

Education Without Economic Freedom Doesn't Work

A study published by the Annie E. Casey Foundation a few weeks ago provided yet another metric by which to judge the West Virginia economy. The Foundation, which focuses on “helping vulnerable kids and families succeed,” ranked West Virginia 46th in the nation in terms of homes “where no parent has full-time, year-round employment.” The figure could be a bit of a statistical misrepresentation—West Virginia has a decent amount of seasonal employment—but nonetheless highlights the larger failings of the West Virginia economy. The question is what to do about it.

One solution that often arises is increasing education. The idea combines the perception that West Virginians have less education with the fact that our economy is poor; then, noting that stronger economies tend to have higher levels of education, the answer of more-education-leads-to-long-term-economic-growth emerges. This line of reasoning—that more education necessarily leads to better economic outcomes—is not universally true, and if blindly adhered to will do absolutely nothing to improve the West Virginia economy.

Before moving forward, it should be noted that West Virginia is actually doing a pretty good job of educating its citizens in the first place. The same dataset mentioned above places the Mountain State 29th in terms of young adults enrolled in or having already completed college. As recently as 2000, West Virginia was 49th in this ranking. We are educating people. It is not helping.

Why doesn't more education necessarily lead to a stronger economy? The reality is that an economy's ability to benefit from more educated citizens comes in its ability to translate that increased know-how into productivity, through laws and policies that encourage businesses to utilize these workers.

Consider the following example. Assume everybody in West Virginia had a graduate degree of their choosing. Let's also assume that there exists a state tax in which companies pay a 105% profit tax—that is, for every dollar a company makes, they pay that dollar and another nickel on top of it to the state. How many jobs would be available for our highly educated workforce? Which companies would guarantee themselves a loss in order to take advantage of a highly educated workforce?

The example is outlandish, but it highlights the fact that the returns to an economy from education are a function of the business climate within that state. States with poor business climates will not see the economic benefits to increasing the education level of its citizens that many imagine. This has been the recent story of West Virginia; the increase in education that was, the growth that wasn't.

So what happens to highly educated individuals in poor business climates? They migrate to areas where they can take advantage of their investment in human capital. This is exactly what happens at WVU every Spring—a large number of the best and brightest graduates produced in Morgantown leave West Virginia for better opportunities. It is not

out of a dislike for West Virginia; many of those I have had the chance to speak with personally would rather stay. They are simply better off working somewhere else.

Increasing education is not a new idea. At one time, the World Bank thought that more schooling was the solution to the overwhelming poverty in Africa and spent billions of dollars towards that end. Developed countries built schools and educated the masses, but then those people did the exact same thing as many of the graduating seniors at WVU—they took their education and moved to greener pastures.

This isn't to say that education is a bad idea; far from it, in fact. If there has to be public investment in anything, education is probably the best place for that money to go. But increasing education spending while leaving our current business climate unchanged will not have a significant positive impact on the future of the West Virginia economy.

Promise scholarship

The improvement in the business climate needs to come first—not the other way around

Imagine all PhDs and 105% profit tax

Talk about the world bank trying to fix Africa with more education the mess that came because of that

We're educating a lot of people here in WV—they're leaving the state for better opportunities

Ireland—they improved the climate and now are the high tech center of Europe. Check education levels at the world bank

Now a technology center of Europe