The Overselling of Higher Education

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Executive Summary

Higher education in the United States has been greatly oversold. Many students who are neither academically strong nor inclined toward serious intellectual work have been lured into colleges and universities. At considerable cost to their families and usually the taxpayer as well, those students sometimes obtain a degree, but often with little if any gain in human capital that will prove beneficial in the labor market or in dealing with the challenges of life.

Because governments pay a large portion of the cost of a college education, students and their families do not bear its true cost. For that reason, they tend to make poorer choices – both with their dollars and the amount of effort they put into college. Furthermore, students and their families often have an exaggerated or inaccurate view of the benefits that can be expected from a college education. The belief that obtaining a college degree is the only way for young people to find good employment and enjoy a prosperous life is widespread, but mistaken. Having a college degree is neither necessary nor sufficient for success.

Although it is often said that getting a college degree is becoming increasingly important because good jobs for people with only a high school education are supposedly vanishing, that appearance is mainly due to the phenomenon of credential inflation. As the possession of a college degree has become increasingly common among people in the
labor market, employers have responded by using the possession of a college degree as a screening device. Few jobs demand such a high level of knowledge and skill that they cannot be performed by individuals with a sound basic education, but many employers now decline to consider high school graduates since there is such a large pool of college graduates available.

The great expansion of higher education has led to an infusion of large numbers of “disengaged students,” which has had a deleterious effect on academic standards. In order to keep such students enrolled, schools have lowered academic standards, inflated grades, and degraded the curriculum. Many of the students who now obtain college degrees graduate with weak skills and can do no better in the labor market than taking “high school jobs.” Keeping large numbers of academically indifferent students in college is costly not only in financial terms, but also in its tendency to lower academic standards and thereby waste the time of better students.

To combat the overselling of higher education, academic standards need to be raised and governmental subsidies for college studies should be lowered.
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When students at all levels see education through the lens of social mobility, they quickly conclude that what matters most is not the knowledge they attain in school but the credentials they acquire there. Grades, credits, degrees – these become the objects to be pursued. The end result is to reify the formal markers of education and displace the substantive content... The payoff for a particular credential is the same no matter how it was acquired, so it is rational behavior to try to strike a good bargain, to work at gaining a diploma, like a car, at a substantial discount. – David F. Labaree, How to Succeed in School Without Really Learning

Many parents – if not administrators and faculty members – are beginning to suspect that they are paying for an oversold boondoggle, even at the best institutions of higher education. – Roger Shattuck, “We Must End the Conspiracy to Lower Standards,” The Chronicle of Higher Education, July 18, 1997

Introduction

Higher education used to be a highly selective endeavor in America. Prior to World War II, only about one high school graduate in ten subsequently enrolled in a college or university. Most young people went directly into the labor market and once
hired, they learned their occupation on the job. A college education was seldom viewed as essential preparation for work except in a few professions such as medicine and law, where an undergraduate degree was necessary for admission into professional schools. Higher education was largely regarded as mind-broadening study in such fields as literature, history, and philosophy for those who could afford to delay the beginning of their careers. A college education was a luxury good rather than an essential step toward employability. Most people did quite well on the strength of their high school diplomas.

Since World War II, however, higher education has become a mass phenomenon. Seven out of ten high school graduates now enroll in a college or university. That is not because Americans now have a much greater thirst for knowledge than they did sixty years ago, but because the college degree has come to be perceived as a prerequisite for good employment. Many Americans now believe that anyone without a college degree is restricted to low-paying, menial jobs. Surveys of attitudes toward college repeatedly show that “to get a better job” is a leading reason why students want to attend college. Capitalizing on that belief, many colleges sell themselves not so much as places where the student expands his intellectual horizons, but as places that can confer the degree now supposedly required for the student to land a good job. Increasingly, American colleges and universities attract students by providing them a small platform of job training combined with enough other coursework to justify conferring a Bachelor of Arts degree upon them. That marketing strategy has been very successful in attracting ever-increasing numbers of students.

America spends lavishly on higher education, but is it a wise use of resources? The conventional wisdom is that more education is necessarily good, raising our
productivity and ability to compete internationally. Additional spending to make it possible for even more Americans to go to college is often proposed by politicians and higher education leaders as a means of dealing with the alleged need for a more highly educated workforce. This paper takes the opposite position, arguing that higher education has been greatly oversold. Its enormous expansion over the last six decades has led to the deterioration of academic standards, credential inflation and soaring costs of college attendance, while conferring little educational benefit on many students. In our national investment in higher education, it appears that we have gone well past the point of diminishing returns.

The Conventional Wisdom about Higher Education

In her book Does Education Matter? Professor Alison Wolf observes that two beliefs animate education policy: “the belief in a simple, direct relationship between the amount of education in a society and its future growth rate, and the belief that governments can fine-tune education expenditures to maximize that self-same rate of growth.” (1) Wolf has neatly summarized the conventional wisdom among most politicians and members of the public regarding education. They presume it to be a good thing for students to have more years of formal education because it will help to spur economic progress. Consequently, we need to increase our national “investment” in education by having government spend more, in just the right ways, so as to make a college education accessible to nearly everyone.

Exemplifying the conventional wisdom, in their paper “Why Learning? The Value of Higher Education to Society and the Individual,” Anthony Carnevale and Donna
Desrochers, both of the Educational Testing Service, write, ”In today’s economy, access to postsecondary education or training has become the threshold requirement for individual career success.” Raising America’s level of educational attainment “will increasingly determine its economic competitiveness as the country shifts from an industrial to an information economy.” (2)

Or consider this statement by Jeff Madrick, a professor of social sciences and author of the book Why Economies Grow: “(T)he data on the benefits of higher education in the United States are overwhelming and convincing. The spread of education is the best way to address the nation’s economic problems.” (3)

A crucial part of the conventional wisdom is the idea that having earned a college degree leads to higher income. From common experience, Americans know that doctors, lawyers, engineers and others who have college degrees usually earn comfortable salaries and that retail clerks, gas station attendants, waitresses and others who (generally) do not have college degrees earn low incomes. Those like Madrick who wish to argue for more government spending to increase access to higher education almost invariably point to data showing that people with college degrees earn significantly more on average than do people without them. They assume that there is a causal connection between having a college degree and earning a high income.

Madrick, for example, cites 2000 census data showing that “the median income of an American man with a college degree was about $52,500, 60 percent higher than the $31,600 for those with a high school degree. The proportions are about the same for women. In fact, the incomes of those with a high school degree have not grown on average since the 1970s.” (4)
The implication is clear: If only we could have found a way to get a lot of those people who ended their formal schooling with high school (or less) through college, they would have enjoyed substantially higher earnings. In fact, some higher education proponents maintain that increased spending to promote higher education is a means to stimulate economic growth and increase incomes. As Professor Ronald Ehrenberg of Cornell University writes, “State governments need to be educated so that they understand the role that higher education plays in economic development and in boosting incomes of state residents.” (5) At least one state, Oklahoma, has embraced Ehrenberg’s idea in policy, having enacted a program called “Brain Gain 2010” that aims to increase the state’s prosperity by setting a target for getting more residents into and through college. (6) A college degree is assumed to automatically translate into higher earnings for the individual who obtains it, without regard to either his capabilities or the nature of the educational program.

American high school students have overwhelmingly absorbed that aspect of the conventional wisdom, associating college degrees with increased earnings. Professors Kenneth Gray and Edwin Herr note that “Each year, the American Council on Education sponsors a survey of more than 200,000 freshmen and asks (why students want to go to college). The principle reason for enrolling reported by these college freshmen was ‘to get a better job.’ ‘To make more money’ tied for second.” (7) Most high school students, Gray and Herr argue, have accepted what they term the “one way to win” idea – in other words, that they cannot hope to get a good job and enjoy economic security unless they obtain a college degree. “The extent to which all high school graduates appear to be internalizing the one way to win paradigm and basing their future plans on it, regardless
of their abilities, academic preparation, or labor market realities, is truly astonishing; it has reached manic proportions,” they write. (8)

Another part of the conventional wisdom is that we need to increase “access” to higher education because of strengthening international competition. In a May 2004 Education Trust paper, “A Matter of Degrees,” author Kevin Carey argues that the fact that almost 20 percent of Americans age 25-34 have “some college, no degree” is a huge national problem because as economies in other nations mature and evolve, external job pressure is creeping further and further up the income and skills ladder. Advances in telecommunications have made possible the “outsourcing” of white-collar jobs in areas such as computer programming, claims processing, accounting, and medical diagnostics to countries with a growing labor pool of English-speaking college graduates willing to work at a fraction of the average wage of similar workers in the United States. These jobs are leaving and won’t be coming back. (9) Therefore, we stand to experience continuing job losses and eroding international competitiveness unless we can get more Americans through college – or so it is said.

That idea leads to another strand of the conventional wisdom, namely that we are rapidly moving out of the “industrial economy” and entering the “information economy,” as Carnevale and Desrochers put it. It seems obvious that “knowledge workers” need to have more years of education than old-fashioned industrial workers and therefore it is imperative that America put an increasing percentage of its young people into and through college. Otherwise, not only will the individual welfare of “under-educated” workers be jeopardized, but also the economic welfare of the United States generally.
Putting those ideas together, the obvious conclusion is that government must do more to make college affordable and encourage attendance. An excellent example of such thinking is found in an article by the late Senator Paul Simon, published in *The Chronicle of Higher Education*. Simon wrote, “We must build a more skilled work force. Every economic study suggests that we must invest more in education or we will harm the nation….The GI Bill repaid the federal government many times – in addition to the other benefits – because those better-educated veterans earned more money and then paid more in taxes.” (10) Simon advocated “A GI Bill for Today” (the title of his article) that would greatly increase federal grants to students. Similarly, in his unsuccessful 2004 presidential campaign, Senator John Kerry called for “a GI Bill for the new century and the next economy” including legislation that would reward states that kept tuition increases down to the level of inflation and to institutions that increase the number of students they enroll and graduate who receive federal financial assistance through Pell Grants. (11)

The conventional wisdom exerts a powerful hold on the thinking of many Americans, leading them push young people to go to college and to approve of measures intended to make it less costly for them to do so. There are strong reasons to believe, however, that such thinking is mistaken. Higher education is already oversold in America, with too many students spending years of their lives taking low-quality courses with little or no lasting benefit. While a college degree is undoubtedly a good human capital investment for some, for others it is a poor investment that neither enhances their level of knowledge and skill nor their employability.
How Higher Education is Oversold

In a market, purchasers of goods and services usually have to pay full price for the things they buy and they usually have reasonably accurate information about the benefits they will get from them. There is, in other words, a close correspondence between costs and benefits, leaving few consumers with a bad bargain. On the other hand, in the unusual case where consumers do not have to pay the full price, where they do not have good information about the goods they purchase, or both, we will find far more sales than otherwise, and substantial numbers of customers who doubt that they got enough value for their money. Where that is the case, we can say that the goods have been oversold. In the automobile market, for example, much as the manufacturers might like to see it, most people do not drive luxury SUV models. Even if Cadillac were to advertise that life without its Escalade model would hardly be worth living and encouraged drivers to spend whatever percentage of their income it would take to own one, there would hardly be any increase in sales. That is because most drivers know that the benefits are not sufficient to warrant the unsubsidized expense associated with buying and operating such a vehicle. Therefore, luxury SUVs cannot be oversold.

When it comes to higher education, however, the circumstances are different. Most purchasers do not have to pay the full cost of a decision to go to college, and many also receive poor information about the benefits of college studies and earning a degree, making it possible to oversell college. Let’s examine those points.

First, higher education is subsidized by state and federal governments.

State governments subsidize higher education primarily through low tuition at the colleges and universities they run. Presently, about 77 percent of all students in higher
education attend state-run institutions. (12) State legislatures usually keep tuition at their institutions well below that of independent colleges and universities, which do not have direct access to tax money. The degree of subsidization varies considerably from state to state. (13)

Some idea of the magnitude of the subsidy can be gathered by comparing tuition at state and independent schools. For example, tuition and fees for North Carolina residents at the state’s “flagship” university, the University of North Carolina at Chapel Hill, come to $4,450 per year. Tuition and fees at the state’s best known independent university, Duke, are over $30,000 per year. One finds a smaller but still significant differential when comparing middle-range schools. Tuition and fees for North Carolina residents at the University of North Carolina at Greensboro are $3,447; students at nearby Elon University pay $17,555. While it is true that many students in the independent colleges and universities pay less than the full tuition “sticker price” because those institutions often engage in price cutting (“financial aid”) in order to increase enrollments and/or meet demographic targets they have set for diversity in the student body, it is still the case that state universities set tuition well below cost. In 2001, state appropriations supplied nearly 31 percent of the funds expended by public four-year colleges and universities, whereas tuition and fees accounted for just 17.7 percent. (14) When a student decides to attend a state college or university, taxpayers foot a large percentage of the expense.

The federal government also plays a large role in subsidizing higher education, with a variety programs – grants, loans, work-study, and tax credits -- that annually cost taxpayers in excess of $71 billion. (15)
Due to government subsidies, most students and their families do not have to bear the full cost of a decision to enroll in higher education. While we frequently hear complaints over the rising cost of going to college – most often in conjunction with a political proposal for action to solve this alleged problem – few American students have to forego higher education for financial reasons. Researchers Jay Greene and Greg Forster recently concluded that, based on 2000 data, approximately 1,299,000 students were qualified to enroll in a four-year college by virtue of their high school courses and standardized test scores. That year, the number of students who actually enrolled in four-year institutions was greater than the number who were qualified (1,341,000), leading the authors to conclude, “While some college-ready students are undoubtedly denied the opportunity to attend college, the results of this study suggest that the number of such students is not large.” (16) A report published in 2004 by the Congressional Budget Office came to the same conclusion, finding that financial hurdles are “not a major obstacle to college attendance.” (17)

By keeping the price of college artificially low with state and federal subsidies, attendance is increased, although it is impossible to say just how much higher college enrollment is compared to what it would have been in the absence of subsidies. The increase in demand for higher education has also led to rising costs and calls for more governmental aid to offset them. Keeping the price of college artificially low also appears to have an adverse effect on student effort. The more heavily subsidized the student, the less effort he puts forth. Economist Aysegul Sahin summarizes her findings as follows: “low-tuition, high-subsidy policies cause an increase in the ratio of less
highly-motivated students among the college graduates and that even the highly-motivated ones respond to lower tuition levels by choosing to study less.” (18)

Not only is college highly subsidized, but many young people obtain poor information about it, pressuring them to enroll despite their lack of academic interest or aptitude. A major source of that information is high school teachers and counselors. Professors Kenneth Gray and Edwin Herr write in their book *Other Ways to Win*, "Among the ‘true believers’ in *one way to win* are high school teachers and guidance counselors. Both should know better….According to disturbing research by Oakes (1985) and others, teachers in the average high school have a pejorative view of non-college-bound teens….An amazing 57.2% of the students in even the lowest quartile said their teachers had recommended that they go to college.” (19)

Teachers and counselors strongly encourage most high school students – even academically weak ones – to enroll in college. Students repeatedly hear the conventional wisdom that getting a college degree will make the difference between a comfortable life and a life of drudgery. Rarely do they hear it said that going to college could be a costly mistake and that other opportunities might be better for them. The “go to college” siren song lures into higher education a large number of students who are not interested in college except as a means of obtaining a supposedly indispensable credential.

Therefore, higher education fits the model for a good or service that can be oversold. Its price is kept artificially low by government subsidies, and many people believe that obtaining a college degree ensures them a good life, which it does not.
College and Educational Value

The view that the education establishment propounds to Americans goes something like this: American students who go to college study hard to master difficult material that is essential for their (and our) success in an increasingly competitive and “knowledge-based” economy. Those who graduate burst out into the world with all that skill and knowledge, enabling them to take good jobs at high salaries. Earning a college degree significantly increases the student’s human capital, redounding not only to his own benefit, but also to the nation as a whole. Higher education is an excellent investment in human capital, and like other kinds of capital, the more we have of it, the better.

Unfortunately, that view of higher education is largely inaccurate.

True, some American students (along with a large component of foreign students who study here) really do study hard and master the difficult material they need in order to perform demanding work in commerce, science and technology, and some are in college because they have a thirst for knowledge and want to learn from experts. Many others, however, don’t have much interest in studying to improve their knowledge and skills. Accustomed to getting by in K-12 education with a minimum of effort, a large percentage of students entering college can now be described as “disengaged.” Professor Paul Trout of Montana State writes that such students,

[D]o not read the assigned books, they avoid participating in class discussions, they expect high grades for mediocre work, they ask for fewer assignments, they resent attendance requirements, they complain about course workloads, they do not like “tough” or demanding professors, they do not adequately prepare for
class and tests, they are impatient with deliberative analysis, they regard intellectual pursuits as “boring,” they resent the intrusion of course requirements on their time, they are apathetic or defeatist in the face of challenge, and they are largely indifferent to anything resembling an intellectual life. (20)

Or consider this description by Professor Thomas Reeves of his history students:

These amiable, polite, almost invariably likeable young people read little or nothing. In a class of 50, not more than one or two read a newspaper daily; what tiny grasp they have of current events comes from television news. Reading books and magazines outside the classroom is not something they would even consider doing. In short, they have no intellectual life and see no need for one. They can talk about several things, including their jobs, television, sports, and Rock, but they are often baffled and sometimes irritated to hear from their professor that there is more to life. If that “more” requires reading, they aren’t interested. (21)

In short, colleges and universities, particularly the large majority that are not selective among applicants, are admitting substantial numbers of students who are fundamentally disinterested in the *raison d’etre* of higher education – the life of the mind.

Why do students who aren’t interested in studying go to college? For many, it’s several years of fun between high school and the time when they’ll have to start earning a living – several years of “beer and circus,” to borrow the title of a book by Professor
Murray Sperber. As Milton Friedman puts it, college “attract(s) many young men and women who come because the fees are low, residential housing and food are subsidized, and above all, many other young people are there. For them, college is a pleasant interlude between high school and going to work.” (22) Furthermore, many young people see going to college as the prerequisite to landing a good job and enjoying the good life – Gray and Herr’s “one way to win.” Those students want the degree, but with as little effort as possible, as Professor David Labaree noted in the quotation at the beginning of this paper. In his view, the “credentialism” rampant in American education undercuts learning since it means “directing attention away from the substance of education, reducing student motivation to learn the knowledge and skills that constitute the core of the educational curriculum.” (23) With large numbers of students enrolled who have little or no interest in academic pursuits, it is hard to disagree with the view of Stephen Balch, President of the National Association of Scholars, that “we don’t so much have higher education as we have longer education.” (24)

Why do colleges and universities want students who aren’t interested in studying? It’s because they bring in revenue. Schools like Harvard and Princeton don’t have to worry about their finances, but most schools are ravenous for every dollar of tuition, grant and loan money, room and board money, and student fees. (As Harvard’s president Derek Bok has written, “Universities share one characteristic with compulsive gamblers and exiled royalty: there is never enough money to satisfy their desires.” (25)) They know that they accept large numbers of disengaged students, who will need remedial (or “developmental” to use the preferred euphemism) courses, and that even with those courses, many will struggle in school or drop out. (26) But many colleges and universities
would face a tremendous financial problem if they only accepted serious, well-prepared students. Gray and Herr remark that the excess capacity at schools that have expanded “removes the obstacle of admissions standards; as enrollment declines, colleges take in fewer qualified applicants and then finally all applicants.” (27) Some administrators even admit that they have made a Faustian bargain – large enrollments at the expense of academic integrity. Stephen C. Zelnick, vice provost for undergraduate studies at Temple University, says that academic demands on students “went slack” in the mid-1990s “when Temple decided to open its doors to all and sundry in order to pay its bills.” (28)

Fifty years ago, when disengaged students were accepted in college (which was rarely the case), they would usually drop out or flunk out quickly. Prevailing academic standards were too demanding for them. As more and more disengaged students enrolled, however, and administrators decided that they wanted them to remain in school for the sake of the institution’s bottom line, the inevitable result was downward pressure on academic standards. Where there used to be difficult mandatory courses – calculus and laboratory sciences, for instance – now students often have the option of taking simpler courses instead – courses that reflect students’ lack of preparation for college and their aversion to challenging work. At many institutions, the rigor of the curriculum has been eroding steadily in an effort to cater to students’ desires for courses that are entertaining and easy. (29) The curriculum has also been eroding due to the desire of professors to teach only very specialized courses that track their current research interests. Harvard professor Harvey Mansfield observes that among the reasons for the ouster of Harvard’s former president Larry Summers was the fact that he “proposed a curriculum review that would result in solid courses aimed to answer students’ needs,
replacing stylish courses designed to appeal to their whims. Such courses would require professors to teach in their fields but out of their specialties; no longer would they assume that the specialized course they want to teach is just the course the students need.” (30)

Owing to the degradation of the curriculum, there is reason to believe that the typical college graduate today is no better educated than was the typical high school graduate of 1955. (31)

Attempting to teach a course where a large percentage of the students are “disengaged” leads to difficulties that often cause professors to compromise their standards and cater to student preferences. Consider this passage from Peter Sacks’ book Generation X Goes to College: “Overwhelmingly, our colleagues told us they were watering down their standards in order to accommodate a generation of students who had become increasingly disengaged from anything resembling an intellectual life.” (32)

Desiring to avoid bad student evaluations or simply to be popular, many professors have chosen to lower their expectations, remove challenging material, and give only high grades. Professor Murray Sperber calls it “the faculty-student nonaggression pact” – the implicit understanding that students will be given high grades in return for minimal work, while the professor puts little effort into teaching the course so he can concentrate on his research. (33) That approach helps attract and retain students, but it does little to develop their human capital.

In order to remain popular with unmotivated students, professors have widely chosen to relax academic requirements and standards, a la Professor Sacks. Perhaps the most egregious weakening in most college programs these days is in their composition courses, which are supposed to teach good writing skills. In years gone by, employers
could generally depend on a college degree as signifying that the individual at least had the ability to write reasonably well. Unfortunately, that is no longer the case. Composition courses today often neglect elementary matters such as punctuation and sentence structure. Moreover, the amount of written work required of students has declined, both in K-12 education and in college, and what writing is required is seldom strongly critiqued by the professor. (One reason for that, as Sacks points out, is that many students have been led to believe that writing is just a matter of personal style which should not be subjected to criticism.) Consequently, many college graduates enter the labor force with woefully inadequate writing skills.

That weakness was highlighted in a recent report of The National Commission on Writing, which concluded that “Corporations…express a fair degree of dissatisfaction with the writing of recent college graduates – and also with academic styles of writing, unsuited to workplace needs.” The report included telling comments from business leaders such as “The skills of new college graduates are deplorable – across the board; spelling, grammar, sentence structure…I can’t believe people come out of college now not knowing what a sentence is.” (34)

Further underscoring the fact that a college education often leaves students with poor basic skills is the December, 2005 report released by the National Assessment of Adult Literacy (NAAL). That study sought to evaluate the level of literacy of American adults in three domains: prose, document, and quantitative. For college graduates, the results were disappointing. In prose literacy, for example, three percent of college graduates fall into the “below basic” category, indicating extremely poor skills in comprehending prose; 14 percent were at the “basic” level; 53 percent were at the
“intermediate” level; and just 31 percent could be regarded as “proficient.” (35) Those numbers, which show declining literacy compared with the 1992 study, are hardly consistent with the idea that colleges are doing a great job of preparing students for intellectually demanding work in a competitive world. They are, however, quite consistent with the vision of many disengaged students plodding their way through college with minimal effort and little to show for it. They are also consistent with the idea that a college education today is less beneficial for many students than was a college education in previous decades.

There are, of course, some schools where education is still a very serious business, and individual departments in many others where that is the case. Some students do benefit greatly from their college years by finding those institutions and departments where standards remain high and the objective is not just to grant as many degrees as possible. Fortunately, many young Americans manage to navigate to the islands of excellence and graduate with greatly enhanced human capital. For many others, however, college education is now a mushy concoction of watered down, trendy, and frivolous courses that do little to enhance their skills or build their knowledge base. Those students graduate with weak analytical and communication skills because such skills are no longer necessary to earning a degree. The conventional wisdom’s assumption that college studies boost students to a higher plane of productivity by enhancing their mental capabilities is based on a view of college education that is sadly out of date.

The accumulation and transmission of knowledge, unfortunately, is no longer the main business of many colleges and universities. Instead, they have become large
business enterprises, albeit non-profit ones. University of Florida professor James Twitchell expressed the new college reality when he wrote,

Private dollars now account for about 30 percent of the University of Illinois’ annual budget, about 20 percent of Berkeley’s, and about 10 percent of Florida’s. In a sense, tuition-paying undergrads are now the loss leaders in the enterprise. What used to be the knowledge business has become the business of selling an experience, an affiliation, a commodity that can be manufactured, packaged, bought, and sold…. The professional manager has replaced the professor as the central figure in delivering the goods. (36)

Whereas students’ minds used to be the chief concern of colleges and universities, it is now more their bank accounts (more accurately, that of their parents and of the taxpayers). If students happen to learn anything useful while enrolled, that’s good, but if not, as long as they’ve paid their bills, that’s not the university’s problem.

The Average Earnings Argument

If college studies do so little to augment a person’s human capital, then why is it that, on average, college degree holders earn so much more than do those who don’t have them? That fact stands as an apparent refutation of the argument that college studies are of minimal benefit to many students.

Jeff Madrick, quoted above, points to the significantly higher average incomes of college degree holders and assumes that the key to boosting the incomes of poorer Americans (thereby helping to solve what he views as the problem of income inequality) is to help more of them go to college. This “higher average earnings” argument is used by many other higher education proponents. (37) It appears to make sense – the lack of a
college education is what is holding poorer Americans back. There is, however, a logical problem in moving from the observation that college degree holders on average earn more than do non-degree holders to the conclusion that particular non-degree holders would secure better, higher-paying employment if only they could go to college and obtain a degree. After all, those who go to college and those who don’t are people with very different characteristics; we should not expect that adding more formal education to a person who wouldn’t otherwise go to college will necessarily have much effect on him.

Instead of looking at average earnings for each group -- which inflates the earnings of the college-educated by including many fabulously wealthy professionals and business executives, while depressing the earnings of those without college degrees by including many individuals who are scarcely literate -- it is more sensible to focus on the workers at the margin. The right question to ask is this: For high school graduates who might have gone to college but did not, is it the case that their earnings would be significantly higher if they had instead enrolled in college?

The answer to that question is “no,” for two reasons. First, individuals know their own desires, aptitudes, and prospects better than outside observers. A decision to forego college – especially in light of all the pressure on students to enroll -- is usually deliberate and informed. If a young man or woman chooses to enter the labor force right after high school, that probably reflects an intelligent weighing of the relevant costs and anticipated benefits. For example, a young man may like the idea of working with his hands, perhaps as an auto mechanic, and dislike the work required in college -- reading, studying, writing papers. If he concludes that college would be a poor use of his time and money because his interests and aptitudes do not lie in an academic direction, that
decision is presumably a sensible one. Therefore, we should not assume that people who don’t go to college are foolishly giving up an excellent opportunity to improve their lifetime earnings.

Second, there are quite a few job opportunities available to high school graduates that favorably compare in earnings with many of the jobs where a college degree is “required.” (38) (As we will see below, the college degree requirement for many jobs has nothing to do with human capital needs, but instead is merely a crude screening mechanism.) That young man who foregoes college to become an auto mechanic probably earns more than a classmate who spent four years in college and then took a low-skill job such as working as a theater usher, office clerk, or derrick operator – jobs that to a significant degree are now held by people who have earned college degrees. (39) Contrary to the conventional wisdom, having a college degree is neither a necessary nor a sufficient condition for finding employment that pays well enough to enjoy a comfortable life. People who don’t have the interest or aptitude for serious college studies at age 18 may find that later in life they do, but those who enroll just because they think that the mere possession of a college degree is the passport to success will just dig themselves a financial hole.

It simply is not true that everyone would be better off with more years of formal education, as the average earning comparison implies. Most if not all low-income individuals who do not have college degrees would have no brighter job prospects even if they could manage to earn a college degree. Indeed, given the monetary and opportunity cost involved in getting a degree, many mediocre to weak students who now enroll in college would probably be better off if they instead partook of some vocational training
and then entered the labor force. A college education is very beneficial for some students, but we can’t raise national income by dipping further into the non-college population and enticing more of that group to spend time and money in pursuit of a degree.

The “Need” for a College Degree

The argument that for many students, the four, five, or more years devoted to college are a poor investment collides with another of the pieces of conventional wisdom about higher education, namely that the economy is changing in ways that put a greater premium on skills than ever before and therefore more and more people need to earn college degrees. Bowen, Kurzweil and Tobin write, for example, “Given the growing economic importance of technology, the need for a highly skilled workforce can only become more acute.” (40) While it is indisputable that technology will play an increasingly important role in our economy, it does not follow that college studies are the best or only way for workers to acquire the skills they will need to succeed.

First, there is good reason to doubt that the economy is undergoing any marked change that will call for an increasing investment in formal education by workers. In the foreseeable future, there will continue to be strong demand for workers in occupations calling for only on-the-job training or an associate’s degree. The notion that advancing technology will make most jobs “knowledge work” that cannot be done by people who have not earned a BA or higher is demonstrably untrue.

The U.S. Department of Labor’s periodic analyses of projected trends in the labor force show that most of the occupations expected to show the greatest job growth in the next decade will be in work that does not require a college degree. In order of their
anticipated growth, the top ten jobs are: retail salespersons; registered nurses; postsecondary teachers; customer service representatives; janitors and cleaners; waiters and waitresses; food preparation and serving workers; home health aides; nursing aides; and general and operations managers. Of those, only postsecondary teachers and general and operations managers are positions that call for advanced education. Jobs that do not call for advanced coursework before one can perform them are still abundant and will remain so well into the future.

Buzzwords like “the information economy” should not be taken to mean that some great transformation is occurring that makes a college degree imperative for nearly everyone. Professor Randall Collins has noted that tendency and comments, “Many people have been mesmerized by the high-tech sector and easily fall into the rhetoric that makes it a justification of massive educational expansion. I will not repeat the analyses given elsewhere, but only note that the skills of cutting-edge high-tech industries, such as computers, are generally learned on the job or through personal experience rather than in the formal bureaucratic setting of schooling.” Thus, it does not follow that merely because work involves the use of technologically sophisticated capital, the individuals who do that work must have a college degree to be able to perform it. Professor Michael Mandel has found evidence that workers without any higher education can readily adapt to using new and more technologically advanced equipment when they need to.

Furthermore, it is questionable whether all the jobs that are now said to “require” a college degree in fact require any skills or knowledge that would presumably be possessed only by college graduates. Many employers today use the college degree as a means of screening out applicants who haven’t continued their formal education past high
school. They do so not because the work necessarily demands a high degree of cognitive ability, but rather because there is such a large pool of applicants with college credentials that they see no need to consider people without them.

Increasingly, entry-level jobs in business are now open only to individuals who have a college degree. That is not because the work has become so much more difficult that it can’t be learned by someone who hasn’t obtained a BA. The “requirement” is not for a high level of cognitive ability or specific training, but only for a piece of paper that signals to the employer that the individual is probably more readily trainable than is a person with only a high school diploma. (44) As Engell and Dangerfield write, “(T)he United States has become the most rigidly credentialized society in the world. A B.A. is required for jobs that by no stretch of imagination need two years of full-time training, let alone four.” (45)

Professor David Labaree explains why credential inflation is a problem:

The difficulty posed by (the glut of graduates) is not that the population becomes overeducated (such a state is difficult to imagine) but that it becomes overcredentialled, as people pursue diplomas less for the knowledge they are thereby acquiring than for the access that the diplomas themselves provide. The result is a spiral of credential inflation, for as each level of education in turn gradually floods with a crowd of ambitious consumers, individuals have to keep seeking ever higher levels of credentials in order to move a step ahead of the pack. In such a system, nobody wins. Consumers have to spend increasing amounts of time and money to gain additional credentials because the swelling number of credential holders keeps lowering the value of credentials at any given
level...Employers keep raising the entry-level education requirements for particular jobs...but they still find that they have to provide extensive training before employees can carry out their work productively. At all levels, this is an enormously wasteful system.... (46)

Credential inflation also explains why the earnings premium for college graduates continues to rise: more and more of the job market is closed off to people who have not gone to college. It is not that college does so much to enhance human capital – we have already seen evidence that it often leaves students with weak basic skills – but rather that credentialism is compressing those who don’t go to college into a shrinking segment of the labor market. As Labaree says, it is enormously wasteful to send students to college merely because credential inflation demands a costly educational investment in order to have a chance at simple jobs.

**College Graduates with “High School” Jobs**

Further undermining the notion that the U.S. needs to “invest” more in higher education is a point already alluded to, namely the fact that many who already have earned college degrees are working at what used to be known as “high school” jobs.

Anecdotal evidence of that phenomenon has been around for years. In her book *Bright College Years*, Anne Matthews wrote, “Market saturation is on everyone’s mind; one college graduate in five now works on a job that does not require a college degree. A third of Domino’s pizza-delivery drivers in the Washington, D.C. area have B.A.s. A recent warehouse-supervisor job ad for The Gap is all too clear: ‘Bachelor’s degree required, and the ability to lift fifty pounds.’” (47) For all the talk about the “new
knowledge-based economy,” the great majority of employment opportunities are little
different than they were before the days of the computer. Things must be made; things
must be sold. Things must be transported; things must be repaired. Services must be
rendered. Some of those jobs demand a high degree of knowledge and skill, but most
don’t. With burgeoning numbers of college graduates, we should not be surprised to find
that many of them – especially those who obtained easy, low-effort degrees in soft
subjects – can do no better in the job market than delivering pizza, selling coffee, or
taking theater tickets. Even if employers insist on screening out those who don’t have
college degrees, the work is still simple and demands no academic background.

And there is more than just anecdotal evidence of widespread mismatch between
formal education credentials and employment. Bureau of Labor Statistics economist
Daniel Hecker found that the proportion of college graduates who were working in “high
school jobs approximately doubled between the late-60s and the 1980s. (48) In 1999,
economists Frederic Pryor and David Schaffer examined that phenomenon in their book
Who’s Not Working and Why. Pryor and Schaffer concluded, “An increasing share of
university-educated workers are taking jobs where the average educational level has been
much lower….From 1971 through 1987, a rising share of male and female university-
educated workers of all ages took such high school jobs.”(49) They conclude with this
devastating assessment: “The low functional literacy of many university graduates
represents a serious indictment against the standards of the U.S. higher educational
system.” (50) More recent evidence on the overflow of college graduates into jobs that
can be done without anything more than some on-the-job training comes from Bureau of
Labor Statistics data noted above. (51) If large numbers of students go to college, learn
little, and then have to settle for jobs that a high schooler could do with just a bit of
training, then we have certainly oversold college.

Thus, while a college education has been widely promoted as the essential step
toward good employment, it now clearly fails in that regard for many students. Due to
the expansion of higher education and the concomitant decline of academic standards, the
pursuit of a college degree often means little or no gain in human capital for the student,
and employment prospects that are no better than if he had entered the labor force after
graduating from high school. (52)

By overselling higher education to young Americans, we cause many of them to
take a costly detour through college before finding out that there are good jobs available
to individuals with the right training. Machinists, for example, are in high demand these
days, particularly if they are capable of doing precision, “Swiss-style” work that demands
knowledge of highly sophisticated equipment. (53) Employers have even taken to paying
bonuses to attract the workers they need. According to Jerry Jasinowski, president of the
National Association of Manufacturers, “It’s clear that a hot emerging issue for
manufacturing is a skilled-worker shortage.” (54) The required skills, however, are ones
that are learned on the job, not in a classroom.

Auto mechanics are also in short supply. A Forbes magazine article highlights
the success of Universal Technical Institute (UTI) in training mechanics to fill this
rapidly growing market. “UTI is exploiting the nightmare every car owner has
experienced: There aren’t enough good mechanics, especially as vehicles grow more
complicated and computerized. The Bureau of Labor Statistics estimates an annual
shortage of 31,900 automotive service technicians and mechanics through 2012.” (55)
Good mechanics with as little as seven years experience can earn as much as $80,000 per year, according to the article.

To paraphrase Mark Twain, the death of good employment for people who don’t go to college has been greatly exaggerated.

**Higher Education and Economic Growth**

As was noted above, part of the conventional wisdom about higher education is that by “investing” in it, a state can improve its economic performance. Michigan’s Governor Jennifer Granholm, for example, says that higher education is like “jet fuel” for the economy. (56) Is it true, however, that increased government spending on higher education means increasing prosperity for a state or a nation?

One scholar who questions the conventional wisdom is Professor Richard Vedder of Ohio University. After analyzing state higher education spending and corresponding economic performance, Vedder concluded that there is actually a *negative* relationship between the two. He writes,

I expected either a statistically significant positive relationship between public support of higher education and economic growth…or no statistically significant relationship whatsoever….The results, however, are *significantly negative* (at the 1 percent level) – increases in the portion of a state’s income used to support higher education are associated with *lower* rates of economic growth. (57)

Vedder calculates that a 10 percent increase in state higher education spending will *reduce* economic growth in the state by 5.2 percent. He explains his unexpected result by
noting that much of the money that is spent in public universities goes for non-
educational purposes and observing that taxation to increase expenditures on higher
education have an opportunity cost – more beneficial private sector uses. Vedder writes,
“financing of higher education means taking resources away from the private sector, with
its relatively high and rising productivity subject to the discipline of market and profit
imperatives, and giving them to the university sector, with its lower and falling
productivity subject to little market discipline and no profit imperatives.” (58) His
conclusion that increases in higher education spending correlate with reduced economic
growth is not surprising in view of the evidence adduced in this paper that American
colleges and universities are to a considerable degree “educating” students who derive
little benefit from their courses. If higher education is largely a means of extending the
basic education that used to take 12 years to 16 or more years, then it is not at all
surprising that pouring more resources into it should have no economic benefit.

International comparisons also support the conclusion that there is no necessary
relationship between the extent of higher education participation and economic
prosperity. Wolf points out that there are nations that have “invested” heavily in
education, resulting in large increases in the percentage of the population with college
educations, which nevertheless have languished economically. At the same time, there
are nations which have very strong economies where there is little or no effort to promote
higher education access. She points to Egypt is an example of a nation in the first
category and to Switzerland of the second. (59)

The Consequences of Overselling Higher Education
Because the U.S. has so oversold higher education, we suffer several adverse consequences.

First, we waste resources on a more extensive higher education system than is necessary. We employ more professors, administrators, and support personnel than would be the case if individuals were not subsidized and prodded to attend college.

Second, we have brought on credential inflation. People feel the need to invest in higher and higher academic degrees in order to impress prospective employers. Credential inflation does not give us a more skilled workforce because little of the coursework students do to earn their credentials enhances their human capital. It does, however, work against the welfare of individuals who do not have the time, interest, or money to keep up with the credentials race. They are foreclosed from competing for many jobs that they could perform because employers now use college credentials as a screening device. Therefore, credential inflation is costly not only to those who pursue their educational credentials, but also to those who do not.

Third, the overselling of higher education tends to depress academic standards, thereby weakening the benefit of college studies for those students who are serious about further developing their minds. “Disengaged” students often use the leverage they have (particularly the end-of-term faculty evaluation) to pressure professors into making courses easier and assigning only high grades. (60) School administrators who want to keep enrollments high often encourage professors to keep their students content, and professors know just how to do that – assign less material and grade leniently. All of that helps weak students coast through to their degrees, but it wastes time and money for students who have the desire and aptitude to learn more.
**What Should Be Done**

This paper has argued that higher education is oversold because a) many students have an unrealistic idea about the benefits they will derive from it and b) the cost of college attendance is heavily subsidized. What are the appropriate policy responses?

The best (and only appropriate) policy response to the informational aspect of our “overselling” problem is to rely upon the free flow of information. As people learn that more and more college graduates are winding up with unskilled employment, the blandishments of college recruiters will become less persuasive. Furthermore, competitive institutions offering job training that is more focused and beneficial than the traditional college degree have strong incentives to sell their programs to people who know what kind of career they want to pursue. A good example is Northface University in Utah. With backing from IBM, this for-profit school provides an intensive 28-month program for students who want to pursue careers in the burgeoning field of software development. (61)

As to the cost aspect of “overselling,” the federal government should end its policies of subsidizing students to attend colleges and universities. Hillsdale economics professor Gary Wolfram has advocated that federal student aid programs be phased out over a period of years. (62) Such a move would not leave students whose families cannot afford the expense without financing options, since there are many loan and scholarship programs available on the free market (63). Also, a new higher education financing mechanism appears to be developing – “human capital contracts” whereby a student obtains the money he needs for his education and in return agrees to repay the investors at a certain rate for some number of years after entering the labor market. (64) The great
advantage of philanthropic and market-based financial aid for education is that it can be targeted to bright students from poorer families rather than subsidizing the wealthy and the academically indifferent.

State governments should increase both their tuition charges and their entrance standards. Selective tuition reductions for good students from poor families is preferable to a policy that keeps tuition low for everyone.

As indicated above, all states subsidize their higher education systems to some degree, although the degree varies greatly. In some states, tuition covers less than 25 percent of the cost of the higher education system, while in some others it covers more than two-thirds. There is no reason why tuition should have to cover all of the cost of higher education – colleges and universities have substantial sources of revenue other than tuition and government appropriations – but by increasing tuition, the attractiveness of going to college will diminish, especially for the most marginal and “disengaged” students. Having to pay more for higher education where the benefit of that choice is questionable will cause some young people to pursue other training or job market options instead.

Equally if not more important, colleges and universities should increase student entrance requirements. As the NAAL data show and many professors attest, colleges and universities admit substantial numbers of students who have very poor literacy skills. Remedial courses may suffice to get some of those students up to the level that ought to be required to do college work, but the place for remedial coursework is not in a college or university. Two-year schools or private tutorial services can provide the necessary help at lower cost. Through such programs, students who truly desire to partake of higher
learning and not merely to get a credential for the sake of employability will be able to improve their skill levels to the point where they can do serious college work.

Higher education is extremely valuable for some people, but not for everyone. By promoting it as heavily as we have in this country, we haven’t raised either the level of education or skill in the population, but instead have brought on credential inflation and the erosion of academic standards. Our best course is to turn down the sales campaign that has drawn so many weak students into college.

Notes

4. Ibid.


13. In at least two states, North Carolina and Arizona, low tuitions are a constitutional mandate. North Carolina’s constitution states that “The General Assembly shall provide that the benefit of the University of North Carolina and other public institutions of higher education, as far as practicable, be extended to the people of the State free of expense.” (Article IX, section 9)


26. According to the U.S. Department of Education, National Center for Education Statistics, “Remedial Education at Higher Education Institutions in Fall 2000,” approximately 28 percent of the students enrolled in American colleges and universities have serious academic weaknesses and must take one or more remedial courses in an attempt to bring their language and math skills up the the level required for college coursework. The effects of remediation have not been widely studied. Bettinger and Long, after studying remediation in math at six Ohio institutions, concluded that it probably helps some students overcome their deficiencies, while causing others to drop out or transfer to a school where the work is less demanding. See “Shape Up or Ship Out: The Effects of Remediation on Students at Four-Year Colleges,” National Bureau of Economic Research Working Paper #10369, March 2004. The willingness of institutions to admit unprepared students has drawn considerable criticism. For example, Professor Robert M. Costell writes, “The problem is that
university administrations do not bear the costs of low admission standards, or of selective exemption from these standards. They are borne by students who are ill-served by the well-intended generosity of admission offices; they are borne by parents and high schools, who can no longer credibly urge the young to work hard in order to get into college; they are borne by better prepared students who find their university educations diminished by lax standards; and, of lesser importance to be sure, they are borne by faculty who face the challenges both of educating students of vastly disparate qualifications, and of dealing with the disappointments of young men and women who are in over their heads through no fault of their own.” David W. Breneman and William N. Haarlow, *Remediation in Higher Education*, Thomas B. Fordham Foundation, July 1998, p. 36.

27. Gray and Herr, p. 35.


29. A lengthy list of courses that are either trendy or politicized is available at [www.af.org/publications/C&T](http://www.af.org/publications/C&T). Some examples: Cultural History of Rap (UCLA); Elvis as Anthology (University of Iowa); History of Magic and Witchcraft (Rutgers); Daytime Serials: Family and Social Roles (University of Wisconsin); Chicana Feminisms and Knowledges (University of Colorado);
How to be Gay: Male Homosexuality and Initiation (University of Michigan); Feminist Approaches to Science and Technology (Vassar). Numerous student comments on highly politicized courses can be found at www.NoIndoctrination.org. The weaknesses in the general education curricula has been analyzed in depth at several state university systems.


32. Peter Sacks, Generation X Goes to College (Open Court, 1996), p. 78. Later in the book, Sacks writes, “As matters stood, students were getting away with inferior work, getting good grades to boot, then sent away under the illusion that that’s how the real world worked….I knew that compromising standards in order to accommodate students had become a way of life at the institution. Everyone knew it, but nobody would ever publicly admit it.”


38. The recent book by Michael Farr and Laurence Shatkin, *300 Best Jobs Without a Four-Year Degree* (JIST Works, 2006) canvasses the labor market and finds that there are many decent-paying jobs open to individuals who have not earned a bachelor’s degree.


41. The pertinent Bureau of Labor Statistics report is available at


44. The question whether the higher earnings of college graduates is due to augmented human capital or to the fact that a degree signals greater trainability and reliability has been much discussed in the literature. See, e.g., Ivar Berg, Education and Jobs: The Great Training Robbery (Praeger, 1970); David Bills, “Credentials, Signals and Screens: Explaining the Relationship Between Schooling and Job Assignment,” Review of Educational Research (Winter, 2003); Jerry


50. Ibid., p. 68.

51. See n.36.

52. The oversupply of college graduates is not only apparent in the United States, but also in Britain. In their book *The Debate on Higher Education – Challenging the Assumptions* (Institute of Economic Affairs, 1999), authors Adrian Seville and James Tooley note “an astonishing level of graduate ‘underemployment’” in Britain. “Less than half of the graduates considered that the employment they had achieved up to three years after graduation required ‘graduate level ability,’ while one in ten reported that they were in a job which they knew had previously been held by a school leaver.” (p.30) This is consistent with the findings of Pryor and Schaffer that putting more and more students through college serves mainly to displace people who have lower educational credentials.


59. See Wolf, pp. 38-42.


