

Against Tulip Subsidies

Posted on June 6, 2015 by Scott Alexander



I

Imagine a little kingdom with a quaint custom: when a man likes a woman, he offers her a tulip; if she accepts, they are married shortly thereafter. A couple who marries sans tulip is considered to be living in sin; no other form of proposal is appropriate or accepted.

One day, a Dutch trader comes to the little kingdom. He explains that his homeland *also* has a quaint custom involving tulips: they [speculate on them, bidding the price up to stratospheric levels.](#) Why, in the Netherlands, a tulip can go for ten times more than the average worker earns in a year! The trader is pleased to find a new source of bulbs, and offers the people of the kingdom a few guilders per tulip, which they happily accept.

Soon other Dutch traders show up and start a bidding war. The price of tulips goes up, and up, and up; first dozens of guilders, then hundreds. Tulip-growers make a fortune, but everyone else is less pleased. Suitors wishing to give a token of their love find themselves having to invest their entire life savings – with no guar-

antee that the woman will even say yes! Soon, some of the poorest people are locked out of marriage and family-raising entirely.

Some of the members of Parliament are outraged. Marriage is, they say, a human right, and to see it forcibly denied the poor by foreign speculators is nothing less than an abomination. They demand that the King provide every man enough money to guarantee he can buy a tulip. Some objections are raised: won't it deplete the Treasury? Are we obligated to buy everyone a beautiful flawless bulb, or just the sickliest, grungiest plant that will technically satisfy the requirements of the ritual? If some man continuously proposes to women who reject him, are we obligated to pay for a new bulb each time, subsidizing his stupidity?

The pro-subsidy faction declares that the people asking these questions are well-off, and can probably afford tulips of their own, and so from their place of privilege they are trying to raise pointless objections to other people being able to obtain the connubial happiness they themselves enjoy. After the doubters are tarred and feathered and thrown in the river, Parliament votes that the public purse pay for as many tulips as the poor need, whatever the price.

A few years later, another Dutch trader comes to the little kingdom. Everyone asks if he is there to buy tulips, and he says no, the Netherlands' tulip bubble has long since collapsed, and the price is down to a guilder or two. The people of the kingdom are very surprised to hear that, since the price of their own tulips has never stopped going up, and is now in the range of tens of thousands of guilders. Nevertheless, they are glad that, however high tulip

prices may be for them, they know the government is always there to help. Sure, the roads are falling apart and the army is going hungry for lack of rations, but at least everyone who wants to marry is able to do so.

Meanwhile, across the river is another little kingdom that had the same tulip-related marriage custom. They also had a crisis when the Dutch merchants started making the prices go up. But they didn't have enough money to afford universal tulip subsidies. It was pretty touch-and-go for a while, and a lot of poor people were very unhappy.

But nowadays they use daffodils to mark engagements, and their economy has never been better.



In America, aspiring doctors do four years of undergrad in whatever area they want (I did Philosophy), then four more years of medical school, for a total of eight years post-high school education. In Ireland, aspiring doctors go straight from high school to medical school and finish after five years.

I've done medicine in both America and Ireland. The doctors in both countries are about equally good. When Irish doctors take the American standardized tests, they usually do pretty well. Ireland is one of the approximately 100% of First World countries that gets better health outcomes than the United States. There's no evi-

dence whatsoever that American doctors gain anything from those three extra years of undergrad. And why would they? Why is having a philosophy degree under my belt supposed to make me any better at medicine?

(I guess I might have acquired a talent for colorectal surgery through long practice pulling things out of my ass, but it hardly seems worth it.)

I'll make another confession. Ireland's medical school is five years as opposed to America's four because the Irish spend their first year teaching the basic sciences – biology, organic chemistry, physics, calculus. When I applied to medical school in Ireland, they offered me an accelerated four year program on the grounds that I had surely gotten all of those in my American undergraduate work. I hadn't. I read some books about them over the summer and did just fine.

Americans take eight years to become doctors. Irishmen can do it in four, and achieve the same result. Each year of higher education at a good school – let's say an Ivy, doctors don't study at Podunk Community College – costs about \$50,000. So American medical students are paying an extra \$200,000 for... what?

Remember, a modest amount of the current health care crisis is caused by [doctors' crippling level of debt](#). Socially responsible doctors often consider less lucrative careers helping the needy, right up until the bill comes due from their education and they realize they have to make a lot of money *right now*. We took one look at

that problem and said “You know, let’s make doctors pay an extra \$200,000 for no reason.”

And to paraphrase Dirkson, \$200,000 here, \$200,000 there, and pretty soon it adds up to real money. 20,000 doctors graduate in the United States each year; that means the total yearly cost of requiring doctors to have undergraduate degrees is \$4 billion. That’s most of the amount of money you’d need to house every homeless person in the country (\$10,000 to house one homeless x 600,000 homeless).

I want to be able to say people have noticed the Irish/American discrepancy and are thinking hard about it. I *can* say that. Just not in the way I would like. Many of the elder doctors I talked to in Ireland wanted to switch to the American system. Not because they thought it would give them better doctors. Just because they said it was more fun working with medical students like myself who were older and a little wiser. The Irish medical students were just out of high school and hard to relate to – us foreigners were four years older than that and had one or another undergraduate subject under our belts. One of my attendings said that it was nice having me around because I’d studied Philosophy in college and that gave our team a touch of class. *A touch of class!* This is why, despite my reservations about libertarianism, it’s not-libertarianism that really scares me. Whenever some people without skin in the game are allowed to make decisions for other people, you end up with a bunch of elderly doctors getting together, think “Yeah, things *do* seem a little classier around here if we make people who are

not us pay \$200,000, make it so,” and then there goes the money that should have housed all the homeless people in the country.

But more important, it also destroyed my last shred of hope that the current mania for requiring college degrees for everything had a good reason behind it.

III

The only reason I’m picking on medicine is that it’s so clear. You have your experimental group in the United States, your control group in Ireland, you can see the lack of difference. You can take an American doctor and an Irish doctor, watch them prescribe the same medication in the same situation, and have a visceral feel for “Wait, we just spent \$200,000 for no reason.”

But it’s not just medicine. Let me tell you about my family.

There’s my cousin. He wants to be a firefighter. He’s wanted to be a firefighter ever since he was young, and he’s done volunteer work for his local fire department, who have promised him a job. But in order to get it, he has to go do four years of college. You can’t be a firefighter without a college degree. That would be ridiculous. Back in the old days, when people were allowed to become firefighters after getting only thirteen measly years of book learning, I have it on good authority that several major states burnt to the ground.

My mother is a Spanish teacher. After twenty years teaching, with excellent reviews by her students, she pursued a Masters' in Education because her school was going to pay her more money if she had it. She told me that her professors were incompetent, had never actually taught real students, and spent the entire course pushing whatever was the latest educational fad; however, after paying them thousands of dollars, she got the degree and her school dutifully increased her salary. She is lucky. In several states, teachers are required by law to pursue a Masters' degree to be allowed to continue teaching. Oddly enough, these states have no better student outcomes than states without this requirement, but this does not seem to affect their zeal for this requirement. Even though [many rigorous well-controlled studies](#) have found that presence of absence of a Masters' degree explains approximately zero percent of variance in teacher quality, many states continue to require it if you want to keep your license, and almost every state will pay you more for having it.

Before taking my current job, I taught English in Japan. I had no Japanese language experience and no teaching experience, but the company I interviewed with asked if I had an undergraduate degree in some subject or other, and that was good enough for them. Meanwhile, I knew people who were fluent in Japanese and who had high-level TOEFL certification. They did not have a college degree so they were not considered.

My ex-girlfriend majored in Gender Studies, but it turned out all of the high-paying gender factories had relocated to China. They solved this problem by going to App Academy, a three month long,

\$15,000 course that taught programming. App Academy graduates compete for the same jobs as people who have taken computer science in college, a four year long, \$200,000 undertaking.

I see no reason to think my family and friends are unique. The overall picture seems to be one of people paying hundreds of thousands of dollars to get a degree in Art History to pursue a job in Sales, or a degree in Spanish Literature to get a job as a middle manager. Or *not* paying hundreds of thousands of dollars, if they happen to be poor, and so being permanently locked out of jobs as a firefighter or salesman.

IV

So presidential candidate Bernie Sanders has proposed [universal free college tuition](#).

On the one hand, I sympathize with his goals. If you can't get any job better than 'fast food worker' without a college degree, and poor people can't afford college degrees, that's a pretty grim situation, and obviously unfair to the poor.

On the other hand, if can't you get married without a tulip, and poor people can't afford tulips, that's also a pretty grim situation, and obviously unfair to the poor.

But the solution isn't universal tulip subsidies.

Higher education is in a bubble much like the old tulip bubble. In the past forty years, the price of college has dectupled (quadrupled when adjusting for inflation). It [used to be easy](#) to pay for college with a summer job; now it is impossible. At the same time, the unemployment rate of people without college degrees is [twice that](#) of people who have them. Things are clearly very bad and Senator Sanders is right to be concerned.

But, well, when we require doctors to get a college degree before they can go to medical school, we're throwing out a mere \$5 billion, barely enough to house all the homeless people in the country. But Senator Sanders admits that his plan would cost \$70 billion per year. That's about the size of the entire economy of Hawaii. It's enough to give \$2000 every year to every American in poverty.

At what point do we say "Actually, no, let's not do that, and just let people hold basic jobs even if they don't cough up a a hundred thousand dollars from somewhere to get a degree in Medieval History"?

I'm afraid that Sanders' plan is a lot like the tulip subsidy idea that started off this post. It would subsidize the continuation of a useless tradition that has turned into a speculation bubble, prevent the bubble from ever popping, and disincentivize people from figuring out a way to route around the problem, eg replacing the tulips with daffodils.

(yes, it is nice to have college for non-economic reasons too, but let's be honest – if there were no such institution as college, would

you, totally for non-economic reasons, suggest the government pay poor people \$100,000 to get a degree in Medieval History? Also, anything not related to job-getting can be done three times as quickly by just reading a book.)

If I were Sanders, I'd propose a different strategy. Make "college degree" a protected characteristic, like race and religion and sexuality. If you're not allowed to ask a job candidate whether they're gay, you're not allowed to ask them whether they're a college graduate or not. You can give them all sorts of examinations, you can ask them their high school grades and SAT scores, you can ask their work history, but if you ask them if they have a degree then that's illegal class-based discrimination and you're going to jail. I realize this is a blatant violation of my usual semi-libertarian principles, but at this point I don't care.