

Host Ruth Watkins [00:00:01] Hi, I'm Ruth Watkins, and this is "Lessons Earned." Today, my guest is economist Beth Akers.

Beth Akers [00:00:11] We rely on our system of higher education as the primary mechanism for social mobility in our economy. Well, if college doesn't work, then that calls into question, I think, our whole system of economy, which says you can rely on yourself to get the things that you need.

Ruth Watkins [00:00:30] from Strada Education Network, this is "Lessons Earned: Putting Education to Work."

So I'm recording this at the beginning of November, which means college application deadlines are upon us. If you're applying to college right now, I bet you have a lot of questions. One of those questions might be about the cost. When we look at inflation-adjusted dollars, the cost of tuition today at four-year institutions is more than double what it was in the 1980s. And you might wonder about the connection between your degree, or your potential degree, and the ultimate career that you're going to have. Even if you can afford to enroll, there's a chance you might not use your degree in your profession. Around 40 percent of recent college graduates are not working in jobs that directly relate to their degree, so the path from a degree to a job can be bumpy and uncertain. All of which may leave you wondering, is a college degree still worth it? Beth Akers says that it is — at least some of the time.

Beth is a senior fellow at the American Enterprise Institute and the author of "Making College Pay." She brings a real economist lens to the world of higher education. Beth tells us that prospective students and their parents should be thinking about the return on investment that they'll get from a degree. Now, that seems like common sense, but it's also a bit of a radical argument because many students and their parents don't think about the return on investment when they're making a decision about education. So here is Beth Akers.

What an interesting time it is in our country. I think for the first time in at least my ability to remember, we have large conversations and energy around things like canceling student loan debt, and we can read headlines that say crisis-level student loan debt. Is this a fair characterization? Tell us what's going on.

Beth Akers [00:02:50] Oh boy. Well, about 10 years ago now, I started doing some research trying to characterize what the situation is with student loans, and some people mischaracterize my work as implying that there is no student-loan crisis or that I'm some sort of crisis denier. Not quite the case, but I do have a different story about what's happening with higher ed finance and borrowing that I think most people do. I'm an economist, and so I think about education from the lens of investment. So when people spend on education, they invest in themselves and they reap the reward through higher earnings opportunities and more consistent employment, among other things that are not financial. So when I'm assessing what's happening in this market, I'm weighing

those two things. And when you do that, things look a little bit rosier for a lot of people than they do in the national, you know, rhetoric would have you believe about this issue.

Ruth Watkins [00:03:46] Well, let me ask you about that. So is college always worth it?

Beth Akers [00:03:49] Hmm. Good question. No. So economists have been telling us for decades really that college is worth it, quote unquote, "college is worth it." What that means is something mathematical. It means that when we weigh the amount that people have paid for college against what it has gotten them on average on the back end, it's a positive return. We estimate about a 15 percent rate of return for bachelor's and associate's degrees. Some studies say it's an extra million dollars of earnings if you have a bachelor's degree. But the problem is, not everybody is going to get that reward. So on average, yes. And I think that's where the push that we've had from our leaders in this country to get people in and through college has come from. But there's definitely a more nuanced story to tell.

Ruth Watkins [00:04:39] Have you interacted with people where paying for education debt challenges with choices were really deeply, personally problematic? And did that fuel your work in any way?

Beth Akers [00:04:51] You know, I think for everyone I talked to who has some experience with higher education, that is a deeply personal and very emotional thing for them. I mean, money is emotional for people, and education is pretty expensive by any measure. So for most people, yes, I think it's a difficult thing to talk about. It's not always pleasant when I'm at a cocktail party and someone finds out or asks what I do and what I write about. But it absolutely fuels, you know, what I do on a day-to-day basis.

Ruth Watkins [00:05:27] Beth, let's be at that cocktail party for a minute. So I'm going to be your conversational partner and say, I'm worried about my child and where they should go to college. How should young people make that decision?

Beth Akers [00:05:41] I'd say, Well, actually, no, I'm a dentist. I don't have anything to say about that. But then if someone outed me, here's I think what I would have to say. I mean, the biggest piece of advice I have is that we need to go into college decision making process with their eyes open to the fact that this is a financial tradeoff. This is not an identity issue. When you think about this thing, this decision that's on the horizon, you're going to think about spending some money and you're also going to think about what that money that you spend is going to get you. And to me, that's the simplest framing of this question. But it's often not the way that people think about it off the bat. And I think we have made college this sort of an identity issue so that, you know, people are somewhat unable to unwind the decision into those very simple terms, because those simple terms, the idea of a tradeoff, is something that we're comfortable with in all other aspects of our life, right? We do this all the time, but we don't often give people permission to think of college in such simple terms.

Ruth Watkins [00:06:55] You know, Beth, I'm going to keep pressing here, because I'm a mom and I want my daughter to get a job. What should I tell her about what programs to study? What, what do you see as best going forward?

Beth Akers [00:07:05] OK, I want to make clear what I'm not saying, which is that I'm not saying that everybody should go find the highest earnings school, the highest earning major and then gun for that. That's not at all what I want to happen. But what I want people to do is essentially go to the data to know what will likely come for them if they make certain decisions.

Ruth Watkins [00:07:29] Beth, you've written a book that really consciously seems to be communicating to students, parents, families. Why did you do that?

Beth Akers [00:07:37] Well, I spent about the first eight or nine years of my career trying to convince policymakers that what we needed to do was to empower students with information. And, you know, there was actually big improvements on that front during that time — not because of my efforts alone, of course. Not that delusional. But you know, the emergence of the college scorecard was a fantastic improvement in the ability to empower students to make decisions for themselves. But I also felt like I was running into a bit of a wall, which was, it wasn't clear how policy could step in to encourage people to make these decisions in a way that, you know, I believe they should be making decisions. So at that point, I kind of decided to turn to the people themselves and take a stab at speaking directly to them myself. I had to take off my policy, academic, wonky hat and try to remember what it's like to be a young person thinking about going to college and talk to them directly about, if I were doing this or if I were doing it for my son, here's what I would do.

Ruth Watkins [00:08:44] What are you hearing from parents and students about the book?

Beth Akers [00:08:48] I'm getting a sense of relief from parents who read this. I think because it feels like the data is telling them it's a bit safer than they might have realized, you know, if they make data-driven decisions. But I also think the part of the relief is coming from the idea that I'm telling them it's OK to be more practical about this decision in a time when everyone else is being really, really romantic about it. You know, the high school students that I know of, they have this process of going through Instagram and announcing the schools they've been selected to. And there's other places where you go to an auditorium and everybody announces where they've been accepted. I mean, this all sounds, like, very glorious and wonderful, but also puts a romance on the issue that I think takes away the permission for families to be really practically and financially oriented about this decision.

Ruth Watkins [00:09:49] Beth, is there such a thing as a romantic economist?

Beth Akers [00:09:55] I haven't met them, but perhaps.

Ruth Watkins [00:09:58] It's the data. It's, yeah, I have to say there's a powerful message here that I, my own observations of, you know, 30 — more than 30 — years of talking to students and families, that over that time, the dialogue has really changed. That orientation session 35 years ago would have focused much more about what I want to study and what I'm interested in and what I want to pursue and what I want to do while I'm here. And the conversations over the last five or so years, 10 years, have really been, "What job is there for me when I finish this?" And I wonder how that relates to what you're hearing as well?

Beth Akers [00:10:39] Um, yeah, I mean, I've been only in this space for about 10 years. And so I think during that time, I have seen people adopting this financial tradeoff view of education decision-making to a greater degree. And, you know, I tend to think that's a good thing. Even though I can certainly understand from an educator perspective it might be frustrating to have these conversations about financial tradeoffs rather than academic passion and, you know, educational opportunity.

Ruth Watkins [00:11:10] I mean, I find myself wondering the role that the recession 2008-09 has had in this.

Beth Akers [00:11:16] Yeah. I mean, when I look at what's happened with student debt and, you know, I, I tend to downplay the, you know, the situation with student debt and say, OK, look, these people have affordable loans and you know, why are they so mad, right? I'm not literally saying that because that would get me a lot of angry messages, but I think that there's something going on where people have felt sort of tricked by the system. And I think understanding or considering the financial tradeoffs on the front end might move us away from that. You know, so if we can get people to, you know, ask the questions about what am I getting for this? What am I paying for this before they start, maybe having an affordable level of debt after they graduate won't feel like such a bad thing. And that's the world that I'm sort of imagining when I look at student loans.

Ruth Watkins [00:12:04] If we focus so sharply on the return on investment, will anybody want to do the much-needed jobs in society, like being a teacher, for example?

Beth Akers [00:12:14] Mm hmm. OK, so my take on this is that we need to be honest with people about what lies ahead for them if they take a certain path, if they decide to be a teacher. I don't want to fool anybody into thinking that going to an expensive private college to then be a teacher is a lucrative path or a path that offers a high ROI. And I think it may be the case that as we make people more aware of the tradeoffs that are in front of them, we do see people moving away from social work or education. And I think then the onus is on the government to make up that difference and say, OK, if we are not sufficiently compensating people to go into these careers, then the burden should be on taxpayers, not the individuals who go into those careers, to take the hit. And that means raising spending for compensation for those under-subscribed professions. I think that's a more fair way of thinking of it.

Ruth Watkins [00:13:13] Your views seem so much to me like an interesting mix of kind of free market and then government intervention.

Beth Akers [00:13:21] I'm more of, if you're going to intervene, let's do it this way. And a lot of times I'll be agnostic about if we should, you know, or or I should say that the level to which we should intervene or subsidize something, right? I mean, I don't know, you know, how much we should spend to subsidize the profession of social work. I do know that it's important. I know that it's important to society as well as it's important to the individuals who collect the salaries to do the job. So, you know, I'll be agnostic about how much to spend, but if you're going to spend it, I'll tell you how to do it.

Ruth Watkins [00:13:55] Well, it seems like too you're also arguing very much for a more well-informed student population, guidance, and informed consumers, I think. What influence would that kind of a student base have on higher ed?

Beth Akers [00:14:12] Hmm. Well, I'd like to think it would have a big influence. What happens collectively when a set of students look at a school and say, OK, for what that school is churning out in terms of opportunities for their graduates compared to the price they're charging on the front end, I see, no way am I spending my dollars there, right? This institution is going to take a hit if what they're delivering relative to what they're charging is not comparable to what other institutions are offering. And so if we get students to be sufficiently informed that we can get a lot of movement in that way, then potentially you get institutions saying, Oh, shoot, I've got to respond. No one wants to come here anymore. And actually the advent of online education and what I think will be its expansion in coming years supports that because people do have more choices and can walk away from that local institution that doesn't seem to be serving students in the way that they're looking for.

Ruth Watkins [00:15:14] Let's just dig into that a little bit because I think it's very interesting. Are you seeing any evidence — you gave the example of online expansion — that institutions are responding to some of these questions and issues?

Beth Akers [00:15:29] Nothing glaring. You know, I've always followed the innovative education space. I find that really interesting. And to me, it seems like a lot of the response to student satisfaction is coming or is delivering the emergence of things like bootcamps and people saying, Well, you know, traditional institutions are not giving me what it is I'm looking for. And oh, there's this other thing over here. I don't quite know what it is. It's kind of new and interesting, but maybe that's the right path.

Ruth Watkins [00:16:00] Well, what advice would you give institutional leaders? We could say community college, four-year institutions, and maybe don't forget those credential programs.

Beth Akers [00:16:10] Yeah. It seems like there has historically been a disconnect between institutions and students and that students are overwhelmingly looking for a job and institutions are overwhelmingly looking to educate the future leaders of tomorrow to

be the global citizens of blah, blah, blah, blah, blah, blah, blah. And so I think, you know, when I look at what has been successful in luring students away from traditional education, it's these programs that match training to employment. And I don't think institutions, or all institutions even, need to become just job-training programs. But I think that a lot of institutions would be able to better serve their students if there was more of a focus on making connections with the workforce, and a lot of that seems to come from direct relationships with employers in the communities.

Ruth Watkins [00:17:01] Wise advice, I'd say. Do you think there's a relationship between parents' questions about the value of education and the disconnect with education to employment?

Beth Akers [00:17:13] Mm hmm. Yeah, very, very likely. I think that institutions are not selling this idea of value to students when students and their parents come to campus. They get a tour of the beautiful quad and the beautiful facilities and, from what I understand, they don't spend a ton of time in the career placement office. And so I think that may be part of it. It's not so much that people don't believe that education is going to deliver them something in terms of employment that they're looking for. But it may be. It feels uncertain that there seems to be a lot of risk in this process. We know that education delivers opportunities, but you're giving me something that looks totally different from a pathway into a job and telling me, "Yeah, yeah, trust me, this is going to get me a job." So I think it's fair. Yeah, I mean, I also think the nature of the economy in the past few decades has caused people to be more concerned about whether or not the investment in education that they're making is going to deliver a return. And, of course, rising prices, right? As education has gotten more expensive over time. I would naturally expect consumers to be more critical of what it is that they're going to get for that higher price.

Ruth Watkins [00:18:31] Yeah, it really sounds to me like you are articulating a way that higher education — postsecondary education — can better fulfill its full promise. And maybe the hyper focus on a student debt crisis is overblown. And in that context, I wonder what is the real crisis of higher ed, in your view?

Beth Akers [00:18:51] Hmm. Well, I mean, there's several, I mean, specifically on the issue of student debt, I think this issue of surprise or a feeling tricked is really central. The other challenges specifically concerned about people who start college take on some debt and then don't finish. You know, we hear the most about people with six-figure balances, although I think the *New York Times* has gotten better about not writing stories about baristas with \$100,000 in debt anymore. But that was for a long time how we imagine the student loan crisis, and I think a lot more people are coming to realize that it's actually really low-balance borrowers who may be struggling the most. We know that the highest rates of default are among borrowers with less than \$5,000 in debt. A lot of them will have started a degree, but not finished. So debt with no degree, no capacity to make the payments on those loans with earnings that should have gone up or you anticipated going up to make the ones affordable, that's a problem.

Ruth Watkins [00:19:53] I'm having an aha moment. The real crisis isn't student loan debt. It's student loan debt without completion of a credential or a degree.

Beth Akers [00:20:02] Yeah, absolutely. I mean, the whole premise here is that you borrow and make an investment, and it's affordable for you to repay those loans because of the bump in income that comes from completing a degree. We know that half a degree does not get you half of the earnings bump that comes from having a degree. In fact, it gets you pretty much nothing at all. And so you can very easily rack up debt that would get you halfway through a degree and have none of the additional earnings that would make repayment of that debt affordable.

Ruth Watkins [00:20:35] Beth, what can we do about the real issue at stake here: the completion problem?

Beth Akers [00:20:39] Oh boy, gosh. Well, first I'll say I'm not good about what happens on campus, Ruth, you're the expert on that one. So how do you get students through? I mean, is it a combination of coaching or support services? To be honest, I don't know that piece. I leave that to the educators who focus on that. One proposal I do have, though, is that we make it less risky for people to try college. So this is kind of like the conservative economist's proposal for free college. Just don't call it that, OK? So right now, when we give subsidies to students, we spread them out over the course of their enrollment. So you get a Pell Grant for every semester that you are in school. And that's great, right? That keeps you enrolled and it makes the cost affordable every semester. What I would like to see is even if we don't increase spending on Pell Grants, that we bring some of that funding forward, so students get more of it in their initial semesters of enrollment, so that we make it cheaper to start college and a little bit more expensive to finish. Once somebody has gotten within a year of graduation, I'm less concerned about them not graduating than I am somebody who's just starting out. So yes, you face a higher bill less subsidy in your last semester of enrollment. But what happens is that across the four or five, six years, whatever it takes, you'd graduate, you end up getting the same amount of money. But what we do is we prevent people who would have borrowed for that first semester from probably having to do that. We'll let people dabble in college, find out if it's for them before they end up having to interact with the federal loan program at all.

Ruth Watkins [00:22:19] I like the idea on the access end; I worry a lot that your proposal would send a lot of people out the door.

Beth Akers [00:22:27] Hmm. Yeah, I've heard that one before, because that last semester is so expensive, they're not so sure they want to do it. I think it's a fair concern. I'd like to see not like not a huge, you know, universal implementation of this, but I think it's something worth experimenting with. You know, if we bring some of that funding towards the beginning of enrollment, what happens? And maybe you're totally right and I'm totally wrong, but I'd still like to see it.

Ruth Watkins [00:22:52] Well, let's just kind of dial up a little bit here. What's at stake if we don't do better at communicating data-based approaches, at really addressing what the heart of the matter is?

Beth Akers [00:23:06] Hmm. Well, you know, I tend to think of education as a pathway to workforce. And workforce is, of course, what produces the output for our country — the output that enables us to all live, you know, comfortable and happy lives with access to resources and things like health care and those things that allow us to thrive. And so I think it's important that we get education right, both so that we support the overall outputs that our country can produce, but also so that access to that output, access to opportunities, is not constrained only to those who are born into fortunate circumstances. So we rely on our system of higher education as the primary mechanism for social mobility in our economy. We don't have free health care. We don't have free this and that. And so we say, "But you got this, right? Pull yourself up by your bootstraps. Just go to college and you'll be just fine." Well, if college doesn't work, then that calls into question, I think, our whole system of economy, which says you can rely on yourself to get the things that you need. So I think that it's critical we get this right because everything else in our system of economy is based on this assumption that you can make a life for yourself, by educating yourself, by taking another pathway through training to get into the workforce. And if that access is not there, then I think we need to reconsider everything else.

Ruth Watkins [00:24:38] Thanks so much, Beth. That's powerful.

Beth Akers [00:24:41] Thank you, Ruth.

Ruth Watkins [00:24:49] That was my conversation with Beth Akers. Thank you for joining me on "Lessons Earned."

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