Advice and Caution on Investing in a College Education

An economist and a financial journalist offer their strategies

Making College Pay: An Economist Explains How to Make a Smart Bet on Higher Education
by Beth Akers

Crown, 2021, $25; 176 pages.

The Price You Pay for College: An Entirely New Road Map for the Biggest Financial Decision Your Family Will Ever Make
by Ron Lieber

HarperCollins, 2021, $27.99; 368 pages.

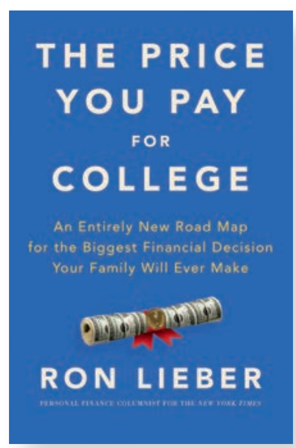
As reviewed by Christopher Avery

IN A TYPICAL YEAR, more than 2 million recent U.S. high-school graduates begin college in the fall. Students and families, in taking the huge financial leap into the college market, face both uncertainty and risk. Since the vast majority of students receive at least some merit- or need-based aid, it isn't possible to identify the actual price for a given four-year college without gaining admission to that institution and completing an arduous financial-aid process. Further, while decades of evidence demonstrate that, in general, a college degree increases an individual's earning power, the choice to go to college still involves financial risk. That's because many people enroll but do not complete a degree and because one's future wages are highly uncertain in any case.

Two new books, *Making College Pay* by Beth Akers and *The Price You Pay for College* by Ron Lieber, aim to orient families to a view of college as a financial investment and to help them make better decisions as a result. Both authors have been studying this subject for years, and their expertise shines through in the information and insights they present.

The strength of *Making College Pay* is its concise focus. The text is short, and Akers explicitly notes in her conclusion that she has not taken on the questions of "where to go, what to study, how much to pay." Instead, she provides a framework based on specific principles: know what you want from college, consider cost-benefit tradeoffs, and account for risk. She also identifies several best practices in paying for college. Akers counsels that borrowing for college can be prudent, especially at the below-market rates offered by government loans, and that students should be realistic about the likely future earnings corresponding to each college and choice of major. The author does readers a great service by clearly highlighting and explaining these fundamental points.

The last third of *Making College Pay* shifts abruptly away from this straightforward approach to argue that further investing precepts should apply to higher education. One chapter directs families to consider novel loan arrangements to manage the risk of borrowing for college—not only income-based repayment, which is now available to all borrowers taking federal loans, but also insurance policies that would offer payouts for students who do not complete a college degree in a certain amount of time. She also describes income-based repayment plans offered by colleges. The following chapter argues for unbundling college services in the way one might choose to pay à la carte for individual television channels rather than purchasing a standard cable service package, so that students could, for example, choose to live on campus, paying full price for housing, yet take courses remotely, at a reduced price.



These suggestions are largely fantastical. Private insurance policies related to degree completion are rarely, if ever, available, and few colleges offer the conditional loan-repayment programs that Akers espouses. Similarly, while Akers is enamored of à la carte or "pay-as-you-go" college pricing, she is only able to reference a single entrepreneurial effort (which failed) in this direction.

The Price You Pay for College is decidedly more ambitious in scope. As a longtime personal-finance columnist, Lieber is perplexed by the failure of high-priced colleges to clearly communicate their value proposition. "In all of my attempts at information gathering on campuses or on college websites," he writes, "not once did I find a pamphlet that read 'This is why this place is worth $50,000 extra each year.' Trust me, I looked far and wide. Most colleges and universities, no matter the type, don't seem to want to address this in a qualitative way, let alone a quantitative one." The book addresses this concern, in part, by attempting a comprehensive introduction to the college experience. Each of the 35 entertaining chapters introduces a fundamental topic, complete with references to and sophisticated interpretation of cutting-edge academic research. I found the chapters on the importance of faculty mentorship and independent study projects and the discussion of the growing need for on-campus mental-health services especially useful. Readers who aren't drawn to these topics will undoubtedly find value in other chapters.


GILLIAN HUNTER PHOTOGRAPHY

Akers

One organizing principle of *The Price You Pay for College* is that it empowers parents to gather information by asking incisive questions. "The thing that families need in this process and that all too many lack is a reportorial mindset and a consumerist approach," Lieber writes. "Where is the information that I need that may not be easy to find?" Many chapters provide detailed lists of questions to ask colleges that one's child is considering. Some of the questions are unusually specific (for example, queries about the details of the tenure process or the percentage of alumni couples among graduates), and some are quite confrontational. Lieber writes: "It's worth asking any school that demands random assignment [of freshman roommates] why it puts some students into that spot. Cite the studies and ask them to defend their oppositional approach. It's also worth asking schools that allow roommate requests just how little diversity exists within those pairings and how it defends that result."

Lieber seems to believe wholeheartedly that gathering this information will bring peace of mind. "Hope comes from knowing what to ask," he writes, but I doubt that his approach is a panacea. Taking the book's prescriptions seriously would leave me as a parent feeling irresponsible for not having the energy and wherewithal to ask all these questions, as well as stressed and bewildered by the prospect of having to make sense of the responses.

On two fronts, Lieber's book falls short of its stated goal of providing an "entirely new road map" for choosing and paying for college. First, it neglects to situate saving for college in the broader context of saving for retirement. In his *New York Times* guide "How to Win at Retirement Savings," Lieber argues forcefully for the power of compound interest and the importance of saving from an early age, but he makes little attempt to cover that ground in this book. Similarly, his 2015 article "Why It Makes Good Sense to Save for College Now" provides the crystalline insight that "not saving also puts your family at risk of picking the college that is the best financial choice and not the one that has the best shot at helping your child thrive," yet his presentation of "The Big Financial Plan" in *The Price You Pay for College* is much less decisive.

A second and more essential problem with this book is that it overemphasizes the perspective of parents. College embodies an important transition in adolescent development. Parents take responsibility for educational choices for their small children, but when those children become adults, they are expected to make their own decisions, such as where to live and which jobs to pursue. Lieber's anecdotes are most compelling when they describe collaboration between children and parents, balancing students' college preferences against the limited finances of the family. But by explicitly orienting the book to parents and framing the central question as "how can you be sure that you're picking the right school and spending the right amount?" Lieber presumes that the power of the checkbook is paramount and misses the opportunity to offer a vision in which high-school students and their parents work together to navigate the college landscape.


EVE SUNDBYE

Lieber

I suggest an alternate approach centered in the interests and goals of applicants rather than the financial concerns of parents. Lieber laments the lack of an "algorithm to measure value," but his quest for a "clear formula for what to pay" is misguided. Because each person has unique characteristics, the value of attending a particular college necessarily differs from one student to the next. This realization suggests that prospective students rather than their parents should take the lead in researching colleges, comparing their strengths and weaknesses based on the students' own interests and character traits. Lieber wisely advises that students sit in on classes as part of a college visit and stay overnight if possible. Students could build on these suggestions at home, first by cooperating with parents to make a list of colleges that are both appealing and within financial reach. They could then use the colleges' websites to craft scenarios for course sequences and find clubs and activities of interest, and then ask current students about the robustness of those activities on their campus. The more concrete the picture of one's likely daily experience—and how that experience might differ across colleges—the easier it should be for students and parents to assess the virtues of more- and less-expensive college options.

Despite the angst inherent in the college-application process, from worries about getting admitted to concerns about how much to pay, most college graduates report happiness with their college experience.

Despite the angst inherent in the college-application process, from worries about getting admitted to concerns about how much to pay, most college graduates report happiness with their college experience and with their lives more generally. With these happy facts in mind, I recommend that applicants and their families aim for Lieber's attitude of hope about one's college prospects while being mindful of the risks Akers emphasizes in her book.

Christopher Avery is the Roy E. Larsen Professor of Public Policy at the Harvard Kennedy School.