

## **Choosing a College: Does It Pay to Go to an Elite University?**

By James Gwartney, Richard Stroup, Russell Sobel, and David Macpherson

### **Choosing a College**

If you decide to go on to college, you face another decision: What type of college should you choose? As we have already indicated, a wide range of options is available. Students with outstanding achievements can choose among a wide range of options, including expensive elite schools, less expensive private colleges and state universities, or still less expensive community colleges. Of course, an elite school will be more expensive. Is the additional cost a good investment? The feature below provides some insight on this issue.

### **Does It Pay to Go to an Elite University?**

Early research on this question found that students who attend highly selective schools like those of the Ivy League have higher subsequent earnings than similar students going to less selective colleges. This was true even after accounting for factors like the students' SAT score, the average SAT score of the school attended, race, gender, high school GPA, income of parents, and student athlete status. But there remained one question: Did the students attending the more selective schools earn more because they received a better education or because they were more ambitious and highly motivated?

A recent study by Princeton University economists Stacy Dale and Alan Krueger sheds light on this question.<sup>1</sup> In addition to controlling for the typical set of student characteristics, Dale and Krueger were able to make earnings comparisons between students (1) who were accepted by a more selective college but decided to attend a less selective one and (2) those who actually attended a more selective college. This technique enabled them to account more fully for the potential impact of motivation and ambition on earnings. Further, the earnings data used by Dale and Krueger were

from actual Social Security records rather than the less accurate self-reported earnings.

Dale and Krueger found that students attending a more selective college such as Yale University did not earn more than similar students attending a less selective school such as Penn State University. However, minorities and students with poorly educated parents were exceptions. The latter groups did have higher earnings if they attended a more selective school. This is consistent with the view that going to more selective schools provides these groups with important contacts and connections that they would not otherwise be able to obtain.

The Dale and Krueger study also reports two other intriguing results. First, earnings were higher for those who applied to more selective schools. This suggests that ambition and a willingness to work hard are more important determinants of earnings than the selectivity of the school one actually attends. Second, students who attended schools with higher tuition did not earn more income than similar students who attended less expensive schools. Thus, students may want to think twice before attending an expensive school, particularly if they are borrowing money to do so.

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<sup>1</sup> Stacy Dale and Alan B. Krueger. “Estimating the Return to College Selectivity over the Career Using Administrative Earning Data,” Princeton University Industrial Relations Section Working Paper Number 563, February 2011.