

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

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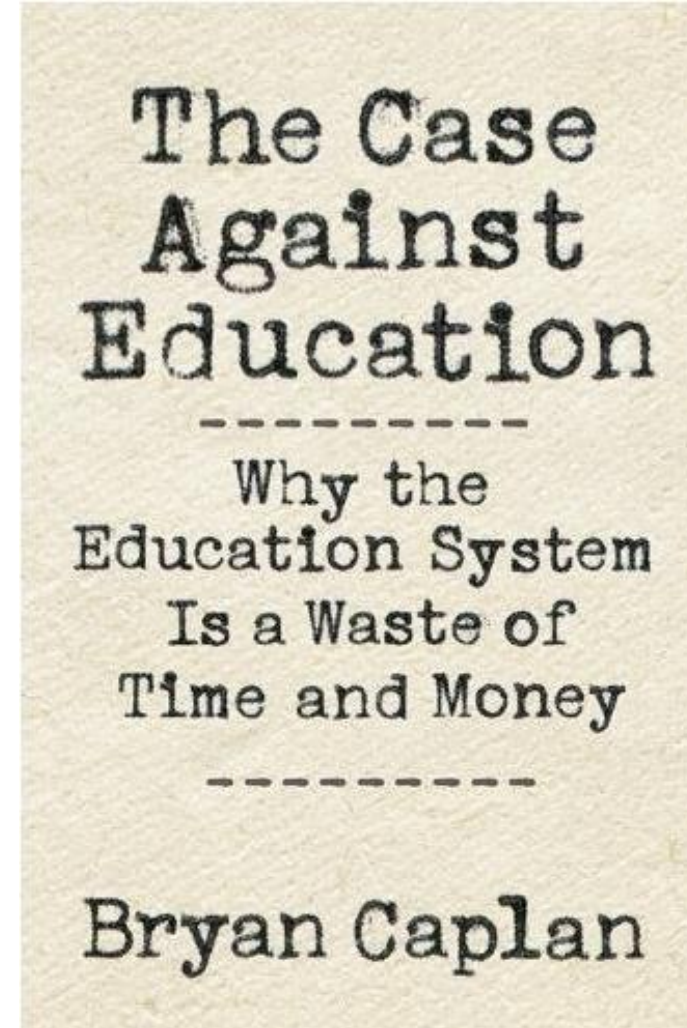
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Background: *The Case Against Education*

- 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.

| Story | Effect on Skill | Effect on Income |
|--------------------|------------------------|-------------------------|
| Pure Human Capital | WYSIWYG | WYSIWYG |
| Pure Signaling | 0 | WYSIWYG |
| Pure Ability Bias | 0 | 0 |
| 1/3 each | 1/3*WYSIWYG | 2/3*WYSIWYG |

WYSIWYG=“What You See Is What You Get”

What's Wrong With Education

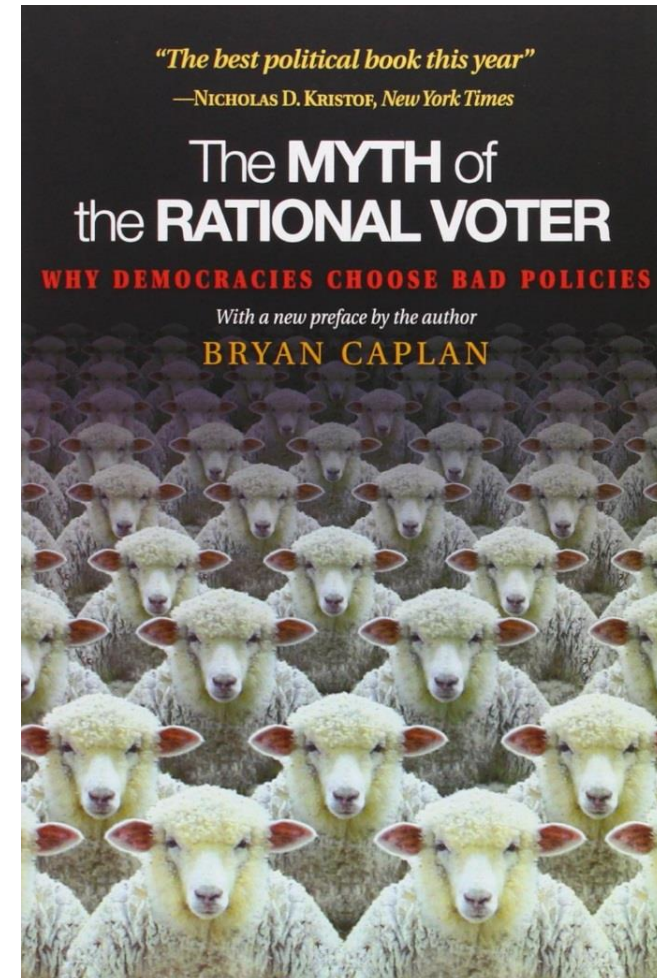
- Question: Who cares if education builds human capital or just signals it?
- Answer: Signaling models imply that education has *negative* externalities.
- Social return versus private return.
 - Concert analogy.
- Nevertheless, all governments support education.
 - Democracies and dictatorships support 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..."

Social Desirability Bias and Educational Politics

- 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.

U.S. Government To Discontinue Long-Term, Low-Yield Investment In Nation's Youth

9/24/03 3:00pm • SEE MORE: POLITICS ▾

WASHINGTON, DC—In an effort to streamline federal financial holdings and spur growth, Treasury Secretary John Snow announced Monday that the federal government will discontinue its long-term, low-yield investment in the nation's youth.



President Bush explains the nation's new investment strategy at an inner-city school in Baltimore.

"For generations, we've viewed spending on our nation's young people as an investment in the future," Snow said.

"Unfortunately, investments of this type take a minimum of 18 years to mature, and even then, there's no guarantee of a profit. It's just not good business."

Snow compared funneling money into public schools, youth

programs, and child health-care clinics to letting the nation's money languish in a low-interest savings account.

"This is taxpayer money we're talking about," Snow said. "We can't keep pouring it into slow-growth ventures, speculating on a minuscule payout some time in the future."

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.