



GEORGETOWN UNIVERSITY

McCourt School of Public Policy
Center on Education and the Workforce

Press Contact

Georgetown CEW
Hilary Strahota, 240-427-1483
hs779@georgetown.edu

US Loses \$956 Billion Every Year Due to Economic and Racial Inequality in Education, Georgetown University Report Says

Improving attainment without increasing student debt for low-income adults could boost GDP by an additional \$222 billion annually

(Washington, DC, May 12, 2021) Inequality in the US education system has high costs for society, according to a new thought experiment from the Georgetown University Center on Education and the Workforce (CEW). If the United States committed to achieving more equal postsecondary educational attainment by income and race/ethnicity, with an initial investment of \$3.97 trillion, our country could see annual public benefits of \$956 billion, in addition to numerous nonmonetary benefits. *The Cost of Economic and Racial Injustice in Postsecondary Education* finds that the benefits would eventually outweigh the cost.

The report also highlights nonmonetary benefits associated with increasing educational attainment, including increased critical thinking abilities, stronger civic engagement, lower inclinations toward authoritarianism, better health, more pluralistic orientations, boosts in agency and empowerment, and a rise in happiness.

What was the impetus for this thought experiment? Even after decades of reform, the American education system has a persistent problem with racial and economic injustice. Among Americans with earnings in the top 60%, 57% have an associate's degree or higher, compared to only 28% of earners in the bottom 40%. A greater proportion of White (46%) and Asian (64%) adults have an associate's degree or higher, compared to 21% of Latino adults and 31% of Black adults.

But what if attainment among non-earners and the bottom 40% of earners matched attainment among the top 60% of earners? And what if educational attainment for all racial/ethnic groups was as high as it is for White adults? In partnership with the Postsecondary Value Commission, CEW researchers explored these questions by simulating the impact of increased postsecondary attainment on various racial, economic, and gender gaps.

"Economic and racial justice are good for public finances," lead author and CEW Director Anthony P. Carnevale said. "Our thought experiment revealed the untapped potential in the higher education system for unrealized public gains."

As a result of equalizing educational attainment by economic status and race/ethnicity, the share of adults with an associate's degree or higher would increase by 18 percentage points from current levels. Among racial and ethnic groups, the number of people with an associate's degree or higher would increase by 12.9 million low-income White individuals; 10.2 million Latino individuals; 5.9 million Black individuals; 498,000 Asian individuals; 462,000 American Indian, Alaska Native, Native Hawaiian, and Pacific Islander (AIAN/NHPI) individuals; and 457,000 individuals of other races and ethnicities.

- continued -

Rising college costs and student debt loads have a monumental effect on students' long-term economic status. Therefore, the simulation considered the impact of eliminating the need to borrow student loans for low-income adults (non-earners and those in the bottom 40% of earners) who would attain new credentials. The additional cost would total \$2.02 trillion, which would increase the initial public investment to \$5.99 trillion. However, the earnings increases that these new low-income credential holders would see if they didn't need to make loan payments would boost GDP by an additional \$222 billion annually, while also improving these individuals' economic circumstances beyond the gains they would experience from higher educational attainment.

“Education increases lifetime earnings, creating a financial safety net for individuals and families and enabling them to slowly accumulate wealth and eventually pass it on to future generations,” report author and CEW Director of Research Jeff Strohl said.

Equalizing educational attainment would result in an individual earnings boost of \$1.03 trillion among new credential holders and a significant decrease in earnings gaps. Improved career counseling at the college level could further narrow earnings gaps by influencing the distribution of fields of study, which varies greatly by gender at the associate's degree and bachelor's degree levels. However, significant earnings gaps would persist after equalizing educational attainment, revealing the powerful impact of labor-market discrimination.

Narrowing wealth gaps is essential to establishing equity in society, but societal investments in education can affect only the portion of wealth that is not associated with inheritance. If all groups had at least as much wealth from earnings as White men, aggregate wealth would increase by \$2.29 trillion, but large gaps would still remain, with wealth held by Latino, Black, and AIAN/NHPI and Other individuals lagging behind the personal wealth of White and Asian individuals.

“The wealth problem is too big for education to solve alone,” Carnevale said. “Education can't erase gaps created through centuries of oppression and discrimination, and it can't compensate for gaps perpetuated through intergenerational transfers of wealth and through social and economic systems that protect the assets of the privileged.”

The thought experiment also determined that the \$956 billion in annual societal gains would result from annual gains and savings in the following areas.

- Higher earnings resulting from higher educational attainment among workers could yield a \$308 billion increase in tax revenue.
- Spending increases on goods and services could result in a boost of \$542 billion to US GDP.
- Increased educational attainment could yield a \$13.8 billion annual reduction in public criminal justice costs by reducing the number of incarcerated people.
- Higher levels of educational attainment in the population could lead to savings of \$58.7 billion annually on public health expenditures.
- Higher attainment levels could result in \$33.7 billion in annual savings from a reduced need for federal public assistance programs.

To view the full report, visit cew.georgetown.edu/PublicBenefit.

###

The Georgetown University Center on Education and the Workforce (CEW) is an independent, nonprofit research and policy institute that studies the links among individual goals, education and training

curricula, and career pathways. CEW is affiliated with the Georgetown University McCourt School of Public Policy. For more information, visit cew.georgetown.edu. Follow CEW on Twitter [@GeorgetownCEW](https://twitter.com/GeorgetownCEW), [Facebook](#), [YouTube](#), [LinkedIn](#), and [Medium](#).

During the writing of this report, Kathryn Peltier Campbell, Ban Cheah, Megan L. Fasules, Artem Gulish, Michael C. Quinn, Jenna R. Sablan, Nicole Smith, and Jeff Strohl received funding from the Institute for Higher Education Policy for work done on behalf of the Bill & Melinda Gates Foundation.