

The past issue of the *Review* included an excerpt from Alison Wolf's book, *Does Education Matter?*, as well as a rebuttal by University of California economist David Card. Here, Wolf replies to Card. — Peter Passell

Reading David Card, you would think I had claimed that the more educated get better jobs for no reason other than their paper credentials. I don't believe any such thing – but I do argue that rates of return are a poor basis for deciding what more education will do for society. Card apparently believes that the wage premium of the educated is largely a reflection of their productivity, and that you can, therefore, make that “short leap” from finding that college graduates earn 40 percent more, to predicting that “an added college graduate adds 40 percent more to national income than an added high school graduate.”

This is what many politicians believe, but is a more extreme view than most rate-of-return specialists would espouse. They tend to emphasize that rates of return will vary depending on when you enter the labor market, and that different returns to different degrees may reflect the tastes and ambitions of students, as much as differences in curricula.

Card devoted considerable space to the effects of raising the school-leaving age in England from 15 to 16. At the time the school-leaving age was raised, there were two national examinations that pupils could take at age 16: high-status “O levels” and lower-status CSEs. At age 14, pupils were placed in tracks. One leads to O level (delivering an average 25



percent wage premium compared to no qualifications) and one to CSE (with a 10 percent wage premium). Pupils studied similar subjects, but CSE content was less academic.

Raising the school-leaving age had an immediate, one-time effect on the numbers taking CSEs because many young people in the CSE stream took the exams rather than leaving before the examination date. Those who then left with no examination passes, but with more time in education than the previous cohort, got no return on extra schooling. Those who left having passed some CSEs gained as much benefit from them as prior

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cohorts, where fewer people held CSEs. There was no immediate upsurge in the numbers taking O level – how could there be, since the schools controlled entry to the examination and had staffing, class allocation and pass rates to protect? Six years later, however, the gap between the proportions taking O level and CSE was back to its previous level.

I read this evidence as consistent with the hypothesis that education both imparts valuable skills and screens students for better-paying jobs – which is how most of us (notably employers) view the education system when making hiring decisions. In which case, why worry? Because we have an increasingly distorted view of education as justified only by its service to the economy.

Politicians are seduced into believing that quantity, not quality, matters – that twice the number of college graduates, at half the spending per student, would be a good thing. The growth of education also creates new inequities. In the UK, we have data over time on people born in 1958 and 1970. The adult income of the 1970-born is more closely associated with their parents' incomes than was the case for the 1958-born. The explanation seems to be the growing importance of higher education in determining life chances.

All Western societies are marked by grossly unequal access not just to college, but to different sorts of college. Bright but poor 18-year-olds are much less likely to attend elite schools than bright, rich ones – the latter then earn more because of where they went to college. Is that really just because elite schools raised their productivity more?

I don't think anyone who knows developing countries doubts that education can be a sterile rat-race. Worse, the belief that education can deliver growth offers an easy way of avoiding our own obligations. A few months

ago, the *Financial Times* had an article by Britain's Chancellor of the Exchequer and central bank governor arguing that the West needed to help the developing world by funding more education. In fact, what it really needs is access to protected agricultural markets.

People don't need persuading that education is a route to success, but more literacy programs won't give them money to buy books. If the farm products, the main exports of the world's poorest economies, are barred from our markets or undercut by our subsidies, the main prize for education will remain a sinecure in a government bureaucracy.

I am most puzzled by Card's belief that education increases productivity while questioning whether this has anything to do with English and math skills. What else could formal education be doing that makes people more productive?

There is, in fact, growing evidence that high-school math and English are increasingly important in the workplace. Some is from qualitative research and some from the econometric analyses that economists prefer.

Nor can the results be linked to rewards for formal certification. These are actual skills for which there is growing demand. The risk of pursuing endless expansion in years of schooling is not simply that it pulls resources away from health or pensions, but that it reduces real spending – above all, in the quality of teachers – for core education.

In the decades after World War II, governments believed that you could never have too much investment and they worried about statistics showing higher investment abroad (e.g., Russia, Japan). But the fact that investment is necessary does not mean that any increase must be good. Few people today believe tractor factories are magic bullets. It's time for comparable realism about education.

— Alison Wolf