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Episode 6: The Costs of College with Nobel Laureate Dr. David Card

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DI **Dr. Ian Anson** 0:05

Hello and welcome to Retrieving the Social Sciences, a production of the Center for Social Science Scholarship. I'm your host, Ian Anson, Associate Professor of Political Science here at UMBC. On today's show, as always, we'll be hearing from UMBC faculty, students, visiting speakers, and community partners about the social science research that they've been performing in recent times. Quantitative, qualitative, applied, empirical, normative. On Retrieving the Social Sciences we bring the best of UMBC's social science community to you.

DI **Dr. Ian Anson** 0:40

Today's episode is all about a topic that's near and dear to my cold and wizened professorial heart. That's right. We're talking about higher education. Each semester, I find it very instructive to engage my students in discussions about the costs and benefits of college because, well, you know, they always surprise and really intrigue me with their answers. Some students are super enthused about the value of their UMBC education, seeing it as a direct line to

00:00



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19:19

[Download on Android, iOS](#)[Log in](#)**DI Dr. Ian Anson 1:42**

Thankfully, students don't have to rely on social media bloviators and televised talking heads to give them the lowdown on the costs and the benefits of college. Social scientists are working hard to understand how higher education benefits students amidst a rapidly changing social and economic landscape. That's one of the primary research interests of today's featured guest, Professor David Card. Dr. Card is the Class of 1950, Professor of Economics at the University of California, Berkeley; the Director of the Labor Studies Program at the National Bureau of Economic Research; and the President of the American Economic Association. Those lofty credentials aside, Dr. Card is a prolific author of books and academic journal articles, and his work has been cited over 78,000 times, at least according to Google Scholar, which means there may be even more citations out there that even Google doesn't know about. For those not in the know 78,000 citations is, well, let's just say that it's a remarkable, staggering testament to the quality and relevance of Dr. Card's research. In the fall of 2020, we were fortunate to host Dr. Card virtually as he delivered the year's Mullen Lecture sponsored by the Department of Economics. Dr. Card has some definitive ideas about whether college is still worth it for students in the present economy. Let's listen in.

DC David Card 3:12

So by way of introduction, many people will probably be aware from the tone of conversation that they hear amongst analysts and others that United States at one time was the world leader in education. After, in the period, between 1940 and 1980 or so, U.S. had the highest or nearly highest share of high school graduates amongst all countries in the world, and the highest share of bachelor's degree students of all countries in the world. And those educational advances really are thought to have benefited not just the individuals who went to college or high school themselves, but also society as a whole helping to contribute to growth in the economy. We've basically fallen behind. And that falling behind actually began quite a long time ago, and is now really causing significant problems not just for, as I said, not just

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more likely to have a bachelor's degree, and so but both of them are below the trend where we might have thought we would be. So what went wrong? What caused this reversal for men and slow down for women in educational investments? Well, there's a couple of factors and they're kind of related to each other. And I'm just gonna highlight what we know about that. So the first factor was the baby boom. Do you know anything about the US history, you know, that people born around 1955 or so that was the largest cohort in US history in terms of births, so that was the peak of the baby boom. So what I'm going to argue in the next slide and try and give you some visual evidence of is that the baby boom coming through college, about halfway through the baby boom, all of a sudden, we stopped investing in education. So about halfway through the baby boom people going into college was people entering in the early to early 70s. And actually a very important person from Berkeley perspective, someone who had been a leading administrator on the Berkeley campus in 1971, wrote a book called *The New Depression in Higher Education*. Now, we're always having new depressions in, but this was a quite a remarkable depression book that noted what was going to happen. You can see this very sharp rise from 1940 to about 1960, '57 was actually the peak, so about an 80% rise, then it fell off. Now, what does that mean? Well, that means if we were going to try and keep the level of education for all those kids born in the 50s, if we're going to try and keep their level of education up, we were going to have to expand capacity of the university system. And there was some of that going on. But by 1970, people were looking forward and saying, well, we maybe don't want to invest quite that much, because we can have a lot of extra capacity once this big baby boom goes through. And so what actually happened, and the number of BAs produced, it was a more or less flat from about 1972 to about 1990. So with this combination of rapid increases in the number of people who are in the cohort, but a fixed fraction of number of BAs, there was a lot of congestion on university, there wasn't enough capacity to let everybody go to college. So there's a lot of research on how much that mattered, and the best guess comes from a paper by two economists, John Bound and Sarah Turner. And they estimate that this big increase in population was between 1950 in 1957, caused about a seven percentage point lower BA rate in the cohorts born. A second factor in terms of what was the difference between men and women, his it used to be that

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BAs were being awarded to women. By 1979 or 80, it was up to a half, and today it's around 60%. So what that did, in combination with rising number of children who would want to go to college, kind of a fixed capacity of the education system, not much investment, and now a lot more women wanting to go, basically squeezed out the men. So those two factors really contributed to a very bad situation for a man born in the say between 1955 and 1975. So people that would be kind of towards the end of their working careers now are in the late middle ages. So what were the implications of that wrong turn in the 1970s? Well, one of the implications of that wrong turn was that we are far below where we would have expected to be in terms of education in the economy. So instead of having steady growth in education, and the amount of human capital in the economy, we're now in a situation where, relative to that trend, we're several years behind in terms of average educational attainment. And those losses have big causal effects. So if you have two less years of education, then we would expect you would have had, then you're probably earning something like 15 to 20% less than we would have expected you to earn. There's also a very important spillover because if you have less education, chances are your children are going to have less education. Want to acknowledge in my talk that many, especially economists from not outside of my home institution, believe that education choices are driven by student demand, rather than by what I would call as an economist, the supply side rather than the number of seats available. Now, I suspect that many students and people on campus today find that a little bit hard to imagine. But there are still quite a large number of economists who believe that the thing that drives education is students wanting to go to education, not how many slots are available. So there's a way to test that. One way to test it is if you think that what we're doing is we're constraining the availability of good university slots, then that means that there's not enough people with high education. And that means that the returns to education will be quite high. So not enough people are getting that advanced degree, then the labor market will say, well, we need more advanced degrees, we can't find them. They're going to have to raise their wages so that our economists have always looked for the gap between the wages that college educated workers earn, and the wages that high school graduates earn as a measure of whether there's kind of a shortage of university graduates. The alternative idea that some

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actually, last few years if you once in a while you'll see an article in the newspaper, somebody saying, well, it's not worth investing in education because it's so expensive, we're not going to see returns, everyone can point to their favorite cousin who went to college and can't get a job, which of course isn't quite right, because that cousin wasn't going to get a job no matter what. But that that's the kind of argument that you often hear. So what's the story with returns to education? Has it really kept up, or has it failed? And here's what we see. This is an important series that the you can download from the Census Bureau. This is the College High School earnings gap. So it's the proportional wage difference between someone with a bachelor's degree and someone with just a high school degree. And it's kind of standardized for how old they are. So think of it as kind of an average across different age ranges. Another check that people have suggested is to look at the role of education in the labor market as a whole. So rather than focus on whether there's a return to an individual of obtaining a university degree, think about differences across cities. So think about a city like San Jose, California where Silicon Valley is located. That's a place where high education is in huge demand. What can we say about that? Is there any evidence that that's having an impact? And so one way that people have investigated that is to look at the relationship between average wages in a city and the amount of education in that city. So about if you're, if you're in a commute zone, CZ with 10% more college grads, you're going to earn about 8%, higher wages holding constant your own education. And that suggests that there's this, again, this sort of underinvestment going on. That we really need more educated workers, and we're not getting them and the market is trying to react to that. A third benchmark that we can think about is comparing the United States to other countries. Now, I grew up in Canada. In Canada, everyone is always thinking about how we're doing relative to the United States. And if you're European, the French are always comparing themselves to Germans. Germans are comparing themselves to the French, and so on. So this comparative perspective is important. In the United States is a little less common, but I think it's actually fairly insightful. So what can we do? So there's two obvious ideas. One is to increase the availability of higher quality college slots, which I think everyone in college age and presumably, many people in the audience would really strongly support. A related idea is

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college. And again, there's pushback, especially from economists, a more conservative nature, who believe that simply increasing spending on education isn't necessarily going to have a payback. And there's two arguments that they make. One is that just spending more doesn't do anything, because the money gets wasted. And the other argument they make is the kids who are on the margin, those who say, are just getting through high school and thinking about college, but not quite gonna make it, make that decision for sure. Those are the kids who, you know, right on the boundary between going on or not. Those kids aren't going to succeed in a good college because they basically don't have the skills. There was a long body of research starting in the 60s, another legacy of the 60s, that suggested that school resources don't have much effect and Eric Hanushek, who has given one of these lectures, is one have been one of the leading proponents of the view that school resources don't necessarily lead to any big X benefit. Now, a lot of the research that, that's reviewed, say in this famous paper by Hanushek in the 80s, or discussed in the Coleman report is research from a long time ago. And what really happened in my field of labor economics is a really great expansion in the way that we collect evidence and try and understand whether that evidence suggests kind of causal relationships that people would focus on. For instance, whether improvements in school quality and spending could benefit students. And a really important contribution in this area was a paper by, my, the person who this lecture is dedicated to, Alan Krueger. In 1997. He reanalyzed an experiment that had been done in Tennessee was called the Project Star where they took a bunch of entering kids, kindergarten and first graders, and gave them a much smaller class. And what he showed was what that experiment had always kind of showed what was thought to be less clear than he ultimately showed it was, was that there was a huge gain to those students in their test scores and subsequent work downs has shown that that actually persists into higher earnings and less involvement with crime. So lots of returns to that investment. So what we've learned is from the from the Star experiment that although it had relatively small effects, say on ninth grade test scores, so this was an investment for grades one to three, although it had relatively small effects on the test scores in high school, it had relatively large effects on the fraction who entered college, particularly for kids from

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Many of the states between the 1980s and today have adopted programs to increase spending at low income districts quite a bit relative to where they were. And they show that there are large returns to that those kinds of reforms, particularly on the test scores of children in low income districts. And finally, I'll mention this one last study that Lafortune and Scönholzer have a really interesting study of a big school building program in Los Angeles. Los Angeles, like many other large cities, had let its education system kind of deteriorate. And there were a lot of very low quality K 12, and schools all over the city. And they built 150 new schools over the 1990s and early 2000s. And these two guys studied the effect of that improvement in physical infrastructure, the school system and found big positive effects on test scores, on student effort, and actually on local housing prices. So people recognize that these new schools were such a gain for the neighborhood that they were willing to pay more to live there. So we've learned that, we've learned that there are big benefits to spending money on K 12 education, which pay off in terms of readiness for college and the fraction of kids who go on to college. What about college itself? There's a growing body of research in that area, which also supports the idea that improvements in college quality or kind of colleges that students can access actually benefit students and I'll mention...so to summarize, then, what can we say? Well, I think we can say that things went wrong in the 1970s. In the US, it looks like it was a very difficult period for the education system. And that ended up leading to much lower levels of education. For people born in the 60s, then for people born in the 50s, particularly for men. There's ample evidence that the problem is not that there's low returns to going to college. Rather, that there's a shortage of good slots at higher quality colleges, possibly combined with a group of students who are a little bit underprepared, and could benefit from better preparation and could use that to leverage themselves into a slightly better college attainment. So it looks like investments in K 12. and higher ed both can pay off. And I would, the last thing I would say is all of the evidence that any of these studies that I've mentioned, almost all of it has the same character, which is the gains that we could make by investing more in education would have particularly large benefits for children from more disadvantaged backgrounds. It's really important for us to think more broadly.

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Campus Connections (6x)

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Dr. Ian Anson 18:11

Dr. Bennett's research really resonates with me when I recall the lessons of today's featured guest. Dr. Card gives us renewed certainty that college is a good bargain for students and our society in general. Even as the costs seem so incredibly high. It seems the policies designed to bring those benefits to underrepresented groups, despite their perennial detractors in the media may still help spread those vital rewards to deserving students of every kind of academic and personal background. That's all for today's episode. Until next time, keep questioning.

DI

Dr. Ian Anson 18:42

Retrieving the Social Sciences is a production of the UMBC Center for Social Science Scholarship. Our director is Dr. Christine Mallinson, our Associate Director is Dr. Felipe Filomeno, and our production intern is Jefferson Rivas. Our theme music was composed and recorded D'Juan Morland. Find out more about CS3 and socialscience@umbc.edu and make sure to follow us on Twitter, Facebook, Instagram, and YouTube, where you can find full video recordings of recent UMBC events. Until next time, keep questioning.

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