

*Does College Matter?*  
Episode 1: Mary Daly

Introduction: In an age where tuition is on the rise, high school students are skipping out of college to start their own companies, and technology increasingly offers alternative ways to learn, we wanted to ask the question, does college still matter? You're listening to the *Does College Matter?* podcast, episode number one.

Jody: Hi, everyone. This is Jody Hoff, and I'll be your host for this new miniseries podcast called *Does College Matter?* I'm an educator here at the San Francisco Federal Reserve Bank, and this podcast grew out of three essays written for our recent annual report on the value of college. Now whether you're a student, a parent, counselor, or just someone thinking about advancing your career options, the *Does College Matter?* podcast will bring you insights from a diverse and interesting group of experts, entrepreneurs, and college students as they tell their personal stories about formal and informal learning to help you decide for yourself does college matter.

Mary: It's not the end, either, when you get the college degree; it's just the beginning, but it gave me a different beginning than I would have ever had had I not gone. It gave me a whole set of opportunities that I couldn't even imagine before I started. So, it will be hard at times. It absolutely will, but the rewards at the end will completely be worth it, and when you walk out and you graduate, you'll feel prouder than you've ever felt in your life, if you're like me, and it will wipe away all those sleepless nights of worries and lack of confidence, and it opens a path to a future that you would never have otherwise.

Jody: I'm excited in this first episode, and, in fact, actually, I can't think of a better way to kick off the podcast than by introducing you to Mary Daly, who's been described as the people's economist for her down-to-earth, no-jargon way of explaining the complexities of the U.S. economy. Now Mary is also a Senior Vice President and Associate Director in the Economic Research Department at the San Francisco Federal. Today we want to dig into some recent work of Mary's, arguing that college does still pay. I'll ask Mary why a four-year degree is still a great investment, how to use a new online tool to calculate your breaking point on college tuition, and Mary will share some of her personal journey as a student and a lifelong learner. Mary, thanks so much for taking the time to chat with us today.

Mary: You're welcome. Glad to do it.

Jody: Yeah, so, Mary, your essay “Does College Pay?” frames a really critical question facing the millions of high school students who’ll be graduating over the next few months. I’m curious about what got you interested in this topic, and why is it such an important question for you?

Mary: I’ve long been interested in income and equality. One of the factors that economists find affects income and equality is education, so this is something we’ve all known. Recently, I’d say in the last couple of years, there’s been this very deep question being asked by millions of Americans, certainly in the media, about whether college really pays, does college still pay, and I thought that there was a divide between the factual information that I’d been able to assess in my research for three decades and the kind of concerns people had about whether college still paid. So I went back and looked at the data again and asked that very question, does college pay off, and I think the answer—I know the answer from the research is unequivocally it pays off.

Jody: Okay. Unequivocally, that’s pretty strong language.

Mary: I think this strong language is not the kind of language I would normally use to be so strong, but it’s against this backdrop of maybe questioning whether college matters in this day and age when we’re just coming through a very deep and difficult recession, and I can see, personally, from the statistics that we look at, but also you can talk to people day to day; a college education is something that helps you have some insurance, if you will, some economic insurance against the worst downturn that we’ve had in a long, long time.

Jody: In the essay, you and your coauthor, Yifan Cao, talk about something called the college earnings advantage. What exactly does that mean, and why is that important?

Mary: Well, what we call the college earnings advantage is essentially this premium that you earn if you have a college degree relative to what you would earn if you had a high school degree. So that’s a simple way for us to calculate how much the college degree pays. If you accumulate that premium over every year you earn it, then you can accumulate it, gain, essentially by the end of your lifetime that give us some sense of the value or the benefit of having gone to college rather than terminating your education at high school.

Jody: And so that was the metric that you used, was taking earnings that would roughly be maybe on the average for a high school student—or maybe tell us a little bit about that.

Mary: You know, that's a really good question. One can do a deeper dive or cut this by subgroups; you'd get very similar answers, but for our calculation, we made the very simple calculation of taking the average earnings of a high school graduate in the U.S. and the average earnings of a college graduate in the U.S. and calculated the difference between those averages, and that's called the college earnings advantage.

Jody: I see.

Mary: Then we also check to see whether that was changing over time. Maybe it was true twenty years ago that there was a large advantage to having a college education, but there's a good question there about whether that college advantage has been diminishing, and we found that it has not been diminishing—hasn't been growing, but it's sort of stayed constant. So whether you graduated twenty years ago or you graduate today with a college degree, you're going to make more money than you would make if you graduated with a high school degree.

Jody: In the essay, you have some, actually, great charts that also demonstrate this exact concept.

Mary: Right. We tried to put the data into the essay because I think it's important for everyone who's interested in this question not just to believe me or any other person who has said they've done the research but to actually look at the data and see what it looks like over time. It'll help make a better decision for each person.

Jody: Okay. So, you also discuss that over a lifetime the financial benefit of college far outpaces the cost. Maybe you can talk to us a little bit about how you came to that conclusion, and does it even hold for the most expensive colleges?

Mary: Those are great questions, and one of the things that we really set out to do was to ask, how much can you pay before it's really not worth it, and what we found, and it was really, I think, a surprise to me, is that you can go to most colleges in the U.S. and it will be advantageous to make this bargain. It is true that if you went to colleges that cost upwards of eighty, ninety thousand dollars a term, then it gets hard to recoup that if you're making the average salary of

someone who has a college degree, but it leaves open most colleges in the U.S. Most seats at colleges in the U.S. are ones that will pay a good dividend by the end of fifteen years, and what we've done is we've tried to put together not only a road map through the data we have but also a hands-on calculator that allows people to plug in their tuition and ask themselves, how long is it going to take for me to pay this off if I make the average salary of a person with a college degree?

Jody: And one of the ways that you frame that, I think that's also really helpful, was you discuss this in kind of the terms of a breakeven year. So maybe you could walk us a little bit through about what that means.

Mary: So a breakeven year is the accumulated premium you've earned from making more than the high school graduate has paid for the cost that you laid out to go to college. So when we calculated this breakeven year, we found that people can break even, if you will, in about twelve years...

Jody: Oh wow.

Mary: Depending on the cost, for the average college tuition. So that means that if you graduate when you're twenty-two, by the time you're in your early thirties, you've really paid for that investment, and now you're just going to earn a rate of return for the rest of your life that gives you a financial advantage.

Jody: In addition to the earnings advantage that you get from being a college graduate, there are some other insurance—that, I think, is the word that you mention—that comes along with having a degree, and maybe you can talk to us a little bit about—I was thinking about that in terms of the differences in unemployment rates, depending on your level of education. Does that play in here as well?

Mary: Absolutely. One of the things that, you know, if you look at the data you find is that sure, you get this earnings advantage, which we've already talked about, that you earn more than a high school graduate would earn. But you also are more flexible as the economy changes. So the economy's always evolving and changing. It's becoming more technology inclined. People have to switch careers, jobs particularly and careers even throughout their life, so that college degree gives you an order of flexibility because you're more flexible to change with the changing economy. We've also found out, just coming through, as I said, the Great Recession, it gives you a little bit of insurance, insurance against big shocks that happened in the

economy, negative shocks, where unemployment rates rose for everyone. They rose whether you had a college degree or you didn't have a college degree, but they're much, much lower for college-educated workers. So college-educated workers tend to be the last let go and the first hired in recoveries.

Jody: I see.

Mary: So it just gives you a level of economic security that goes beyond just the financial gain you get year to year.

Jody: Yeah, that makes a lot of sense. You know, we often hear a lot of stories in the media about these amazing people who drop out of college to pursue a dream. I was wondering if you think this might send a confusing message to young people.

Mary: Well, I think these stories are inspiring, and we, certainly, sitting here on the West Coast near the heart of the technology boom in the U.S., you can find regularly stories of people who have done that. You can also find that in athletes and actors and a variety of other people who have just made successful careers for themselves. The question I'm always asking, because I'm at heart a researcher, is, is that true of the average person, and what we find in the data is no, it's not true of the average person. For the average person, the college degree gives you a platform to move forward. So, is it a confusing message? I don't think it's a confusing message as long as you have all the facts. So if a young person and his or her family is sitting around the dining room table, asking, is this right for me, and those individuals have all the facts, then I'm sure they're reaching good decisions that work for them, but the important thing to know is that it gives you a leg up if you have a college degree, and that's true whether you're going to go off and be a successful entrepreneur or you're going to be a successful business person or a successful person working in an engineering or technology field.

Jody: You know, one of the clear points that you and Yifan make is the importance of actually finishing college, of actually getting that degree. Why isn't just some college good enough?

Mary: Well, what we found in the data is that the four-year college degree is really the degree that gives people a premium, if you will. We don't find that the earnings gain from just a little college, whether you go for one year, two years, or three years, that that earnings gain is not nearly as large as the gain that comes from having a four-year degree. People have thought about this and talked about it, but,

really, when employers are sifting through loads of applications, they're looking at the degree, not, oh, he had a year in college, or they treat you as a person with a degree, and a degree really matters. It's, in economics, what we call a signal.

Jody: Ah.

Mary: And that signal says you've completed this degree program, and you're certified, if you will, as someone who went to college and finished, and that is a valuable thing in the marketplace time and time again.

Jody: To follow up on that a little bit, how does dropping out coupled with some student loans make the situation even more of a challenge for young people?

Mary: So one thing that's really important to recognize in the essay we did is we didn't account for student loans at all, because we were just doing the breakeven calculations, and all of our calculations are based on you're just paying out of flow income as you go; you're paying out of pocket. So one of the things I would note is that even if you put student loans aside for a moment and you just think of starting and then not finishing and you're going to earn something more similar to the high school graduate, really you have to ask yourself, was that worthwhile, because you just gave up two years of earnings, and you're only going to earn a little bit more. So, of course, when you add student-loan debt to that, that makes the calculation even more unsatisfying. It's even more difficult. So the message is if you start, it's really important to finish.

Jody: Well, you have a figure in your essay that also highlights that, and it was stunning to me about how much difference there was between some college and then the actual attainment of the four-year degree.

Mary: It's striking. It's really surprising. It was surprising to me, and it is, again, just another indication that it's the four-year degree that matters. It's the four-year program that matters. Now, importantly, and I think this is a point that gets underemphasized, if you will, it's really important to know that you don't have to start at a four-year degree program or a four-year school. Whether you start at a two-year school and then move to a four-year university to finish, that's completely fine, and, in fact, that's a path that many take and very successfully, either for financial reasons or just to get themselves more familiar with being in the college environment. So going first to

a community college, completing that two-year degree, and then moving to a four-year program is a very valuable and viable path for many people.

Jody: Oh, that's great to hear. I don't think that's a message that gets emphasized very much either.

Mary: No, it's not, actually, and, luckily, I had not only research experience but also some personal experience with it in that one of my research assistants—we hire in a competitive market—and we hired a person who graduated from University of California, San Diego, had gone to a two-year college first to get his feet back into the college experience then graduated and has gone off now to work for Teach for America, but, you know, essentially, highlights that you can be quite successful and not have started at the institution you finish at.

Jody: You know, thinking a little bit about some of the challenges that young people face around the college decision and getting themselves even into the program, I know that you had to overcome some pretty major obstacles yourself to find your way into college, and I wondered if maybe you could share a little bit with us about your own journey. I know you had to drop out of high school to help support your family. How did you eventually end up with a PhD in economics?

Mary: Well, the main message is I got a lot of help, and I think for anyone who's thinking about these types of decisions, asking for help and getting help is the key to being successful. So for me, I dropped out and then I wasn't really thinking about going back and getting even a GED. I just didn't even think about it.

Jody: So you dropped out of high school.

Mary: I dropped out of high school, and I started working. I, fortunately, had met adults who were completely willing to tell me that that wasn't going to be sufficient if I wanted to be successful. I was a little bit skeptical at first, not because I didn't believe them but because I didn't think I could do it. That was the main thing is the challenge. It wasn't that it wasn't there for me. It was more I was a little bit uncomfortable with whether stretching in that direction was going to be successful. But with their encouragement and their little bit of nudging, if you will, I got my GED, and then I went on to do a first semester in college, and I realized that if I could push through the fear and the concern I had about being a first-generation and someone who hadn't graduated from high school so how am I going to start at college, that it was doable, one step at a time.

Jody: How did you push through any doubts that were in your mind?

Mary: Well, I had plenty to doubt because I went to University of Missouri-Kansas City, and in my first semester—so I'd gone to University of Missouri-St. Louis, very close to where I grew up, for a semester after my GED, and I did okay. So then I get some good experience of, oh, okay. In first semester I'm doing okay. Maybe I've got this in me. Then I land at University of Missouri-Kansas City, where I'm going to do my four-year program, and I sign up for the classes, and I think, okay, I've got this, and I end up failing two classes. At mid-term it's clear I'm going to fail.

Jody: Oh no.

Mary: And one of the classes was a core requirement, History of Science, and it was a room of a thousand kids, and here I am in this big auditorium, failing this class. The first thought that comes to my mind is, oh my gosh, I've just spent all this money, which was around two hundred fifty dollars a semester.

Jody: Oh wow.

Mary: You know, I have grants and I have other things, and here I am, and I'm spending this money, and I'm going to fail out. This is going to be a disaster. Now I'm going to feel bad and I'm going to be a little bit in debt, and that's hard. And then the second thought I had is I was probably to ashamed to ask for help because I didn't want anybody to know I was struggling. But at the end of the day, you know, a couple of sleepless nights, and I decided that the shame of asking for help was going to be a lot better than the shame of having dropped out without trying, so I wandered into the student learning center at the place and I told them my situation, and what was remarkable to me, and to this day remains something that I hold dear, is no one said, oh my gosh, how did you get in here, or how did you get to school. They just reached out and helped me. People at universities are prepared and they're interested in helping you. If you find yourself in a situation where you can't make it on your own, it's helpful to go in. Everybody loses confidence, not just people who came as a first-generation student. Certainly, the struggles are harder, a little bit because it's unfamiliar—you don't have anybody to follow—but everybody struggles in college. There are not too many people who get there and don't think, oh my gosh, what'd I get into. But the thing that separates people who are very successful from



those who are less successful at it is really about asking for help and then getting the help that's there.

Jody: Mary, that's really an amazing story. What would you say to a young person who's feeling a little worried or intimidated about going after that college degree, especially if they don't have a lot of support from friends and family?

Mary: I would say it's worth it. For me it's been one of the best things I ever did for myself. The really important thing that I can't emphasize enough is it's not the end, either, when you get the college degree; it's just the beginning, but it gave me a different beginning than I would have ever had had I not gone. It gave me a whole set of opportunities that I couldn't even imagine before I started. So, it will be hard at times. It absolutely will, but the rewards at the end will completely be worth it, and when you walk out and you graduate, you'll feel prouder than you've ever felt in your life, if you're like me, and it will wipe away all those sleepless nights of worries and lack of confidence, and it opens a path to a future that you would never have otherwise.

Jody: Just been talking more about that kind of technical cost benefit analysis, about the benefits of college, but you've just highlighted this whole other group of really important benefits that one gains for themselves in terms of developing when they obtain that degree.

Mary: Yeah, you started this talk by asking me why did I write on this subject, and, you know, I'm trained as a researcher; it's my passion; it's what I love to do, and so it's an obvious topic for me to work on for all those reasons, but another reason is I just want to make it clear to people that it is worth it financially and that it has all these other benefits, that if you stop people on the street and you ask, why did you go to college, they hardly ever will talk about the financial benefits. They're there. They're there on paper. You can look at them. But people go for different reasons, and they remember the opportunities they got, and I'm not unique in that.

Jody: I also wanted to see if you had any advice for young people in terms of making that decision between which schools to go to, especially if there's kind of a price tag difference, because I was thinking I had maybe remembered from a little bit of your story about you had some pretty good options at one point, but you were looking at the financial aspects of do I really want to spend this much money, and how did you kind of think about that?

Mary: Well, I was facing challenges that I think many people face, which is I was financially constrained in a big way. I wasn't going to be able to get any support from my family. They just didn't have the means or the ability to do that. So I was going to rely on grants that I could get and scholarships I could win, and then I got an admittance letter and a call from University of Missouri-Kansas City, where the tuition was more affordable; and I also could get a work-study job; and they gave me a little bit of scholarship money; and I could, if I worked, pay it and not have to take out student loans. Then I got accepted to Washington University, a private school in St. Louis, a very prestigious private school. I couldn't really believe that I got in. So the attraction was to go there, but I'd looked at the numbers, and I realized that would be completely unaffordable to me unless I took out large, large amounts of student-loan debt that I didn't know if I would be able to pay off. For me it was important to not make a bargain that just seemed completely untenable for me and to just accept that my financial constraints were going to put me in a position where going to an affordable school was going to be an important choice. What I did when I got there is I realized I have all the opportunities at this school. I'm going to need to be a little more entrepreneurial. So it was a great fit for me. They had a study-abroad program. I got myself in that program. They had an honors program. I worked my way to try to earn a slot in that program, and I got in there. I took as many classes as I could, that they would let me take, and I sat in on classes that I thought would expand my mind. So, essentially, I tried to make that education the best it could possibly be, and what I realized is—afterwards, and what I know now—is that's really what makes an education for any individual goes. It's what you put into it. You know, the universities are there. They'll give you lots of options, but then you have to put in the time and effort to pursue your passions, your journeys, whatever you want to learn from it.

Jody: I think that's really a great piece of advice. So, you didn't really see any disadvantage to going to the more affordable school.

Mary: Not for me. I mean, for me it was also a good fit. One of the things I know for myself, and maybe I'm different than others, is I don't want to add a lot of additional stressors to my situation if I'm already doing something that feels pretty hard. So as a first-generation college attendee and I had this GED, if I had to stay up at night worrying about the financial burden, even if I could take out the loans, it would have distracted me from what I really needed to do, which was buckle down and study. So for me it was the best possible decision I could have made. It was also nice for me to go to a place where it was easier for me to feel like I could fit in, and I think that's

not true, everybody has different concerns when they walk in, but one of the things I tell young people when they ask me, where should I go, I say, aim for the place that is the best fit for you and look into yourself. Know who you are. You want to be stretched, but you also want to be supported. So find a place that supports you, has the things on campus and the environment, you know, you walk onto the campus and you feel good about things but also stretches you, and that's how I always try to, in my jobs or anything else, work myself, so UMKC ended up being a great place for me. But I knew it the day I walked onto campus, too. So, you know, I tell kids all the time, trust your gut instinct. Tune out the noise that everybody is maybe saying about which is the best school and just walk onto campus and see where you feel like you fit.

Jody: Yeah, I love that. And I also like this comment you made about being stretched but supported. That seems like a really great takeaway, too.

Mary: I think for me it's been a key to any success I've been able to get. All of my successes have come because I've stretched, but I've been supported, and I'm not completely doing it without help.

Jody: Well, and speaking of support, I also wanted to highlight this really great tool that you and Yifan put together—you mentioned it a little earlier in our discussion—this tool to help parents and students think through the costs and benefits of college, and I wondered if you could just give us a few more details about the value of college calculator that you've put together.

Mary: So, we put together this calculator because, you know, I think, as I mentioned earlier, it's one thing to listen to people talk about college or see graphs of the numbers and make that kind of decision. It's another thing to get your hands on a tool that allows you to type in the tuition and also think about just how many years it's going to take to pay it off, and we have a nice piece in there about whether you are a person who likes to see your rewards immediately or you don't mind waiting for your rewards, you know, do you like to save a little bit? Do you like to save a lot? And so that gives you some flexibility. And what we really made the calculator for, and this is what you can do with it, is you can look at using the data for the average college grad. You can look how many years it's going to take you to pay off an investment you make. If you decide, say you want to go to a college that costs nine thousand dollars per year in tuition versus you want to go to a college that costs twenty-five thousand dollars a year in tuition. What you're going to see is you can pay both of those off in a

reasonable amount of time and still have a lot of time in your life left to work and just get pure earnings premium. But you'll see that the number of years it takes to pay that investment off differ by how much tuition you pay.

Jody: Yeah, and I think that being able to enter that data, that exact tuition amount, and being able to play around with how long it's going to take to recoup that investment, it's just a really fantastic tool, so I want to say thank you for putting that out there. You know, one of the things that we were talking about a little bit is, you know, you said it took a lot of support for yourself when you decided to go back to school, and I was wondering if there were any mentors in particular that come to mind when you think about that experience, and why were they important to you?

Mary: So, I was really lucky, and I had many mentors, and why they were important to me is that they basically had a couple of things. They knew what the path looked like, so I could look to them when I was fearful about what my future was going to be because they'd gone to college and they were able to tell me what it would be; I would be successful at it. I also, when I was unsure, I could trust them. They would say, you've got this, Mary, and I think that's helpful for young people in any situation, and so I was fortunate to have them. So I had a mentor, Betsy, who helped me—she encouraged me to get a GED, and then she actually paid for my first semester in college, which, bless her heart, that was a great thing. It gave me an important hand up. Then I went to UMKC, and I stumbled into the student learning center, as I already mentioned, and I meet another mentor who takes me under his wing. He not only takes me under his wing and helps me academically, he introduces me to his wife, and they sort of helped me settle into a place I wasn't, hadn't grown up, and they would invite me over for dinner and things of that sort. They were both college educated, and they just helped me learn those types of things. And then I sought out professors and would ask questions because I wanted to know more, and what I found is there are professors out there, time and time again—one of mine was Gene Wagner, and he mentored me. So when you ask me did I have mentors, the answer is absolutely. Do I think they're important? I think they're essential, and one of the things I've tried to do in my life is return that favor to reach back and try to mentor other people because it really takes a village if you're going to be successful, especially if you're a first-generation attendee.

Jody: You know, I think it can be hard to approach someone to be your mentor. What recommendation would you give to encourage people to reach out to mentors?

Mary: Well, one thing I learned—I mean, I’m shy about this type of thing. I don’t really like to impose on people, so I don’t want to just walk up and say, will you mentor me, but one of the things I learned is that people are very willing. I find myself really wishing and hoping people would come and ask me things, not because I think I have great particular insights but I do have a lot of experience, and so I’m happy to lend a hand. People want to make contributions. They want to help out. The other thing I’ll share that was probably the best lesson I ever learned is that one of my great mentors, who is Janet Yellen—I was expressing this, I said, is it okay if I ask you this question, and she said, Mary, let me tell you something. No one doesn’t like to talk about themselves. And so what I took from that, really—and she just has a humorous way to say things—but what I took from that is, you know, go ahead and ask. Be brave, ask people. If you ask someone, how did you get to where you’re at, what decisions do you make, ninety percent of the time you’re going to get answers that are not only helpful but they are genuine, they’re authentic, and they want you to be successful.

Jody: Yeah. That’s great advice. You know, just to kind of wrap up here, Mary, in looking at this national debate about the value of college, what’s the main takeaway that you personally and as an economist would like people to remember?

Mary: I’d like people to remember that college pays. It’s worth it. It’s worth it on a whole set of dimensions, financially is just one of them, but despite the doubts that seem to be percolating through the U.S., it really is worth it, and don’t listen to the hype. Look at the facts.

Jody: That’s a great way to close this up. Mary, thank you so much for taking the time to talk to us today. It’s really great having you on the show.

Mary: My pleasure. Thank you.

Closing: I hope you enjoyed this first episode of the *Does College Matter?* podcast. Mary covered key concepts, including the college earnings advantage, why some college just isn’t good enough in today’s economy, and how essential it was for her to have these fantastic mentors, not just in college but also in her professional

career. We'll put some links in the show notes to Mary's bio, her essay "Does College Matter?," and we'd love for you to try out the value-of-college calculator, and we'll have a link for that as well. Join us next week when we sit down with Thomas Frank, the college info geek, to get his views on does college still matter?