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The Real College Crisis Isn't High Costs, It's Low Information

By Derek Thompson

One of the most dangerous misconceptions about the economy right now is that rising student debt and stagnating middle class wages prove that college isn't "worth it" any more



Reuters

We're pushing up against a cost crisis in higher education, where the escalating price of college isn't reflected in similarly escalating income gains for graduates. But the price of not attending college -- that is, the wage difference between college graduates and high school graduates -- has doubled in the last 30 years. That suggests that the fundamental crisis in college is not costs but, well, *advertising* -- better information in the hands of undecided customers. Getting a degree at a good school has never been more important. The challenge is getting that information to families and teenagers who don't know it, yet.

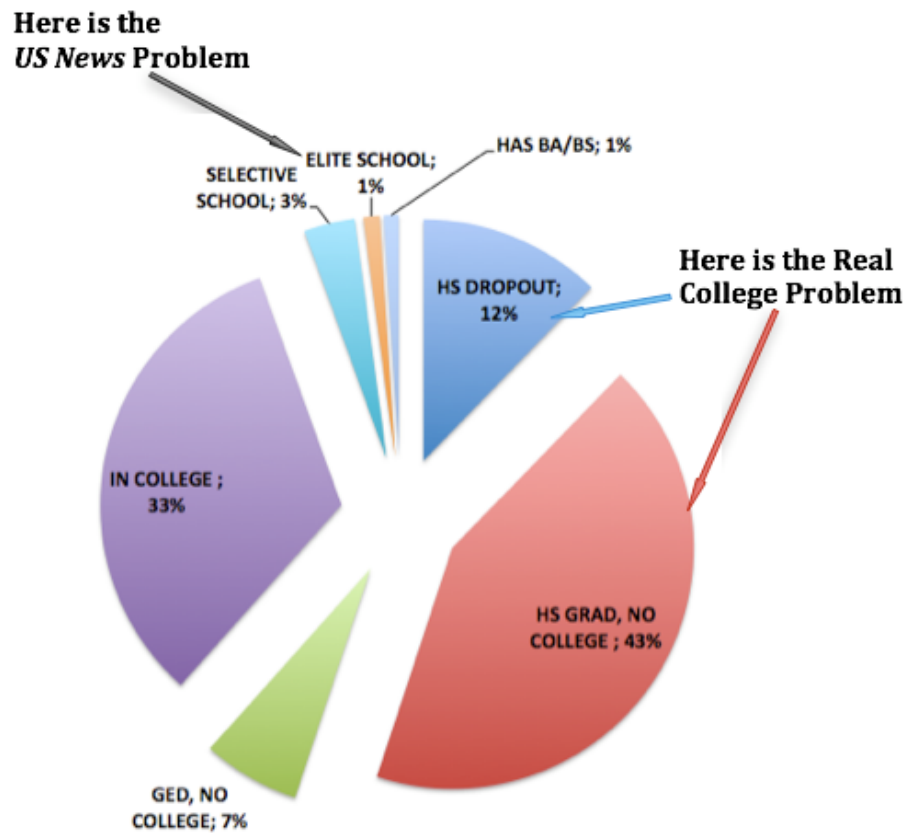
Poorer families without former college-graduates typically don't have a good understanding of local colleges; the difference between listed tuition price and net cost; financial aid opportunities; or the admissions process. News stories about college being unaffordable only serve to justify their indifference toward continuing their education past high school, according to 2001 report by the Advisory Committee on Student Financial Assistance. A separate study found that low-income teens overestimate tuition costs by 100% and repeatedly underestimate the lifetime gains among university graduates.

So cheers to this simple and revelatory new [study](#) from the University of Toronto. Researchers Philip

Oreopoulos and Ryan Dunn asked low-income high schoolers in Toronto to take two surveys about the perceived benefits of higher education. Half were shown a simple 3 minute video about the returns of college and asked to calculate their possible financial-aid. "Those exposed to the video, especially those initially unsure about their own educational attainment, reported significantly higher expected returns, lower concerns about costs, and expressed greater likelihood of PSE attainment," the authors reported.

If a 3-minute video about college's internal rate of return does not exactly sound like an incendiary breakthrough in innovation, that's understandable. But the difference it made in these students' impressions of college is a good reminder that a little information can go a long way. For all we study and write about college, the vast majority of the families applying (and not applying) to school have basically no idea how it's meant to pay off. Compared to the level of detail investors receive with a mortgage or a 401(k) plan, a two- or four-year degree is essentially a black hole of data.

Here's a graph I made last year with help from [Kevin Carey](#) that compared the elite "US News" problem of wild tuition inflation among select schools to the "real college problem," which is that more than 60 percent of 21-year-olds aren't currently enrolled in college.



Graph of 21-year olds according to BLS survey data. BLS;Kevin Carey

That 60 percent imposes real costs -- not just on themselves, but also on the country -- in the form of lower wages, lower tax revenue, and more welfare services and resources demanded from government. It's fine to point out that college isn't perfect for everybody, or that, like every investment, it has varying returns, or that taking out \$120,000 in debt on an art history degree from a mid-level

institution is a risky bet. But the obsessive media focus on these kind of stories distracts news audiences from the bigger picture. We have an education crisis in this country that starts with tens of millions of young people who are electing to cut short their education before or just after high school. Solving that crisis starts with information about the real returns to a smart college investment, not scare-mongering.

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