Higher education has become a crucial element in the historical bargain between democracy and capitalism in the 21st century. This new reality has emerged gradually over the past thirty years, but for the most immediate evidence, look no further than the 2016 U.S. presidential election.
Both the Donald Trump supporters and the Bernie Sanders supporters can be viewed as evidence of insufficient postsecondary opportunities to reconcile the democratic promise of economic opportunity with the changing set of skills needed on the job. The Trump supporters can be portrayed, at least in part, as those left behind in the structural economic shift from a highschool-educated to a college-educated middle class—from an industrial to a postindustrial service economy. Their plight is due, in part, to the failure of postsecondary reeducation and retraining. Job training and lifelong learning are applause lines in every stump speech but are never a substantial line in any public budget. Meanwhile the Sanders supporters can be portrayed, at least in part, as millennial aspirants to middle-class earnings, desperate for relief from the requisite college cost and debt necessary to rise in modern postindustrial economies. Their plight is due, in part, to their own and their government’s inability to keep up with the fast-growing cost of higher education. Both the Trump supporters and the Sanders supporters would benefit from a more transparent relationship between higher education programs and careers in the interest of decreasing costs and increasing both economic and noneconomic value.

**The current populist rebellion suggests that we need a new deal between capitalism and democracy. An expanded vision for higher education is a crucial part of the bargain.**

The current populist rebellion suggests that we need a new deal between capitalism and democracy. An expanded vision for higher education is a crucial part of the bargain. A new deal between democracy and capitalism begins with the recognition that capitalism and democracy have always been uneasy allies in their common pursuit of human flourishing. During the 18th and 19th centuries, democratic ideas and the growing power of economic markets grew together in the same British and European neighborhoods. Capitalism and democracy were allied in their revolt against feudalism, but they were also natural antagonists.

In theory, democratic citizenship and markets are driven by irreconcilable ideas. Democratic citizenship presumes equality, yet market economies are driven by the economic inequality necessary to motivate work effort, entrepreneurship, and the inherently lopsided private accumulation of wealth and investment capital. Capitalism is also open to the risk of economic failure and the rewards of economic success as technology and competitive entrepreneurship destroy old jobs and create new ones.

Speaking at the Cambridge Reform Club in 1873, Alfred Marshall, the indispensable political economist of his time, was the first to try to square the equality implicit in citizenship with the inequalities and risk inherent in markets. Marshall argued that although capitalism and democracy were antagonists in theory, they could also be allies in practice. He argued further that the contradictions between democracies and markets could be eased if markets would become the paymaster for a constant expansion in publicly funded education and social services.

Alfred proposed an early version of the classic liberal balance between strong democratic governments and strong markets. Market economies would
generate the taxable wealth necessary to fund enough publicly provided education and social services to guarantee citizens full membership in society and the right to rise in the economy. Education, he argued, was a basic tool—along with expansion in universal and targeted social services from the welfare state—in resolving the contradictions between democratic citizenship and market economies. “The question,” he said, “is not whether all men will ultimately be equal—that they certainly will not—but whether progress may not go on steadily, if slowly, till, by occupation at least, every man is a gentleman” who values education and leisure more than the “mere increase of wages and material comforts.”

It is important to note that when Alfred spoke of the power of education to reconcile democratic citizenship and markets in 1873, he was talking about the kind of education that was associated with leisure and was valued more than the “mere increase in wages and material comfort.” Marshall was referring to the intrinsic value of what we now think of as liberal arts and humanities curriculums—the kind of education that encouraged the populace to “steadily accept the private and public duties of citizenship.” Alfred assumed that basic education would be a universal common experience rather than a class-, gender-, and race-based sorting device for allocating economic opportunity. In his day people learned their occupations on the job, not in colleges or universities. He did not foresee that college-level education would confer wealth and power through access to the most highly leveraged knowledge and occupations.

Marshall was speaking in a European context in which German Chancellor Otto von Bismarck had already created a welfare state that included old-age pensions, education, and health care for the working class. The welfare state grew at a grudging pace with industrialization in Great Britain and Europe as the government took on more responsibility for the economic and social welfare of the working class, largely as a defensive measure against the socialist and communist left. Compared with Europe, the United States has always favored education to the more directly redistributive elements of the welfare state, in large part because education ties to individual responsibility.

More than seventy-five years later, by the end of World War II, the balance between capitalism and democracy needed to find a new equilibrium. With fascism defeated unconditionally, the contest among the victors—the communists and the democratic capitalists—began in earnest with the new Cold War between East and West. In 1949 T. H. Marshall (no relation to Alfred) updated the original bargain between capitalism and democracy in a lecture commemorating Alfred Marshall’s classic formulation. T. H. essentially doubled down on Alfred’s 1873 argument, asserting that the equality implicit in democratic citizenship implied “a modicum of economic welfare and security” sufficient “to share to the full in the social heritage and to live the life of a civilized being according to the standards prevailing in the society.” T. H. went on to explain that the institutions most closely connected with this notion of citizen equality in capitalist economies “are the educational system and the social services.” His lecture was seminal because it became the widely recognized summary argument for the massive expansion in both public education and the welfare state after World War II as an alternative to Soviet and Chinese communism.

But in 1949 T. H. was prescient. He worried that the education solution to the problem of inequality in market economies had developed flaws since the time of Marshall’s lecture. He ruminated over the fact that the role of education as
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Postsecondary Education and Workforce Development

Since the early 1980s, the burgeoning postsecondary education and training system has become the nation’s workforce development system. Of course, it is not news that education is a valued institution in U.S. culture: it conforms to our individualist biases, and we look to education to help us reconcile democratic citizenship with class differences and various forms of diversity.

What is news is the unprecedented rate of growth in the strength of the relationship between postsecondary education and economic opportunity. Since 1973, the share of jobs requiring at least some college education has increased from 28 percent to at least 60 percent. And the trend will continue. By 2020, it is estimated that 65 percent of all jobs in the United States will require some form of postsecondary education or training; the fastest-growing sectors of the economy will be those that require postsecondary education. In the 1980s and 1990s, the college wage premium (the difference between the average wage of college-educated workers and that of high-school-educated workers) increased from 40 percent to more than 80 percent and has remained at that historically high level. The supply of college talent has quadrupled while the relative demand for college graduates has only doubled. This is a profound change in the demand for skilled workers in the labor market.

What is driving this transformation? In a word: technology. Since the end of the 1980–81 recession, the U.S. economy has been undergoing rapid structural change. Technology—led by information technology—has been automating repetitive tasks and activities. As a result, more jobs are nonrepetitive and require skills beyond high school. The resulting increase in skill requirements for entry-level jobs has made postsecondary education and training the gatekeeper for access to training on the job and to state-of-the-art technology at work.

For the most part, the relationship between the postsecondary system...
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and labor markets operates through the alignment of fields of study and occupations. That is, the relationship is as much about programs as institutions. Currently, for example, virtually all graduate and professional education programs are specialized and are focused on elite occupations. Only 9 percent of bachelor’s degrees conferred are in the liberal arts and humanities. The rest of the fields of study are aligned with particular occupational specialties in majors such as STEM, business, education, and healthcare. The vast majority of community college fields of study are occupationally oriented. Certificates, now contending with the bachelor’s degree as the most prevalent award in the postsecondary system, tend be occupational. In addition, tens of millions of Americans now get their job qualifications or skill upgrading from test-based industry certifications and government-sanctioned licenses, often tied to nondegree and noncredit postsecondary courses. In combination, the postsecondary learning system and the employer-provided learning systems provide nearly one trillion dollars a year in human capital development—between four and five hundred billion in formal postsecondary learning, along with more than one hundred billion in formal employer-based training and as much as four times that in informal learning on the job.

With this new economic reality come new and sometimes counterintuitive rules of the game.

- **Rule #1**: Education level still matters. On average, individuals with higher levels of education earn more than those with lower levels. Someone with a bachelor’s degree makes 84 percent more than a high school graduate during a lifetime of work—a difference that, over the course of a career, translates to $1 million.

- **Rule #2**: Programs of study and majors matter even more. A bachelor’s degree in petroleum engineering translates into a median yearly wage of $136,000, compared with $39,000 a year for a bachelor’s degree in early childhood education.

- **Rule #3**: Sometimes less education is worth more. Because of differences in field of study, 28 percent of people with associate’s degrees, and many with one-year technical certificates, make more than the average earned by people with bachelor’s degrees.

- **Rule #4**: Field of study is important, but it does not control one’s economic destiny. A major is more important for a first job than it is for a last job. There is wide variation in earnings in every field of study. That’s why the top 25 percent of education majors will end up making more than the bottom 25 percent of engineering majors.

**Winners and Losers**

The winners and losers are clear in this transition from an economy anchored in high school to an economy anchored in postsecondary education and training. High school graduates are being left behind. The good high school jobs are gone, and they’re not coming back. High school alone no longer provides a living wage for women, and at most, only about 20 percent of men can still make it in what’s left of the high-school-educated, blue-collar economy without a traditional postsecondary degree. Millennials are the first to face the economic risks and costs of this new reality. Before the 1980s, young American workers achieved the average U.S. hourly wage by age twenty-six. Today that same transition takes until age thirty or later, and many never make it.

Meanwhile, the growth of the value of a college/university degree has certainly been good for those graduates:

- The college wage premium has spiked. By 2007, that difference reached 81 percent for men, compared with 37 percent in 1967. The story is similar for women, with the college wage premium rising from 54 percent to 81 percent over that time.

- Most remarkable of all, the average wage advantage for college workers
over high school workers has doubled even though the number of college graduates has quadrupled. Growth in the economic value of college has also been good for general education, the liberal arts, humanities, and social sciences, with 60–70 percent of coursework for every degree in these areas. Employers too have been big winners. Four-year college graduates, for example, make up 39 percent of the workforce and create 56 percent of the labor value added in the economy.

On the other hand, the rise in the economic value of college has been bad news for the college have-nots. A study by the economists Claudia Goldin and Lawrence Katz finds that more than two-thirds of the growth in inequality between 1980 and 2005 is due to differences in access to and success in college.

The rise of postsecondary education and training as an economic necessity has been a mixed bag for working-class, low-income, and minority students relegated to the overcrowded and underfunded two-year colleges and to the open-admission four-year schools. For these students, access is up, but so are the risks of noncompletion:

- Since 1995, 82 percent of white students have gone to one of the 468 selective colleges, whereas 68 percent of African American and 72 percent of Hispanic students have gone to open-admission institutions.
- 70 percent of students at the high-spending selective colleges are in the top socioeconomic status, 11 percent are in the second quartile, 17 percent are in the third quartile, and only 3 percent are in the bottom quartile.

Higher Education as Job Training

Some fear that the increasing economic value of a college/university education may force a choice between narrow economic needs and broader educational goals and that the result will be a commodification of higher education. They make an important point. The temptation to provide narrow vocational training rather than more general learning is strong in a market economy, especially in our current resource-poor environment.

But the distinctions between general education and specific training are becoming increasingly artificial. If the commodification of college education is taken to mean investing in narrow occupational training, that would be bad economics as well as bad education. The economic value of general competencies, such as problem solving and critical thinking, is growing along with the growth in demand for job-specific competencies. Although specific occupational skills have greater short-term economic value, more general skills have long-term latent value. General competency leavens all subsequent learning and practical experience. It is the educator’s version of patient capital or long-term human capital investment.

The students get it. According to a UCLA survey of college students, 85 percent said the primary reason they go to college is to have a successful career. But a similar share said they go to college to pursue intellectual interests. Meanwhile, 70 percent said they go to college to pursue a general education and to gain an appreciation of ideas.

The demand for a more robust combination of specific and general skills is gradually erasing the difference between education and training and argues for more of both in a growing share of curriculum. Most jobs now require preparation that sounds a lot more like liberal education and professional education than narrow job training. Postindustrial careers are defined by unique sets of applied knowledge, values, skills/interests, and personality traits that far exceed the narrow training programs characteristic of a bygone industrial era.

We need to aspire to a dual bottom line in college curriculums: a pragmatic balance between the college’s growing economic role and its traditional cultural and political independence from economic forces. Ultimately, however, the economic role of postsecondary institutions—especially their role in preparing American
Higher Education and Democratic Capitalism

youth for work and in helping adults stay abreast of economic change—is central. The inescapable reality is that ours is a society based on work. Those who are not equipped with the knowledge and skills necessary to get and keep good jobs are denied full social inclusion and tend to disengage from the mainstream culture, politics, and economy. In the worst cases, those who suffer from years of unemployment and underemployment can be drawn into alternative cultures, political movements, and economic activities that are a threat to the mainstream democratic capitalism.

dicted by test scores and grades—can become a dodge, a way of laundering the found money that comes with being born into the right bank account or the right race. As social science has proven, the meritocratic basis of education is, at least in part, a social construct. Education is itself stratified by race and class, ultimately creating a hierarchy of educational inclusion that confers public and private power over others. A vote is not worth nearly as much personal power over others as is a college degree leading to a well-paid professional occupation.

Testing and all the other metrics that allocate educational opportunity are traditional students is a bittersweet story. Colleges are providing greater access for the least-advantaged students and nontraditional students, but increasing access comes with growing economic, demographic, and funding stratification. The demographic, class-based, and resource-based polarization between two-year and four-year colleges matters because resources matter. The 468 most selective four-year colleges spend anywhere from two to five times as much per student as do two-year schools. Every new student at a selective four-year college brings more than enough new revenue. New students pay enough tuition

Postsecondary education—especially access to selective colleges and to graduate and professional education—sits at the pinnacle of the hierarchy that joins education and careers.

The Fairness Question

In general, Americans seem happy with postsecondary education’s more powerful economic role, which suits our individualist and market biases. Using education to allocate opportunity is popular because it provides a third way—between the inequalities that come with doctrinaire market fundamentalism and the personal dependency that comes with an expanded welfare state. It promises opportunity based on individual merit. We welcome our increasing reliance on education as a source of upward mobility because, in theory, it allows us to expand opportunity without surrendering individual responsibility. After all, we each have to do our own homework to make the grades and ace the tests that lead to the good jobs—and that seems fair.

But is that fair enough? Not really. In a society where people start out unequal, educational opportunity—especially postsecondary educational opportunity

better social indicators of our collective failure to provide equal opportunity than measures of innate individual merit or deservedness. For most low-income kids, there is no systematic relationship between innate potential measured in childhood and aptitudes developed by the time they are old enough for college. Conversely, most of the difference in the developed aptitudes among college-age middle- and upper-income adolescents can be accounted for by measured differences in their innate abilities when they were children.

Postsecondary education—especially access to selective colleges and to graduate and professional education—sits at the pinnacle of the hierarchy that joins education and careers. As such, it reflects the tension between educational merit and opportunity at its highest and most exquisite pitch, a fact that ensures that access and equity issues are here for the long haul in postsecondary education, with no easy solutions in sight.

The growing access to college for minorities, low-income, and other non-traditional students is a bittersweet story. Colleges are providing greater access for the least-advantaged students and nontraditional students, but increasing access comes with growing economic, demographic, and funding stratification. The demographic, class-based, and resource-based polarization between two-year and four-year colleges matters because resources matter. The 468 most selective four-year colleges spend anywhere from two to five times as much per student as do two-year schools. Every new student at a selective four-year college brings more than enough new revenue. New students pay enough tuition

Postsecondary education—especially access to selective colleges and to graduate and professional education—sits at the pinnacle of the hierarchy that joins education and careers.
extra financial resources to meet the developmental needs of groups like English language learners, working learners, incumbent workers, the educationally disadvantaged, and prisoners.

The growing racial, ethnic, class, and resource divide is turning the U.S. post-secondary system into a dual system of separate and unequal institutions. Polarization by race, class, and ethnicity has become the capstone for K-12 inequality and the complex economic and social mechanisms that create it. The postsecondary system mimics and magnifies the inequality it inherits from the K-12 system and then projects this inequality into the labor market.

Postsecondary education has become one more gearwheel in the workings of the powerful economic and educational mechanisms that determine the odds in a modern economy. These mechanisms that are impervious to narrow solutions and that require a much more serious commitment to equal opportunity and upward mobility than we see seem able to muster in our politics.

The postsecondary system is increasingly complicit as a passive agent in the systematic reproduction of economic and white racial privilege. Across generations, the cycle of privilege has become self-reinforcing. More college completion among white and affluent parents brings higher earnings. Higher earnings buy more expensive housing in the leafy green suburbs with the best schools and peer support for educational attainment. The synergy between the growing economic value of education and the increased sorting by housing values makes parental education the strongest predictor of a child's educational attainment and future earnings. As a result, to liberal education for all races and classes are necessary for full citizenship in a capitalist economy.

Both liberal education and work education need to be improved. Liberal education is too often a set of cafeteria choices with little coherence. But the need to align college curriculums with labor markets is probably the most urgent task in higher education reform. Hippocrates was right: “Art is long, and life is short, opportunity fleeting.” Individual human flourishing, the essence of liberal learning, is a lifelong endeavor that barely begins in college. Defining human flourishing is an ambiguous task at best. The effect of college field of study on career pathways and earnings is much more immediate and more easily addressed empirically. We can trace the relationships between college programs, occupational pathways, and earnings with relative pathways due to the recent advances in administrative data.

The interface between higher education programs and labor markets has become a Tower of Babel. The number of occupations identified by the U.S. Census Bureau has grown from 270 in 1950 to 840 in 2010. Meanwhile, the number of programs of study offered by colleges and universities grew from 460 in 1985 to 2,260 in 2010. And every one of those occupations requires a distinctive mix of knowledge, skill, abilities, work values, work interests, work formats, and personality traits.

The transparency needed for post-secondary education begins with tying...
individual postsecondary programs to both learning and earnings outcomes. Students and parents have recognized the new economic reality, and the result has been an incredible surge in demand for all kinds of postsecondary education and training programs. There have been record enrollments across all institutions of higher education and an explosion in programs. Unfortunately, there has not been a concomitant growth in the availability of information to help students make good choices about the education and training they need, and for what kind of jobs. The dizzying array of postsecondary education and training providers has made the task for consumers much more difficult. The higher education market has become increasingly complicated and difficult to navigate.

The higher education mission endures, but times change. The choice between general and specific education is not a zero-sum game. The economic value of a college education and work training has added a new emphasis to the broader postsecondary mission. In a modern republic, the higher education mission is still to empower individuals to live fully in their time, but those individuals also need to be able to live free from the worst versions of economic or public dependency.

The dual role of higher education in serving both human flourishing and economic empowerment has also become one of the keystones in the social contract—the new deal—between democracy and capitalism. But there is not likely to be any “one size fits all” solution. Higher education must serve many masters at once. T. H. Marshall’s simple pragmatism in his closing remarks in his 1949 lecture on “Citizenship and Social Class” still serves us well today, as we struggle with the relationship between education and the economy: “The main features of the system are inevitable, and its advantages … far outweigh its incidental defects…. Apparent inconsistencies are in fact a source of stability, achieved through a compromise which is not dictated by logic.” He added: “A human society can make a square meal out of a stew of paradox without getting indigestion—at least for quite a long time.”

Notes
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9. Georgetown University Center on Education and the Workforce, analysis of data from the National Center for Education Statistics’ National Postsecondary Student Aid Survey, 2012.
10. Anthony P. Carnevale, Jeff Strohl, and Artem Gulish, College Is Just the Beginning (Washington, DC: Georgetown University Center on Education and the Workforce, 2010), 3.
18. Ibid., 78–80.
19. Ibid., 3.
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