College degree pays off faster than it used to

By Josh Mitchell, Wall Street Journal

College graduates may be taking on historically high debt burdens to finance their educations. But it will take them far less time to get a return on that “investment” than it took their parents’ generation.

That’s the conclusion of new research from the Federal Reserve Bank of New York. Researchers there estimate someone earning a bachelor’s degree in 2013 will need 10 years to recoup the entire cost of that degree. Those who earned a bachelor’s in 1983 needed 23 years to do so.

That’s the good news. The bad news is that the shift has a lot to do with the plight of those who never went to school, rather than simply the higher wages of college graduates.

The Fed first had to calculate the cost of a bachelor’s, a sum that includes direct costs and “opportunity” costs. Direct costs are tuition and fees. “Opportunity” costs are foregone wages that students would have earned had they worked those four years (or three, or five) instead of going to school.

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