A perusal of a few Web sites shows that applications for the class of 2015 at elite colleges are soaring—up 15 percent at Harvard, and up 17, 11, 10, and 7 percent at Penn, Northwestern, Duke and Stanford, respectively. Centre College, a very high-quality liberal-arts college, has applications up roughly 8 percent. In the past five years, applications at Northwestern have almost doubled—a 14 percent compounded annual rate of increase. Why, amidst sluggish economic growth and high unemployment, are applications soaring at expensive elite schools, far more so than at mid-quality state universities and liberal-arts colleges?

The answer is not, I think, that students are suddenly aware that these elite institutions are good schools. Rankings of colleges and universities have been around for decades; these rankings have not changed that much and were widely read years ago. Here is my explanation. At one time, having a college degree was a ticket to a good upper-middle-class job, because degrees were relatively rare. Now, a majority of Americans try to go to college, and a large minority actually get degrees. More and more degree holders are getting ordinary paying jobs, many which historically have not required a college degree. The bartender who served me a few days ago informed me that he had an above average (1187) composite SAT score, was a successful college graduate from a mid-quality university, and now, many years later, still serves beer and an occasional Long Island Iced Tea or Manhattan. That is not a rarity anymore. The value of a college degree as a signaling device denoting a high probability of vocational success has declined. Just as the value of money declines when there is too much of it, so too the value of a college education declines, for the same reason.

With big help from the indefatigable Chris Matgouranis, we calculated postgraduate earning differentials for colleges based on their selectivity. We used the Barron's College Guide selectivity classifications, and then obtained earnings data (alumni median salary by years of experience) from Payscale.com. The analysis thus far is limited to 235 schools (out of a total of 1154) in the categories “competitive,” “very competitive,” “highly competitive,” and “most competitive.” Thus far, we have not yet analyzed the two least competitive categories of schools.

The results are summarized in the chart below. Whereas average earnings for the 71 schools we examined in the “most competitive” group were over $94,000 for alumni 10 to 19 years past graduation, the figure for the “competitive” group (many mid-quality state universities) was less than $63,000. I estimated the discounted present value of the lifetime earnings advantage for graduates of “most competitive” schools compared with “competitive” ones to be about $768,000. Since the incremental cost of attending “most competitive” schools is dramatically less than that, students correctly perceive that attending a prestigious school has big payoffs.

There is other revealing information. The earning differentials grow over time, so the postgraduate work performance by some indicators is better in an economic sense for graduates of the more elite schools. That very likely is because the persons entering the most competitive schools are smarter and more disciplined than those going to the less competitive schools. Employers do what the colleges did earlier—they identify the best, the brightest, and the hardest working.

We are expanding our sample, adding less competitive categories, etc., in an attempt to complete a more thorough analysis. To be sure, the Payscale.com data are not perfect, and involve nonrandom samplings of past students. But there is no reason to believe the data are biased.
in any particular direction, and the total number of students sampled when the project is completed will be rather large.

Only a certain relatively small percent of the labor force has what might be termed desirable, high-paying jobs—maybe 10 or 15 percent. But if 30 percent of adults have bachelor’s degrees, a large portion of them will not get those good jobs, but some will. Employers who formerly looked indiscriminately at college graduates as being similar no matter where they went to school are no doubt now screening applicants by school quality. Thus job recruiters for big companies often go to the prestigious schools, but not to the less selective ones. Students unable to get into the more competitive schools often seek to overcome that deficiency by acquiring advanced degrees. Thus the diploma explosion feeds upon itself.

This entry was posted in Uncategorized. Bookmark the permalink.
replicated themselves by preferring WASP males from ‘good’ families—the families like the ones who make such decisions.

It’s good to see Richard Vedder doing some really useful research. My one quibble with the article would be the addition of the judgemental term "too" before "much" in the penultimate line of the second paragraph. Vedder could have made his economic point without riding a hobby horse.

These results could very well have been referenced in that other article today about research which confirms things we already know. The really interesting research would consist in determining why these results occur. Most of us would speculate, I suppose, that elite institutions provide opportunities for the creation of connections among the elite which lead to better jobs at better pay. Is that what does it? We all know about legacies and arguments about various forms of affirmative action, but it would also make sense for the elite to carefully admit a certain amount of carefully vetted (Vedded?) "new blood" through the filters of elite institutions in order to avoid too much inbreeding. Is that what happens when choices are made about the admission of particular female or Black or Hispanic or Appalachian students to the elite schools?--a bunch of guys who graduate with the "gentleman’s C" wouldn’t help you make the US News list these days (unless one was in charge of creating list, I suppose). Is there a correlation between the numbers of graduates of elite institutions in positions of political influence and the the decline of ostensibly public support for non-elite, public higher education?--are the elites carefully narrowing the opportunities for admission to their ranks? Are the higher earnings really deserved on the basis of the value of the work done or merely prizes that graduates of elite institutions give to each other in affirmation of their own (self-)importance—tokens of status: I’m valuable because I’m paid a lot, not I’m paid a lot because I’m valuable. Keep the data coming, Vedder--there could be some really useful research projects in the offing.

Another really big factor that seems to be missing is students' family wealth. We all know that it's true that it "takes money to make money" and also that wealthy students' families are going to be better connected socially/politically/job-hunting-ly, and thus coming from a wealthy family very likely leads to higher earnings for the degree offspring regardless of which university they attend. Combine that with the known skewing of wealthier families to the most elite universities, and you could end up statistically with family wealth being a major confounding variable to the attempt to correlate elite-status of the university with the lifetime earnings of the graduate. Obviously I'm making lots of assumptions about what the data WOULD say - my point is that if you're going to do quantitative analysis in this zone, you need to see what the data DOES say in this regard.

The paper to which hhhopf refers is by Dale and Kreuger, "Estimating the payoff of attending a more selective college". It was published in the Quarterly Journal of Economics in 2002 (vol. 117:4). This paper does argue that there is no substantial difference in future earnings when you control for SAT/ACT scores. Thus, equally capable students seem to do as well no matter where they attend school. Interestingly, the one group for whom attending an elite school helps is minority students. It is likely that the increased earnings of higher achieving students is based on a combination of intellectual talent and family/social connections. For students from minorities, going to an elite school probably helps establish the social connections necessary to get ahead in the hi-earning world.

There was also a study several years ago of (if I remember correctly) students accepted at the University of Pennsylvania who chose instead to attend Penn State. The study found no difference in later earnings between the those accepted at Penn who attended Penn State, and those who actually attended Penn. The authors concluded that what mattered was what the student brought to the school and not what the school
hard is it to grasp the essence of any confidence game? The hard part is getting over the ethical barrier; once you realize that only suckers play by the rules, it's simply a matter of following the rest of the logic. These days, the ticket gets punched, not with graduation but with admission to, say, Harvard. Once in, what does one really have to do in order to avoid being rewarded automatically with a Gold Ticket four years later? Half the top government officials and half the top industry execs come from a dozen or so “top” schools. Education has not one goddam thing to do with it, and anyone who denies this is a fool or a liar. There are still people in this country who believe in education, dedication, hard work, etc. We belong in the fool category.

1 person liked this.  

becauseisaidso 3 days ago in reply to dank48

Sigh. Harvard-bashing, again. As an alum, I prefer to do my own bashing, thank you, based on actual knowledge. While there are many things wrong with Harvard, the idea that sheer admission makes the outcome difference at the end is not well-informed. It's not even, in my opinion, social connections made, family wealth, the quality of teaching, Nobel-status of faculty, facilities, etc. There is one huge factor that people rarely acknowledge: the quality of the student body, not with respect to "making contacts", but with respect to the 24-7 learning that takes place among students. They are well-read, motivated, smart, focused, intense, multi-talented, seriously intellectual--about the most impressive group I have ever been among, including my PhD cohort at Famous-State U that followed. Being at Harvard (and this is certainly true of other top schools) was an every-day, almost every-waking-minute exercise in the development of arguments, critical analysis and mind vs mind gladiator combat. Maybe it's not like that now and it's as Gen X (or NeXt) as other places, but back in the day, although there were some slackers (they were a tiny minority), it was your peers--in nonstop serious discussion of every topic--that made the difference. I've never experienced anything remotely like it since (including three additional respected universities as a faculty member.)

5 people liked this.  

sand6432 4 days ago

The rise in applications to elite schools is surely an overdetermined phenomenon, attributable to multiple causes whose relative influence will not be easy to sort out. Other factors include the relatively recent move toward a "no loan" system by some of the most elite schools like Princeton and the adoption of the common application, which makes it much easier for students to apply to a large number of schools.---Sandy Thatcher

Copyright 2011. All rights reserved.  
The Chronicle of Higher Education  1255 Twenty-Third St, N.W.  Washington, D.C. 20037