

## Opportunity in America: The Role of Education

*Isabel Sawhill*

Stagnating incomes for the middle class together with rising income inequality have raised questions about whether the United States remains the land of opportunity celebrated in the nation's history and public philosophy. This brief reviews the evidence on intergenerational mobility and the role of education in enabling less advantaged children to move up the economic ladder. It concludes that, in many respects, the U.S. education system tends to reinforce rather than compensate for differences in family background. Strengthening opportunity requires greater, and more effective, investments in education, especially for America's youngest children.

Although the U.S. economy has performed well of late, most of the benefits of growth have gone to the top half of the income distribution, especially the very top. The typical family's income has not grown at all since 2000. Gaps between rich and poor today are larger than they have been at any time over the past half century.

The American public's reaction to growing inequality is at least as interesting as the trends themselves. After all, in a democracy one might expect the majority who are not doing well to elect leaders who would fix the problem. But Americans have a deeply held belief in opportunity—the ability of anyone

who works hard and plays by the rules to get ahead. They reason that if some of their countrymen are rich and others are poor or just getting by, it must be because of differences in their willingness to work or to take advantage of the many opportunities available in a highly productive U.S. economy.

The conviction that America is the land of opportunity may be rooted in the nation's immigrant heritage or in its origins as a frontier society with an abundance of natural resources, unfettered by an established hereditary aristocracy. Whatever the reasons, surveys find that most Americans think they—or at least their children—will one day achieve the American dream. And most feel little resentment toward those who have earned large fortunes.

The nation's faith in opportunity has affected its politics. Far-left or socialist parties have not taken root in American soil, as they have in Europe. Even now the U.S. social welfare system is far less generous than those of its European counterparts. The distribution of earned incomes in Europe does not differ greatly from that in the United States. But Euro-

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To read the full report on opportunity in America, go to [www.futureofchildren.org](http://www.futureofchildren.org).

peans do a lot more to redistribute income—primarily through social welfare programs that are more generous than those in the United States.

### How Much Opportunity Exists?

To what extent do the American public's beliefs in opportunity and fairness in the United States comport with the facts? The latest volume of the journal *The Future of Children*, "Opportunity in America," focuses on intergenerational mobility in the United States—the extent to which children's economic status when they reach adulthood is independent of that of their parents. A society with an abundance of opportunity offers children a decent chance to succeed regardless of the circumstances of their birth. Such chances will never be completely equal because children inherit from their parents a variety of genetic attributes as well as certain values and behaviors that will always depend to some degree on family environments. (Experts estimate that this inheritance accounts for half of the similarity in incomes across generations.) But the public views education as the great leveler. Education is, in the eyes of many, a way of breaking the link between family background and a child's chance to succeed (or fail) later in life.

Among the chief research findings highlighted in the new *Future of Children* volume are the following:

**Class matters.** It takes about five generations for the advantages and disadvantages of family background to die out in the United States. People do go from rags to riches—or riches to rags—in a single generation, but only rarely. Americans need to pick their parents well. Circumstances of birth matter a lot, and the advantages and disadvantages of birth persist. On average, about half of the income disparities in one generation will carry over to the second. So if one family has five times as much income as another (roughly the difference between the income of a professional household and the income of a working-class family just above the poverty line), then the children of the first family will have two and a half times more income than the children of the second. The apple doesn't fall that far from the tree.

**America is not exceptional.** In comparison with other rich countries, the United States does not pro-

vide a lot of opportunity. In fact, measures of intergenerational income mobility place it near the bottom of the pack. There is no question that the United States has offered a much better life to those who have migrated here from poorer countries as well as to their children. But children born in the United States have no greater chance to succeed than children in other advanced countries—and probably have less.

**Trends in intergenerational mobility are not encouraging.** Thanks to high rates of internal migration and other factors, intergenerational mobility was actually greater during the nineteenth century than it is now. Intergenerational mobility remained high or increased (as it did during the 1960s) up until the early 1980s. It appears to have diminished somewhat since the early 1980s, although different researchers have reached different conclusions, and it will be impossible to reach firm conclusions on recent trends until more years of data are available.

**Rising income inequality in recent decades has not been offset by increases in mobility.** As inequality has grown, the spaces between the rungs on the income ladder have become wider, but the ability to move up and down the ladder has changed little, if at all. Rather, greater inequality means that it takes longer for any income differences to disappear in subsequent generations. Mobility is especially limited at the top and bottom of the income distribution, suggesting that the degree of one's wealth or poverty influences one's opportunities. The United States could be in danger of creating a poverty trap at the bottom and an enclave of wealth at the top.

**Greater income inequality could lead to a greater concentration of wealth.** U.S. income growth in recent decades has been heavily concentrated among households in the top half of the income distribution and especially among those in the top 1 percent (those with income of more than about \$400,000 in 2006). Even in a society in which it is easy to spend large sums on luxury goods, most income at the very top is used to accumulate assets, thus increasing the role of unearned income (dividends, interest, capital gains, and rent) in perpetuating income inequalities in future generations. Today

income from capital is a small fraction of total income, but it is likely to grow considerably in the future, given present trends. Unlike income from work, these unearned sources of income are derived from a stock of assets that are easily transferred to the next generation, more tightly linking the status of children to that of their parents, unless these accumulations of wealth are taxed at death. Current efforts to repeal, or scale back, the estate tax would exacerbate these trends, leading to less intergenerational mobility in the future.

African Americans and women have made steady gains over the past half century. Remaining gaps in the status of these two groups relative to white males are primarily related to lower educational attainment (in the case of minorities) and to family structure or work-family conflicts (in the case of women), according to Melissa Kearney in her article for *The Future of Children*. Although some research—audit studies in particular—finds continuing discrimination, it seems fair to conclude that class is becoming relatively more important as race and gender are diminishing in salience.

### What Should Be Done?

What should be done about the large income gaps that have recently opened up in American society? One option would be to create a more progressive set of tax and benefit programs, much as the Europeans have done. But this approach poses two problems. First, it might lessen people's willingness to work and save and thus harm productivity and economic growth. Second, it's not "the American way." Because generous social welfare programs don't fit the nation's culture, history, or political traditions, winning public approval for them will always be an uphill battle, even if one believes in their social desirability. Americans simply prefer to "make it" on their own and not through handouts from the government, and they support policies that enable them to do so. Some 70 percent of U.S. citizens, for example, support repeal of the estate tax—a tax that affects less than 1 percent of all estates. Some of this disparity reflects public misinformation about who pays the tax, but a substantial portion reflects the popular desire to allow people to keep what they have earned and to pass it on to their children.

What does fit with both U.S. culture and history is using the educational system to enhance opportunity. But in its current form, education is not fulfilling that role. At virtually every level, education in America tends to perpetuate rather than compensate for existing inequalities. The reasons are threefold. First, the K through 12 education system is simply not very strong and thus is not an effective way to break the link between parental background and a

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child's eventual success. American students perform poorly on international assessments, colleges are forced to provide remedial work to a large share of entering freshmen, and employers complain about workers' basic skills. A society with a weak education system will, by definition, be one in which the advantages of class or family background loom large. Second, because K–12 education is financed largely at the state and local level, resources devoted to education are closely linked with where people live and with the property wealth of their neighbors. For this and other reasons, poor children tend to go to poor schools and more advantaged children to good schools. (Although money alone will not necessarily improve opportunities for poor children, it would seem to be a necessary if not a sufficient element.) Finally, access both to a quality preschool experience and to higher education continues to depend quite directly on family resources. If extending educational opportunities to very young children and to those who have graduated from high school is important, then the United States still has a way to go.

What could be done to improve educational opportunities in the United States? The new volume of *The Future of Children* stresses the need to use a variety of approaches to address deficiencies in each of the different levels of education, from preschool to higher education. Nevertheless, as Nobel-prize-winning economist James Heckman has argued per-

suasively, the rates of return for educational investments are highest for the youngest children. Skill begets skill, and each stage of education builds on skills acquired at an earlier stage. For this reason, the highest priority in education should be preparing very young children from poor families for school.

### Early Childhood Education

Test scores of more and less advantaged preschoolers show wide gaps before the children even enter school. Some intensive, high-quality early education programs have substantially narrowed these gaps

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and led to impressive long-term results, such as increased rates of high school graduation and college attendance among participating children. The secret to these programs' success seems to be highly qualified, well-paid teachers, a high ratio of teachers to children, and (more controversially) longer-term participation by the children from an early age. In their article in the new *Future of Children* volume, Steven Barnett and Clive Belfield show that despite efforts to enroll poor children in publicly funded Head Start programs, preschool attendance remains higher among children from more advantaged families. Moreover, the quality of Head Start and other early care arrangements used by lower-income families is not as high as either the most successful demonstration programs or some of the programs used by more affluent parents. Finally, both common sense and research suggest that children from poor families are most likely to benefit from an enriched experience outside the home. Thus, even if preschool programs were offered to all children, the most disadvantaged would benefit most.

Preschool programs are now proliferating at the state level, although most are not targeted just to the poor. These more universal programs are expensive

although they have obvious advantages in garnering public support. But whether targeted or not, the most important ingredients for success appear to be intervening as early as possible and maintaining the quality of what is offered as more children are served. Recent evaluations of state-based preschool programs are showing very promising results although none as dramatic as those of some of the high-quality model programs.

### Elementary and Secondary Education

Education has always been primarily a state and local responsibility in the United States. The federal government contributes only 7 percent of total funding, with states and localities supplying the remainder in an unequal manner. New York, for example, spent \$10,957 per pupil during 1999–2000 while Mississippi spent \$5,356. Such disparities are not consistent with the principle of equal educational opportunity. Although increased spending on education is not guaranteed to translate into improvements in what children learn, it would seem to be a necessary, if not a sufficient, requirement if school systems are to hire more qualified teachers and reduce class sizes—two measures that have been shown to improve educational outcomes. (Cecilia Rouse and Lisa Barrow review the evidence on this question of whether money matters in their article in the new volume.) Increasing federal support for education while linking increased resources to progress in improving educational outcomes and closing gaps is one way to promote educational opportunity.

The No Child Left Behind law requires states to establish standards, test what children learn, and make steady progress toward achieving the standards. Although one goal is to reduce the test score gap between children from more and less advantaged families, little has been accomplished on this front so far. The current system has several flaws. One is that the standards are set at the state and not the national level. Experts, such as Diane Ravitch, have argued for national standards, national tests, and a curriculum aligned with what students need to know to meet these standards. These experts have documented huge discrepancies between the levels of math and reading proficiency measured on state exams and those measured on the National Assess-

ment of Educational Progress, the gold standard for such tests. States are under pressure to show the kind of progress called for in the law, and the easiest way to do that, and keep parents happy, is to set the bar low. But not requiring schools to meet higher standards is, in the long run, a failing strategy, especially in a more competitive global economy. If American children are not proficient at math, they will soon lose out to Chinese or Indian children who are. A second flaw is a preoccupation with levels of proficiency. The share of children or schools achieving such levels may reflect the composition of the student body and have little to do with what children are learning from year to year. The nation needs to place as much emphasis on measuring year-to-year improvements in student learning as on measuring levels of proficiency. Otherwise, schools enrolling large proportions of disadvantaged children will fail before they have had a chance to succeed.

Meeting the standards requires paying attention to what goes on in the classroom and especially to the quality of teaching. Research consistently shows that children learn best when they have teachers with a track record of producing learning gains for other children. But such good teachers are in short supply—a problem that is going to get much worse over the coming two decades because of the impending retirement of a generation of teachers—mostly women—who chose teaching when far fewer opportunities existed in other fields. And complicating the impending shortage is the difficulty of identifying good teachers before they enter the classroom. Good teaching has almost nothing to do with the paper credentials that are now used to license novice teachers. One solution, detailed by Robert Gordon, Thomas Kane, and Douglas Staiger, is to open entry into the profession to a wider range of prospective teachers and to evaluate their performance on the job, relying principally on the learning gains they produce once in the classroom. Good teachers who work in high-poverty schools would receive bonuses for doing so and those who do not perform well during their first few years of teaching would not be offered tenure.

Even good teachers need to know what will be most effective in boosting the educational performance of

poor children. The major public program designed to increase educational opportunities for children from less advantaged families is Title I of the Elementary and Secondary Education Act. Although well intended, Title I has done little or nothing to improve the test scores of poor children. The money has not been well targeted on the children needing the most help, and it has not gone to programs or curricula with a documented record of success. At present, Title I is primarily a funding stream for local districts. A better use of the money would be to require states and local school districts to spend the money on carefully evaluated and successful programs of basic instruction.

Another much-discussed approach would be to expand choice and competition by offering school vouchers or expanding charter schools. The final word on choice and charter schools is not in, but after reviewing the experience to date, Rouse and Barrow conclude that so far “there is little empirical evidence that either charter schools or school vouchers would ... improve student test scores.”

In sum, the most promising strategies at the K–12 level appear to be to set clear standards for what children should know, to increase federal funding of education but link it to school performance, and to encourage greater use of proven instructional methods.

## Higher Education

Disparities in college-going by socioeconomic status are large and growing, as documented by Robert Haveman and Timothy Smeeding in the new *Future of Children* volume. With a college degree far more valuable today than it was a few decades ago, these disparities are choking off opportunities for children from less advantaged families to get ahead. For example, 82 percent of high school graduates from families in the highest income quartile enroll in college as compared with only 54 percent of those from the lowest income quartile. In the nation’s top-ranking 25 percent of colleges, 74 percent of students are from the highest socioeconomic quartile, while only 3 percent are from the lowest quartile. Many of these gaps are related, of course, to differences in ability and preparation, but even after adjusting for

this fact, some disparities persist. The one relatively bright spot in this story is community colleges, which appear to be doing a better job of enrolling students from less privileged backgrounds and giving those who stay the course the credentials and specific skills they need to get ahead.

Good preparation at the secondary level is essential to ensure that more lower-income children can compete for spaces in the nation's higher education sys-

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tem. But preparation alone will not end all the disparities unless more financial aid is made available to less affluent families and unless these families are provided counseling to help them navigate a very complex system. One reason why economic mobility in the United States fares poorly in international comparisons is that other advanced countries provide greater public financing of education at all lev-

## Additional Reading

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els. Government assistance in the United States has not kept pace with rising tuitions, especially at private four-year colleges. And even at public institutions, demands on state budgets are beginning to crowd out spending on higher education.

Haveman and Smeeding offer some bold measures to make college more accessible to lower- and middle-income students. Colleges and universities could focus more on their core educational competencies and leave such ancillary activities as providing room and board to others, thereby enabling colleges to lower tuitions. They could set tuition to reflect full costs for students who can afford to pay and then redirect savings to lower-income students. Finally, state aid could go directly to students rather than to institutions. None of these policies, however, will have much impact unless the entire education system, starting with preschool, is improved in ways that prepare more low-income students to compete.

## Conclusion

Growing disparities in income and wealth in the United States would be less troubling if everyone had a decent chance to win the most valuable and coveted prizes. The most important step the nation can take to make the competition fairer is to strengthen and reform the education system so that it compensates for differences in family background.

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