

Americans Are Losing Faith in the Value of College. Whose Fault Is That?

For most people, the new economics of higher ed make going to college a risky bet.

By Paul Tough

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A decade or so ago, Americans were feeling pretty positive about higher education. Public-opinion polls in the early 2010s all told the same story. In one survey, 86 percent of college graduates said that college had been a good investment; in another, 74 percent of young adults said a college education was “very important”; in a third, 60 percent of Americans said that colleges and universities were having a positive impact on the country. Ninety-six percent of parents who identified as Democrats said they expected their kids to attend college — only to be outdone by Republican parents, 99 percent of whom said they expected *their* kids to go to college.

In the fall of 2009, 70 percent of that year’s crop of high school graduates did in fact go straight to college. That was the highest percentage ever, and the collegegoing rate stayed near that elevated level for the next few years. The motivation of these students was largely financial. The 2008 recession devastated many of the industries that for decades provided good jobs for less-educated workers, and a college degree had become a particularly valuable commodity in the American labor market. The typical American with a bachelor’s degree (and no further credential) was earning about two-thirds more than the typical high school grad, a financial advantage about twice as large as the one a college degree produced a generation earlier. College seemed like a reliable runway to a life of comfort and affluence.

A decade later, Americans’ feelings about higher education have turned sharply negative. The percentage of young adults who said that a college degree is very important fell to 41 percent from 74 percent. Only about a third of Americans now say they have a lot of confidence in higher education. Among young Americans in Generation Z, 45 percent say that a high school diploma is all you need today to “ensure financial security.” And in contrast to the college-focused parents of a decade ago, now almost half of American parents say they’d prefer that their children *not* enroll in a four-year college.

The numbers on campus have shifted as well. In the fall of 2010, there were more than 18 million undergraduates enrolled in colleges and universities across the United States. That figure has been falling ever since, dipping below 15.5 million undergrads in 2021. As recently as 2016, 70 percent of high school graduates were still going straight to college; now the figure is 62 percent.

Outside the United States, meanwhile, higher education is more popular than ever. Our global allies and competitors have spent the last couple of decades racing to raise their national levels of educational attainment. In Britain, the number of current undergraduates has risen since 2016 by 12 percent. (Over the same period, the American figure fell by 8 percent.) In Canada, 67 percent of adults between 25 and 34 are graduates of a two- or four-year college, about 15 percentage points higher than the current American attainment rate.

Britain and Canada are not the outliers on this point; we are. On average, countries in the Organization for Economic Cooperation and Development have increased their college-degree attainment rate among young adults by more than 20 percentage points since 2000, and 11 of those countries now have better-educated labor forces than we do, including not only economic powerhouses like Japan and South Korea and Britain but also smaller competitors like the Netherlands, Ireland and Switzerland. Americans have turned away from college at the same time that students in the rest of the world have been flocking to campus. Why? What changed in the last decade to make a college education — and higher education as an institution — so unappealing to so many Americans?





Illustration by Sean Dong

When it comes to higher education worldwide, the United States is an outlier in more ways than one. In Canada and Japan, public-university tuition is now about \$5,000 a year. In Italy, Spain and Israel, it's about \$2,000. In France, Denmark and Germany, it's essentially zero. A few decades ago, the same thing was true in the United States; government funding covered much of the cost of public college. Now students and their families bear much of the burden, and that fact has changed what used to be a pretty straightforward calculation about the economic value of college into a complex math problem.

Economists have a term for the gap that exists between the incomes of college graduates and high school graduates: the college wage premium. It reflects the relative demand in the labor market for college-educated workers. When employers want more college graduates, the premium goes up; when there is a surplus of college grads, the premium goes down. After World War II, the G.I. Bill flooded the American labor market with college diplomas, and for a few decades, the gap between the median income of high school graduates and that of college graduates remained pretty narrow; having a college degree produced an income boost of 30 percent or so. But in the early 1980s, the college wage premium began to rise steadily. In the early 2000s, it surpassed 60 percent, and ever since, it has hovered around 65 percent.

In theory, today's sky-high college wage premium should mean a surge of young people onto college campuses, not the opposite. But as a measure of the true value of higher education, the college wage premium has one important limitation. It can tell you how much college graduates *earn*, but it doesn't take into account how much they *owe* — or how much they spent on college in the first place.

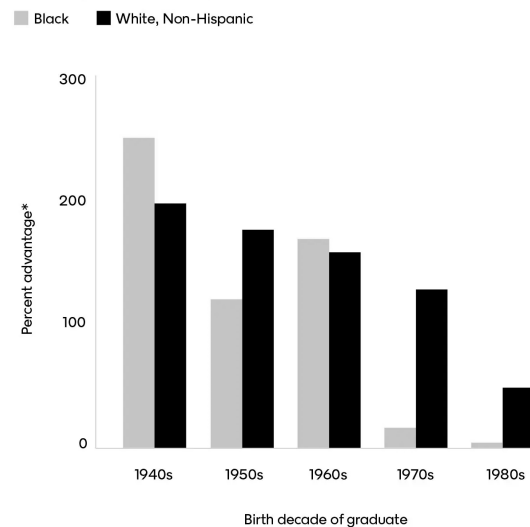
For a long time, there were no good alternative measures to the college wage premium. But a few years ago, a group of economic researchers in St. Louis introduced a new one: the college *wealth* premium. Unlike the college wage premium, the college wealth premium looks at all your assets and all your debts: what you've got in the bank, whether you own a house, your student-loan balance. It addresses a simple but important question: How much net wealth does a typical college graduate accumulate over their life span, compared with that of a typical high school graduate?

These three researchers at the Federal Reserve Bank of St. Louis — Lowell Ricketts, William Emmons and Ana Hernández Kent — used the Fed's survey of thousands of American households to consider the financial advantage that college graduates receive. When they analyzed the data through the lens of wealth, as opposed to income, the benefits to a college degree began to evaporate.

They split Americans into age cohorts based on the decade of their birth and categorized them by race and ethnicity. Then they used statistical regressions to predict the average wealth that families in each cohort would accumulate over a lifetime. When they looked at the college *wage* premium for each cohort — the standard measure — they found that it mostly held up across those divisions. In every racial group and generation, the college graduates were earning more money.

Then the researchers looked at the *wealth* premium, and a different picture emerged. Older white college graduates, those born before 1980, were, as you might expect, a lot wealthier than their white peers who had only a high school degree. On average, they had accumulated two or three times as much wealth as high school grads of the same race and generation. But younger white college graduates — those born in the 1980s — had only a bit more wealth than white high school graduates born in the same decade, and that small advantage was projected to remain small throughout their lives.

**Expected Wealth Benefit for 4-year College Graduates
As Compared With High School Graduates**



*In median family wealth for families headed by four-year college graduates over families headed by non-graduates. Source: Federal Reserve Board's Survey of Consumer Finances and calculations done by William R. Emmons, Ana H. Kent, and Lowell R. Ricketts for their paper, "Is College Still Worth It?"

The data for Black families showed the same pattern, but with an even more pronounced downturn. As with the white graduates, older Black college grads were enjoying sizable wealth advantages over their less-educated peers, with generally two or three times the assets of comparable Black high school grads. But Black college graduates born after 1980 were experiencing almost no wealth premium at all. In fact, the researchers found that the wealth premium for Black grads disappeared even earlier than it did for the white graduates. Black college graduates born in the 1970s weren't receiving any substantial wealth benefit, either, only those born in the 1960s and earlier. Latino families followed a similar pattern. If they were headed by someone born after 1980, they had accumulated no significant additional resources beyond those of a comparable family headed by a high school graduate.

When the researchers looked at young Americans who had gone on to get a postgraduate degree, the situation was even more dire. "Among families whose head is of any race or ethnicity born in the 1980s and holding a postgraduate degree, the wealth premium is ... indistinguishable from zero," the authors concluded. "Our results suggest that college and postgraduate education may be failing some recent graduates as a financial investment."

These are startling data, and they present a kind of paradox. Millennials with college degrees are earning a good bit more than those without, but they aren't accumulating any more wealth. How can that be?

Lowell Ricketts told me he had a pretty good idea of the cause, even though the group's data couldn't be conclusive on this point. The likely culprit, he said, was cost: the rising expense of college and the student debt that often goes along with it. Carrying debt obviously diminishes your net worth through simple subtraction, but it can also prevent you from taking important wealth-generating steps as a young adult, like buying a house or starting a small business. And even if you (or your parents) were able to pay your tuition without loans, the savings you used are gone when you graduate, and thus are no longer available to serve as a down payment on a starter home or the beginning of a nest egg for retirement.

A few decades ago, tuition costs were manageable for many Americans. But since 1992, the sticker price has almost doubled for four-year private colleges and more than doubled for four-year public colleges, even after adjusting for inflation. Today the average total cost of attending a private college, including living expenses, is about \$58,000 a year. After financial aid, the average net price for private-college students is about \$33,000 a year; at public institutions, it is about \$19,000. Those averages conceal a great deal of variation, however; at the University of Michigan (a public university), tuition, fees and expenses for out-of-state juniors and seniors total more than \$80,000 a year.

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Over the last decade and a half, more and more young Americans have turned to loans to cover those rising costs. In 2007, total student debt stood at \$500 billion. Today it is \$1.6 trillion, and for many borrowers, their debt is becoming a serious burden. Among student borrowers who opened their loans between 2010 and 2019, more than half now owe more than what they originally borrowed.

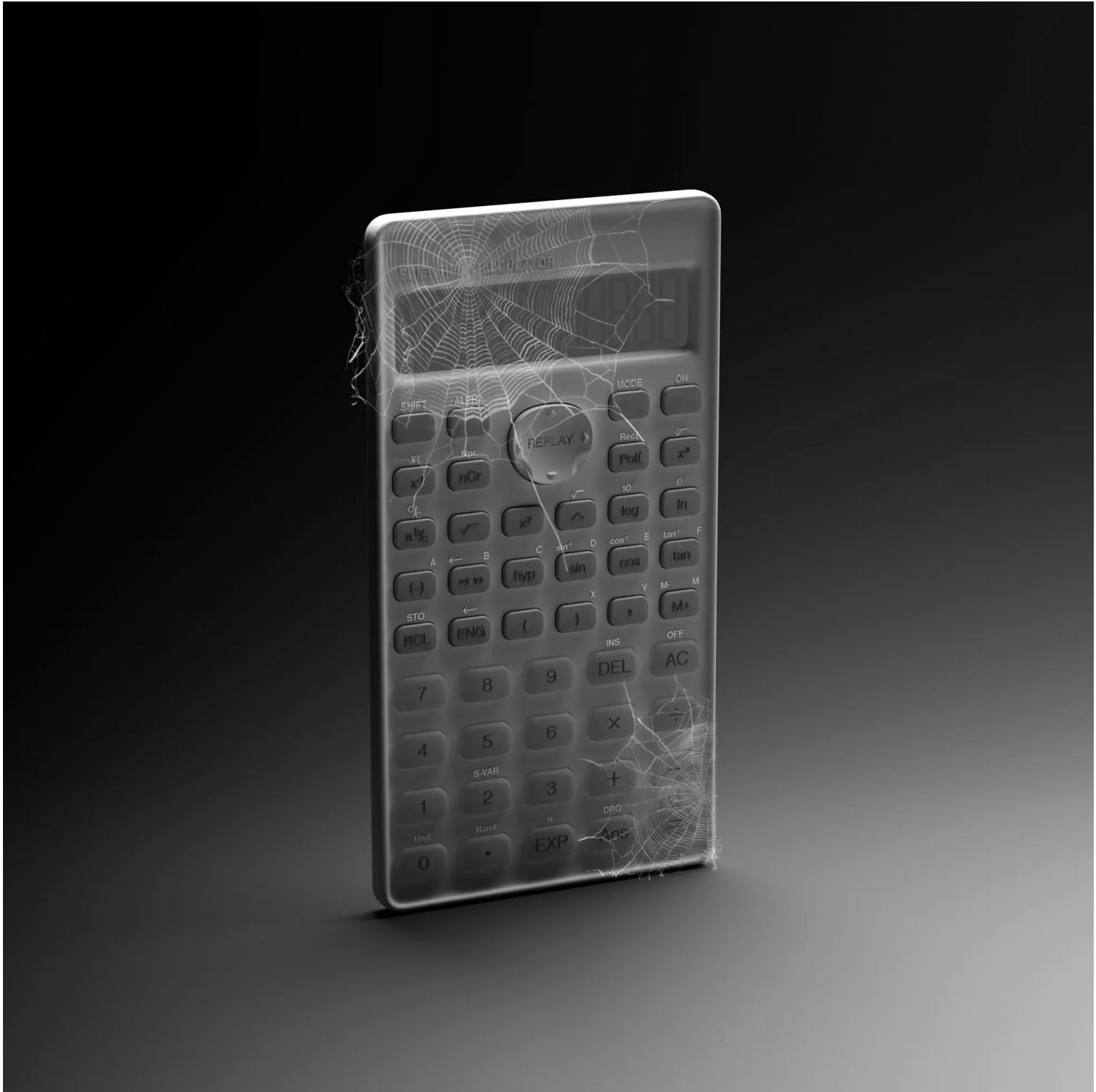


Illustration by Sean Dong

When you do take cost and debt into account, the financial benefits of college begin to look quite different. Douglas Webber, who was a professor at Temple University until he joined the Federal Reserve Board last year as a senior economist, has spent the last decade looking for new ways to calculate the value of a college degree. For Americans in the aggregate, he has found, the college wage premium remains robust. On average, more education still means more income. What has changed, he has written, is that the premium now varies much more than it used to among individuals and groups: The “downside risk” to enrolling in college, he argues, has become “nontrivial.” When you look at Webber’s data, higher education no longer resembles a safe, reliable blue-chip investment, like buying a Treasury bill. It’s now more like going to a casino. It’s a gamble that can still sometimes produce a big windfall, but it can also bring financial disaster.

A few years ago, Webber set out to try to make sense of that variability. For whom does college pay off, and for whom does it not? He analyzed the data by college major, by academic ability and by tuition costs, and was able to show in more detail exactly who was winning at the higher education casino and who was losing.

Start here: If your tuition is free and you can be absolutely certain that you’re going to graduate within six years, then you enter college with a 96 percent chance that your gamble is going to pay off, meaning that your lifetime earnings will be greater than those of a typical high school graduate.

The problem, though, is that many students who start college *don’t* graduate — about 40 percent of them, by one estimate. When Webber factors in that risk, your chances of coming out ahead of the typical high school grad start to shrink. If tuition is still free, you now have about a 3 in 4 chance of winning the bet.

The second problem is that going to college *isn’t* free. If you’re paying \$25,000 a year in tuition and expenses, Webber calculated, your chance of coming out ahead drops to about 2 in 3. At \$50,000 a year in college costs, your odds are no better than a coin flip: Maybe you’ll wind up with more than the typical high school grad, but you’re just as likely to wind up with less.

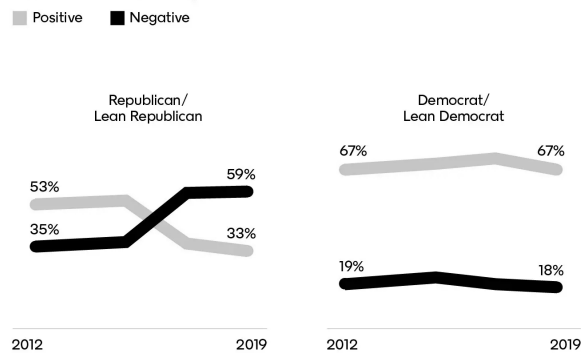
Webber next considered the impact of a student’s major. If you choose a business or STEM degree, your chance of winning the college bet goes back up to 3 in 4, even if you’re paying \$50,000 a year in tuition and expenses while you’re in college. But if you’re majoring in anything else — arts, humanities or social sciences — your odds turn negative at that price; worse than a coin flip. In fact, if your degree is in the arts or humanities, you’re likely to lose the bet even if your annual college expenses are just \$25,000.

Last month, Webber and a colleague published some new research that identified the people who are making out the worst at the casino: students who borrow money to attend college but don’t graduate. In Federal Reserve surveys, half the borrowers who didn’t finish their degrees said they were “just getting by” or “finding it difficult to get by.” Two-thirds said they would have a hard time coming up with \$400 to cover an unexpected expense. Financially, they were not only doing much worse than college graduates; they were doing worse than adults who had never gone to college at all. For these former students, the college wage premium had turned upside down.

When you look at the polling trends on higher education over the past few decades, you notice one other striking development. A decade ago, there was not much difference between members of the two political parties when it came to their opinions about higher education. Then around 2015, that consensus shattered, and Republican sentiments suddenly nose-dived. In an ongoing Pew survey, the portion of Republicans (and those who lean Republican) saying colleges and universities had a negative effect on the country rose to 58 percent from 37 percent in just two years, between 2015 and 2017, while the responses of Democrats (and those who lean Democrat) held steady. The Republican decline persisted: In a 2023 Gallup poll, only 19 percent of Republicans said they had a lot of confidence in higher education, down from 56 percent in 2015.

When pollsters ask Republicans to expand on why they’ve turned against college, the answer generally has to do with ideology. In a Pew survey published in 2019, 79 percent of Republicans said a major problem in higher education was professors’ bringing their political and social views into the classroom. Only 17 percent of Democrats agreed. In a 2017 Gallup poll, the No. 1 reason Republicans gave for their declining faith in higher ed was that colleges had become “too liberal/political.”

Share of Americans Who Think College Has a Positive/Negative Effect on the Country



Source: Pew Research Center

The question of how liberal is *too liberal* is obviously a subjective one, but there is some objective data to substantiate the leftward lean of American college campuses. The Higher Education Research Institute at U.C.L.A., which regularly surveys students, found last year that three times as many American college freshmen identified as liberal or far left as said they were conservative or far right. Among college faculty, the ratio is even more pronounced, and it has been growing more unbalanced over time, shifting from a 2-to-1 left-right ratio in the mid-1990s to a roughly 5-to-1 ratio in the early 2010s. Then there are the administrators. A separate poll from 2018 found that among student-facing university administrators, 12 times as many defined themselves as liberal as defined themselves as conservative.

This leftward shift on American campuses corresponded with a realignment in the American electorate. In 2012, a majority of voters with a bachelor's degree (and no further credential) chose Mitt Romney for president over Barack Obama; in fact, B.A. holders were the only educational cohort Romney won. Obama made up for his losses among college grads by winning a majority of voters with only a high school diploma. Four years later, the education skew flipped: Donald Trump beat Hillary Clinton among noncollege graduates, but he won only 36 percent of voters with college or graduate degrees.

Frederick Hess, an education-policy analyst at the conservative American Enterprise Institute, says that this political realignment has contributed to the growing public-opinion divide on higher ed. As the Democrats have become the party of the college-educated, and as higher education has become dominated by left-leaning staff and students, Hess says, Republicans have grown more skeptical that colleges are environments where either their ideas or their children are welcome.

Hess's more pointed critique, though, is a populist one, and it reflects sentiments that can be found these days on the left as well as the right. Economists have shown that higher education as a whole has become more stratified by income and class over the last 20 years. After the Great Recession, state governments cut their funding for public colleges, and the colleges responded by raising tuition and cutting spending on instruction and student services. Many private colleges, meanwhile, competed to attract more affluent students, which often meant becoming more selective in admissions, spending more on facilities and amenities and raising tuition in order to pay for it all.

Hess says many conservatives have grown skeptical that students are learning much at these selective institutions. Instead, he says, college has become simply a place for students to collect a gold-plated credential.

"It's a racketeering situation," Hess said when we spoke last month. "In many elite occupations, the price of admission is now an elite degree. That's true whether it's a posh D.C. think tank or a big consulting firm or a fancy journalistic outlet." For many students, Hess said, the point of an expensive college education is not to gain practical job skills. "It's just a really expensive toll that lets you jump the queue and get the good jobs."

In July, the economists Raj Chetty, John Friedman and David Deming helped illuminate exactly how that system works when they published the most recent in their series of research papers analyzing the intersections of social class and higher education. They examined admissions practices among what they call Ivy-Plus colleges (the Ivy League plus a few comparably selective institutions) and found a pervasive pattern of affirmative action for the very wealthy. According to their data, the children of the richest American families are twice as likely to be admitted to an Ivy-Plus college as middle-class students with the same standardized test scores.

Chetty and Friedman and Deming showed that these institutions employ a variety of admissions practices that put a thumb on the scale for the rich and powerful: They soften admission standards for the children of alumni, and especially the children of wealthy alumni; they put extra weight on the extracurricular accomplishments and recommendation letters that students collect at exclusive private schools; and they recruit athletes from wealthy families. (It's no accident that Ivy-Plus colleges field teams in sailing, squash, fencing and horseback riding.)

The “racket,” as Hess puts it, continues after college, when graduates of these institutions are three times as likely as similar non-Ivy-Plus students to be hired by a prestigious firm and 60 percent more likely to earn a salary high enough to land them in the top 1 percent of earners. Chetty and Friedman and Deming — all of whom work at Ivy League universities — put it starkly: “We conclude that highly selective private colleges currently amplify the persistence of privilege across generations.”

The college casino is not entirely a game of chance. Your odds of coming out ahead depend largely on who your parents are.

The college casino, in other words, is not entirely a game of chance. Your odds of coming out ahead depend largely on who your parents are. If you possess the social and financial advantages necessary to gain admission to one of the nation’s most selective colleges, you’ll probably make out fine, even if the table stakes do seem awfully high. Most American college students, however, don’t have access to the benefits that those selective colleges produce. Only about 10 percent of students today are enrolled at a college that admits fewer than half its applicants. The rest of the American collegegoing population attend mostly less selective public institutions, local community colleges or for-profit schools. Students at those institutions are more likely to be rural, Black or Latino, working class or low income or all of the above. They are less likely to graduate and more likely to incur debt they can’t pay back. For them — a large majority of American college students — the risks they face when they walk into the casino are considerably higher.

With those odds, it is not a surprise that young Americans, especially, are eager to believe that they will be able to thrive in the job market without having to worry about college. Remember that 45 percent of Generation Z respondents this year told pollsters that they believe that a high school diploma will be enough to ensure financial security.

The reality, though, is that in the decade ahead, opportunities for those without a postsecondary credential are projected to shrink even further. It is true that there are still some well-paying jobs that don’t require a degree — plumbers make a median of almost \$60,000 a year, according to the Bureau of Labor Statistics — but the B.L.S. predicts that fewer than 10,000 new plumbing jobs will be created in the United States between now and 2031. The fastest-growing jobs available to those with only a high school diploma, meanwhile, are mostly low-wage service jobs: home health aides (924,000 new jobs by 2031), food-service workers and waiters (570,000 new jobs), restaurant cooks (419,000 new jobs) and warehouse workers (358,000 new jobs). None of these jobs have a median salary above \$31,000 a year.

At the same time, economists expect demand for American college graduates to keep rising faster than colleges can keep up, which means the college wage premium is likely to increase as well. A 2018 report by the consulting firm Korn Ferry projected that by 2030, the American labor market would face a significant shortage of workers with associate and bachelor’s degrees — a shortage of 6.5 million college grads, to be precise. More recently, Douglas Holtz-Eakin, who served as the chief economist of President George W. Bush’s Council of Economic Advisers, wrote, with Tom Lee, a series of papers predicting an even greater shortage: 8.5 million missing American B.A. holders by the end of the decade.

For the nation’s more affluent families (and their children), the rules of the higher education game are clear, and the benefits are almost always worth the cost. For everyone else, the rules seem increasingly opaque, the benefits are increasingly uncertain and the thought of just giving up without playing seems more appealing all the time.

But just as individual students pay a cost in lost wages when they opt out (or drop out) of college, there is a larger cost when millions of students do so — especially as other nations keep charging ahead. Holtz-Eakin and Lee calculated the price to the American economy of the millions of missing college grads they are projecting: \$1.2 trillion in lost economic output by the end of the decade. That is one cost we are likely to bear together, winners and losers alike.

Paul Tough is a contributing writer for the magazine and the author, most recently, of the book “The Inequality Machine: How College Divides Us.” He first wrote about higher education for the magazine almost a decade ago, and his article in this issue investigates how the national mood about college has evolved over time. **Sean Dong** is a motion and 3-D designer in Baltimore. His work often condenses stories of intricate subjects into brief looping animations.

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