

U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

Colleges Are the Golden Ticket, Elite or Not



We're told ad nauseam that college is the key to success. Is it any wonder that

some parents broke the law to get their child into the best?

Of course, the parents accused by the FBI of bribing coaches and test administrators are an extreme case, but even some law-abiding parents can relate: Some donate millions to their alma mater or hire \$1,000-per-hour consultants to land a coveted spot at a top school.

And yet from an economic standpoint, this makes no sense. The evidence shows that a college degree delivers a large and sustained income premium over a high-school diploma, but a selective college doesn't make the premium bigger. There are exceptions, but most people who prosper after graduating from such a college would likely have prospered if they had attended a less prestigious institution as well. Af-

ter all, the children whose parents were charged last week were born with wealth, connections, and devoted parents willing to do almost anything for them, a recipe for success no matter where they graduate from.

Consequently, the outrage directed at parents who buy their children's way legally or illegally into top colleges, while understandable, misses the point. Like an exclusive country club, admission to a top college is proof of status, not the source of it. A child bumped by another's wealth has lost a trophy, not a future.

The fact that smart, ambitious children who attend elite colleges also do well in life doesn't mean the first caused the second. This was most clearly demonstrated in a pair of now famous papers by Stacy Dale of Mathematica Policy Research and Alan Krueger of Princeton University.

Mr. Krueger, one of the country's most admired and

prolific labor-market economists, died this past weekend, at the age of 58. His studies routinely overturned the conventional wisdom with innovative field experiments using obscure sources of data.

The college study was one of them. He and Ms. Dale linked the college application choices drawn from a survey of graduates with their earnings results from the Social Security Administration over the next two to three decades. What they found was that two students with similar backgrounds, grades and test scores who applied to the same mix of selective and nonselective schools earned about the same later on, even if the first attended a selective school and the second didn't. The choice of schools applied to was indicative of ambition which, they argue, is a more powerful driver of success than the school they attend. "The return to college selectivity [is] indistinguishable from zero," they wrote in 2011.

The fact that the school

you attended makes little difference to your future income doesn't mean quality doesn't matter. Rather, quality defined as how effectively a school raises a particular student's achievement isn't the same as selectivity. Says Ms. Dale: "In colleges and universities, people are hired based on research, not on their

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teaching skills. The best teachers may not be at the best schools."

Doug Webber, an economist at Temple University, says the elite colleges Ms. Dale and Mr. Krueger examined were only slightly better, academically, than the non-elite colleges. Where quality differences are starker, so are the effects on income. He

says one study found no premium for attending the University of Texas instead of other Texas state schools, which are ranked only slightly lower, while another found a big premium for attending the University of Florida, which he says ranks much better than other state schools.

The same phenomenon appears overseas, where parents can be even more obsessed with elite colleges than Americans, even if they don't spend as much getting their children into them.

Magne Mogstad, a Norwegian-born economist now at the University of Chicago, and two co-authors conducted a study in Norway similar to that of Mr. Krueger and Ms. Dale's. When adjusted for age, gender and high-school grades, graduates of elite universities did earn slightly more than others, but what they studied mattered far more: Science graduates earned almost triple what humanities graduates did.

So if selective schools have so little effect on a student's future income, is it irrational for parents to pay so much and suffer so much anxiety, to get their child into one? In part, parents may simply value noneconomic factors, like bragging rights at parties or the chance for their child to marry within a particular social network.

Admission to such schools is also like a lottery ticket: Your chances of reaching the top of business or politics are always low, but not quite as low if you share the same dorm as the future chief executive of a Fortune 500 company or U.S. president.

And focusing only on the benefits to the wealthy may miss the full picture. Ms. Dale and Mr. Krueger found that African-American and Hispanic students, and those whose parents didn't go to college, actually did enjoy an income boost from a selective college, perhaps, the researchers said, owing to networking opportunities they otherwise wouldn't have had.