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EDUCATION

Are U.S. Colleges' Glory Days Over?

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The golden age of college in the U.S. may be drawing to a close.

The latest enrollment numbers are the clearest evidence. After climbing for many decades, college enrollment [has now fallen](#) for three consecutive years. One of the longest-running and most important trends in American history has reversed itself.

Declines in two-year school enrollments specifically and among older students generally are driving the turnabout. That's exactly what we might expect, since those are probably the students who are on the margin -- that is, whose benefit from college is low relative to the cost of tuition and not working for a few years.

But just as subprime defaults presaged a wider wave of distressed mortgages in the housing bust, the fall in enrollment among marginal students might forecast a slow draining of demand for college among the general populace. Another canary in the coal mine is law school, where enrollment [has declined](#) by around 30 percent over the last four years.

One reason for the drop is simple economics. College costs have [risen dramatically](#), with much of the price tag going to pay for the salaries of [administrators](#). At state schools the rise in net costs -- tuition minus financial aid -- has been especially steep. But the actual out-of-pocket cost to students has been much higher than the rise in tuition. Parents are [less willing](#) to pay for college than in years past, meaning students have to shoulder the increased burden of tuition by taking out student loans. Unsurprisingly, student debt has [exploded](#).

Now, college students are far from the rational calculating machines described in standard economic models. That is probably one reason why student debt default rates [are higher](#) than in years past (though the long recession undoubtedly contributed as well). Eventually, even hormone-addled 17-year-olds are going to realize that everything comes with a price.

The fall in enrollment, however, may be about more than just the cost side of the ledger. More people are questioning the benefits of college. Surely you have seen the spate of articles and studies [claiming](#) that "college is still worth it." The authors cite [higher wages](#) and lower unemployment rates for college graduates. But essentially all of these articles and studies commit the most common statistical fantasy known to humankind -- mistaking correlation for causation.

Suppose we did a study that found that kids who read a lot of science fiction novels, on average, go on to earn \$10,000 more a year than other kids. Should we conclude that if we make every kid read a bunch of science fiction books, average earnings will go up by \$10,000 across the nation? Should you spend \$9,000 buying your kids science fiction books?

Of course not. Sure, reading science fiction is probably good for you. But a big chunk of the correlation comes from the fact that kids who read science fiction on their own are more likely to be nerdy, smart kids who will go on to have high-paying jobs in finance, tech, law or medicine.

College is similar. The kids who are both willing and able to finish college will tend to be both smarter and harder-working than average. Those traits will cause them to make more money in life whether they go to college or not. That means that our estimates of the college wage premium -- or the college employment premium -- are overestimates.

I'm reminded of the time that one of my physics professors, after receiving a teaching award, whispered to me: "Sometimes, I think all I do is screen." Education, he meant, was simply a process of separating the smart kids from the rest.

That professor was undoubtedly exaggerating (especially when it came to his own superb pedagogical skill). Attending a university almost certainly **increases** students' knowledge and critical thinking ability, or what economists call "human capital." It increases your human networks, which will be valuable later in life. And it introduces you to **new perspectives** and diversity, making you a more mature individual.

College is probably good for almost everyone. But just because it's good for you doesn't mean it's worth the increasingly steep price tag.

One sign that it *isn't* worth the price tag is the **failure** of for-profit universities. Though these universities have made money up to now, they haven't done a good job of educating their students. So people are starting to realize that these schools aren't worth the cost.

That doesn't mean that all for-profit schools are scams. It may simply indicate that most of the students who can reap big benefits from college are already enrolled at public and nonprofit universities.

It is increasingly looking like the college craze has overshot. Young people have cheaper ways to build their human capital, such as through Massive Open Online Courses (**MOOCs**) and online skill certifications called "**nanodegrees**." Meanwhile, some consulting firms in the U.K., such as **Deloitte** and **Ernst & Young**, say they will no longer consider the alma mater of their job applicants -- a trend that may be echoed in the U.S.

College is not a dying institution, but its glory days may be over.

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