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## Chart of the year or spurious correlation?

Michael Hemesath

*College of Saint Benedict/Saint John's University, mhemesath@csbsju.edu*

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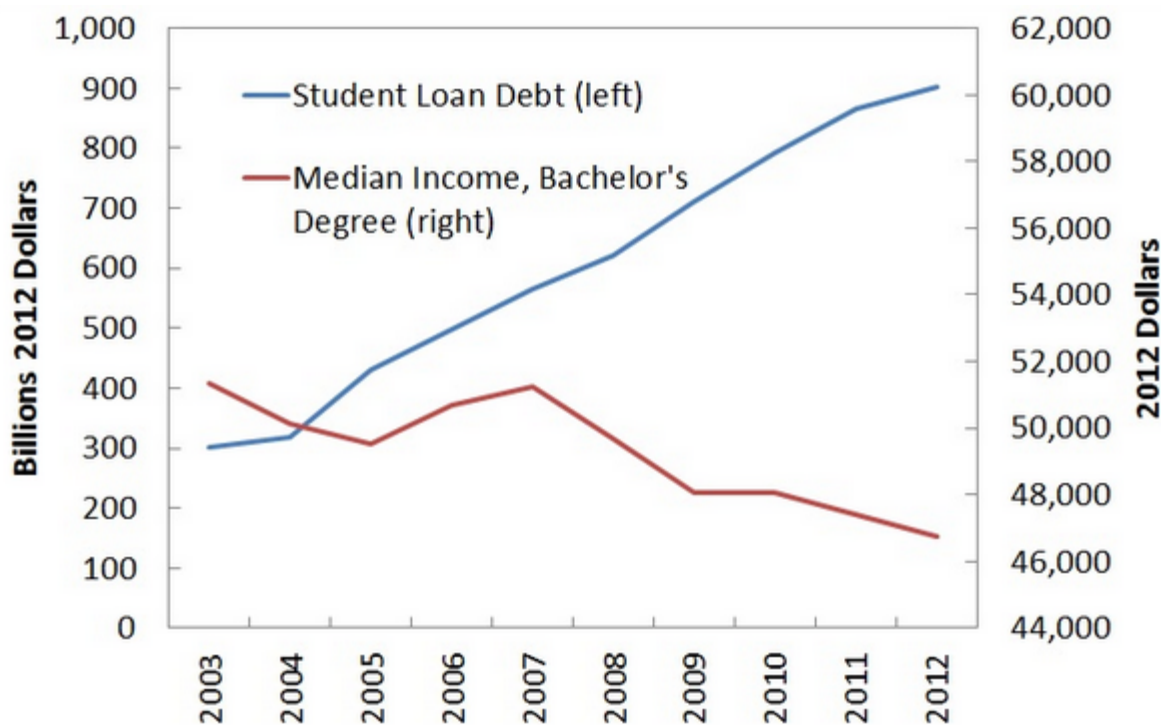
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## Quad 136



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### Chart of the Year or Spurious Correlation?



Sources: FRBNY Consumer Credit Panel, US Census Bureau Current Population Survey, BLS Consumer Price Index

*The Washington Post* recently asked a number of prominent individuals to **identify a chart** that they thought said something important about the state of the world at the end of 2013.

Peter Thiel, co-founder of PayPal, offered the chart above.

In addition to his entrepreneurial acumen, Thiel is also known for promoting the idea that going to college is often unnecessary. He put his money behind his mouth when he announced the **Thiel Fellowship program** in which ambitious and entrepreneurial high school students could apply for a grant of \$100,000 to launch a business rather than go off to college. This is all by way of explaining Thiel's choice of chart. He seems to believe it shows that going to college is not a smart move. Average college graduate earnings are going down and debt is rising. In fact the chart Thiel offers says very little of interest about education. It says two rather mundane things:

1. Wages fall during a recession (or economic slowdown)
2. Total student debt grows as more students go to school and as tuition goes up (inflation)

It says nothing about the value of an education over a lifetime, the truly important question. It also says nothing about average debt per student because the units are wrong—the debt figures are totals for the whole country and will naturally rise as more students go to school or as tuition rises over time through inflation. Thiel surely knows all of this.

One can try to build a case arguing that the costs of going to college exceed the benefits over a lifetime but this chart is not part of that case. More importantly, **those who have done the analysis** have found exactly the opposite: the returns to a college education are positive and high and probably growing.

The typical high school student should absolutely **not** take Thiel's advice about college if they care about their economic futures, and I think Thiel scholars probably get this too. I strongly suspect that many Thiel scholars will ultimately parley their scholarship into admission to a great school, which will pay off handsomely over their lifetime.

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By [Michael Hemesath](#) | March 10th, 2014 | Categories: [Uncategorized](#) | [0 Comments](#)

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## About the Author: [Michael Hemesath](#)

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Michael Hemesath is the 13th president of Saint John's University. A 1981 SJU graduate, Hemesath is the first layperson appointed to a full presidential term at SJU. You can find him on Twitter [at] [PrezHemesath](#).