

Will college pay off? The answer depends on the alternatives

The burden of student loans may cripple your attempts to build a life for yourself or contribute to the broader economy but before you leap, weigh these options

By Suzanne McGee (The Guardian)

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It's a pretty safe bet that a college education is going to be [one of the single-largest investments](#) you or your family will ever make. If you're unlucky, the cost of sending your kids to college could ruin your retirement plans. If you take out student loans – as 80% of American families now do, at [rates significantly higher](#) than mortgage or other loans, even those these debts can't be discharged in bankruptcy – the burden of paying them off may cripple your attempts to build a life for yourself or contribute to the broader economy.

So, is it worth taking the risk?

If you expect me to answer with an emphatic “yes”, think again. I'm starting to wonder whether college is a solid investment for everyone, regardless of their circumstances, or something that for too many of us is becoming a luxury product, out of our reach unless we take outside financial risks.

Sure, I'm aware of all the arguments that suggest getting a college diploma is more vital than ever before. Virtually every study out there shows that the college wage premium – the extra amount someone can expect to earn after graduating from college, compared to his friends who can only show potential employers their high school diplomas – is [at a historic high](#). We're at the point where if you want a job as a barista at Starbucks, you might want to brandish that college diploma to the manager.

And that's not even getting into the whole debate about the many ways in which spending four years between (roughly) the ages of 18 and 22 studying, thinking and generally growing up and figuring out what you want to do with your life is a great idea – if, increasingly, also a great luxury.

But there are a growing number of individuals questioning the idea that college is inevitably the right answer to the question, “what next”, that a high school graduate might pose. In [my last column](#), I spoke to the founders of bookmarq, a Silicon Valley startup, one of whom, 20-year-old Igor Chebotarev, is too busy working to head off to college. Studying in a classroom, he told me, simply isn't the way he learns best.

Mike Eidlin, another of bookmarq's creators, did graduate from UC Davis, but is agnostic when it comes to the value of a college education: “In Silicon Valley, people don't need to have a degree; if you know how to program and design, all you need is a few internships.”

That kind of pragmatic approach to the question of whether or not to pursue a college degree – at any cost – is what Peter Cappelli, George W Taylor professor of management at the Wharton School of Business, wishes he saw more of. Instead, he says: “We are pushing people, for whom this is a hell of a financial risk, toward college, not telling them this is a big financial gamble, but instead that there is a big payoff.”

For too many college graduates, there isn't, as Cappelli chronicles in his just published book, *Will College Pay Off?* College has become increasingly expensive – American families pay about seven times what those in other OECD nations do to provide their children with a college education.

“It is certainly possible that college grads will earn more than they would have if they had not gone to college,” Cappelli acknowledges in his book, “and still not earn enough to pay off the costs of attending college.”

As the costs soar, Cappelli says we've come to view college as essentially nothing more than a job training program. “It's a rather strange shift,” he says.

I'm not sure about that assessment. It all seems rather logical: as the costs have risen, and the burden has come to rest squarely on the shoulders of American students and their parents, colleges and universities have had to explain the value of what it is that they're providing. The only logic is that someone emerging at the end of this extremely costly four (or five, or six) years of higher education is qualified to get a better (translation, higher-paying, with a defined career trajectory) job.

Some colleges have made their pitches very blatant. “Want to become a millionaire?” [asks the University of Washington’s admissions office](#). “Graduate from college!” (A Washington state resident living with his or her parents can expect to pay nearly \$20,000 a year toward that goal, they calculate; out of state residents should budget [double that sum](#).)

Except, notes Cappelli, that the value is rarely quite what it seems to be. An often-cited figure is that if you pay to obtain a four-year college diploma, you can [expect to earn a 15% rate of return on that investment](#), in the shape of higher earnings, if you work until the age of 65. That figure comes from the Brookings Institute, and it’s one that Cappelli objects to vehemently. It assumes everyone will graduate within four years – “a heroic assertion at best” – and also that the college wage premium will for every age group will remain intact over the lifetime of the new graduate. Given the fact that the premium is now at historic highs, I’m not sure I’d want to bet on that.

Finally, Cappelli notes scathingly, any investment adviser offering you a guarantee that you would earn a 15% rate of return on an investment product would violate securities laws. What would get you arrested in the investment world is commonplace marketing in higher education, he says.

Few sacred cows escape Cappelli’s eyes. STEM education? In Texas (one of the few places where it’s possible to track the job and salary experience of college graduates) those with sociology degrees actually have fared better than those with biology degrees.

“Employers just don’t seem that interested in highly specific degree programs that sound like job titles,” he says.

Engineering, broadly speaking, always seems to be in vogue – but which branch of engineering? A decade ago, petroleum engineers couldn’t find work; suddenly, their relative scarcity (who wanted to pay to train in an area where they couldn’t find a job?) and the fracking boom sent demand – and salaries – soaring. Now, with oil prices slumping and energy companies scaling back their activities, new graduates are hitting the market to find that [the new jobs they were promised have evaporated](#). Cappelli says this cyclicity is common within engineering; “it’s never the same group from one year to the next that benefits.”

Does this mean that you should abandon plans to attend college?

Not necessarily. It does suggest that you should be very, very hard-headed about it. Cappelli says his analysis reveals there is little additional payoff from attending an elite school (and paying the higher tuition price tag). Similarly, picking a school that offers more merit aid, over one where you’d have to [rely more on loans](#) is probably a good plan.

Don’t count on the colleges to give you accurate information about how their graduates are faring in the job market in the career you’re hoping to pursue: privacy laws mean they probably don’t know. (People who aren’t doing well probably don’t answer the surveys colleges send out to alumni.)

Cappelli even suggests waiting until as late as possible to decide on a major, helping you to tailor your skills more closely to what the job market is like when you actually graduate. And pick a course of study that is flexible – and that makes you look versatile to prospective employers.

But it is worth remembering that college isn’t the only option. You don’t have to be a superstar like Frank Lloyd Wright, Steve Jobs or Bill Gates to decide that college isn’t for you, or, like Tom Hanks or Lady Gaga, head off to the entertainment world where college degrees don’t necessarily add to your employability. It isn’t likely that David Karp, founder of Tumblr, or Facebook’s Mark Zuckerberg realized when they opted against staying in college that they were building something so big that their lack of a diploma wouldn’t matter.

“We don’t spend a lot of time, as a society, talking about alternatives, but they exist,” says Cappelli. True, employers aren’t pulling their weight, and offering apprenticeships the way they once did. But Cappelli points to coding bootcamps that have sprung up nationwide and to organizations like [Internships.com](#), where people without connections are willing to pay to find internships and obtain the kind of work experience that will make them attractive to employers.

“Compared to some of these options, depending on what you want to do, college starts to look like a very expensive form of job training,” Cappelli notes. “It’s often not even a very good form a job training.”