

1982 Distinguished Teacher of the Year

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The Economic Value of a University Education

"The age of chivalry is gone. That of sophisters, economists and other calculators has succeeded." ¹

It is now almost two hundred years since Edmund Burke wrote those famous words. Surely, since then, the age of chivalry has further receded, and economists and other calculators have increased their influence on our lives.

I stand before you, an economist and, even worse, an economist-calculator.

I can make no claim to fine ideas or to acts of chivalry. I make my living, as an economist once said, by studying "people in the ordinary business of life."²

Having lived in the hothouse of economic experiment these recent years, it would be natural for an economist to address the burning issues of the day: inflation, recession, supply side economics and so on. I have chosen, however, to consider the economic view of the value of a university education.

Economists study prices; they study incomes; they study sales and they study costs; they study profits and they study wages. Surely, then, value is a natural object of economic inquiry.

Yet the value of a university education transcends the measurements of economist-calculators. If I may quote the founder of my own undergraduate alma mater, John Henry Cardinal Newman, he defined a university as a place where "an assemblage of learned men [and I should add women], zealous for their own sciences, and rivals of each other, are brought, by familiar intercourse, and for the sake of intellectual peace, to adjust together the claims and relations of their respective subjects of investigation. They learn to respect, to consult, to aid each other. Thus is created a pure and clear atmosphere of thought, which the student also breathes A habit of mind is formed [in the student] which lasts throughout life, of which the attributes are freedom,

equitableness, calmness, moderation and wisdom; or what ... I have ventured to call a philosophical habit of mind." ³

Newman's description of a university as a place where competitive individuals combine together to further the common good is reminiscent of an economist's view of the economy. But if, indeed, the value of a university education is a philosophical habit of mind, there would seem to be little scope for the economist-calculator.

It is one thing, however, to identify the value of a university education; it is another to presume in our free society, with its relatively open admission policies for university education, that individuals seek such education in order to gain a philosophical habit of mind. The economist's view is that attendance at our universities is primarily an economic activity. Further, it represents a particular type of economic activity, namely, investment for the future.

Students and their families incur educational expenses in the process of attending a university. These expenses, and the reduction in income incurred while attending the university, represent an investment for the student. The decisions involving this investment obey the same principles or laws that govern investments in land and in buildings, in factories and in machinery.

Of course, every student attending a university does not view his or her activity as an investment. Moreover, most students can be presumed to have other goals in addition to realizing a return on their investment. Economics cannot and does not seek to explain every action of every individual. The economist builds an abstract theory of human behavior as a stepping stone towards the explanation of aggregate economic variables, such as total expenditures or enrollment in university education. And it is the economist's view that many of the changes taking place in student participation in university education can be explained if it is assumed that students view such education as an economic investment.

The economic theory of investment in higher education argues that each high school graduate chooses whether to go to college, when to go to college, where to go to college, how to go to college, what to major in in college on the basis of the expected costs and benefits from each possible option. The choices made by the individual, which, of course, may be revised later, represent his or her judgment of the best option – best in the sense of maximizing expected benefits relative to expected costs. Nothing in the theory says that all individuals will profit from their investments. Investments in education, like all other investments, can go sour.

As stated, the theory is almost tautological. There are only two assumptions of consequence: the assumption that a university education is viewed as investment, not

consumption, activity; and the economist's much maligned rationality assumption, namely, that individuals seek to maximize their own self-interest.

Undoubtedly, some individuals may be motivated to attend college because of parental or peer pressure. But few last the whole course sustained primarily by such motivations.

Others may be attracted to college because they believe it is a kind of Disney World full of other attractive young people, swimming pools and even rock bands. While this is not inconsistent with economic behavior, and economics has much to say about the demand for vacations in amusement parks, it is inconsistent with the view that attendance at a university represents an investment rather than a consumption activity.

Finally, some students may attend university in order to obtain a philosophical habit of mind or because of a love of learning. This is not inconsistent with the economist's view unless it is presumed that these qualities are not in the self-interest of those students.

This raises the question of how an economist-calculator imagines that a student assesses the benefits from a university education. It is here that the economist may appear to depart from the views of other scholars. The economist-calculator assumes that a high school graduate views the primary benefit of a university education as the increase in income he or she expects to gain as a result of it. And the primary determinants of the amount of increased income are the conditions in the labor marketplace. In recent years, we have seen this desire for increased income accompanied by increasing enrollment in the more occupationally oriented disciplines in the university. Indeed, we have seen the growth of entirely new disciplines with a strong occupational flavor. Does this mean that a liberal education has declined in value? Does this mean the end of education dedicated to developing those liberal qualities of mind that have always been promoted as the primary goal of a university education?

I reject the view that a liberal arts education has no value in the marketplace; I reject the view that education outside the traditional liberal disciplines has no liberal content; I reject the view that some university disciplines have a monopoly in the provision of a liberal education; and I reject the view that students can be segmented into two distinct markets – those who want money and those who love learning.

I ascribe to the view that what is important in the marketplace, under most circumstances, are those very qualities of "freedom, equitableness, calmness, moderation and wisdom" which a liberal education provides.

Of course, university disciplines have differing degrees of occupational content. But these differences are merely the brand characteristics that differentiate the educational

product. The virtue of the more occupationally oriented disciplines is that they provide the diversity in higher education that enables the university to appeal to a mass market. The result is the production of a larger number of educated persons than would be possible with a narrower range of disciplines.

There are some who question the quality of an education in the more occupationally oriented disciplines. Many of these disciplines are new and, like the first television sets, they are capable of considerable development. Many of these disciplines have yet to obtain appropriate financial support. But a reallocation of resources is inevitable in a university, just as in any other producing unit, as the demand for its products is altered. It takes time to make the necessary adjustments, but adjustments will be made. And, in my view, the result will be an increase in the liberalism of the curricula of these newer disciplines and hence in the quality of their educational product. If that does not happen, enrollment in these disciplines will decline. It will decline because the return on their students' investments will decline. The return on those investments will decline because the disciplines fail to provide a sufficient amount of those liberal qualities that are so valued in the marketplace.

In sum, I believe that the changing mix of academic disciplines in our universities does not mean that they will become trade schools designed to provide specific occupational skills. Liberal education will survive, because it has value in the marketplace. Thus, just because students measure the value of education primarily in terms of monetary gain does not mean that a liberal education will not be provided to them. Nor does it mean the end of physics and chemistry, literature and language, or the study of human and animal behavior.

The fact that the baker bakes bread in order to realize economic profit does not mean that the bread is of poor quality. The fact that the student attends university in order to improve his or her economic position does not mean that his or her educational experience does not develop the philosophical habit of mind that we deem essential to a peaceful, productive and cultured society.

¹ E. Burke, *Reflections on the Revolution in France*, New York, New York, The Liberal Arts Press, 1955, p. 86.

² A. Marshall, *Principles of Economics*.

³ H. Newman, *The Idea of a University*, Westminster, Maryland Christian Classics, 1973, pp. 101-102.
