WHAT'S AN EDUCATION WORTH?

I

Were I to say it is a unique privilege for me to address this commencement exercise of the University of North Dakota, it would be no exaggeration - provided I kept my terms of reference sharply in view. Of course, one should recognize that as the academic year 1959-60 draws to a close more than 300,000 degree candidates throughout our land will be awarded baccalaureates and advanced diplomas, and will in that process, consume the services of two thousand and eleven commencement speakers - one for each institution of higher learning in the United States. The realization that I take my place in the academic pageant this day as but one of two thousand and eleven destroys, to be sure, much of the uniqueness, but certainly none of the pleasure of sharing the graduation experience with you from the campus at Grand Forks.

What's an education worth? This question is the theme I have chosen to pursue briefly - a pursuit, as you shall see, that leads us to the heart of a most fundamental problem now facing our nation.

But let us start in a much simpler vein. Suppose we were to ask an
individual student or graduate, 'What's an education worth to you?', and suppose further that we confined our inquiry to the matter of college education.

To the extent that an individual may be able to attach a price tag to college education, his valuation of it might consist of two components: an **investment** value and a **consumption** value. Of course, he probably would not use that sort of terminology — those are the words the economist in me wants to place in his mouth. Yet he might express these two notions something as follows:

'A college education is worth the money and time I'm putting into it, because after I've got my degree I can earn more money and live better than I could have without it.' This is the 'investment value' idea — going without the things the invested money would otherwise buy him today in order that he might have greater return tomorrow.

To another student, college might be a dismally anaemic venture if it had to be justified on the grounds of financial return, yet he might say, 'College education is worth the money and time I'm putting into it simply because of the experience itself.' This is the 'consumption value' idea.

Probably most students would respond to my question with some sort of combination of the two notions. But I suppose that if I were to carry my poll far enough, I would at some point be met with the response: 'Like I don't dig you!'
This reply, in the idiom of the day, suggests with a certain pointedness, if lack of eloquence, that something is wrong with my question. That something is a basic ambiguity surrounding the term, "worth". "Worth" has, to be sure, an economic dimension, but it also has many others - ethical, social, aesthetic, to cite a few - dimensions not really measurable in dollars and cents terms.

At this point I should confess that when we started on our hypothetical poll of students, I did not really expect a complete answer to the question anyway. But what I did want to do was to convey the idea that even an individual of single purpose, restricting himself to monetary considerations, would have extreme difficulty attaching an economic value to his college education, and even then would have to admit that there are other considerations. With this behind us I think we can better appreciate the difficulties of the next step.

II

If it is difficult to evaluate the worth of an education from the standpoint of the individual, an immensely greater problem is involved in attempting to determine the value of education from the standpoint of society. Yet, far-reaching decisions must be made, acting as if its value were known. And it is the viewpoint of society to which we now turn.
One reason the problem becomes much more difficult is that it is not simply a matter of adding up the value each person derives from his own education. A new element, which might be termed "third person benefit", enters the scene. "Third person benefits" are values derived by an individual because other individuals are educated. We might consider these as of two sorts, labelling the first the "better citizen effect" and the second the "great discoveries effect".

You can readily recognize in the first case that it is worth something to have all members of our society educated, for a democratic society could not long exist without literacy, and a minimum understanding of the problems and obligations of social living. So here we recognize benefit to society at large and consider public expenditure justified to equip all individuals with a necessary minimum of education. This educational effort is directed at the entire populace and might be considered in the United States of today to reach culmination at the level of secondary schools.

In the other category of third-person benefits the argument is roughly as follows: it is worth something to have at least a certain elite educated at advanced levels, knowing that as a result of the money spent on their education from somewhere among these gifted will arise brilliant new
Ideas - or, at least, an accumulation of many small advances - that will make life better, easier, or more secure. Here, you see, is a rationale for some element of public and philanthropic support for higher education as social investment.

Let me now summarize the argument up to this point. We have looked at higher education both in and beyond an economic framework and have identified two broad categories of recipients of its values: the individuals being educated and society at large. The benefits which accrue to these groups cannot be sorted neatly by price tags. But in practice as well as in principle, both elements are recognized in financing of higher education in America.

III

The "worth" of an education has proved to be elusive quarry so far. Perhaps our insight into the problem can be sharpened by shifting our approach. This I propose to do now, by directing attention to expenditures on education and postponing any consideration of the notion of worth. Here we can confine our discussion more closely to the economics of the question.

Let me start with this point: decisions to spend money on education - quite apart from reasons for spending it; whether the decisions be motivated by caprice, parental pressure, economic considerations, irrationality, nobler
urges of the spirit, or so on; no matter what the cause - all spending decisions on education become an immutable part of the economic process affecting all other parts of the total process.

The funds spent command and channel resources. The economic implications are immediate and real. Ordinarily each dollar spent on education means that one less dollar out of the current spending stream is available for cars, houses, consumer goods, new plant, etc. Thus the entire economy is immediately affected; its prices, its use of resources today, its plans for tomorrow.

Let us see what tasks education has to perform in the national economic process: first of all education from the broader social standpoint may be properly looked on as an investment in human capital, analogous to an investment in industrial plant and equipment or formal research. A great amount of education is carried on simply because men die. We are in a sense paying for capital replacements to keep the "machinery" running up to past standards. But a part of our investment in human capital through the educational process is "net new investment". Its function is that of improving our abilities to strengthen our economy and thus takes its place alongside investment in new plant and in industrial research as a factor applying some measure of leverage to our future well being. Unlike the latter two, however, decisions on the
allocation of educational investment are made largely in the public realm. All of these investment decisions have one thing in common – they require savings – abstention from spending on the part of someone whether by force of government taxation or by voluntary saving. Saving competes with consumption as an alternative use of the individual’s income. And millions of consumer items: goods, services, and even leisure, compete among themselves for consumer dollars.

Now, the important point I want to make – the full import of which will not be discussed till later – is that in our society the force that determines the broad pattern of allocation of resources – that establishes how much of what is to be produced – is largely the net resultant of choices of millions of individuals each exercising some influence, however small, in the total allocation of resources. The mechanism? Simply the way each chooses to spend his money. And spending in the public realm, including that for education, is by no means unresponsive to the desires of the individual consumer-taxpayer. The resultant spending decisions of individuals – right or wrong – are the prime movers in our economic organization.

IV

We have spoken so far of education and its economic dimension in only
a general fashion. I would like now, using the framework thus sketched, to look more closely at the particulars of the problems faced by higher education today; to cite some numbers and make a few comparisons that will illustrate the scope of the problem.

Our current annual expenditures on formal education in the United States run in the neighborhood of $18 billion - about 4 per cent of our Gross National Product. Of this amount, slightly less than $4 billion is allotted to institutions of higher education. Our college system is a dual one, with both publicly-supported and private colleges, each with somewhat different methods of finance, both however subsidizing a substantial part of the student educational cost. In the case of publicly-supported institutions, the subsidy is made up by public funds derived from taxation, while for private schools the subsidy takes the form of donations and grants from private individuals and corporations.

Requirements of our educational system for the next several years can be fairly well appraised, and have been in numerous studies by educators and special commissions. The influx at the university level can be fairly well foreseen, since everyone who will be going to college in, say, 1970, has already been born. It is not my purpose here today to detail the findings of these many excellent studies, but I will cite just a few numbers to underline the realities of the problem.
Enrollment in higher education is now slightly over three and three-quarters million persons. Within ten years, enrollments at universities and colleges are expected to rise to nearly six and a half million. The studies I have referred to indicate that by 1970 financial requirements for higher education will be in the neighborhood of $9 billion to $11 billion, including student aid, organized research, and payments for plant - two and one-half to three times our current level.

In case you're wondering where all this money is to come from, let me cite one idea. According to a study by Robert Calkins of the Brookings Institution, government sources, federal, state and local, will have to more than double their present support in order to reach the proposed educational budget of about $10 billion in 1960-70. The remaining funds, about a third of total needs, would have to be supplied by a near-doubling of philanthropic contributions and a sharp increase in student fees - up 100 per cent from current levels at public institutions and up 50 per cent at private institutions.

A good many people believe that the Federal government will have to assume an increasingly prominent role in supplying the public share of support. And in fact, public policy might seem to require this, not from the standpoint of the needs of education, but from the standpoint of the needs of the economy.
In this regard, I would like to refer to one more study, this one conducted by a group investigating not the problems of education, but the national problems of employment, growth and price levels.

The group is the Joint Congressional Committee on the Economic Report. After months of hearings at which many expert witnesses testified and after publication of voluminous reports on the general problem of economic growth, the Committee concluded in its summary report that Federal aid to education was the most important of all its recommendations within the purview of Federal policy for raising the long term rate of growth of the United States economy.

Now the moral we can draw - and certainly leaving much unsaid on a very interesting subject - is that the future of education cannot be considered in isolation from the future of the economy. The decisions of the economy intimately affect education, and the decisions of education intimately affect the economy. The two are interwoven.

V

Having by this time bestowed upon you just about all the statistical data I plan to use this afternoon, I wish to return for the remainder of my time to more general considerations, to draw together the lessons we may learn from our efforts at relating higher education to the economy, and to go beyond
that, to relating it more broadly to national life itself. In these final
minutes I choose to direct our thoughts mainly to two questions. One is what
are our national goals or purposes; the other, what are the methods of achieving
these - the processes of decision.

There has been much written and spoken recently about our national
purpose. The President has appointed a Commission on National Goals "to develop
a broad outline of national objectives and programs for the next decade and
longer". Life Magazine has just begun a series on 'Our National Purpose'.

In the second part of this series Archibald MacLeish and Adlai
Stevenson write thoughtfully on this subject. Mr. MacLeish states that we
have a purpose, that we do not need to discover it but we do need to exercise
it. That purpose was set forth in the Declaration of Independence which stated
that all men were endowed with certain inalienable rights, among them - life,
liberty, and the pursuit of happiness. In a phrase, our purpose is to "liberate
from domination; to set men free".

Mr. Stevenson says that we probably cannot improve on the statement
of purpose contained in the Preamble of the Constitution, but that we need to
look at this in terms of the concrete, practical content which Americans give
to the concept. He goes on to say that man needs a convincing, working model
of a free society and lists as his top priority improvement in education and the arts.

A few years ago in a series of lectures delivered at Hollins College, Charles Burton Marshall of the State Department spoke in the same vein. He said -

The government of the United States is founded on some general propositions set down in the Preamble of the Constitution. These are the purposes for which the American people gave their consent to be governed.

The first is the perfection of the Union. That expresses the idea of a nation growing in internal strength and concord.

The second is the establishment of justice. That means subjection of power to antecedent standards insuring against the employment of power as an end in itself.

Third in the enumeration comes domestic tranquility - meaning a nation at peace with itself, permitting the resolution of issues by reason and compromise.

Next comes the common defense. That means the protection of the nation against penetration by its enemies.

The promotion of the general welfare is listed next. That expresses the idea of a government serving the interests of, and accountable to, the community at large rather than being the instrument merely of the interests of a dominant group.

Finally comes the securing now and henceforth of the blessings of liberty, a situation permitting the individual to choose freely for himself and his children regarding the modes of their lives, their religion, and their thoughts.

From these thoughts we may move easily to the second of the broad questions, that dealing with the processes of decision. Given the stress on freedom and individual choice which is the heart of our political philosophy, we come inevitably to the conclusion that the decisions must be made by the
people - as individuals and as a whole. And to make intelligent decisions
the people - all of us - need to be informed, educated and thoughtful. Again
let me quote from a lecture of Mr. Marshall:

The terms STATE and GOVERNMENT convey ideas of hugeness, majesty,
and impersonality. These overtones should not mislead us. The state -
and this is true also of its agent, government - remains, in Plato's
phrase, man written large.

It is only man. It is not superman. It is man written large,
not limitless. The individual is multiplied in the frame of the
state. The individual's limitations are not transcended. **
Service to the state does not bring to the minds of the servants
any additional endowments for perceiving the future. For all its
majesty, the situation of the state is still the human situation.

Americans generally recognize the characteristics of intrinsic
limitation in respect to the state's role in domestic affairs. Here
indeed, in their precepts if not so much in their practices, the
Americans are virtually singular among the nations for their skepticism
about the wisdom and the efficacy of public authority.

Contrast this with a quotation from a speech of just one week ago
by Fidel Castro. "Only the egotistical, the ignorant, or the counter-
revolutionist will fail to understand and approve the just and correct action
of the revolutionary government."

VI

Let me now gather together the threads of discussion and attempt
to weave them into a whole cloth of conclusion. We have looked at the question
"What's an education worth?" from several angles - from the viewpoints of the
individual, of society, of cost, of economic impact, and finally from the
viewpoints of our national goals and individual freedom.

It seems to me that certain conclusions emerge from consideration of these points. Perhaps the first and most obvious is that education is important to the individual and to society at large, and is particularly important in the functioning of a democracy. Its importance in this respect transcends its importance in the economic sphere, and yet the economic questions are significant in themselves alone. Thus for the second conclusion let me return to this point for a moment.

Today we face what many thoughtful people believe is the most serious challenge in our history - the Soviet challenge. That challenge extends over many fields - the military, the political, the ideological, and the economic. To meet the challenge successfully in most fields requires us to provide what Mr. Stevenson has called "a convincing working model of a free society". Specifically, in the economic field it requires us to provide for an allocation of resources that will meet our public needs for defense, for health, for education and so on, that will also provide us as individuals with a rising standard of living, and that will accomplish these ends within a framework of a high degree of individual freedom. This is not an easy task;
it requires an intelligent, informed citizenry determined to accomplish it.

There are some people who contend that it cannot be done unless we are willing to give up some - perhaps a lot - of our individual freedom. They cite our so-called 'affluent society' and argue that we are too concerned with 'things' for ourselves rather than with the needs of the republic. I believe they are mistaken, partly as to the facts and partly as to the strengths of our system. After all, last year we devoted $46 billion to defense, $50 billion to capital investment, $18 billion to education and $24 billion to health. These figures do not indicate complete preoccupation with creature comforts on the part of the American people. And the fact that many of our responsible leaders and many of our responsible citizens continue to press for more in these fields hardly is consonant with our presumed lack of direction.

We do, I believe, need this continued pressure to stir the national conscience so as to keep us responsible. In the field of education we need to lift our sights and to intensify the "pursuit of excellence". But we need to do this as we have done it in the past, with individual free choice and with a healthy skepticism about solutions which seem easy because they can be superimposed by government. The philosopher, Santayana, has cautioned against reliance on any special school of thought 'which squints and overlooks half
the facts and half the difficulties in its eagerness to find in some detail the key to the whole."

So my second broad conclusion is that we must be aware of the implications of education for the economy and the implications of economic facts for education. Should we increase our expenditures on education? I believe the answer must be "Yes" because of both quantity and quality factors. Should we regard this as useful investment? Again I believe the answer must be "Yes". Should more - perhaps all - of such expense be financed by general taxation in view of the public need? Here the answer can be "Yes" or "No" or "Maybe" only after the public as a whole speaks, and it should speak with an awareness of all of the issues involved.

For my final conclusion let me express my belief that the value of education fully grasped in the minds of free men is the most powerful force we can muster for the challenge ahead. That in sum is my answer to our question: What’s an education worth?

To those who graduate here today the academic contest now lies behind. But your involvement in the problems of education is not over. Indeed it has just begun. On you shall fall increasingly the problems I have outlined here. You must share over the years ahead the study, the choices, and the decisions
concerning the how and what of education. On these depends not only our well
being, but, perhaps, our survival. To each of you my congratulations and
best wishes.