September 17, 2015

Just how bad a deal a college education has become was evident in data released by the government. **NY Times** has the story.

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On Saturday, the federal government solved that problem by releasing a huge new set of data in a website called College Scorecard, detailing the earnings of people who attended nearly every college and university in America. Although it abandoned efforts to rate the quality of colleges, the federal government matched data from the federal student financial aid system to federal tax returns. The Department of Education was thus able to calculate how much money people who enrolled in individual colleges in 2001 and 2002 were earning 10 years later.

On the surface, the trends aren't surprising — students who enroll in wealthy, elite colleges earn more than those who do not. But the deeper that you delve into the data, the more clear it becomes how perilous the higher education market can be for students making expensive, important choices that don't always pay off. ...

... The Department of Education calculated the percentage of students at each college who earned more than $25,000 per year, which is about what high school graduates earn. At hundreds of colleges, less than half of students met this threshold 10 years after enrolling. The list includes a raft of barber academies, cosmetology schools and for-profit colleges that often leave students with few job prospects and mountains of debt.

But some more well-known institutions weren't far behind. At Bennington College in Vermont, over 48 percent of former students were earning less than $25,000 per year. A quarter were earning less than $10,600 per year. At Bard College in Annandale-on-Hudson, the median annual earnings were only $35,700. Results at the University of New Mexico were almost exactly the same. ...

We've been flogging the increase of student debt for years. Now, even some house organs of the left see the danger. Here's **The New Republic**.

... An infamous study on student debt by Jesse Rothstein of the University of California, Berkeley, and Cecilia Elena Rouse of Princeton looked at the results of a highly selective university replacing loans with grants. It concluded "that debt causes graduates to choose substantially higher-salary jobs and reduces the probability that students choose low-paid 'public interest' jobs."

Let's imagine two scenarios. In the first you have high student loans, so you work for a corporation in the private sector for high wages. And in the second you have virtually no student loans, and you work for less wages in a job focused on the public interest, say as an educator or at a nonprofit. In both cases your student loan payment would be the same as a percentage of your income. The Brookings result would hold. However your lifetime choices will have radically changed as a result.

We see this with other lifetime measures, such as how entrepreneurial people are. A recent study by Brent W. Ambrose of Pennsylvania State University, and Larry Cordell and Shuwei Ma of the Federal Reserve Bank of Philadelphia, found "a significant and economically meaningful negative correlation between changes in student loan debt and net business formation for the smallest group of small businesses." This makes sense. You can keep your high student loan burdens low if you stay with an established employer. But if you strike out on your own, you'll have less and more volatile income when you start. This is harder to manage with student loans, which also impacts your credit rating. Again, we can see the short-term student loan burdens staying the same, even though lifetime choices are much more limited as a result. ...

... This has major consequences for people's ability to build wealth. Indeed, much of the current energy in analyzing student loan burdens are looking at this longer dynamic, and how it interplays with the ability for people to amass savings. As Richard Fry of Pew found, using the same data set as Brookings, "households headed by a young, college-educated adult without any student debt obligations have about seven times the typical net worth ($64,700) of households headed by a young, college-educated adult with student debt ($8,700)." Fry also finds that those who took out loans are less satisfied with their financial situation compared to people without loans. Similar results have been investigated and found by the Federal Reserve Bank of St. Louis.

This, in turn, has major consequences for how young people will ultimately transition into adulthood. According to Dora Gicheva of the University of North Carolina at Greensboro, student debt decreases the long-term probability of marriage by a significant amount. In a result that should make social conservatives gasp, Gicheva found that an additional $10,000 in loans decreases the probability of marriage by at least 7 percentage points. Meanwhile, the Federal Reserve Bank of New York found that young student debtors are retreating from those traditional markers of adulthood, homeownership and owning a car. These effects reflect the long-term consequences of student debt on a young person's economic security just as much, if not more, than their monthly bill. ...

And **Kevin Williamson** gives his views on the student loan scandal.

... As usual, the policy-making class worries most about the people who most closely resemble it socially and economically. But the report finds that the people coming out of selective schools have an average loan debt at graduation of only $23,000, while their degrees provide an average annual wage premium of $20,000. "For most people who graduate from top-tier schools," Dynarski writes, "debt is easily managed."

We have been having a very strange debate about income inequality in the United States for the past several years, one focused almost exclusively on the status of the hated "1 percent" or super-rich segments within it. From an economic point of view, this is deeply stupid: If Lloyd Blankfein takes a $100,000-a-year pay cut next year, that isn't going to translate into two $50,000-a-year jobs for dropouts from P.S. 154 in the Bronx. But from a political point of view, concentrating on the 1 percent makes a great deal of sense to progressives: It is not, after all, conservative-dominated institutions run by Republican-affiliated unions that have failed the poor, the black, and the brown in practically every city in the United States.

The Left's answer to the challenge of targeting our expenditures toward those Americans who most need them is to subsidize another round of loans, which will pass through Little Moonbeam *on their way to her $150,000-a-year women's-studies professor and the university's $800,000-a-year president. That'll show those rich people!*

The M.F.A.s ***(Master in Fine Arts)*** *can take care of themselves. So can those six-figure administrators and millionaire teachers'-union bosses. Meanwhile, the people who actually need our help get nothing.*

To top off our week **Andrew Malcolm** is here with late night humor.
Fallon: President Obama will appear on "Running Wild With Bear Grylls" later this year. The episode features Obama roughing it on a golf course that hasn't been mowed for a couple of days.

Meyers: In an interview Trump says he's not crossed the line of appropriateness. You can read Trump's entire interview in this month's issue of 'Juggs' magazine.

Conan: A new study claims first grade students get nearly three times more homework than they should. This is according to ***the study's lead researcher, Timmy.***

NY Times
Gaps in Earnings Stand Out in Release of College Data
by Kevin Carey

Colleges give prospective students very little information about how much money they can expect to earn in the job market. In part that's because colleges may not want people to know, and in part it's because such information is difficult and expensive to gather. Colleges are good at tracking down rich alumni to hit up for donations, but people who make little or no money are harder and less lucrative to find.

On Saturday, the federal government solved that problem by releasing a huge new set of data in a website called College Scorecard, detailing the earnings of people who attended nearly every college and university in America. Although it abandoned efforts to rate the quality of colleges, the federal government matched data from the federal student financial aid system to federal tax returns. The Department of Education was thus able to calculate how much money people who enrolled in individual colleges in 2001 and 2002 were earning 10 years later.

On the surface, the trends aren't surprising — students who enroll in wealthy, elite colleges earn more than those who do not. But the deeper that you delve into the data, the more clear it becomes how perilous the higher education market can be for students making expensive, important choices that don't always pay off.

The national universities producing the top earners are no surprise: Harvard, M.I.T., Stanford and others that routinely top the annual U.S. News & World Report college rankings. The most troubling numbers show up far beneath the upper echelons of higher education. Elite institutions prop up the overall average earnings of college graduates nationwide. Although earnings of college graduates continue to outpace those of non-collegians by a significant margin, at some institutions, the earnings of students 10 years after enrollment are bleak.

The Department of Education calculated the percentage of students at each college who earned more than $25,000 per year, which is about what high school graduates earn. At hundreds of colleges, less than half of students met this threshold 10 years after enrolling. The list includes a raft of barber academies, cosmetology schools and for-profit colleges that often leave students with few job prospects and mountains of debt.

But some more well-known institutions weren't far behind. At Bennington College in Vermont, over 48 percent of former students were earning less than $25,000 per year. A quarter were earning less than $10,600 per year. At Bard College in Annandale-on-Hudson, the median annual earnings were only $35,700. Results at the University of New Mexico were almost exactly the same.

The data reveals how much money students are borrowing in exchange for earnings after graduation. While U.C.L.A. and Penn State are both prestigious public research universities, recent U.C.L.A. grads leave with about 30 percent less debt, even as their predecessors are earning about 30 percent more money than counterparts at Penn State. Harvard students borrow barely a quarter of what Brandeis students take on, and earn nearly twice as much.

The return is unequal in other ways. There is an earnings gender gap at every top university. The size of the difference varies a great deal. At Duke, for example, women earned $93,100 per year on average, compared with $123,000 for men, a difference of $29,900. At Princeton, men earned more and women earned less, for a difference of $47,700. Women who enrolled at Cornell earned more than women who enrolled at Yale.

Defining higher education in purely economic terms risks exacerbating what some have described as the corporatization of the modern university. People get a lot more out of college than earnings potential. They learn to be better citizens and better human beings. The world needs dancers and poets along with the future investment bankers and tech entrepreneurs streaming out of elite schools.

The problem is that the dancers and poets are paying the same, ever-rising tuition, even though the necessary cost of running a good poetry program is probably not much more than it was in earlier times when college tuition was much less expensive than it is today. And you can't pay your student loans back with citizenship — only dollars will do.

Colleges can ameliorate this problem by providing need-based financial aid to low-income students, reducing their debt burden and likelihood of loan default. The new data indicates that some colleges are more successful with this strategy than others.

At the University of Cincinnati, a third of low-income students (from households earning less than $30,000 per year) had failed to pay back any of their student loans five years after graduation. At the University of Alabama, the number was roughly a quarter; at Wayne State University in Detroit, over 40 percent. At the for-profit University of Phoenix, nearly two-thirds of poor students are in these dire straits.

It will take time for the raft of new federal earnings data to seep into the complex reputational ecosystem that continues to govern the higher education market. But this new bottom line will eventually become a permanent aspect of how colleges of all kinds are understood.

Kevin Carey directs the education policy program at New America.

The New Republic

The Devastating, Lifelong Consequences of Student Debt

It's threatening fundamentally American ways of life

by Mike Konczal

America has gone through a rapid social experiment over the last 20 years. We have created a system, in large part through public disinvestment, where our young people take on large amounts of student debt in order to achieve a college degree. The sea change has been so quick it's been difficult to gather even basic, solid numbers on it, making the consequences of such massive student debt subject to intense debate.

A new report from Beth Akers and Matthew M. Chingos of the Brookings Institution has further fueled that debate, arguing that the conventional story of escalating debt burdens due to student loans are overstated. Even though the number of young households with debt has increased from 14 percent to 36 percent between 1989 and 2010, the percentage of monthly income those people put toward their student debt payments is largely the same. Even though student loan debts are going up, they've been accompanied by rising incomes, largely balancing out the burden. The focus shouldn't be on student loans broadly, and instead on more targeted solutions like focusing on those who drop out of college but still have debt.

But this study, like many arguments along these lines, suffers from a major problem: It focuses on a month-to-month comparison. When we look at the effects of a major economic change—whether it's government debt, taxes, or replacing a system of publicly funded free colleges with a system of debt for a diploma—we can't just look at what immediately happens. We need to also consider how people behave in the long run. And when we look at student loans from the point of view of a lifetime, the results are more worrisome.

How could this matter? An infamous study on student debt by Jesse Rothstein of the University of California, Berkeley, and Cecilia Elena Rouse of Princeton looked at the results of a highly selective university replacing loans with grants. It concluded "that debt causes graduates to choose substantially higher-salary jobs and reduces the probability that students choose low-paid 'public interest' jobs."

Let's imagine two scenarios. In the first you have high student loans, so you work for a corporation in the private sector for high wages. And in the second you have virtually no student loans, and you work for less wages in a job focused on the public interest, say as an educator or at a nonprofit. In both cases your student loan payment would be the same as a percentage of your income. The Brookings result would hold. However your lifetime choices will have radically changed as a result.

We see this with other lifetime measures, such as how entrepreneurial people are. A recent study by Brent W. Ambrose of Pennsylvania State University, and Larry Cordell and Shuwei Ma of the Federal Reserve Bank of Philadelphia, found “a significant and economically meaningful negative correlation between changes in student loan debt and net business formation for the smallest group of small businesses.” This makes sense. You can keep your high student loan burdens low if you stay with an established employer. But if you strike out on your own, you’ll have less and more volatile income when you start. This is harder to manage with student loans, which also impacts your credit rating. Again, we can see the short-term student loan burdens staying the same, even though lifetime choices are much more limited as a result.

The lifetime framework also puts front and center something the Brookings study largely hand-waves: the rapid increase in how long people are paying off their student debt. Though the percentage of income that student-loan debtors pay stays the same, the length they are paying those loans is up 80 percent. What was once an average length of 7.4 years in repayment in 1992 is now 13.4 years. All things equal, a large increase in the length you will be paying student loans means you will dedicate a larger portion of your lifetime income to student loans. This burden goes missing by narrowly looking at a month-to-month basis.

This has major consequences for people’s ability to build wealth. Indeed, much of the current energy in analyzing student loan burdens are looking at this longer dynamic, and how it interplays with the ability for people to amass savings. As Richard Fry of Pew found, using the same data set as Brookings, “households headed by a young, college-educated adult without any student debt obligations have about seven times the typical net worth ($64,700) of households headed by a young, college-educated adult with student debt ($8,700).” Fry also finds that those who took out loans are less satisfied with their financial situation compared to people without loans. Similar results have been investigated and found by the Federal Reserve Bank of St. Louis.

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This system of student debt has happened so fast that proper analysis is hard to do. But what’s most interesting is research showing how student debt threatens fundamentally American ways of life. Student debt chips away at the ability to be a risk-taking entrepreneur, a homesteader who has amassed enough wealth to be self-sufficient, or someone who has dedicated their craft to working in our rich civil society. These are three very real versions of the American Dream, and contrary to what studies like Brookings's might show over the short term, they are all being weakened by the way we saddle young people with student debt burdens.

Mike Konczal is a fellow with the Roosevelt Institute.

National Review

The Biggest Problem with Student Loans

by Kevin D. Williamson

As a purely economic matter, the principle of diminishing returns applies to education. Little Moonbeam almost certainly will be financially better off in life with her B.A. in women's studies (the fact that one has an undergraduate degree matters more than what subject the degree is in), but the M.F.A. in creative writing on top of that probably will not pay comparable dividends, and the inevitable doctorate in social work is likely to prove a zero-return investment. We're talking purely financial concerns here: Of course an intellectually curious man who makes a fine living as a specialist welder would be intellectually enriched by learning Homeric Greek, but he probably isn't going to be financially enriched by it, because no prospective client is going to inquire as to whether he has read *The Iliad* in the original.

Diminishing returns to education, especially to higher education, apply collectively as well. A literate society is going to be better off than an illiterate society, and a highly numerate society is going to be better off than one that counts on its collective fingers. A society in which few barriers stand in the way of those with the talent and inclination to pursue the higher reaches of science, medicine, mathematics, music, literature, art, and other rarefied pursuits will be better off than one that stymies its talent. (You doubt the economic value of art, literature, and music? The U.S. video-game industry has 16 billion reasons a year — and growing — why you're wrong.) But all that has its limits, like everything else, and the appearance of those M.F.A.s in creative writing and doctorates in being socially disappointed are an indication that some portion of your population is getting there.

But much of ours isn't.

I have a longstanding complaint that while class affiliation is not nearly as nefarious a force in American social life as it is in other countries, it does make itself felt from time to time, especially in public-policy matters. The fact is that our policymakers, the think-tankers and journalists and pundits and elected officials, are, give or take the odd Scott Walker, college graduates, graduates of the same sorts of colleges, largely from college-educated homes, and working in similar professions with similar educational requirements. It is for this reason, I suspect, that college education dominates our national debate about maximizing the value of our human capital. We spend a great deal of time talking about how to get more people into four-year programs, how to make those programs more affordable, how to relieve the debt burden associated with them, etc. My Manhattan-based intellectual friends are acutely concerned about the price of getting a B.A. at Columbia or NYU but think rarely, if ever, about the fact that the city's government high schools have a dropout rate for black men pushing 70 percent.

The bias exhibits itself in amusing ways. Adam Davidson had a very good article in the *New York Times* headlined "Is College Tuition Really Too High?," a fine piece of reporting and analysis. But going through the piece and seeing which institutions loom large enough upon the mind of the *New York Times* contributor to merit a specific mention, we see: Harvard, Princeton, Berkeley, UVA, the University of Texas system, the University of Massachusetts. . . . The only thing at all like a community college that bubbles to the forefront of his prose is the City University of New York.

But from his *Times* colleague Susan Dynarski we learn an interesting — and startling — fact: That mountain of new student-loan debt we've been hearing about, and that spike in defaults? It isn't coming from students taking on bigger loans to get through Harvard or Berkeley. Citing a study by Adam Looney of the Treasury Department and Constantine Yannelis of Stanford University, Dynarski reports:

The huge run-up in loans and the subsequent spike in defaults have not been driven by $100,000 debts incurred by students at expensive private colleges like N.Y.U.

They are driven by $8,000 loans at for-profit colleges and, to a lesser extent, community colleges. Borrowing for both of these has become far more common in recent years. Mr. Looney and Mr. Yannelis estimate that 75 percent of the increase in default between 2004 and 2011 can be explained by the surge in the number of borrowers at those institutions.

As usual, the policy-making class worries most about the people who most closely resemble it socially and economically. But the report finds that the people coming out of selective schools have an average loan debt at graduation of only $23,000, while their degrees provide an average annual wage premium of $20,000. "For most people who graduate from top-tier schools," Dynarski writes, "debt is easily managed."

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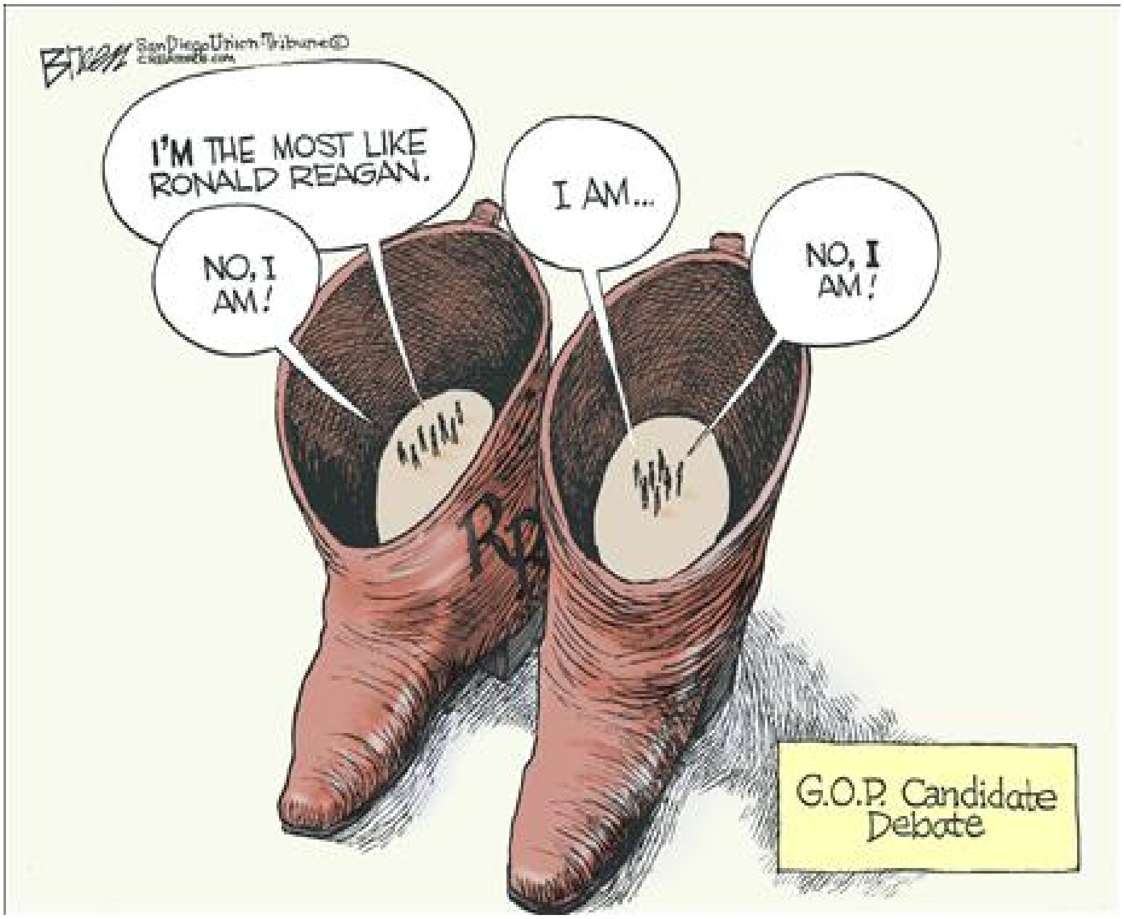
I'M THE MOST LIKE RONALD REAGAN.
NO, I AM!
I AM...
NO, I AM!
RR
G.O.P. Candidate Debate


HOW MANY MAKEOVERS DOES THIS ONE MAKE, HILLARY?
OH, SHUT UP.
I'M SORRY

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