The Value of College: It's Not Just Correlation

By David Leonhardt

Comparing the earnings of college graduates and nongraduates is an imperfect way of measuring the value of a degree. Hypothetically, college graduates could earn more because they're innately smarter — and would have earned just as much if they had never attended college or even any school. As a reader named Shawn posted in the comments section of the column, "The useful comparison is not between those who do and do not attend college but, rather, between equally intelligent students who do and do not choose to attend college."

Fortunately, a large amount of economic research has attempted to make this comparison. And the results point overwhelmingly in one direction: College brings a large return to the vast majority of students who attend it.

Conducting this research is not easy, because finding otherwise similar people with different levels of educational attainment is not easy. But economists have found several ways to try to get around the problem. Many of these studies look for natural experiments in which otherwise similar people have different rates of college attendance and graduation.

One study — by David Card of the University of California, Berkeley — compared young men who happened to live close to a college with young men who did not. The two groups were similar except for how easy it was for them to get to campus, which caused the young men who lived close to campus to attend college in greater numbers. They also ended up earning more money.

Another study looked at Florida students just above and just below the threshold for being admitted to Florida International University, which at the time of the study was the least selective college in the State University System of Florida. The students had very similar academic qualifications, but some ended up one side of the admissions line and others ended up on the other side. This approach is particularly important because it examines students on the margin of attending a four-year college and not attending one. The paper, by Seth Zimmerman, now of Princeton, found that the admitted students earned significantly more. Other studies have examined twins and siblings, who obviously have a great deal in common. Yet those with more education earned more.

I also recommend an article by Dylan Mathews, now of Vox. "So does college raise incomes? Is it an investment good enough to make widely accessible? Yes, it is. Period," he wrote, in The Washington Post. "College matters. It causes real, large increases in lifetime earnings, both for average students and those teetering between going and not going to college. And it has other benefits too."

Obviously, college will not pay off for everyone who graduates from one. We live in a big economy, and no investment brings a guaranteed return. Above all, people need to be careful about attending a college with a high dropout rate. Too many colleges fall into this category, and racking up debt without earning a degree is a terrible combination.

But the detailed research on the value of college comes to the same conclusion as the straightforward data comparing the pay of graduates and nongraduates. For the vast majority of people, college pays off. Correlation and causation, in this case, run in the same direction. I'd argue that you do not need complicated academic research to demonstrate this point, either. Just look at market behavior. Virtually everyone with the resources to send children to college does so — including those who say they're skeptical of its worth. And large numbers of low-income parents say that one of their highest goals in life is to send their children to college. In this case, the collective behavior of millions of people says as much about the value of education as any regression analysis.

Source; http://www.nytimes.com/2014/05/28/upshot/the-value-of-college-its-not-just-correlation.html?src=rechp&_r=0