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# Phi Beta Cons

The *Right* take on higher education.

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## Re: College Wage Premium

By [George Leef](#)

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As Robert notes below, blogger Matt Yglesias, [arguing](#) for increasing “public investment” in education (K-12 and higher), advances the standard idea that because there is a “college wage premium,” it follows that getting more people through college would be good. He’s specifically jousting with Cato’s Neal McCluskey, but I can’t resist a comment on the wage premium notion.

It’s true that on average, people with college degrees earn considerably more than people who don’t have them. It doesn’t follow, however, that any individual who does not have, or prospectively would not earn, a degree would necessarily improve his earnings to that average, or at all.

For one thing, we know that large numbers of people who have college degrees end up in jobs that do not call for any sort of advanced educational study and do not pay well. It is simply not true that as “educational attainment” levels increase, there will be a corresponding increase in high-skill, high-pay jobs. Moreover, any increase in numbers of young people drawn into college at the margin will consist overwhelmingly of those who have poor academic abilities and motivation. Those are individuals who are even more likely, whether or not they graduate, to find employment in “high school” jobs.

But doesn’t the “wage premium” demonstrate that going to college substantially raises a student’s value to employers? Doesn’t it show that college adds “human capital”?

The first time I heard that argument, about ten years ago, it didn’t pass the smell test. Academic standards at many schools are notoriously weak and students can graduate with deplorable skills even in such basic fields as reading and math. So how could it be that, despite the fact that for many kids college is merely four or more years of “beer and circus” (as Murray Sperber puts it), they were becoming increasingly productive in the labor market relative to non-college kids?

The explanation, I am convinced, is this. There is no growing college wage premium. Instead, what

we are seeing are the effects of the well-known phenomenon of credential inflation, as it wipes out good career paths for more and more people who don't have the right credentials. It is not the case that employers think, "College-educated people are more productive, so let's pay them more," but rather that they think, "There are so many college grads in the labor market, why bother extending an offer to someone without a degree?" Credential inflation is herding non-college people into a shrinking sector of the labor market where their lack of credentials isn't held against them. That, I submit, explains how you can simultaneously have a widespread dumbing down of college standards and a rising average earnings level for college graduates.

Further "investment" in higher education — i.e., getting more young people into and through college — will only exacerbate the problem of Americans who are over-schooled yet under-educated and unable to find employment that pays well enough to make the cost of the degree financially worthwhile.

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