

Is Education Worth It? My Opening Statement

It was great fun debating Eric Hanushek, truly a gentleman and a scholar. Here's my opening statement.

Is the education system really a waste of time and money, as my new book claims right on the cover? This is a strange topic to debate with Eric Hanushek. Why? Because if Hanushek had absolute power to fix the education system, education might actually *be* worth every penny. Hanushek is famous for focusing on what schools teach rather than what they spend – and documenting the vast disconnect between the two. If you haven't already read his dissection of “input-based education policies,” you really ought to. Hanushek, more than any other economist, has taught us that measured literacy and numeracy are socially valuable – but just making kids spend long years in well-funded schools is not.

Tragically, however, Hanushek is not our education czar. Instead, all levels of our education system are extremely wasteful and ineffective. After spending more than a decade in class and burning up over \$100,000 in taxpayer money, most Americans know shockingly little. About a third of adults are barely literate or numerate. Average adult knowledge of the other standard academic requirements – history, social studies, science, foreign languages – is near-zero. The average adult with a B.A. has the knowledge base you'd intuitively expect of the average high school graduate. The average high school graduate has the knowledge base you'd intuitively expect of the average drop-out. This is the fruit of a trillion taxpayer dollars a year.

For economists, however, there's a powerful objection to this condemnation. If students really learn so little, why on earth is education so lucrative in the labor market? Why do high school grads outearn dropouts by 30%? Why do college grads outearn high school grads by 73%? Explain that! Employers want profit and they aren't dumb. They wouldn't pay exorbitant premia unless education dramatically improved worker productivity, right?

Wrong. There are TWO solid business reasons to pay extra for educated workers. One is that education teaches useful skills, *transforming* unskilled students into skilled workers. This is the standard “human capital” story. The other reason, though, is that education *certifies* useful skills, helping employers distinguish skilled workers from imposters. This is the “signaling” story. In the real world, naturally, it's a continuum. But since Hanushek is not the education czar, signaling explains most of education's financial reward.

How can we know this? We should start with the massive gap between learning and earning, combined with the fact that even the most irrelevant subjects and majors yield decent financial rewards. If human capital were the whole story, why on earth would

employers care if about whether you've studied Shakespeare, Latin, or trigonometry? Think about all the classroom materials you haven't used since the final exam.

If that doesn't fully convince you, many other facts that every student knows cut in the same direction. Such as:

1. It's easy to unofficially attend college classes without enrolling or paying tuition, but almost no one bothers. Why not? Because after four years of guerilla education, there's one thing you won't have: a diploma. The central signal of our society.
2. Students' focus on grades over learning, best seen in their tireless search for "easy A's." Signaling has a simple explanation: If a professor gives you a high grade for minimal work, you get a nice seal of approval without suffering for it.
3. Students routinely cram for final exams, then calmly forget everything they learn. Signaling provides a clean explanation: Learning, then forgetting, sends a much better signal than failing.

In *The Case Against Education*, I also review multiple major bodies of academic research to help pin down the true human capital/signaling breakdown. In the end, my best estimate is that signaling explains 80% of the payoff. Key pieces of evidence:

1. Most of the payoff for school comes from graduation, not mere years of study. This is a doozy for human capital theory to explain; do schools withhold useful skills until senior year? But it makes perfect sense if graduation is a focal signal of conformity to social norms.
2. There has been massive credential inflation since 1940. The education you need to *do* a job hasn't changed much, but the education you need to *get* any given job has risen about three years. Hence, the fact that waiter, bartender, security guard, and cashier are all now common jobs for college grads.
3. Though every data set yields different estimates, the effect of national education on national income is much smaller than the effect of personal education on personal income. How is this possible? Signaling! Give everyone more useful skills, and you enrich the whole nation. Give everyone more stickers on their foreheads, and you fritter away valuable time and tax money.

If you've been wondering, "What does signaling have to do with wasteful education?," I hope you're starting to see the link. Sure, it's useful to rank workers. But once they're ranked, prolonging the ranking game is a socially destructive rat race. When education levels skyrocket, the main result isn't good jobs for every graduate, but credential inflation: The more education the average worker has, the more education the average worker

needs to be employable. And while sending fancy signals is a great way for an individual to enrich himself, it's a terrible way to enrich society.

Given Hanushek's work, I'm optimistic that he'll agree with much of what I've said. It's our remedies that starkly diverge. My primary solution for these ills is cutting education spending. In a word, *austerity*. Austerity: It's word I love. It's a word I believe in. If Hanushek's bleak assessment of input-based education policies is right, austerity will save tons of time and money with little effect on worker skill.

Strangely, though, my opponent doesn't seem excited by this glorious free lunch. His primary solution for what ails us – correct me if I'm wrong – is to take the money we currently waste and use it to increase measured learning, especially in math and science.

I disagree on both strategic and fundamental grounds.

Strategically, spending less is easy and transparent. We totally know how to do it. Spending more effectively, in contrast, is hard and foggy. And to make it happen, we have to trust the very education system that's spent decades ripping off taxpayers and wasting students' time.

Fundamentally, while I agree that measured learning is much more socially valuable than mere years in school, Hanushek's enormous estimates of the benefits of higher test scores are just too good to be true. In his view, higher average math and science scores not only dramatically increase our wealth, but permanently raise the economy's rate of growth. It's practically a perpetual motion machine.

But how can this be true, when the typical worker uses little math and almost no science on the job? The simplest explanation for Hanushek's results is that national test scores are misleading proxies for a much more crucial – and far less malleable – cognitive skill: intelligence. If everyone were smarter, we would all do our jobs better. But if everyone knew more science, most of us would rarely encounter an opportunity to use our extra knowledge. I use my intelligence on the job every day; but whole months go by when I don't use biology, chemistry, or physics.

In sum, if I had to hand over a trillion dollars of taxpayer money to one stellar researcher, I'd be sorely tempted to hand it to Eric Hanushek. Few educational experiments would be more fun to watch. Nevertheless, I predict the results of the experiment would be very disappointing. Entrenched interests – and legions of touchy-feely parents – would block Czar Hanushek at every turn: "Test scores? That's so narrow and boring. Let's assign more poster projects!" And even if Czar Hanushek managed to sharply boost math and science scores, I'd only expect a modest social payoff. Once we admit the massive defects of the status quo, the only remedy we can really count on is austerity.