

Is College Still Worth It?

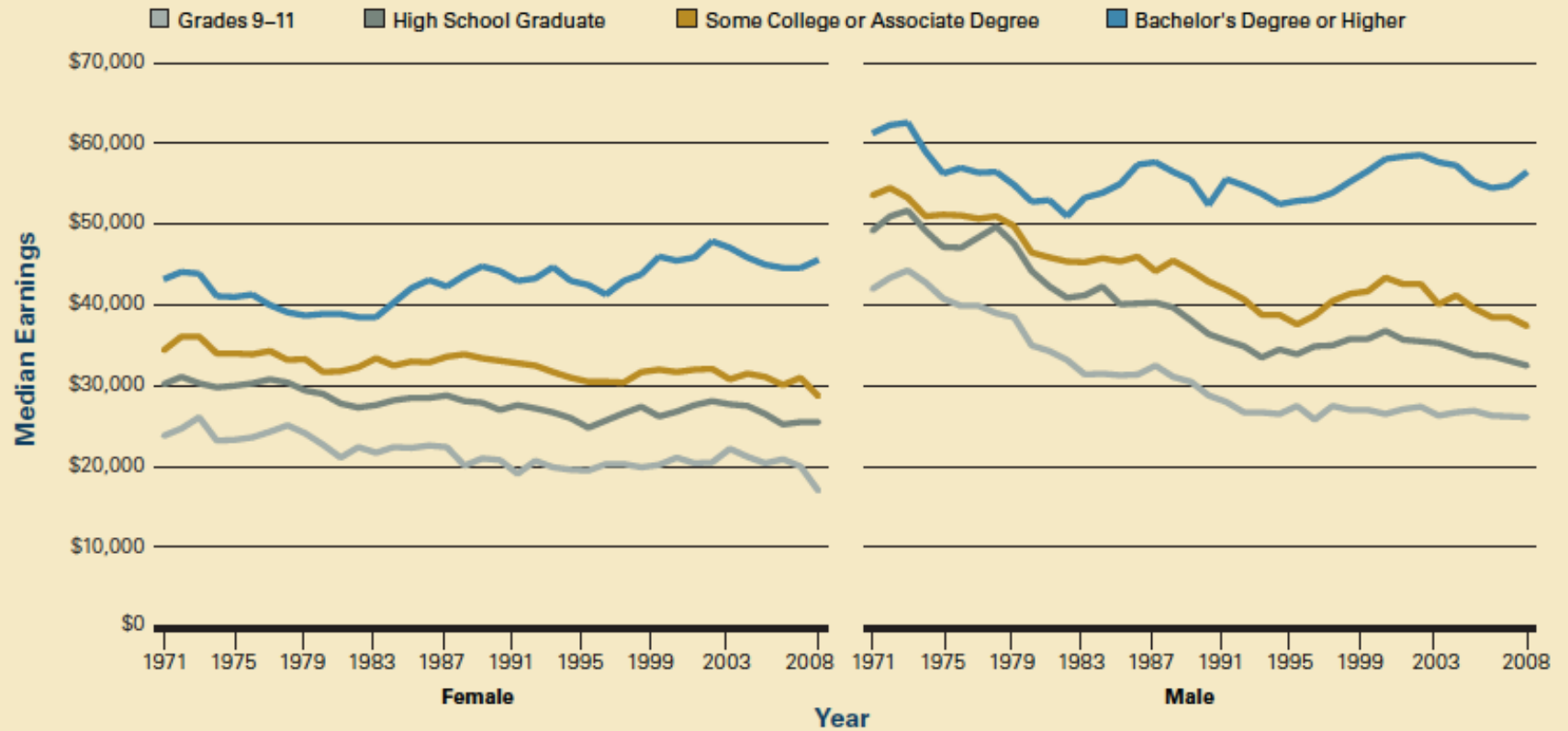
Susan Dynarski

University of Michigan

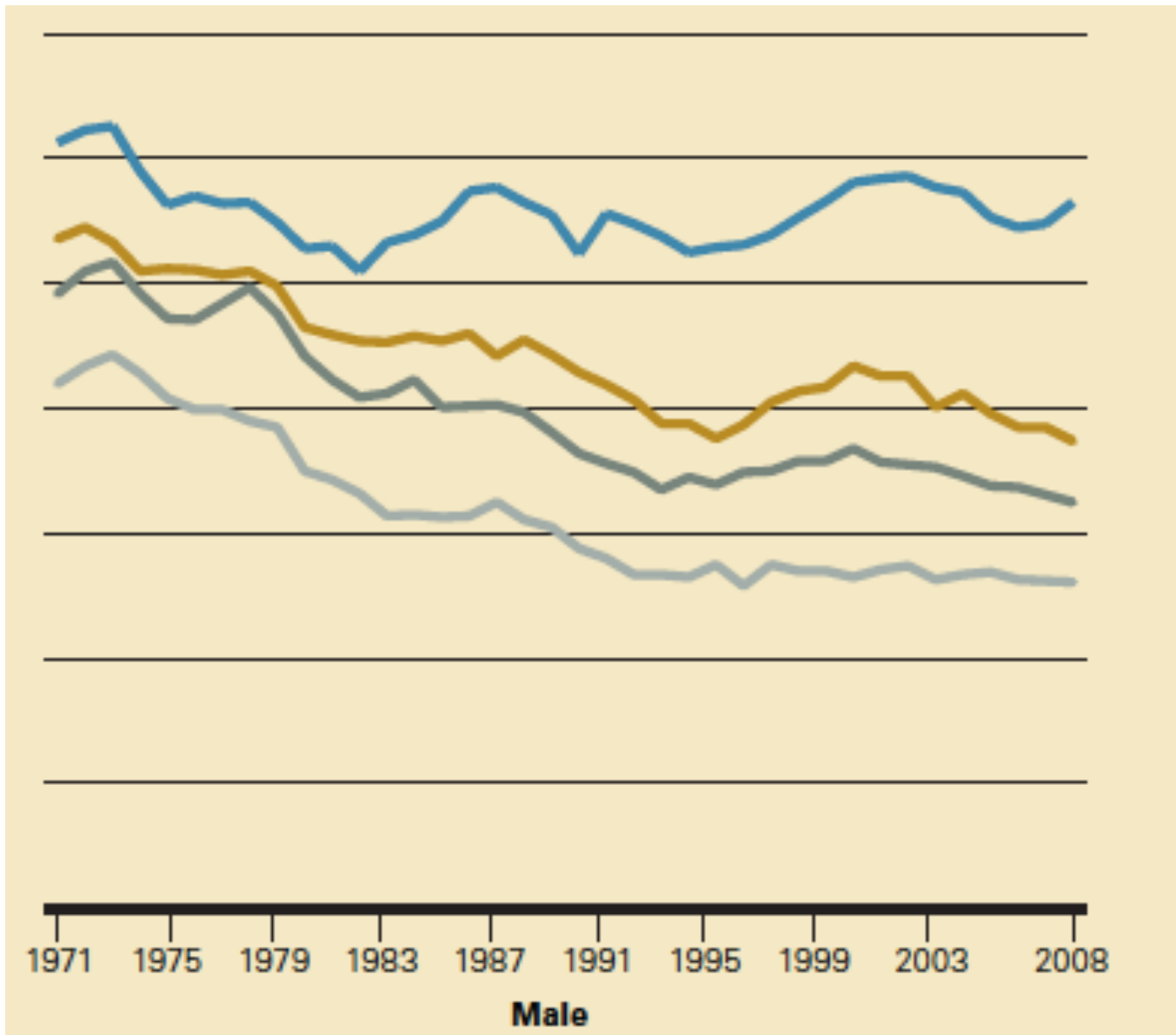
Ford School of Public Policy, School of Education
& Department of Economics

Figure 1.6

**Median Earnings of Full-Time Year-Round Workers Ages 25–34, by Gender and Education Level, 1971–2008
(in Constant 2008 Dollars)**

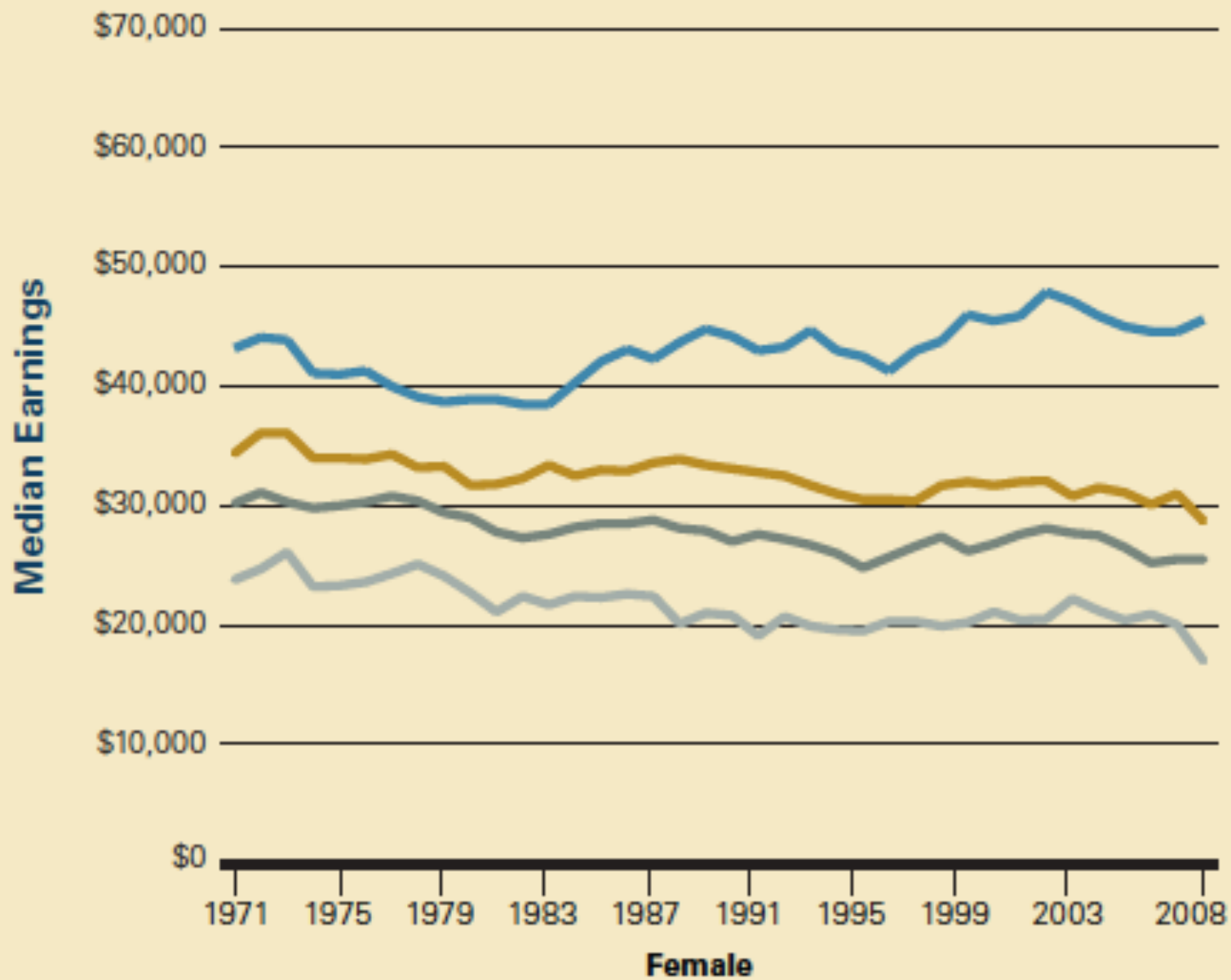


The overall distribution of income in the United States became more unequal during this time period. The share of total income received by households in the lowest 20% of the income distribution declined from 4.1% in 1971 to 3.8% in 1990 and 3.4% in 2008; the share of total income received by households in the highest 20% of the income distribution rose from 43.5% in 1971 to 46.6% in 1990 and 50.0% in 2008 (U.S. Census Bureau, 2010b).



Median Earnings of Full-Time Year-Round Workers Ages 25-34, by Gender and Education Level, 1971-2008 (in Constant 2008 Dollars)

■ Grades 9-11
 ■ High School Graduate
 ■ Some College or Associate Degree
 ■ Bachelor's Degree or Higher



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Student Loans: Borrowing Against Future Gains

Figure 1.3

Estimated Cumulative Earnings Net of Loan Repayment for Tuition and Fees, by Education Level

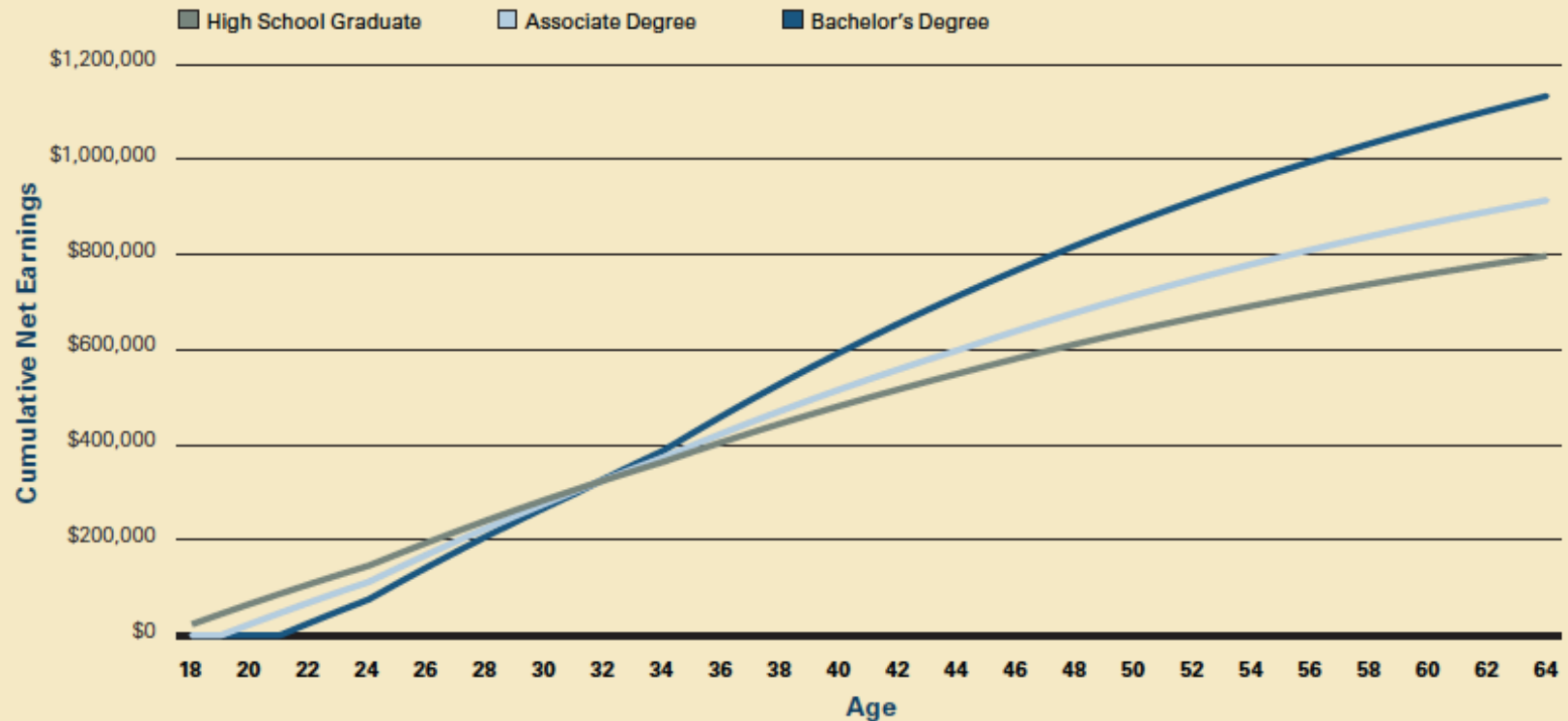
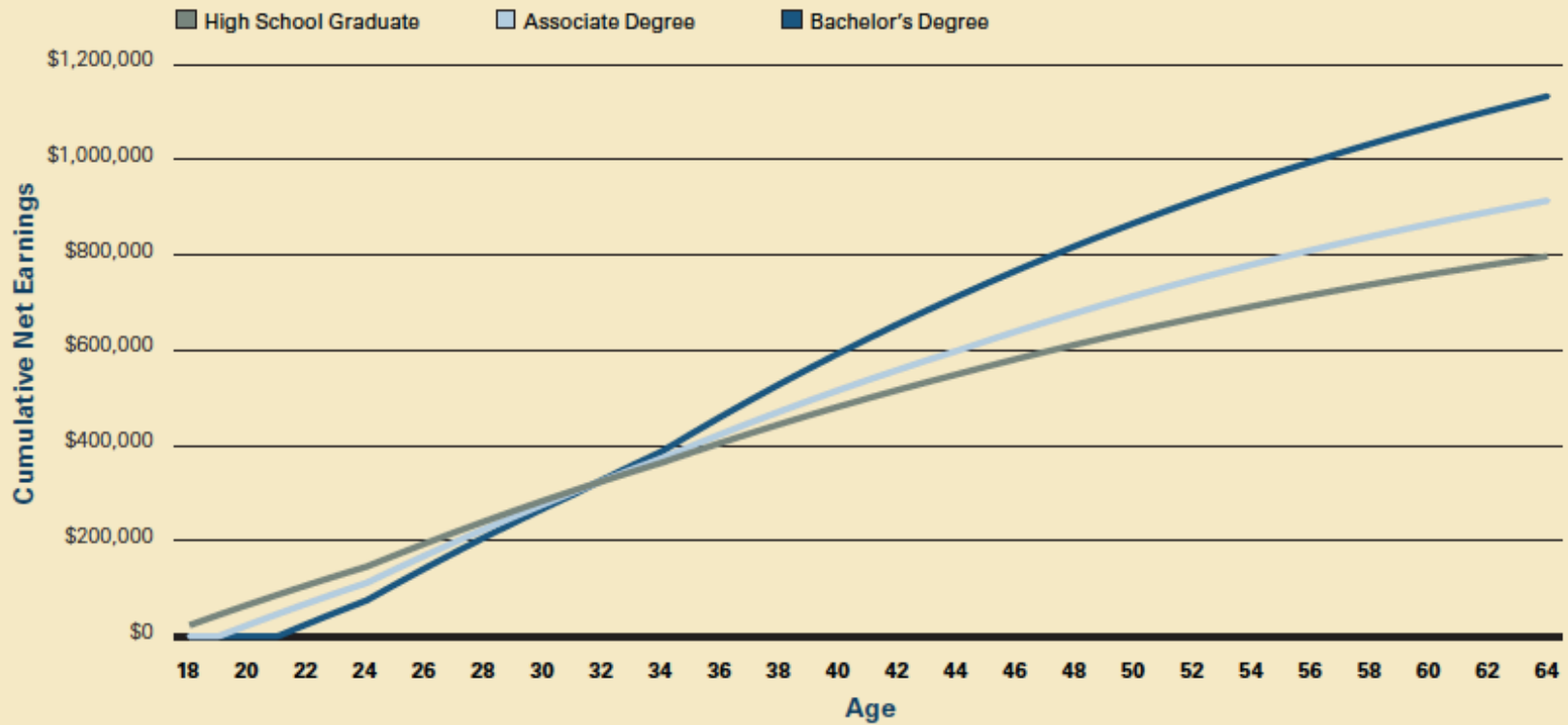


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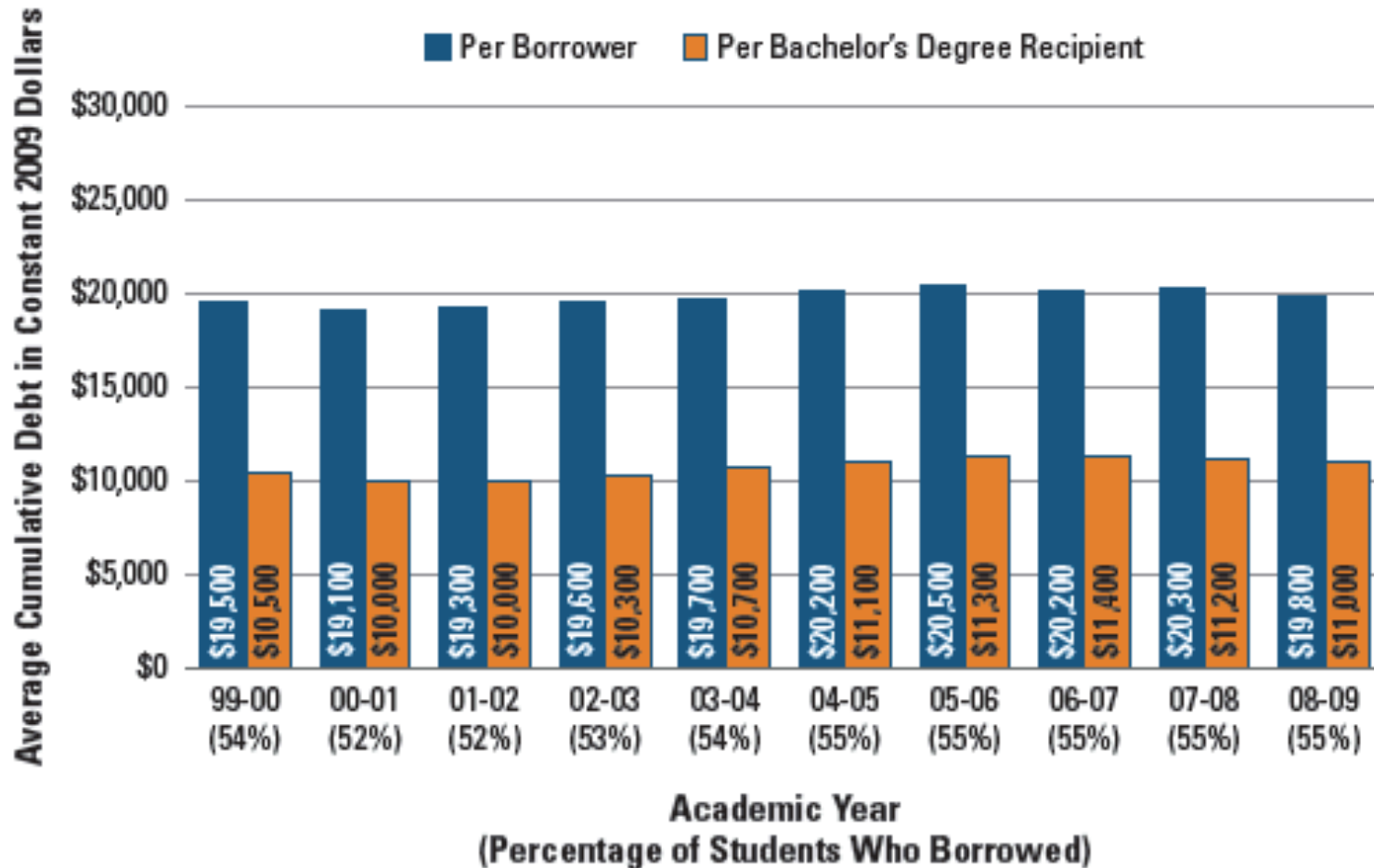


The gray line shows cumulative median earnings at each age for a high school graduate who enters the workforce full-time at age 18. The dark blue line shows cumulative median earnings at each age for a college graduate who enters the workforce at age 22 after four years out of the labor force. Loan payments are subtracted from earnings for the first 10 years after graduation, covering both the principal and 6.8% interest charges incurred during and after college. The light blue line shows the same calculation for a student who borrows to cover two years of tuition and fees at a public two-year college and enters the workforce at age 20.

Note: Based on median 2008 earnings for individuals working full-time year-round at each education level and each age. Excludes bachelor's degree recipients who earn advanced degrees. Assumes the college graduate borrows the entire 2008–09 average tuition and fees of \$6,591 for the first year at a public four-year college and 5% more each of the following three years. Assumes the associate degree recipient borrows the \$2,372 2008–09 average tuition and fees at a public two-year college and 5% more the following year. Tuition payments and earnings are discounted at 3 percent, compounded every year beyond age 18. This discount rate represents real interest, as all earnings are in 2008 dollars.

FIGURE 10A

Average Total Debt Levels of Bachelor's Degree Recipients, Public Four-Year Colleges and Universities, in Constant 2009 Dollars, 1999-2000 to 2008-09



The blue bars represent the average debt levels of bachelor's degree recipients who relied on student loans. The orange bars represent average debt per degree recipient, including those who graduated without student debt. The percentages along the base of the axis represent the percentage of students who borrowed.

Loan Debt & Projected Payments (6.8% interest)

	Median Debt of Borrowers	Monthly Loan Payment, 10 Year Term	Monthly Loan Payment, 20 Year Term
Public BA	\$19,800	\$228	\$151

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Average new car loan: \$24,000
Monthly payment (5 years, 3%): \$431

Tuition Variation, by Sector

Sector	Tuition and Fees			
	2010-11	2009-10	\$ Change	% Change
Public Two-Year	\$2,713	\$2,558	\$155	6.0%
Public Four-Year In-State	\$7,605	\$7,050	\$555	7.9%
Public Four-Year Out-of-State	\$19,595	\$18,484	\$1,111	6.0%
Private Nonprofit Four-Year	\$27,293	\$26,129	\$1,164	4.5%
For-Profit	\$13,935	\$13,256	\$679	5.1%

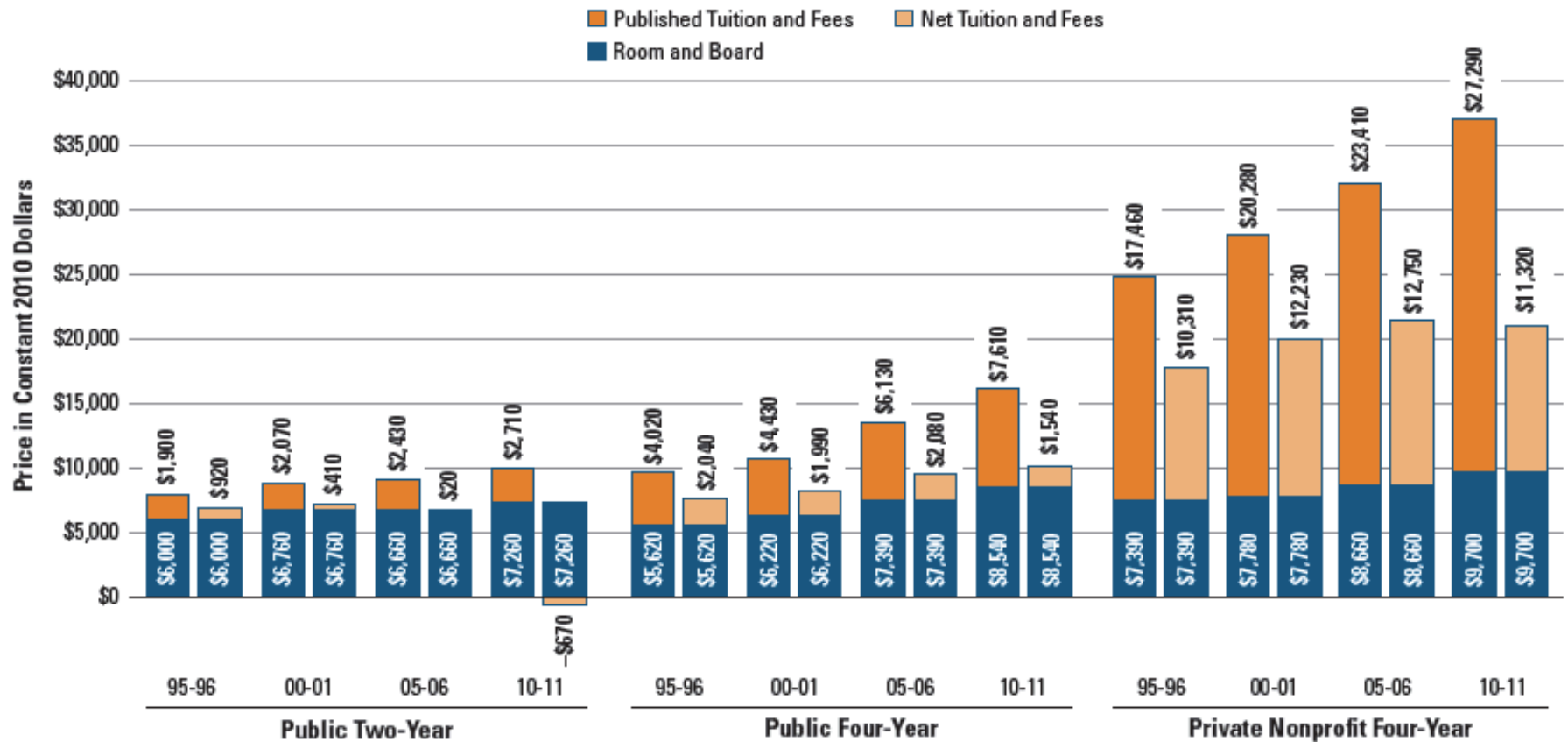
Sticker Price \neq Net Price

- Grant aid
 - From state & federal governments
 - From schools
- Loans
 - Subsidized interest rate from government, no collateral
 - Private sector loans, collateral/co-signer required
- Tax Credits & Deductions

Net Price, Over Time

FIGURE 7

Published Tuition and Fees, Net Tuition and Fees, and Room and Board in Constant 2010 Dollars, Full-Time Undergraduate Students, 1995-96, 2000-01, 2005-06, and 2010-11 (Estimated)



Published Tuition and Fees Net Tuition and Fees
Room and Board

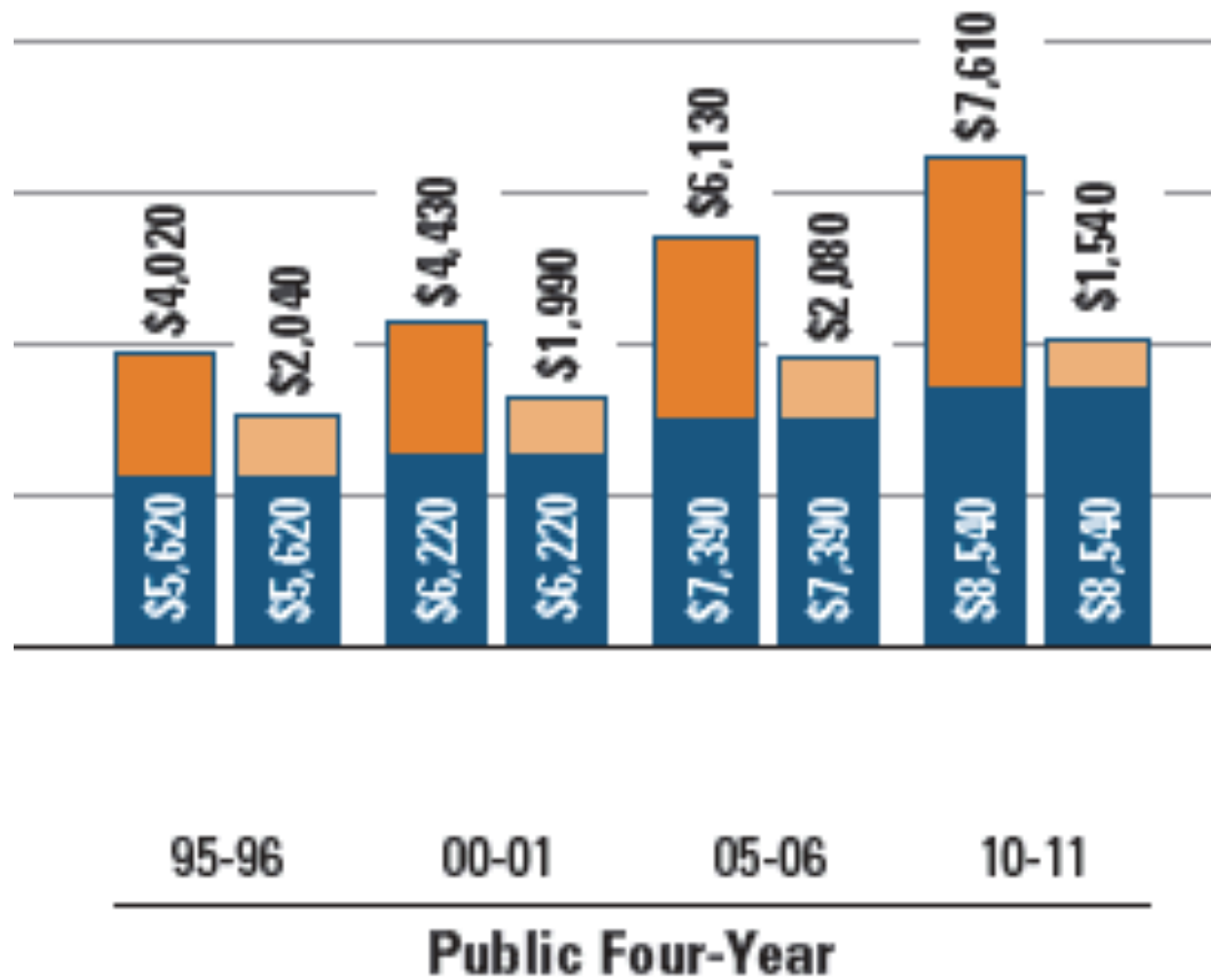
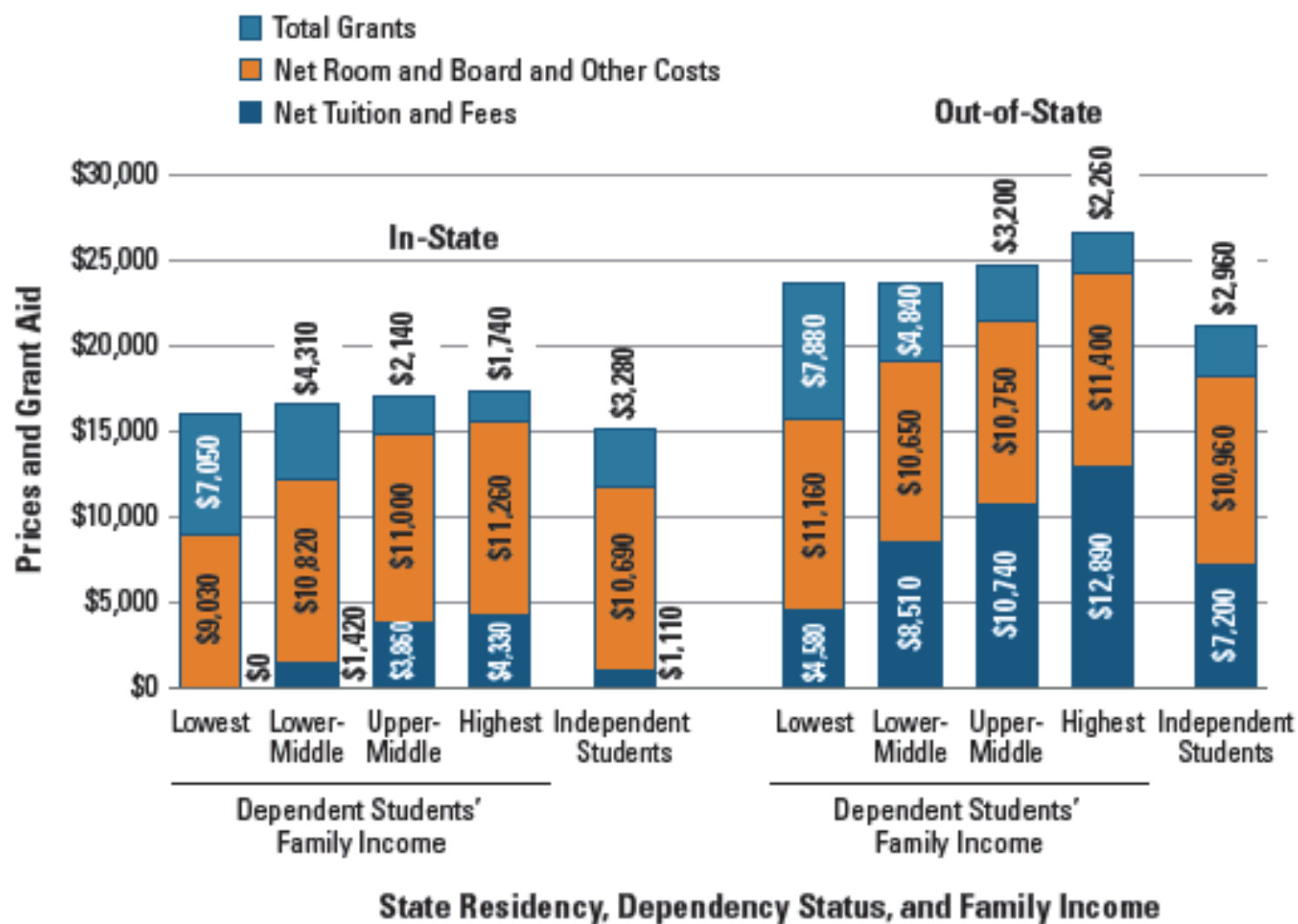
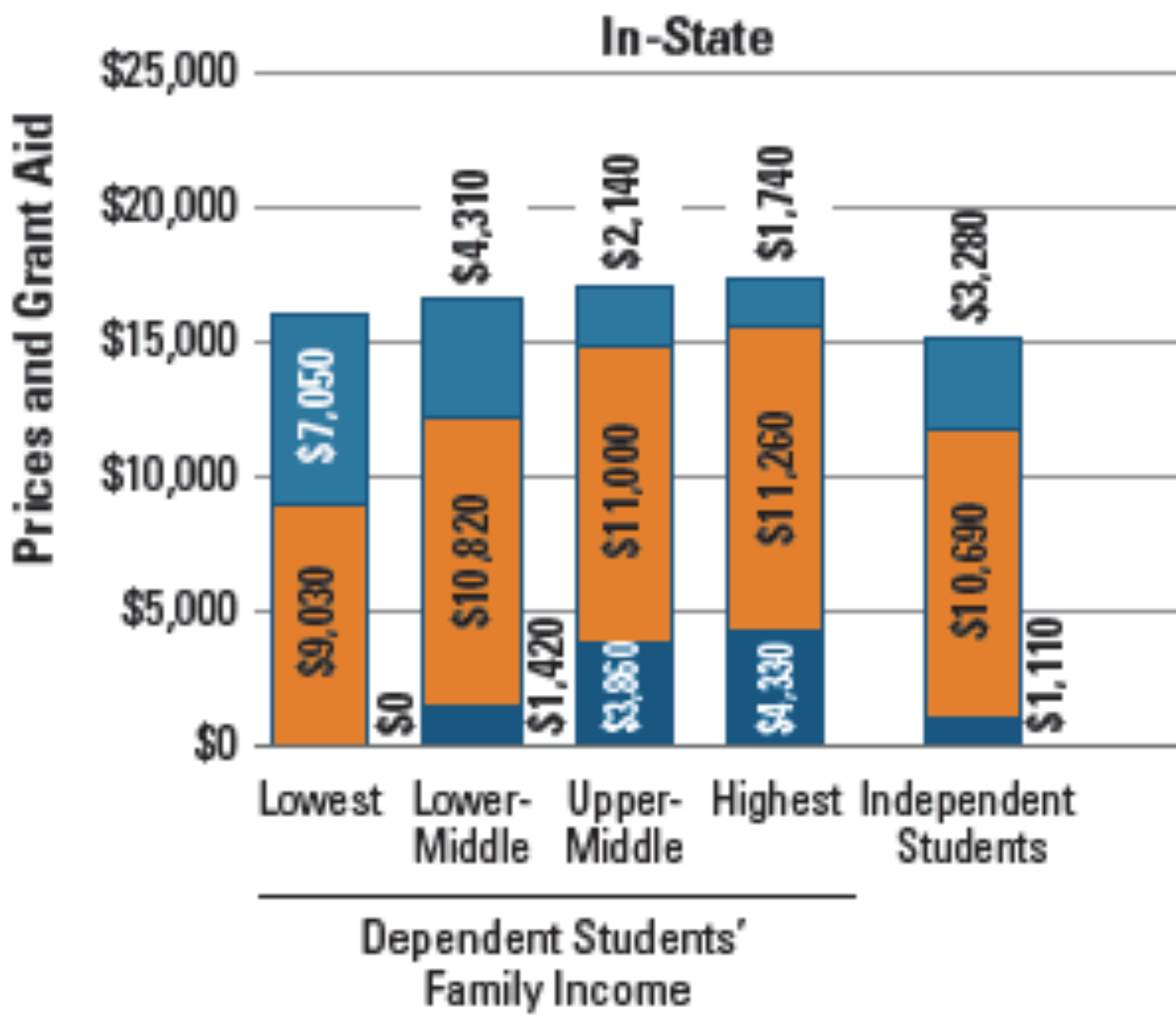


FIGURE 8A

Net Prices of Full-Time Students at Public Four-Year Colleges and Universities, by State Residency, Dependency Status, and Family Income, 2007-08





- Total Grants
- Net Room and Board and Other Costs
- Net Tuition and Fees

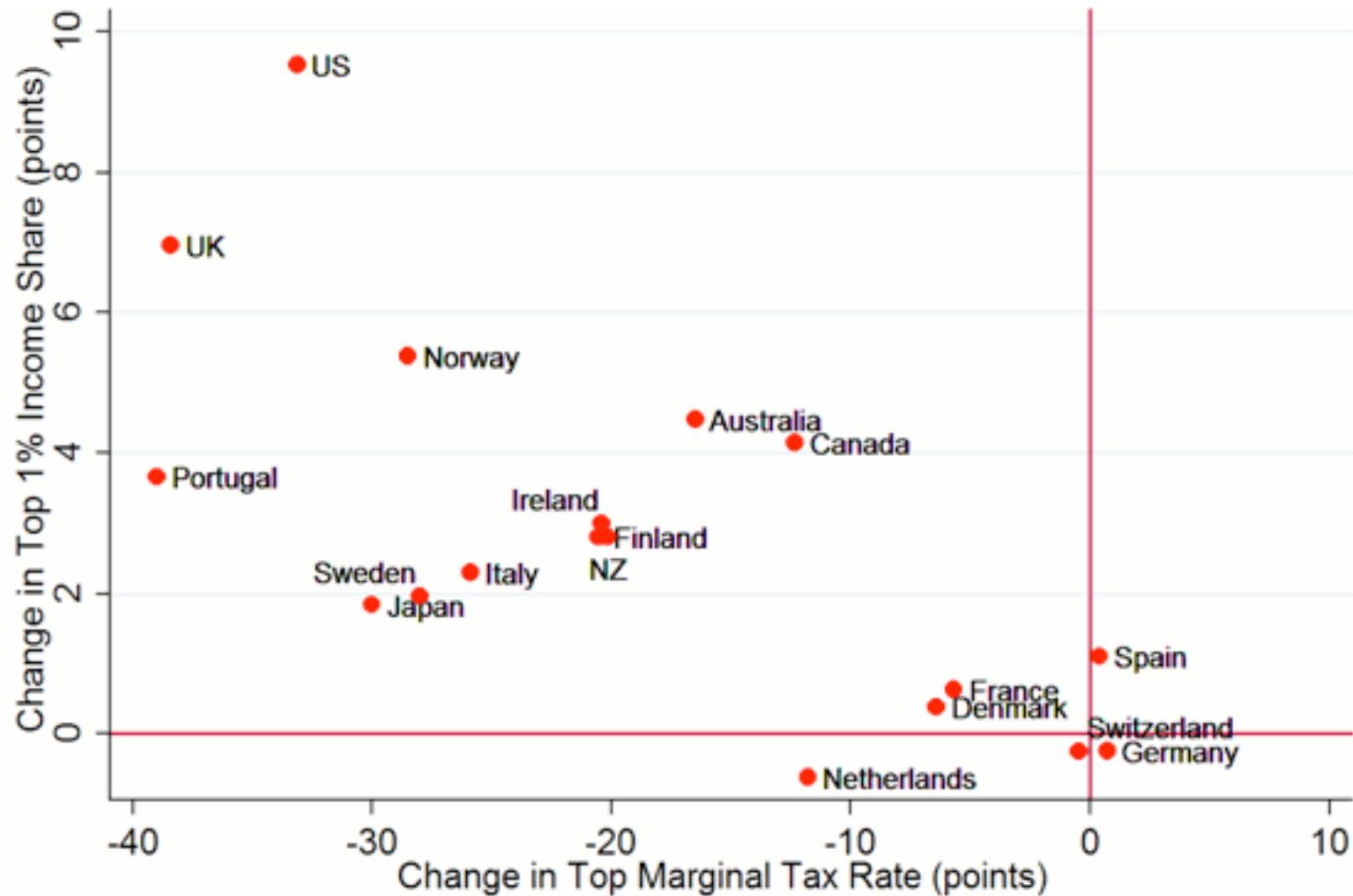
Income Definitions

Distribution of Full-Time Students by Dependency Status and Family Income, Public Colleges and Universities, 2007-08

	Public Two-Year	Public Four-Year In-State	Public Four-Year Out-of-State
Dependent <\$32,500	18%	15%	9%
Dependent \$32,500–\$59,999	18%	16%	12%
Dependent \$60,000–\$99,999	17%	24%	25%
Dependent \$100,000 or more	12%	26%	44%
Independent	36%	18%	9%

NOTE: Income categories are: lowest — less than \$32,500; lower-middle — \$32,500–\$59,999; upper-middle — \$60,000–\$99,999; highest — \$100,000 or higher. Grants are from all sources, including federal and state governments, institutions, and private sources. “Other costs” include books and supplies, transportation, and basic living costs as reported by institutions in student budget calculations.

Taxes on the 1% Are Dropping



Note: The Figure depicts the change in top 1% pre-tax income shares against the change in top marginal income tax rates from 1975-9 to 2004-8.

Sources

- College Board *Education Pays*
- College Board *Trends in College Pricing*
- College Board *Trends in Student Aid*
- Piketty, Thomas, Emmanuel Saez, and Stefanie Stantcheva (2011), *Taxing the 1%: Why the top tax rate could be over 80%*