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## College Isn't Worth a Million Dollars

Go ahead — just try to find an instance in the last few years in which someone trying to make the case that going to college matters *hasn't* trotted out the statistic that the average college graduate earns a \$1 million more over the course of a lifetime than a high school graduate does. You can find it in the rhetoric of presidential candidates bemoaning the unequal college going rates of Americans of different races and economic classes (per [this speech by Hillary Clinton](#)), foundations [explaining their support for higher education](#), companies [pitching investment](#) and, not least, [colleges and universities seeking to justify tuition increases](#).

It is the last in that list that particularly rankles Charles Miller. You remember Miller — he headed Education Secretary Margaret Spellings's [Commission on the Future of Higher Education](#), and while he has been far less visible in the year and a half since the commission issued its report in September 2006, he is no less concerned about the state of higher education now than he was during the commission's deliberations. (He has also remained in close and regular contact with Spellings and with Sara Martinez Tucker, the under secretary of education who was a member of the Spellings panel.)

Miller is particularly troubled by the financial situation in higher education, especially a financial aid system that he considers to be a byzantine mess that, especially as tuitions continue to soar, is ultimately failing to fulfill its primary purpose: expanding access to a college education to those who need it most. And not only do college officials show no serious signs of trying to fix the system's flaws, he says, but Congress and others keep passing laws that just pour more money into it and even add to the complexity. Part of the reason they do that, Miller argues, is because they believe college is such a valuable asset for individuals and for society. And they think that, in part, because of the widely embraced assertion that college is worth a million dollars in the bank. If a degree has that much value, how can we as a society *not* do everything possible to make sure everyone has a shot at the golden ring?

But what if the college premium doesn't exist, or is greatly exaggerated? If a college degree isn't worth as much as the conventional wisdom assumes, is it possible that the money the country keeps pouring into the current financial aid system isn't wise? That taxpayer acceptance of the ever-rising price of higher education, patience that already wearing thin, would evaporate? And that that combination of factors would finally force college leaders and policy makers and others to get serious about confronting the problems?

That is the roughly scenario that Miller laid out last week in [a scathing letter](#) to Gaston Caperton, president of the College Board, in which he accuses the board, through its choice of financial assumptions and presentation of data, of misleading the public in [its "Education Pays" report](#), which aims to lay out the benefits to individuals and to society of a strong higher education system and of equitable access to it for Americans from all backgrounds. A different analysis, "using assumptions more in line with current realities, might reach the shocking conclusions that American higher education today has gotten too expensive for what it produces; that it has become too costly for the typical student ... that education (a college degree) does not pay!" Miller wrote.

"Mr. Caperton, you have been quoted as saying, 'The single-most un-American aspect of our great society is the lack of truly equal educational opportunity.' The mission of the College Board is 'to connect students to college success and opportunity.' It would seem much more responsible for your most important organization to give a clear and accurate picture of the dangerous financial deterioration of our higher education system and of the real

cost and opportunity equation for the typical student, rather than offering data in the role of cheerleader for a system which is not providing '*truly equal educational opportunity*.'

College Board officials concede some of Miller's points. They acknowledge, first, that the widely used million dollar figure *is* wrong, exaggerating the personal benefit to the average degree holder, and that there could well come a point, if tuitions continue to skyrocket, when the payoff of a higher education would fail to be worth it.

But in addition to shooting the wrong messenger — the College Board's own report notes that the million dollar figure is flawed, its officials say — Miller himself uses economic assumptions that go way too far in minimizing the personal benefit of a degree.

"It is obvious that the more you have to pay for the education, the higher you need the return to be for it to be worth it," said Sandy Baum, a Skidmore College economist and College Board senior policy analyst who is the primary author of "Education Pays." "What he's saying is that if the price of education continues to rise as rapidly as it has, and the gap in earnings stays the same as it is now, at some point the investment wouldn't be worth it. But that's a trivial point — we're a long way off from that. Every economist has continued to find evidence of a very high return on average to higher education, and we agree with that evidence."

### Miller's Argument

[In his letter](#) and in an interview Friday, Miller, an investment executive and former chairman of the University of Texas System Board of Regents, takes Caperton and the College Board to task for buying excessively into the hypothesis that, as the title of its report says, "[Education Pays](#)." The board, Miller said, as a central fount of information about the economics of higher education, "has become the authoritative source for the myth that education pays."

Baum notes, and Miller concedes, that the College Board report itself does not embrace the \$1 million college premium that had its genesis in [data released by the U.S. Census Bureau](#). "Education Pays" references the figure only in a footnote, saying that "college graduates who also earn higher degrees" can earn such a hefty earnings boost. Still, Miller argued in an interview, the information "buried in footnotes and in differentials in tables is a different story from the central theme of the report," which is that the individual financial benefit to earning a college degree is significant.

Miller's letter proceeds to point out all the ways in which the usual ways of assessing the value of a college degree are flawed: the calculations typically report the lifetime earnings in the "present value" of the dollar totals, rather than adjusting for inflation over time; include those with advanced degrees rather than those who have only a baccalaureate diploma; and assume that students finish college in four years in calculating a student's costs of and benefits from going to college, when relatively few on average do.

Substituting some of his own assumptions for those used by the board — including six years of tuition costs (and hence two fewer years of work), private college tuition instead of in-state public tuition, etc. — Miller calculates his own college premium. "[P]roperly using the *present value* of the lifetime earnings, adjusted for the cost of going to college and the difference in the number of working years, and excluding those graduates with advanced degrees, calculated at the three percent discount rate used in the report," he wrote, "produces a *lifetime earnings differential of only \$279,893* for a bachelor's degree versus a high school degree!"

He writes: "With clearly questionable assumptions in the analysis traditionally used to prove that 'education pays,' with the reality of continually increasing costs of college above average inflation, with weak income growth in general, and with the reality of a very narrow economic benefit to the individual with a college education, it is reasonable to conclude that a college degree is not as valuable as has been claimed."

Miller goes on to argue that not only is the individual benefit of a college degree exaggerated, but the societal benefits of higher education are not realized nearly as much as advertised because of the wide inequity in who actually goes to college. "It's not a benefit to the community if you're leaving out the most needy, the least

advantaged," Miller said in an interview. "So you don't get the same personal benefit that you once did, and from a societal standpoint, higher education isn't morally and ethically strong because they're shutting out people who need a chance. I don't see how we can keep saying, 'We get this wonderful advantage, and we should just keep feeding it more money no matter how inefficient it is.' "The arguments that have been used to justify funding are flawed."

### **The College Board Rebuttal**

Miller's broadside perplexed Baum, the College Board economist. The board, she said, was careful in its presentation of data to avoid using the million-dollar figure that Miller derides, because "it is lower and Miller is right that the million dollar figure is misleading. But we are not responsible for either creating or perpetuating that misunderstanding." (She was too polite to note that among the officials who regularly describe the million-dollar premium for a college degree is Miller's close associate, Secretary Spellings, as evidenced in [this Congressional testimony](#) and [this speech at San Jose State University](#)).

Even if the million-dollar figure is flawed, Baum said, there is "no reliable analysis arguing" that there is anything but a "very high" individual return from a higher education. According to the board's analysis, a public college graduate breaks even at the age of 33, and a private college graduate at 40. "As the price goes up, the age of the break-even point would be older and older," she added. "If it turned out to be 80, that would be a very different story. But we're a long, long way from that."

The irony is that Baum and Miller probably agree on a lot more than they disagree about. Baum is, with Michael McPherson of the Spencer Foundation, heading [a College Board panel that is reconsidering the structure](#) of the financial aid system. One of its fundamental premises, which is consistent with Miller's, is that the current setup perpetuates rather than breaks down class differences in American society, a point made strongly, she notes, in "Education Pays."

"I think Miller's right that financial barriers are a significant factor there, and that the higher ed establishment should be more concerned about that," said Baum.

"He's right that we should be worried about prices, worried about quality, about access and success, and about financial aid. We really need to do some good thought and have some good reform. But the reason it's so important to do those things is because higher ed is so important to individuals and society. If it weren't, it wouldn't really matter whether we had equitable access.

"That's where Miller's wrong: Twisting the argument to make it seem like college just doesn't pay isn't the most constructive way to go."

— [Doug Lederman](#)

*The original story and user comments can be viewed online at <http://insidehighered.com/news/2008/04/07/miller>.*

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