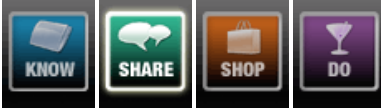


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Story



The market's verdict on a college degree

Exchange | Business | MICHAEL REKSULAK

MICHAEL REKSULAK | Monday, November 13, 2006 at 12:30 am

For many years, the news of rising college tuition has kept parents awake at night wondering how they would afford helping their children achieve their potential.

Scholarships and financial aid have not always kept pace. Many who earned the hard-worked-for degrees are carrying sizeable debts from college loans. There is, however, some good news on the cost-side of a college degree.

The College Board just reported that the increase in the average

yearly college tuition and fees for four-year public colleges - although still outpacing inflation - has slowed for the third year in a row. In 2005, these average measures grew by 6.3 percent to \$5,836 a year for four-year public colleges (it went up by 5.9 percent to \$22,218 for four-year private colleges).

It is the other side of this coin, however, that more often than not seems to get little prominence in such discussions. People decide to pursue college degrees - one hopes - for a love of learning and because businesses demand an educated work force. Students also do so because of clear market signals about the value of such educational attainment. In a free enterprise system, the market's verdict is represented by prices, and the latest judgment has been disclosed by the U.S. Census Bureau.

Analysis of data from the 2005 Current Population Survey's Annual Social and Economic Supplement reveals that adults age 18 and older who have earned a bachelor's degree received an average of \$51,554 in annual pay in 2004. That is almost 80 percent higher than what those with a high school diploma brought home (\$28,645). The discrepancy to adults without a high school diploma (\$19,169) is more pronounced.

Completing the picture is the corollary that those with advanced degrees were paid an average of \$78,093.

In the United States, with its relatively unregulated labor markets, such price signals have real informational content. They truly represent a market-based valuation of a college diplomas' worth. Not surprisingly, more than one-quarter of all adults age 25 and older have reportedly responded to this market incentive and at least attained a bachelor's degree.

It is, nonetheless, not necessarily a simple calculation to weigh the additional costs and benefits of going to college. One also has to take into account all additional costs (including tuition) incurred during the college years. State and federal tax and grant benefits also are too often undercounted.

One conclusion, however, is certain.

Whenever reasonable weights and interest rates are used in these

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computations, there are few, if any, investments that have superior returns to that of higher education. Over the working life of the average adult, the accrued advantages of significantly higher wages and, usually, markedly more generous benefits quickly make up for the losses during the college years and far outpace the average high-school diploma holder's lifetime earnings.

So the next time one wonders whether that tuition check is worth all the hardship it might bring for those are signing it, one can sign with the secure knowledge that the market will likely pay it back - with a lot of interest.

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