ECONOMIC SCENE

Children smart enough to get into elite schools may not need to bother.

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YOUR son or daughter has just been accepted to both the University of Pennsylvania and to Penn State. The deadline for decision is May 1. Where should he or she go?

Many factors should be considered, of course, but lots of parents and students are particularly interested in the potential economic payoff from higher education. Until recently, there was a consensus among economists that students who attend more selective colleges -- ones with tougher admissions standards -- land better paying jobs as a result. Having smart, motivated classmates and a prestigious degree were thought to enhance learning and give students access to job networks.

But is it true?

A study that I conducted with Stacy Dale of the Andrew W. Mellon Foundation, "Estimating the Payoff to Attending a More Selective College" (available online at http://papers.nber.org/), has unintentionally undermined this consensus.

It is easy to see how one could think that elite colleges enhance their graduates' earnings. According to the College and Beyond Survey, data collected by the Mellon Foundation, the average student who entered a highly selective college like Yale, Swarthmore or the University of Pennsylvania in 1976, earned $92,000 in 1995. The average student from a moderately selective college, like Penn State, Denison or Tulane, earned $22,000 less.

The problem with this comparison is that students who attend more selective colleges are likely to have higher earnings regardless of where they attend college for the very reasons that they were admitted to the more selective colleges in the first place.

Trying to address the problem, earlier studies compared students with similar standardized test scores and grade point averages who attended more and less selective schools. But this approach takes account of much less information than admissions committees see. There is no guarantee that all the relevant differences among students have been held constant.

This problem is known as selection bias. More selective schools accept students with greater earnings potential, and students with greater earnings potential are more likely to apply to more selective schools.

To overcome the problem, Ms. Dale and I restricted the comparison to students who applied to and were accepted by comparable colleges. Some students chose more selective schools; some less selective ones.

College selectivity is based on the average College Board score of the freshman class. We used data from the College and Beyond Survey of 14,239 full-time workers who had been freshmen in 1976. Their earnings were surveyed as of 1995. Although the data came from only 30 moderate to highly selective colleges, results are similar if a smaller, but nationally representative sample, the National Longitudinal Study of the High School Class of 1972, is used.

Our research found that earnings were unrelated to the selectivity of the college that students had attended among
those who had comparable options. For example, the average earnings for the 519 students who were accepted by both moderately selective (average College Board scores of 1,000 to 1,099) and highly selective schools (average scores greater than 1,275), varied little, no matter which type of college they attended.

One group of students, however, clearly benefited from attending a highly selective college: those from lower-income families -- defined approximately as the bottom quarter of families who send children to college. For them, attending a more selective school increased earnings significantly.

Restricting the comparison to those with similar choices helps solve the selection bias problem because these students were equivalent in the eyes of the admissions committees.

More important, students who applied to equally selective schools revealed that they had similar aspiration levels and self-confidence. If the comparison is restricted to students who applied to equally selective schools -- regardless of whether they were admitted -- attending a more selective school is still unrelated to earnings.

Although the selectivity of a school does not appear to influence the typical student's economic success, our analysis finds that the resources schools devote to instruction, which are related to tuition costs, do influence it.

No study is definitive. Here's one unresolved issue in ours: Why did 40 percent of students turn down the most selective school that admitted them? Although it is possible that those with greater earnings potential chose a less selective school from their menu of choices, this seems unlikely.

There are several reasons that college selectivity might have little impact on post-college careers. First, even elite colleges have diverse student bodies, and it is possible for apathetic students at elite schools to find other apathetic students with whom to play Nintendo and guzzle beer. By contrast, a good student can get a good education almost anywhere.

Second, about a third of college graduates earn higher degrees, whose prestige is often more relevant to professional or business success than undergraduate degrees.

Third, a student who goes to Penn State instead of the University of Pennsylvania, is more likely to end up near the top of the class. Employers and graduate schools may not adequately adjust for the competition.

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 which 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.