

# Increasing College Completion as an Engine for Economic Growth



Cambridge, Mass.

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College completion rates are low. Programs that help students complete college cost money. What if we invest in helping more students graduate from college? What would that do for the American economy? A lot, according to a new study – *The Economic Impact of Increasing College Completion* – from the American Academy of Arts and Sciences and Moody's Analytics. The research indicates that sustained investments in college completion would result, over time, in economic gains for individuals and economic growth for the nation.

"This research paper – illustrating the enduring value of education to the American economy – is an excellent resource for all who are interested in education, equity, economic growth, and their intrinsic connection," said American Academy President Jonathan Fanton. "In a world in which the focus is often on short-term results, investing in college completion offers a long-term outcome well worth considering." This paper is an example of how the American Academy contributes to the public good with nonpartisan, well-considered facts, analysis, and recommendations.

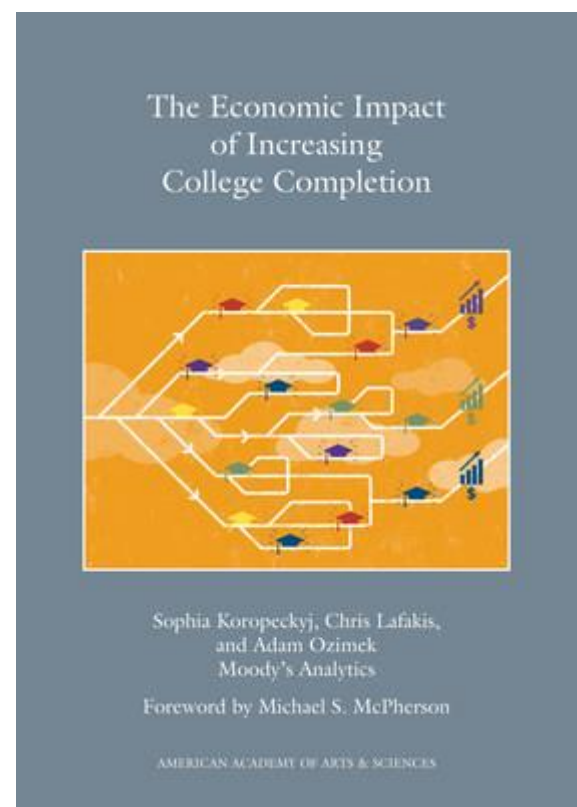
The Academy's Commission on the Future of Undergraduate Education – which is supported by Carnegie Corporation of New York – is chaired by Roger W. Ferguson, Jr., President and CEO of TIAA, and by Michael S. McPherson, President Emeritus of the Spencer Foundation and a past president of Macalester College; both are economists and members of the Academy.

The Commission's exploration of postsecondary education in America underscores that institutions of undergraduate education are far better at admitting students than graduating them:

- Nearly 90 percent of recent high school graduates enroll in college during their early adulthood.
- Only 60 percent of students who pursue a bachelor's degree complete one, taking, on average almost six years to complete their studies.
- Only 30 percent of students who start a certificate or associate's degree earn a credential within three years.

The lack of a credential is compounded by the loss of time and money by students and their families, teachers, and taxpayers.

There are ways to offset problematic completion rates. Increased scholarship funding, transportation assistance, trained advisors who can monitor progress and intervene when appropriate, and other supports are boosting college completion rates – especially for students coming from disadvantaged backgrounds.



A program at the City University of New York that provides an array of supports raised completion rates by roughly 50 percent. An innovative and intensive advising program at Georgia State University that uses Big Data to determine how and when to intervene has been similarly successful.

The time is right to understand the value of wide-scale support for helping America's students earn undergraduate credentials. The Commission on the Future of Undergraduate Education engaged Moody's Analytics to develop a model for assessing the expense and impact of investing more in programs that increase graduation rates in associate and baccalaureate programs. Moody's was asked to quantify the economic benefits of college success that accrue to the individuals, the community, and to the economy overall.

Moody's analyzed the costs and benefits if support for completion results in increasing by 50 percent the graduation rates of students who now are in the bottom half of the distribution of institutional graduation rates and increasing the graduation rates of those in the top half by a somewhat smaller percentage, both over the course of ten years. The report takes into account the costs of these programs and the benefits to the individuals and economy:

- In the early years there are significant new expenses to support enrolled students and few benefits because the students are in school and not in the workforce.
- Over the course of the first decade, as more students with degrees enter the workforce, the economic benefits emerge alongside the costs.
- In year eleven the payback of educated Americans entering the workforce and having average higher wages surpasses the costs of investing in college completion.

Moody's projects it will take twenty years for the net benefits of the program to be in place, and that those benefits will lead to wages in the workforce that are 3.1 percent higher than they would be without the investment, with the gains concentrated on those who would not have achieved degrees without the program. Further, after thirty years, the program is projected to raise gross domestic product by 2.5 percent. The economic benefits for the nation of investing in college completion are not immediate but they are compelling, sustained, and quantifiable.

"Improving the education level of the population has historically been a significant source of economic growth for the United States," said Adam Ozimek, a senior economist at Moody's and co-author. "This research suggests that as we look for ways to continue improving educational attainment, lifting completion rates should be a central part of the discussion."

Commission Co-chair Michael McPherson compares investments in college completion to infrastructure projects in terms of the expense in the early years and the enduring benefits thereafter. He notes in his Foreword to the research paper that the rewards of a college degree can outlast even those of a bridge or highway; "education investments are among the longest lasting in economic terms."

The Moody's research understandably focuses on the quantifiable benefits of education but the overall commitment of the Academy and its Commission on the Future of Undergraduate Education is also rooted in the value of education for its benefits that are less easily measured, including individual fulfillment and intellectual engagement.

The Commission's final report, *The Future of Undergraduate Education, The Future of America*, will be released on November 30 and will outline a comprehensive national strategy to ensure Americans receive the quality education they need to thrive in the 21st century. More information about the commission, including its members and recent publications, is online at [www.amacad.org/cfue](http://www.amacad.org/cfue).