The Political Economy of Social Desirability Bias: The Case of Education

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Background: The Case Against Education

• My next book, the *The Case Against Education* (Princeton University Press, 2018) comes out next month.

• Main thesis: The signaling model of education is MUCH more empirically important than laymen, politicians, journalists, or researchers admit.

• Main policy implication: education’s social return<selfish return, so almost every society overinvests in education.

• But this raises a major political economy issue: Can the whole world really be making such a large, lasting mistake? If so, how?

• This talk has two goals:
  • First, convince you there’s a political economy puzzle to explain. (based on Chapter 1)
  • Second, explain it. (based on Chapter 7)
Education: The Big Puzzle

• Almost everyone says we should have more and better education.
• Economists and public agree we’re not “investing” enough.
• Standard return to education estimates are pretty high. Many economists assume this proves that education “builds human capital.”
• When you actually experience education, though, it’s hard not to notice that most classes teach no job skills.
  • What fraction of U.S. jobs ever use knowledge of history, higher mathematics, music, art, Shakespeare, or foreign languages? Latin?!
  • “What does this have to do with real life?”
• This seems awfully strange: Employers pay a large premium to people who study subjects unrelated to their work.
The Signaling Explanation

• It’s easy to explain these facts, however, using the *signaling* model of education.

• Main idea: Though some schooling raises productivity, a lot is just hoop-jumping to show off (“signal”) your IQ, work ethic, and conformity.

• Key assumptions:
  • Differences are hard to observe.
  • Differences correlate with the cost of an observable activity.
  • Higher productivity workers have lower costs (in money, time, and/or pain) of performing observable activity.

• In signaling models, the market rewards people who “show their stuff” even if the display itself is wasteful rent-seeking.

• You might be signaling if...
  • You bother to enroll or pay tuition.
  • You worry about failing the final exam, but not subsequently forgetting what you learned.
  • You don’t think cheating is “only cheating yourself.”
  • You seek out “easy A’s.”
  • You rejoice when teachers cancel class.
Signaling vs. the Competition

• Pure human capital view: Education raises income by raising skill.
• Pure signaling view: Education raises income by certifying skill.
• Extreme education skepticism (a.k.a. “pure ability bias view”): Education raises neither skill nor income.

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<thead>
<tr>
<th>Story</th>
<th>Effect on Skill</th>
<th>Effect on Income</th>
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<tbody>
<tr>
<td>Pure Human Capital</td>
<td>WYSIWYG</td>
<td>WYSIWYG</td>
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<tr>
<td>Pure Signaling</td>
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<td>Pure Ability Bias</td>
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What’s Wrong With Education

• Question: Who cares if education builds human capital or just signals it?

• Answer: Signaling models imply that education has negative externalities.

• Social return versus private return.
  • Concert analogy.

• Nevertheless, all governments support education.
  • Democracies and dictatorships support different kinds of education, but spend at comparable levels.
  • Industrial policy is usually contentious, but not in this case.
The Political Economy Puzzle

• How is this possible? Political economists could blame standard special interest politics.

• But these pro-education policies are extremely popular!
  • In a major international study, clear majorities in every country favor bigger education budgets.
  • There is no known country where median citizen favors lower spending.

• The U.S. is typical:
  • In the GSS, 74% favor more, 21% the status quo, 5% cuts.
  • There is only a slight partisan difference: 60% of self-identified “strong Republicans” favor more; only 12% favor cuts.

• Two possibilities:
  • Rational choice: My analysis of educational signaling is wrong (or ignores huge offsetting factors).
  • Behavioral political economy: Most voters favor education policies that are bad for most voters.
Background: *The Myth of the Rational Voter*

- If I’m right, every country on Earth is wrong. Isn’t this arrogant to the point of absurdity?
- No. See *The Myth of the Rational Voter*.
  - Political irrationality is free for the average citizen – and politicians pander to the average citizen.
- But why is overrating education so popular to begin with?
Social Desirability Bias

• People gravitate toward saying – and thinking – whatever “sounds good.” Psychologists call this “Social Desirability Bias.”

• SDB is the tendency of respondents to answer questions in a manner that will be viewed favorably by others.
  • SDB-infused topics: self-reports of abilities, personality, sexual behavior, income, self-worth, compliance with medical instructions, religion, patriotism, bigotry, physical appearance, violence, benevolence, illegal acts.

• SDB is the empirical evidence that (partially) justifies economists’ preference for studying observed behavior rather than self-reports and interviews.
  • The case of selective abortion: 23-33% hypothetically say they’d terminate a DS fetus, vs. 89-97% in position to actually do so.
  • Note: Same literature also shows self-reports and interviews often are reliable.

• “Socially desirable” claims can be true. But we’re inclined to believe them whether they’re true or not.
  • “Am I fat?”

• Interesting ambiguity: Does SDB affect only expression, or thought itself? (See e.g. Kuran).
Social Desirability Bias and Politics

• Several of psychologists’ standard examples are already political.
  • Patriotism
  • Religion
  • Who’s rich? Not me.

• Easy to list many additional plausible examples.
  • People around the world want more spending on almost everything, but oppose spending in general, taxes, deficits, and inflation.

• Or consider some standard political rhetoric:
  • “We will win the War on Terror.”
  • “No matter what the cost…”
  • “Every citizen of X deserves the best Y in the world.”
  • “If this program saves just one person…”
Now consider some cliches of educational rhetoric:
- “There’s no such thing as a stupid child.”
- “In a modern society, every child needs the best possible education.”
- “Education is the most important investment we make in our children’s future.”
- “We have to make sure that everyone who might benefit from college attends.”
- “There’s no trade-off. The more we spend on education, the richer we’ll be.”
- Though all these statements are absurd on their face, it’s hard to imagine any successful politician saying the opposite.
- SDB provides a clean explanation.
Explaining Ubiquity

• Human universals?
  • Motherhood, sugar, clear skin – and “Think of the children.”

• Fallacy of Composition + social undesirability of identifying “fallacies”?

• Global elite culture?
  • Western elites fell in love with education in the 19th century.
  • Non-Western elites heavily influenced by Western elites in the 20th century.
  • Compare to: the global prevalence of Abrahamic religions.