

The Amoral Case for Equalizing Opportunity

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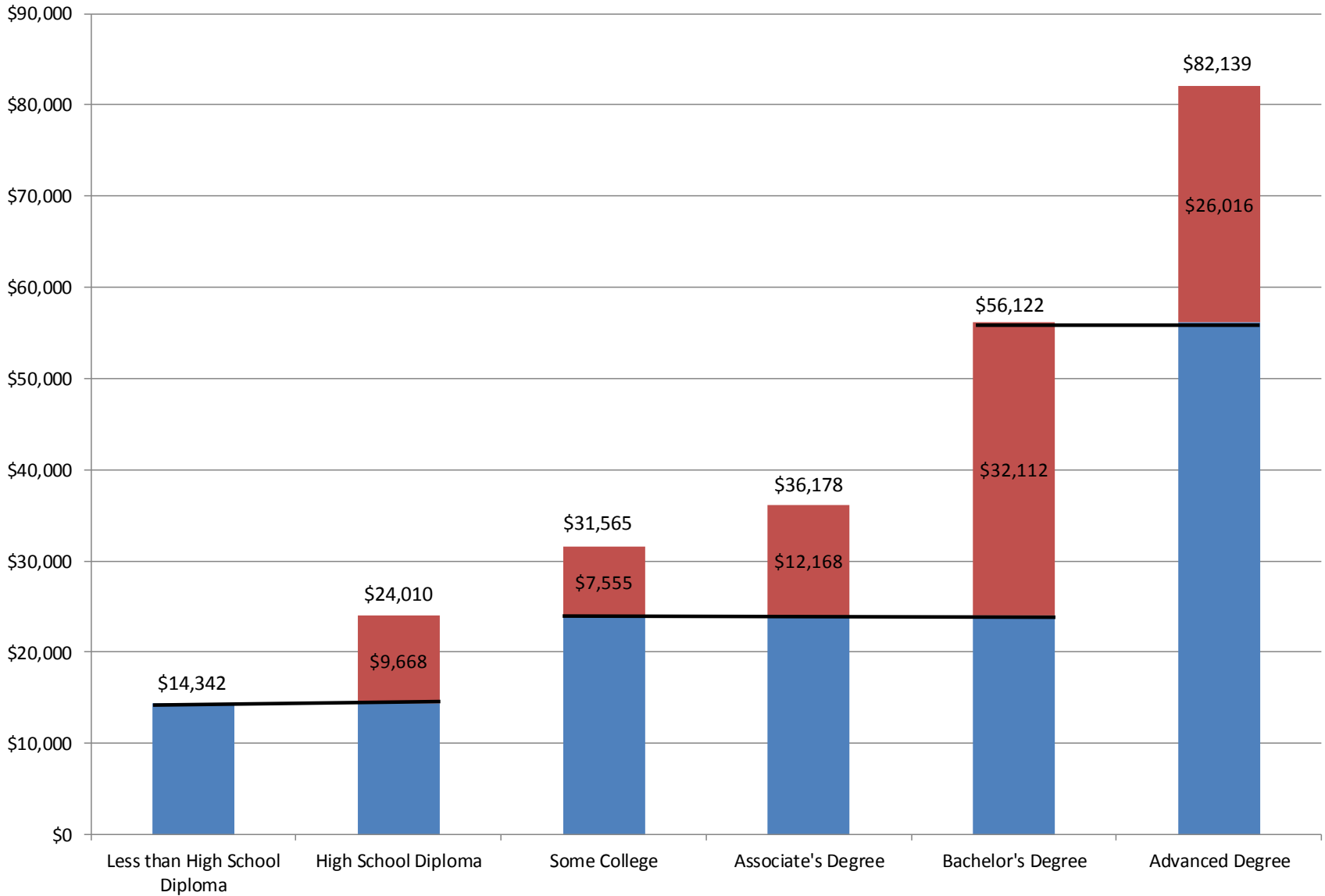
Inequality of opportunity is not just a moral issue

- ▶ In the case of educational opportunity, there is no tradeoff between fairness and economic productivity.
- ▶ Equalizing access to college education is not only morally right, it benefits taxpayers.
- ▶ Education creates both private and external (public) benefits.

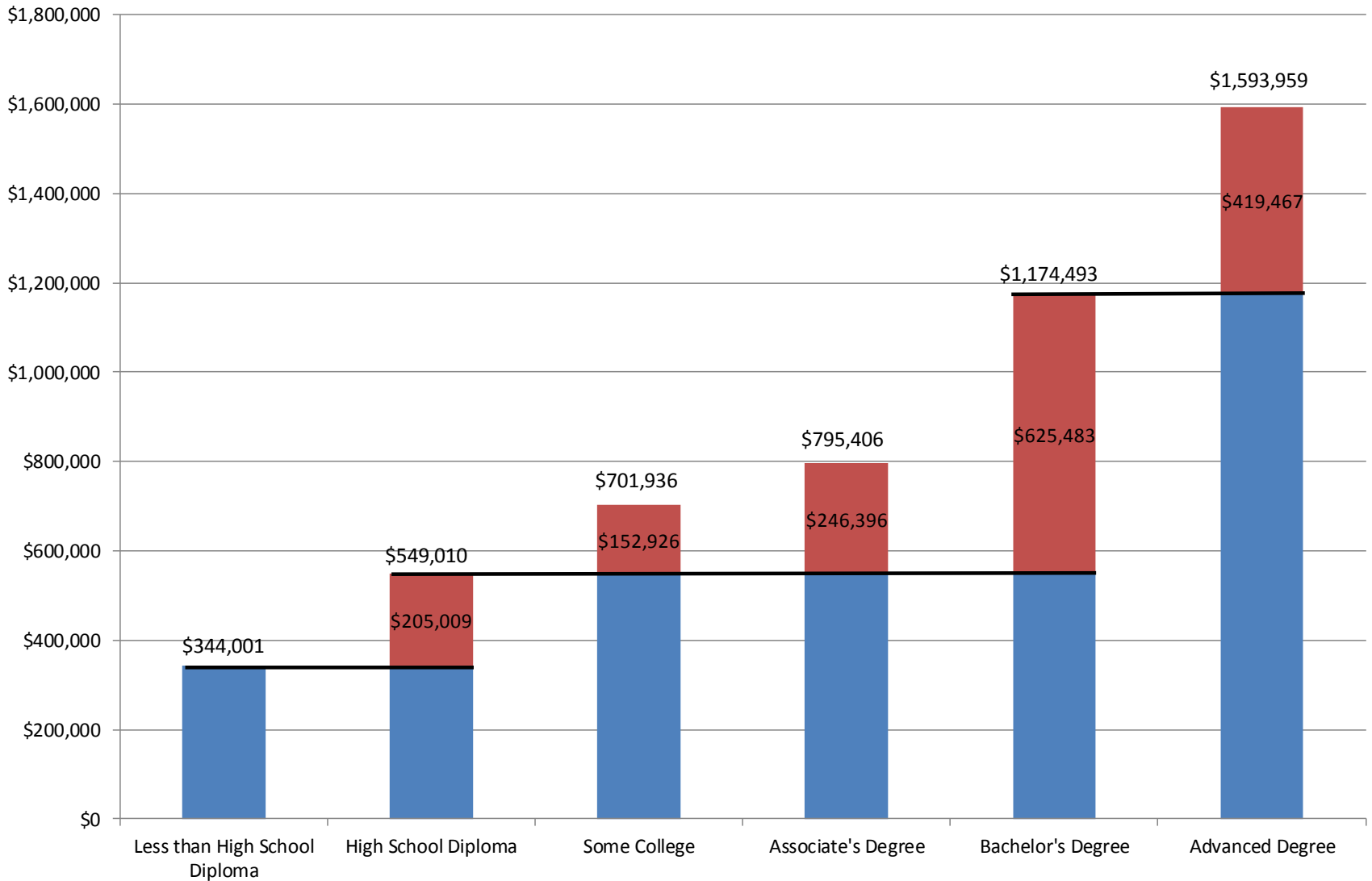
Private benefits

- ▶ On average, college graduates
 - ▶ earn more
 - ▶ experience less unemployment
 - ▶ are healthier
 - ▶ live longer
 - ▶ have more successful marriages
 - ▶ etc

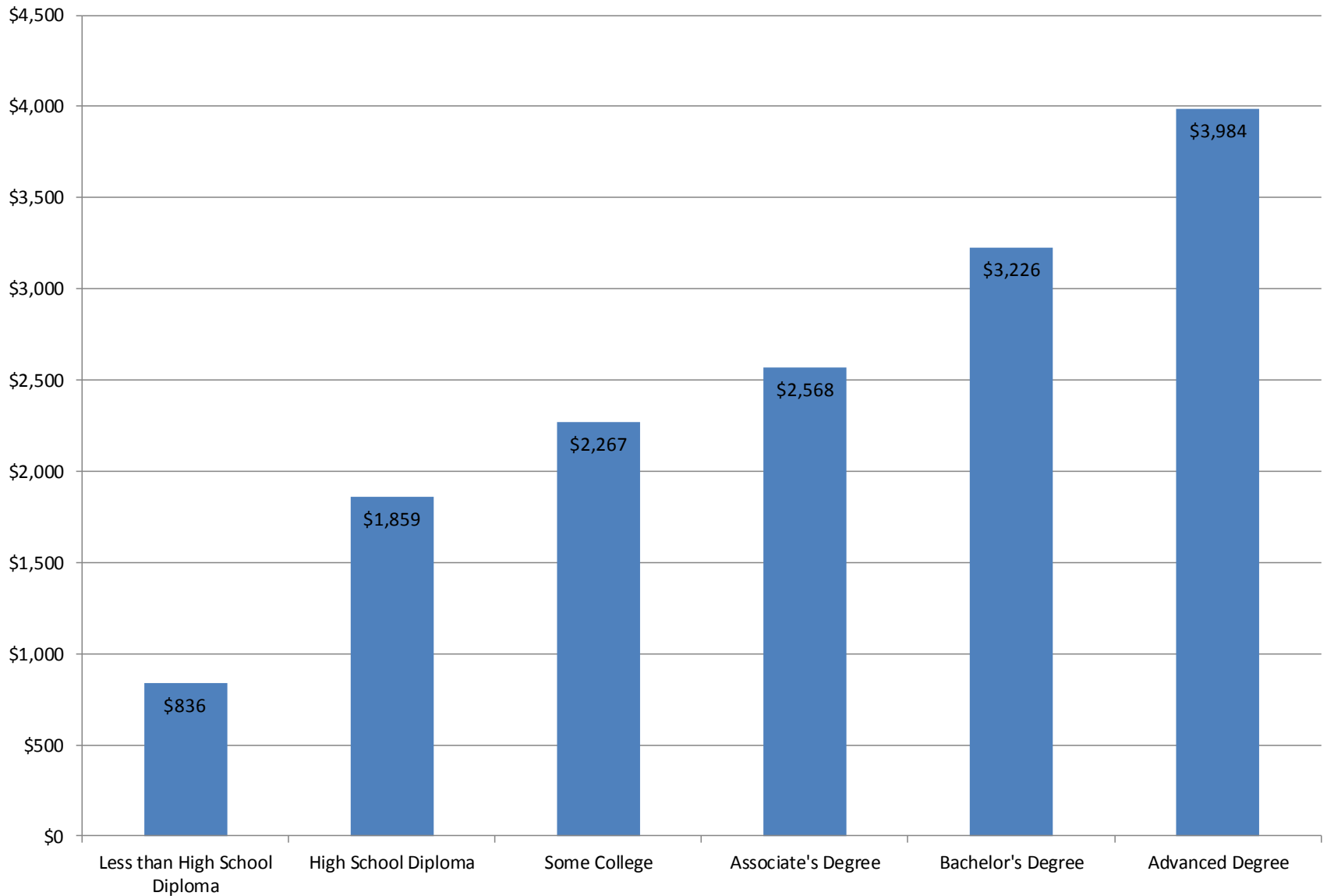
Average Annual Earnings



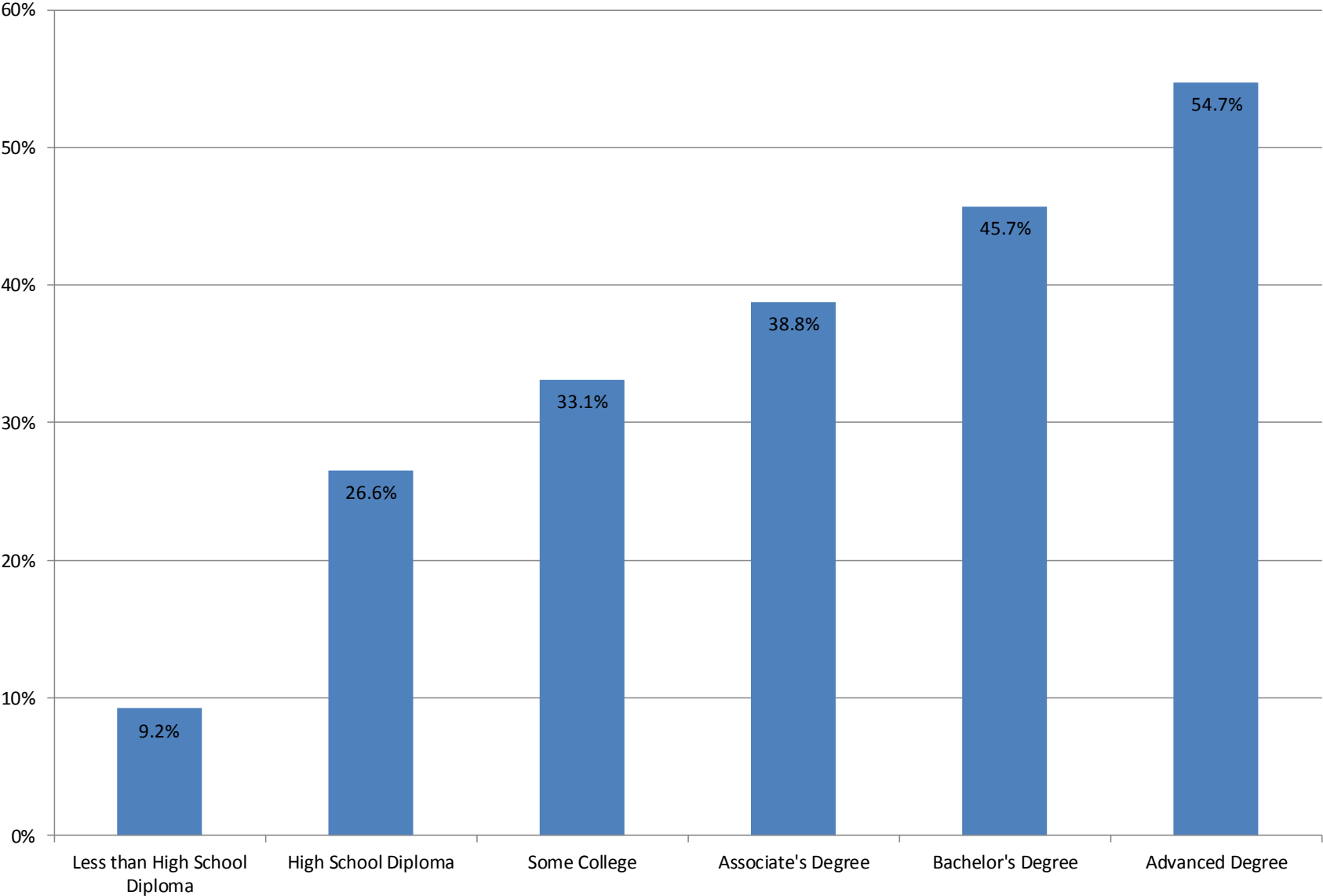
Present Value of Lifetime Earnings (At Age 19 using a 3% Discount Rate)



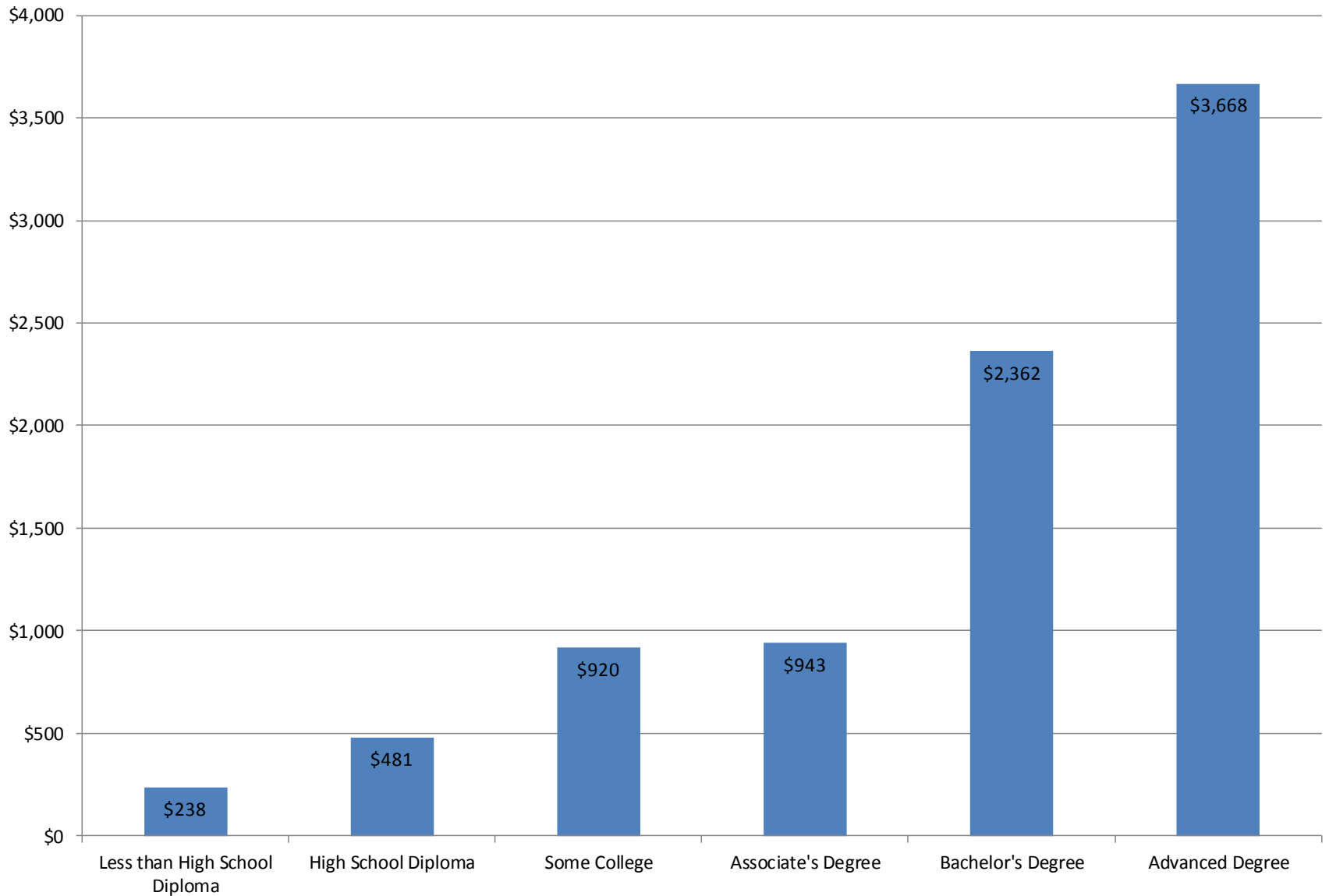
Average Annual Employer Contribution for Health Insurance



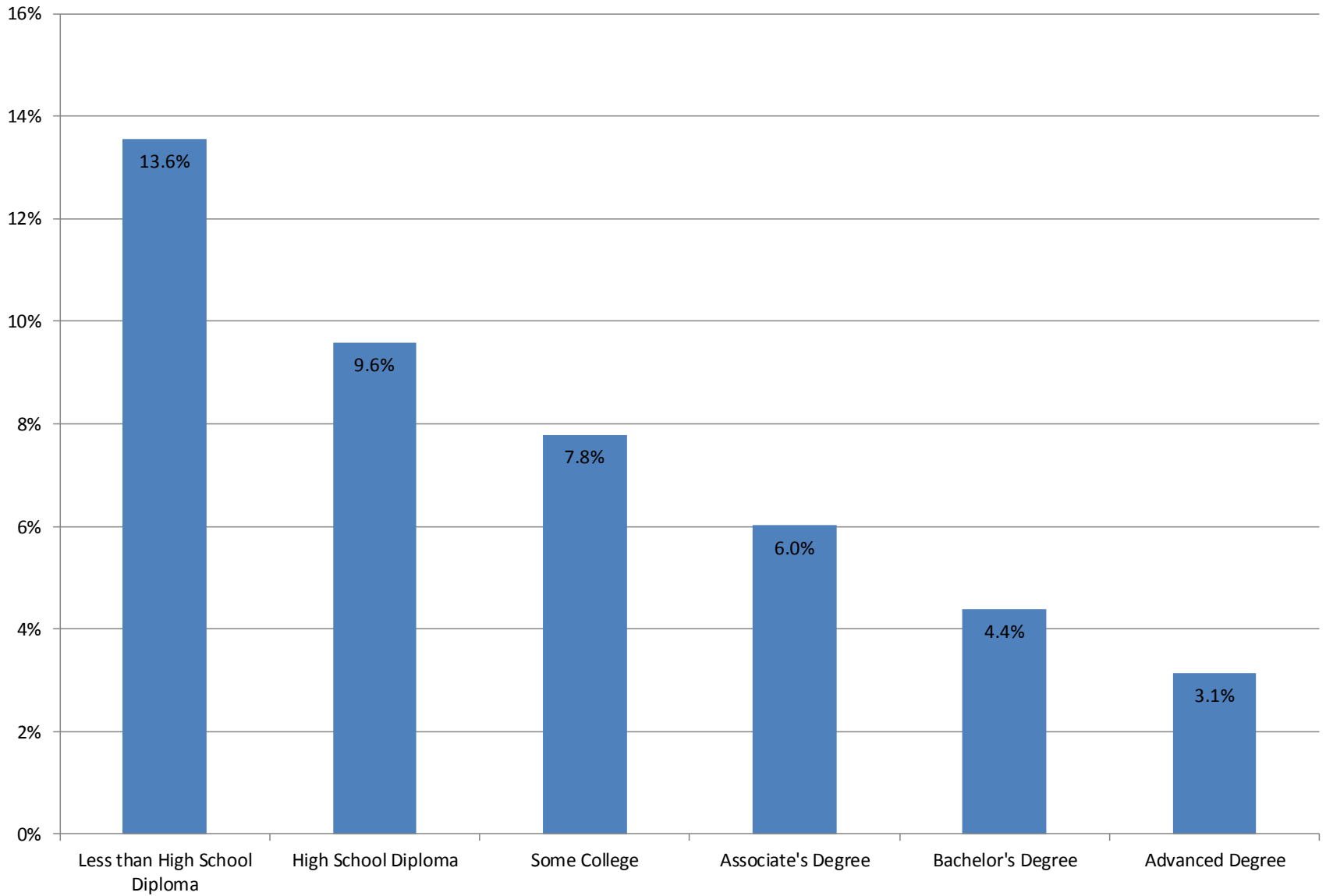
Retirement Plan through Employment



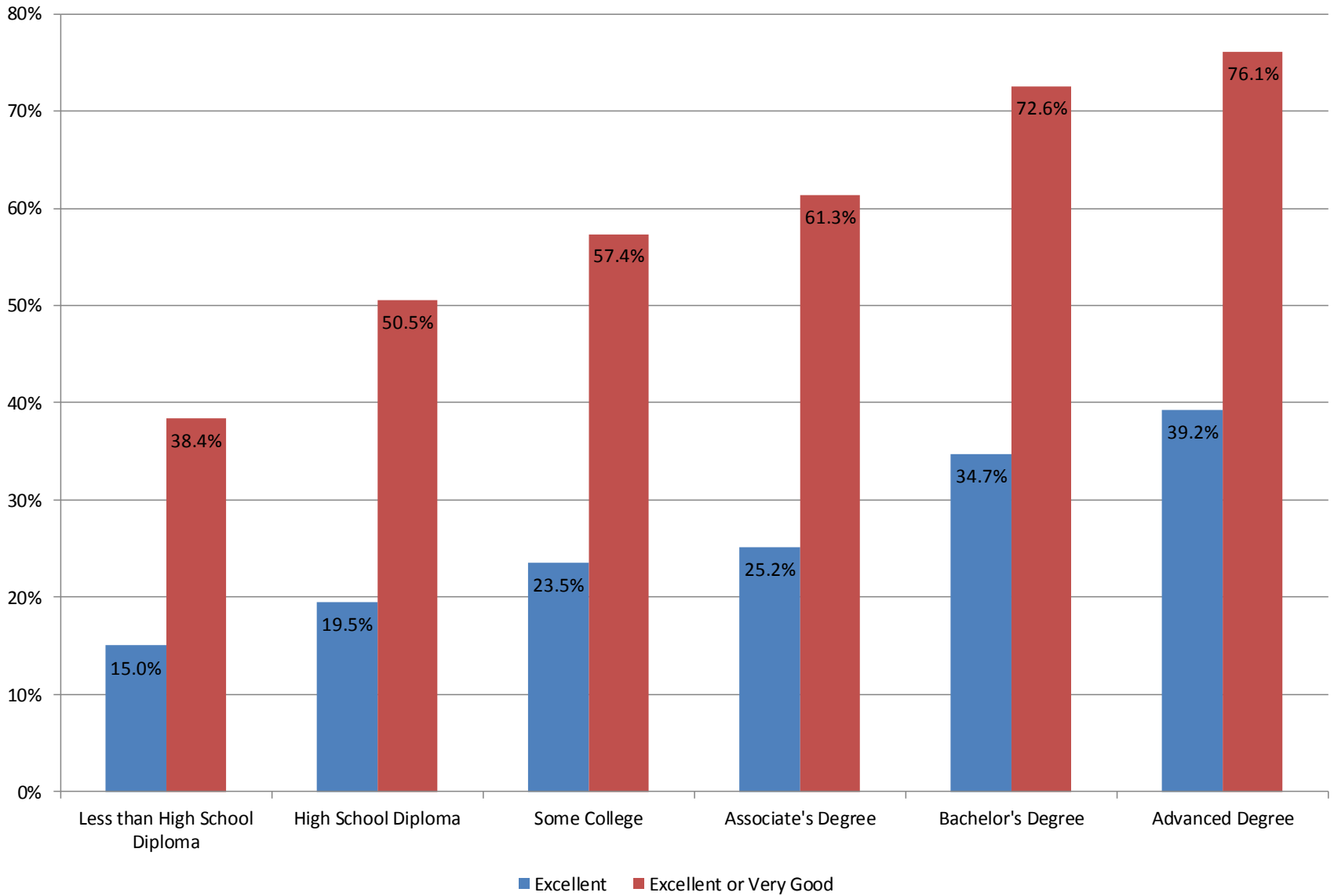
Annual Income from Interest, Dividends, and Net Rent



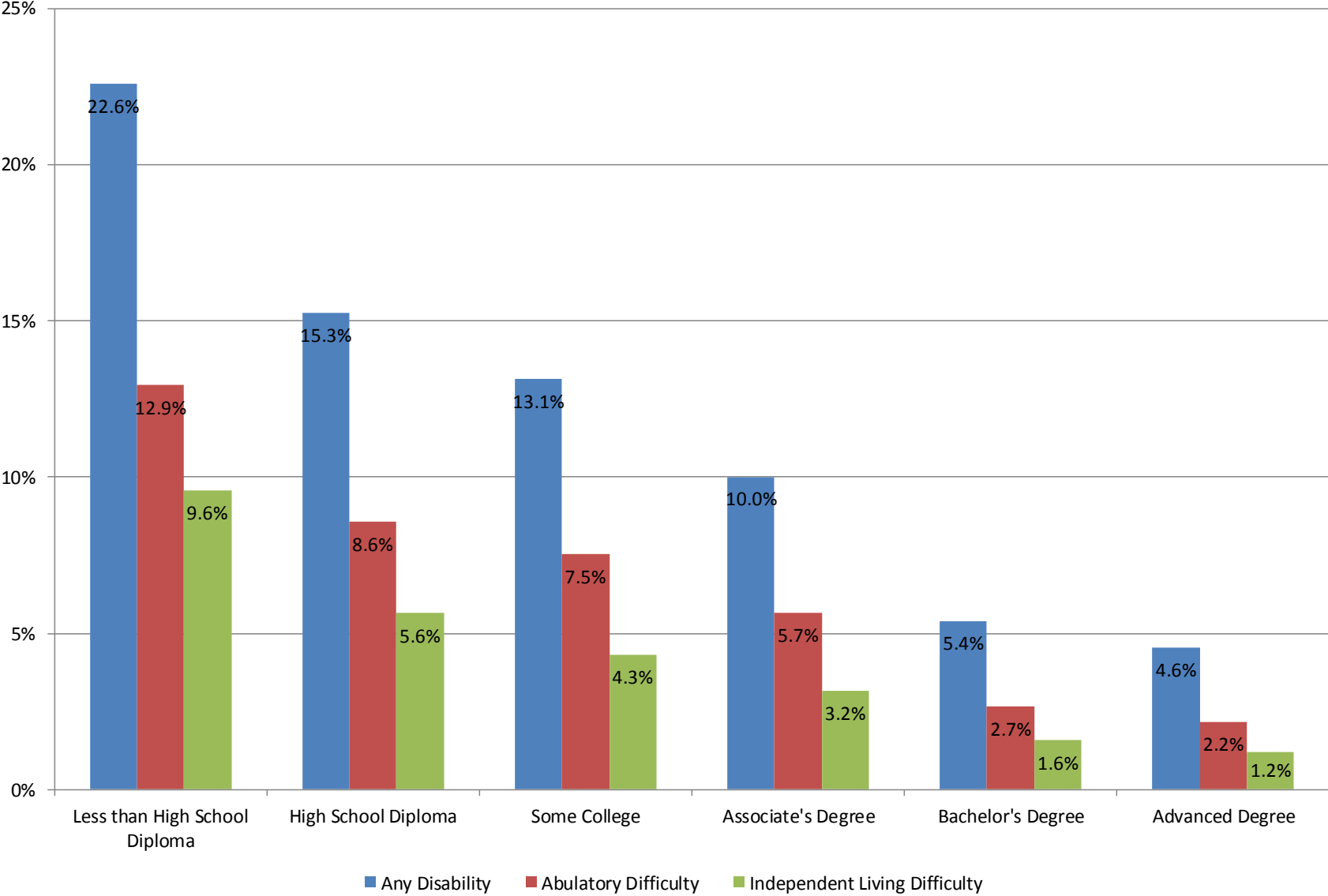
Unemployment Rate



Self-Reported Health



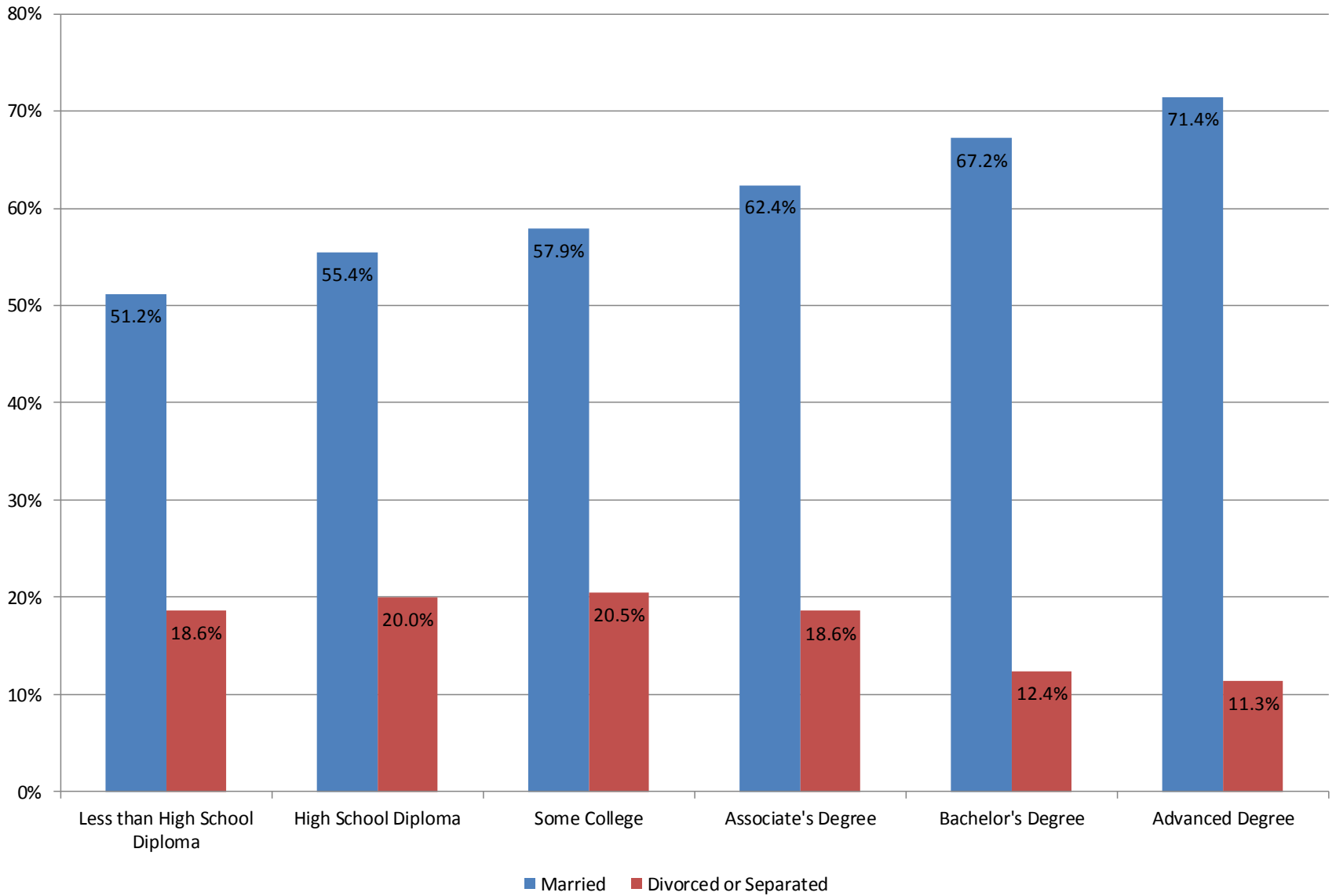
Disability



Life expectancy

- ▶ Meara et al (2008) estimated life expectancy at age 25 (in 2000).
 - ▶ Life expectancy for those with at least some college was 81.6, compared to 74.6 for those who never attended college.

Marital Status



External benefits

- ▶ Some external benefits of college attainment:
 - ▶ Probably the most important is knowledge creation and technological change fostered by college education, but this is not quantified.
 - ▶ productivity externalities
 - ▶ fiscal externalities
 - ▶ philanthropic externalities
 - ▶ civic externalities (aka social capital)

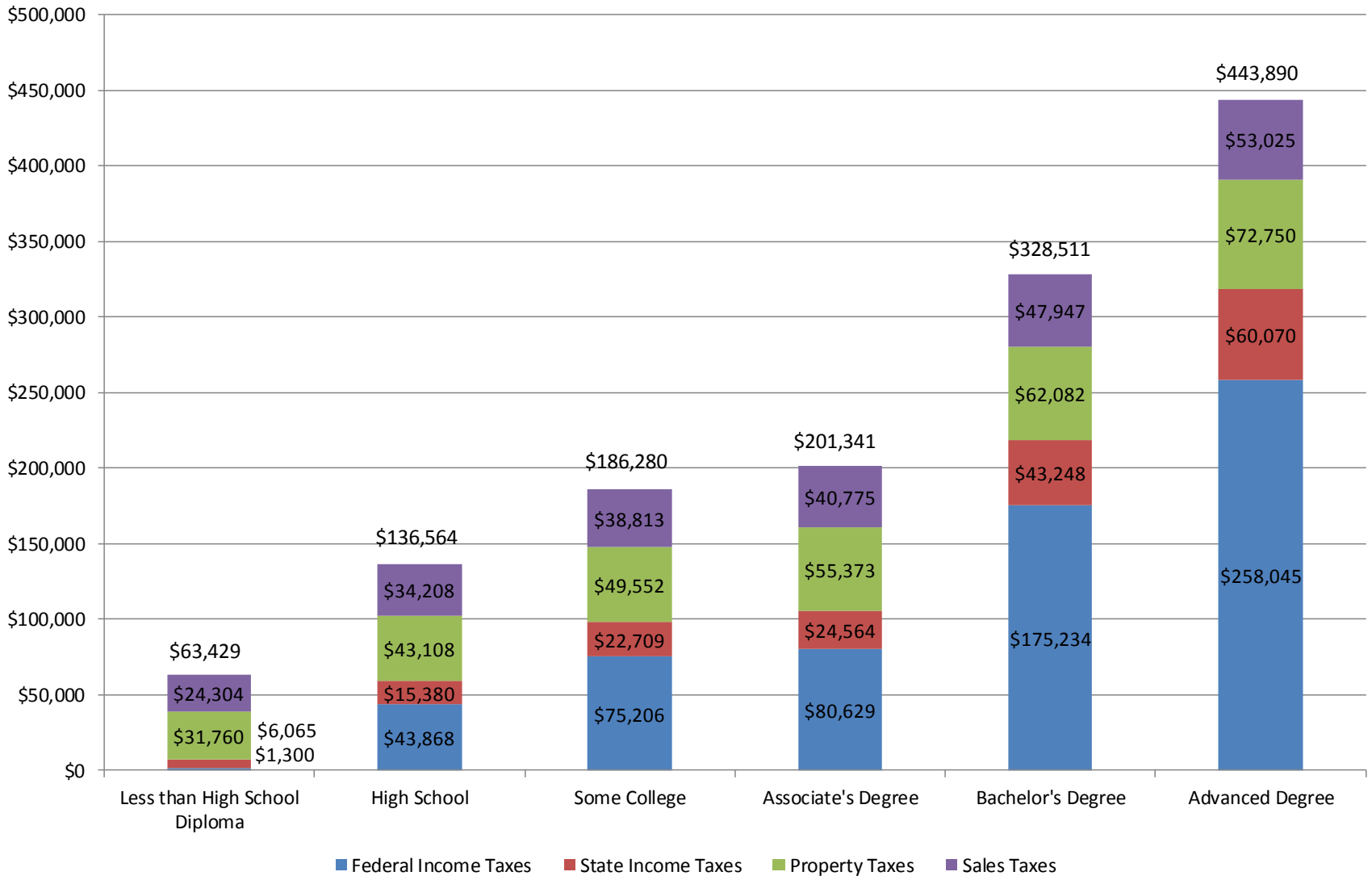
Productivity spillovers

- ▶ College education not only raises the income of those obtaining degrees but also raises the incomes of others.
- ▶ The greater regional income associated with greater regional college attainment is substantially more than can be explained by the higher incomes of graduates.
- ▶ Several studies have found that the external return are nearly as large or even larger than the private return.

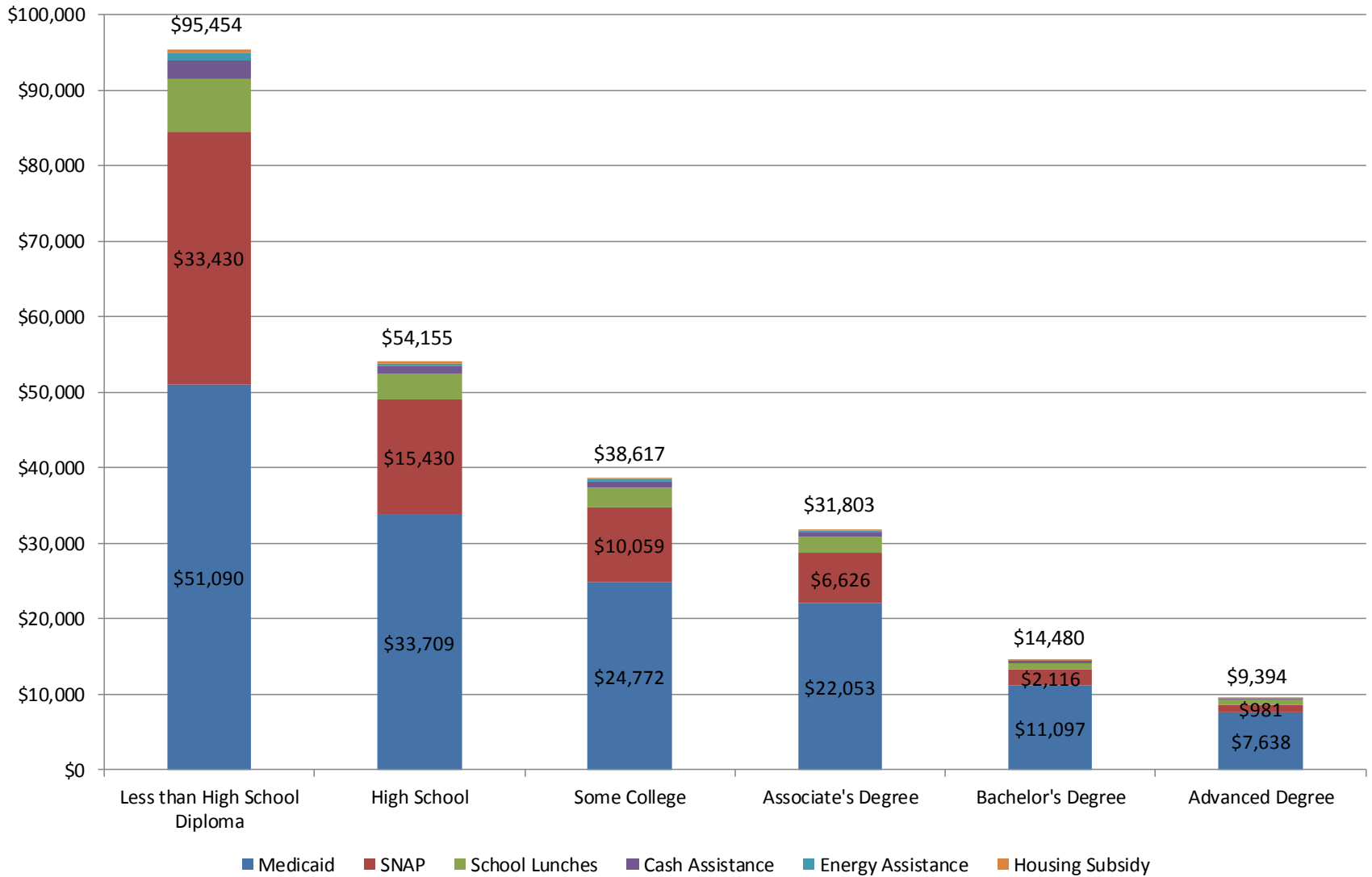
Fiscal externalities

- ▶ Greater earnings associated with higher education create additional tax revenues, and these benefit others by financing public services.
- ▶ The lower incidences of poverty, unemployment, disability, etc reduce government spending on public assistance and social insurance, which benefit others by freeing government resources for other programs and/or reducing taxes.

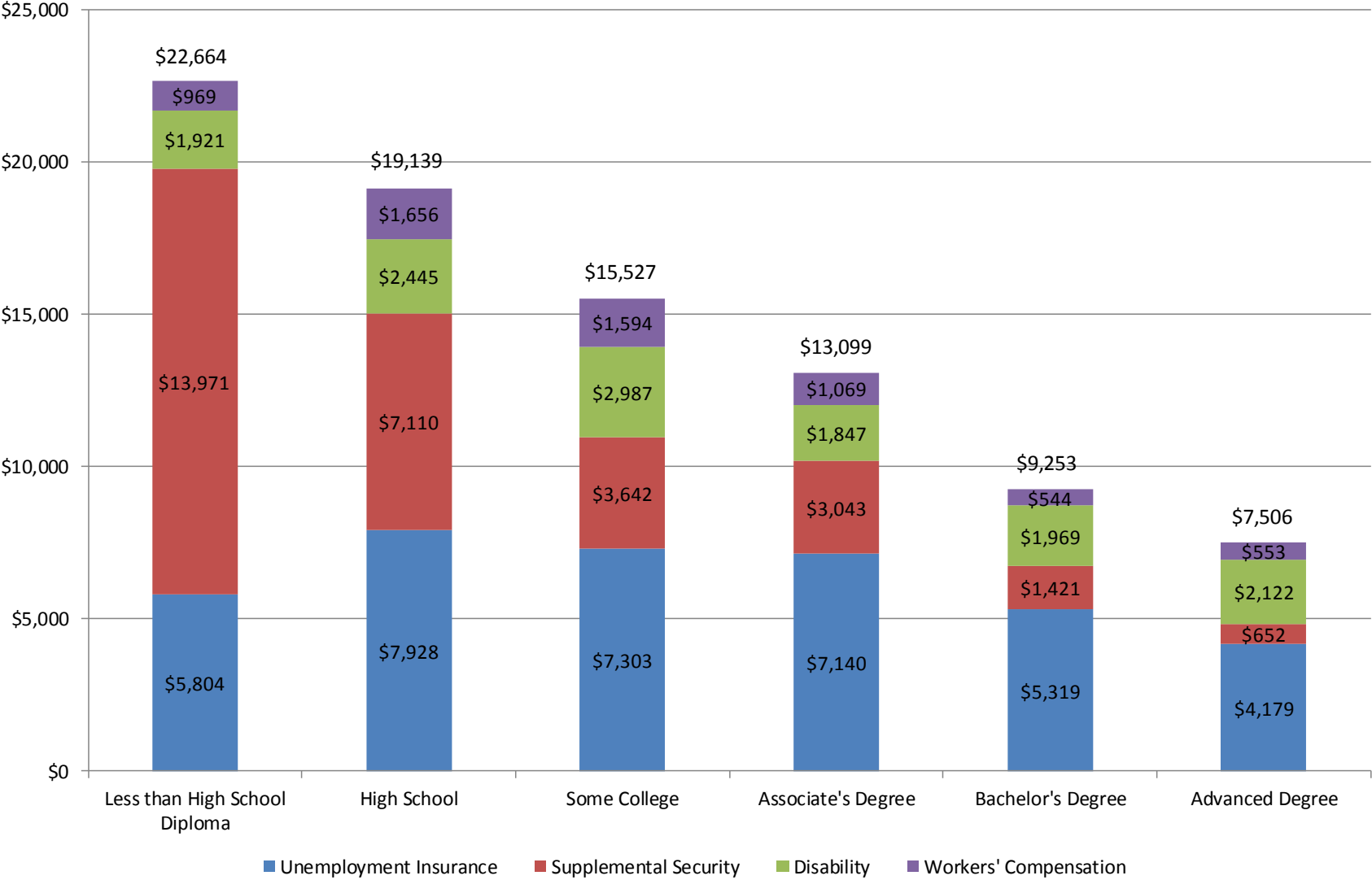
Present Value of Lifetime Taxes (At Age 19 using a 3% Discount Rate)



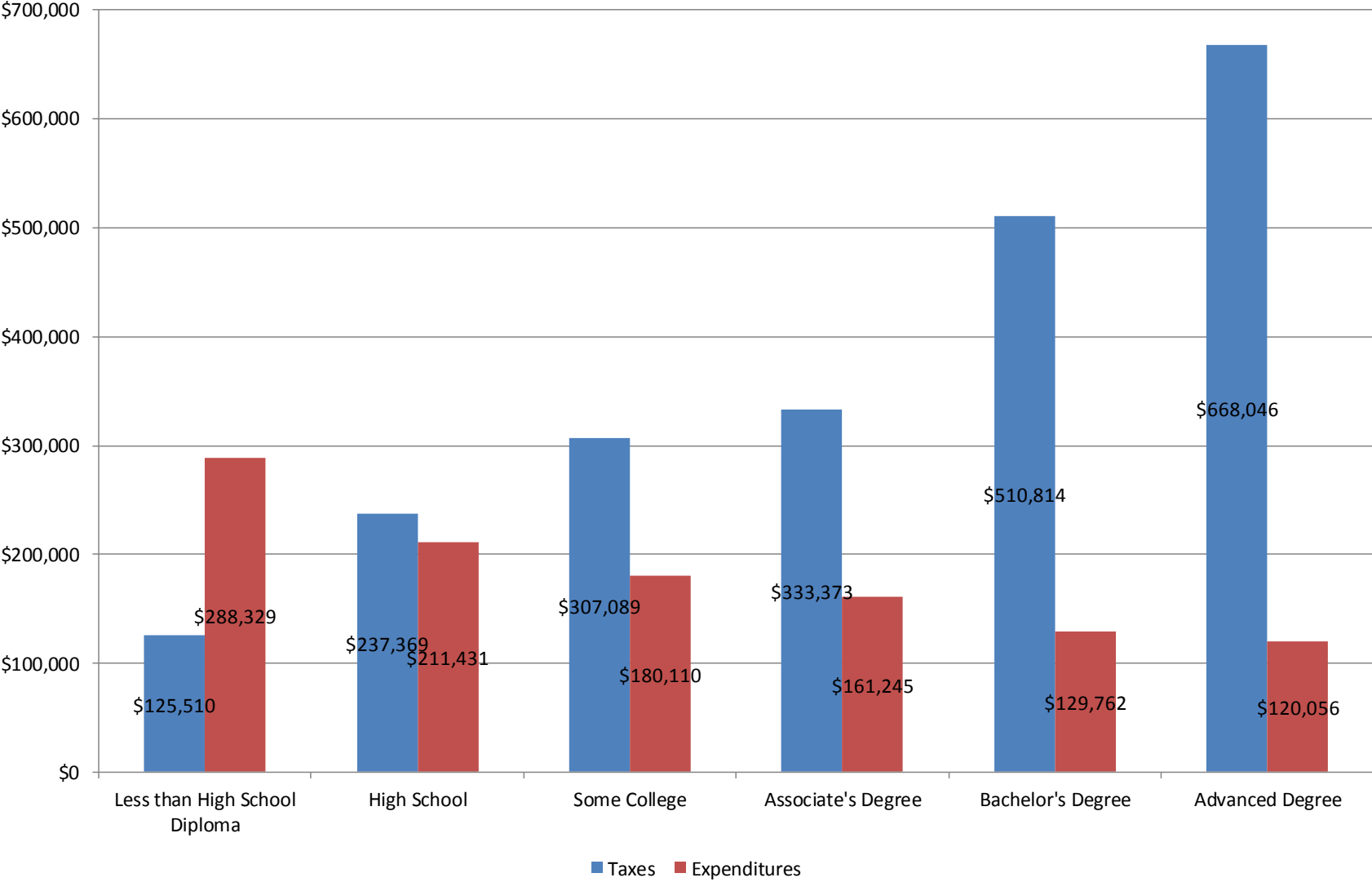
Present Value of Lifetime Public Assistance (At Age 19 using a 3% Discount Rate)



Present Value of Lifetime Social Insurance (At Age 19 using a 3% Discount Rate)



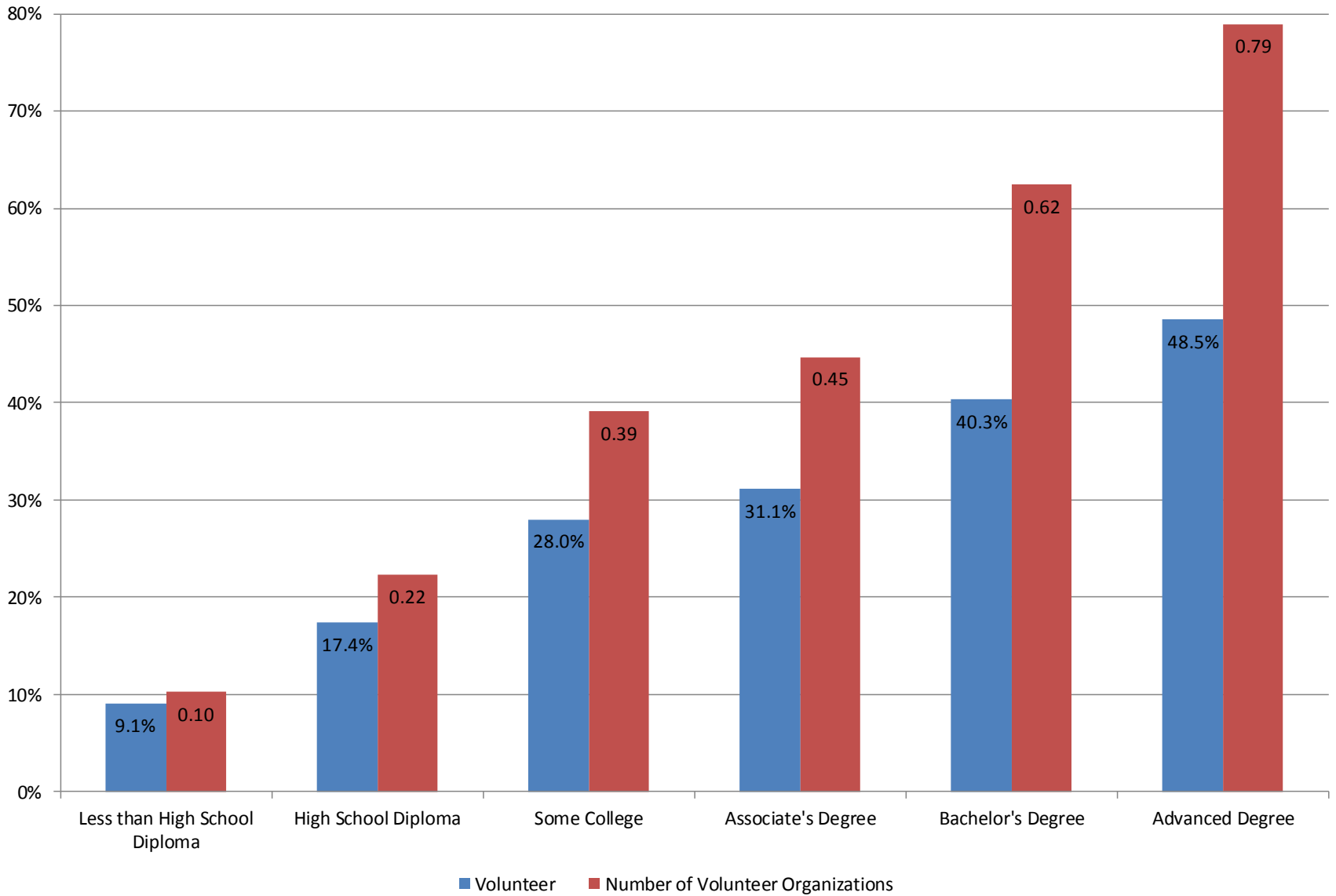
Present Value of Total Lifetime Fiscal Effects (At Age 19 using a 3% Discount Rate)



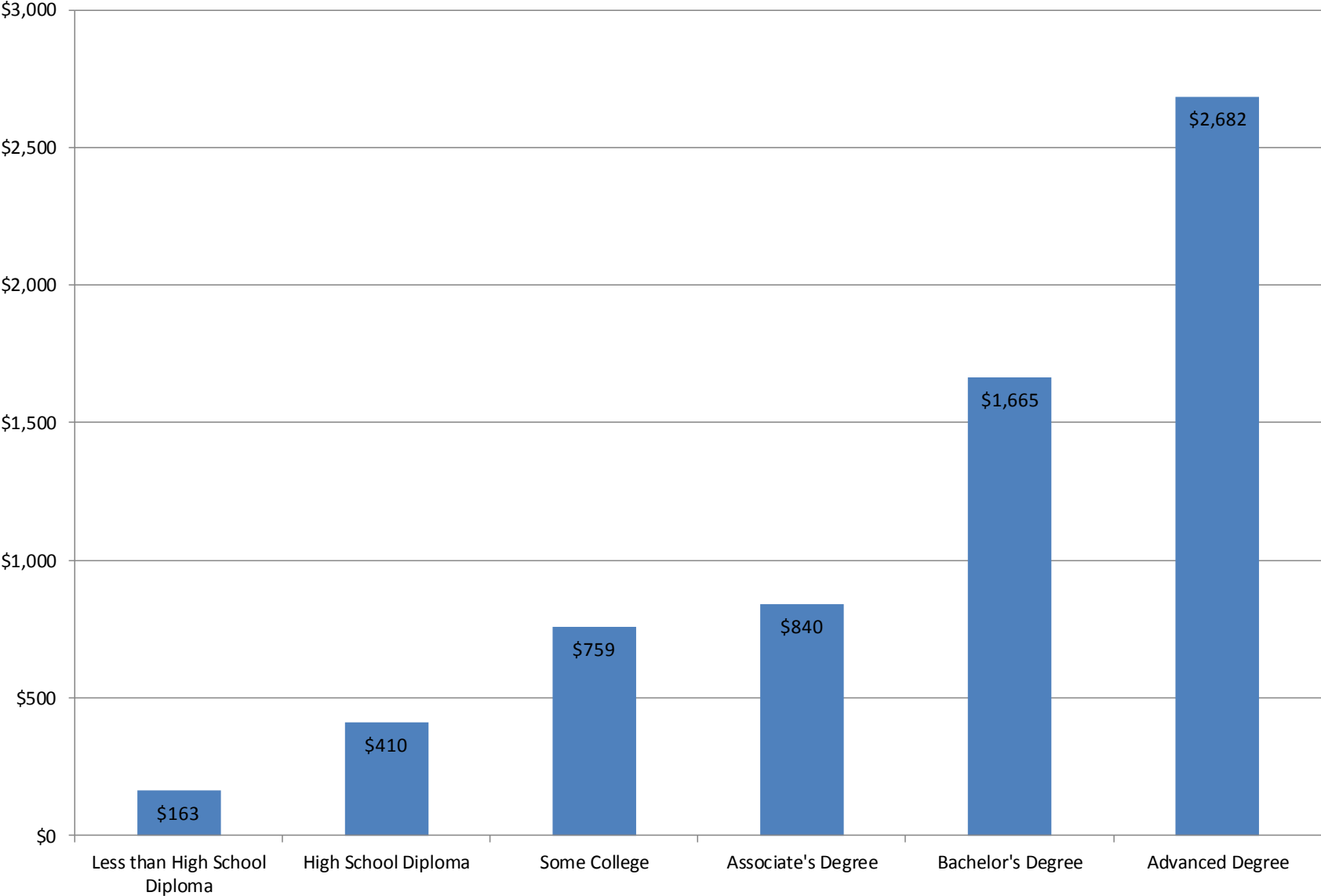
Fiscal bottom line

- ▶ Trostel (2010) estimated the fiscal benefits relative to the cost (using 2005 data):
 - ▶ From taxpayers' point of view each college degree is, conservatively, worth \$481,000 (\$556,000 in various fiscal benefits minus the \$75,000 cost).
 - ▶ Net government spending per college degree is negative!
 - ▶ The reduction in spending after college is greater than public spending on college education.
 - ▶ The internal rate of return on taxpayer investment in college students is, conservatively, 10.3%.
 - ▶ The internal rate of return to state and local governments on is 3.1%, on average (3.0% in CT).

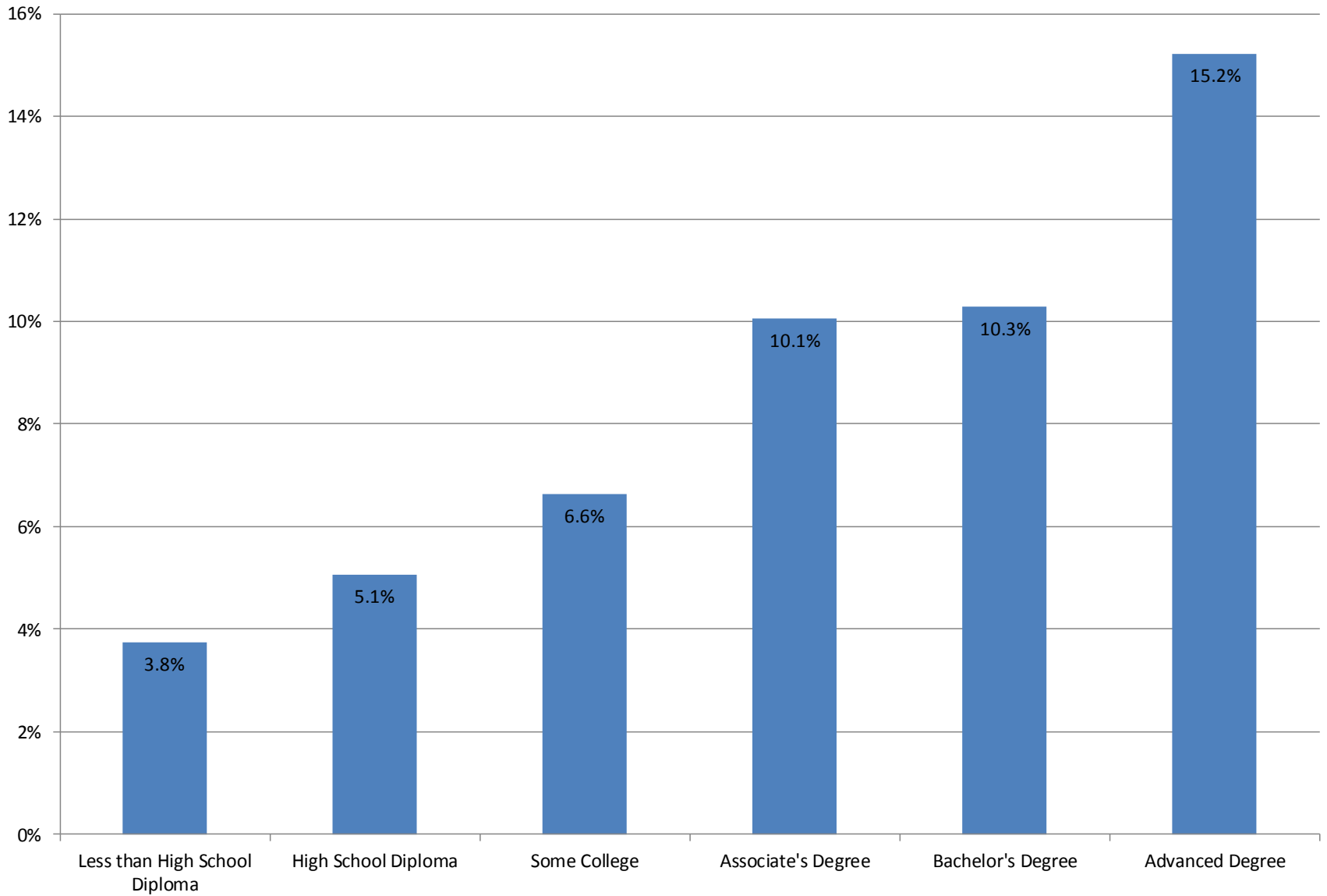
Volunteering



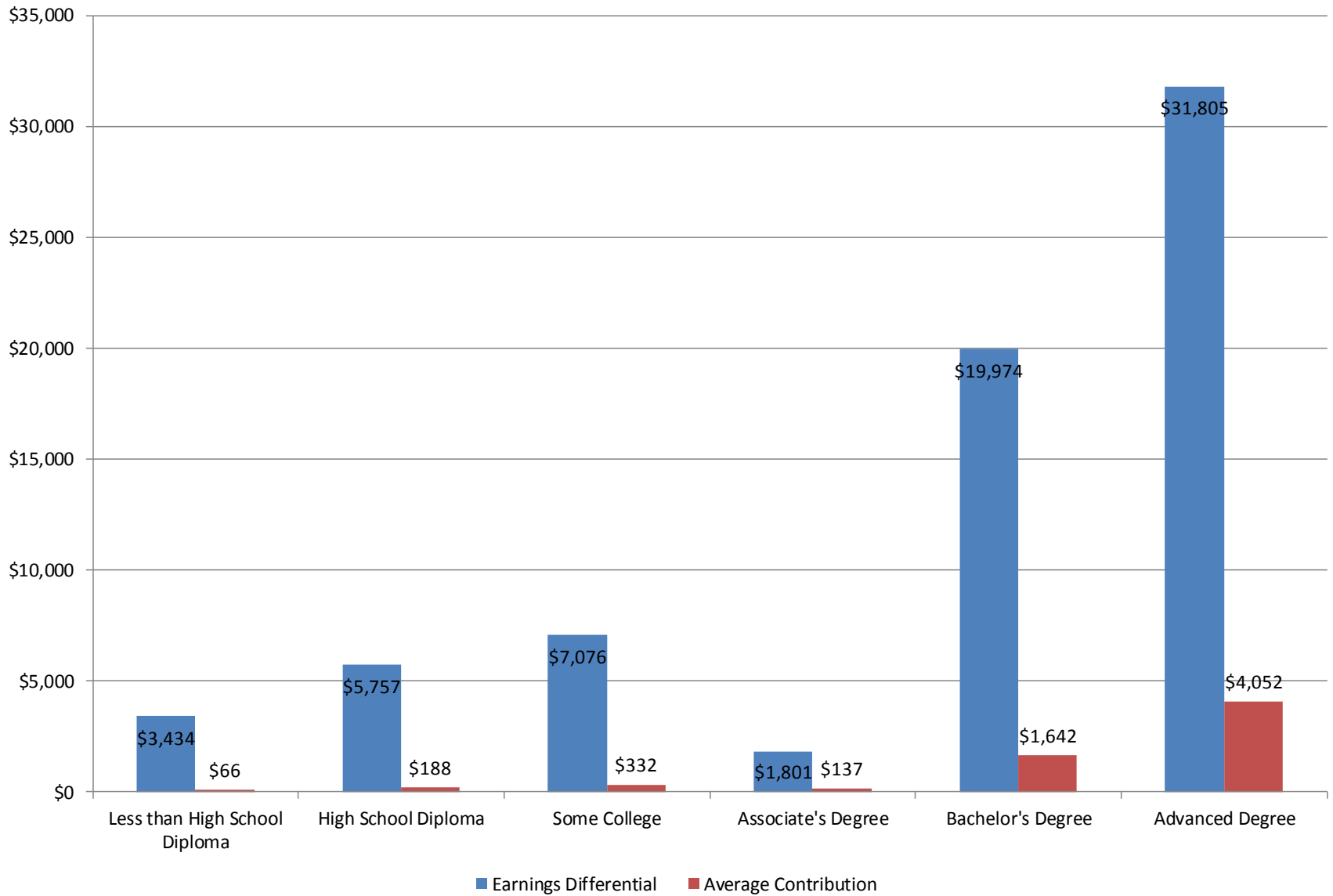
Value of Volunteered Labor



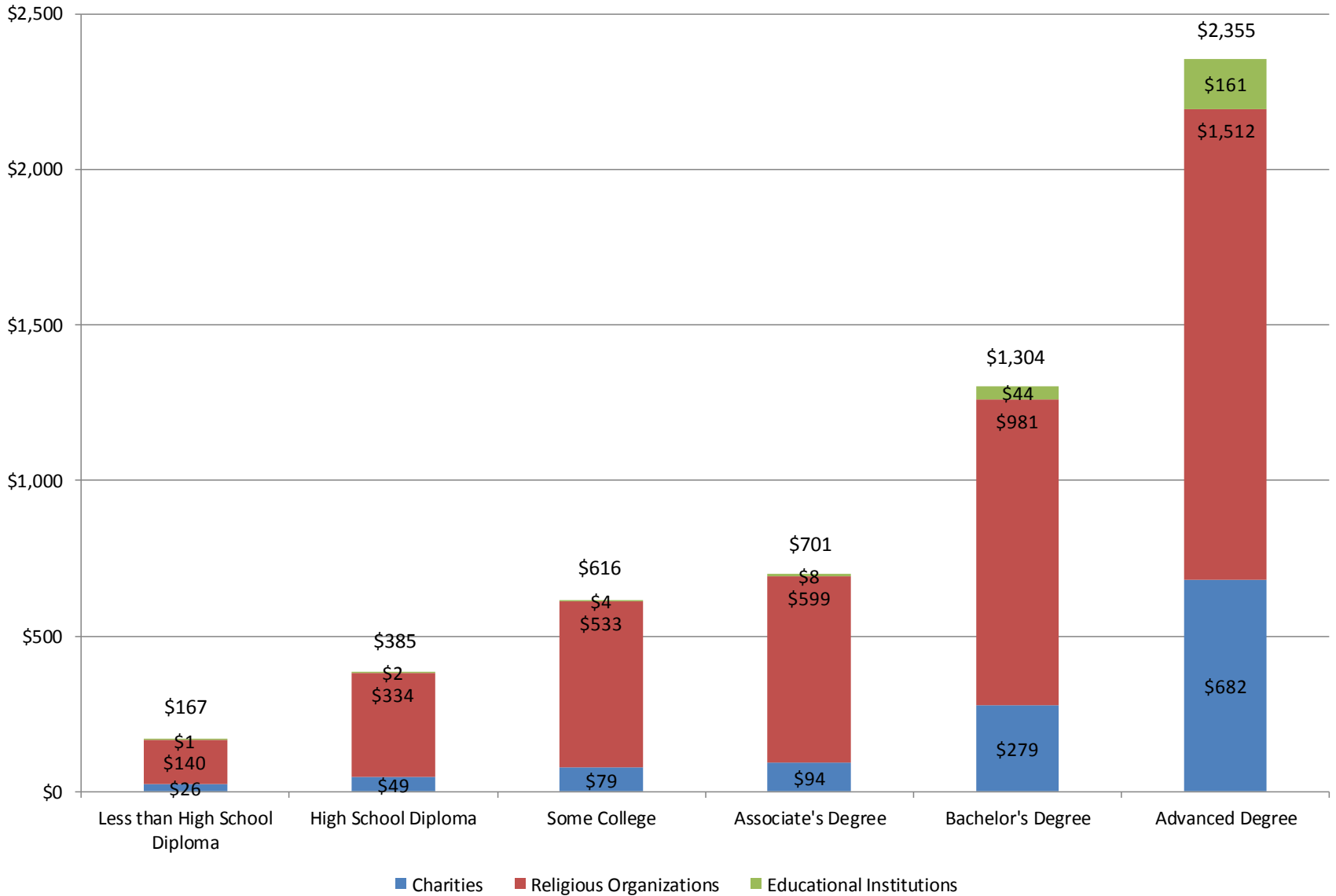
Not-for-Profit Employment



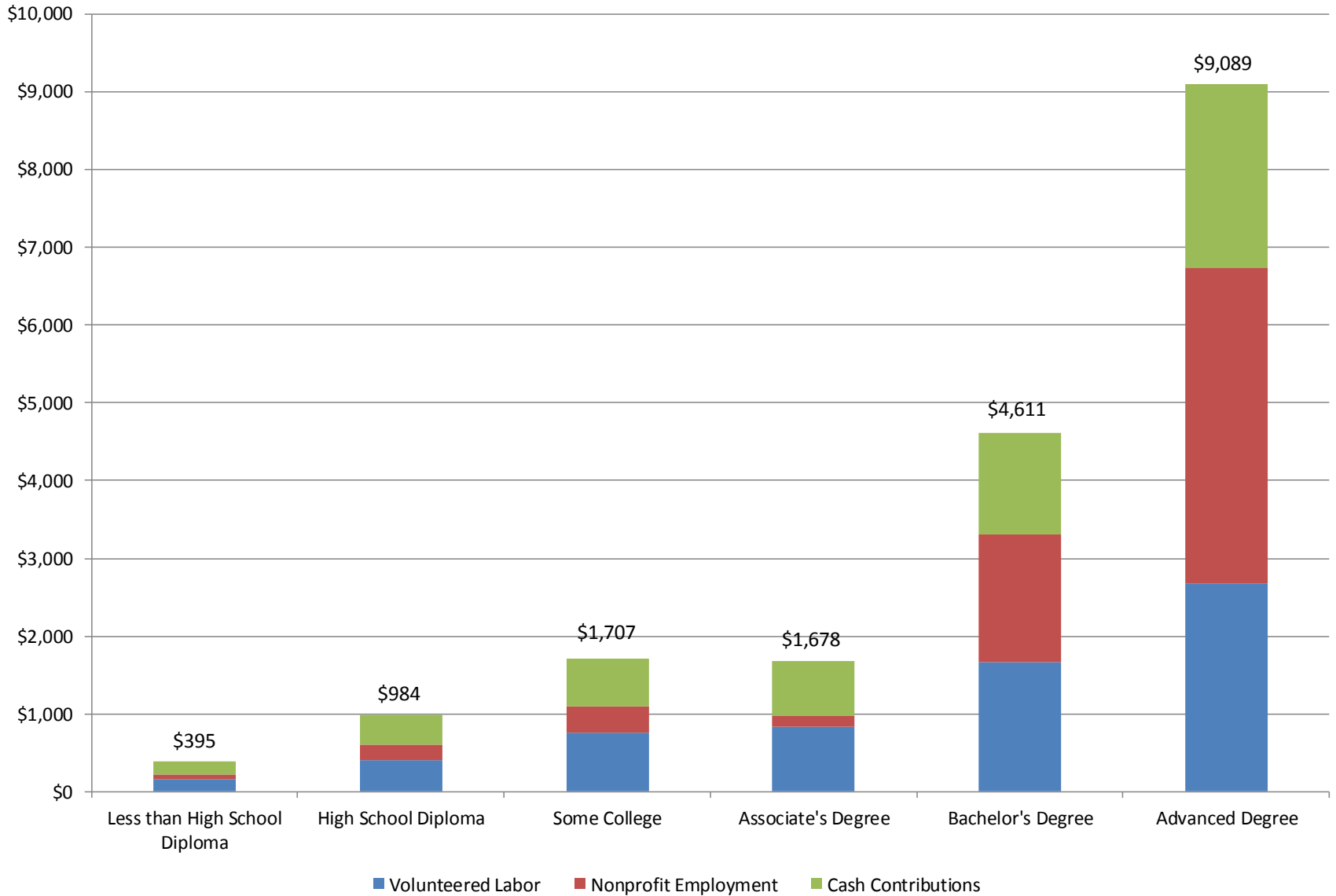
Earnings Sacrificed for Not-for-Profit Employment



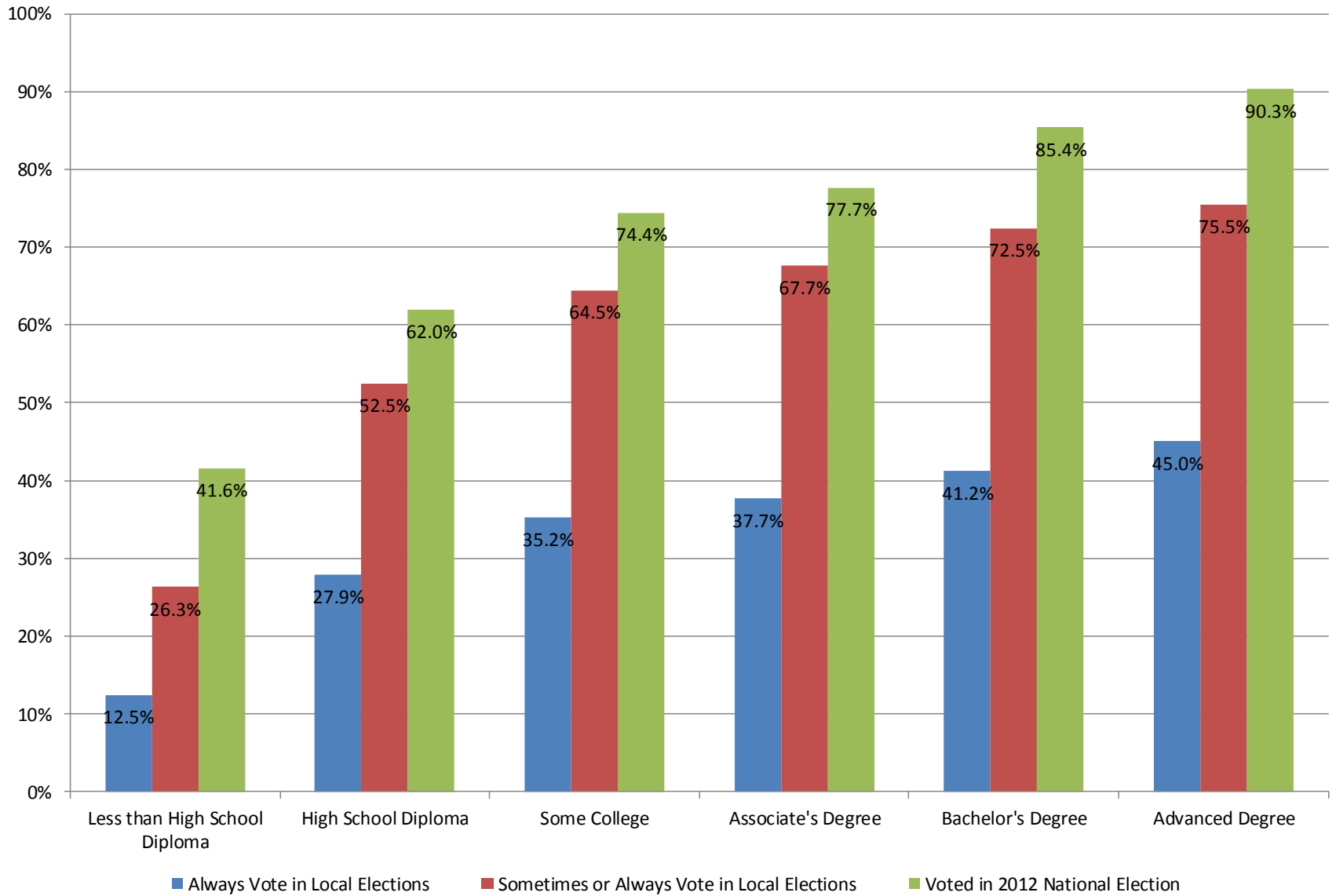
Annual Charitable Contributions



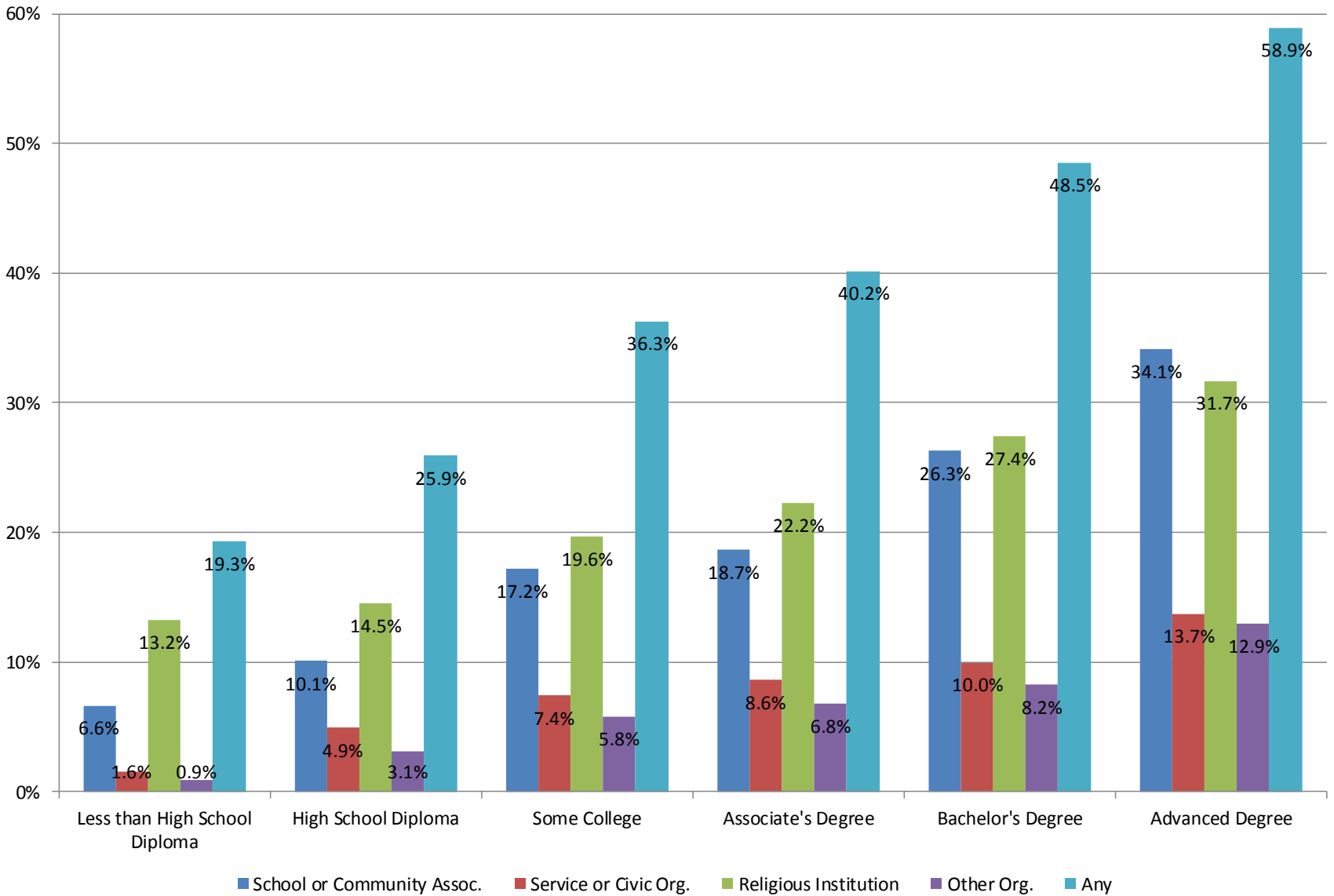
Total Annual Philanthropic Contributions



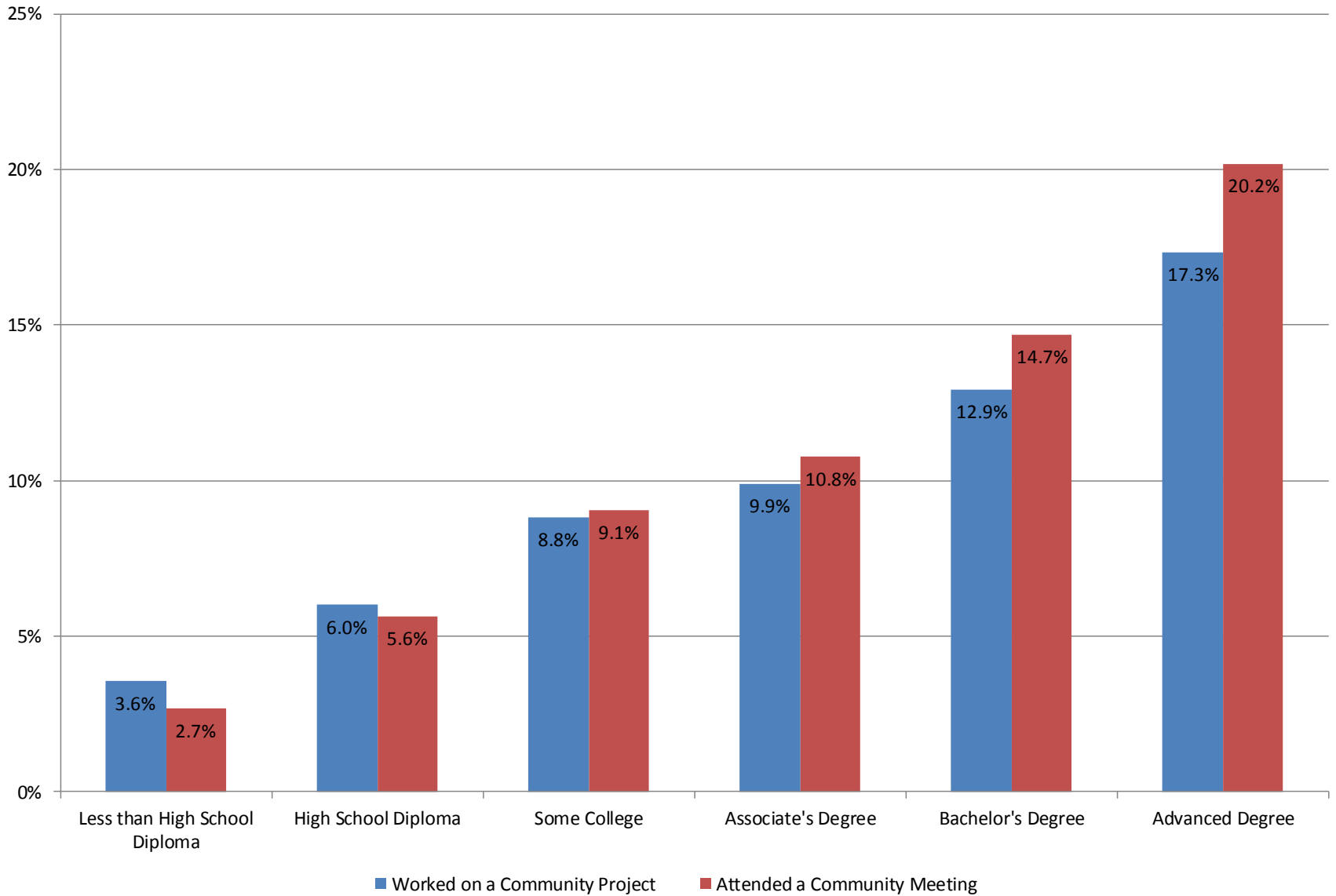
Voting



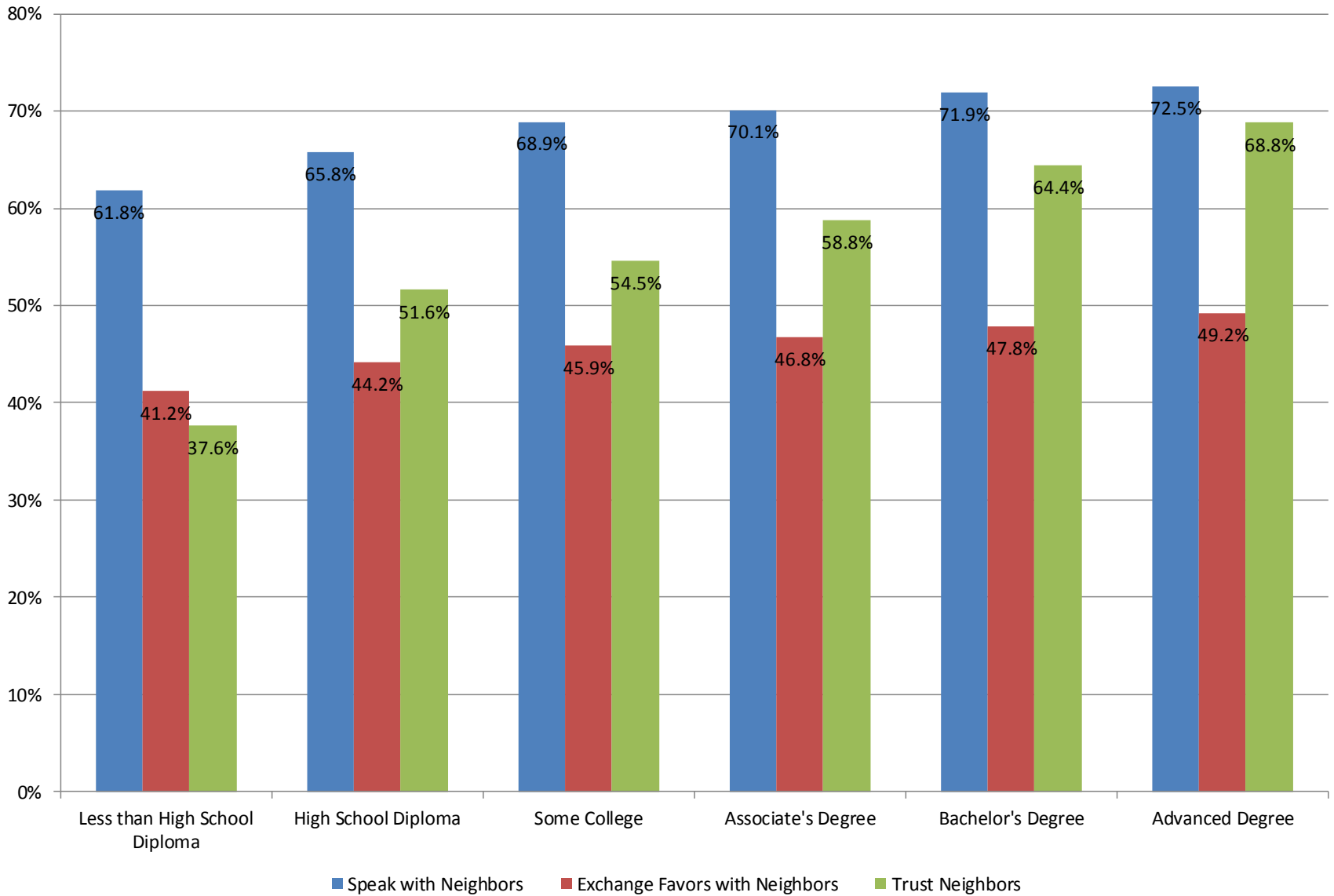
Participation in Organizations



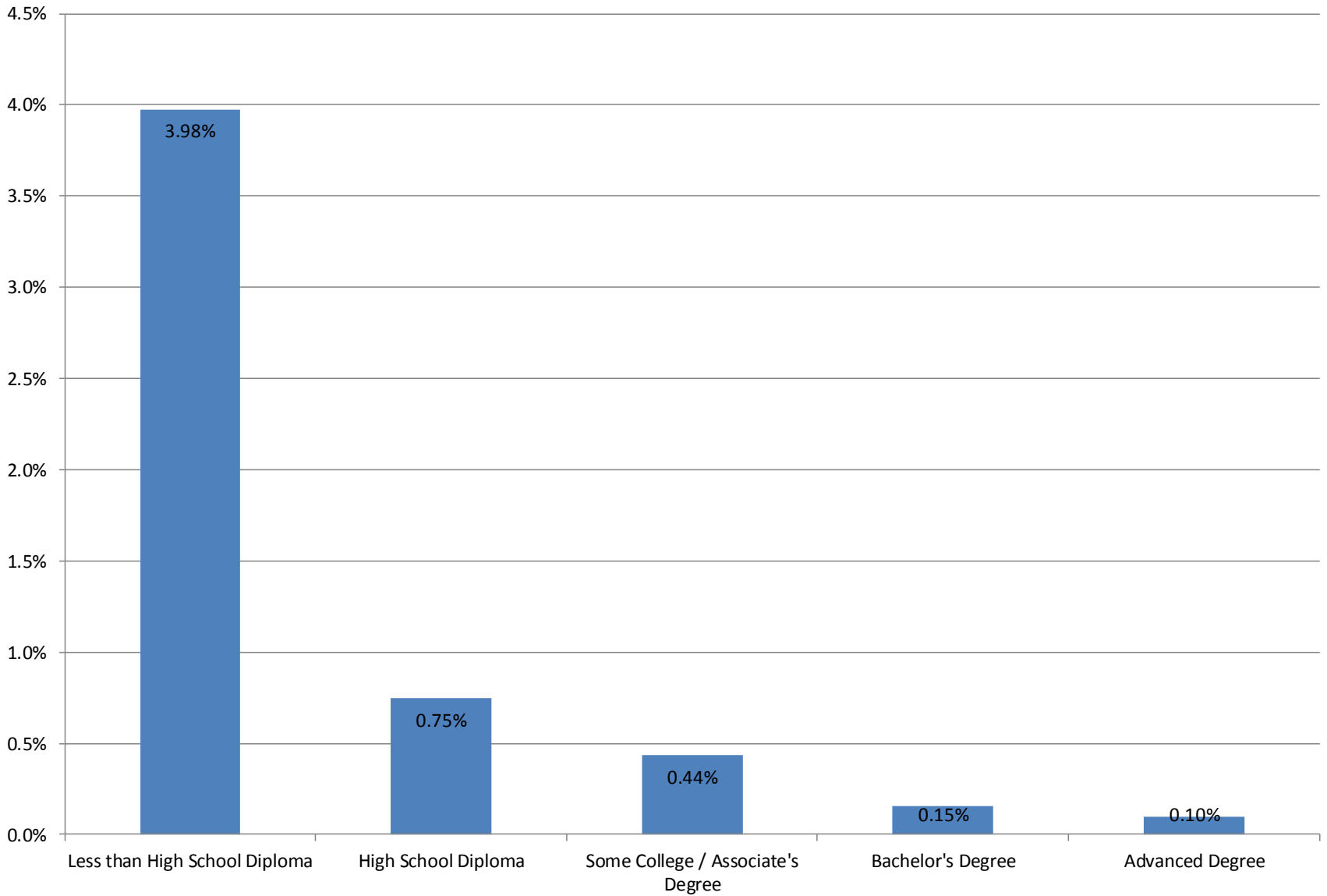
Community Involvement



Interactions with Neighbors



Incarceration Rate



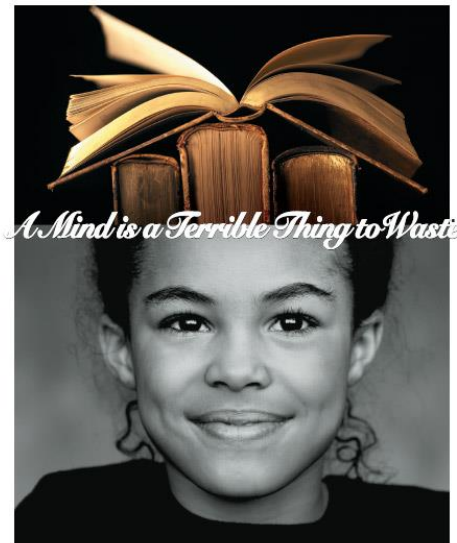
Summary

- ▶ These are just some the (imperfectly) measurable benefits of college education.
 - ▶ There are numerous important but difficult-to-quantify effects such as the positive influences on innovation, culture, diversity, and tolerance.
- ▶ It is not overstatement to call the typically emphasized effect on earnings just the tip of the college-payoff iceberg.
 - ▶ There are more benefits to college education beneath the surface than above it.



What does this have to do with inequality?

- ▶ The previous numbers show average effects.
- ▶ The payoff to taxpayers is the highest when taxpayer dollars are targeted toward those on the margin of college attendance.
 - ▶ There is no additional benefit to taxpayers when taxpayer dollars reduce tuition for those able to attend college without public support.
- ▶ Focusing public support on those unable to afford college is in the best interest of taxpayers.
 - ▶ “A mind is a terrible thing to waste” is not just a moral argument.



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