

Why Did 17 Million Students Go to College?

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Two sets of information were presented to me in the last 24 hours that have dramatically reinforced my feeling that diminishing returns have set in to investments in higher education, with increasing evidence suggesting that we are in one respect “overinvesting” in the field. First, following up on information provided by former student Douglas Himes at the Bureau of Labor Statistics (BLS), my sidekick Chris Matgouranis showed me the table reproduced below.

Over 317,000 waiters and waitresses have college degrees (over 8,000 of them have doctoral or professional degrees), along with over 80,000 bartenders, and over 18,000 *parking lot attendants*. All told, some 17,000,000 Americans with college degrees are doing jobs that the BLS says require less than the skill levels associated with a bachelor’s degree.

I have long been a proponent of Charles Murray’s thesis that an increasing number of people attending college do not have the cognitive abilities or other attributes usually necessary for success at higher levels of learning. As more and more try to attend colleges, either college degrees will be watered down (something already happening I suspect) or drop-out rates will rise.

The relentless claims of the Obama administration and others that having more college graduates is necessary for continued economic leadership is incompatible with this view. Putting issues of student abilities aside, the growing disconnect between labor market realities and the propaganda of higher-education apologists is causing more and more people to graduate and take menial jobs or no job at all. This is even true at the doctoral and professional level—there are 5,057 janitors in the U.S. with Ph.D.’s, other doctorates, or professional degrees.

This week an extraordinarily interesting new study was posted on the Web site of America’s most prestigious economic-research organization, the National Bureau of Economic Research. Three highly regarded economists (one of whom has won the Nobel Prize in Economic Science) have produced “Estimating Marginal Returns to Education,” Working Paper 16474 of the NBER. After very sophisticated and elaborate analysis, the authors conclude “In general, marginal and average returns to college are not the same.” (p. 28)

In other words, even if on average, an investment in higher education yields a good, say 10 percent, rate of return, it does not follow that adding to existing investments will yield that return, partly for reasons outlined above. The authors (Pedro Carneiro, James Heckman, and Edward Vytlačil) make that point explicitly, stating “Some marginal expansions of schooling produce gains that are well below average returns, in general agreement with the analysis of Charles Murray.” (p.29)

Now it is true that college has a consumption as well as investment function. People often enjoy going to classes, just as they enjoy watching movies or taking trips. They love the socialization dimensions of schooling—particularly in this age of the country-clubization of American universities. They may improve their self-esteem by earning a college degree. Yet, at a time when resources are scarce, when American governments are running \$1.3-trillion deficits, when we face huge unfunded liabilities associated with commitments made to our growing elderly population, should we be subsidizing increasingly problematic educational programs for students whose prior academic record would suggest little likelihood of academic, much less vocational, success?

I think the American people understand, albeit dimly, the logic above. Increasingly, state governments are cutting back higher-education funding, thinking it is an activity that largely confers private benefits. The pleas of university leaders and governmental officials for more and more college attendance appear to be increasingly costly and unproductive forms of special pleading by a sector that abhors transparency and performance measures.

Higher education is on the brink of big change, like it or not.

Christopher Matgouranis helped enormously in preparing this posting.

UNDEREMPLOYMENT CHART		
OCCUPATION	PERCENT WITH AT LEAST BACHELOR'S	NUMBER
Customer service representatives	21.62	482,784
Waiters and waitresses	13.40	317,759
Secretaries, except legal, medical, and executive	16.64	311,440
Executive secretaries and administrative assistants	16.64	248,131
Receptionists and information clerks	12.89	141,476
Laborers and freight, stock, and material movers, hand	5.07	118,441
Janitors and cleaners, except maids and housekeeping cleaners	5.01	107,457
Truck drivers, heavy and tractor-trailer	5.09	85,205
Bartenders	16.00	80,542
Carpenters	7.27	65,412
Food preparation workers	7.24	63,737
Amusement and recreation attendants	24.61	63,704
Landscaping and groundskeeping workers	6.77	62,414
Construction laborers	5.82	59,409
Telemarketers	15.85	54,713
Postal service mail carriers	13.95	49,452
Electrician	7.76	49,109
Hotel, motel, and resort desk clerks	16.14	37,156
Flight attendants	29.80	29,645
Parking lot attendants	13.74	18,749

Source: BLS via the Chronicle of Higher Education