K comes to the U, and why it matters

Your Turn
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Guest columnist

In our post-COVID world, many economists describe the US economy as "K-shaped"—a smaller group of high-income families nestled in the top of the "K," while the larger portion of American families underneath the lines of the bottom of the "K."

Earners at the top of the K can afford everyday necessities and splurging on luxury items such as organic food, premium air travel, pet grooming and attending marque events such as a Taylor Swift concert or taking luxurious beach vacations. Earners at the bottom of the K, by contrast, must scrimp on even basic items such as groceries, clothing and gasoline.

Mark Zandi, chief economist for Moody's Analytics, finds that in the second quarter of 2025, the top 10 percent of wealthiest Americans accounted for 49 percent of all consumer spending while the remaining 90 percent accounted for only half of consumption.

While observers have pointed to various indicators of the K-shaped economy from dining to air travel, college affordability provides another indicator. Whereas the sticker price for college continues to rise faster than the rate of inflation, the net price – the price families actually pay once financial aid is accounted for – has decreased over the past decade.

According to Judith Scott-Clayton, a professor at Columbia Teacher's College, the cost of attending a public university fell by 21 percent, before adjusting for inflation, over 2014-2024. And, while the list price of attending a private university increased over 2014-2024, Scott-Clayton finds that it has decreased by 12 percent once inflation is accounted for.

Roughly two dozen of America's most elite colleges now have an annual cost of attendance of over $90,000. These eye-popping costs remain affordable for high earners at the top of the K. However, higher ed analyst Jeff Selingo argues that fewer families are willing to pay full list price for college. Why? While the sticker price is definitely a deterrent, competition for high-quality students also has increased due to a demographic decline in the overall college-age population.

Consequently, college acceptance has become a "buyer's market."

The foregoing explains the seeming contradiction between college list and net prices going in opposite directions. While rising list prices continue to signal prestige and capture top-of-the-K families still willing to pay full price, schools are competing ever more aggressively to attract those families either unwilling or unable to pay full freight.

Top-of-the-K families aren't sufficient to fill the number of slots in an entering class, so colleges offer a more attractive financial aid package to enroll students from bottom-of-the-K families. Hence, a declining average net college tuition price.

With the K economy coming to the U, what can a university such as mine do? For one, we have been seeking to keep our net price affordable.

Thanks to generous philanthropic support from our alums and friends, as well as critically important aid from federal (Pell) and state sources, the average annual out-of-pocket cost of attendance for students attending my university remains under $20,000. Nearly half of our students are either the first in their families to attend college and/or are eligible for the Pell grant, which is calculated based on family income. Affordability allows us to promote the bedrock American value of social mobility.

Second, we have introduced a three-year undergraduate business degree that fast-tracks students to professional success, saving them at least one year's worth of tuition and fees while advancing them to remunerated employment at least one year sooner. Our fast-track option will enroll its first cohort of undergraduate students this fall and not scrimp on any accreditation requirements, the global gold standard for business education, for our College of Business.

We know our new fast-track degree will work from the career outcomes of some former students – what scientists call a "natural experiment." Several of our prior business students designed three-year educational plans on their own and then received lucrative job offers. Presumably, employers took the ability to compact 120 credits into three years as an indicator of the motivation and character that these students would bring to their hiring organizations.

Motivation and character, coupled with an accredited undergraduate business degree, make for a winning combination for all concerned: students interested in completing their studies in three years; Alfred University enabling this ambition by offering a fast-track business degree; and employers seeking to hire such students.

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