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OPINION

Education Does Reduce Inequality

The premium commanded by a college degree has risen, even as the market has been flooded with graduates.

By DAN GREENSTEIN And JAMIE MERISOTIS
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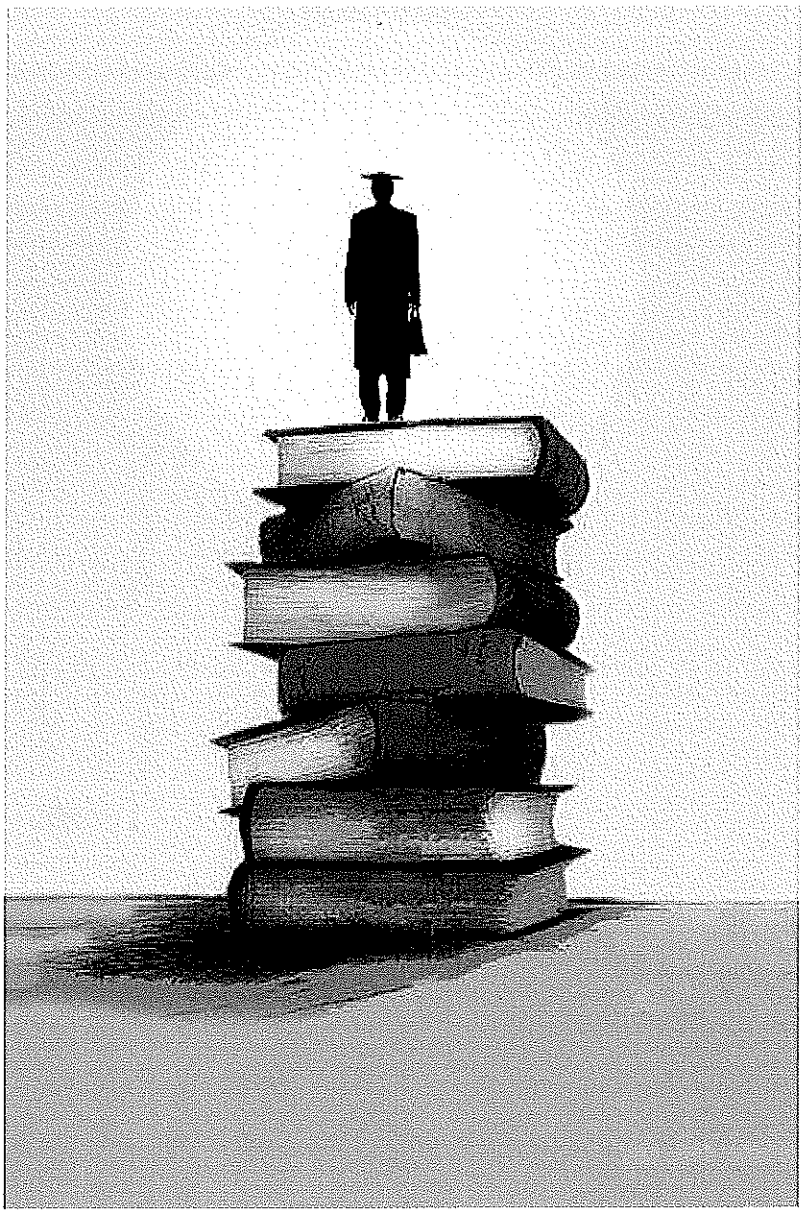
In recent months some of the leading economic minds in the country have declared that when it comes to explaining rising inequality, education doesn't matter. Larry Summers, former Treasury secretary and former president of Harvard, said at the National Press Club in February that it's an "evasion" to suggest education and training as a solution to inequality.

"The core problem is that there aren't enough jobs," Mr. Summers said. "If you help some people, you could help them get the jobs, but then someone else won't get the jobs." Paul Krugman, the New York Times columnist, piled on a few days later: "Rising inequality isn't about who has the knowledge; it's about who has the power."

We could use stronger rhetoric, but let's say it this way: nonsense. Education remains the chief American institution that promotes economic and social mobility for poor and disadvantaged citizens. It's not an evasion; it's the direct answer to the question of what the nation needs to improve its talent pool and improve economic opportunity and social equality.

Harvard economists Claudia Goldin and Lawrence Katz find that the growing difference in the earnings of college graduates and high-school graduates explains between 60% and 70% of the rise in wage inequality between 1980 and 2005.



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MIT economist David Autor has an instructive thought experiment: The increase in wages for the top 1% between 1980 and 2005, if divided among the bottom 99%, would provide each household about $7,000 in additional income. But the wage gains of college graduates over the same period, divided among high-school graduates, would provide each household with $28,000 of additional income.

The premium attached to a college education—the difference in wages between those with degrees and those with high-school diplomas—increased even as the market was flooded with university graduates. In 1980 only 16 million Americans, or 21% of those in their prime working years (ages 23 to 54), held a bachelor's degree or higher; by 2013, that figure was 38 million, or 37%. When supply increases, economists expect the price to fall. But instead the college-wage premium grew from 33% to 62% between 1980 and 2013. For millions of Americans, especially the children of poor and minority families, getting more education is the best advice. Schooling is the best pathway to a sustaining career and wage.

The idea that education is the bridge to economic opportunity and social mobility is gospel in American public discourse for a reason. It balances our values of equal opportunity and individual responsibility. The answer is not in dismissing education, but making it more equitable. American education has become complicit in the intergenerational reproduction of racial and class privilege. Higher education mimics and magnifies the racial and class inequalities it inherits from the K-12 system and projects those inequalities into the labor market.

Critics are right that a college degree or certificate is not enough to solve all economic problems or create a fair and just social contract. But education is the clearest and best way to develop talent and build the skills so important to our country's economic and social well-being. Naysayers go too far when they threaten the only common ground that remains in the American political dialogue. Attacking education in an attempt to provide legitimacy to more controversial reforms will only divide us further.

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