

What's More Expensive Than College? Not Going to College

By Derek Thompson

There is a cost to not educating young people. The evidence is around us and all over the world.



Flickr/Sterling College

If you want to feel optimistic about the state of things for unemployed, disengaged, and dissatisfied youths in America, here's a way. Spin a globe. Stop it with your finger. If you touch land, the overwhelming odds are that the young people in that country are doing much worse.

There are 1.2 billion people between 15 and 24 in the world, according to the [International Youth Foundation](#)'s new *Opportunity for Action* paper.

Although many of their prospects are rising, they are emerging from conditions of widespread poverty and lack of access to the most important means of economic mobility: education. In the Middle East and North Africa, youth unemployment has been stuck above 20 percent for the last two

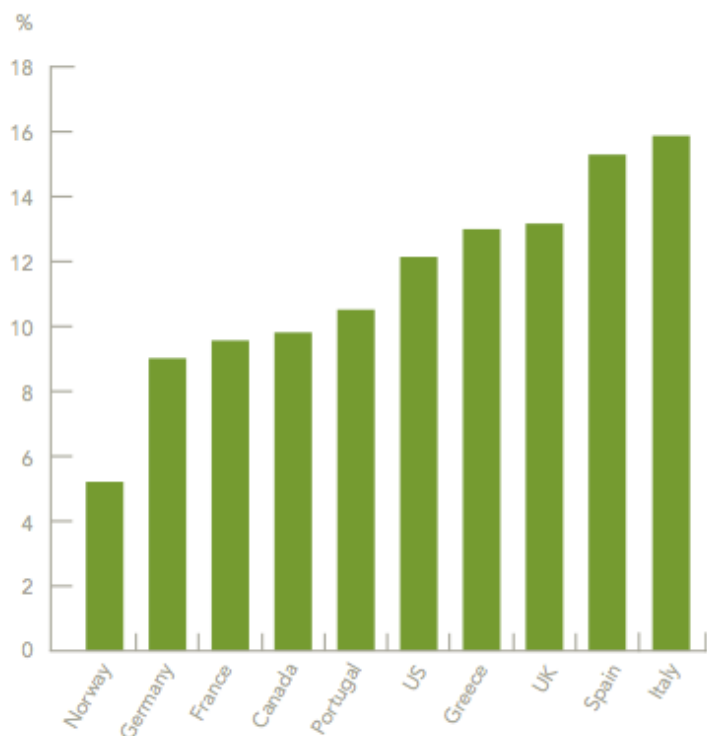


decades. And in the parts of the world where youth unemployment has been low, such as south and east Asia, young people are overwhelmingly employed in the agriculture sector, which leaves them vulnerable to poverty.

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The report is a crackerjack box of interesting facts -- e.g.: the probability that a 15-year-old Russian male will die before he is 60 is higher than 40 percent, the highest in Europe; among women 15 to 24 years old, only 15 percent are working in the Middle East -- but some of the most surprising stats are the closest to home.

Figure 5. Youth not in education, employment, or training, selected countries, 2010 (% of age group)



The IYF authors focus on the so-called "NEETs" in the United States and Europe. NEET stands for those Not Engaged in Employment/education, or Training. A 2012 U.S. study put the social cost per NEET youth at \$37,450, when you factored in lost earnings, public health spending, and other factors. That brings the total cost of 6.7 million NEET American youths to \$4.75 trillion, equal to nearly a third of GDP, or half of U.S. public debt.

Statistics like this are a good reminder that, even though college tuition is famously outpacing median incomes, there is still something more expensive than going to school. Very often, that is not going to school.

The NEET study's final number might be too high. It also might be too low. I can't say. But it's far from the only report identifying a

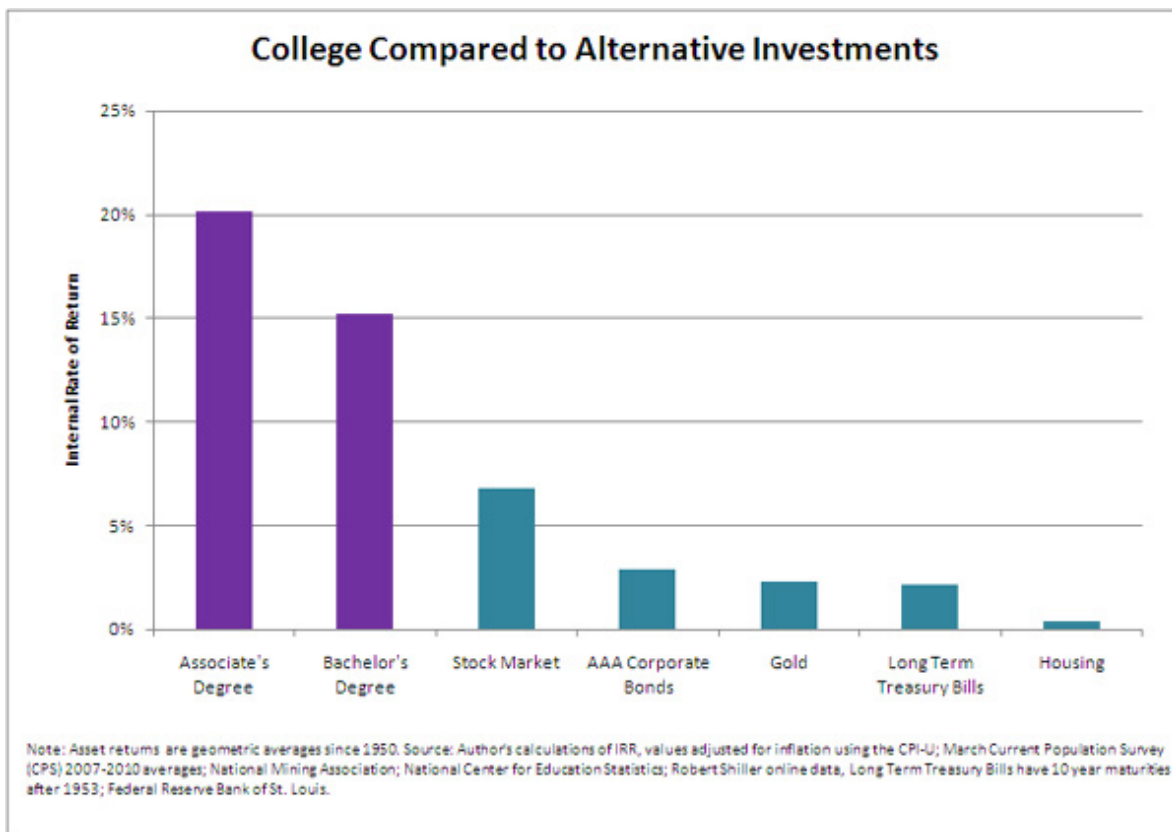
astronomical cost to not going to college.

-- The typical income gap between the a college graduate and the a high school dropout has never been higher. Today, college grads earn [80 percent more](#) than people who don't go to high school.

-- A 2009 McKinsey [report](#) estimated that if we raised our education performance to the level of Korea, we could improve the US economy by more than \$2 trillion. (We could, in other words, add the GDP of Italy to our economy with education reform.)

-- Yet another [study](#) from NBER estimated that the benefit of a good teacher over an average teacher could improve a student's future lifetime earnings by \$400,000.

-- Finally, a study from the [Hamilton Project](#) found that \$100,000 spent on college at age 18 would yield a higher lifetime return than an equal investment in corporate bonds, U.S. government debt, or hot company stocks.



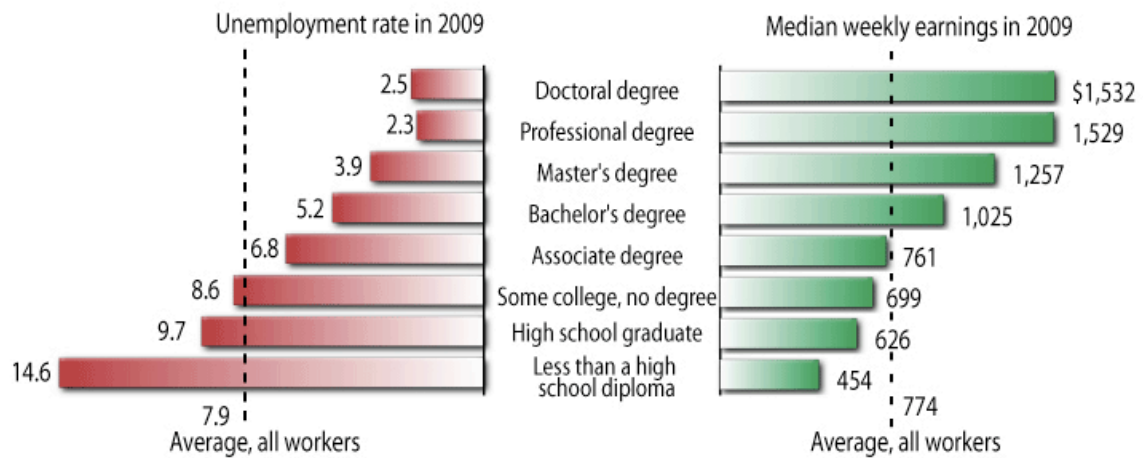
College has its skeptics, and the skeptics make good points. Does a four-year university make sense for every student? Probably not. Is the modern on-site college education necessarily the ideal means to deliver training after high school? Maybe not. Vocational training and community colleges deserve a place in this discussion. And we happen to be living through a quiet revolution in higher education.

Here are three quick examples. First, beginning this year, students at MITx can take free online courses offered by MIT and receive a credential for a price far less than tuition if they demonstrate mastery in the subject. Second, the University of Southern California is experimenting with online classrooms that connect students across the country in front of a single professor. Third, there's Western Governors University, a non-profit, private online university that's spearheading the movement toward "competency-based degrees" that reward what students can prove they know rather than how many hours or credits they amass.

Some of these experiments will fail, and some will scale. What's important is that they offer higher ed and retraining that is cheap, creative, and convenient. If we can win the marketing war in neighborhoods blighted by NEETs and deliver a post-high school education to some of those 7 million young people who have disengaged with education and work, we will be spending money to save money.

Take out that globe one more time and give it a spin. I challenge you to land on a region where education gains aren't translating to productivity and income gains. The highest-income countries have the highest rates of enrollment in secondary school and the smallest share of informal employment that is vulnerable to an economic downturn. *There is a cost to not educating young people. The evidence is literally all around us.*

Education pays



Source: Bureau of Labor Statistics, Current Population Survey

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