



# Rationing Opportunity:

How American Colleges and Universities  
Are Not Getting the Job Done

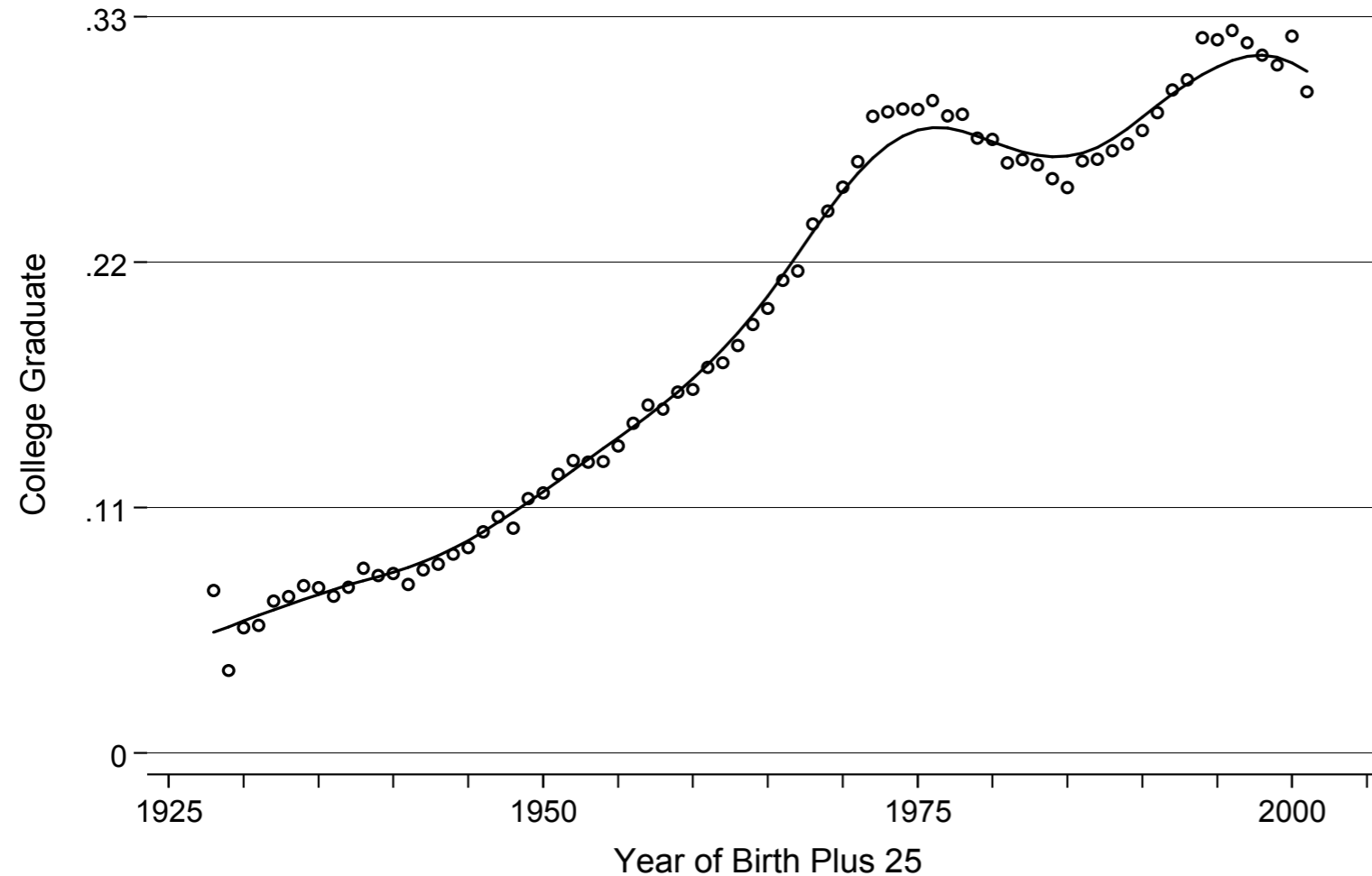
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**Arizona State University**  
**9 October 2008**

# Dramatic growth, then sudden slowdown



College graduation rates slowed dramatically after 1975

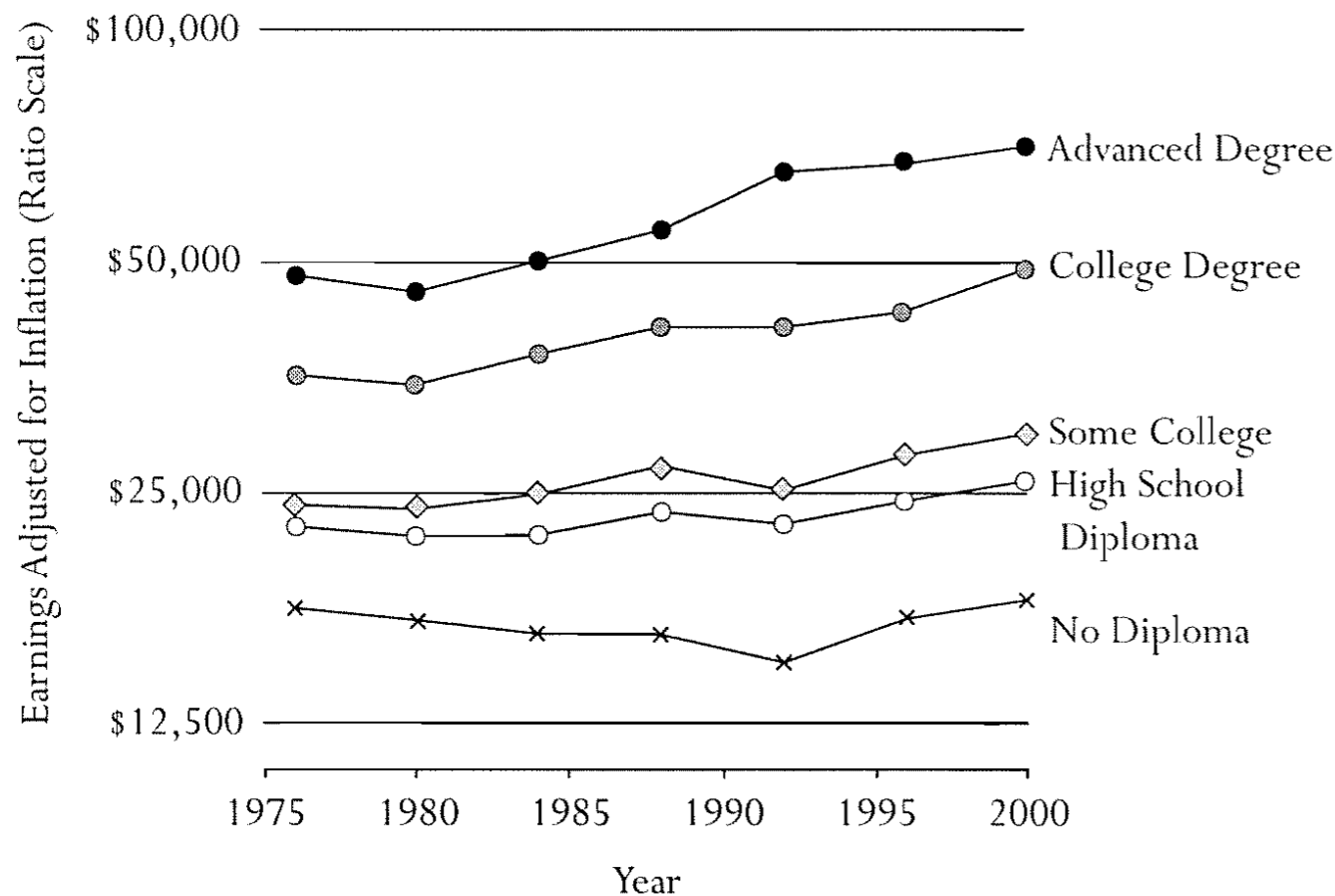
- accelerating growth 1925-75
- abrupt leveling
- growth for "baby bust" cohorts (small)
- slow again for "boom echo" cohorts (big again)

Is it the kids or is it the colleges?

# Demand way up

College-Educated Workers' Earnings Increased More Than Others'

Figure 5.9 Earnings of Full-Time, Year-Round Workers, by Year and Education



Source: CPS.

Note: Annual earnings, adjusted for inflation using the CPI-U-RS series to 2000 prices.

Source: Fischer & Hout, *Century of Difference*

Incentives up

Wages and salaries

Economic security

Marriage market

Parents' educations up

Preparation up:

Aspirations & expectations way up

AP course-taking up

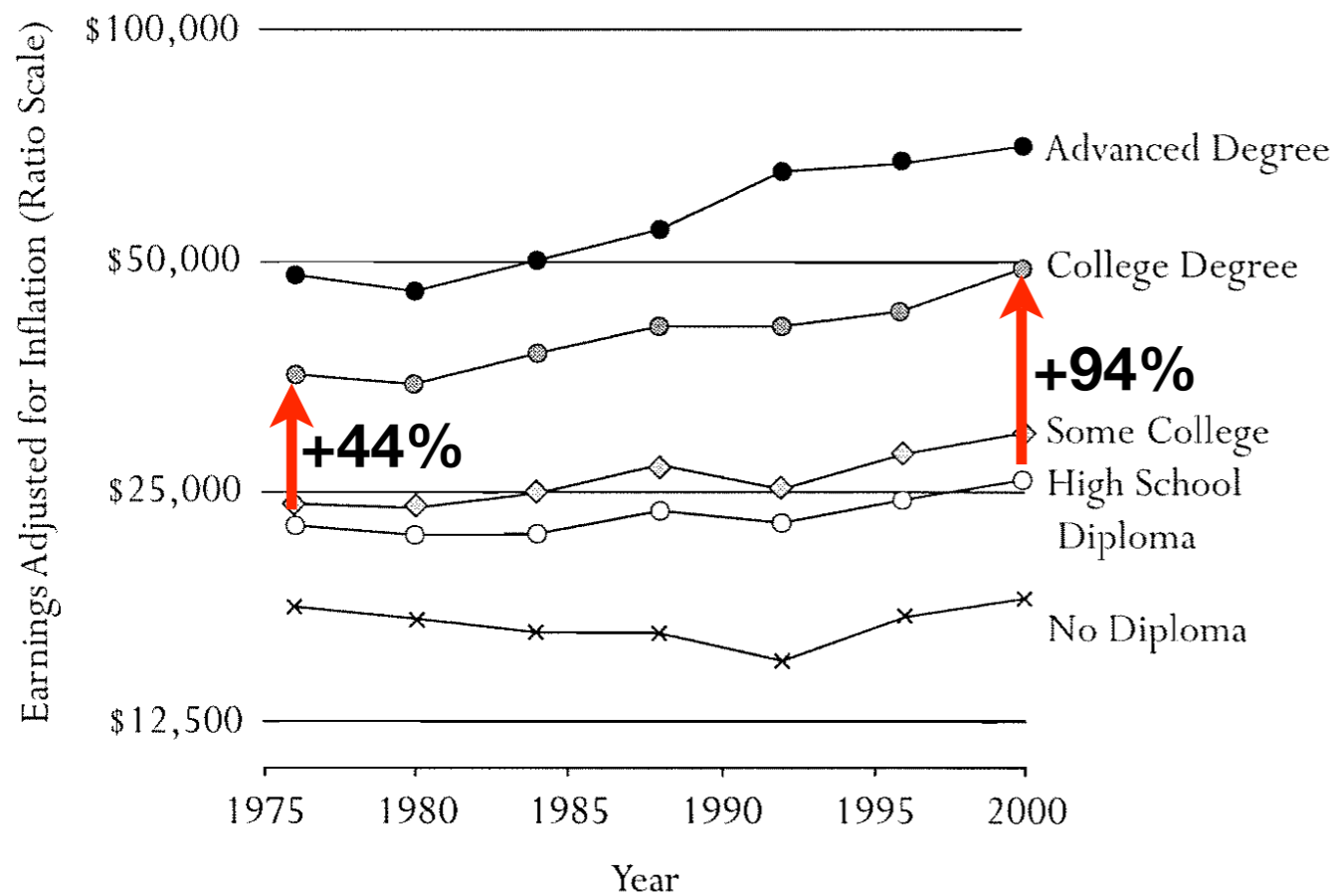
SAT/ACT taking up

**So why aren't degrees rising faster?**

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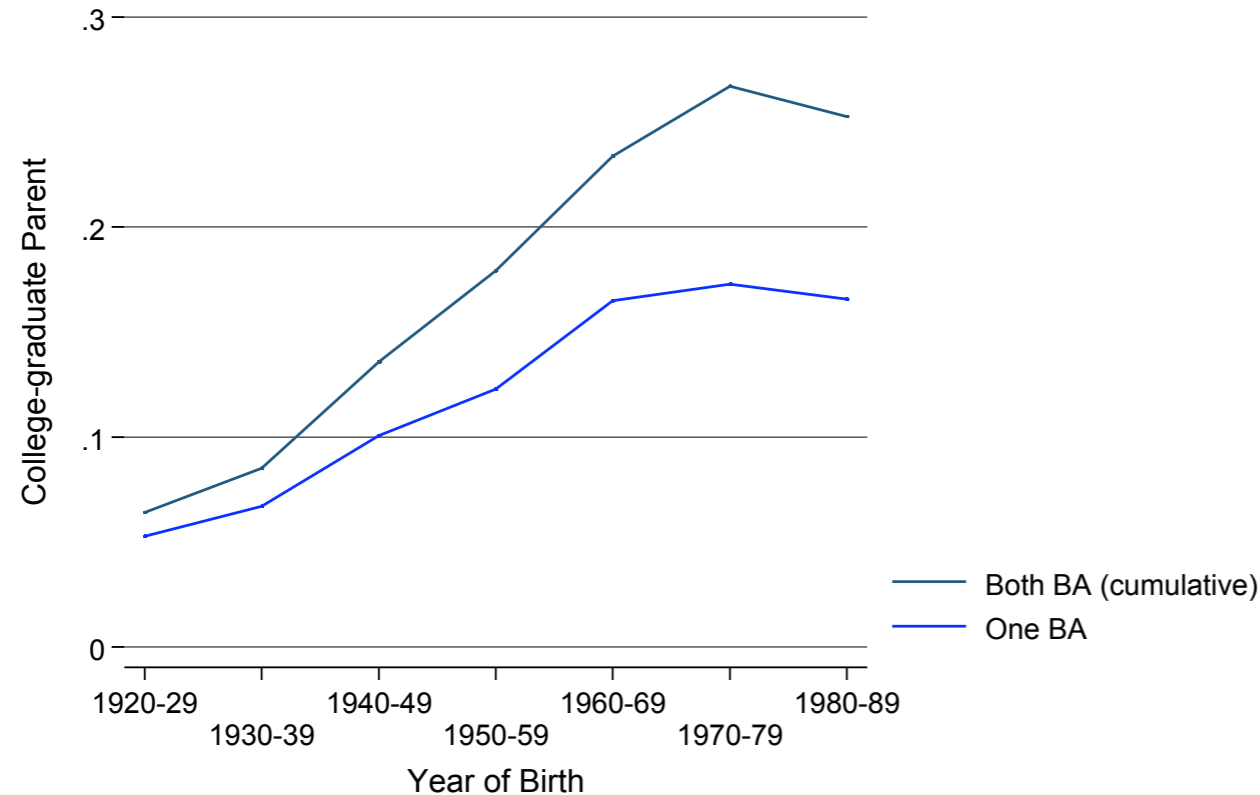
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**So why aren't degrees rising faster?**

Source: Fischer & Hout, *Century of Difference*

# Demand way up

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Source: General Social Surveys, 1973-2006

## Incentives up

Wages and salaries

Economic security

Marriage market

## Parents' educations up

## Preparation up:

Aspirations & expectations way up

AP course-taking up

SAT/ACT taking up

**So why aren't degrees rising faster?**

# Supply is not keeping up

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Admission rates down

Tuition way up

Public spending down

- Limits on quantity
- Cuts in quality

For-profit fills some gaps

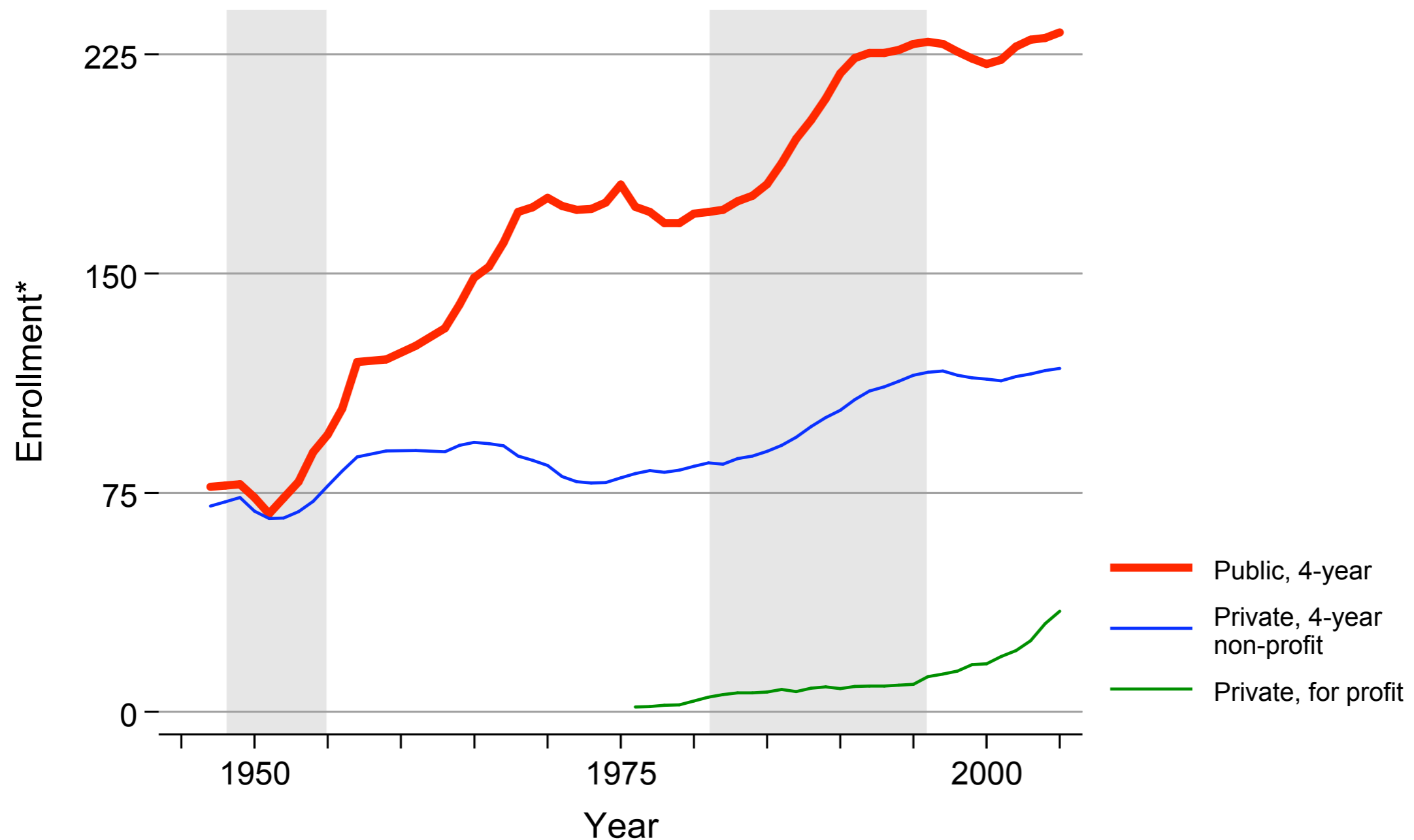
- Is it a down-graded experience?

Time-to-degree is up

- Is it unprepared students?
- or abandonment?



# Enrollment trends reflect cohort size, not college size

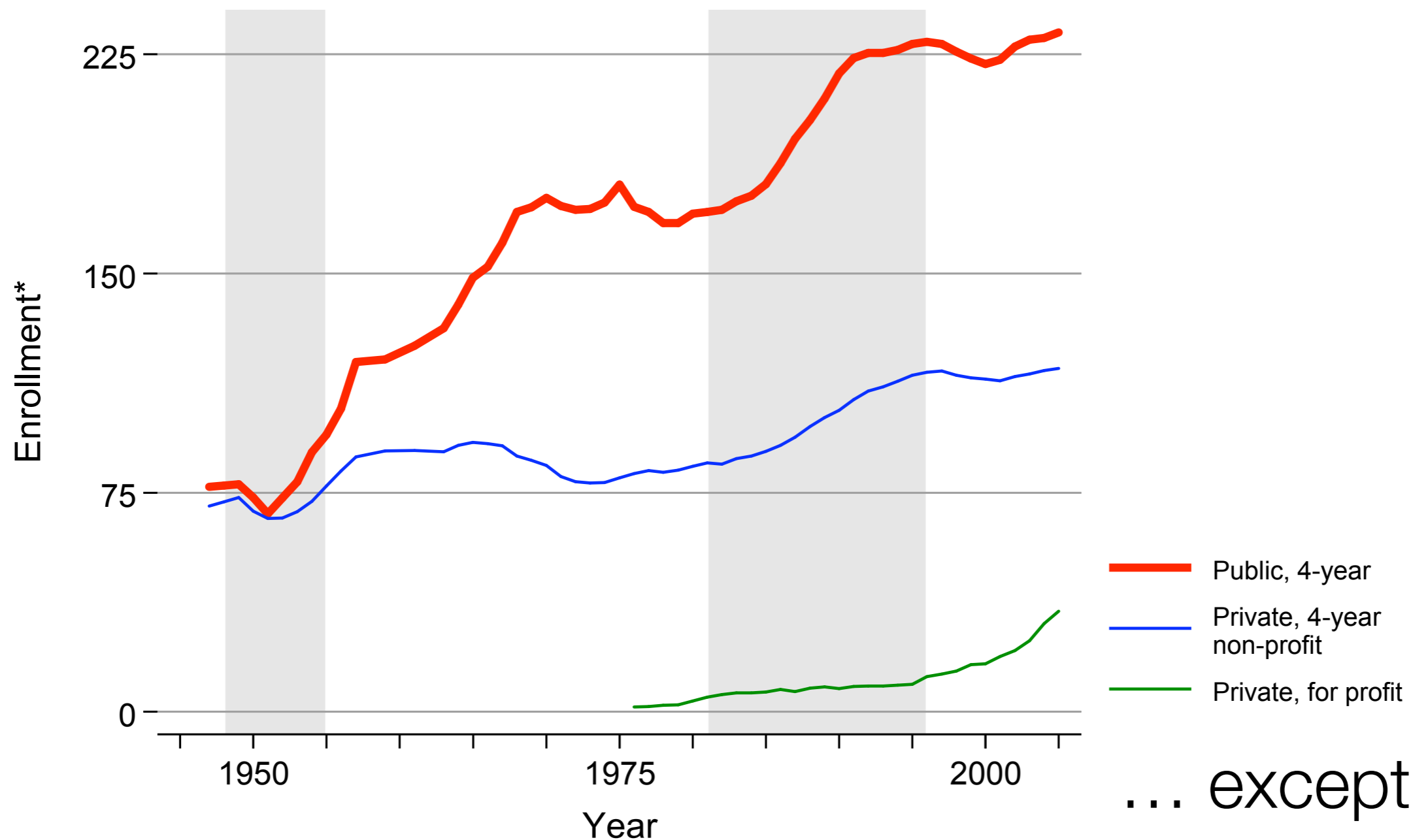


\* per 1000 18-24 year olds.

Note: Gray vertical lines indicate periods of declining numbers of 18-24 year olds.

Sources: National Center for Educational Statistics, various years; Berkeley Mortality Study.

# Enrollment trends reflect cohort size, not college size



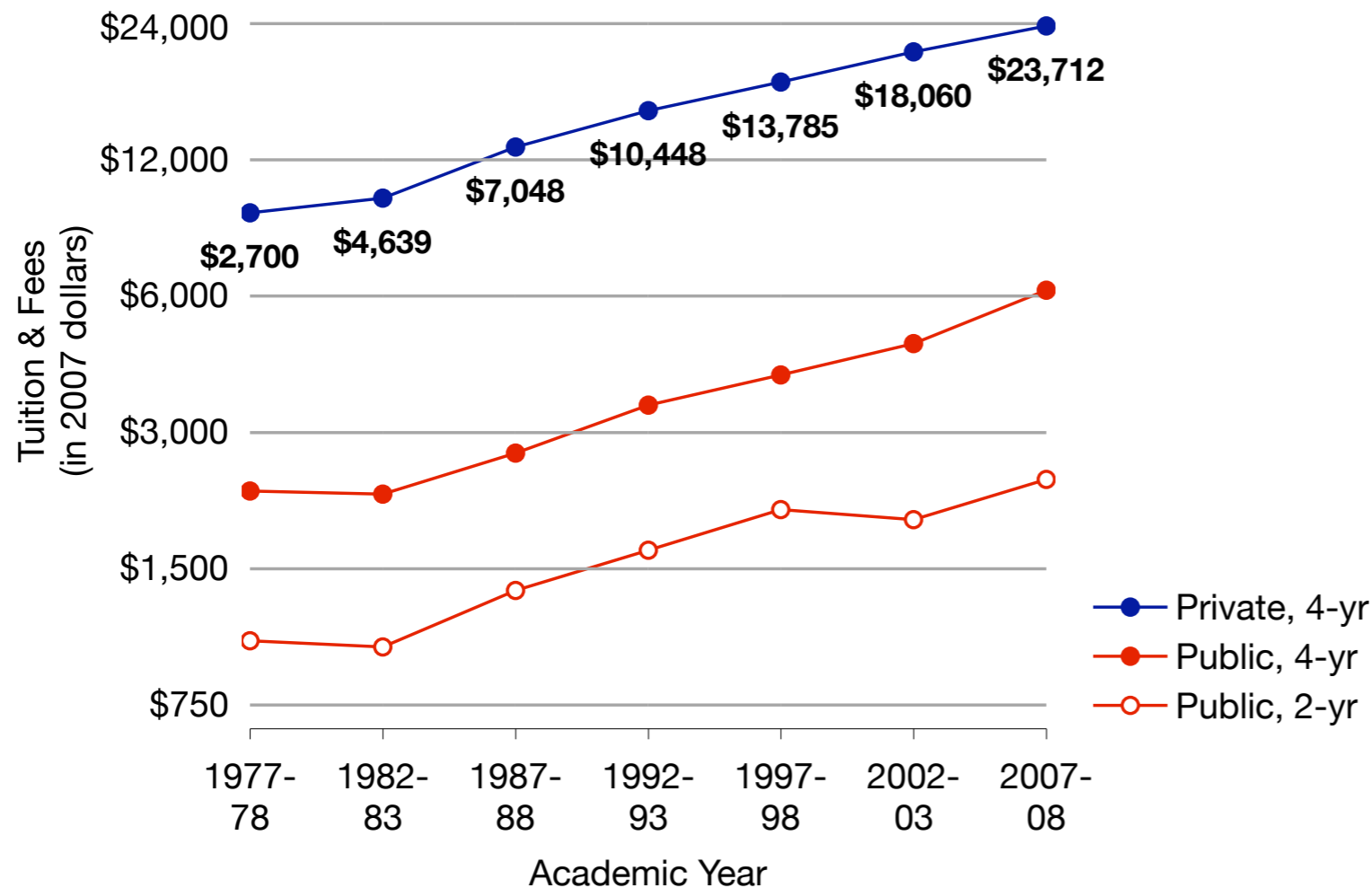
... except in for-profit sector

\* per 1000 18-24 year olds.

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Sources: National Center for Educational Statistics, various years; Berkeley Mortality Study.

# Tuition & fees have risen much faster than CPI



Note: Bold labels show the tuition and fees in current dollars.

**Public** and **private** sectors increasing tuition at about same rate since early 1980s –1.5 times faster than CPI

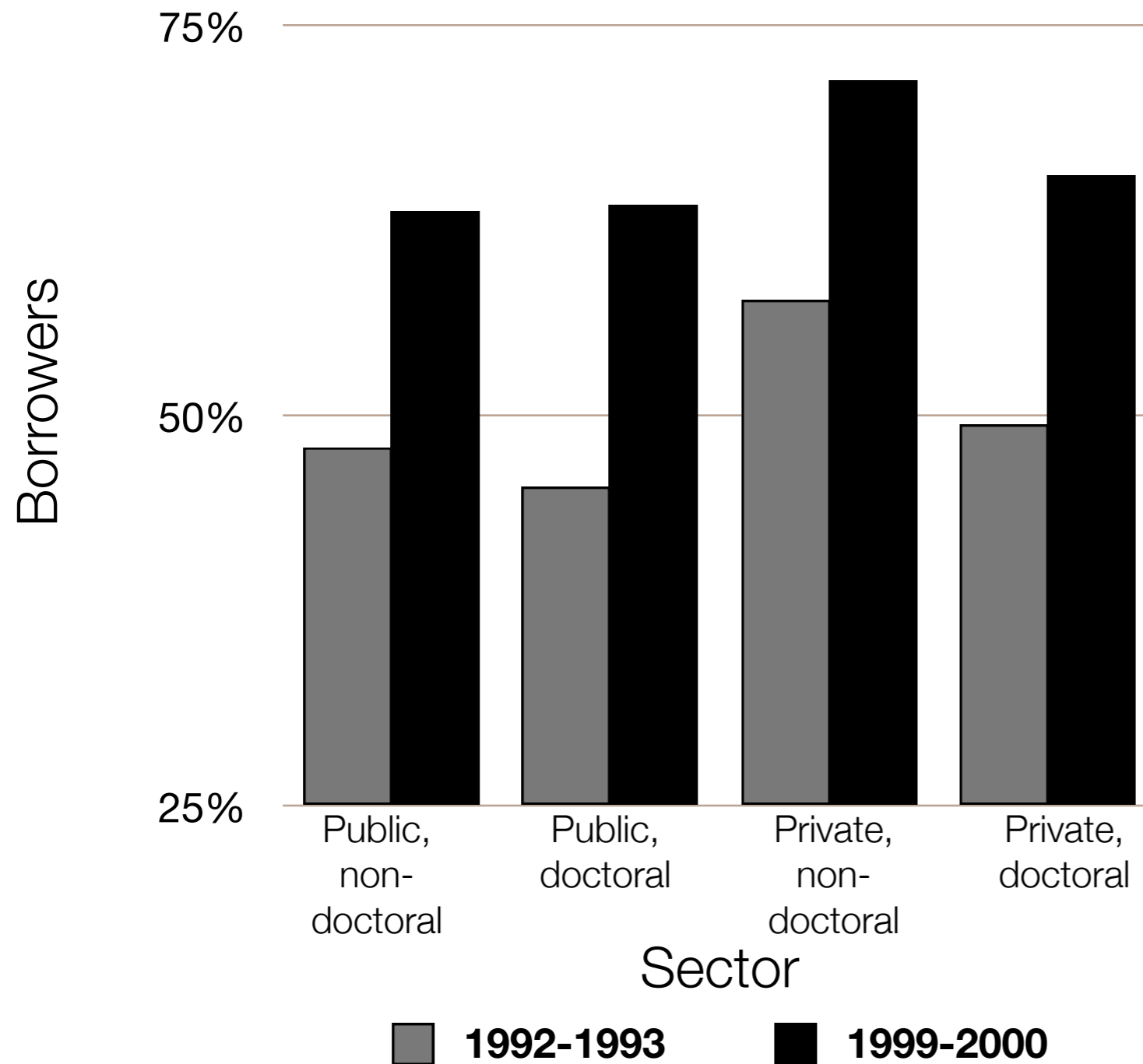
**Public** sector tuition & fees about 25% **private**

- total cost differential closer to 50% because state subsidy to room&board is small
- comparable percentages of financial aid makes net costs about 1:2 also

**Public** 4-yrs cost twice what 2-yrs cost

- 2-yr students also save by living with parents

# Borrowing increased: % borrowing



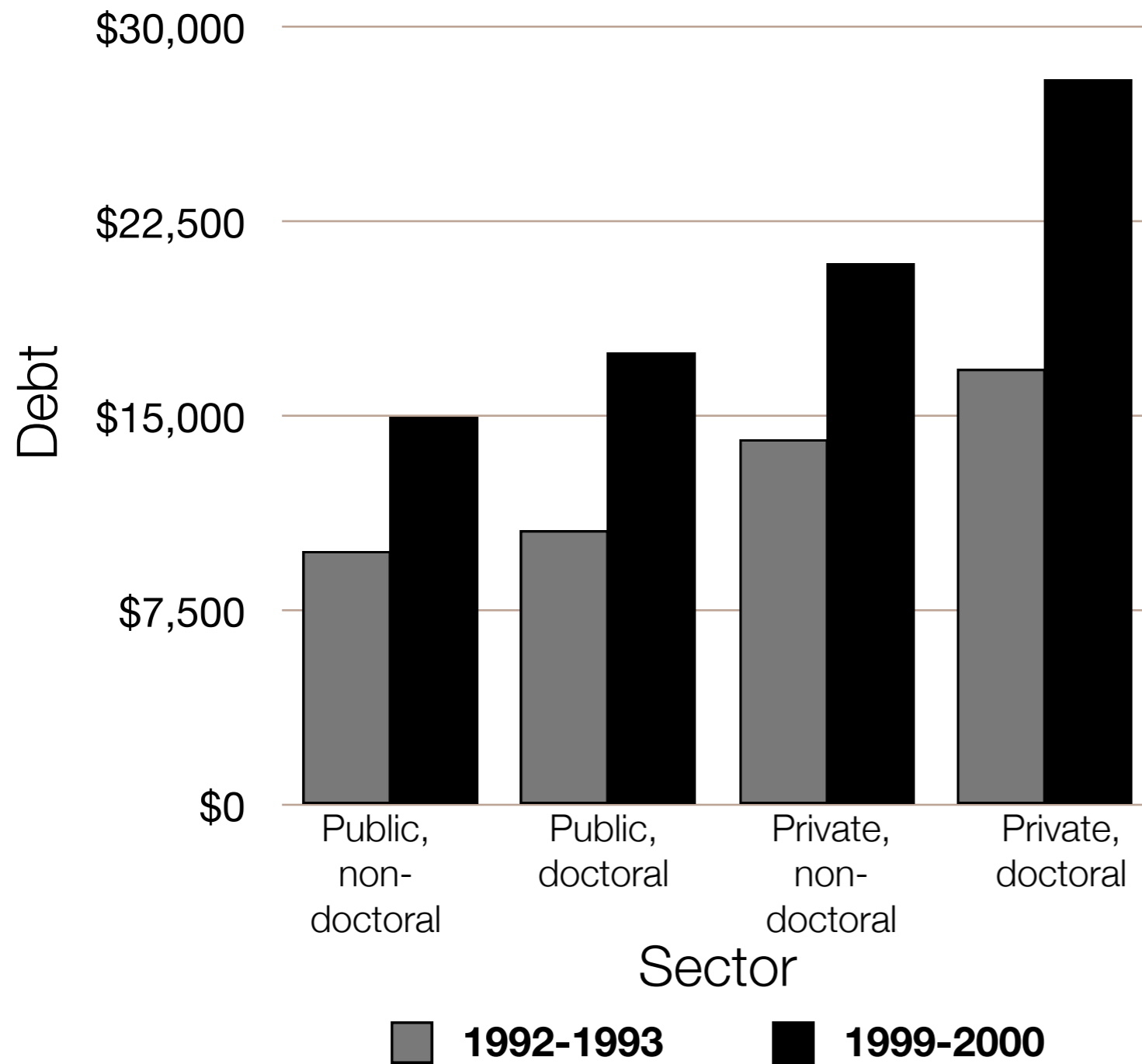
Public and private sector borrowing up between 25% and 40%

Partly due to rising tuition, fees, and costs

... remainder attributable to longer time to degree

Source: Choi, Li, & Carrol, 2005.

# ... amount borrowed



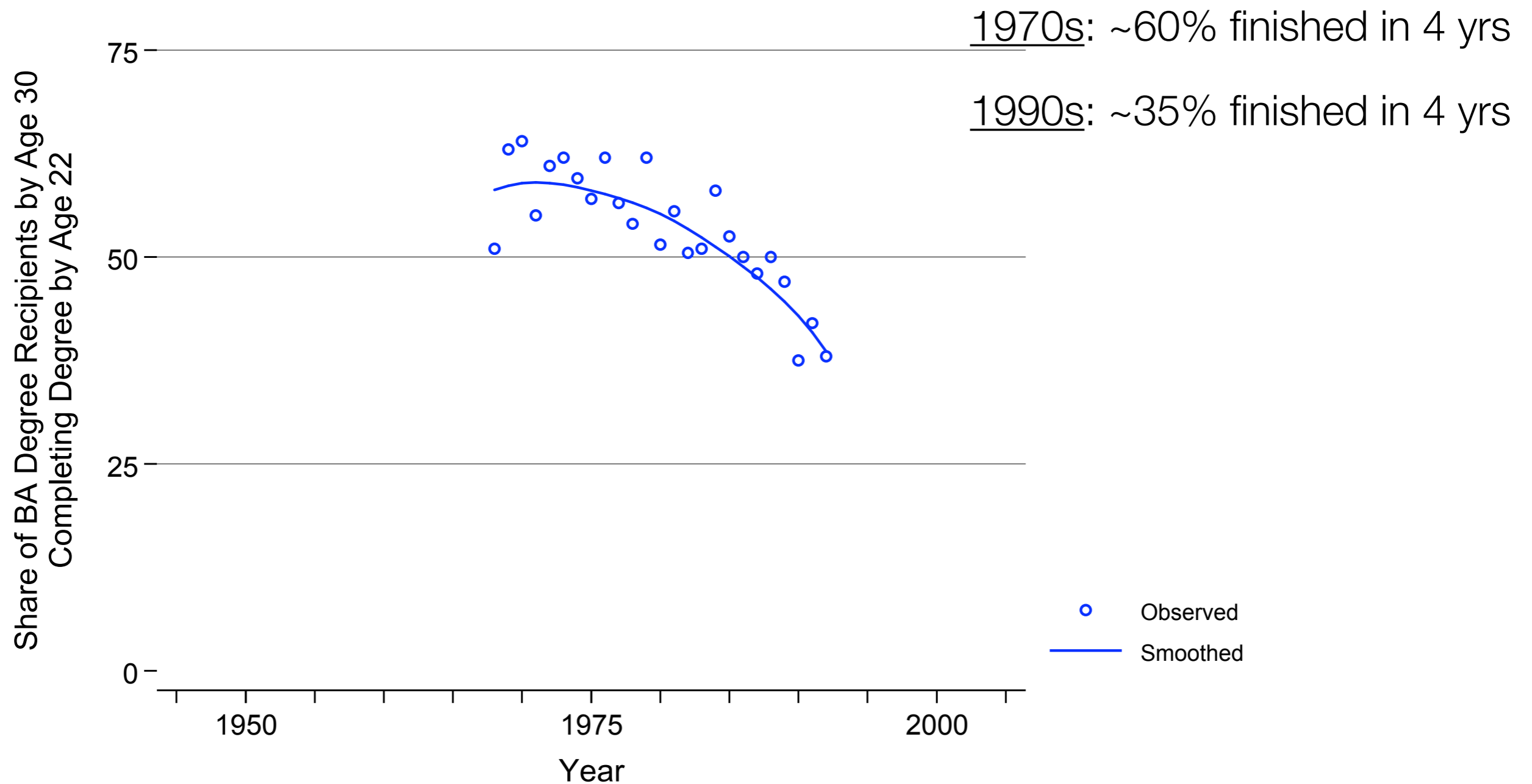
Public and private sector borrowing up about 60%  
– 50% in subdoctoral  
– 66% in doctoral

Mostly due to rising tuition, fees, and costs

... remainder attributable to longer time to degree

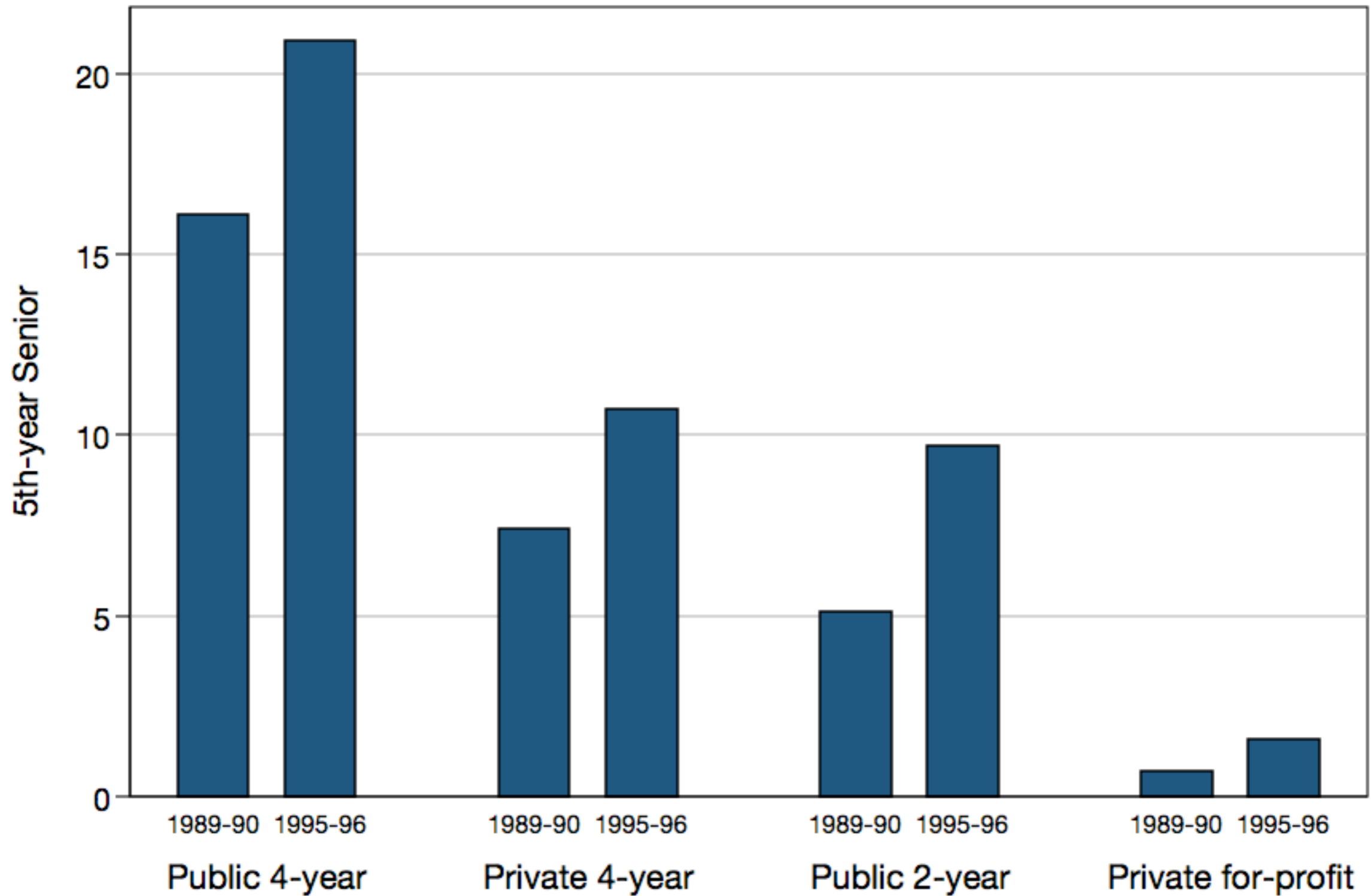
Source: Choi, Li, & Carrol, 2005.

# Ability to finish in four years is declining

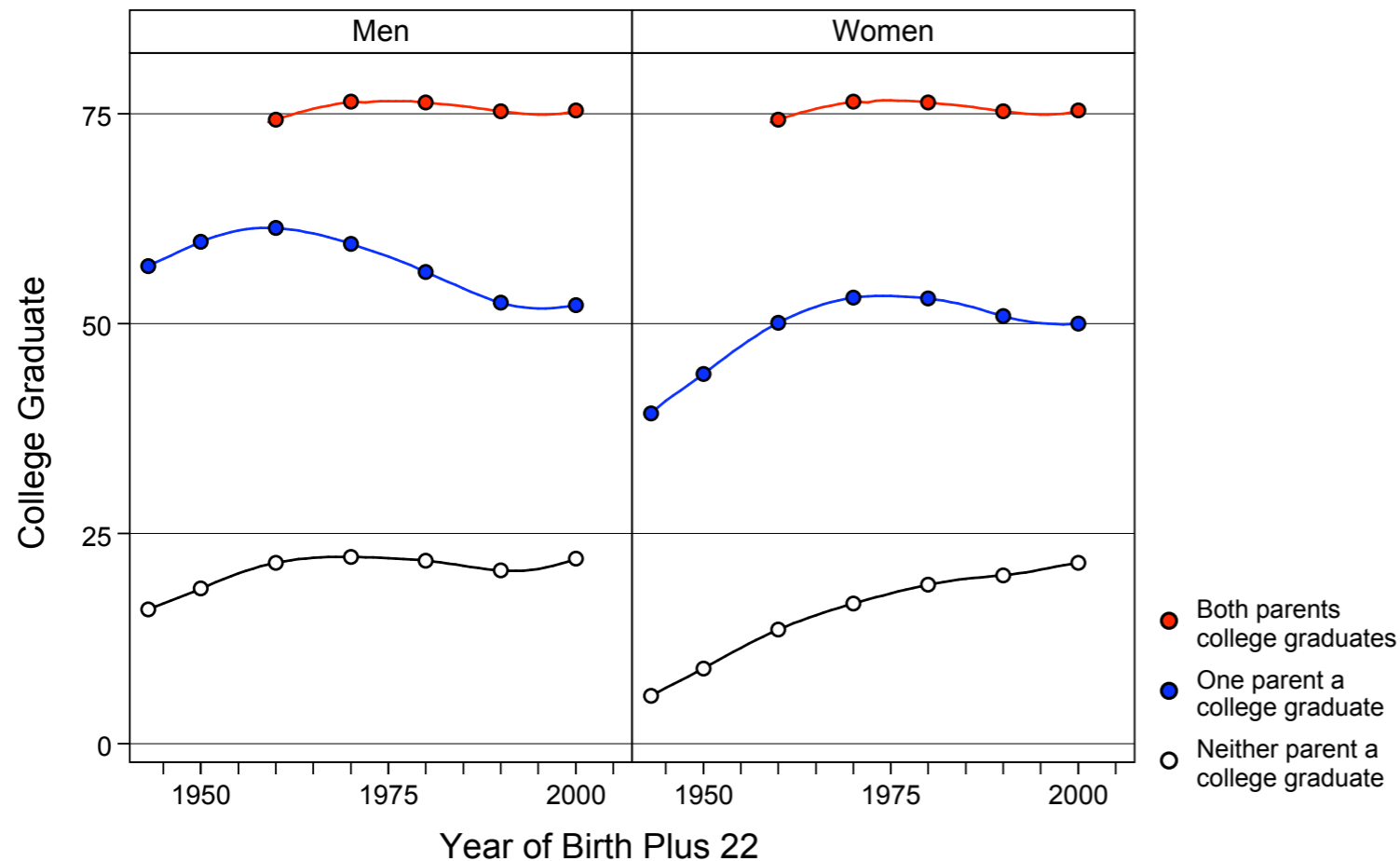


Note: Data smoothed by locally estimated regression.  
Source: Turner (2006).

# Fifth-year seniors more common



# Graduation rates falling for college grads' sons



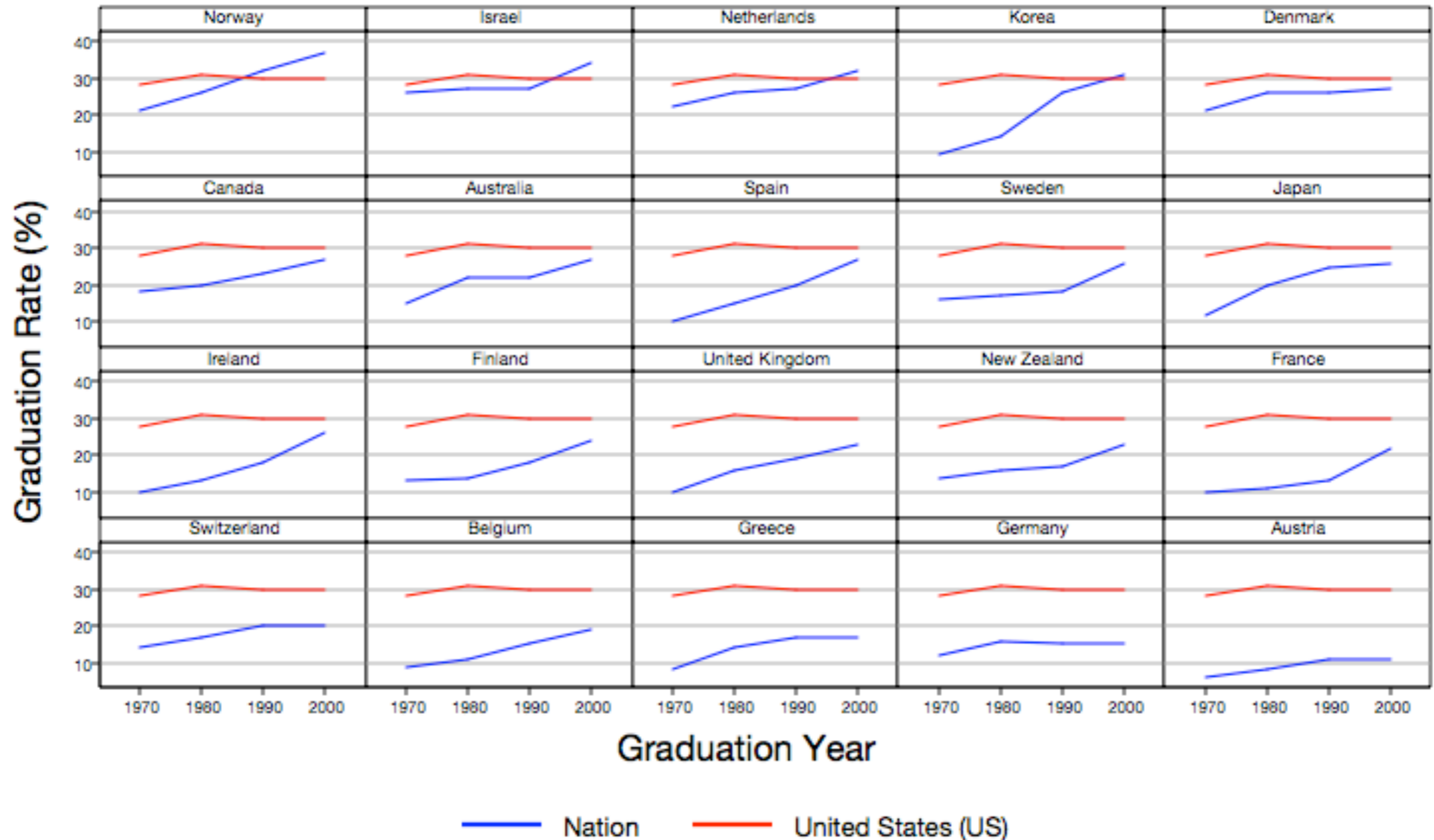
Men's probability of a BA falling since 1960 for college grads' sons  
 – 9%age points

Climb among college grads' daughters halted (and maybe reversed) in 1975

Climb among other daughters continued (but slowed) after 1975

Note: Data smoothed by locally estimated (loess) regression.  
 Source: General Social Surveys, 1972-2006, High-school graduates, 28-69 years old.

# U.S. stands still as other nations catch up



Note: Nations ranked from highest to lowest initial rates. Based on data in Goldin and Katz (2007).  
Source: OECD, 2007.

# College pays off

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States need to get back in the college business

- Return: \$3 for every dollar spent in California

Privates could use some of their growing endowments to expand



... especially for marginal students

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CUNY open admissions worked

- Attewell & Lavin, *Passing the Torch*

Affirmative Action worked

- Bowen & Bok, *Shape of the River*

Students of '68 succeeded (France)

- Maurin & McNally (2008)

Last students admitted gain more from college than the ones every school competes for

- Brand & Xie, *ASR*

