universities and 157% at private colleges beyond the rate of inflation for prices generally.

**Table 3. Tuition and Fees and Room and Board in 2018 Dollars**

Academic Year	Public 4-Year	Private Nonprofit 4-Year
1988-1989	\$9,480	\$24,800
1998-1999	\$12,000	\$31,590
2008-2009	\$16,460	\$38,720
2018-2019	\$21,370	\$48,510

Source: The College Board, Annual Survey of Colleges, 2018

The rise in college costs has been all the more dramatic because college costs have increased far faster than the pace at which household incomes have grown. In 1974, annual college costs

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<sup>12</sup> *Trends in Higher Education: Average Published Undergraduate Charges by Sector, 2014-15*. Rep. The College Board, 2014. Web. <<http://trends.collegeboard.org/college-pricing/figures-tables/average-published-undergraduate-charges-sector-2014-15>>.

<sup>13</sup> Hess, A. "Average tuition at private colleges is \$35,830 a year—but here's how much students actually pay" CNBC, March 18, 2019. <https://www.cnbc.com/2019/03/18/private-colleges-costs-35830-on-average-but-students-may-pay-less.html>

<sup>14</sup> Tuition, Fees, and Other costs. Amherst.edu. Accessed April 14, 2019. <https://www.amherst.edu/tuition>

<sup>15</sup> U.S. Census Bureau. Median and Average Sales Prices of New Homes Sold in United States. Web. <<http://www.census.gov/const/uspriceann.pdf>>.

(including room and board) at public universities were the equivalent of around 17% of median household income, but by 2014, paying college costs at a public university consumed approximately 36% of annual household income. Private university costs were the equivalent of around 35% of median household income in 1974, but more than 80% of median household income in 2014.<sup>16</sup>

The dramatic increase in college costs is a good point to use in your debate because it means the cost of investing in college has gone up. An investment is a good one if the returns from the investment are much larger than the cost of the investment. Since college costs have gone up so much, the investment equation has been tilted. While the benefits of a college degree have likely risen some (remember the earnings differential today is somewhat larger than it was in the 1990s and 2000s), the benefits have almost certainly not kept pace with the rising costs. This suggests the value of investing in college may have gone down over time.

## **2. A big cost of college is your opportunity cost.**

“Opportunity cost” is a term in economics that refers to the cost of the other things that you forgo by choosing to pursue a particular opportunity. For instance, if you go to college, you forgo the chance to do other things with your time and tuition money, such as start a business or buy a house.

Peter Thiel, co-founder of PayPal, is so skeptical of the value of college that he offers a “Thiel Fellowship” to some young people if they’ll start a business rather than attend college. But even if you don’t receive a star fellowship like this one, you could skip college and immediately enter the labor force to begin earning money. So by going to college you forgo four years of earnings. There is also an opportunity cost of the money you spend on college tuition. Rather than spending it on tuition, you could use it for a whole host of other things if you didn’t go to college, including investing it in stocks or bonds.

## **3. For the whole time that you are in college, you are losing out on compounding interest.**

Suppose rather than going to college you decided to take the money you would have spent on tuition, fees, room, and board, and invested it in the stock market. If you had planned to go to a public university, this amount would have been \$75,772. If you had planned to go to a private college, this amount would have been \$169,676. And if you had planned to go to a Top 40 private university, this amount would have been \$230,888. Assuming even a low annual rate of return from the stock market, say 3% per year, by the time you turn 65 years old, your initial investment of the money you would have spent on public university costs would have grown to

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<sup>16</sup> Author’s Calculations. College cost data from Trends in Higher Education (Median household income data from U.S. Census Bureau).

over \$300,000. Likewise, your initial investment of the money you would have spent on a private college would have grown to more than \$680,000. And your initial investment of the money you would have spent on a top 40 private college would have grown to more than \$925,000.

At a slightly higher annual rate of return, 5% for instance, these initial investments would have grown to more than \$750,000, \$1.68 million, and \$2.29 million respectively. At a high rate of return, say 10% annually, these initial investments would have grown to \$6.68 million, \$14.96 million, and \$20.36 million respectively by the time you turn 65 years old.

**Table 4. The Power of Compounding Interest  
(Return on Investment of the money You Would Have Spent on College)**

	<b>Public University Costs</b>	<b>Private University Costs</b>	<b>Top 40 Private University Costs</b>
<b>Initial Investment</b>	\$75,772	\$169,676	\$230,888
<b>Value when you turn 65</b>	<i>Assuming 3% Annual Rate of Return</i>		
	\$303,989	\$680,722	\$926,298
<b>Value when you turn 65</b>	<i>Assuming 5% Annual Rate of Return</i>		
	\$750,595	\$1,680,806	\$2,287,170
<b>Value when you turn 65</b>	<i>Assuming 8% Annual Rate of Return</i>		
	\$2,821,144	\$6,317,379	\$8,596,425
<b>Value when you turn 65</b>	<i>Assuming 10% Annual Rate of Return</i>		
	\$6,682,900	\$14,964,997	\$20,363,741

**4. College debt is enormously burdensome to students.**

Student debt is a major problem today. Nationwide, student loan debt now totals more than \$1.5 trillion – that’s more than total credit card debt in the U.S. In 2012, approximately 71% of all graduating students had student loan debt, and these borrowers owed an average of \$29,400.<sup>17</sup> Most federal student loan programs require students to begin making payments six months after graduating, and most are a 10-year repayment schedule.

And keep in mind that when someone owes money, the power of compounding interest actually works against them. This is so because the money lender charges an interest rate on

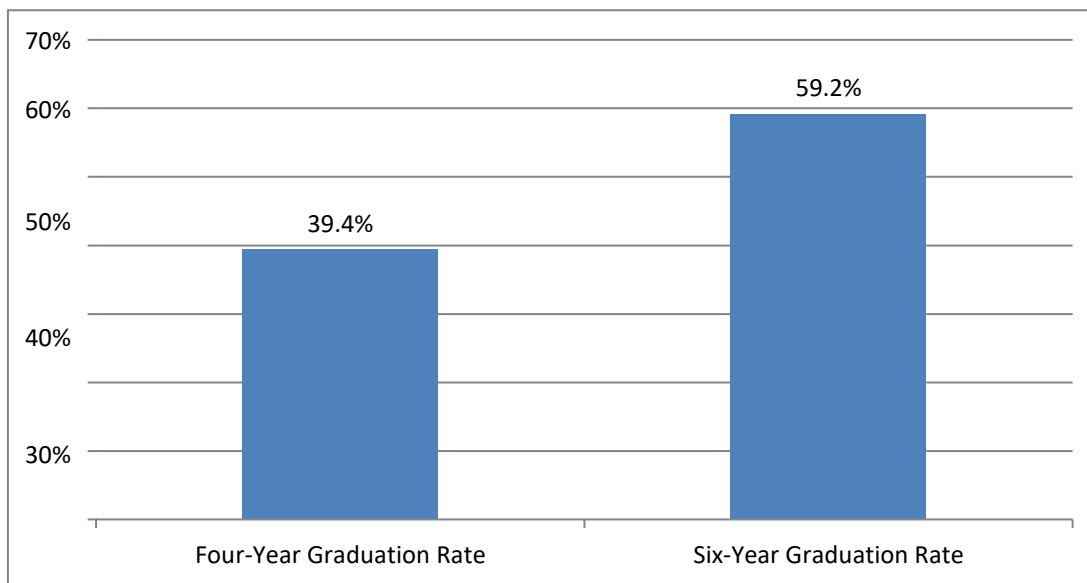
<sup>17</sup> Federal Reserve Bank of St. Louis. Student loans Owned and Securitized, Outstanding. Accessed April 14, 2019. <https://fred.stlouisfed.org/series/SLOAS>

the money owed to them, meaning that the total amount a student will end up paying back to the lender is far greater than the initial balance. That is to say, the average college graduate with student debt will end up paying much more than their initial balance of \$29,400 by the time they finally pay off the loan. Remember also that in the eyes of the law, student loan debt is not treated the same way as other debts. If you lose a lot of money in business, for example, it is possible to declare bankruptcy and “start over.” That is, by and large, not an option with student loan debt, which cannot be wiped away by declaring bankruptcy.

### 5. Embarking on a college journey is risky—you may not finish.

Graduation rates from college are poor. A large portion of students who begin college never graduate (see Figure 3). Nationwide, fewer than 40% of students who begin college at a four-year institution graduate within four years. And fewer than 60% have completed their bachelor’s degree within six years.<sup>18</sup> This means there is considerable risk in investing in a college education since many of the benefits of investing in college do not accrue to an individual unless they complete their degree. Since many don’t finish college, it means they incur costs but don’t enjoy the benefits. That is a bad investment.

**Figure 3. Graduation Rates from Four-Year Institutions of Higher Education**



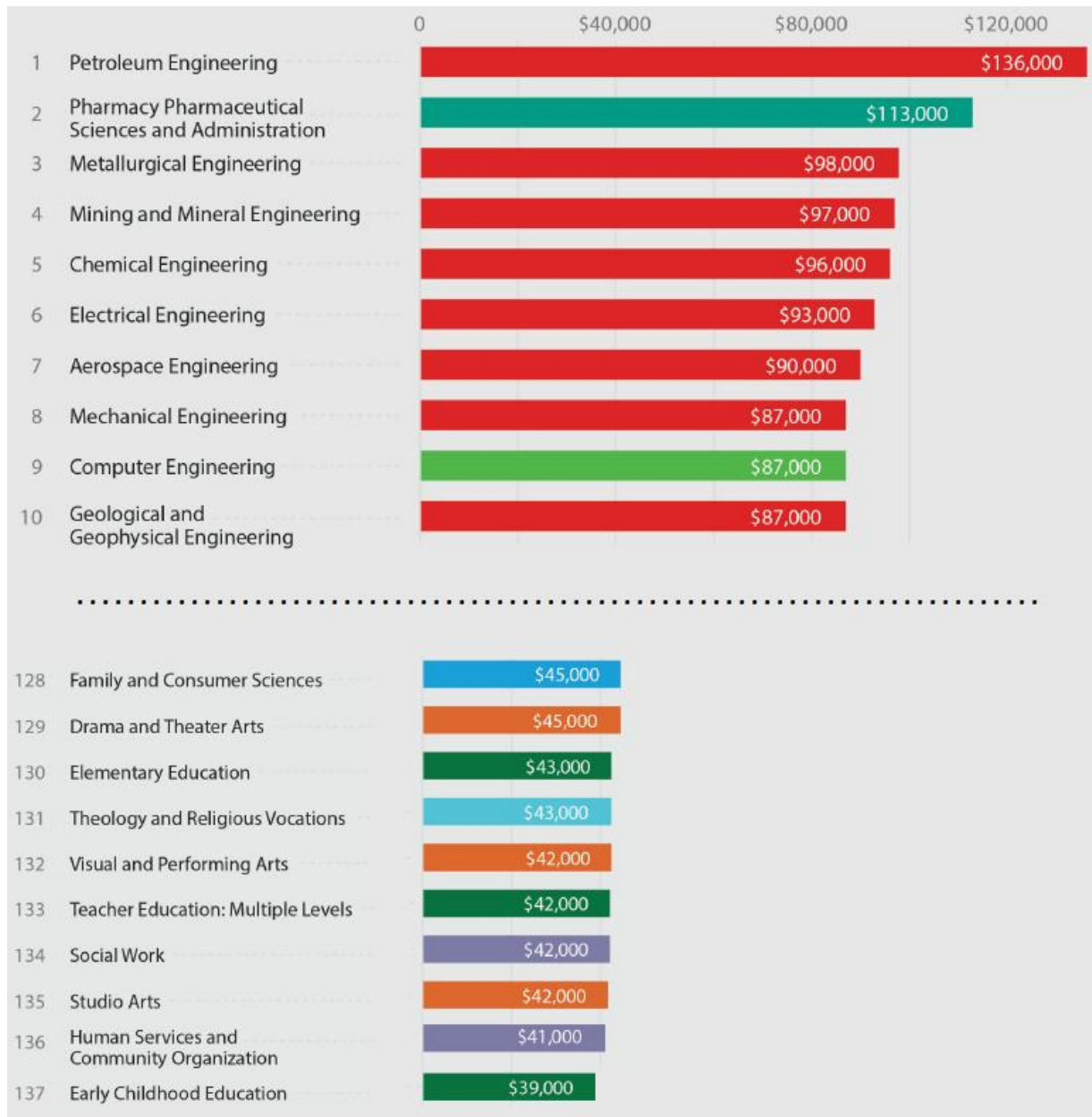
Source: National Center for Education Statistics, Digest of Education Statistics, Table 326.10

<sup>18</sup> U.S. Department of Education. National Center for Education Statistics. Digest of Education Statistics, Table 326.10. Web. <[http://nces.ed.gov/programs/digest/d14/tables/dt14\\_326.10.asp?current=yes](http://nces.ed.gov/programs/digest/d14/tables/dt14_326.10.asp?current=yes)>.

**6. Earnings vary dramatically by college major, and you might not like the high-paying ones.**

Not all degrees are created equal. The table below shows how some major are much more lucrative than others. If you are interested in one of the high-paying fields, then college may be worth the expense. However, some of the most popular majors pay the least. If the field that you like is not a high-paying field, then college may not be worth the expense.

**Table 5. Earnings of the Top 10 and Bottom 10 College Majors**



Source: Carnevale, Anthony P., Ben Cheah, and Andrew Hanson. *The Economic Value of College Majors*. Georgetown University Center on Education and the Workforce. May 2015

## 7. You may get the degree but fail to learn very much.

Most people assume that students leave college prepared for the workforce with many new skills. But recent research suggests this may not be the case. In their highly-respected book, *Academically Adrift: Limited Learning on College*, professors Richard Arum and Josipa Roksa find that 45% of college students do not demonstrate any significant gains in learning during the first two years of college and that 36% of students have failed to demonstrate any learning gains after four years of college.<sup>19</sup>

The main reason for the lack of learning is that academic rigor is often weak. Arum and Roksa find that students spend on average fewer than 12 hours per week studying, and that classes rarely require more than 40 pages of reading per week or more than 20 pages of total writing in a semester.<sup>20</sup> A different survey by the Bureau of Labor Statistics finds that typical full-time college students spend only 3.3 hours per weekday on educational activities, but spend roughly 4 hours per day on recreation and leisure.<sup>21</sup>

Economist Bryan Caplan is a noted critic of the college system. He grants the validity of the data that suggest college graduates earn more than non-graduates, but he attributes this almost entirely to signaling. According to Caplan, at most only 20 percent of the college premium reflects actual differences in knowledge and skill.<sup>22</sup> He argues that many students would be better off finding cheaper ways to signal their good qualities and characteristics to potential employers, rather than spending large amounts of resources in the form of time and money pursuing a college degree.

“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.”

—Bryan Caplan, “The World Might Be Better Off Without College for Everyone”  
*The Atlantic*, Jan/Feb 2018

If there is so little education happening relative to the time spent at college, one has to wonder whether the same amount of knowledge could be obtained by forgoing college and simply visiting the local library on a regular basis.

## 8. College does not guarantee you will get a good job.

Many college graduates don’t get good jobs. In fact, according to a study by the Federal Reserve Bank of New York, approximately 33% of college graduates are underemployed, meaning they are in jobs that do not require a college degree.

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<sup>19</sup> Arum, Richard, and Josipa Roksa. *Academically Adrift: Limited Learning on College Campuses*. Chicago: U of Chicago, 2011. Print.

<sup>20</sup> Ibid.

<sup>21</sup> Bureau of Labor Statistics. American Time Use Survey. 30 Sept. 2014. Web.  
<<http://www.bls.gov/tus/charts/students.htm>>.

<sup>22</sup> Pearlstein, S. “Is college worth it? One professor says no.” *Washington Post*. March 9, 2018

Underemployment is an especially big problem for recent college graduates. In 2012, 44% of recent college graduates were in a job that didn't require a college degree.<sup>23</sup> Among retail sales workers, almost 25% have college degrees, and the same is true of 18% of telemarketers, 17% of bartenders, and 15% of taxi drivers.<sup>24</sup> Due to underemployment, roughly a quarter of college graduates do not actually earn more than the average high school graduate.<sup>25</sup> For many people, a college degree is not the key to as good a job as they had hoped.

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<sup>23</sup> *Are Recent College Graduates Finding Good Jobs?* Rep. 1st ed. Vol. 20. New York: Federal Reserve Bank of New York, 2014. Current Issues in Economics and Finance. Web. <[http://www.newyorkfed.org/research/current\\_issues/ci20-1.pdf](http://www.newyorkfed.org/research/current_issues/ci20-1.pdf)>.

<sup>24</sup> Vedder, Richard, Christopher Denhart, and Jonathan Robe. *Why Are Recent College Graduates Underemployed? University Enrollments and Labor-Market Realities*. Rep. Washington: Center for College Affordability and Productivity, 2013. Web. <<http://centerforcollegeaffordability.org/uploads/Underemployed%20Report%202.pdf>>.

<sup>25</sup> Ruppel Shell, E. "College May Not Be Worth It Anymore" *New York Times*. May 16, 2018. <https://www.nytimes.com/2018/05/16/opinion/college-useful-cost-jobs.html>



## APPENDIX A. Average hourly wages by gender and education, 2000-2017

The college wage premium fluctuates from year to year, but is relatively consistent. The table below shows the pay gaps across various education levels, for a range of years.

	Less than high school	High school	Some college	College	Advanced degree
<b>All</b>					
<b>2000</b>	\$12.99	\$17.48	\$19.86	\$30.51	\$38.61
<b>2007</b>	\$13.44	\$17.69	\$19.95	\$31.22	\$39.56
<b>2016</b>	\$13.51	\$17.62	\$19.52	\$32.61	\$41.89
<b>2017</b>	\$13.90	\$17.85	\$19.47	\$32.49	\$41.36
<b>Annualized percent changes</b>					
<b>2000–2017</b>	0.4%	0.1%	-0.1%	0.4%	0.4%
<b>2000–2007</b>	0.5%	0.2%	0.1%	0.3%	0.3%
<b>2007–2017</b>	0.3%	0.1%	-0.2%	0.4%	0.4%
<b>2016–2017</b>	2.8%	1.3%	-0.2%	-0.4%	-1.3%
<b>Men</b>					
<b>2000</b>	\$14.25	\$19.72	\$22.48	\$34.62	\$43.28
<b>2007</b>	\$14.56	\$19.64	\$22.28	\$35.71	\$44.85
<b>2016</b>	\$14.74	\$19.28	\$21.72	\$37.92	\$48.78
<b>2017</b>	\$15.32	\$19.70	\$21.65	\$37.39	\$47.33
<b>Annualized percent changes</b>					
<b>2000–2017</b>	0.4%	0.0%	-0.2%	0.5%	0.5%
<b>2000–2007</b>	0.3%	-0.1%	-0.1%	0.4%	0.5%
<b>2007–2017</b>	0.5%	0.0%	-0.3%	0.5%	0.5%
<b>2016–2017</b>	4.0%	2.2%	-0.3%	-1.4%	-3.0%
<b>Women</b>					
<b>2000</b>	\$10.97	\$15.01	\$17.40	\$26.20	\$33.10
<b>2007</b>	\$11.46	\$15.34	\$17.80	\$26.79	\$34.15
<b>2016</b>	\$11.40	\$15.36	\$17.44	\$27.50	\$35.70
<b>2017</b>	\$11.55	\$15.30	\$17.38	\$27.83	\$36.13
<b>Annualized percent changes</b>					
<b>2000–2017</b>	0.3%	0.1%	0.0%	0.4%	0.5%
<b>2000–2007</b>	0.6%	0.3%	0.3%	0.3%	0.4%
<b>2007–2017</b>	0.1%	0.0%	-0.2%	0.4%	0.6%
<b>2016–2017</b>	1.3%	-0.4%	-0.4%	1.2%	1.2%
<b>Wage disparities (women's wages as a share of men's)</b>					
<b>2000</b>	76.9%	76.1%	77.4%	75.7%	76.5%
<b>2007</b>	78.7%	78.1%	79.9%	75.0%	76.1%
<b>2016</b>	77.4%	79.7%	80.3%	72.5%	73.2%
<b>2017</b>	75.4%	77.6%	80.3%	74.4%	76.3%

**Note:** Sample based on all workers ages 18–64.

Source: Economic Policy Institute's State of Working America Data Library, 2017.