BY JOHN MULLIN

Economics Is a Lucrative Major

The number of undergraduate economics majors has jumped during the past decade, from roughly 27,600 in 2009-2010 to about 35,000 in 2019-2020. Perhaps the economic rewards of the major are part of the reason why.

It's well known that students who attain bachelor's degrees stand to earn a lot more than those who receive only high school diplomas. A 2020 study by the Brookings Institution, for instance, found that the median college graduate earned $68,000 annually after 30 years in the workforce — a figure that vastly exceeded the $35,000 earned by the median high school graduate.

Yet as wide as this gap is, researchers have found even larger gaps between the lifetime earnings of people with different college majors. Indeed, a 2015 study by the Georgetown University Center on Education and the Workforce argued, "In some sense, deciding what to major in is more important than deciding whether to attend college." Over a career, according to their figures, a person with a degree in petroleum engineering earned an average of $4.8 million in total, while someone with a degree in early childhood education earned $1.4 million. The earnings difference of $3.4 million swamped the $1 million difference they found between college and high school graduates.

Economics doesn't score as high as petroleum engineering, but it's in the top 25 highest-earning majors, according to the Georgetown study. Indeed, economics and business economics were the only non-STEM (science, technology, engineering, and math) majors to crack the top 25. (Students considering major choices can gather much information about the wages associated with various degrees from publications such as Georgetown's "The Economic Value of College Majors.")

But there is a caveat that comes with these kinds of statistics: Average wage differences between majors do not necessarily reflect the causal effect of the major. In other words, a major might be more highly paid, on average, on account of the students who enter it, rather than vice versa. Students who choose economics as a major tend to have different aptitudes and interests than people who choose other majors.

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> **—Zachary Bleemer, UC Berkeley**

Inferences about causation could be drawn if a large sample of students had been randomly divided into various majors. But students are not sorted in this way, and the self-allocation of students across majors creates a great challenge for economists wishing to look at the effects of the majors themselves.

A lot of research has been devoted to overcoming the problem that selection bias creates for estimating the effect of choosing a major. A recent article in the *American Economic Journal: Applied Economics* by Zachary Bleemer of the University of California, Berkeley, and Aashish Mehta of University of California, Santa Barbara, has explored a new way to tackle the problem. Using data on students from the University of California, Santa Cruz, the researchers took advantage of the economics department's policy of preventing (or at least discouraging) students with low grades in introductory economics courses from declaring the major. The researchers were able to use the discontinuity between those above and below the grade cutoff to draw inferences about the causal effect of an economics degree. They found, "Students who barely met the grade point average threshold to major in economics earned $22,000 (46 percent) higher annual early-career wages than they would have with their second-choice majors."

Bleemer and Mehta's study strongly suggests that there is a good reason why the economics major is popular at U.S. universities. "Choosing what you study in college has dramatic ramifications for labor market success, and the economics major seems to provide very large wage returns for students," says Bleemer.

For Bleemer, the high returns to an economics degree magnify the significance of barriers that limit access to the major. Indeed, one of his main research goals is to better understand polices, such as the one at UC Santa Cruz, that restrict access. In another recent paper, "College Major Restrictions and Student Stratification," Bleemer and Mehta found, "Underrepresented minority (URM) college students have been steadily earning degrees in relatively less-lucrative fields since the mid-1990s." They found evidence of rising stratification at public research universities, many of which increasingly enforce GPA restrictions for entry into majors.

"We find that the restrictions on major access decrease Black and Hispanic enrollment by about 20 percent," says Bleemer. "There's been a roughly 25-year trend, which you can largely explain by the accelerating imposition of these restriction policies."

Whatever the pros and cons of such policies, their existence seems to attest to the economics major's continuing allure. It is a lucrative degree — for those who can get it. **EF**