

The New York Times

Revisiting the Value of Elite Colleges

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February 21, 2011, 9:30 am

A decade ago, two economists — Stacy Dale and Alan Krueger — published a research paper arguing that elite colleges did not seem to give most graduates an earnings boost. As you might expect, the paper received a ton of attention. Ms. Dale and Mr. Krueger have just finished a new version of the study — with vastly more and better data, covering people into their 40s and 50s, as well as looking at a set of more recent college graduates — and the new version comes to the same conclusion.

Given how counterintuitive that conclusion is and, that some other economists have been skeptical of it, I want to devote a post to the new paper.

The starting point is the obvious fact that graduates of elite colleges make more money than graduates of less elite colleges. This pattern holds even when you control for the SAT scores and grades of graduates. By themselves, these patterns seem to suggest that the college is a major reason for the earnings difference.

But Ms. Dale — an economist at Mathematica, a research firm — and Mr. Krueger — a Princeton economist and former contributor to this blog — added a

new variable in their research. They also controlled for the colleges that students applied to and were accepted by.

Doing so allowed them to capture much more information about the students than SAT scores and grades do. Someone who applies to Duke, Williams or Yale may be signaling that he or she is more confident and ambitious than someone with similar scores and grades who does not apply. Someone who is accepted by a highly selective school may have other skills that their scores didn't pick up, but that the admissions officers noticed.

Once the two economists added these new variables, the earnings difference disappeared. In fact, it went away merely by including the colleges that students had applied to — and not taking into account whether they were accepted. A student with a 1,400 SAT score who went to Penn State but applied to Penn earned as much, on average, as a student with a 1,400 who went to Penn.

“Even applying to a school, even if you get rejected, says a lot about you,” Mr. Krueger told me. He points out that the average SAT score at the most selective college students apply to turns out to be a better predictor of their earnings than the average SAT score at the college they attended. (The study measured a college's selectivity by the average SAT score of admitted students as well as by a selectivity score that the publisher Barron's gives to colleges.)

It's important to note, though, that a few major groups did not fit the pattern: black students, Latino students, low-income students and students whose parents did not graduate from college. “For them, attending a more selective school increased earnings significantly,” Mr. Krueger has written. Why? Perhaps they benefit from professional connections they would not otherwise have. Perhaps they acquire habits or skills that middle-class and affluent students have already acquired in high school or at home.

This finding is especially noteworthy because the new study included several historically black colleges, like Howard, Morehouse and Spelman, which are not as selective as Penn, Williams or other elite colleges. Students who choose a

historically black college over an elite college may be hurting their future earnings potential.

The original paper looked at a fairly narrow slice of data: the 1995 self-reported earnings of students who had been freshmen in 1976. The new version uses Social Security records, which offer a more reliable look at earnings over a longer period of time. The new paper also looks at students who had been freshmen in 1989 and follows their earnings through the middle part of the last decade. In all, the paper covers about 19,000 college graduates.

From my perspective, the main limitation of the paper is that even its less elite colleges, like Penn State, are relatively elite. (A full list of the colleges whose graduates were part of the study appears below.) That doesn't call into question the findings of the paper. It's still deeply surprising that choosing to go to, say, Xavier instead of Columbia may not affect your future earnings.

But it would be nice if future research looked in detail at other parts of the college market. Another large study, for instance, has found that students who attend colleges with lower graduation rates are less likely to graduate — which does indeed have a huge effect on their earnings. I'd also be curious to know what happens to students who try to save money by first attending community college, with plans to transfer later, even though they were admitted to a four-year college.

Of course, it would also be nice if researchers could one day analyze careers by a metric other than income. The recent spread of happiness surveys could eventually allow economists to study the connection between education and career satisfaction.

Mr. Krueger gets the last word:

My advice to students: Don't believe that the only school worth attending is one that would not admit you. That you go to college is more important than where you go. Find a school whose academic strengths match your interests and that devotes resources to

instruction in those fields. Recognize that your own motivation, ambition and talents will determine your success more than the college name on your diploma.

My advice to elite colleges: Recognize that the most disadvantaged students benefit most from your instruction. Set financial aid and admission policies accordingly.

And as promised, here are the lists of colleges taking part in the new study:

1976 survey

Barnard College, Bryn Mawr College, Columbia University, Duke University, Emory University, Georgetown University, Miami University, Morehouse College, Northwestern University, Oberlin College, Penn State University, Princeton University, Smith College, Stanford University, Swarthmore College, Tufts University, Tulane University, University of Michigan, University of Notre Dame, University of Pennsylvania, Vanderbilt University, Washington University, Wellesley College, Wesleyan University, Williams College, Xavier University, Yale University,

1989 survey

Bryn Mawr College, Duke University, Georgetown University, Miami University of Ohio, Morehouse College, Oberlin College Penn State University, Princeton University, Stanford University, University of Michigan, University of Pennsylvania, Vanderbilt University, Washington University, Wellesley College, Wesleyan University, Williams College, Xavier University, and Yale University.