The education myth

The elite consensus on education hurts college students and recent graduates

September 9, 2015 2:00AM ET

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Almost everyone agrees that education, innovation and human capital are critical to economic growth and security. And anyone who can’t find a job or is stuck with a low-paying job is told to acquire the skills necessary to succeed in today’s economy.

Unfortunately, the results of believing in that myth have been catastrophic. Earnings have stagnated or declined for everyone except the very top earners, even for those who have educational qualifications, and jobs that didn’t previously require credentials now do. College-educated workers are increasingly forced to take jobs in low-paying industries.

The skills gap is not why workers aren’t prospering. If it were, those with higher skills should be doing better, not worse. Instead, employees are victimized first by policy failure — since the economy is not operating at full employment, those who depend on their labor for living may not find work — and second by the deluded guidance of experts who point to education as a panacea for all their problems.

As the chart below illustrates, the most-educated workers have seen their wages stagnate for the past seven years, and everyone else has suffered outright declines. A new study by sociologists Richard Breen and Inkwan Chung found that most of the increase in inequality over the last three decades occurred within different educational attainment groups rather than between them (i.e. the gap isn’t between high-school and college grads but within different educational categories). Instead, inequality primarily derives from the top 1 percent and 0.1 percent taking an increasingly large share of the national income. Breen and Chung conclude that equalizing educational attainment would do little to ameliorate such inequality.
Education hasn’t protected workers from falling wages. (Source: The Economic Policy Institute)

The education myth has also harmed the U.S. economy. For many young people, the harms are embodied in the increase in student debt and related pathologies such as job lock (being forced to stick with a bad job to make student loan payments) and low household formation (indebted graduates being forced to living with their parents). It also enables economic leeches such as for-profit higher education providers, senior university administrators and the student loan industry to prosper off young people.

Anxiety over bad job prospects reached its height during the recent recession and its immediate aftermath. At the same time, average student debt and payment levels as well as enrollment in for-profit colleges — whose students often depend on loans to finance their educations — increased starkly. Implicit federal subsidies to for-profit schools have also expanded dramatically, even as state-level appropriations to public institutions of higher education continue to be slashed. This was done on the premise that students will finance their educations when the benefits of doing so are obvious and the means exists in the form of loans.

The results are beginning to show in a wave of delinquencies, including the high-profile case of Corinthian Colleges, which went belly up in the face of state and federal regulatory scrutiny about its marketing promises and its graduates’ employment prospects. And employment and earnings outcomes for recent labor market entrants continue to lag their predecessors’. Those who continue to pay off debt accrued in pursuit of degrees they did or, worse, didn’t complete are laboring under the burden of a mistaken ideology. At the very best, professional credentials protect workers from the fate befalling those without — a very expensive rat race. But educational attainment alone
doesn't improve aggregate employment outcomes, nor do more degrees benefit the economy when it is operating below capacity.

The education myth blames the victims of economic misfortune for being underskilled and offers them a way out through debt-financed higher education credentials.

The education myth dubiously posits that increasing access to higher education can increase upward mobility and reduce racial inequality. But in a recent study, economists William R. Emmons and Bryan J. Noeth found that the effects of higher education are not the same across racial and ethnic groups. As shown in the chart below, the median net worth of a non-Hispanic white family without a college degree is higher than the median net worth of a black or Hispanic family with a college degree.

There are deep racial gaps in employment rates, even among college graduates. Cherrie Bucknor, a research associate at the Center for Economic and Policy Research, reports (PDF) that wages for black men have fallen since the late 1970s, including for those who followed the education myth and obtained a college degree. In fact, according to a recent analysis by Demos and the Institute on Assets and Social Policy, “increasing graduation rates would reduce the wealth disparity between black and white people by only 1 percent and between Latinos and whites by 3 percent.”
While the benefits of college rarely accrue to black people and Latinos, the costs do. As shown in the chart below, black and Latino students are far more likely to borrow for a bachelor's degree at public and private colleges and black students borrow nearly $4,000 more for their degrees. And such borrowing doesn’t guarantee a degree. “At all schools, nearly 4 in 10 (39 percent) of black borrowers drop out of college, compared [with] 29 percent of white borrowers,” according to Mark Huelsman, a senior policy analyst at Demos.

It is clear that more education doesn’t necessarily lead to economic security, but policymakers continue to tout higher education as a solution to the skills gap instead of addressing the economic malaise that prevents workers from putting their skills to productive use. In the 1998 film “Primary Colors,” presidential candidate Jack Stanton, played by actor John Travolta, tells laid-off New Hampshire factory workers to learn how to use “the muscle between your ears” to compete with foreign labor. Politicians, including Presidents Bill Clinton (after whom Stanton was modeled) and Barack Obama, have essentially made the same point in recent years.

Sadly, the ranks of the deluded include economists who continue to highlight the long-standing earning gap between those with and without college degrees as evidence that having more people earn degrees would close the gap. Many in the financial industry also apparently think that financing student loans is a socially productive use of capital and of their professional talent.

The education myth enjoys wide appeal because it follows a convenient pattern. It blames the victims of economic misfortune for being underskilled and offers them a way out
through debt-financed higher education credentials. But the true culprit is an economy that’s not working, largely by the choice of the people who govern it. By conveniently highlighting the supposed individual responsibility of workers, especially the young, the education myth overlooks the responsibility of policymakers and economic experts to do their jobs and make the economy serve the interest of the public.

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