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Is College Still Worth It?
Federal Reserve Bank of St. Louis

May 24, 2018

*These views are those of the presenter alone and not necessarily those of the Federal Reserve Bank of St. Louis or the Federal Reserve System.
Introduction

This paper -- *Is College Still Worth It? The New Calculus of Falling Returns* – is the symposium’s “Framing Paper.”

Given what we’ve just heard, we can either:

a) look at this as truly depressing because the data is so bleak and disturbing, or
b) look at this as truly exciting because the data furthers our understanding of inequality.

If we care about inequality – the structures of it, the mechanisms of it, the architecture and ongoing nature of it – then, we must look at this paper as exciting for its insight: like I tell my students at Lehigh – we can only understand how to fix something if we understand how it was built in the first place. We can only re-work the machine if we know how the machine is working. We can only re-do it if we know how its been done. If our goal is social change, then this paper is exciting not depressing.

I will:

- Quickly re-cap some of the big take-aways from this paper
- *Frame* some questions to think about from this *framing* paper
What this paper tells us, and why it’s important

This paper tells us:

- There a clear declining return over time in wealth accumulation for college grads vs non-grads. Many of this have known this (or sort of known it), but now we have a paper to CITE IT!
- Specifically -- there is a striking decline in wealth premiums across successive birth cohorts of all races and ethnicities while college graduate income premiums have declined much less.

This is important in many ways:

- It tells us that popular belief – that getting a college degree will pay off – is not necessarily true.
- It tells us that wealth is different than income.
- NOTE! -- This point is not news – more of a reminder - for some of us who have been studying wealth for the past couple decades – and for Marx and the classical social theorists who tried to make this point part of the original cannon of sociology and economics: Wealth is different than income...It is achieved and accumulated differently, it is used differently, and – in many ways – it matters more to the life trajectories of individuals and families.
Trends contributing to declining wealth premiums from college

So this paper tells us that college wealth premiums are declining (while college income premiums have remained pretty positive). And it asks WHY?

The authors conclude that several trends contribute to this:

- An element of luck (yes!)
- An era of financial liberalization (yes!)
- (and most significant…) Rising (spiraling) cost of attending college (aka excessive tuition inflation) (YES! YES YES)

The value of a college degree for income held up ok, but the increasing college costs somehow → decreasing wealth accumulation in an individual’s life trajectory.

Upon further analysis, the authors find something even more unsettling (and scathing really)—

- And something that debunks our idea that going to college will increase one’s wealth (the very American notion that more education → more wealth)…
- It turns out that it may not even be that college itself → higher income / wealth…
- It turns out that it may be a person’s PARENTS’ level of education (actually, specifically, the FATHER’S) that is more determining of that person’s ultimate net worth (wealth) than anything else.
Framing my framing questions about this framing paper…

This is an important paper. For me, it made my mind spin with a million questions.

→ working on my current book project, and see everything everywhere through that lens,

I asked Bill Emmons last night at the dinner reception “Am I crazy?!?” He said “no!” So, frame some questions to think about from this framing paper.

But first I need to tell you really quickly about what my current book project is, because it’s really framing my framing questions about this framing paper (!) –

→ The Glass Floor
  ▪ Flip-side of the “glass ceiling” metaphor
  ▪ Invisible structural barrier that makes it virtually impossible for “glass floor families” to be downwardly mobile
  ▪ Intergenerational transmission of wealth (vs. income)
  ▪ “Culture of Wealth” (vs. poverty)
  ▪ Invisibility vis-à-vis the American Dream/Meritocracy ideology
4 Questions

1. Role of student loan debt for non-GF-families (i.e., 1st Gen Families)?

2. Role of long-term socialization re: financial literacy as part of “culture of wealth”?

3. Does the type of college matter? Highly selective and elite colleges, etc.

4. Even if people know about the declining (wealth) pay-off of college… will it even matter? It is so much a part of our central ideology as Americans that we:
   - individually earn our positions (individualism)
   - mobility is truth (meritocracy)
   - education is the key (THE institution operationalizing all that we hold dear)