

The Myth of the Student-Loan Crisis

By Nicole Allan and Derek Thompson

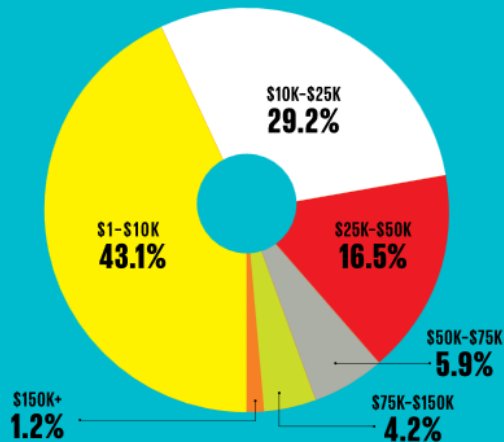
This month, college-admission letters are being accompanied by national anxiety over the growing "student-debt crisis." The cost of college has spiked 150 percent since 1995, compared with a 50 percent increase in the cost of other goods and services. Last year, outstanding student loans soared to nearly \$1 trillion—a 300 percent jump since 2003. College is an undeniably risky investment, seemingly more so than ever. But are rising debt levels a national crisis?

1. One year at Harvard costs **\$57,950**. But most students don't go to Harvard. The average yearly tab for a first-time, full-time student living on campus, it turns out, is **\$27,453** at four-year schools and **\$15,267** at two-year schools.

2. Even most of the students who do go to Harvard don't end up paying full price. Taking grants and scholarships into account, these students owed **\$16,459** for the 2009–10 school year; nationwide, the average four-year student who received aid owed **\$17,360**.

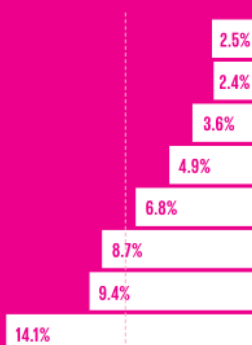
3. Horror stories of students drowning in \$100,000+ debt might discourage young people from enrolling in college, but they are as rare as they are terrifying.

INDEBTED STUDENTS, BY AMOUNT OWED



4. The economic value of college, meanwhile, is indisputable.

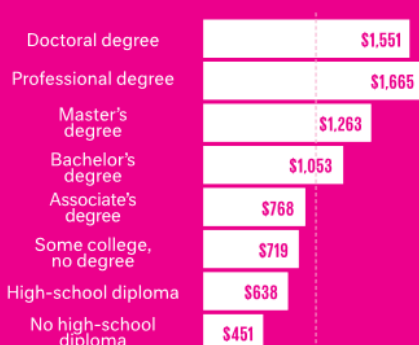
UNEMPLOYMENT RATE IN 2011



AVERAGE: 7.6%

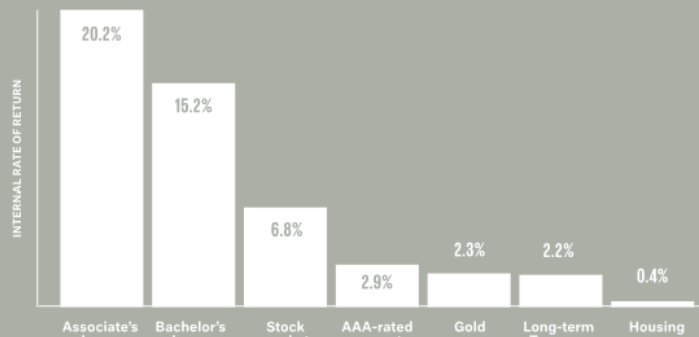
(ADULTS AGES 25+)

MEDIAN WEEKLY EARNINGS IN 2011



AVERAGE: \$797

5. As investments go, college is the best bet around.



6. College is such a good investment, in fact, that it might even justify *more* student debt. A 2012 study found that **1 in 6** full-time students at four-year schools who were eligible for government loans weren't taking advantage of them. Another found that low-income families are likely to overestimate the cost of college, and suggested that they may be scared off by the complexity of financial-aid forms. But for students from these families, not going to college can be more expensive than going to college.

7. Each of the 6.7 million Americans ages 16 to 24 who are neither employed nor in school costs the country **\$37,450** a year in lost wages, lost tax revenue, and higher public spending. Compared with this figure, the cost of college is a bargain—for students and for taxpayers.

1. Harvard University; National Center for Education Statistics. 2. National Center for Education Statistics. 3. Federal Reserve Bank of New York. 4. Bureau of Labor Statistics. 5. Brookings Institution. 6. Brian C. Cadena, University of Colorado at Boulder, and Benjamin J. Keys, University of Chicago; Eric Bettinger et al., National Bureau of Economic Research. 7. Clive R. Belfield et al., Civic Enterprises.

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