

# The Value of a College Degree Is Diminishing Over Time

---

*How Valuable Is a College Degree?*, 2016  
From *Opposing Viewpoints in Context*

Richard Vedder directs the Center for College Affordability and Productivity (CCAP), is a Distinguished Professor of Economics Emeritus at Ohio University, and is an adjunct scholar at the American Enterprise Institute. Christopher Denhart is a project management consultant and Jonathan Robe is a law student.

There is an underemployment problem, with [college graduates](#) performing jobs for which they are overqualified. But there is also an overinvestment problem, with society placing too many resources into a college [education](#) system that is shielded from market forces. The confluence of these forces suggests that the value of a college education is diminishing over time.

The mismatch between the educational requirements for various occupations and the amount of education obtained by [workers](#) is large and growing significantly over time. The problem can be viewed two ways. In one sense, we have an "underemployment" problem: College graduates are underemployed, performing jobs which require vastly less educational tools than they possess. The flip side of that, though, is that we have an "overinvestment" problem: We are churning out far more college graduates than required by labor-market imperatives. The supply of jobs requiring college degrees is growing more slowly than the supply of those holding such degrees. Hence, more and more college graduates are crowding out high-school graduates in such blue-collar, low-skilled jobs as taxi driver, firefighter, and retail sales clerks. Credential inflation is pervasive. And, as [Richard] Hernstein and [Charles] Murray noted nearly two decades ago, one by-product of this phenomenon is a dumbing down of the college curriculum; as they put it "credentialism ... is part of the problem, not the solution."

## The Wisdom of College for All

---

That suggests the earnings advantage associated with a bachelor's degree will change over time. By one way of looking at it, the college degree becomes less worthwhile financially: If one compares earnings of those with bachelor's degrees with that of all workers (not merely high-school graduates), the day may come when the bachelor's degree will pay less than that of all workers, as the proportion of workers with more than bachelor's degrees comes close to approximating that of those with less than a four-year diploma. The college degree will be the new normal, and the credential inflation leading to more and more college-educated taxi drivers will continue to escalate. Yet this is not to say going to college is unnecessary: Indeed, it would be almost impossible to get a job without a degree. Vocational success would require even more education.

Enrollments will fall, and in time the rate of return on college investments will increase again as the labor-market disconnect problem is reduced.

But at what cost? Can we afford to expend \$100,000 or more in resources giving kids a college degree, only to see them take taxi driver jobs for which the college education added hardly a scintilla

of employment skill? Can we afford to lose the labor services of 18-to-22 year olds going to college for little employment advantages, persons who could start driving a taxi or working as a bank teller at 18 instead of 22? In an era where the worker-to-dependent ratio is rapidly falling, the underemployed college graduate is an expensive luxury we can ill afford as a nation. To be sure, given wide variations in earnings by college attended and by major, generalizations are dangerous, and maybe some forms of college training and some institutions deserve greater support than others. Besides, it is not as if reducing societal investment in [higher education](#) would *necessarily* adversely affect national output; as [education writer and consultant] Paul Barton observes, despite the handwringing in the past about an emerging shortage of highly educated workers in the U.S., "since 1995, productivity has accelerated, with no demonstrable improvement in workforce skills or acceleration in job requirements during the period."

All of this calls into question the wisdom of the "college for all" movement. Does it make sense to become the world's leader again in the proportion of young adults with college degrees? Is the goal of individuals like President [Barack] Obama or groups like the Lumina Foundation to increase college degree attainment desirable? Should we look for new and cheaper ways to assure employee competency? Should we invest less in four-year degree programs and more in cheaper training, including high-school [vocational education](#) that once was fashionable? Perhaps the federal government should reduce its involvement in the higher-education business, much like some states seem to be starting to do out of fiscal imperatives imposed by balanced-budget requirements that the federal government does not face. If fewer students could get Pell Grants or subsidized [student loans](#), enrollments might very well fall, an outcome we perceive not to be a bad thing from a labor-market perspective.

## A Shielded Overinvestment

---

That raises questions that go beyond higher education. As the number of years of education of workers rises in virtually all non-professional and technical jobs, is the reason ultimately that really it takes, say, 14 or 15 years of schooling to offer the same learning that previously was accomplished in 12 years? Is the deterioration in the quality of our primary and [secondary education](#) a contributing factor in the credential inflation obvious at the postsecondary level? That suggests there may be two major economic issues facing higher education. First, it is too costly, too inefficient, too shielded from the useful market forces of "creative destruction." Second, because of massive overinvestment reflecting indifference to labor-market realities, we are vastly wasting scarce resources, both public and private.

To be sure, *if left alone*, market forces will likely solve the problem. Reading stories of underemployed college graduates with massive [debt](#), more will start rejecting the mantra that everyone should go to college. Enrollments will fall, and in time the rate of return on college investments will increase again as the labor-market disconnect problem is reduced. There are already signs that is beginning to happen. The *Wall Street Journal* recently proclaimed, "demand for four-year college degrees is softening." Yet public policies such as massive federal loan subsidies often distort outcomes and prevent a stable and economically effective equilibrium position from being reached. As someone once joked, "when we see light at the end of the tunnel, the government adds more tunnel."

A decade ago, while contemplating calls in Britain for increased public investment in education (rhetoric that is very similar, if not identical, to the rhetoric today in the [United States](#)), the British educator Alison Wolf perceptively opined,

Education is big because it is seen as the engine for [economic growth](#), a sure-fire route to future prosperity and victory in a global competition ... the belief in education for growth runs deep and wide beyond our political classes, replacing socialism as the great secular faith of our age.

Economists for generations have long accepted the law of diminishing returns—when one adds more and more resources, at some point the marginal contribution to output falls. The law applies to education as to almost everything in life. One manifestation of it in American university life is the underemployment of college graduates; we might be seriously overinvested in higher education. This study adds to that concern, and further suggests the common assumption that increased investment in higher education promotes economic growth is highly questionable.

---

## Further Readings

---

### Books

- Elizabeth A. Armstrong and Laura T. Hamilton *Paying for the Party: How College Maintains Inequality*. Cambridge, MA: Harvard University Press, 2013.
- Richard Arum and Josipa Roksa *Aspiring Adults Adrift: Tentative Transitions of College Graduates*. Chicago: University of Chicago Press, 2014.
- Antje Barabasz and Felix Rauner *Work and Education in America: The Art of Integration*. New York: Springer Science and Business, 2012.
- William J. Bennett and David Wilczol *Is College Worth It? A Former United States Secretary of Education and a Liberal Arts Graduate Expose the Broken Promise of Higher Education*. Nashville, TN: Thomas Nelson, 2013.
- Joel Best and Eric Best *The Student Loan Mess: How Good Intentions Created a Trillion-Dollar Problem*. Berkeley: University of California Press, 2014.
- Goldie Blumenstyk *American Higher Education in Crisis? What Everyone Needs to Know*. New York: Oxford University Press, 2015.
- Martin J. Bradley, Robert H. Seidman, and Steven R. Painchaud *Saving Higher Education: The Integrated, Competency-Based Three-Year Bachelor's Degree Program*. San Francisco: Jossey-Bass, 2012.
- Alan Collinge *The Student Loan Scam: The Most Oppressive Debt in US History, and How We Can Fight Back*. Boston: Beacon Press, 2009.
- Michael M. Crow and William B. Dabars *Designing the New American University*. Baltimore, MD: Johns Hopkins University Press, 2015.
- William Deresiewicz *Excellent Sheep: The Miseducation of the American Elite and the Way to a Meaningful Life*. New York: Free Press, 2014.
- Andrew Hacker and Claudia Dreifus *Higher Education? How Colleges Are Wasting Our Money and Failing Our Kids—And What We Can Do About It*. New York: Times Books, 2010.
- Brad J. Hershbein and Kevin M. Hollenbeck, eds. *Student Loans and the Dynamics of Debt*. Kalamazoo, MI: Upjohn Institute, 2015.
- Anya Kamenetz *How Our Future Was Sold Out for Student Loans, Credit Cards, Bad Jobs, No Benefits, and Tax Cuts for Rich Geezers—And How to Fight Back*. New York: Riverhead Books, 2007.

- Michael W. Kirst and Mitchell L. Stevens *Remaking College: The Changing Ecology of Higher Education*. Stanford, CA: Stanford University Press, 2015.
- Suzanne Mettler *Degrees of Inequality: How the Politics of Higher Education Sabotaged the American Dream*. New York: Basic Books, 2014.
- Glenn H. Reynolds *The Higher Education Bubble*. New York: Encounter Books, 2012.
- Bradley C.S. Watson *The Idea of the American University*. Lanham, MD: Littlefield Publishers, 2011.
- Robert Zemsky *Checklist for Change: Making American Higher Education a Sustainable Enterprise*. New Brunswick, NJ: Rutgers University Press, 2013.

## Periodicals and Internet Sources

- Beth Akers and Matthew M. Chingos "Is a Student Loan Crisis on the Horizon?," Brown Center on Education Policy at Brookings, June 2014. [www.brookings.edu](http://www.brookings.edu).
- American Student Assistance "Life Delayed: The Impact of Student Debt on the Daily Lives of Young Americans," 2013. [www.asa.org](http://www.asa.org).
- Susan de Baca "The 12 Hidden College Expenses," *Time*, November 16, 2012.
- Victoria Bekiempis "College Is *Still* a Waste of Time and Money," *Village Voice*, March 30, 2012.
- Judah Bellin "Is the Higher Education Bubble Finally Bursting?," *Washington Examiner*, November 14, 2013.
- Anthony P. Carnevale, Stephen J. Rose, and Ban Cheah "The College Payoff: Education, Occupations and Lifetime Earnings," Georgetown University Center on Education and the Workforce, 2011. <https://cew.georgetown.edu>.
- Ann Coles "The Investment Payoff: Reassessing and Supporting Efforts to Maximize the Benefits of Higher Education for Underserved Populations," Institute for Higher Education Policy, April 2013. [www.ihep.org](http://www.ihep.org).
- Peter Coy "College Is a Waste—But Not Going Is Worse," *Bloomberg Business*, February 13, 2014. [www.bloomberg.com](http://www.bloomberg.com).
- Chris Denhart "How the \$1.2 Trillion College Debt Crisis Is Crippling Students, Parents and the Economy," *Forbes*, August 7, 2013.
- *Economist* "Is College Worth It?," April 5, 2014.
- Max Ehrenfreund "Private Colleges Are a Waste of Money for White, Middle Class Kids," *Washington Post*, December 18, 2014.
- Josh Freedman "Why American Colleges Are Becoming a Force for Inequality," *Atlantic*, May 16, 2013.
- Michael Greenstone and Adam Looney "Rising Student Debt Burdens: Factors Behind the Phenomenon," The Hamilton Project, July 5, 2013. [www.brookings.edu](http://www.brookings.edu).
- Karen Herzog "Working Your Way Through College Doesn't Add Up for Today's Students," *Milwaukee Wisconsin Journal Sentinel*, June 1, 2013.
- Chris Isaac "Voices: Don't Waste Your Time on Easy Classes," *USA Today*, October 23, 2014.
- Gary Jason "Approaching Crunch Time on the Student Loan Debacle," *American Thinker*, November 26, 2012. [www.americanthinker.com](http://www.americanthinker.com).
- Robert Kuttner "Education Alone Is Not the Answer to Income Inequality and Slow Recovery," *American Prospect*, August 14, 2014.

- Amy Laitinen "College Credit? Kill That," CNN, March 30, 2015. [www.cnn.com](http://www.cnn.com).
- Megan McArdle "Megan McArdle on the Coming Burst of the College Bubble," *Newsweek*, September 8, 2012.
- Lawrence Mishel "Education Is Not the Cure for High Unemployment or for Income Inequality," *EPI Briefing Paper*, no. 286, January 12, 2011. [www.epi.org](http://www.epi.org).
- S. Georgia Nugent "College Is Not a 'Ludicrous Waste of Money,'" *Huffington Post*, September 8, 2014. [www.huffingtonpost.com](http://www.huffingtonpost.com).
- Sophie Quinton "Why You Might Be Paying Student Loans Until You Retire (and Beyond)," *National Journal*, September 18, 2014.
- Cecilia Capuzzi Simon "R.O.I.," *New York Times*, July 22, 2011.
- Jackson Toby "The Looming Student Loan Crisis," *The American*, May 14, 2013.
- Brad Tuttle "Congratulations, College Graduates! But Did You Just Waste Your Money, and Four Years of Your Lives?," *Time*, May 31, 2011.
- Richard Vedder and Christopher Denhart "How the College Bubble Will Pop," *Wall Street Journal*, January 8, 2014.
- Jordan Weissmann "Our Student Loan System Is Broken, and These New Statistics Prove It," *Atlantic*, August 8, 2013.
- Gillian B. White "Even with Debt, College Still Pays Off," *Atlantic*, February 20, 2015.
- Luigi Zingales "The College Graduate as Collateral," *New York Times*, June 14, 2012.

**Full Text:** COPYRIGHT 2016 Greenhaven Press, a part of Gale, Cengage Learning.

---

### Source Citation

Vedder, Richard, et al. "The Value of a College Degree Is Diminishing Over Time." *How Valuable Is a College Degree?*, edited by Noël Merino, Greenhaven Press, 2016. At Issue. *Opposing Viewpoints in Context*, [http://link.galegroup.com/apps/doc/EJ3010971209/OVIC?u=nysl\\_we\\_wseshs&xid=086509fd](http://link.galegroup.com/apps/doc/EJ3010971209/OVIC?u=nysl_we_wseshs&xid=086509fd). Accessed 1 Mar. 2018. Originally published as "Why Are Recent College Graduates Underemployed? University Enrollments and Labor-Market Realities," *CenterforCollegeAffordability.org*, Jan. 2013.

**Gale Document Number:** GALE|EJ3010971209