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Introduction
Unintended Consequences

> It gives an educator no pleasure to present the materials in this volume.
>
> —IVAR BERG, *Education and Jobs: The Great Training Robbery*

Each May, the University of Illinois at Urbana-Champaign holds its commencement ceremonies. So many students graduate from this flagship state university, and so many families wish to attend, that not even the campus's basketball arena, Assembly Hall, which seats over 16,000, can accommodate everyone. To handle these crowds, the university has two separate ceremonies, one in the morning and one in the afternoon. At both, students gamely don caps and gowns; proud parents drive down from the suburbs of Chicago and snap digital picture after digital picture; a B-list intellectual, political, or cultural icon offers graduating seniors some warmed-over wisdom; and students march down the aisles to the strains of pomp and circumstance.

As deadly boring as these commencements can be, they can also be quite charming. They celebrate a definitive moment in a young person's life, and they remind the community of the purpose and value of higher education.

Even though I would have taught some of those University of Illinois students who would collect their diplomas on graduation day, I rarely attended those official ceremonies. Not because I feared being bored (or charmed) to death, but because across town, in a shabby multipurpose room of a branch library in Champaign-Urbana's only dodgy neighborhood, another sort of graduation ceremony was usually under way. In the fall of 2005, I began to organize a class in the humanities for low-income adults in the community. The idea was simple. Faculty from the University of Illinois would offer night classes in their areas of expertise (literature, philosophy, art history, U.S. history, and writing) for anyone in the community who was between the ages of eighteen and forty-five and lived at 150 percent of the poverty level of income or lower. (Although you would not know it if you stuck to campus and its adjacent neighborhoods, Champaign-Urbana had a significant population of poor.) Students who completed the nine-month course would receive six hours of college credit, which they could then transfer to other institutions of higher learning. Everything would be free: tuition, books, even child care at a nearby community center. We named it, after a similar program in Chicago that provided some funding and shared publicity, the Odyssey Project.

Classes met at night, on Tuesdays and Thursdays, in the same shabby multipurpose room that hosted our graduation. We sat around banquet tables. Although there were exceptions, most of the people who enrolled in Odyssey were women, usually in their thirties or forties, a majority of them minority (African American or Latino). Most of the women were mothers. Most had jobs. One or two had two jobs. Those with two jobs did not last long. But then again few people lasted long.

In signing up for the class, students signed on to a whirlwind introduction to the humanities. On any given night, they might have read— or skimmed, or not have read, as the case may be—and discussed Plato's "Allegory of the Cave," a Shakespeare sonnet, or the text of the Fourteenth Amendment to the Constitution. Or students would sit in a darkened room and learn to distinguish Italian Renaissance from Impressionist paintings. Or they would learn how to make arguments about what they had read or studied: how to write a thesis statement, what counted as evidence, how to anticipate opposition to the argument they made.

Our first graduation took place in the spring of 2007. By comparison to the University of Illinois graduation ceremonies, ours, like the room itself, seemed a little threadbare. Earlier in the day, my spouse, a professor at the university whom I enlisted to teach the philosophy course, helped me set up a podium and some stained chairs in neat rows. She stood at the door handing out a crudely designed program I had made on my computer. As graduates and their families filed in, I tried not to think about all the problems the course faced. We had started the year with close to thirty students. Within the first few weeks, we lost a dozen people. Over the next few months, we lost another half dozen. By the time May rolled around, our graduating class consisted of some twelve people, about half of whom had regularly attended classes, completed the assigned work, and thus deserved to graduate. The same gradual erosion of students from the class, occasionally worse, occurred year after year. On the first night of class in early September, I would put out twenty-five or thirty chairs. As the year proceeded, I would have to unfold fewer and fewer tables and drag out fewer and fewer chairs. For every student who made it, two or three would not. Needless to say, one graduation ceremony almost always sufficed—sometimes it seemed like one too many.

But if I wanted the program to continue, in the hope that it would eventually succeed, arid I did, I needed to keep up appearances, and that meant handing out diplomas to as many bodies as I could muster. While I am sure he had other, more sincere motives, one of the reasons the chancellor of the University of Illinois had supported the program is that for a pittance, really, it would bring in extraordinarily good publicity. And to the untrained eye, the class, and the first graduation ceremony, seemed like a success. Our valedictorian, a brilliant young African-American woman who had been chosen by her fellow students to represent the class, gave a moving speech, thanking each of the professors individually for their time and describing, in a marvelously pithy nutshell, what she had learned from each. Our official commencement speaker, a provost from the university, thoughtfully congratulated the families of graduates, who deserved to be honored, she urged, for muddling through while the graduates, most of them women, and most of those mothers, had played a kind of reverse hooky from their homes to attend school at night.

After the speeches, I handed out diplomas, shook each graduate's hand, and, feeling better about the whole thing, comforted myself with the half-truth that even if the program had failed for most of our students, it had succeeded for some, and if it worked for just one, it must have been worth doing.

After the ceremony, as graduates and their families enjoyed the sodas and deli trays my spouse and I had picked up for the reception, I spoke to the local media, which had turned out for the event. (The chancellor's investment had paid off.) Cutbacks must have hit the local news channel, though, because the cameraman who asked to interview me also turned out to be the interviewer. As he was setting up his camera, we chatted about the program, and he confessed that he and his wife talked about "this"—education—a lot. He praised the program and what I had done. "If only," he added, "people could get an education, we wouldn't have all these problems."

The interview began before I could ask what he meant by "all these problems," but I didn't need to ask. He meant what everyone means by "all these problems" when they come to neighborhoods like the one we found ourselves in that day: unemployment, crime, teenage pregnancy, single motherhood, and, as an embodiment of all these, poverty.

At which point, it hit me, as it had Victor Frankenstein, that I had created a monster. I started the class with the hope that it would give poor adults a chance to start or—for those who had dropped out—to return to the world of higher education. But I never believed that it would solve "all these problems." Our graduating class represented a fraction of a fraction of the poor in Champaign County, and it was not even clear that the education they received in the program would help them all that much. Few had actually thrived in the course, and even fewer had any concrete plans about what to do after the class finished.

Yet to most people, as it had to the cameraman, education, like the one offered by the Odyssey Project, would mean a solution to every social ill one could imagine. I had given false hopes to students but, even worse, false comfort to the community.

You could not blame the cameraman for thinking that education would solve all these problems, especially if those problems were poverty and its less visible but no less pernicious cousin, economic inequality. Indeed, he and his wife had impeccable company in their faith in education as diagnosis and cure. A few months before our graduation, for example, George W. Bush surprised journalists and observers by acknowledging the growing economic inequality in the United States. "The fact is that income inequality is real," Bush told an audience of Wall Street business executives, "it's been rising for more than twenty-five years." He added: "The reason is clear. We have an economy that increasingly rewards education and skills because of that education."[1]

As the *Washington Post* noted in its coverage of the speech, "Bush's remarks were an unremarkable statement of what many economists accept as common wisdom."[2] That common wisdom consists not just of the fact that income inequality is real and rising—Bush is right, it is—but that income inequality results primarily from differences in education. Whereas someone with only a high school diploma could once earn a middle-class living by, say, working in a factory, those days, or so the thinking goes, are over. In the new, post-industrial knowledge economy, the job market rewards those with an education and punishes those without one.

Remarkably, this faith in the power of education to make or break lives traverses the political spectrum. Indeed, a surprising consensus has grown up in the United States around the belief that what causes poverty and economic inequality is lack of education and that what will fix these ills is more and better education. Crucially, the conventional wisdom explains not just why some people get ahead, but it also justifies why some people are left behind. And though they may agree on little else, liberals, conservatives, and cameramen can nevertheless seem to agree on this.

Echoing his predecessor in office, for example, Barack Obama, in a February 2009 speech on the state of the economy, told a joint session of Congress that "in a global economy where the most valuable skill you can sell is your knowledge, a good education is no longer just a pathway to opportunity—it is a prerequisite."[3]

Others in government concur. In 2004, Lawrence H. Summers, then president of Harvard University, later director of the White House's National Economic Council, declared: "We need to recognize that the most serious domestic problem in the United States today is the widening gap between the children of the rich and the children of the poor. And education is the most powerful weapon we have to address that problem."[4]

Or consider former treasury secretary Henry Paulson, who in 2006 said that "market forces work to provide the greatest rewards to those with the needed skills in growth areas. This means that those workers with less education and fewer skills will realize fewer rewards and have fewer opportunities to advance." As a result, Paulson concluded, we "need to continue our focus on helping people of all ages pursue first-rate education and retraining opportunities, so they can acquire the skills needed to advance in a competitive worldwide environment."[5] In 2007, Ben Bernanke, chairman of the Federal Reserve under both George W. Bush and Barack Obama, offered a similar observation. "As the larger return to education and skill is likely the single greatest source of the long-term increase in inequality," Bernanke told members of the Omaha Chamber of Commerce, "policies that boost our national investment in education and training can help reduce inequality while expanding economic opportunity."[6]

The newspaper of record is equally convinced of the economic power of education. "Education, education, education" the *New York Times* columnist Bob Herbert recently chanted, working himself into a frenzy. "It's the closest thing to a magic potion for black people that I can think of." He continues: "There is no way, in my opinion, for blacks to focus too much or too obsessively on education. It's the fuel that powers not just the race for success but the quest for a happy life. It represents the flip side of failure."[7] "Good schools," Herbert's colleague Nicholas D. Kristof writes, "constitute a far more potent weapon against poverty than welfare, food stamps or housing subsidies."[8] In fact, Kristof asserts, "the most important escalator out of poverty is education."[9] Education reform, he concludes, "is the central front in the war on poverty."[10] Regarding income inequality, Tyler Cowen, an economist at George Mason University and an occasional columnist for the *New York Times,* wrote in 2007 that "the most commonly cited culprits for the income inequality in America—outsourcing, immigration and the gains of the super-rich—are diversions from the main issue. Instead, the problem is largely one of (a lack of) education."[11]

These sentiments rule in the world of think tanks and nonprofits, too. Marc Tucker, president of the National Center on Education and the Economy, thinks that education is crucial for the economic prospects of everyone, including the least well-off. "The fact is," he writes, "that education holds the key to personal and national economic well-being, now more than at any time in our history."[12] In 2009, Bill and Melinda Gates visited West Charlotte High School "to see for themselves what really works and what has gone haywire in public education in the United States." Bill Gates observed, "Our performance at every level—primary and secondary achievement, high school graduation, college entry, college completion—is dropping against the rest of the world." Thinking less internationally and competitively, Melinda Gates noted that as a result of these drops in performance, "America's long history of economic mobility is in danger." She added, "It is so important "to get all of the children educated." The Gates's have devoted hundreds of millions of dollars to the cause.[13]

Within academe as well, such views are an article of faith. "College is no longer an elective; it is necessary," Carol Geary Schneider, president of the Association of American Colleges arid Universities, offered in 2004.[14] "Never before has a college degree been more essential to an individual's prosperity in the United States," Sara Hebel, a senior editor at *The Chronicle of Higher Education,* wrote in 2007.[15] "Education," Christopher L. Washington, Provost of Franklin College, observed in 2010, even less guardedly, "is the solution to most problems we face today." He writes: "The simpler days of blue-collar jobs serving as the fossil fuel of the American economy are long gone. In order to stay financially afloat and to contribute constructively to our economy and society over the course of their lives, young Americans must now attain as much post-secondary education and training as possible to meet the ever-changing demands of our increasingly complex workforce."[16]

The sentiment even appears in the realm of public health. In "Future Health Consequences of the Current Decline in US Household Income," Steven H. Woolf, professor in the Departments of Family Medicine, Epidemiology and Community Health at Virginia Commonwealth University, observes that increased poverty, decreased household income, and widening income inequality "are harbingers of a future wave of poorer health."[17] Although he notes that "proposals to improve the job market and increase incomes ... could be helpful," he nevertheless concludes that "education may ultimately hold the greatest promise and figures prominently in master plans to resolve poverty." Reciting almost word for word the conventional wisdom about education and income, Woolf observes that "globalization and the decline of US manufacturing jobs have fostered a 'knowledge economy' in which a living wage is most accessible to those with technological and other skills."[18]

One could quote many more authorities—and any number of ordinary people—who hold more or less identical views about the economic power of education. And these people are not wrong. Those who have advanced degrees earn more than those who have bachelor's degrees, who earn more than those who have high school degrees, on down the line. And the returns to education, as economists put it, have increased in recent years. In short, education pays, and pays more than ever. If so, then it must seem like the best way to get ahead is to get an education. Unsurprisingly, then, nothing dominates our thinking about poverty and economic inequality so much as the belief that education (or lack of it) causes these problems and thus that education (and more of it) will fix them.

During the period when I started the Odyssey Project, part of me must have believed this conventional wisdom as well. After all, my prosperity was owed directly to education. I was born into a family that occasionally drifted near and once or twice fell below the poverty line. But I graduated from college, earned a Ph.D., eventually found a tenure-track job in academe, and now make more money than I ever imagined possible. (Let me hasten to assure you this owed more to my limited imagination than it does to my high salary.) If education had worked for me, I told myself, shouldn't it work for others, too? Moreover, if it had worked for me, shouldn't everyone have a chance— or, for some of the people I sought to enroll in the Odyssey Project, a second chance—to make it work for them?

You did not need to look any further for answers to these questions than to the University of Illinois at Urbana-Champaign, which was one of the first land grant colleges. Their mission, according to the 1862 Morrill Act, which founded public higher education in the United States, was "to promote the liberal and practical education of the industrial classes in the several pursuits and professions in life."[19] Although these land grant institutions have changed quite a bit since 1862, and the terminology now feels dated, they still count promoting the education of the industrial classes—those previously excluded from higher education who nevertheless seek to improve their lives through it—among their many missions. More so, arguably, than the University of Illinois at Urbana-Champaign itself, which now mostly enrolls well-to-do teenagers from the suburbs of Chicago, the Odyssey Project would embody these ideals of public higher education. If a college degree is what it takes to earn a decent living in the United States today, then everyone ought to have the opportunity to go to or go back to college. That is why I started the Odyssey Project. And that is what, on the occasion of our first graduation ceremony, with our graduates and their families in their best clothes, also snapping digital picture after digital picture, made it so easy to root for it.

The interview with the local television news, however, changed my life. Although I continued to direct the Odyssey Project and to teach classes in it (usually literature or writing), from then on I had my doubts. These doubts only intensified as I watched Odyssey students drift away as the academic year wore on, victims of various crises, other claims on their time, or, less dramatically, the realization that the humanities and higher education left them cold. My doubts, I should add, were not about whether education *should* serve the industrial classes, the poor and low-income, but whether it does, whether it is capable of doing so, and what good would come of it if it could. Even if every Odyssey student who enrolled in the fall graduated in the spring, I began to ask myself, and even if every Odyssey student who graduated in the spring enrolled in a real college in the fall, would we be appreciably closer to solving the twin problems of poverty and economic inequality in the United States today? Or forget about the United States. What about Champaign County?

In this book, I explore these doubts, examining the origins, accuracy, and real-world effects of this particularly entrenched piece of conventional wisdom, the one that holds that we can teach and learn our way out of poverty and economic inequality; the one that holds that education will solve "all these problems." Reluctantly, I conclude that education bears far too much of the burden of our hopes for economic justice, and, moreover, that we ask education to accomplish things it simply cannot accomplish.

While this thesis—that education alone will not change things— has occasionally surfaced, few writers have given it the extended treatment it requires. I know, because when I began to have my doubts about the Odyssey Project, I went looking for answers to my questions and rarely found anyone else even asking the questions.[20] When did the belief in education as an economic panacea arise? Why? More empirically, is it true? If not, why has it proven so attractive? Why do so many people, especially those in power, so urgently want to believe it?

And how has it influenced what teachers and students do or imagine what they do? Finally, if it is not true that education will solve poverty and inequality, what might?

Class Dismissed seeks to answer these questions. More generally, as my double entendre of a title implies, I argue that appeals to education have displaced the debate about social class and economic power that Americans need to have if we are to understand the causes of and the cure for sustained poverty and increasing inequality. In turn, and in order to start that debate, I suggest that we may need to dismiss the belief that all or even most of our economic problems can be solved from the classroom.

Within the last few years, a number of critics have begun to challenge our unexamined faith in "college for all," as one economist has put it. Unlike those critics, mostly conservatives, I do not argue that too many students are going to college (Charles Murray), that the United States has overinvested in higher education (Richard Vedder), that more young people should enter the trades rather than attend college (Murray, Vedder, and Matthew B. Crawford), or that since college teaches "few useful job skills," a degree, as the economist Bryan Caplan puts it, merely signals "to employers that graduates are smart, hardworking, and conformist" (Murray, Vedder, Crawford, and others too numerous to mention).[21] Nor, as other critics have begun to argue, do I believe that a college degree has ceased to offer a good return on a young person's investment of time and money. As nearly ever)' economist and journalist who has studied this manufactured controversy has shown, college continues to pay off. Even those like me foolish enough to major in English or some other supposedly irrelevant humanities or fine arts discipline still earn, on average, more than those with only a high school degree and more than enough to offset the costs of tuition and foregone earnings needed to earn a degree. Indeed, even today the *starting* salary for someone with a degree in English ($37,800) is higher than the *average* income of all those, including older and experienced workers, with only a high school degree ($32,000).[22]

Yet we find ourselves in an unusual position. The advice we would offer every halfway intelligent young person with a pulse—go to college—is not, I argue, counsel we can offer a whole generation of young people, let alone adults like those who might have enrolled in the Odyssey Project. An *is* ("education pays") is not an *ought* ("everyone ought to get an education). Some people may escape poverty and low incomes through education, but a problem arises when education becomes the only escape route from these conditions—because that road will very quickly become bottlenecked. As the political scientist Gordon Lafer has written, "It is appropriate for every parent to hope that their child becomes a professional; but it is not appropriate for federal policy makers to hope that every American becomes one."[23] As another economist has put it, "Going to college is a lot like standing up at a concert to see better. Selfishly speaking, it works, but from a social point of view, we shouldn't encourage it."[24]

Unlike others who argue this point, however, my concern is not with the inefficiencies that come from everyone standing up to see better but, rather, the injustices that result. That is, my concern is with those who cannot stand up, those who, either because of lack of ability, lack of interest, or other barriers to entry do not or cannot earn a college degree. Insisting that they really should is neither a wise nor a particularly humane solution to the problem these workers will encounter in the labor market.

Nor is it a particularly feasible one. As I explore later in this book, the U.S. economy, despite claims to the contrary, will continue to produce more jobs that do *not* require a college degree than jobs that do.[25] A college degree will not make those jobs pay any more than the pittance they currently do. As some of my colleagues from graduate school could confirm, a Ph.D. working as a bartender earns bartender wages, not a professor's salary. What *will* make those bartending and other unskilled jobs pay something closer to a living wage—if not a living wage itself—constitutes, to my mind, one of the major public policy challenges of the twenty-first century. Education, however, is not the answer.

This book is divided into three parts. In the first, I describe the situation we find ourselves in today. Namely, poverty and the striking—and ever increasing—gap between the rich and the poor in the United States, the widest it has been since the 1920s and the worst among developed countries. I also describe our default policy prescription for this problem—education, education, education—and test whether that is a sufficient or even necessary solution to the problem.

In the second part of the book, I explore when, how, and why we arrived at this belief in the power of education. As to when and how, I trace the sometimes gradual, and sometimes abrupt, process whereby education came to dominate discussions about opportunity, prosperity, and poverty in American life. This history involves the eclipse, by education, of other ways Americans once imagined they might get ahead. The history also involves the eclipse, by economics, of other purposes Americans once imagined for education. I also speculate as to why, despite occasionally overwhelming evidence to the contrary, Americans ever believed and continue to believe that we can teach and learn our way out of poverty and inequality. The answer is not flattering. In short, I suggest that our belief in the transformative power of education owes to our primal and somewhat na'ive desire to believe in a just world, to believe that people get what they deserve. Moreover, I argue that many of those who hold economic and political power, particularly since the Second World War, suffer from an inability to imagine or recognize any other way into the middle class than the one they took, college.

In the third part of the book, I describe a growing consensus among economists about what it would take, in addition to or instead of education, to reduce poverty and inequality in the United States. I will admit now that both by family background and scholarly disposition, when it comes to inequality, I favor an explanation that focuses on the decline of bargaining power generally and the decline of unions specifically. (By background, I mean that when I helped found and then joined a union of teaching assistants and graduate employees, I was the fourth in a string of Marsh fathers, grandfathers, and great grandfathers to join a union. My mother, at various points in her life a schoolteacher, social worker, and guidance counselor, also belongs to a union. By scholarly disposition, I mean that my academic research has focused on the literary culture of unions and the class dimensions of literary culture.) The crucial question here, though, is not how to reduce inequality and poverty in the United States—as I say, a rough consensus exists on this question—but why the United States has done and appears poised to do so little to act on this consensus. I also state what an education, if not particularly good for fighting poverty and inequality, might be good for. Finally, I argue that in terms of educational and economic policy, we may have put the cart in front of the horse. As it stands, we seek to decrease inequality and poverty by improving educational enrollment, performance, and attainment. A good deal of evidence, however, suggests that we should do just the opposite. Only by first decreasing inequality and poverty might we then improve educational outcomes.

To be quite honest, though I recognize the incongruity of a professor, of all people, confessing this, I care less about educational outcomes than I do about economic ones. Here too I admit that background may play a part in this attitude. As I mention above, when I was in elementary school, during one or two rough patches our family dropped into the ranks of the poor. From what I remember of it, which is more than I would like, I still cannot decide what was worst about it. Was it the persistent feelings of inferiority? Or the terrifying sense of insecurity? Either way, I am convinced that poverty and economic insecurity are ruinous, wicked. No one, least of all children, should have to suffer that fate. Yet over the last thirty years, more and more do. Next to this fact, education, while I have committed my life to it, matters far less than it otherwise would.

In any event, the point of this book is that we need to cultivate a new modesty regarding education, to stop believing that it is a magic potion for the poor or for anyone else. Only after we've cleared the deck of these mistaken beliefs can we embark on a serious effort to fix these problems.

I do not regret starting the Odyssey Project, or the better part of my life that it occupied for the four or five years I remained involved with it. I met some extraordinary individuals. I came to know the community I lived in better than most academics do. I had some fascinating discussions with students whom I would not have otherwise had the chance to teach. Reading *Native Son* with people who grew up on the South Side of Chicago or who still have family there is a different, and in many ways more rewarding, experience than reading it with students who have spent their lives avoiding those neighborhoods. So too is reading *A Doll's House* with women who have had husbands or boyfriends far more patronizing, and occasionally far more violent, than Torvald Helmer. Despite my doubts, too, the program did work as intended for a few—too few, but still, a few—people. My association with the Odyssey Project also gave me a better, though by no means thorough, understanding of the lives of the poor and low-income people who struggle to make ends meet, who struggle to be two places at once. People who are one crisis away—a job loss, an illness, a missed rent check—from having their lives upended, and people for whom more often than not that crisis comes. People of stunning intelligence, and people completely unprepared to benefit from whatever educational opportunities they might encounter.

More than anything, though, my association with the Odyssey Project taught me that programs like the Odyssey Project are neither necessary nor sufficient responses to the problems of poverty and economic inequality in the United States. If I ever thought that, and part of me must have, I offer this book as a sincere yet imperfect atonement.

Chapter 1
The Paths of Inequality Lead But to the Grave

***Editors note: There are numerous figures, charts, and graphs that could not be reproduced in this format. The editor encourages consulting the book for this information.**

Wander around a Glasgow graveyard long enough and you may notice something unusual. In the nineteenth and early twentieth centuries some Scottish families built obelisks to commemorate their dead (the obelisks look like smaller Washington monuments). Meanwhile, other families had to settle for common headstones. As indicated by the, birth and death dates etched onto the memorials, the dead commemorated by obelisks had considerably longer life spans than those commemorated by common headstones. On average, those with commemorative obelisks died at age sixty-five for men and sixty-three for women. By contrast, the average Glasgow man during this period died at age fifty and the average woman at age fifty-two.[1]

You probably do not need too many guesses as to why those with obelisks lived longer than those without. Obelisks were not cheap. In general, only well-to-do families could afford to build them for their dead. Working-class and poor families could not. Since the wealthy tend to live longer than everyone else, those commemorated by expensive obelisks would also tend to live much longer than those who had to settle for ordinary headstones—and much, much longer than those who could not even afford a headstone.

Strikingly, the obelisks remind us that though time is money, money is also time. The rich, simply put, have more time on this earth than the poor. And these disparities are not just a relic of the nineteenth and twentieth centuries. In Scotland, as elsewhere, including the United States, the rich continue to live longer, healthier lives than everyone else, especially the poor. "Poorer people," as one leading economist has summarized the overwhelming evidence, "die younger and are sicker than rich people."[2]

This is not the unusual thing about these graveyards, however. If you kept investigating the obelisks, you would notice something even stranger than the disparities between the rich and everyone else. Whereas most of the dead with obelisks lived longer than those without obelisks, some of the dead commemorated by obelisks lived longer than others who also had obelisks. By itself, that would not be all that remarkable since even rich people die at different ages. But if you got out your yardstick and began to measure the height of the obelisks, you would find something remarkable. On average, those with the tallest obelisks also had the longest life spans. In fact, for each additional yard or so of obelisk height, the dead commemorated by that obelisk lived an additional 1.93 years for men and 2.92 years for women.[3]

Why is that strange? Because most if not all of the dead commemorated by obelisks came from the same class of well-to-do merchants and professionals. Few, next to none at all, would have been exposed to the pestilent living or hazardous working conditions of workers and the poor. Those conditions, presumably, explain why the rich live longer than the poor. But if none of the well-off was exposed to those perilous conditions, why would some of the rich, those with taller obelisks, live longer than others, those with shorter obelisks? Either you could afford nutritious food and what passed for first-rate health care in nineteenth- and early twentieth-century Scotland or you could not. Most if not all of those with obelisks could. So why did those with taller obelisks live longer than those with shorter ones?

The solution to this puzzle lies in the fact that inequalities of wealth do not just influence differences in life spans *between* classes but *within* classes as well. To some extent, the height of obelisks stands in for the wealth of the dead. Some wealthy families could purchase more obelisk than others, and people from those families lived longer than those whose families could afford less. Not only did the rich live longer than the poor, but the very richest lived longer than the merely rich, who in turn lived longer than the barely rich. Thus, even among the rich, differences in wealth—relative versus absolute well-being—partly determined how long a Scotsman would live.

In short, poverty kills. But so does not being quite as well-off as your neighbors.

You may want to keep these obelisks in mind as I explore the significance of poverty and economic inequality in the United States in this chapter. For some, it will not seem like too great a problem if others believe that education will rescue people or the nation from poverty and economic inequality. That is not because these critics believe education will or can do these things. Rather, they believe that the problems such mistaken beliefs seek to combat (poverty and inequality) do not qualify as problems. If you do not think that rising levels of obesity in the United States count as a problem, for example, then you will not worry too much about the federal government's misguided plan to combat it by distributing slimming funhouse mirrors to families across the nation. Similarly, if you do not think that poverty and economic inequality count as problems, then you will not much care if the nation chooses a quixotic approach like education to solving them.

In this chapter, I explain why poverty and economic inequality matter, why they count as grave problems, so to speak, and why, therefore, we would do well to lessen them. While all that may seem blandly self-evident, I can assure you it is not. Many people, mostly but not all conservatives, argue that as a nation we worry too much about poverty and economic equality and therefore devote too many resources to combating them. In particular, these critics assert that common methods of calculating poverty and, especially, economic inequality, exaggerate their extent and severity. In terms of economic inequality, however, such critics argue that even if it were as widespread and severe as people are led to believe, that does not make it a problem. Indeed, far from being a problem, economic inequality may be a good thing.

I hope to convince you otherwise, to demonstrate that poverty and economic inequality entail real costs, not just for those on the losing end of them, but for everyone. In other words, we are *all* on the losing end of them. These are not the only reasons to wish that the United States had less poverty and more economic equality, but they are among the most compelling.

In the next chapter, I examine whether education is the best, or even a feasible solution to these problems. In what follows, I survey the most recent data about poverty and income inequality in the United States. I also focus on how poverty and economic inequality have changed over time, and how the United States compares to other rich countries in terms of the extent and severity of these, yes, problems. Although researchers have come to a new, more accurate appreciation of these disparities in the last decade, few people are aware of quite how much poverty the United States has or quite how unequal it has become. Fewer still are aware of how much damage poverty and economic inequality do to individuals, communities, and the nation. I should warn you in advance that some of this discussion, here and in later chapters, gets a bit technical, but since I am an English professor, it can get only so technical.

Poverty

According to the most recent data from the Census Bureau, in 2009, and based on income alone, 14.3 percent of Americans, over 43 million people, lived in poverty.[4] (For 2009, a family of four—two parents, two children—had to earn $21,756 or less to be considered living in poverty.)[5] That is one out of every seven people in the United States. The poverty rate for children was even higher, about 21 percent, well over 15 million.[6] That is slightly more than one out of every five children in the United States.

As even the Census Bureau admits, these numbers do not capture the extent or the depth of poverty in the United States. In particular, critics charge that the formula used to determine the poverty threshold, developed in 1963 from patterns of consumption that have changed immensely since then, vastly undercounts the number of poor. (In brief, the poverty threshold was calculated by determining the cost of how much food a family of a given size would need. Since a study showed that families spent about one-third of their budget on food, multiplying the cost of that food budget by three would give you a poverty threshold.)[7] Recognizing these limitations, many state and federal anti-poverty programs raise the maximum income for eligibility to some percentage of the poverty threshold. By this revised measure, say 150 percent of the poverty level, which was the number I used to determine who would be eligible for the Odyssey Project, over 70 million people, or 23.6 percent of the population, live in or near poverty.[8] That is roughly one out of every four people.

Out of context these numbers may mean little. Unless one believes that *any* number of people living in poverty is too many—a defensible if unlikely ideal—the better approach may be to ask how the United States compares with other developed countries. If the United States does no worse than other countries, one might regret its poverty rate. But it would hardly seem worth singling it out for censure. However, the United States compares rather badly to other countries in terms of the number of citizens living in poverty.

As one might guess from the unique way the United States calculates poverty thresholds, comparisons across countries are difficult. For this reason, the Organization for Economic Cooperation and Development (OECD) relies on a relative measure to determine extents of poverty in different countries. That is, it determines who is poor by asking how many people in a given country have incomes less than half the national median income. (A median is the numeric value that separates the higher half of a set from the lower half. Half of all people have an income greater than the median, and half of all people have an income less than the median.) Unlike the Census Bureau, the OECD also accounts for the effect of taxes on income. By this measure, the United States ranks third worst among OECD countries in extent of poverty, behind Mexico and Turkey, with roughly 17 percent of the population earning less than half the median national income.[9] Excluding emerging countries like Mexico and Turkey, and using the OECD measure, the United States has the highest poverty rate among developed nations.

Economic Inequality

When presidents and journalists discuss the relation between education and economics, they more often than not have in mind economic inequality rather than poverty. And about economic inequality in the United States, they are right. It is real. And unlike poverty, which has hovered between 11 and 15 percent since 1966, economic inequality has been steadily rising for more than twenty-five years.[10]

The study of economic inequality turns on the question of who benefited from economic growth during the last three decades, and how that pattern of growth differed from earlier periods. Figure 1.1 offers a preliminary answer to that question. It plots the evolution of low, middle, and high family incomes from 1947 to 2009.[11] (The *y* axis represents the ratio of each family's income relative to how much it earned in 1973. Thus 1973 = 100.)

From 1947 to the late-1970s, the incomes of families at the 20th, median, and 95th percentiles increase virtually identically. The rich are still rich, of course, and the poor still poor, but a rising tide—economic growth—is lifting all boats.

In the late 1970s, however, this pattern shifts. Overall, the economy grows at a slower pace. But some families start to receive more of that growth than others. Families at the 20th percentile see their incomes more or less stagnate, while the median family does slightly better. Only those at the 95th percentile continue to grow at the rate every other family did prior to the late 1970s. For the families at the 95th percentile the good times never stopped.

Figure 1.2 offers another depiction of this pattern. Instead of indexing incomes to 1973, it simply charts the evolution of incomes at the 20th, median, and 95th percentiles from 1947 to

2009. You can still see, though, the 95th percentile family gradually separate from the median and 20th percentile families.

A family at the 20th percentile in 1973 earned $26,240, adjusted for inflation. In 2009, that same 20th percentile family earned $26,934. In other words, in 2009, that family made just about exactly what it did in 1979. (These are not the same families, of course, but families that when the economic picture is snapped happen to occupy the 20th or median or whatever percentile.) Meanwhile, the median family in 1973 earned $52,001, and a median family in 2009 earned $60,088, for an increase of about 15 or 16 percent.[12] By contrast, families at the 95th percentile did remarkably well over the same period. In 1973, they earned $129,517. In 2009, they earned $200,000, an increase of about 43 percent. So whereas income has increased for most families since 1973, it has grown at a much more rapid clip for families who were already well-off.

Prior to the 1970s the distribution of economic growth followed a far different pattern. Figure 1.3 provides a bit more detail.[13] It examines U.S. families at five income percentiles: the 20th percentile, the 40th percentile, the 60th percentile, the 80th percentile, and the 95th percentile.

The light grey bar plots overall growth rate for each percentile from 1947 to 1973; the dark grey bar does the same for the years 1973 to 2009. From 1947 to 1973, not only did every group of families do well, families at the 80th percentile and below actually saw their incomes increase more rapidly than families at the 95th percentile. In other words, not only did a rising tide of economic growth lift all boats. It lifted the rafts more quickly than it did the yachts.

By contrast, from 1973 to 2009, the pattern looks far different. Beginning in 1973, the higher a family fell on the income scale, the better it did. Meanwhile, families at the 20th percentile of earners barely saw their incomes rise at all. Over this period, their income increased by a total of about 3 percent. Between 1947 and 1973, it almost doubled.

One hesitates to employ the cliche, but if the shoe fits, from roughly 1973 on the rich have gotten richer and everyone else, though not exactly getting poorer, has not shared at all equally in economic growth. Consider Figure 1.4, a now quite notorious graph based on data assembled by the economists Emmanuel Saez and Thomas Piketty. It shows the share of all income captured by the top 10 percent of earners from 1917 to 2008.[14] (In 2008, these families earned a minimum of $109,000 per year.)

From the mid-1920s to the Second World War, the top decile of earners usually brought in around 45 percent of all income, including capital gains. Beginning with the Second World War, their share of income dropped to just under 35 percent and remained there until the early 1980s. In the span of a few years in the 1980s, though, their share of income would cross the 40 percent threshold. Within another decade, it would cross the 45 percent threshold. After a sharp decline around the dot-corn bust, it has all but returned to its pre-Second World War peak. By 2008, the top 10 percent of families captured nearly half (48.2 percent) of all income in the United States. Obviously, this distribution left the remaining half of all income for the bottom 90 percent of families, as opposed to the two-thirds they had earned between the Second World War and the 1980s.

Yet not everyone in the top 10 percent of households has gained equally. As Figure 1.5 shows, families in the 90th to 99th percentile, those that earned between $109,000 and $368,000, have seen their share of total income increase only gradually, by, at most, a couple of percentage points.[15] (Since the economy has grown over this period, they have, of course, still gotten richer. Waste no tears on the 90th to 99th percentile.)

Rather, it is the top 1 percent of families, those that earn more than $368,000 per year, who have, beginning in 1976, seen their share of total income rise at an astounding pace. In 1976, the top 1 percent of households accounted for 8.9 percent of all income. Now they account for 20.9 percent of it, down from 23.5 percent in 2007, the second-highest figure since 1928, when it was 23.9. Another way to put it is that from 1993 to 2007, the top 1 percent of earners captured exactly half of total economic growth.[16]

Who are the people in the top 1 percent? Most of them are corporate executives, managers, supervisors, and finance professionals, with a few lawyers, real estate moguls, doctors, and celebrity athletes and entertainers mixed in.[17] Regardless of who they are, though, they have done quite well for themselves. Figure 1.6, taken from the Center on Budget and Policy Priorities, sums things up.[18] From 1976 to 2007, the average income of the bottom 90 percent of families has grown only marginally. The average income of the top 1 percent, by contrast, has soared, exactly reversing the pattern of the previous thirty years.

Unsurprisingly, then, income inequality has grown in the United States. Figure 1.7 plots the evolution of one of the most common measures of income inequality, the Gini coefficient.[19] (The Gini coefficient measures how far the distribution of income in a given society departs from perfect equality. See the appendix for a brief, friendly introduction to the topic.)

From 1947 to the mid-1970s, the Gini coefficient for families in the United States hovers between .350 and .400. Beginning in the 1970s, however, it begins its steep climb upward, peaking (for now) at .444 in 2006 and, after a brief drop, returning to .443 in 2009.

As with poverty, these figures about economic inequality may mean little out of context. Inequality is worse than before, but, as with poverty, it would help to know how the United States compares with other countries. Perhaps inequality has grown worse elsewhere as well. It has, but nowhere as rapidly as it has in the United States.

As Figure 1.8 shows, in terms of economic inequality, and among OECD countries in the mid-2000s, the United States ranks fourth behind Mexico, Turkey, and Portugal, just beating out Italy and Poland.[20] (The OECD measure of the Gini coefficient differs from the one based on U.S. census data since census data measure pre-tax, pre-transfer income while the OECD calculation measures disposable income, that is, post-tax, post-transfer income. In other words, the OECD measures government efforts to redistribute income. More on this below.)

Even though income inequality has increased over time for many of these countries, the United States nevertheless still compares quite badly in this respect too. As Figure 1.9 shows, from the mid-1980s to the mid-2000s, the United States ranks fourth in cumulative point changes in the Gini coefficient, behind Finland, New Zealand, and Portugal, although Finland offers a poor comparison since it starts out from such a low base of inequality.[21] (After years of unequal growth, it still ranks as the seventh most equal country in the OECD.)

In sum, as economist Timothy M. Smeeding has concluded, drawing on other, even more damning data, "Americans have the highest income inequality in the rich world and over the past 20-30 years Americans have also experienced the greatest increases in income inequality among rich nations."[22]

Yes, but…

You might think these numbers are unassailable. Tens of millions of Americans live in or on the edge of poverty, and economic inequality has grown conspicuously worse over the last thirty years. Despite the evidence outlined above, critics often assert that what seem like critical problems of poverty and economic inequality are, when examined more closely, barely problems at all. For some, whether because of how they are calculated or what they do and do not measure, these statistics (poverty, income inequality) do not capture, and often exaggerate, the reality of economic suffering in the United States.

Some of these objections carry more weight than others. None of them, however, makes poverty or economic inequality less of an injustice or less of a problem. Still, because many critics do offer these objections, they deserve a hearing.

Consider poverty. A 14.3 percent poverty rate may seem high, perhaps unconscionable, but many claim that only the chronically poor, only people who, as the conservative economist Thomas Sowell put it, "are born, live, and die in poverty," pose a real problem.[23] Other kinds of poverty, especially temporary stays in poverty, merely reflect the dynamism of the U.S.

economy. People may fall into poverty, the argument goes, but they quickly escape it. And in fact the number of chronic poor is quite small. The Census Bureau, relying upon monthly rather than yearly data, estimates that only 2.2.percent of the population spent every month between February 2004 and January 2008 living in poverty.[24]

Of course, instead of celebrating this, one might regret that the United States does such a poor job of keeping people out of poverty, however briefly their stays below that line may be. If so few people permanently live in poverty, then exponentially more people must fall in and out of it to maintain poverty rates of 13 and 14 percent. In all likelihood, these visitors to the ranks of the poor are made up of the millions of people who live at 125 or 150 percent of the poverty level, people for whom one traumatic event—the loss of a job, for example, either through a layoff or poor health—drops them into poverty. And indeed, the same data from the Census Bureau reports that between 2004 and 2008, 31.6 percent of the population had at least one spell of poverty lasting two or more months.[25] Other research suggests that by the time they reach age seventy-five, a majority of Americans—58.5 percent—will have been officially poor at least once.[26] In short, poverty may not last long for a majority of people who experience it, which may make it less of a problem. But many people experience it, and never wholly escape its clutches, which would seem to make it far more of a problem.

As it happens, these figures on the number of individuals who cycle into and out of poverty should dispel another common objection to concerns about poverty, namely, the belief that people land in poverty because of their own poor decisions or behaviors. Indeed, in a 2001 NPR/Kaiser/Kennedy School poll, 48 percent of Americans thought that people are poor because they "are not doing enough to help themselves out of poverty" (45 percent blamed "circumstances beyond their control"; 7 percent did not know.)[27] If these 48 percent of Americans are right, then poverty is a problem, but it is a problem primarily for the poor, who are single-handedly responsible for getting themselves into this mess and therefore solely responsible for getting themselves out of it, which they could do if they only tried a little harder. Like all of us, the poor behave imprudently and make their share of foolish decisions, and in some cases those decisions and behaviors might well land or keep them in poverty. But recall that most poor people—all but 2.2 percent of the population—*do* do enough to help themselves out of poverty over a four-year period. Perhaps the 2.2 percent of the population that remains in poverty over four years does so because of poor decisions or behaviors, but they are a minority of the poor. Moreover, when poverty affects one out of every three people over the course of four years, and a majority of people over their lifetimes, then explanations that focus on the individual failings of the poor start to make much less sense. Perhaps a majority of Americans are lazy or irresponsible, or whatever other characteristic is offered to explain why people become poor, but that seems like an awful lot<of lazy and careless people. Rather, it would seem considerably more likely that something else, something beyond the control of individuals, produces this widespread phenomenon.

We Should Be So Lucky

One response to this line of reasoning asserts that regardless of how many people experience poverty, or *why* they experience it, to be poor may not be as bad as it sounds. Robert Rector, a fellow at the Heritage Foundation, has argued this point for years. Rector argues that "most of America's 'poor' live in material conditions that would be judged as comfortable or well-off just a few generations ago."[28] He notes that "today the expenditures per person of the lowest-income one-fifth ... of households equal those of the median American household in the early 1970s."[29] Rector observes, "Overall, the typical American defined as poor by the government has a car, air conditioning, a refrigerator, a stove, a clothes washer and dryer, and a microwave. He has two color televisions, cable or satellite TV reception, a VCR or DVD player, and a stereo. He is able to obtain medical care. His home is in good repair and is not overcrowded. By his own report, his family is not hungry, and he had sufficient funds in the past year to meet his family's essential needs."[30]

For the most part, Rector is right. Poverty looks far different today then it did several generations or even a generation ago. Yet much is obscured by his focus on a "typical" poor person, as he acknowledges. As Rector's own data show, in 2003 someone in 12.9 percent of poor households needed to go to a doctor or hospital but could not; 7.5 percent of these households reported not having enough food; 13.5 percent could not pay their rent or mortgage on time. And 21.5 percent failed to pay utility bills on time.[31] So material hardship, and absolute lack, though not as widespread as poverty, and not characteristic of all poor families, nevertheless occurs often enough to cause concern.[32]

Instead of abject poverty, then, the lives of the poor and near-poor seem to be ruled by a combination of extreme austerity and persistent economic insecurity. In the early 1990s, a political scientist, John E. Schwarz, reconstructed the lifestyle of a family living at 155 percent of the poverty level. Although it could meet all of its basic needs, members of families existing on this budget would

> never go out to eat, for it is not included in the food budget; they would never go out to a movie, concert, or hall game or indeed to any public or private establishment that charges admission, for there is no entertainment budget; they have no cable television, for the same reason; they never purchase alcohol or cigarettes; never take a vacation or holiday that involves any motel or hotel or, again, any meals out; never hire a babysitter or have any other paid child care; never give an allowance or other spending money to the children; never purchase any lessons or home-learning tools for the children; never buy books or records for the adults or children, or any toys, except in the small amounts available for birthday or Christmas presents ($50 per person over the year); never pay for a haircut; never buy a magazine; have no money for the feeding or veterinary care of any pets; and, never spend any money for preschool for the children, or educational trips for them away from home, or any summer camp or other activity with a fee.
>
> Nor is this all. The budget allots no money either for any absence from work because of illness or to pay for emergency or other unanticipated major expenses; no money to help other persons, such as an ill or elderly parent, or to buy life insurance or to pay interest on consumer-credit borrowing except for car financing; and no money for savings for college for the children or to support a pension for retirement other than Social Security.[33]

Families may still do some of these things—like go to a movie or stay home from work while ill—but in order to pay for them, they have to scrimp on necessities or go into debt. One is always robbing Peter to pay Paul. Keep in mind, too, that the above describes the life of a family at 155 percent of the poverty level. For those at or below the poverty level, the insecurity, austerity, and trade-offs are even worse.

Immigrants! No! Single Mothers!

Still, for critics like Rector, poverty, even if it does occasionally entail material deprivation or insecurity making ends meet, is largely a demographic phenomenon, and therefore less worrying than it might seem. That is, more households count as poor not because income has fallen but because the nature of households has changed. Specifically, immigration and the decline in marriage—and the subsequent rise in single-mother households—have artificially inflated the poverty rate.

As for the demographic problem of immigration, Rector calculates that "first-generation immigrants and their minor children account for nearly one-fourth of all poor people in the U.S."[34] He adds, "Each year immigration (both legal and illegal) adds hundreds of thousands of new persons to the nation's poverty count."[35] Here, too, Rector is right. Many first- and even second-generation immigrant families live in poverty. But most immigrants live in poverty not because they are immigrants—after all, a majority of immigrant families do *not* live in poverty. Rather, those who live in poverty do so because the work they do leaves them earning poverty wages. Some may argue that immigrants, particularly illegal immigrants, have no right to work in the United States, particularly at well-paying jobs. But that argument ignores that they *do* work here, their labor is obviously required, and that if they did not work at these impoverishing jobs *someone* would. That someone would also then five in poverty. (According to the Department of Labor, more than half the crop pickers in the United States are undocumented immigrants. I am no farmer, but I gather that crops must be picked.)[36] Perhaps increased demand for labor as a result of a drop in supply (should immigrants be deported) would increase wages for these jobs, but according to studies on the effects of immigration, not by much.[37] Not enough for the majority of those who do them to escape living in poverty, anyway. In any case, even if one could ship first-generation immigrants and their families home *and* arrange for the low-wage work immigrants do to simply disappear, the national poverty rate, as Rector calculates, would drop by all of 1 percent.[38] (In 2004, the poverty rate was 12.7 percent. Excluding immigrants, it would have fallen to 11.7 percent.) A 1 percent drop in poverty would be welcome, but poverty is not an immigration problem.[39]

Similar problems arise in Rector's and others' assertion that increased poverty rates owe to an increase in single-parent homes. Nearly two-thirds of poor children, as Rector observes, reside in such homes.[40] It is also the case that, as he calculates, "if poor mothers married the fathers of their children nearly three-quarters would immediately be lifted out of poverty."[41] This is a happy thought, but so is the one wherein poor mothers win the lottery. That is, no one, not even Rector, thinks that all poor mothers will marry—or even should marry—the fathers of their children. Assuming that anyone, let alone the federal government, could successfully promote marriage, what would constitute success in such an undertaking? A 10 percent increase in the marriage rate of poor single mothers, as Rector speculates? If so that "would reduce poverty among that group by 7 percentage points."[42] In 2009, 45 million people, including children, lived in female-headed, no-husband families, and 14.7 million, or 32.5 percent of those people, lived in poverty.[43] A 7 percent reduction of the number of poor in that group would mean slightly more than 1 million fewer people living in poverty. That would reduce the poverty rate in the United States from 14.3 to 14.0, a whopping .3 percent.[44]

In short, poverty is not an immigration problem, nor is it a single-mother problem. It is a poverty problem and, as I will argue in a later chapter, mostly a jobs and public policy problem. Changes in demographics may have added, marginally or significantly, to the poverty rates, but these demographic changes will not go away anytime soon. Yes, the United States should have a more sensible immigration policy, and yes, too many children live in single-parent households. But focusing on these details as the causes or solutions to poverty is a dead end—except of course for those who wish to persuade themselves and others that poverty is not a problem and not something that deserves our attention or resources. In which case, it gets them exactly where they're going.

What About Income Inequality?

Slightly more persuasively than they can with poverty, critics argue that rising economic inequality results more from statistical sleights of hand and changes in demographics than any real changes in income distribution. At the most basic level, for example, the Census Bureau calculates only gross income. As a result, it does not account for taxes, the value of health benefits, capital gains and losses, or government transfer programs that do not show up as income but nevertheless aid some, usually lower-income, households. (Think of programs like the Earned Income Tax Credit, food stamps, school lunch programs, public housing, Medicaid, and Medicare.) To be sure, one could debate whether some of these items, especially employee health benefits, should count toward income. In any case, including such calculations has a mildly redistributive effect at best. Capital gains and health benefits go mostly to the well-off, and transfer programs go mostly to low-income households. Meanwhile the progressive nature of the U.S. tax system—although it is far less progressive than it used to be—also works, slightly, to reduce measures of economic inequality. In fact, the Census Bureau also calculates economic inequality in a way that accounts for taxes and these other kinds of income. Doing so drops the 2008 Gini index for households from .446 to ,410, although those calculations do not include income from capital gains, which, since those flow mostly, almost exclusively, to the rich, would shift the measure back in the unequal direction.[45]

Such calculations might reduce measures of income inequality in the United States, but they do not help it in an international context, especially since relative to other developed countries the United States has such a minimal welfare state. For though the United States pays a great deal in taxes, and achieves some greater parity because of its progressive tax structure, it devotes fewer of those taxes to social-transfer programs than any comparable country. Indeed, before taxes and transfers, the U.S. economy does not produce extraordinarily more income inequality than other comparable economies. It does, however, do less than most other countries to reduce inequality (and poverty) through tax and transfer programs.[46]

Unlike debates about what does and does not count as income, the issue of demographics may affect how we think about economic inequality. For example, in most cases, including for the Census Bureau, the unit of measurement for inequality is not individuals but families or households. Yet the makeup of families and households differs across the income spectrum and has changed considerably over the last thirty years.[47] Most important, higher-income families tend to have more people per family than lower-income families. The result is that if you divide the United States population into five categories by households, as the census does, you are not dividing the *population* into five equal parts. The distribution will be top-heavy: more people in the top "quintiles," fewer people in the bottom. According to some critics, this statistical quirk makes income inequality look much worse than it is. In total, far fewer people live in low-income households than live in high-income households. Thus the United States has more people who are comparatively well-off than a division into household quintiles would suggest. As a result, indexes like the Gini coefficient that measure inequalities among families or households, not people, perhaps exaggerate the degree of inequality.

One of the reasons higher-income families have more people per household than low-income ones is that higher-income families are more likely to consist of married couples, which means they are also more likely to have a second earner in the household. Lower-income families and households, by contrast, are more likely to consist of single-parent families or single-person households. A preponderance of two-income families in the upper quintiles and one-income families in the lower quintiles guarantees a certain amount of inequality. Families and households with fewer earners will fall lower on the scale and vice versa. Moreover, the United States has seen an increase in single-parent families and single-occupant households over the last fifty years. ("Female householder, no husband present families," as the census puts it, went from 10 percent of all families in 1959 to 19 percent in 2009.)[48] In general, people marry within their own economic ranks, too, so even married-couple families increasingly consist not just of two earners but two high-income earners or two medium-income earners or two low-income earners. (Economists have a sexy term for this: assortative mating, when people do not mate or marry randomly but with others who are in some way similar or dissimilar to them.)

These changes to how (and with whom) Americans live can skew aggregate household incomes downward and make the United States seem more unequal than it is, at least when compared to earlier moments in history when it had fewer such households. In 2009, the median female-headed, no-husband-present family earned $29,770.[49] The median single-occupant household earned $26,080.[50] By contrast, the median married-couple family earned $71,627.[51] The median married-couple family with both spouses in the workforce earned $85,948.[52] If the United States has more of the former (single-parent and single occupant households) and fewer of the latter (married couples) than it once did, then income inequality will look as if it has increased. And it has, of course, but not necessarily because any one person or household or group of persons or households earns any more or less. In short, what look like changes in income distribution are really changes in the structure of households or distortions produced by peculiar methods of gathering data.

Yet, as with poverty rates, these objections do not add up to much. One way to control for these changes in demographics is to examine how workers have done over this period. Such calculations exist independently of how many people reside in low-income versus high-income households or changes in household demographics over time. Figure 1.10 documents the percentage change in real hourly wages for full-time workers from 1979 to 2007. It divides workers into ten wage percentiles.[53]

The pattern is clear. You could walk right up that staircase. From 1979 to 2007, full-time workers at the 95th percentile did better than full-time workers at the 90th percentile who did better than workers at the 80th percentile and on down the deciles. Those at the 10th percentile actually earned less than they did in 1979. In terms of the Gini index of economic inequality, for full-time, year-round workers it has gone from .340 in 1967 to .403 in 2008.[54] The shape of its rise matches almost perfectly the rise in family inequality tracked in Figure 1.7.

Thus the shape of U.S. households has changed over the years, but those differences do not explain all or even most of the increase in economic inequality.

Not Inequality, Mobility

A far more serious objection to concerns about rising economic inequality comes from the fact, mentioned earlier, that when we compare families at the 20th percentile and 95th percentile in two different years, we are not comparing the same exact families. A family at the 95th percentile one year may have fallen to the 80th percentile by the next time we look just as a family at the 20th percentile may have risen to the 60th percentile. Our concern is not with those families as they rise and fall, but with whatever family (or household or worker) happens to occupy a given percentile at a moment in time.

So long as people (and thus households and families) rise and fall on the income hierarchy, it should not matter whether one group— say the top 10 percent of families—begins to earn a greater share of income relative to another. Just as no one stays poor for very long, so too do few people stay at any one point on the hierarchy of incomes for very long. Over time, people rise and fall with some regularity. In particular, young workers just starting out earn less than they will in twenty years. In 2008, those between the ages of twenty-five and thirty-four had a median income of $51,400, and those between the ages of forty-five and fifty-four had a median income of $64,349.[55] If most people will eventually occupy different percentiles on the income spectrum merely by growing older and increasing their earnings, few should worry about inequalities among the points on that spectrum. To put it a bit coyly, everyone will eventually share equally in greater inequality. As the economist Thomas Sowell has written, "Although people in the top income brackets and the bottom income brackets . . . may be discussed as if they were different classes of people, often they are the very same people at different stages of their lives."[56]

Sowell may be right, although it depends on what you, and he, mean by "often." So how often *are* people in the top income brackets and the bottom income brackets the same people at different stages of their lives? Economists refer to this sort of movement as intra-generational mobility, which measures how far people rise and fall within their own working lives. According to one recent study of intra-generational mobility rates for those ages twenty-five to forty-four (summarized in Figure 1.11), 45.4 percent of individuals who were in the bottom fifth of earners in 1994 had moved into a higher fifth of earners ten years later, which might seem like a lot.[57] (By contrast, 54.6 percent remained in the bottom fifth, which also seems like a lot—a majority, in fact.) Most of those people who left the bottom fifth, however, did not travel very far: 25.5 percent ended up in the second-lowest fifth of earners, while only 3.5 percent ended up in the top fifth. Conversely, only 2.6 percent of individuals in the top-income fifth in 1994 moved into the bottom fifth by 2004.[58] So one out of every thirty people or so left the bottom bracket for the top bracket, and one out of every forty people left the top bracket for the bottom. Such movement from top to bottom and bottom to top would not seem to happen all that often, unless, that is, one has a very generous definition of "often." For those with a less generous definition, very few people in the bottom income bracket are, ten years later, in the top income bracket, and a majority of people who do leave the lowest income bracket only travel to the next lowest. The American people are not locked into a class hierarchy, but neither do they move around enough to mitigate that hierarchy.

If intra-generation mobility does not smooth out economic inequality, perhaps inter-generational mobility does. Intergenerational mobility measures how much parents' economic circumstances affect their children's economic fortunes or, to put it another way, how far children depart from their family backgrounds. In other words, do those who get ahead do so because of individual effort, intelligence, and skills—or because they come from a family that is already ahead? A lot hinges on the answer to that question since, in poll after poll, Americans believe that as long as family background does not doom children to poverty or guarantee the continued wealth of rich children, then it does not matter how much more unequal the United States has grown. If talented and hardworking children of the poor move from the bottom to the top, while incompetent lazy children of the rich drop from the top to the bottom, and everyone has a more or less equal chance to advance (or retreat) according to their abilities, then such mobility would largely nullify any concerns about increasing economic inequality. If all or most children have a fair shot at rising to the top or losing ground, then the fact that the economy makes some people very wealthy—wealthier than even a previous generation of wealthy people—should not much matter. Everyone has an opportunity to rise—or fall—according to his or her own merits. In other words, the United States should not worry about equality of outcomes but rather assure equality of opportunity. Usually, as I show in chapters 3 and 4, that equality of opportunity comes in the form of equality of educational opportunity, since doing better than your parents often entails acquiring more education than they did.

So how much opportunity does the United States provide? It depends on who you ask. And even the same person—or report—will tell you different things. One recent study on economic mobility in the United States by the Brookings Institution concluded that "one's family background as a child, measured in terms of income or wealth, has a relatively modest effect on one's subsequent success as an adult."[59] Although here, too, much turns on how you define words, in this case "modest." At first glance, Figure 1.12 will be all but impenetrable, but it merely divides children into the fifth of earners their parents belonged to.[60] It then tracks what happens to those children.

So, for example, the bad news is that 42 percent of children born to parents in the bottom income fifth (far left on the chart) remain in the quintile they were born in. (The glass is half empty, one might say.) The good news, however, is that 58 percent rise out of that bottom quintile. (The glass is half full, one might say.)

Yet a casual glance at the data reveals that the most common inter-generational mobility experience is to be born poor and to remain poor. The next most common experience is to be born rich and stay rich (39 percent of children born to parents in the top quintile remain in the top quintile). As the authors of the report put it, "The chances of making it to the top of the income distribution decline steadily as one's parents' family income decreases."[61] In fact, only 6 percent of those born in the rags of the bottom quintile advance to the riches of the top quintile.

Conversely, only 9 percent of those born in riches end up in rags. To be sure, children born in the middle quintile experience much more mobility, with a good chance of being able to move to anywhere in the income distribution. In particular, those born in the middle fifth experience what economists refer to as perfect mobility, "the condition of being equally likely to move to any quintile in the income distribution."[62] However, those at the top and the bottom tend to remain close to if not exactly where they started out.

Researchers can reduce this data on intergeneration mobility to a single number, what they call "intergenerational income elasticity," which measures how much parents' income influences their children's income. In a condition of little or no intergenerational elasticity, parental income would not affect a child's income at all. In other words, there would be complete mobility—a child would have as good of a chance at ending up in any of the other quintiles as she did at remaining in the one to which she was born. (To keep with the metaphor, child income would break free of parental income, not stick to it.) In a condition of perfect elasticity, with no mobility whatsoever, and incomes very sticky from one generation to the next, parental income would wholly determine a child's economic prospects. To adopt a slightly different but common metaphor, the apple would not fall from the tree. Family, in effect, would be destiny.

So how does the United States do on measures of intergenerational income elasticity? Recent estimates range from .4 to .6. More specifically, the OECD calculates the intergenerational income elasticity for the United States at .47, which means that about half of a child's income as an adult can be explained by his or her parents' income.[63] (Gall it 50 percent for simplicity's sake.) In other words, if a given family makes $50,000 more than the median household in the United States, the children of that family can expect, on average, to grow up to make $25,000 more than the median household income. ($50,000 times .50.) Obviously, some children will match or even exceed their parents' income, while other children will not do as well. Nevertheless, income, like height, is something that parents can indeed pass on to their children.

The question, however, is whether 50 percent is a lot. On the one hand, family background does not wholly determine a child's prospects. On the other hand, family background does partly determine a child's prospects. Even the authors of the Brookings study on economic mobility cannot decide how much importance to ascribe to family background. As I cite above, the authors refer to the "relatively modest effect" family background has on children's adult outcomes. Later in the report, in a section authored by another researcher, economic position is considered *"strongly* influenced by parental economic standing."[64] A third author splits the difference. "There is considerable economic mobility in American society," she writes, followed quickly by the caveat that "it is also true that one's relative economic status as an adult is significantly influenced by the income of the family in which one grew up."[65]

Data do not exist that would allow us to calculate whether inter-generational income elasticity in the United States has increased or decreased over time. We can, however, compare the United States to other countries, and here too it does not show particularly well. According to the OECD, among comparable countries only Italy and the United Kingdom exceed the United States in the intergenerational elasticity—the stickiness—of incomes. In the United Kingdom, parents have slightly more influence over their children's income (.50 percent) than in the United States. By contrast, for a number of countries, including Canada, the estimate falls into the teens. On average, the estimate for nine rich countries is 30 percent.[66] In any case, as the authors of the Brookings Institution report write, there is no evidence that "the United States is in any way exceptional when compared to other advanced countries. Indeed, a number of other advanced countries provide more opportunity to their citizens than does the United States."[67] Even that observation understates things. *Most* advanced countries, all but one or two, provide more opportunity to their citizens.

Overall, then, Americans do not have an equal shot at getting ahead or falling behind. Indeed, your chances depend a great deal on luck of the parental draw. If so, then increasing economic inequality really has increased, and really does matter. The rich have gotten richer, everyone else has treaded water, and, more than most people would like, the rich stay rich and the poor stay poor.

In sum, poverty and rising economic inequality are genuine problems, not problems of another sort (immigration, single mothers) or problems that are mitigated by other phenomena (mobility, increased standards of living).

Costs of Poverty

But so what? To learn that the United States is worse at some measure (poverty rates, Gini indexes) than other countries, or worse than it used to be, does not tell us whether the phenomenon that measure seeks to track (poverty, inequality) is necessarily harmful. For example, although the answer may seem obvious, why care about poverty? Or, more accurately, those who live in it? After all, for conservatives like Robert Rector, the poor only seem poor. By historical standards, they are comparatively well-off.

And though that may be true, it does not square with evidence that suggests that living in poverty has real, extraordinarily harmful effects for those subject to it. Remember those Glasgow graveyards and the difference in life spans between people with and without obelisks? To put it as bluntly as possible, we should care about poverty, including the supposedly affluent poverty of today, because it kills people. In addition to killing them, it harms their and their children's chances in life.

If you live in poverty, you suffer from increased risks of heart disease, diabetes, hypertension, cancer, infant mortality, mental illness, under-nutrition, lead poisoning, asthma, and dental problems.[68] (To some extent, poor health can lead to job loss and spells in poverty, thus making causes look like effects, but researchers have accounted for this well-known phenomenon.) Figure 1.13 tracks the percentage of people reporting excellent or very good health by household income quartiles.[69] By age fifty, about two out of every five people in the low-income quartile report excellent or very good health, while nearly four out of every five people in the top quartile do. Conversely, the chart (not shown) for those who report fair or poor health flips. By a considerable margin, those in the lowest quintile report poorer health than those in subsequently higher quindles.[70] Unsurprisingly, all those health risks add up to higher mortality rates for the poor. Consider the startling, and long-established fact, that at age twenty-five men in the top 5 percent of incomes had life expectancies nine years longer than men in the bottom ten percent of incomes.[71]

Economists and public health experts call this correlation "the gradient," which is the stunningly consistent association among income, health, and life expectancy. The origins of the gradient do not result from differences in smoking, drinking, obesity or other "deleterious personal behavior," as the economist James P. Smith puts it, but often enough to early childhood and even prenatal conditions.[72] Children born to low-income parents suffer more from the onset of chronic conditions like asthma, diabetes, and epilepsy than do children of higher-income parents. In particular, fetuses that experience poorer uterine environments—insufficient nutrients or oxygen—not only suffer from low birth weight but, the evidence suggests, also develop into adults at increased risk of coronary heart disease, strokes, diabetes, hypertension, and other illnesses.[73] And since low-income women disproportionately give birth to babies suffering from low-birth weight, and low-birth weight portends later health problems, children born to low-income mothers experience poorer health later in life.

As the economist Paul Krugman put it, "poverty is poison."[74] Krugman came to this conclusion based on recent findings by neuroscientists that, as reported in the *Financial Times,* "many children growing up in very poor families with low social status experience unhealthy levels of stress hormone, which impair their neural development."[75] The stress of growing up in poverty impedes memory and language development, which may partly explain why 42 percent of children born to low-income parents remain low-income. And these early fetal and childhood disparities result in low-income children with poor health who, as a result of their poor health, do not do as well in school or, later, the labor market. They, and their chances, have been poisoned. As I will explore in a later chapter of this book, if you want to increase equality of educational opportunity for low-income children, a good place to start would be to reduce poverty. Stress hormones, Jack Shankoff, director of Harvard University's Center on the Developing Child, says, "literally disrupt brain architecture."[76] "That effect," neuroscientists think, "is on top of any damage caused by inadequate nutrition and exposure to environmental toxins," both of which poor children experience more than non-poor children.[77] Thus does parental poverty lead to poor childhood health, which often enough leads to adult poverty *and* poor adult health. Reverse all that—parental affluence, excellent childhood health, unencumbered performance in school, adult prosperity, and excellent health as an adult—and you have a situation that goes far toward explaining why poor people have worse health (and lower incomes) than those with higher incomes and better health. You also have an explanation for why poor children tend to remain poor and why rich children tend to stay rich.

In any case, poverty really is like poison. Like poison, it destroys bodies, minds, and futures. Like poison, too, it seems to affect children much more than adults, although its effects can still be felt in adulthood. That is why one should care about poverty. A great crime has been and is being committed against those who must live in or through it. Through an accident of birth, job loss, illness, or whatever else precipitates a fall into it, poverty robs people—and their children after them— of lives and livelihoods that they might otherwise have had.

Costs of Economic Inequality

While the costs of poverty may seem obvious, the costs of economic inequality are far more elusive. So elusive that many argue that there are no costs at all—perhaps even benefits. Indeed, Americans seem to take pride in a country where the hardest working and the most talented have the highest incomes. If the talented and hardworking earn slightly higher incomes than they did before, so much the better. In a meritocracy, hard work and talent should pay off. Our economy and well-being may depend on it. As the chairman of the Federal Reserve, Ben S. Bernanke, said in 2007, "Without the possibility of unequal outcomes tied to differences in effort and skill, the economic incentive for productive behavior would be eliminated, and our market-based economy—which encourages productive activity primarily through the promise of financial reward—would function far less effectively."[78] In other words, without the possibility of getting rich—and without the threat of falling into poverty—people would not work as hard as they do. If they did not work as hard as they do, the economy, and therefore everyone's standard of living, would suffer.

As it happens, among rich countries those nations, including the United States, with the highest measures of inequality between 1979 and the mid-1990s did experience the greatest annual rate of growth from 1980 to 2000.[79] So perhaps economic inequality does have some benefits. Yet those benefits come with costs, too. As I showed earlier, most of that better than expected economic growth bypassed all but the well-off. So much so that individuals at the 50th or 10th percentile of incomes would have fared better in countries that grew less but did a better job of distributing that growth. In other words, economic growth alone does not tell us much about how the average Joe or Joan is doing.

But even if inequality had no benefits at all, which is arguably the case, does it do any harm? Most Americans, it would seem, do not think so. According to the journalist Robert Samuelson, Americans are indifferent to inequality. And with good reason. In a 2001 column in *Newsweek,* Samuelson confessed that he is not bothered by the fact that Bill Gates has a bigger paycheck, owns more stock, and lives in a bigger house than he does. Like most Americans, he writes, he does not regard Gates and other increasingly wealthy people as a threat. "When Gates's wealth rises," Samuelson observes, "it doesn't make me feel worse; when it falls, it doesn't make me feel better." He concludes, "Poverty is a serious problem, but inequality is not."[80]

Samuelson may be right that Americans do not seem to care much about inequality. Moreover, assuming that the economy is not a zero-sum game and Gates getting richer does not lead to me getting poorer, it does not seem like Gates getting richer should have much effect on me. I make what I make regardless of what Gates makes. (This is, admittedly, a pretty big assumption. As shown in Figures 1.1 or 1.2, incomes of the 20th percentile and median families stalled at least in part because the 95th percentile families captured a historically disproportionate share of economic growth.) Yet here Samuelson could not be more wrong. Indeed, a great deal of evidence points to a conclusion "almost exactly opposite to the one that Samuelson draws. When the already wealthy get wealthier still, and everyone below them treads water, it does make people feel worse. And when the wealthy do worse, or, less vindictively, when everyone else does better relative to the wealthy, it does, perhaps perversely, make people feel better. It certainly makes ordinary consumers behave differently. As Robert Frank documented in his book *Luxury Fever,* many Americans, in a futile attempt to keep up with the homes, cars, and wristwatches of the super-rich, go into unsustainable levels of mortgage and credit card debt.[81]

More seriously, as I explore at greater length in the final chapter, workers, as Henry Ford recognized when he offered to pay his the unprecedented sum of $5 per day, are also consumers. If inequality rises too much, or wages stall for too long, it may jeopardize the overall economy.[82] In recent years, we have grown very familiar with this hazard. With more of the total economic output taking the form of profits rather than wages, working families, in order to maintain expected levels of consumption, must go into debt, but they can only go so far into debt, and they appear to have reached those limits. Conversely, corporations, their investors, and the top 1 percent of earners have more money—literally—than they know what to do with. Reluctant to invest in manufacturing or other sectors of the economy that depend on consumption, in part because wages have stalled and there is insufficient consumer demand to justify investments in expanding production, corporations and the wealthy must chase profits elsewhere, leading to what John Bellamy Foster and Fred Magdoff call the "financialization of capitalism" and the speculative bubbles that inevitably follow.[83]

In short, a stable, growing economy depends upon workers sharing in the economic growth they create and, through their consumption, make possible. In the last thirty or forty years, the U.S. economy has broken with this truism, and the results, unless you are one of the top 1 percent, have been disappointing.

But more is at stake here than just feelings, behavior, or the health of the economy. Greater levels of inequality within countries have toxic consequences for their citizens. Americans may not care about inequality, but they should. It is a deadly serious problem. Or so suggests the surprising research of epidemiologists Richard Wilkinson and Kate Pickett. For them, and they make a fairly strong case, inequality is the most serious problem we face.

Wilkinson and Pickett's argument begins with the crucial discovery that in terms of health, countries are not like people. After a certain point, the richest countries do not produce longer lifespans for their citizens than do the merely or the just rich countries. Past a certain point, if a country gets richer, its citizens do not live any longer. Life expectancy, that is, is unrelated to differences in average income *between* rich countries. People in Japan, for example, live 4.5 years longer than people in the United States, despite the fact that the average person in Japan makes almost $10,000 less than the average person in the United States.[84] Similarly, life expectancy is unrelated to spending on health care in rich countries. To stick with Japan as an example, it spends about one-third less per person on health care compared to the United States, yet its people live longer.[85] Nor do these lifespan differences come from the fact that the United States has more poor and uninsured people than Japan. It does, of course, but that is not why the Japanese live longer on average than Americans despite earning less money. As another epidemiologist, Michael Marmot, has noted, "You could take away all the health problems of the poor in the United States and still leave most of the health inequalities untouched."[86] Nor do these differences come from the fact that Americans suffer from more "deleterious personal behavior" like smoking or obesity.

If average standards of living do not determine life expectancies, what does? The short answer, according to Wilkinson and Pickett, is inequality. Indeed, Wilkinson and Pickett's evidence points to a fairly strong correlation between life expectancy in a country and that country's level of income inequality. In other words, past a certain per capita point, life expectancy in any given country is not affected by how rich a country is but how equal or unequal it is. The rich in France, for example, live longer than the rich in the United States, despite the fact that the rich in the United States are vastly richer than the rich in France. Why? Because France has a far more equal distribution of incomes. Inequality, another researcher has suggested, acts "like a pollutant throughout society," and no one, not even the rich, can escape a general pollutant.[87] An even more dramatic illustration of this principle is the fact that the lower classes in Sweden live longer than the higher classes in England and Wales.[88] Sweden is one of the most equal countries on the globe; the United Kingdom one of the more unequal. Growing richer may not lead a country's citizens to live longer; growing more equal might. Conversely, growing more unequal, as the United States has, robs everyone, rich and poor alike, of a few years of their life.

Levels of income inequality, however, affect more than just longevity. Wilkinson and Pickett find that across a truly astonishing— and occasionally unbelievable—range of measures of well-being, more equal countries perform better than less equal ones. Name your social measure, and more equal countries do better than less equal ones: life expectancy; levels of trust in others; women's status in society; percent of national income devoted to foreign aid; percent of population with mental illness; drug use; homicide rates; infant mortality; obesity; math and literacy scores; percentage of population completing high school; teenage pregnancy; imprisonment; social mobility; even the percentage of people who think they would do better than average in a fistfight. (This last because more unequal countries produce greater levels of aggression.) Wilkinson and Pickett assemble these different indices into one catchall measure, an index of health and social problems. Figure 1.14 shows their results.[89]

The United States, in the upper right-hand corner, is one of the most unequal developed countries on earth and, not coincidentally, Wilkinson and Pickett argue, have some of the most severe health and social problems. Sweden, in the lower left-hand corner, is one of the more equal countries in the developed world and has correspondingly fewer and less severe health and social problems.[90]

Despite some credible challenges to their work, Wilkinson and Pickett have nevertheless discovered something momentous. Regardless of *how* the United States or other countries got so unequal, whether because of falling wages, increased profits, or perhaps even demographic changes, we are worse off for it. Moreover, Wilkinson and Pickett show that economic growth alone will not solve our health or social problems. Indeed, if economic growth increases inequality enough, it can actually make things worse. Conversely, policies that lead to greater equality may have ripple effects in domains as seemingly far removed from income inequality as levels of mental illness. As Wilkinson and Pickett dramatically summarize the implications of their research:

> If the United States was to reduce its income inequality to something like the average of the four most equal of the rich countries (Japan, Norway, Sweden, and Finland), the proportion of the population feeling they could trust others would rise by *75* per cent—presumably with matching improvements in the quality of community life; rates of mental illness and obesity might similarly each be cut by almost two-thirds, teenage birth rates

> could be more than halved, prison populations might be reduced by *75* per cent, and people could live longer while working the equivalent of two months less per year.[91]

I am less certain than Wilkinson and Pickett that reducing levels of inequality in the United States would automatically or exactly produce such welcome changes, but I am convinced that reducing levels of inequality would move the nation in the right direction on these trends. An argument could be made that considerations of fairness alone should lead the United States to adopt policies that might lessen inequality. After all, as things stand, if you happen to accidentally choose the short straw and get born into a poor or low-income family, your life will be shorter and your chances of getting ahead slimmer than everyone else's. Yet Wilkinson and Pickett's research also suggests that everyone stands to gain from reducing poverty and inequality. That is, the argument for greater equality is both moral and practical. Morally, a community should try to minimize the damage people suffer from accidents of birth, low wages, or random catastrophes like the loss of a job or the onset of poor health, and decreasing poverty and economic inequality will lessen the damage from those accidents. Practically, greater equality may benefit everyone. If Wilkinson and Picket are right, if you had to choose between living in a wealthier but more unequal society or a slightly less wealthy but more equal society, you would be better off all around in the less wealthy and more equal society. This holds regardless of whether you are poor or middle class or rich. Unfortunately, we do not choose which country to be born in. We can, however, make the country we were born in more like the one we would choose to be born in if given the choice.

A growing number of intellectual and political elites in the United States have begun to notice and worry about rising levels of economic inequality. Rightly so. They have, however, placed all their income-leveling eggs in one basket: education. As a nation we have decided that education, and often enough education alone, will reverse increasing economic inequality *and* boost the poor out of poverty. With so much at stake—life and death, sickness and health, opportunities and lack of opportunities—and so much to lose, that is a momentous bet to make. In the next chapter, I examine whether it is a smart one to make.

Chapter 2
Which Supply Side Are You On?

Knowledge is power only if most people don't have it.

—RICHARD B. FREEMAN, *The Overeducated American* (1976)

***Editors note: There are numerous figures, charts, and graphs that could not be reproduced in this format. The editor encourages consulting the book for this information.**

As every child in the United States knows, each McDonald's Happy Meal comes with a toy. As I write now, you can get either a Marvel Heroes action figure (Spiderman, Iron Man, The Hulk) or a tiny pet (a dog, a giraffe, a bird) from a line of toys called the Littlest Pet Shop. (If I had to choose, the superheroes look pretty tough—one bursts into simulated flames—but the giraffe with the big eyes and metronomic head is also weirdly compelling.) Residents of Dyersburg, Tennessee, however, recently received an additional prize in their Happy Meals: a bookmark. Provided by local Dyersburg State Community College, the bookmark printed by-now familiar statistics about how much a college education pays off for those who earn one. High school graduates, the bookmark showed, could expect to earn, on average, $38,837 annually. College graduates, by contrast, could expect to earn almost twice that, $67,766 per year, while those with master's degrees could earn even more, $82,022.[1]

Dyersburg State undertook this bookmark giveaway in order to convince local residents that, as Libby Nelson of the *Chronicle of Higher Education* put it, "a college degree is no longer a luxury."[2] Not everyone, however, is convinced. According to Dyersburg State administrators, "Some residents in the heavily Baptist region distrust a college education because they think it leads students to question their faith."[3] Others m the region distrust a college education because, until recently anyway, you did not need a college degree to earn a decent living in Dyersburg and surrounding communities. With a Goodyear tire factory nearby and a Worldcolor printing plant in town, a high school degree, or even less, would often suffice. Tracy Crossno, thirty-seven years old, who enrolled at Dyersburg State in the fall of 2009, no doubt spoke for many residents when she told Nelson, "When I graduated from high school, it wasn't hard to get a pretty good job. I wasn't going to college because it wasn't a priority. I could make money instead of studying."[4]

Attitudes like these have led to the rural counties of western Tennessee falling behind in terms of educational attainment. Today, in Dyer County, which houses Dyersburg State, 19.7 percent of people between the ages of twenty-five and thirty-four have college degrees, compared to the Tennessee average of 31.3 percent and a national average of 37.8 percent. In nearby Lake County, only 5.1 percent of young adults have college degrees. In other words, the bookmarks have a lot of work to do.[5]

Working in Dyersburg State Community College's favor, however, is that when it comes to college, many young people no longer have a choice. The factories in arid near Dyersburg have closed; thousands of manufacturing jobs have disappeared; unemployment levels have sky-rocketed, and so, of course, have poverty rates. In such a dreadful job market, a young person without a college degree stands little chance of making even the $38,837 that high-school graduates, on average, earn per year. Given these bleak economic prospects, administrators at Dyersburg State have had more success persuading residents that a college degree is no longer a luxury but a necessity. Indeed, enrollments are up.

Few people question that a college degree will open the door to opportunities (and earnings) that would otherwise remain closed, especially in an economy like ours, where good jobs at tire factories and printing plants have for the most part vanished. In that sense, the bookmarks are right. Education pays. The real question is whether the guidance we offer one young person (get a college degree) is guidance we could offer a whole class of people—say, the poor or low-income or unemployed. In other words, an education may enable the rise of any one poor or low-income person. But will it enable the rise of all or even most of them? An individual can learn his or her way out of poverty and inequality. Can the nation?

In this chapter, I go in search of answers to these questions. Specifically, I investigate whether there is anything to the conventional wisdom outlined in the introduction to this book and implied by the bookmarks in Happy Meals. Does lack of education cause poverty and economic inequality? Will more and better educations fix these problems? If you have read this far, or registered the title of this book, my skeptical conclusion will not come as a surprise. What might come as a surprise is why people continue to believe that we can teach or learn our way out of poverty and inequality. In this chapter, I argue that such beliefs result from either a naivete about how the economy and labor markets work or a disheartening inability to imagine how they might work differently than they do.

The College Premium

Part of the problem in finding answers to questions about education and economics is that many different claims lurk beneath the assertion that "education is a necessity." Start with the claim that some people fall behind because they lack the education that the economy values. Economists refer to this phenomenon as "skill-biased technological change," the theory that a burst of new technology (in recent decades, computers) causes a rise in demand for highly skilled and highly educated workers. This is what George W. Bush means when he explains rising income inequality by observing, "We have an economy that increasingly rewards education and skills because of that education."[6] According to this line of argument, if the labor market is a market like any other, things that are in demand and in relatively short supply (people with a college education) should see their price rise, while things not in demand and in abundant supply (people without a college degree) should see their price drop. Moreover, if those with degrees suddenly earn more than those without degrees, and they were *already* earning more than those without degrees, then inequality will increase.

At first glance, this theory makes a certain amount of sense. No one doubts, for example, that computers have changed workplaces or, regardless of changes in technology, that workers with college degrees have done remarkably better in the labor market than those without a degree. Indeed, the Happy Meal bookmarks tell only part of the story. Not only does more education on average lead to higher wages, but what economists call *the returns to education* (or sometimes *the college premium)* have risen over the last twenty-five years. In 1974, for example, a worker with a bachelor's degree or better earned about 1.73 times more than a worker who had only graduated from high school. By 2009, that figure had risen to 2.21.[7] That is, workers with a college degree (bachelor's or better) today earn more than twice as much as workers with only a high school degree.

It is no secret why these disparities should arise. Our high-tech, post-industrial economy demands workers with college degrees, while workers without a college degree are, frankly, the lowest common denominator. Consider, for example, the almost unbelievable fact that in the early 1970s, the U.S. economy had more jobs for high school dropouts (32 percent of the workforce) than for all college graduates (28 percent of the workforce).[8] Needless to say, the economy looks quite different today. Whereas one out of every three jobs used to be open to high school dropouts, only one out of ten are now.[9] Conversely, according to a study by the Georgetown University Center on Education and the Workforce, 42 percent of jobs require a college degree, and an additional 17 percent require some college.[10]

Adding further to the skill-biased technological change argument, measures of inequality (like the Gini coefficient of income inequality or the ratio of incomes at the 90th and 10th percentiles) seem to track extraordinarily closely with the college wage premium, or how much more a worker with a college degree earns over one without. This relationship suggests that as demand for college workers has increased so too has inequality.[11] Whether one causes (or is just correlated with) the other remains in doubt. At the least, as the United States has grown more unequal, demand for college graduates has grown—and as demand for college graduates has grown—the United States has grown more unequal.

Help Wanted

As I discuss below, some economists are not persuaded by the argument that skill-biased technological change accounts for rising inequality. (I share their skepticism.) Nevertheless, even if skill-biased technological change and increased demand for college workers did not *lead* to increased inequality, it could still be the case that increasing the supply of college workers would decrease inequality. That is, if more Americans previously locked out of middle-class jobs by their lack of education acquired an education, they might then find middle-class jobs. If the United States economy rewards those with a college education, producing more workers with a college education ought to increase their wages. This is what George W. Bush means when he insists, as he did in the same speech cited above, that "the key to rising in this economy is skills—and the government's job is to make sure we have an education system that delivers them."[12]

Oftentimes such claims come close on the heels of concerns that the U.S. economy requires more college-educated workers than it currently produces, a gap that will only increase over time. In Barack Obama's 2009 State of the Union speech, for example, the one where he observed that "a good education is no longer just a pathway to opportunity—it is a prerequisite," he also noted that "right now, three-quarters of the fastest-growing occupations require more than a high school diploma. And yet, just over half of our citizens have that level of education."[13] Obama could have added that occupations that require only on-the-job training or related work experience—that is, that do not require college degrees—are expected to rise by 8 percent by 2018.[14] Conversely, occupations that require an associate, master's, professional, bachelor, or doctoral degree are expected to rise from between 17 to 19 percent.[15]

The argument that the nation requires even more workers with college degrees grows still stronger if you examine not the fastest-growing jobs but the fastest-declining jobs. Of the twenty occupations with the fastest projected decline over the next decade, exactly two require more education or training than can be acquired on the job.[16] The two that do require more than on-the-job training require only post-secondary vocational degrees. None requires a college degree.

Considered together, these trends seem to lead a self-evident policy prescription. Regardless of what caused increased economic inequality, if workers who do not have college degrees are falling behind, and if the U.S. economy will soon require more workers with college degrees than it can currently fill, the solution could not be plainer: send (and graduate) more workers from college. Everyone wins.

Some Problems and Puzzles

When it comes to the possibility that more workers with college degrees will reduce inequality, however, the evidence does not support the claim. Basic math suggests why. Three-quarters of the fastest-growing occupations do in fact require more than a high school diploma, as Obama claimed, but fastest-growing occupations does not mean *most* occupations. President Obama got his numbers from the Bureau of Labor Statistics, which projects job growth over the next ten years. In addition to the numbers Obama cites, the Bureau of Labor Statistics projects that seven out of the ten occupations that will produce the *most* new jobs by 2018 will require only on-the-job training.[17] (Think home health aides, customer service representatives, food preparers and servers.) Moreover, of the twenty occupations that will produce the most new jobs by 2018, only seven will require some kind of post-secondary degree. Only five of those will require a bachelor's degree or higher.[18]

Recently, a study by the Georgetown University Center on Education and the Workforce (mentioned above) challenged these Bureau of Labor Statistics projections. According to their projections, by 2018 the economy will generate 46.8 million job openings.[19] As the authors of the report write, "Nearly two-thirds of these 46.8 million jobs—some 63 percent—will require workers with at least some college education. About 33 percent will require a bachelor's degree or better, while 30 percent will require some college or a two-year Associate's degree."[20] Worryingly, these projections—even more so than the Bureau of Labor Statistics projections—indicate that the demand for workers with college educations will outpace supply. By 2018, the authors estimate, the post-secondary system will have produced 3 million fewer college graduates than the labor market needs.[21]

Even if one grants that the Bureau of Labor Statistics underestimates how many new jobs will require college degrees, the U.S. economy will continue to produce jobs—many, many, many jobs—that do not require degrees. According to the Center on Education and the Workforce study, by 2018 over one-third of the 46.8 million job openings will require workers with just a high school diploma or less.[22] In total, by 2018, 38 percent of all jobs in the workplace will require a high school diploma or less[23]; 17 percent will require some college but not a college degree.[24]

So while the United States undoubtedly moves toward an economy in which more and more workers will require college degrees, it nevertheless remains an economy that generates many jobs that do not require a degree, even some college. If we count "some college, no degree" jobs as jobs that do not require a college degree, then it is an economy that will generate more jobs that *do not* require a college degree than jobs that do.[25] More often than not, too, those jobs that do not require a degree pay low wages. The authors of the Georgetown study note that "nine out of ten workers with a high school education or less are limited to three occupational clusters that either pay low wages or are in decline."[26] More education will help some workers escape the fate of those nine out of ten jobs, but all the education in the world—or all the world with an education—will not make those jobs pay any more than they do. A waitress with a B.A. still hustles for tips. Nor are these jobs likely to go anywhere soon. Without them, the U.S. economy would grind to a halt. Happy Meals would go unassembled and unserved; customer service calls unanswered; hotel rooms uncleaned; and the aged and sick would go unattended.

One wonders, therefore, what Thomas Friedman could be thinking when he writes, as he did in a 2010 *New York Times* column, "There are barely any jobs left for someone with only a high school diploma."[27] Perhaps he means "there are barely any *good jobs"* but the slip, assuming it is a slip, reveals his priorities. Since Friedman and others intend to do little about those jobs that only require a high school degree, besides urge those who hold them to get an education and find new jobs, they may as well not exist.

In any event, a significant number of the jobs the economy creates or maintains over the next eight to ten years will pay low wages regardless of the educational attainment of those who hold those jobs.[28] For education, as the economist Jared Bernstein writes, "is a supply-side policy." "It improves the quality of workers," he observes, "not the quality or the quantity of jobs." One of the dangers of such supply-side efforts is "that skilled workers end up all dressed up with nowhere nice to go."[29] In other words, conferring a degree on someone does not magically generate a job in the labor market into which the newly credentialed person steps.

Nevertheless, Americans, including some very smart economists, often assume that education will somehow redeem even these low-wage jobs. Consider Robert Reich, professor of social and economic policy at Brandeis University and former U.S. secretary of labor. Reich can be quite eloquent about the plight of what he calls "personal-service workers" in a global economy. These personal-service workers include nurses, physical therapists, and medical technicians on the high-wage, college-degree end, and restaurant workers, cab drivers, retail workers, security guards, and hospital attendants on the low-wage, no-college-degree end. As Reich correctly observes, the rewards of a global economy tend to bypass personal-service workers and find their way instead to the problem identifiers and solvers, the group Reich famously dubbed "symbolic analysts." (Think research scientists, public relations executives, investment bankers, energy consultants, architects, and college professors.) "In contrast to that of symbolic analysts," Reich noted in a 2003 op-ed piece in the *Wall Street Journal,* "the pay of most personal-service workers in the U.S. is stagnant or declining." His solution to this problem, however, epitomizes the supply-side educational approach to income inequality. What should the U.S. do about stagnant or declining wages for service workers? "Help spur upward mobility," Reich writes, "by getting more Americans a good education, including access to college."[30]

What makes this solution so absurd is that, as Reich himself points out, regardless of how many symbolic analysts we train, the U.S. economy will continue to need personal-service workers—and in the next decade continue to need even more of them. "Computers and robots can't do these jobs," Reich observes, "because they require care or attentiveness. Workers in other nations can't do them because they must be done in person."[31] In other words, these jobs cannot be automated out of existence or shipped offshore. So what will happen to these personal-service workers? Or, if these workers get a good education and move into the ranks of symbolic analysts, what will happen to the no or bad education workers who take their jobs? Astonishingly, Reich doesn't say. I will, though, because it does not require an advanced degree in economics. They will continue to earn low wages.

Speaking as a symbolic analyst, it is nice work if you can get it. But we cannot all be symbolic analysts. Someone has to take care of our symbolic analyzing minds when the bodies that house them need to eat Happy Meals, get driven to the airport, wear clothes, be protected, or be taken care of when the bodies that house those minds start falling apart.[32] The question is not whether those jobs will exist—they will—but what they will pay. More education would not seem to make them pay any more.

The Race

As it happens, two Harvard economists, Claudia Goldin and Lawrence Katz, have argued that more education will help those who earn college degrees *and* those who are stuck in low-wage jobs. Indeed, they offer a novel, considerably more plausible claim for education as an effective supply-side policy. Their research, which culminated in a landmark book, *The Race between Education and Technology,* is perhaps the most sophisticated effort yet made to establish the role of education in producing or mitigating economic inequality.

Goldin and Katz ascribe the growing inequality in the United States in the last twenty-five years to increased demand for college-educated workers. Unlike other proponents of the skill-biased technological change hypothesis, Goldin and Katz argue that this increase in demand does not result from an unusually technologically sophisticated economy that requires more highly educated workers than in the past. Technological change, they argue, has remained fairly constant over the past century. Citing previous advances like waterwheels, steam engines, and electrification, Goldin and Katz assert: "The notion that computerization provided the first or the most momentous instance in U.S. economic history of a complex technology that placed greater demands on the knowledge, ability, and flexibility of virtually all workers and consumers is gravely mistaken."[33] Thus the claim that "Computers Did It!"—where "it" equals rising returns to education and thus rising inequality—cannot be true. If anything, Goldin and Katz note, compared to earlier decades, in the 1990s and 2000s, the relative demand for educated workers slowed, albeit minutely.

If the pace of technological change and the need for educated workers has not changed, what has changed is the *supply* of educated workers. Within the past two decades, the number of Americans graduating from high school and college has leveled off, resulting in a decreasing number of college graduates relative to the labor force. Yet, just as it always has, the economy continues to require more and more educated workers. Finding themselves in more demand, Goldin and Katz argue, those college graduates now command higher wages, thus exacerbating income inequality between those with and without college degrees. Hence "the race" of Goldin and Katz's title. In recent history, technological change has raced ahead of educational achievement, with disastrous results for income inequality but welcome results for the highly educated. "Late in the twentieth century," they conclude, "education lost the race to technology."[34] That defeat drove demand for college-educated workers, and so more wage dollars chased after them than after non-college-educated workers. As a result, economic inequality rose.

The solution, by that fact alone, is for more young people to enroll in and graduate from college. Doing so would increase the supply of educated workers, decrease demand for them, redirect wages to the less educated, and reduce economic inequality. Just as a flood of high school graduates in the middle decades of the twentieth century reduced the high school wage premium that used to exist in the United States, so too would a flood of college graduates in the coming decades reduce the college wage premium, and thus economic inequality. "Had the relative supply of college workers increased from 1980 to 2005 at the same rate that it had from 1960 to 1980," Goldin and Katz argue, "the college premium, rather than rising, would have fallen."[35] If inequality rises when the college wage premium rises, then when the college wage premium falls inequality should follow. The United States, it turns out, really could educate its way out of inequality. Not by increasing the pay of those without college degrees—or not directly, anyway—but by diminishing the demand for and thus the pay of those with college degrees.

It is a powerful thesis and, unlike other less sophisticated variants, at least acknowledges how the labor market works. Unsurprisingly, the thesis has captured the attention of academics, journalists, and policy makers, including Barack Obama, who recently announced that he wants "to see America have the highest proportion of college graduates in the world."[36] Presumably, he wants these college graduates not just because the economy requires them but because they might also decrease economic inequality.

The thesis has several problems, however, which some skeptics have noted. Within the past decade, for example, the wages of the college-educated have not risen across the board, suggesting that demand for college graduates could not have risen across the board. Rather, the largest income gains have gone to a relatively small number of people—the infamous top 1,5, and, to a lesser degree, 10 percent of earners—and in a relatively small number of fields, technology and finance in particular.[37] Indeed, a young worker (age twenty-five to thirty-four) just out of college (with a bachelor's degree or higher) had a starting salary in 2006 almost exactly the same as a young worker just out of college in 1980.[38] So while the average college graduate who has gotten wealthier relative to the average high school graduate, mostly because the wages of high school graduates have dropped, the equally important story about inequality is that it is the truly blessed (or clever or calculating) college graduate who has gotten wealthier compared to everyone else, including other college graduates. Economists refer to this as "within-group inequality," meaning that while inequality has increased for workers in different groups (those with and without college degrees), it has also increased for workers *within* the same group (those with college degrees). Economists estimate that within-group inequality accounts for anywhere between one-fourth and two-thirds of the growth in overall wage inequality.[39] This matters because if those *with* an education have grown markedly more unequal, then something besides a relative scarcity in educated workers must have played a role in driving up inequality.

Curiously, Goldin and Katz in *The Race between Education and Technology* do not account for this odd yet crucial driver of inequality. Nor do they make it clear how increasing the supply of educated workers would reduce the demand craze that has led to the top 1 percent of workers thriving while the incomes of everyone else-including most college graduates—have stagnated or declined.

More seriously for the Goldin-Katz hypothesis, however, is that how inequality is lessened seems to matter at least as much as that it is lessened. According to Goldin and Katz, increasing the supply of educated workers will reduce overall economic inequality. They do not say, however, whether that reduction will result from college graduates earning lower wages *or* from college graduates earning lower wages *and* those surplus wages then finding their way to workers without college degrees. Under the first scenario, inequality would decrease because wages are being taken from one set of people (the college educated). Under the second scenario, wages would be taken from one set of people (the college educated) and redirected toward another set (those without college degrees). Both ways decrease inequality, but the latter is clearly preferable. At the least, that way would reduce inequality much more quickly. Instead of simply having college graduates earn less, college graduates would earn less while those with only high school degrees would earn more.

Although the second scenario may be preferable, it does not seem terribly likely. If demand for college graduates drops, the premium that employers no longer pay them will not, if I had to guess, turn into wages for those without college degrees but, rather, into profits. Over the last few decades, employers have mastered the art of not paying any worker more than they must. And, as I explore in a later chapter, the labor market institutions that used to force their hand, like unions and the minimum wage, no longer exercise as much influence. It is therefore hard to imagine how more wages end up in the paychecks of those without college degrees. The enormous benefits that come from living in a more equal society suggest that greater equality, however engineered, is preferable to greater inequality. But instead of robbing from the rich (the college educated) and giving to the poor (the high school educated), with more college graduates we would conceivably rob from the rich (the college educated) and give to the richer still (stockholders and corporate profits).

Finally, and perhaps most puzzling, Goldin and Katz claim that cross-country comparisons bear their hypothesis out, yet the evidence is far more mixed. For most OECD countries, we have data on the percentage of twenty-five- to thirty-four-year-olds with an associate degree or higher and the percentage of fifty-five- to sixty-four-year olds with an associate degree or higher. Subtracting one from the other would give a close approximation of how much nations have added to their relative supply of educated workers over a thirty-year period. We also know the cumulative percentage point change in the Gini coefficient for each of these countries from the mid-1980s to the mid-2000s. (See the appendix for a refresher on the Gini index of income inequality.) Comparing one data set to the other should suggest the relationship between the two. If Goldin and Katz are right, those nations that added the most college graduates to their workforce should have grown more equal—or rather, since the trend among all countries was toward greater inequality, grown less unequal than other countries. Conversely, those nations that added the fewest college graduates to their workforce should have grown comparatively more unequal.

So what happened? For some countries, like the United States, the thesis does in fact hold. The United States used to lead the world in education. Today, 39 percent of its population between the ages of fifty-five and sixty-four has an Associate's degree or higher.[40] Most of the people in this cohort would have graduated from college in the late 1960s and early- to mid-1970s. (The only comparable country is Canada, also with 39 percent of its population between fifty-five and sixty-four with an Associate's degree or higher.) Since then, however, the United

States has only marginally added to the number of people it graduates from college. Today, 40 percent of Americans between the ages of twenty-five and thirty-four have college degrees. This cohort would have graduated from college in the late 1990s and early- to mid-2000s. This means that the United States increased its relative proportion of educated workers by a couple of percentage points, from 39 percent to 40 percent, the smallest increase of all OECD countries. (Canada, by contrast, today has 56 percent of citizens between the ages of twenty-five and thirty-four with, college degrees, meaning it increased its relative proportion of educated workers by 43 percent.) And sure enough, from the mid-1980s to the mid-2000s, the United States grew significantly more unequal, its Gini coefficient rising by .043 points (or 13 percent).[41] Among all OECD countries, that is the third-largest increase in inequality, and the second-largest among developed countries. At least when it comes to the United States, then, Goldin and Katz have captured something important.

Yet that is not the end of the story. Canada, for example, despite one of the largest increases in the proportion of its young people with college degrees, also saw its Gini coefficient rise by .030 points. Finland, the only developed country to grow more unequal than the United States over this period, added about as many educated people to its labor force as other countries. Yet if Canada and Finland matched or exceeded other countries in terms of educational attainment, they should not, say Goldin and Katz, have grown so much more unequal. Conversely, countries that added the most educated young people to their supply did not always grow more equal. True, countries like France and Spain, which more than doubled their proportion of educated workers, also decreased their levels of inequality considerably. Yet Japan, which also more than doubled its proportion of educated workers, also saw inequality rise by 5 or 6 percent, which is a little less than the average increase in Gini coefficients of income inequality among all OECD countries over this period. According to Goldin and Katz, this should not happen. If anything, the reverse should happen. Japan should have reduced its levels of inequality or, at least, grown less unequal relative to other countries. Finally, of those countries that reduced their levels of inequality the most—Denmark, the Netherlands, and Switzerland—each added fewer educated workers to their labor force than did the average developed country.

Despite these anomalies, there is a broad correlation between increase in educational attainment and a country growing more equal (or at least less unequal), but it is not overwhelming.[42]

To be sure, this quick comparative analysis has some flaws. Our educational attainment clock, for instance, starts with fifty-five- to sixty-four-year-olds who would have entered the labor market in the 1960s and 1970s. Yet the OECD only has Gini coefficients going back to the mid-1980s. Although still useful for comparison's sake, the data do not align particularly well. To accurately track the relationship between educational attainment of various birth cohorts and measures of income inequality, we would need to have data on inequality for the period beginning in the mid-1960s. It would help to have those figures, too, because according to some economists, inequality in the United States and other countries advanced the most in the early 1980s, an increase that the OECD data, which begins in the mid-1980s, currently does not capture. Of course, that fact alone should raise some alarms. If advances in technology remained relatively constant over this period, as Goldin and Katz argue, and if the supply of educated workers remained stagnant, inequality should increase gradually, not by fits and starts.

In any case, we can repeat the analysis using data from the Luxembourg Income Study, which has data on inequality going back to the early 1980s and, in some cases, the late 1970s. Using this data, the correlation between advances in educational attainment and measures of inequality shows the same uneven effect. If anything, as Figure 2.1 shows, the relationship is even weaker. The vertical axis tracks changes in the Gini coefficient for various countries from 1979 to 2005. It measures, in percentage terms, how much more unequal or, in rare cases, equal a given country became. The horizontal axis tracks the difference (again expressed as a percentage) between the proportion of those age twenty-five to thirty-four with college degrees and those age fifty-five to sixty-four with college degrees. It measures how much more educated a country became. The United States, for example, is in the upper left-hand corner. It has had large increases in its Gini coefficient (24 percent) *and* its twenty-five- to thirty-four-year-olds are barely better educated than its fifty-five- to sixty-four-year-olds (5 percent). Conversely, notice France in the lower right-hand corner. Its twenty-five- to thirty-four-year-olds are significantly better educated than its fifty-five- to sixty-four-year-olds, and its measure of inequality has actually fallen since the late 1970s. That is, it has grown more equal.

If you squint, you can discern a relationship between the two variables. As educational attainment rises (the *x* axis), countries did not grow quite so unequal (the *y* axis). Some even managed to grow more equal. What throws the correlation off are those three countries, Switzerland, the Netherlands, Denmark, hanging out below the horizontal axis. They had more or less average gams in the educational attainment of their population, yet at the same time they reduced their measure of income inequality more than any other country. You could get a much stronger relationship between these two variables by tossing out the outliers Switzerland, the Netherlands, and Denmark, but on what basis, besides the desire for a stronger correlation, would tossing out those countries be justified?

Of course, another story could be told about Figure 2.1. Assuming that some level of causation exists between these two variables (change in the proportion of educated young people and change in inequality), nothing guarantees that the causation flows from education to equality. Rather, more equal countries could have done a better job educating their citizens because they had less inequality to overcome. Recent research suggests that students from more equal countries perform better on standardized tests, and scholars have long known that family background influences—some would say determines—how one does in school (I explore this further in the final chapter). In other words, suppose a country reduced the number of its children living in poverty. If so, you could expect those children to do better—and last longer—in school than other children. In that case, inequality would not have decreased because you raised educational attainment. Educational attainment would have risen because you decreased inequality. To put it another way, France may not have grown more equal because they educated more young people. Rather, they educated more young people because they grew more equal. At the very least, the two variables could feed back into each other.

Even if we assume that the direction of causality does flow from education to equality (or inequality), these international comparisons still suggest a couple of things. First, they indicate that though educational attainment played a role in increasing or reducing inequality, it only played a role. Other countries reduced their measure of inequality without greatly altering their educational attainment. Still other countries greatly altered their educational attainment without greatly affecting their measure of inequality. Second, and following from the first, other factors must have played an equal if not more important role in producing or mitigating inequality over this period. On average, then, it seems that advances in educational attainment cannot wholly or with any certainty reduce the speed at which a country grows more or less unequal.

The question we should be asking, therefore, is not how much education can or will affect inequality—the answer is not overly much and it comes with no guarantees about its effects—but how some countries achieved lower measures of inequality to begin with. That is how you reduce inequality.

Poverty

Perhaps education will have a negligible effect on inequality, but what about poverty? Surely, as books like Jonathan Kozol's *Savage Inequalities* demonstrate, with soul-crushing clarity, poor children remain poor in no small part because they receive such appalling educations.[43] You cannot read about the overcrowded classrooms, deteriorating buildings, lack of resources, even lack of teachers without thinking that the game is rigged against poor children from the start. Perhaps if more equality reigned in the realm of education, more equality—and less poverty—would reign in the nation.

Alas, the same basic math about job openings and wages applies here, too. When it comes to poverty, education is perhaps even more of a supply-side policy. It cannot significantly—or even marginally— alter the labor market into which the poor but newly educated will step. Yet even more so than in debates about economic inequality, debates about poverty are dominated by appeals to education.

Consider Paul Tough's recent and inspiring book, *Whatever It Takes: Geoffrey Canada's Quest to Change Harlem and America.*[44] Tough summarizes the fascinating breakthroughs academics have made in understanding the origins of the achievement gap between white and minority, rich and poor children. In the early 1980s, for example, two child psychologists at the University of Kansas, Betty Hart and Todd R. Riesley, discovered that children from different social classes develop in far different ways. Moreover, the differences appear much earlier than anyone suspected. In particular, language acquisition seems to be especially sensitive to social class. A child's vocabulary depends largely on how many words it hears from its parents. Children of professional parents hear more words—and thus build bigger vocabularies—than children of working-class parents or children whose parents are on welfare. "By age three," Tough notes, "the children of professional parents had vocabularies of about 1,100 words, and the children of parents on welfare had vocabularies of about 525 words."[45] Indeed, as the educational policy analyst Richard Rothstein points out, "by three years of age, the *children* of professionals had larger vocabularies themselves than the vocabularies used by *adults* from welfare families in speaking to their children."[46] Vocabulary, moreover, turns out to influence IQ, so that a child's social class and early development determine, to a significant extent, how well he or she would do at school and, later, in the labor market.[47] "The wealthier parents," Tough writes, "were giving their children an advantage with every word they spoke, and the advantage just kept building up."[48] Later studies confirmed Hart and Riesley's results. Socioeconomic status, good parenting, and child outcomes all rise and fall together.

Moreover, as the sociologist Annette Lareau discovered, professional parents, in addition to fortifying their children's vocabularies and IQ, also raise their children differently than do working-class and poor parents.[49] Middle-class parents practice what Lareau called "concerted cultivation." They take responsibility for their child's development: they conscript their children into innumerable music lessons or trips to the museum; they speak to their children as would-be adults; they encourage their children to ask and answer questions; and so on. Working-class and poor parents, by contrast, practice what Lareau calls "accomplishment of natural growth." Essentially, parents leave children to their own devices, including filling their free time as they see fit. Unlike middle-class children, however, working-class and poor children are taught to defer to adults. That, one might say, is the only constraint placed upon their natural growth.

These different styles of parenting would not by themselves matter much except that modern American culture, as Tough puts it, increasingly "valued the qualities that middle-class children were developing over the ones that poor and working-class children were developing."[50] Achievement tests, schools, job interviews, and employers all reward the kinds of aptitudes and attitudes that middle-class parents cultivate in their children, leaving working-class and poor children with the odds—and the culture—stacked against them.

The bad news, in terms of equality of opportunity, is that parents can transmit advantages or disadvantages from one generation to the next. In other words, there may be no such thing as equality of opportunity. The children of professional parents acquire larger vocabularies, succeed in school and the workplace, and, when they become parents, pass those advantages on to their children. The opposite happens for the children of working-class and poor parents. Raised in a way that puts them at a disadvantage in contemporary America, they eventually raise their children in a way that puts them at a disadvantage. Although all sorts of exceptions occur, the overall effect is to lock children—and their children—into the classes to which they were born.

In terms of equality of opportunity, though, the good news is that the disadvantages of growing up in poverty may not result from material shortcomings—not chough food, inadequate housing, or even poor schools. Rather, they might result from parenting, and parenting, or so the thinking goes, can be changed more easily than income. "Wealth mattered," Tough writes, "but parenting mattered more."[51] Thus some children from poor families can succeed despite their poverty. In many cases, their success comes from acquiring (from an heroic parent or through sheer force of will) habits and skills that middle-class children inherit as a birthright. If so, then in contrast to scholars and policy makers who emphasize the failings of the poor (Charles Murray) or the failings of the economy (William Julius Wilson, among others), reformers "might be able to directly improve the lives of poor children simply by raising their skill level."[52] Tough observes, "Why not try to systematize that process, so that poor children are regularly growing up with the resources they need to become successful middle-class adults?"[53] Why not, that is, teach poor parents to raise their children like middle-class parents, and then give those children the same educational opportunities that middle-class children enjoy?

The remainder of Tough's book documents the efforts of one reformer, Geoffrey Canada, and his program, the Harlem Children's Zone, to do just that. As Tough tells the story, Canada sought to rescue the Harlem poor through a conveyor belt of preschools and pedagogically sophisticated charter schools. Because of the research on early childhood development, Canada ultimately concluded he needed to start even earlier, with classes for expectant mothers. "Baby College" taught poor parents to raise their children in ways that would not leave them hopelessly behind middle-class children by the time formal schooling began. Basically, this meant more reading and less corporal punishment. As these initiatives suggest, success for Canada and the Harlem Children's Zone would mean, first and foremost, educational success. If Canada "wasn't raising test scores and graduation rates," Tough writes, "he would consider his whole operation to be a failure."[54] This single-minded focus on education "is rooted in a fundamental economic understanding: in the twenty-first century, in low-income urban neighborhoods like Harlem, the best way for children to escape poverty is through educational achievement."[55]

The tragedy is that Canada's approach is right. In today's economy, the best way for children to escape poverty is in fact through education. What makes this tragic is that education will not rescue most or even many children from poverty. As I write in the introduction, some people may escape poverty and low incomes through education, but you cannot squeeze all of the Harlem poor through the gates of Columbia University nor, for that matter, through the steel doors of the Borough of Manhattan Community College.

Think about it, why are people poor? Some people are poor because they do not work or do not work enough, either because of disability, inability (there are not enough jobs), or disinclination (they are lazy). Getting them an education, even a high school education, and thus into the labor market might boost them out of poverty. But only if the job they find pays more than poverty-level wages *or* if redistributive programs—like the Earned Income Tax Credit—boost their low wages above the poverty level. For too many Americans, however, working or working more would not solve their poverty problem. Indeed, working *constitutes* their poverty problem. According to calculations by sociologist Mark Rank, 20.3 percent of Americans worked at jobs that would not have lifted their families out of poverty (26.5 and 32.7 percent had jobs that would have kept them below 125 and 150 percent of the poverty level).[56] More recently, the Georgetown University Center on Education and the Workforce calculated that one in four American workers (over 34 million) have a job that pays poverty-level wages.[57]

For now, low-wage jobs look as if they will become a permanent part of the U.S. economy. According to the Bureau of Labor Statistics, four of the six occupations (home health aides, food preparation and service workers, personal and home care aides, and retail salespersons) that are projected to create the most job openings over the next decade pay less than the $22,025 annual income a family of four would need to boost itself above the poverty threshold.[58] Seven out of the ten jobs with the most openings pay less than 150 percent of the poverty threshold ($33,038).[59] In other words, of the twenty occupations projected to have the largest numerical growth over the next decade many, over half would place their earners in or on the edge of poverty.

To be sure, most households now have more than one earner, and two jobs that pay poverty-level or near-poverty level wages will together boost a family above the poverty threshold. But not by much and, as a considerable body of evidence shows, not for long. As discussed in chapter 1, those living in chronic poverty are rare. According to the Census Bureau, only 2.2 percent of the population spent every month between February 2004 and January 2008 living in poverty.[60] Far more commonly, people fall into and out of poverty, and the reason for their fall, more often than not, has to do with employment. In the 1990s, as Mark Rank reports, "two-thirds of all entries into poverty were associated with either a reduction in work (48 percent) or the loss of work (18 percent)."[61] Other causes include divorce and separation (10 percent) or a bout of ill health.[62]

For the life of me, I cannot see how education would much affect these reasons for why people fall into poverty. More education might help people find a job that does not pay poverty- or near-poverty-level wages, and thus reduce their risk of falling into poverty. But so long as the economy produces jobs that pay poverty- and near-poverty-level wages, someone must take those jobs. Without a change in wages or job security, those who occupy those jobs will remain at risk of falling into poverty.

The only way that advances in education will lessen the number of poor is if investments in education lead to widely shared economic growth, and the evidence that it does so is still very much in doubt.[63] Even if investments in education did increase economic growth, that growth has not been widely shared in the last decades. For the most part, it has benefited the well-off.

Poverty, then, at least as much as inequality, is a jobs and policy problem, not an educational problem. As Mark Rank writes, "Irrespective of the specific characteristics that Americans possess, there simply are not enough well-paying jobs to support all of those (and their families) who are looking for work."[64] There is a "mismatch between the number of jobs in the labor market that allow families to subsist above the threshold of poverty, and the number of heads of families in need of such jobs."[65]

If Rank is right, and the evidence suggests he is, programs like the Harlem Children's Zone will only offer a solution to *who* lives in poverty, not the number of people living in poverty. It might be possible to close the achievement gap—to increase the number of poor and minority children who do well in school, who graduate from college, and who go on to find middle-class jobs. But without changing the underlying economy, the kinds of jobs the U.S. economy creates, there will be just as many poor and non-poor people as before. Unless something is done to decrease the total *number* of people living in poverty, poverty is a zero-sum game. More of the people who would have been poor will not be poor, but by the same token those newly non-poor will push other previously non-poor people into the ranks of poverty. True, since African Americans make up a disproportionate share of the poor, who is poor and who is not will perhaps better reflect the racial diversity of the American population—or, to put it less cynically, who is middle-class and who is not will perhaps better reflect the racial diversity of the American population. For that reason, assuming programs like the Harlem Children's Zone can achieve what they promise, we should root for (and fund) them. Which parents you happen to be born to ought not to determine your chances in life, yet now they very much do. But changing the racial complexion of poverty is not, presumably, what people mean when they wish to end or lessen poverty.

Finally, we have to consider the possibility that the monomaniacal focus on education may actually *harm* the prospects of the poor and working class. Even in an era of decreased public support for higher education, states and the nation still direct substantial resources to education, particularly higher education, and so these resources do not go toward things—earned income tax credits, food stamps—that have a far better record of actually helping the poor or low-income.[66] Indeed, a cynic might say that by championing education and, in particular, higher education as a solution to inequality and poverty, the well-off manage to make public resources serve their own interests — and not those who need those resources the most. In 2008, and among students aged 18 to 24, 54 percent of bachelor's degrees were awarded to those whose families came from the highest income quartile (meaning they earned $107,001 or more). An additional 25 percent were awarded to those who came from the second-highest income quartile (families that earned between $66,676 and $107,000). Only 9 percent of students between the ages of 18 and 24 who earned bachelor's degrees came from the lowest income quartile and only 12 percent from the second-lowest income quartile.[67] Even more starkly, 74 percent of the entering class at top-tier colleges and universities come from the top quartile of families by income group. An additional 17 percent come from the second-highest quartile of families. That means only 9 percent of entrants at top-tier colleges and universities come from families whose income falls below the 50th percentile.[68]

It does not have to be a zero-sum game, of course. Increases to social programs can coexist with existing or even increased support for education, but only if people stop believing that one (support for education) can substitute for the other (support for social programs).

Our Grandparents' Economy

To summarize, there is little evidence to suggest that increasing the number of college graduates will have much of an impact on the number of people living in poverty or on measures of economic inequality. To put it as bluntly as possible, the United States cannot teach or learn its way out of poverty or inequality. To believe otherwise displays what feels like a willed naivete about how the economy and labor markets work. To a certain extent, the lack of such naivete is what redeems reports like the Georgetown Center on Education and the Workplace's *Help Wanted,* which argues that the United States is failing to graduate enough young people from college. Like many others, the authors of that report celebrate educational opportunities, but they do not delude themselves into thinking that education will help whoever has the bad luck or the poor study habits to land in the low-wage sector. Instead, they appreciate the grim future that awaits those without college or even high school degrees. "Post-secondary education has become the gatekeeper to the middle class and the upper class," they write, and that gatekeeper is not a forgiving fellow.[69] In 1970, 74 percent of workers in the middle class did not have a college degree. Today, only 39 percent do not have a degree.[70] "The future of employment in the United States," the report concludes, "boils down to this: success will require higher education, in one form or another."[71] Education "is no longer the preferred pathway to middle-class jobs—it is, increasingly, the *only* pathway."[72] Furthermore, "our grandparents' economy, which promised well-paying jobs for anyone who graduated from high school, is fading and will soon be altogether gone."[73]

Although the authors of *Help Wanted* deserve credit for grasping this bleak situation, they lose credit for, as editors like to say, burying the lead. The purpose of their report—as their title implies—is not to bemoan the separate fates that await educated and uneducated workers but to spur investments in education. Their concern is not with the 16 million additional workers or the tens of millions workers who will be trapped in low-wage jobs in 2018, but rather with the three million college graduates the economy will need and that the educational system will not have produced. The Georgetown study notes only *that* post-secondary education is the gatekeeper to the middle and upper class. They have little to say about *whether* that should be the case, or whether it is fair to those locked out of the middle class by their lack of education. In other words, no obvious reason exists as to why economic security should be reserved for those with college degrees. Or, stated another way, why should economic security depend upon educational achievement?

I happen to think that our grandparents' economy was a much fairer one, with more opportunity for economic security, so I may mourn its loss more than most. That said, I recognize that it is fading and not coming back, and that it had its own inequalities—not least, our grandparents' economy reserved its low-wage jobs for women and African Americans. Nevertheless, I believe that some of its more redeeming features—well-paying jobs regardless of educational attainment—should and can be salvaged. Yet far too many writers and economists seem too quick to surrender the features that redeemed our grandparents' economy. They also seem too reluctant to imagine that public policy and the economy might work far differently than they do now. For Goldin and Katz, for example, economic inequality is almost wholly a market rather than a political phenomenon. In their view, economic inequality is determined by supply and demand, largely, exclusively even, driven by changes in technology and educational policy. Their account thus leaves little room for politics, for non-educational interventions in the market. Indeed, it is revealing to see when their account breaks down, most recently during the Second World War, when a spike in demand for unskilled labor and other labor market institutions—unionization, full employment, a steeply progressive income tax rate—combined to raise wages and decrease inequality.

If so, if inequality is affected by more than just education, then education is neither a necessary nor sufficient strategy to aid the poor and working poor. Throughout this chapter I have tried to show how it is not sufficient, but equally important, it is not necessary either. Given the political will, whether through redistributive tax rates, massive public works projects, a living wage law, or a renaissance of labor unions, we could decrease poverty and inequality tomorrow regardless of the market or the number of educated and uneducated workers. In the meantime, Americans could remain as stupid—or as smart—as they are now. These policies also have the advantage of reducing poverty and inequality in the short term, straightaway, unlike schemes to boost the supply of educated workers or equalize educational opportunity, which will take at least a generation to unfold.

Goldin and Katz are aware of these nuances, and in the conclusion of their book gesture toward the need, in addition to investments in higher education, for other labor market interventions like stronger unions and fairer tax structures. ("The nation, therefore, may want to complement greater educational investments with policies that have a more immediate impact on the distribution of the benefits of economic growth."[74]) When the only solution to poverty and inequality is education, however, it should not surprise us when this nuance is relegated to an afterthought (arid a conditional one at that) and is all but lost in popular discussions of the book.

If I am right about education and its narrow effect on reducing inequality and poverty, then the scene that opens this chapter in the Dyersburg, Tennessee, McDonald's takes on a far different significance. If we truly care about lessening inequality and poverty, we should pay less attention to the educational accomplishments or failures of McDonald's customers and far more attention to the income of workers behind the counter—those, and others like them, who sling Happy Meals for a living, or what now passes for a living.

We have wanted to improve people. We should focus, at least as much if not more, on improving jobs. As I show in the next chapters, ours is not the first generation to make this mistake.

Chapter 4
A Nation of Carnegies: The Second World War to the Present

Poverty has many roots, but the taproot is ignorance.

—LYNDON BAINES JOHNSON, Special Message to Congress, March 15,1965

***Editors note: There are numerous figures, charts, and graphs that could not be reproduced in this format. The editor encourages consulting the book for this information.**

In 1946, a young man, call him Howard, returned to the United States after serving as a bombardier in the Second World War. Born in 1922, Howard had grown up poor in the tenements of Brooklyn. His father, an immigrant from Austria, made his living, when a living could be made at it, as a waiter, and at other jobs when forced to it. As he grew older, the boy had a taste for science fiction, Charles Dickens, and later, in the worst years of the Great Depression, radical politics. Hot to fight fascism, Howard enlisted in the Army Air Force and made bombing runs over various Eastern European cities. After the war, he floundered, bouncing from job to job (shipbuilder, waiter, ditch-digger) and between jobs collecting unemployment. At age twenty-seven, with a wife, daughter, and another child on the way, the young man, besides valor in service, had not made much of himself.

In 1949, taking advantage of the G.I. Bill of Rights, Howard enrolled as a freshman at New York University. His tuition was paid by the U.S. government, which also provided him with a $120 monthly stipend. He supported his family by working the night shift as a loader in the basement of a Manhattan warehouse. Howard graduated from NYU in 1951 and immediately enrolled at Columbia, where he earned a master's and eventually a doctor's degree in history. In 1956, he accepted a position as professor at Spelman College in Atlanta and played a leading role in the civil rights movement and, after a move to Boston College in 1964, the protests against the war in Vietnam. In 1980, he published a sweeping, from-the-bottom-up history of America that remains a rite of passage for young, would-be radicals.

Those on the academic and political left may recognize Howard (and the rest of the story) as Howard Zirin, but he is just one, and not even one of the most famous, beneficiaries of the G.I. Bill.[1] (Johnny Carson or William H. Rehnquist probably claim that honor.) Though not the most famous, Zinn did become one of the more eloquent champions of the G.I. Bill. Whenever he got the chance, he praised it as an example of "big, benevolent government," recalling in a memoir published near the end of his life, "Whenever I hear that the government *must not* get involved in helping people, that this must be left to 'private enterprise,' I think of the G.I. Bill and its marvelous nonbureaucratic efficiency."[2] In defending the welfare state, Zinn wisely invoked the G.I. Bill. For as far as ambitious federal social programs go, the G.I. Bill immediately gained, and still retains, a warm place in the public's heart, even in the otherwise cold and barren hearts of limited-government conservatives. (Ask Bob Dole, another famous beneficiary and champion of the G.I. Bill.) And with good reason. According to a 1988 congressional study, 40 percent of G.I. Bill beneficiaries would not have attended college if not for the G.I. Bill.[3] Moreover, if the G.I. Bill directly led, as its proponents claim, to the increased incomes and tax revenues of its beneficiaries, then the program more than paid for itself. And by keeping many returning veterans out of the workforce while the economy expanded enough to absorb them, the G.I. Bill may have even played a role in preventing a second Great Depression.

The G.I. Bill succeeded so well that, from time to time, proponents call for its expansion. Consider, as but one example, the essay "A GI Bill for Everybody," by the political scientist and public intellectual Adolph Reed Jr. "Americans," Reed wrote in the fall of 2001,

> are worried about access to post-secondary education. Legitimately so, for post-secondary education is increasingly a prerequisite for effective labor force participation for any hope of a relatively secure, decent job. If that is the case, shouldn't society have an obligation to provide universal access to such an essential social good?[4]

Reed believes that society does have such an obligation, and calls for an education "without tuition charges to every resident meeting admissions criteria, as a right, at any public, post-secondary educational institution in the United States."[5] In short, free higher education for all.

Only fools would doubt the glory of the G.I. Bill and, for the most part, Reed is correct that a great deal of good would come from offering its benefits to everyone. Indeed, arguments like Reed's inspired my own attempt—the Odyssey Project—to increase access to the essential social good of post-secondary education. Nevertheless, even fools might have a point if they argued that the G.I. Bill may have had some unintended consequences. Not least, it seems to have hastened the equation of opportunity with education. Reed, for example, assumes that if hope for a relatively secure, decent job requires post-secondary education, then society should provide universal access to post-secondary education, which is fine as far as it goes. Left out is a seemingly simpler solution to the problem, which is to make more jobs decent and secure regardless of access to post-secondary education. Only a reluctance to intervene directly in the labor market, and an eagerness to tinker around the edges, makes one approach seem more warranted than another.

In this chapter, I continue the history begun in the previous one, bringing the story about education and opportunity to the present. I begin with a discussion of the G.I. Bill, whose success, perhaps more than any other postwar development, contributed to narrowing the debate about how society might provide secure, decent jobs to a debate about education. It would take the War on Poverty, however, to truly clinch the association between opportunity and education. The meager results of the War on Poverty, together with concerns about an overeducated America that arose in the 1970s, diminished expectations for the poverty-fighting possibilities of education. Nevertheless, like a horror-movie villain that never quite fully dies, this conviction would return in the 1980s and 1990s. Today, in our new era of inequality and seemingly entrenched poverty, education has effectively won the argument, defeated all comers, and now, for lack of alternatives, dominates conversations about poverty and inequality. In what follows, I finish the story of how and why we have arrived at this inauspicious moment.

The Serviceman's Readjustment Act

The G.I. Bill, as President Franklin Roosevelt remarked at the signing ceremony in 1944, "gave servicemen and women the opportunity of resuming their education or technical training after discharge . . . not only without tuition charge . . . but with the right to receive a monthly living allowance while pursuing their studies."[6] In short, the federal government would pay for you to pursue post-secondary education. Regardless of claims for or against it, the G.I. Bill marked a new era in access to—and thus, arguably, the presumed importance of—higher education. It certainly altered the size and demographics of higher education.

Nevertheless, the Serviceman's Readjustment Act of 1944 (as the G.I. Bill was formally known) sought to do more than just expand educational access. In a fireside chat on July 28, 1943, President Roosevelt with great relief reported the fall of Mussolini in Italy. He also noted that "we are, today, laying plans for the return to civilian life of our gallant men and women in the armed services,"[7] adding, "They must not be demobilized into an environment of inflation and unemployment, to a place on a bread line, or on a corner selling apples. We must, this time, have plans ready—instead of waiting to do a hasty, inefficient, and ill-considered job at the last moment."[8]

The "this time" Roosevelt invokes in his fireside chat obliquely refers to the poor job the United States had done the "last time," after the First World War, when few efforts at "readjustment" had been made at all. These failures would come back to haunt the country. In 1932, 43,000 veterans, their families, and their supporters marched on Washington demanding that the federal government honor certificates of payment granted in 1924 for service in the First World War. (The certificates promised one dollar for each day served in the United States and $1.25 for each day served abroad.) The certificates, however, did not mature until 1945. The Bonus Army, as the press quickly dubbed the group of veterans, wanted the federal government to pay the bonuses now, when unemployed and struggling veterans needed them, and not in 1945. As Roosevelt well knew, the march ended badly. After the attorney general ordered the veterans off government land, where they had set up camps, then-president Herbert Hoover called out the U.S. Army, which dispersed an early, slightly more toxic version of tear gas and set fire to the encampment. Several veterans and members of their families died.[9]

To head off another Bonus Army, and to reward the considerable sacrifice veterans had made, Roosevelt went on to list "the least to which [members of the armed forces] are entitled." The list included mustering-out pay, unemployment insurance, credit for interrupted employment, hospitalization and rehabilitation, and pensions for those disabled in fighting. Buried among these entitlements was Roosevelt's hope that the federal government would provide "an opportunity for members of the armed services to get further education or trade training at the cost of government."[10] The final legislation, signed in 1944, included educational benefits but also loan guarantees "for the purchase or construction of homes, farms, and business properties," job counseling, and, most controversial at the time, unemployment insurance.[11] Education, that is, was but one card in the readjustment pack.

Even so, and more than anyone expected, veterans seized the educational opportunities presented by the Serviceman's Readjustment Act. In the fall of 1946, more than a million veterans enrolled in post-secondary institutions, nearly matching the number of non-veterans enrolled in college.[12] A year later, veterans accounted for 49 percent of matriculating students.[13] Obviously, their presence increased the number of degrees awarded over earlier years, but remarkably, as Figure 4.1 shows, more bachelor's degrees (and total degrees) were conferred in 1949-50 than in 1959-60, at least in part because of the influx of veterans.[14]

All told, when the original G.I. Bill expired in 1956, nearly half (7.8 million) of the 16 million veterans of the war had enrolled in an education or training program.[15] As a result, not only did higher education seem within reach for more people than ever before, it also con-firmed higher education as an acceptable path to specific careers.[16]

A Commission on Higher Education

More generally, the G.I. Bill forced a reappraisal of the extent and purpose of higher education in the United States. In 1946, as veterans flocked to institutions of higher learning, then-president Harry S Truman appointed a commission that would "reexamine our system of higher education in terms of its objectives, methods, and facilities; and in light of the social role it has to play."[17] Chaired by George F. Zook, former president of the University of Akron and then president of the American Council on Education, the Commission on Higher Education delivered its report, Higher Education for American Democracy, in late 1947 and early 1948. A remarkably farsighted and progressive document, it suggests how much veterans had changed how the country imagined education and higher education. The report claimed, based at least in part on the influx and achievements of veterans, that many more young people could—and should—

enroll in college than currently did. (Based on tests of mental ability administered to millions of army inductees in the Second World War, the commission concluded that "at least 49 percent of our population has the mental ability to complete 14 years of schooling" and "at least 32 percent of our population has the mental ability to complete an advanced liberal or specialized professional education.")[18] The report also spoke of the "transcendent importance of education," acknowledged that "formal education" had been "made a prerequisite to occupational and social advance," and directly associated education with opportunity.[19] Like other later proponents of the transcendent importance of education, the Commission 011 Higher Education also argued that "an ideally adequate program of higher education undoubtedly would result in a more even distribution of income as well as greater national productivity."[20]

Nevertheless, *Higher Education for American Democracy* does not, as later such documents would, uncritically celebrate the economic possibilities of higher education. To start, as its title insists, *Higher Education for American Democracy* would describe a number of goals for higher education beyond simple economic opportunity. Too many goals, in fact. From the table of contents alone, one gathered that higher education would move the country toward a fuller realization of democracy, toward international understanding and cooperation, and toward the solution of any number of social problems. As I argue throughout this book, education will not and cannot accomplish these myriad goals. But as a result of these numerous ambitions, the strictly vocational and economic opportunity goals of education fall into the background. Indeed, the authors of the report quaintly imagine institutions of higher education as primarily places of learning and not just as income-boosting job placement centers for the would-be credentialed.

Higher Education for Democracy also forthrightly confronts what it calls "the economic barriers" to further education. The "present distribution of family income," the second volume of the report concludes, "reveals sobering inequalities."[21] Moreover, these sobering inequalities would pose a real problem for the educational prospects of children born into poor families. "The education of each individual to the fullest extent of his ability encounters economic obstacles at every stage of the educational process," and the report goes on to cite several revealing studies.[22] One showed that educational attainment directly correlated with family economic status (more income meant more education). Another study reported that these disparities did not necessarily result from differences in intelligence or ability. Of boys with IQs of 124 and above, those whose father came from the highest occupational income group were four times more likely to attend college than boys whose father came from the lowest occupational income group. "For every [high school] graduate who ranked in the upper 10 percent of his high school class and entered college," the report cited, "another graduate who also ranked in the upper 10 percent did not enter college."[23] It concluded: "It must always be remembered that at least as many young people who have the same or greater intellectual ability than those now in college do not enroll because of low family income."[24] So though the report undoubtedly associates opportunity with education, the commission also tried to discover why fewer people enroll in college than could or should, unlike more recent celebrants of higher education, who insist that more people should attend and graduate from college yet rarely pause to wonder why their advice goes unheeded.

Higher Education for American Democracy also differs from later, similar documents because of its economic context. In 1947, when the first volume of the report appeared, hourly wages for production and non-supervisory workers had reached an all-time high. Between 1940 and 1949, wages for this group of workers would more than double, in part because of an unprecedented number of unionized workers, but mostly because wartime shortages in the labor supply drove wages up.[25] Together with what would now seem like an unconscionably confiscatory tax policy (the top tax rate peaked at 94 percent in 1945 and settled in at 91 percent in 1950; it is 35 percent today), incomes in the United States began to grow much more equal. (Economists refer to this period as the "Great Compression.") Thus, economic considerations not only barred people from higher education, they also lured them away from it.

In addition to "inadequacy of family income" and "the increasingly high living costs for students forced to live away from home while in college," the report cites "the opportunity today afforded young people out of high school to earn relatively high wages" as one of the factors that "combine to keep out of college many who have the abilities."[26] In other words, college looks like a less attractive—and less necessary—option if you can rather easily find a job that pays high wages. The report at times seem to regret these high wages, but so long as wages remained high, education, unlike today, would not have to bear the burden of economic opportunity. It was but one of several paths to relatively high wages.

Be that as it may, *Higher Education for American Democracy* does ascribe a relatively new (for its time) importance to what it called "a just right to an adequate education." The difference between, say, Horace Mann and George F. Zook, however, lay in their distinct notions of "an adequate education." For Mann, an adequate education meant an absolute amount of learning, usually, the first eight grades. For Zook, an adequate education meant an education appropriate to an individual's ability, which could mean an education all the way through college to graduate or professional school. *Higher Education for American Democracy,* together with the success of the G.I. Bill, which inspired that document in the first place, reflected—or made possible—a new emphasis on education, particularly higher education, as conveyors of opportunity.

One can see this emphasis in the 1954 landmark *Brown v. Board of Education of Topeka.* In ruling that "separate educational facilities are inherently unequal," the Supreme Court condemned racial segregation not only or even primarily because segregation violated moral decency or American democracy but because it harmed something even more valuable, equality of educational opportunity. In doing so, the court championed education in a way that it had rarely been championed before. As Chief Justice Earl Warren wrote explaining the court's decision, "In these days, it is doubtful that any child may reasonably be expected to succeed in life if he is denied the opportunity of an education."[27] The lesson was clear. Segregation harmed African Americans because in denying them an equal education, it denied them equality of opportunity. Thus would so many civil rights battles form around schools. Schools determined success in life.

Brown v. Board of Education both reflected and produced this shift in how the public perceived education. After it, education would be the card that journalists, politicians, and reformers more and more often played in the game of poverty and public policy. And when, in 1957, the Soviet Union launched a satellite into outer space, they also launched American lawmakers into a panic over the state of U.S. schools. (The panic led to the passage of the National Defense Education Act in 1958.) With civil rights, economic opportunity, and the outcome of the Cold War alike on the line, education rocketed to the forefront of American concerns.

Improving Poor People

Yet it would be another war, the War on Poverty, which, more than even the Second World War or the Cold War, would unite beliefs about poverty, opportunity, and education into a nearly unbreakable mold. Beginning in 1962, the United States, as it had on at least two prior occasions, rediscovered the poverty amid its supposed plenty. This time, the rediscovery of poverty owed in part to a book, Michael Harrington's influential *The Other America,* which argued that 40 to 50 million citizens lived in poverty and, equally important, out of sight and mind to the rest of America.

Other works would also move poverty out of the national unconscious and into the national conscious.[28] If the summer of 1964 was freedom summer, the summer of 1963 was poverty summer. Dwight Macdonald's witty review essay, "Our Invisible Poor," appeared in *The New Yorker* in January 1963.[29] Reviewing, among other works, Harrington's *The Other America,* Macdonald observed: "In the last year we seem to have suddenly awakened, rubbing our eyes like Rip van Winkle, to the fact that mass poverty persists, and that it is one of our two gravest social problems."[30] (The other, according to Macdonald, was racial inequality, shown in part by the fact that "while only eleven per cent of our population is non-white, twenty-five per cent of our poor are.")[31] In August of 1963, a group of civil rights, labor, and religious groups organized a March on Washington for Jobs and Freedom. That event has since shrunk into the occasion for Martin Luther King Jr.'s "I Have a Dream" speech, but the first aim of the march (jobs) mattered at least as much to the event's organizers, including A. Philip Randolph, the socialist, labor organizer and civil rights advocate, as the second aim (freedom). Earlier that summer, Harry M. Caudill published *Night Comes to the Cumberland^: A Biography of a Depressed Area,* which documented the history of abuses to and the hopeless poverty of those living in Appalachia.[32] Inspired by Caudill's book, in October the journalist Homer Bigart published "Kentucky Miners: A Grim Winter" in the *New York Times.*[33] "Poverty, Squalor, and Idleness Prevail in Mountain Area," the subhead read.

These works had an effect. Moved by Macdonald's review in *The New Yorker* and Bigart's article in the *Times,* then-president John F. Kennedy began to focus on the problem of poverty. "The President was shocked to learn," Bigart wrote in a November, 1963 follow-up article, "that in some counties children were undernourished and suffered from intestinal parasites. This, he feels, is an intolerable situation for a nation rich enough to spend billions on foreign aid."[34] Seeking to correct this intolerable situation, Kennedy sent none other than Franklin D. Roosevelt Jr., then undersecretary of commerce, on a tour of the area and to announce the "tentative outlines of a joint Federal-state assault on destitution in the Appalachian region."[35]As the similarities in language suggest, this "assault on destitution," which included immediate relief and long-term economic development, would effectively mark the beginning of the War on Poverty.

Congress would soon scuttle Kennedy's programs for the Appalachian region, but following his assassination in November, his successor, Lyndon Baines Johnson, took up the fight. In his State of the Union speech just months after Kennedy's assassination, Johnson famously declared "unconditional war on poverty."[36] The United States "must pursue poverty, pursue it wherever it exists," Johnson told Congress, "in city slums and small towns, in sharecropper shacks or white migrant camps, on Indian Reservations, among whites as well as Negroes, among the young as well as the aged, in the boom towns and in the depressed areas."[37]

Following the speech, events moved quickly. Johnson's Council of Economic Advisers, led by Walter H. Heller, issued its *Economic Report of the President,* which included a chapter, "The Problem of Poverty in America," "designed to provide some understanding of the enemy and to outline the main features of a strategy of attack."[38] In February, Johnson appointed the President's Task Force on the War against Poverty, which met repeatedly over the subsequent months and invited numerous experts to testify and offer proposals for how to conduct a War on Poverty.

Before it could wage its War on Poverty, though, the task force had to settle on an explanation for why people were poor in the first place. In the writings of Harrington and others they found one ready to hand. In *The Other America* Harrington sought to understand how some people could remain poor despite the otherwise unprecedented economic growth of the postwar decades. To do so, he borrowed a concept, "the subculture of poverty," from the anthropologist Oscar Lewis's 1959 volume, *Five Families; Mexican Case Studies in the Culture of Poverty.*[3S] According to Lewis, the poor, as a result of their poverty, adopted attitudes that reproduced their and their children's poverty. "The people in the culture of poverty have a strong feeling of marginality, of helplessness, of dependency, of not belonging," Lewis went on to write in 1964.[40] "They are like aliens in their own country, convinced that the existing institutions do not serve their interests and needs. Along with this feeling of powerlessness is a widespread feeling of inferiority, of personal unworthiness."[41] Taken by Lewis's thesis, Harrington argued:

> Emotional upset is one of the main forms of the vicious circle of impoverishment. The structure of society is hostile to these people: they do not have the right education or the right jobs, or perhaps there are no jobs to be had at all. Because of this, in a realistic adaptation to a socially perverse situation, the poor tend to become pessimistic and depressed; they seek immediate gratification instead of saving; they act out.
>
> Once this mood, this unarticulated philosophy becomes a fact, society can change, the recession can end, and yet there is no motive for movement. The depression has become internalized.[42]

In retrospect, Harrington's casual adoption of the culture of poverty thesis would have unforeseen results, but at the time he had good reasons to adopt it. He sought to counter charges that the poor were "'lazy people' who 'just didn't want to get ahead.'"[43] They were not lazy, Harrington argued, they were survivors, and their survival instincts, tragically, ensured their continued poverty. Those instincts also made them different, not just inhabitants of the other America but "other" Americans altogether. "The poor are not like everyone else," Harrington wrote. "They are a different kind of people. They think and feel differently; they look upon a different America than the middle class looks upon."[44] Harrington concluded that though federal policy and low wages bore some responsibility, it was the culture of poverty, their learned defeatism, that disabled the poor from ever-rising out of their poverty, regardless of the economic growth that unfolded around them.

In one form or another, this thesis would dominate discussions of poverty in the United States for decades.[45] It all but shaped the War on Poverty. "As poverty decreases," Dwight Macdonald, influenced by Harrington, wrote in *The New Yorker,* "those left behind tend more and more to be the ones who have for so long accepted poverty as their destiny that they need outside help to climb out of it. This new minority mass poverty, so much more isolated and hopeless than the old majority poverty, shows signs of becoming chronic."[46] Similarly, on its first page, the Council of Economic Advisers had written, "The poor inhabit a world scarcely recognizable, and rarely recognized, by the majority of their fellow Americans. It is a world apart, whose inhabitants are isolated from the mainstream of American life and alienated from its values."[47] President Johnson's economists concluded: "These facts alone suggest that in the future economic growth alone will provide relatively fewer escapes from poverty."[48] According to most commentators, then, poverty did not result from economics— too few jobs, jobs that pay too little—but the inability or unwillingness on the part of the poor to benefit from economic growth.

In addition to providing an explanation for poverty, the culture of poverty thesis also provided a line of attack. If no amount of economic growth would enfold the poor in rising prosperity, then the poor needed "outside help," and since no one else had an incentive to offer that help, the responsibility fell to the federal government. However, that outside help would take certain forms and not others. It would not, at least in the early days of the War on Poverty, take the form of direct government redistribution. "No doles," Johnson told Sargent Shriver, whom he chose to head up his War on Poverty. "We don't want any doles."[49] Nor would the help the federal government offered take the form of job creation. Even if the relatively paltry budget set aside for the War on Poverty had not disqualified public works projects and massive job creation from serious consideration, the working theory of poverty, which ascribed it to culture and handicaps peculiar to the poor, suggested that those jobs, even if they could be created, would go unfilled. Poverty, by this logic, did not result from too few jobs or not enough doles but a failure on the part of the poor to take advantage of existing opportunities. The poor, that is, did not lack opportunities but, as one historian later put it, the "skills and wills" to seize those opportunities.[50]

In particular, the poor lacked education. In his *New Yorker* review essay, Dwight Macdonald cited a report from the Department of Public Aid for Cook County, which "showed that more than half of the 225,000 able-bodied Cook County residents who were on relief were 'functionally illiterate.'"[51] One reason Cook County had to spend $16.5 million a month on relief, James M. Hilliard, the director of the Department of Public Aid, asserted, "is the lack of basic educational skills of relief recipients which are essential to compete in our modern society."[52] In the fall of 1962, Christopher Jencks, then an editor at *The New Republic* (he will reappear in this history in a different guise), wrote, "While the economy is changing in a way which makes the eventual liquidation of the slums at least conceivable, young people are not seizing the opportunities this change presents. Too many are dropping out of school before graduation ... too few are going to college."[53] Although the authors of the *Economic Report of the President* of 1964 noted that some of the roots of poverty lie in unemployment and low rates of pay, they emphasized that "the severely handicapping influence of lack of education is clear."[54] Specifically, the report noted a series of correlations between education and unemployment rates, juvenile delinquency, and poverty more generally. "The incidence of poverty drops," the report calculated, "as educational attainments rise for nonwhite as well as white families at all ages."[55] For poor children, in particular, "improvements in the availability and quality of education offer the greatest single hope of escaping poverty as adults."[56] In summary, the report concluded: "If children of poor families can be given skills and motivation they will not become poor adults."[57] In recalling the first discussions of the President's Task Force on the War on Poverty, Adam Yarmolinsky, its deputy director, offered the most succinct description of its philosophy I have thus far seen put into words. "You ask yourself," Yarmolinksy later told an interviewer, "do you concentrate on finding jobs for people or preparing people for jobs? There our tactical decision was let's concentrate first on preparing people for jobs."[38]

At the same time, economists, most famously Gary Becker, but also earlier pioneers like Jacob Mincer and T. W. Schultz, began to trumpet the importance of human capital. By human capital, Becker and others meant the aptitudes—knowledge, skills, health, and values— that reside, or come to reside, in people themselves. Investments in human capital, Becker and others argued, whether through education, on-the-job training, even medical care, had substantial payoffs. Indeed, much of Becker's influential 1964 volume, *Human Capital,* after controlling for variables like innate ability or family background, explores the rates of return individuals and businesses could expect from investments in various forms of human capital, whether on-the-job training or formal education (10 to 12 percent per annum for college graduates, Becker estimated).[59] The theory of human capital could explain differences in income distribution, perhaps even poverty. Some workers had invested more in their skills than others and thus could expect higher wages in return. By contrast, those who had not invested in their skills would receive lower wages or no wages at all. What's more, Becker argued, investments in human capital explained why the United States thrived while other countries languished. The United States had invested in its human capital.

Thus, by the mid-1960s, for many economists, reformers, and policy makers, education represented a win-win strategy. Not only would education lift people out of poverty by enabling them to benefit from existing economic growth, but it would also spur more economic growth, and that growth would lift still more people out of poverty.

As it developed, then, the War on Poverty amounted to an only slightly more sophisticated version of the nineteenth-century faith in improving poor people. The poor needed to learn their way out of poverty, and the nation needed to teach its way out. To their credit, a group of dissenters, including Michael Harrington, tried to steer the conversations—and the planning— away from education and back toward job creation. After being summoned to the meetings of the task force, Harrington, together with the former union organizer and radical writer Paul Jacobs and public-servant extraordinaire Daniel Patrick Moynihan, authored a memo declaring that "if there is any single dominant problem of poverty in the U.S., it is that of unemployment."[60] (This report represented a toned-down version of the way Harrington, ever the socialist, usually ended such memos: "Of course, there is no real solution to the problem of poverty until we abolish the capitalist system.")[61] Harrington, Jacobs, and Moynihan were joined by someone with more influence, then Secretary of Labor Willard Wirtz, who argued from the start that the War on Poverty should focus on jobs. These arguments, however, hit a white sandstone wall when the task force reported its proposals to Johnson at the White House. "At the last minute," Yarmolinsky recalled, "we put in this notion of the job program." Yarmolinksy continued:

> Then Shriver presented it, and the president said no. Then Bill Wirtz spoke up at the cabinet meeting . . . and said, "Mr. President, we really need something like this." The president just ignored him. It was a shocking demonstration of the way Johnson sometimes handled things. He didn't even bother to respond; he just went on to the next item on the agenda.[62]

And thus died any hopes for a War on Poverty that would prepare jobs for people rather than people for jobs.

With job creation and doles off the table, the planners of the War on Poverty turned toward what remained. The Economic Opportunity Act, the War on Poverty bill Congress passed in August 1964, instituted, or so a recent historian has argued, "a multifaceted attack on poverty."[63] In reality, the attack on poverty had one facet: preparing people for jobs. The federal government would provide what the poor supposedly lacked: education, training, medical care, housing—a fair chance. The rest, including finding jobs and raising incomes, would be left to the poor. "That's where we got that slogan," Shriver said later, "A hand up, not a handout."[64] "Our chief weapons in a more pinpointed attack," Johnson had said in his State of the Union speech declaring the War on Poverty, "will be better schools, and better health, and better homes, and better training, and better job opportunities to help more Americans, especially young Americans, escape from squalor and misery and unemployment rolls."[65]

Except for providing better job opportunities, the War on Poverty made good on these promises. The Office of Economic Opportunity, created by the 1964 bill—and its name tells you everything you need to know about the philosophy of anti-poverty programs during the period—did the best it could given what it could not do. Its initiatives, though not adding up to an unconditional war on poverty, did provide the poor with educational and vocational training opportunities. Head Start, perhaps the most famous of the War on Poverty programs, offered preschool classes to low-income children. Job Corps, although modeled on the Depression-era Civilian Conservation Corps, which provided jobs for three million young people from poor families, offered more in the way of vocational training for private sector jobs than direct job creation. The Work-Study Program, meanwhile, would pay for fifteen hours of work for low-income college students. There too the purpose was not job creation but a backdoor way of funding needy college students.

Although not explicitly a part of the War on Poverty, other related pieces of legislation from these years sought to increase economic opportunities by providing greater educational ones. In 1965, Congress passed the Elementary and Secondary Education Act, which, in addition to other provisions, directed funds to schools that were disproportionately composed of students from low-income families (the act survives as No Child Left Behind). Later that year, Congress passed, and Johnson signed, the Higher Education Act of 1965. As a result of the law, students from low-income families would receive grants (Pell Grants) as well as temporarily interest- and payment-free loans (Stafford Loans) and could participate in programs (Upward Bound) designed to make the transition to college easier. The law, as Johnson described it at the signing ceremony, meant that "a high school senior anywhere in this great land of ours can apply to any college or any university in any of the 50 states and not be turned away because his family is poor."[66]

Education, in one form or another, has always—and increasingly— figured into conversations about poverty and inequality in America. In the War on Poverty arid related legislation, however, it gained new, even unprecedented importance. Indeed, education found its modern champion in Lyndon B. Johnson, a former schoolteacher who had worked his way through college. "As the son of a tenant farmer," Johnson said in his remarks upon signing the Elementary and Secondary Education Bill in 1965, "I know that education is the only valid passport from poverty."[67] Citing by-now familiar statistics about how much more high school graduates earned over high school dropouts, and how much more college graduates earned over high school graduates, Johnson promised that the law, which he often spoke of as providing full educational opportunity, "will help five million children of poor families overcome their greatest barrier to progress—poverty."[68] By the end of 1965, as he prepared to sign the Higher Education Act, Johnson had, if possible, upped the rhetorical ante even more. Returning to his alma mater, Texas State College, Johnson recalled, "Here the seeds were planted from which grew my firm conviction that for the individual, education is the path to achievement and fulfillment."[69] "It is a truism that education is no longer a luxury," Johnson said in his opening remarks, offering language that in one form or another countless people would speak after him. "Education in this day and age is a necessity."[70] Casting aside all restraint, Johnson asserted, "The answer for all our national problems comes down to one single word: education."[71]

Doles

Although the rhetoric may have exceeded the results, few people doubt the need for or the general success of the programs, whether Head Start or Pell Grants, that emerged from the War on Poverty and the President's (and Congress's) belief in full educational opportunity. They are rightly considered landmarks of liberal public policy, and as a former Work-Study and Pell Grant beneficiary as well as a holder of a Stafford Loan, I would not be writing this book without them. These programs do illustrate, however, that, like Johnson, reformers and policy makers increasingly conceived of the problem of poverty as a problem of education. More and more, people began to believe that education, and education alone, could offer a path out of poverty and to prosperity.

The belief in the power of education shows up in the astonishing growth in educational enrollment and attainment for the cohort of young people born after the Second World War. To some extent, if the purpose of the War on Poverty was to increase access to education, it worked. In terms of enrollment, by 1968, 93.1 percent of fourteen- to seventeen-year-olds were enrolled in high school, up from 64.7 percent in 1945.[72] In terms of attainment, 83.8 percent of those young people born between 1946 and 1950 (and who would have graduated from high school between 1964 and 1968) had a high school diploma. By contrast, only 68.7 percent of those born ten years earlier, between 1936 and 1940, had high school degrees.[73] In 1968, the percentage of eighteen- and nineteen-year-olds enrolled in school, in all but a few cases college, passed the 50 percent mark for the first time in U.S. history.[74] It fell after that, for reasons explained below, but it would not exceed that level again until 1983. Similarly, of those born between 1946 and 1950—that is, those who would have graduated from college between 1968 and 1972—24.6 percent had a bachelor's degree.[75] By contrast, of those born a decade earlier—those who would have graduated from college between 1958 and 1962—only 14.4 percent had a bachelor's degree.[76] Not all of these newcomers to American education came from the ranks of the poor—in all likelihood, a majority came from the middle class and above—but some did, and in this respect at least, the War on Poverty succeeded.

Although the War on Poverty and related policies may have affected educational enrollment and attainment, it had far less of an effect on the actual number of people living in poverty. To be sure, between 1964 and 1974, the poverty rate declined from 19 percent of the population to 11.2 percent.[77] But in 1975 two economists, Robert D. Plotnick and Felicity Skidmore, concluded that poverty rates fell for two reasons, neither having much to do with education or any of the official War on Poverty programs. Poverty rates fell slightly—but only slightly—because of general economic growth, which raised a certain number of workers out of poverty regardless of (or even despite) War on Poverty programs. In 1965, based on income alone—that is, before any government transfer programs—21.3 percent of the population lived in poverty. In 1972, by the same criteria, 19.2 percent of the population lived in poverty.[78] In other words, economic growth—including rising wages—reduced poverty by about ,2 percent or so. These underwhelming achievements came during a period of unprecedented economic growth and relatively low unemployment. To some extent, then, the warriors on poverty were right. Economic growth alone would not rid the country of poverty.

So why did poverty rates decrease in the late 1960s and early 1970s? According to Plotnick and Skidmore, they fell because of increased cash and in-kind transfers—in other words, precisely what Johnson told Sargent Shriver to avoid, doles. Between 1964 and 1972, the United States radically expanded its welfare state provisions. In 1964, Congress passed the Food Stamp Act, which at first offered aid only to those in the poorest counties and cities of the United States but was gradually expanded into a national program. The Social Security Act of 1965 provided health insurance to the aged (Medicare) and poor (Medicaid). Both programs, in addition to offering much-needed goods and services, also added income by reducing out-of-pocket costs. And though it lifted few people clear of the poverty line, the average monthly benefit for welfare recipients, adjusted for inflation, gradually rose from $181 in 1962 to $238 in 1977.[79] In 1972, Congress increased Social Security benefits by 20 percent and linked payouts to the Consumer Price Index. As part of the same legislation, Congress offered Supplemental Security Income to low-income persons who were either aged (sixty-five or older), blind, or disabled. More than anything else, these programs—and not Head Start or Job Corps—reduced the number of Americans, particularly the elderly, living in absolute poverty. In 1965, 15.6 percent of the population lived in households that remained poor even after cash transfers. In 1972, the number had fallen to 11.9 percent.[80] If one accounts for in-kind transfers (food stamps and housing benefits), taxes, and underreporting of income, the percentage living in poverty fell still further. As John E. Schwarz later calculated, in 1972, cash and in-kind transfers lifted more than half of the 19 percent of Americans living in poverty above the poverty line.[81]

Compared to the welfare state provisions of what Lyndon Johnson called the Great Society, the educational policies of the War on Poverty had a much less distinguished record, even when considered over the long run. That is, because so many of those programs involved investments in education it may have taken decades, not years , for their effects to appear. The first cohort of Head Start students, for example, would have graduated from high school in 1978, so studies like Plotnick and Skidmore's that stop in 1975 would not necessarily have captured whatever effect these programs might have had. Expanding the period under examination, though, does not much alter the conclusion. In 1972, as noted, 19.2 percent of the population lived in poverty before receiving cash or in-kind transfers. In 1980, 19.5 percent did.[82] Perhaps changes in demographics (more female-headed families) and a fairly serious recession from 1973 to 1975 inflated the number of poor, in which case the educational and training programs of the War on Poverty kept poverty levels lower than they would have been otherwise. But even that conclusion, many economists believe, is overly generous. Rather, the consensus seems to be that these programs, although they may have expanded equality of opportunity, did relatively little to reduce poverty.[83]

The Dissenters

Ironically, the limited success of the War on Poverty proper might have ultimately done some good in the fight against poverty, if only by discrediting approaches that sought to improve poor people rather than more directly lift poor people out of poverty. In its aftermath, anyway, a body of literature and policies emerged that began to question the relevance of educational and training programs to poverty and economic inequality. In turn, reformers and legislators experimented, before a change in political climate brought an end to it, with direct income redistribution and job creation.

In 1966, for example, a group of scholars led by the sociologist James S. Coleman issued a report, *Equality of Educational Opportunity,* which found that schools varied less in resources than most people assumed or that *Brown v. Board of Education* had led people to believe.[84] Moreover, Coleman concluded that differences among schools in resources or characteristics—or even racial composition—did not much affect student achievement. Rather, what seemed to matter was the family background of students, particularly socioeconomic class, and the attitudes of students toward education, which was itself closely linked to family background. In short, schools disproportionately composed of middle-class and wealthy students performed well, regardless of resources, while schools disproportionately composed of low-income and poor students did poorly, again largely regardless of resources. (By "performed well," Coleman meant performed well on achievement tests, which, he argued, measure "the skills which are among the most important in our society for getting a good job and moving up to a better one, and for full participation in an increasingly technical world."[85]) "Studies of school achievement," Coleman wrote, "have consistently shown that variations in family background account for far more variation in school achievement than do variations in school characteristics."[86] If so, then distributing funds to schools that served low-income families, as the Elementary and Secondary Education Act of 1965 did, or integrating schools, as the *Brown* decision required, would accomplish little in terms of equalizing student achievement.

In 1971, in his enviably tided book, *Education and Jobs: The Great Training Robbery,* the sociologist Ivar Berg debunked some of the foundations of human capital theory and the educational components of the War on Poverty.[87] Drawing on studies of various work-places. Berg contended that the economy and its distribution of jobs did not necessarily require the rapid gains in educational achievement that had occurred over the last few decades; that worker performance (and pay) only inconsistently tracked with educational achievement; and, in general, that calls for greater educational achievement came with substantial costs,[88] Regarding the last, Berg noted that workers whose educational achievements exceeded the educational requirements of their job tended to grow more dissatisfied than other workers and this, in turn, led to greater turnover. Above all, Berg objected to the injustice that the American infatuation with education produced. "The use of educational credentials as a screening device," Berg wrote, "effectively consigns large numbers of people, especially young people, to a social limbo defined by low-skill, no-opportunity jobs in the 'peripheral labor market.'"[89]

Unsurprisingly, given his conclusions, Berg had few kind words for the War on Poverty. "Substantial funds from that war chest," he noted, "have been consumed by educational mercenaries who campaign against the personal—which is to say educational—deficiencies of the youthful poor."[90] Moreover, Berg argued that because of disparities in who went to college, increased state and federal funds for higher education, far from helping the poor to get ahead, helped the middle and upper class, who least needed help. "Today," Berg charged, "tax-supported and tax-assisted universities are full of nutant [drooping] spirits from families whose incomes are well above those of the average taxpayer."[91] Finally, Berg feared that the infatuation with educational opportunity justified inequality. Berg, who never found an obscure Latinate word he could not employ, stated that "if jobs require increasing educational achievements, and if the society provides opportunities for education, then, according to the sapient orthodoxy, the burden falls upon the individual to achieve the education necessary for employment."[92]

For Berg, not only did education, which bore little relation to national or individual productivity, screen low-income young people from the best jobs, but even worse, the federal government, through its support to higher education, assisted in the construction of these class barriers. Instead, Berg called for job creation: "Policies calculated to generate job opportunities for a growing population would seem to deserve higher priority than those designed to rationalize, by their stress on education, the considerable difficulties imposed on those without academic credentials."[93]

Berg's book attracted some attention, but another book, published a year later in 1972, shook the academic and public world. *Inequality: A Reassessment of the Effect of Family and Schooling in America,* by Christopher Jencks and colleagues at the Center for Educational Policy Research at Harvard, launched a stunning, at times devastating attack on the conventional wisdom regarding the relationship between education and economic inequality. Drawing on some of the same data that James S. Coleman had for *Equality of Educational Opportunity,* Jencks concluded, among other bombshells, that "there is no evidence that school reform can substantially reduce the extent of cognitive inequality" and that "neither school resources nor segregation has an appreciable effect on either test scores or educational attainments."[94] In other words, there are, as Jencks's working title of the book put it, "limits to schooling." Indeed, Jencks argued, "the characteristics of a school's output depends largely on a single input, namely, the characteristics of the entering children. Everything else— the school budget, its policies, the characteristics of the teachers—is either secondary or completely irrelevant."[95] Jencks did not argue that schools do nothing for students, but that each does more or less the same thing given the background and competencies of the students who pass through their doors. Few wanted to hear this news. "HARVARD PROVES SCHOOLS FAIL," a typical headline blared, exaggerating Jencks's argument, although not by much.[96] Schools succeeded at teaching students some things they needed to know, Jencks argued, but they failed to equalize or even alter the distribution of opportunity.

Even if schools could disproportionately affect the cognitive skills of their students, however, Jencks found that this would not matter much when it came to the distribution of incomes. "The primary reason people end up richer than others," he wrote, "is not that they have more adequate cognitive skills."[97] Family background, and to some extent cognitive abilities, played a role in educational attainment, which played some role in the occupation one ended up in, but none of these—family background, cognitive skills, educational attainment, not even occupational status—played a decisive role in determining income. Rather, economic success seemed to depend on luck and on-the-job competence, including personality, which, Jencks showed, were "only moderately related to family background, schooling, or scores on standardized tests."[98] Moreover, since educational reforms and reformers could, by definition, do little to alter luck and personality, they could, so long as they stuck to trying to change people's competencies, do little to affect the distribution of income.

Some of Jencks's claims have survived forty years of inquiry better than others, but his main point largely stands. Equality of opportunity, which schools could not engineer anyway, had little to no relation to equality of outcome. If the United States wanted to tackle the problem of poverty and economic inequality, "instead of trying to reduce people's capacity to gain a competitive advantage on one another, we would have to change the rules of the game so as to reduce the rewards of competitive success and the costs of failures."[99] In other words, "disparities in adult status, power, and income" would have to be reduced directly, through progressive taxation or other income redistributive efforts, rather than, as the War on Poverty sought to do, indirectly through the schools. (Although he acknowledged its political impossibility, Jencks favored a scheme whereby a family's final income would be its actual income plus the national average income divided by two.)[100] "As long as egalitarians assume that public policy cannot contribute to economic inequality directly," Jencks asserted in the closing pages of the book, "but must proceed by ingenious manipulations of marginal institutions like schools, progress will remain glacial."[101] "We think... that society should get on with the task of equalizing income," he and his coauthors concluded, "rather than waiting for the day when everyone's earning power is equal."[102]

In 1976, the labor economist Richard B. Freeman published a similarly explosive book, *The Overeducated American.*[103] Freeman showed that, beginning in 1969, for a variety of reasons and for perhaps the first time in U.S. history, salaries, job opportunities, and the returns to education all declined sharply for college graduates. In short, there were more educated young people than jobs that required educational credentials. Perceiving this mismatch, fewer young people enrolled in college.' Freeman predicted that both trends—falling returns to education, declining enrollment—would continue well into the next decade. His book described "a society in which the economic rewards to college education are markedly lower than has historically been the case and/or in which additional investment in college training will drive down those rewards—a society in which education has become, like investments in other mature industries or activities, a marginal rather than highly profitable endeavor."[104]

If Freeman was right, then education could no longer guarantee prosperity for poor and low-income children. The path had narrowed. Or rather the path led to more destinations than just prosperity. In an overeducated society, fewer people could rise through educational achievement, and thus social mobility might decline. Freeman found a silver lining in this cloud, however. "New routes to socioeconomic progress," he predicted, would have to be found, and "as a result of the relative surplus of the educated ... income distribution is likely to become more egalitarian."[105] In which case, the educational policies of the War on Poverty might reduce income inequality after all. Not by raising the educational attainment or the incomes of the poor but by adding to the supply of the college-educated and thus reducing demand for (and thus the incomes of) college-educated workers. (Freeman's thesis resembles the work of Claudia Goldin and Lawrence Katz, discussed in chapter 2.)

Together, these works from the mid-1960s to the mid-1970s challenged the belief that equality of opportunity, including equality of educational opportunity, would significantly reduce inequality of income. These works also began to affect how reformers thought about poverty. They also inspired a willingness to experiment with new ways to fight poverty. In early 1968, for example, Lyndon Johnson convened a President's Commission on Income Maintenance Programs, headed by Ben W. Heineman, a railroad executive. The commission's report, *Poverty amid Plenty* (1969), challenged the wisdom behind the War on Poverty. "In the mid-1960's an effort was made to mount a war on poverty," it noted, "but the strategies adopted were focused primarily on long-run creation of opportunities. This strategy did little to affect incomes directly."[106] Instead, Heineman and the commission called for "a larger role for cash grants in fighting poverty."[107] Basically, under the commission's proposal the federal government would abolish most other welfare programs—Aid to Families with Dependent Children, food stamps, and housing vouchers—and instead provide a base income for any needy family or individual. For a family of four, for example, the federal government would guarantee a minimum income of $2,400— about $14,000 in 2009 dollars. To encourage recipients to work, income from other sources would reduce the basic payment only by half. For instance, a family that earned $3,600 would have half of that income applied against the $2,400 they would otherwise receive from the federal government, thus earning the family an additional $600 ($3,600 divided by two subtracted from $2,400) for a total supplemented income of $4,200 ($3,600 plus $600). The base income provided by the federal government would not lift a family out of poverty. (In 1969, the poverty threshold for a family of four was $3,743, or about $22,000 in 2009 dollars.)[108] But the Heineman Commission proposed that the federal government eventually move in that direction. In the meantime, the program would help the working poor, who then constituted one out of every three poor families, but who rarely qualified for existing welfare programs.[109] Moreover, the program would reduce poverty immediately, directly, rather than, as Christopher Jencks might have put it, tinkering with marginal institutions like schools.

Heineman's plan jibed with Richard Nixon's 1969 Family Assistance Program, which was slightly less generous and slightly more complicated but which also would have established a minimum income. Both programs implicitly recognized the limits of educational policies designed to combat poverty. That both programs made little legislative progress, despite the tacit endorsement of one president (Johnson) and the explicit endorsement of another (Nixon), suggests how deeply the nation remained committed to equality of opportunity and hostile to direct aid to the poor and working poor, especially if that aid took the form of cash and threatened, as minimum income programs supposedly did, to undermine the work ethic.[110]

Although neither minimum income program became law, in 1975 Congress did pass a related piece of legislation, the Earned Income Tax Credit, which returned to low-income workers with children some of the taxes (especially regressive Social Security taxes) they did pay. Although initially modest, Congress has increased EITC payments over the last three decades, and today it constitutes one of the more effective anti-poverty policies the nation has at its disposal.

In addition to the straightforward redistributionist programs like the Earned Income Tax Credit, the Nixon and then the Carter administration began to experiment with direct job creation. In 1971, with unemployment rates up to 6 percent (from a low of 3.4 in 1968), Congress passed the Emergency Employment Act, which promised to create 150,000 new jobs for un- and underemployed Americans.[111] The jobs would be in public service, "in such fields as environmental protection, health, education, public safety, crime prevention, prisons, transportation, park maintenance, recreation, rural development, and sanitation," as Richard Nixon put it at the signing ceremony.[112] Two years later, Congress, with the Works Progress Administration in mind, passed the Comprehensive Employment and Training Act of 1973, which provided full-time public service jobs to those with low incomes and, eventually, to the long-term unemployed regardless of income. By 1978, the CETA funded 750,000 jobs.[113] Similarly, in 1978, Congress debated, and ultimately passed, the Humphrey-Hawkins Full Employment and Balanced Growth Act, which would force the government to create federally funded jobs if the unemployment rate rose above 3 percent.[114]

Abuses, scandals, and fears of inflation discredited many of these programs, and within a decade most of them had fallen prey to conservative skepticism, fiscal retrenchment, or, in the case of Humphrey-Hawkins, watering down and neglect. The era of improving poor people's bottom lines—rather than just improving poor people—effectively came to a close. It would not return.

With the exception of Head Start, many of the programs associated with the War on Poverty met a similar fate. Symbolically, Nixon dismantled the Office of Economic Opportunity in 1974. More generally, the War on Poverty, flawed as it was, was allowed to die. Few seemed to mourn its death, and no wiser, more effective initiatives emerged in its place. In his 1981 inaugural address, Ronald Reagan captured the growing sentiment toward the War on Poverty and like programs, famously proclaiming, "In the present crisis, government is not the solution to our problems; government is the problem."[115] Later, in his 1988 State of the Union address, Reagan declared, "My friends, some years ago, the federal government declared war on poverty, and poverty won."[116]

Reagan exaggerated, but in the absence of any federal inclination to continue such a losing battle, education returned as the primary if not the sole path out of poverty and toward prosperity. Within a decade, few outside of academe would recall Christopher Jencks's *Inequality,* and Joseph Freeman's *Overeducated American* would look like a quaint period piece, its title some kind of perverse oxymoron. The problem, from then on, was not an overeducated but a critically undereducated American. And the solution—to poverty, to inequality, to the lingering effects of racism and discrimination, to sluggish growth—would, by the process of elimination alone, have to be education.

Myth and Symbolic Analysts

That brings us more or less to the present, for since the early 1980s remarkably little has changed. Rather, events only seemed to confirm the transcendent importance of education.

Consider deindustrialization. Although the United States retains a larger manufacturing base than many people realize, what *Business Week* in 1980 called "the wave of plant closings across the continent" permanently altered the economic landscape and ultimately the educational landscape.[117] Facing a falloff in productivity and competition with higher-quality imports, some American businesses went bankrupt. Others went in search of places in the United States and abroad where they could pay lower wages and not worry about unions. Barry Bluestone, whose 1982 book (written with Bennett Harrison) *The Deindustrialization of America* documented the effect of such plant closings, later calculated that "between thirty-two and thirty-eight *million jobs* disappeared during the 1970s as the direct result of private disinvestment or relocation of U.S. businesses."[118] Three out of every ten established manufacturing plants, and four out of every ten smaller industrial establishments, closed during the 1970s. The plant closings had a devastating effect on wages. Although other factors contributed, deindustrialization at least in part explains why the wages of production and non-supervisory employees in America fell by 10 percent between 1973 and 1995.[119]

In addition to depressing wages, plant closings also hastened the decline of unions, which had their base in manufacturing. The absolute number of union members climbed to 19.4 million in 1974, dipped precipitously in the mid-1970s, and though it crept back up in 1979, approaching 21 million, it fell thereafter.[120] The decline in absolute numbers, combined with a growing workforce, added up to a decreasing percentage of workers who belonged to unions. In 1954, the percentage of wage and salary workers belonging to unions peaked at 34.8 percent. By 1972, the percentage had fallen to 26.3. By 1983, it had fallen to 19.5 percent, and in 1995 fell still further to 14.3 percent. It stands at 12.3 percent today.[121] If, as they had for most of the twentieth century, workers had joined unions in the belief that doing so would raise their pay and protect their interests, fewer and fewer workers could follow that path to economic security.

Growing up in Northeastern, Ohio, twenty-five minutes from Youngstown, in the shadow of shuttered steel mills like Youngstown Sheet and Tube, U.S. Steel, Republic Steel (where my grandfather worked), and Copperweld Steel (where my other grandfather worked), among others, and with a father who worked at one of the few remaining mills (Reactive Metals, Inc.), I can attest to how these plant closures affected American beliefs about education. They put the fear of McDonald's in you. Either you studied hard and enrolled 111 college, or you took your chances in the local labor market. And for those with a high school diploma or less, those chances led, more or less, through the Golden Arches to a minimum wage job.

Figure 4.2 suggests how plant closings, the decline in union membership, and stagnant wages affected American beliefs about opportunity and education in the last forty years. It tracks the annual average income of male high school and college graduates, twenty-five and over, in constant 2009 dollars.[122]

Notice how, between 1968 and roughly 1980, the relationship between male high school and college graduates remains more or less constant. College graduates always earn more than high school graduates (about half as much more), but when one group of graduates does well or poorly, the other group rises or falls in concert. Beginning in the early 1980s, rather than parallel each other, the lines begin to diverge. The trend is less pronounced but still visible for female college and high school graduates. It also goes away a bit when you track median rather than average earnings—suggesting that a few high earners among the college graduates are artificially lifting their incomes upward. Nevertheless, the pattern could not be clearer. Around 1980, the incomes of men (and women) with high school and college educations begin to follow different paths. While the incomes of high school graduates decline, the incomes of college graduates rise. In 1980, for example, the average male college graduate earned 58 percent more than the average male high school graduate. By 1992, the average male college graduate earned twice as much as the average male high school graduate. In 2009, a man with a college degree earned 2.27 times as much as a man who had only graduated from high school.

Some might look at Figure 4.2 and conclude that the United States needed to do more to put the two lines back on the same parallel paths. Instead, many people, including most of the people who mattered, decided that we needed to shift as many people as possible from the bottom line to the top line. This despite the fact that a 1992 Department of Labor report showed that 20 percent of college graduates worked at a job that did not require a college education.[123] And this despite the fact that, as the economist James K. Galbraith put it in 1998, "what the existing economy needs is a fairly small number of first-rate technical talents, combined with a small super-class of managers and financiers, on top of a vast substructure of nominally literate and politically apathetic working people."[124]

So after a brief interregnum following the limited success of the supply-side policies of the War on Poverty, education resumed pride of place in the American economic mythos. The reasoning was as crude as it was simple. If you want to shift high school graduates closer to the college graduate income track, you should send them back to school or keep them in school longer. (The title of a 1990 publication from the National Center on Education and the Economy, *America's Choice: High Skills or Low Wages,* perhaps captures the crudity.) In particular, a group of economists and policy advisors closely associated with the Clinton administration argued that investments in education could invigorate the national economy and reduce the growing economic inequality that was shadowing the United States during the 1980s and 1990s. Galbraith called these economic and policy advisors the "competitive internationalists," or supply-side liberals, who, unlike an earlier generation of economists focused on demand-side policies like wages and taxes, proclaimed the benefits of investments in research, infrastructure, and, above all else, education.[125]

Although he has since abandoned the argument, at the time Robert Reich represented supply-side liberal thought better than anyone and, as secretary of labor during the first Clinton administration, had more influence than most. In his 1991 book *The Work of Nations,* Reich divided American workers into three broad categories: routine production workers; in-person service workers; and symbolic-analytic professionals. Of the three categories, Reich recognized that only the symbolic analysts—scientists, engineers, and consultants— thrived in the new global economy. "No longer are Americans rising or falling together," he observed, "as if in one large national boat. We are, increasingly, in different, smaller boats."[126] Two of those boats—routine production and in-person services—had gaping holes and, in terms of wages and benefits, were sinking or just managing to stay afloat. Only symbolic analysts remained seaworthy.

What to do about these different boats? In addition to making the income tax more progressive, Reich argued that the primary solution to the problem of "widening income disparities" meant "ensuring that any reasonably talented American child can become a symbolic analyst—regardless of family income or race."[127] In other words, encourage education for occupational mobility and get more people onto the college premium track. "The global economy," Reich asserted, somewhat bizarrely, "imposes no particular limit upon the number of Americans who can sell symbolic-analytic services worldwide."[128] Even those, like routine production and in-person service workers, who could not become scientists, engineers, consultants or other symbolic analysts, could nevertheless bring symbolic analytical creativity to bear upon their routine production and in-person service jobs. (Reich offered the example of a checkout clerk who, instead of merely ringing up purchases, has a computer that "enables her to control inventory and decide when to reorder items from the factory.")[129] Rather than waste time bailing out the sinking ship of routine production workers or the sluggish ship of service workers, Reich argued, the U.S. should invite as many workers as possible aboard the Good Ship Symbolic Analyst.

"So once again," Reich concluded, "comfortably integrating the American workforce into the new world economy turns out to rest heavily on education and training."[130] And once again, Reich asserted, education and training also offered a solution to "the problems of the long-term poor."[131] The poor, Reich argued, needed job-training programs, free day care, remedial courses in reading, writing, and mathematics, and, for poor children in particular, preschool programs. Ultimately, of course, they needed college degrees. It was as if the War on Poverty had never happened, never disappointed. In his defense, Reich was far from alone. In a 1999 Gallup opinion poll, roughly two-thirds of respondents thought that the government should help the poor either with more education or with better job training.[132]

Reich seems to have come around on this question, arguing recently for a larger earned-income tax credit for low-income workers, stronger unions, and harsher fines for employers that violate a worker's right to organize. Few have joined him. Despite changes in presidential administrations, despite stark economic recessions and jobless recoveries, despite stagnant poverty rates and increasing economic inequality, and despite decades of educational reform and efforts to increase access, not much, I daresay nothing, has changed. Yet education occupies as much, if not more, of a role in debates about poverty and economic inequality as it ever did. As Reich's *The Work of Nations* illustrates, the shift to a global, post-industrial economy only made the appeals to education that much more urgent.

Bang! Bang! Maslow's Hammer

So much for when and, to some extent, how opportunity came to mean educational opportunity. But that still leaves the question of why, exactly, as the twentieth century progressed, the path to economic security ran (or was thought to run) almost exclusively through the doors of schoolhouses. In the remaining pages of this chapter, I offer a number of possible explanations for this history, none sufficient unto themselves, and none mutually exclusive of the others, but that together might offer some insight into this question.

In the case of Andrew Carnegie opportunity took the form it did— libraries, learning, and hard work—because Carnegie paid for it. And he paid for it because, at least in part, he preferred that way of getting ahead to the way that workers imagined they would get ahead—by forming unions, going out on strike, and demanding higher wages. Similarly, Horace Mann's correspondents with the Carnegies of his day, the owners of mills and builders of railroads, reveal a similar, bottom-line motivation. For them, education would increase productivity and protect property. More recently, as I explore in the next chapter, businesses and their lobbies have spent hundreds of millions of dollars in the fight against organized labor. They have made less of a fuss about education. Some, in fact, have championed it.

Thus one should not underestimate the possibility that opportunity gradually came to mean educational opportunity in the United States because the owners of things—and the payers of wages—preferred it that way. It cost considerably less—and it might even turn a profit—to provide an education, even a college education, for the children of workers than it did to pay their parents more wages, especially when everyone in a community assumed the burden of paying for schools whereas employers alone signed the paychecks.

So, as the Marxists might put it, did the capitalists do it? Perhaps, but unless you believe in a particularly thorough form of false consciousness, and I suppose one cannot rule that out, "the capitalists did it" explanation does not account for why so many ordinary people— and so many well-meaning reformers—also heard and spread the good news about education. A less sinister explanation, then, might focus on the fact that for a while, and especially in recent decades, ordinary people came to believe that the path to prosperity wound through schoolhouses and colleges because it in fact did. Indeed, when young people and their parents looked around, what other conclusion could they draw?

Consider again the Rust Belt region where I grew up. The pensioners from the steel mills still warmed stools at the local bars, but all but a few of those mills had closed. Some of their sons and daughters made a decent living in the car and car part factories that were still open around town, but those places were shedding workers, rarely hiring new ones. Among the younger generation, those who had not gone to college had ended up in landscaping or auto detailing or married with children and working part-time in grocery stores. The only way to escape this Bruce Springsteen song was to go to college and join the ranks of professionals—teachers, doctors, lawyers—who alone seemed to thrive.

Few people paused to consider whether education was a necessary or sufficient solution to the problems they and their communities faced. Few wondered, that is, whether we could all be teachers, doctors, and lawyers, and whether it was fair that those who could not would in all likelihood have to struggle for the rest of their lives. If they did wonder this, and surely some must have, what could they do with this thought? What options—besides playing the game everyone else played—did they have?

To be sure, there was a bit of a self-fulfilling prophecy about all of this as well. As other opportunities for mobility or economic security disappeared, education—and only education—remained. It therefore came to carry more of our hopes and dreams than it could perhaps bear. To paraphrase the psychologist Abraham Maslow, "When all you have is a hammer, it is tempting to treat everything as if it were a nail."[133] In the last few decades, all we have had is the hammer of education. Not surprisingly, we have been tempted to treat our economic problems as if they were educational problems, admitting only educational solutions.

Of course, people had a hammer—and only a hammer—because, to continue the analogy, state and federal governments invested in hammers and did little to stop the rusting or mislaying of other tools. I suspect that those in charge of public policy, those championing education as a solution to poverty and inequality, saw the same thing as ordinary people did and drew the same hasty conclusions. Good jobs required education. And in order to create more good jobs, the nation needed more education. Thus education, education, education. Indeed, regardless of the economic question, as Lawrence Mishel and Richard Rothstein wrote in 2007, lampooning this kind of thinking, the answer was education.[134]

Moreover, if these superficially plausible economic arguments did not convince, those in charge of public policy had their own experience to draw on and to confirm the transcendent importance of education. This experience, however, may have done as much harm as good. Think of it as the narcissism of the meritocracy. After the Second World War, more and more people achieved what they did—or so they thought— because they received an education. Some rose from humble beginnings, others were born to wealth, but each pulled all-nighters and flailed through introductory chemistry to earn their college degrees and, thus, their exalted place in the world. The more generous-minded among them sought to share that opportunity with others. At some level, they must have concluded that what worked for them (a college education) must work for others, including and perhaps especially the poor.

I can guess at what those in charge may have thought because, to a certain extent, it was what I thought when I decided to offer a free, college-accredited course in the humanities to low-income adults in my community. Here too my experience proved as harmful as it did helpful. My mother, after divorcing my father, spent a few years of my childhood on the border between—and sometimes below—the near poor and poor. Yet look at me now, I thought. A real-life college professor! And all because of education! And then the fatal step: if only others had the same chance I did!

Ignored in all this, of course, was my father, who lasted in college all but a semester or two but made a decent, middle-class living because he belonged to a union, the steelworkers'. Few economists and legislators, however, stepped forward to celebrate unions with as much fervor as they did education. Fewer still, almost by definition, had themselves ever belonged to a union; 99 out of 100, however, had been to college.

Crucially, the meritocracy's fascination with its own success—and the terms of its success—limited the ways that it (I should say we) could imagine fighting inequality and poverty. To some extent, too, it limited the amount of responsibility we assumed for the problems of poverty and economic insecurity. If education provided the path to prosperity, as my own or others' biographies illustrated, all you had to do was set up the path (a good education) and leave people to their own foot power or indolence. By this logic, the achievement of economic prosperity, or the escape from poverty, became an individual rather than a national responsibility, an individual rather than a collective problem. You had been given the hammer of education. It was up to you what you built with it.

This last observation, however, points to a final and perhaps more compelling explanation for why education has assumed the explanatory and policy purpose it has in the last few decades. As psychologists have long known, people have a tendency—perhaps *need* is the better word— to believe in a Just World. "In order to plan, work for, and obtain things they want, and avoid those which are frightening or painful," the psychologist Melvin J. Lerner wrote in a landmark 1980 book, "people must assume that there are manageable procedures which are effective in producing the desired end states."[135] People must believe, that is, that they have some control over dieir world. As a corollary to this belief, stuff cannot just happen. In particular, if something bad happens to someone, it must have happened for a reason. He or she must have done something to call forth such a fate. In other words, people must "get what they deserve."[136] Otherwise, we would be forced to confront the possibility of undeserved suffering, the possibility that, as Lerner puts it, people could be "' innocent' victims of forces over which [neither] they nor anyone else had any control."[137] Hence the belief in a just world. Few want to five in such an unpredictable or unjust universe.

The need to believe in a just world has eerie parallels to what Americans believe about inequality. In their beliefs about inequality, the sociologists James R. Kluegel and Eliot R. Smith observed, the American public adheres to what they call "the logic of opportunity syllogism."[138] According to this way of viewing the world, people have plentiful opportunities to advance economically. If so, then people have only themselves to thank—or blame—for their economic fate. "Where one ends up in the distribution of economic rewards," Kluegel and Smith write, summarizing the dominant ideology, "depends upon the effort one puts into acquiring and applying the necessary skills and attitudes and upon the native talent with which one begins."[139] If how one does follows from how hard one works, then, as Kluegel and Smith put it, "the resulting unequal distribution of economic rewards is, in the aggregate, equitable and fair."[140]

Call this the belief in a just economic world. People end up where they do for a reason. They work hard or they did not work hard enough. The alternative explanation, that people end up where they do in part or in total because of forces beyond their control, is too painful to contemplate.

It makes sense, then, that Kluegel and Smith found that how much education people received influenced their views on opportunity and inequality. Those with more education tended "to see opportunity in general as more prevalent." Moreover, they "less often endorse statements supporting the justice and desirability of greater equality of incomes." Indeed, "among white men and women, the higher the years of education the less likely is one to attribute poverty or wealth to structural causes."[141] These results demonstrate a darker side to the narcissism of the meritocracy. Not only do the merited have difficulty imagining any other way to economic security than the route they took (education), but they may assume that since they did not pull up the educational ladder after them, it remains for those below them to climb or not according to their own inclination and abilities.

Kluegel and Smith acknowledge that this belief in a just economic world—and its conservative political tendencies—is tempered by what they call a more "liberal orientation," a willingness to help the victims of past (or ongoing) injustice achieve greater equality today.[142] They note, however, that "to achieve public acceptance, inequality-related policy must accommodate both the liberal orientation that provides the impetus for their existence and the conservative implications of the dominant ideology."[143] In other words, efforts to redress inequality must not violate Americans' belief in a just economic world. To put it plainly, and broadly, Americans occasionally want a more equitable society, but they want people to have earned their more equal place rather than to have had it handed to them. "A hand-up, not a handout," as Sargent Shriver, head of Lyndon Johnson's Task Force on Poverty, put it. The upshot is an American public willing to help people get ahead, but willing to do so only by increasing equality of opportunity rather than by jiggering equality of outcomes.

Education, of course, fits this bill perfectly. On the one hand, championing education satisfies people's desire to help others and correct past (or present) inequalities. On the other hand, education allows people to maintain their belief in a just world. Education, you might say, is what allows people to sleep at night. Because Americans have built schools and funded loans and scholarships, anyone who wants to get ahead can. If people cannot or do not get ahead, however, that is on them. Indeed, the nineteenth-century faith in hard work and industriousness on the job did not disappear so much as it did migrate to a belief in hard work and industriousness in school. Those who succeeded must have worked hard in school. Those who failed must have not taken school seriously.

More recent surveys tend to confirm these earlier conclusions about what Americans believe about economic inequality. As Benjamin I. Page and Lawrence R. Jacobs show in their recent work, *Class War?,* most Americans, across the political spectrum, "recognize the growth of extreme economic inequality, object to it, and favor government remedies supported by tax dollars."[144] However, Americans support some tax-supported government remedies much more than others. A majority of Americans (some 68 percent) agree with the statement that "money and wealth in this country should be more evenly distributed among a larger percentage of the people."[145] Seventy-two percent think differences in income are too large. Yet a roughly equal number of people *disagreed* (strongly or somewhat) "with the proposition that it is the government's responsibility to reduce income differences."[146]

So if Americans think that money and wealth should be more evenly distributed, yet oppose the government as the agent of distribution, how do they believe income should become more evenly distributed? Although there is considerable support for "the government setting the minimum wage high enough so that no family with a full-time worker falls below the official poverty line," there is unfailing and overwhelming support for education.[147] Eighty-one percent support tax dollars being used "to help pay for ... early childhood education in kindergarten and nursery school."[148] Seventy-seven percent think "government should make sure that everyone who wants to go to college can do so."[149] An astounding 87 percent believe "government should spend whatever is necessary to ensure that all children have really good public schools they can go to."[150] In short, Americans want to increase equality of opportunity, largely through support of education, in the hope—or conviction—that doing so will reduce economic inequality. They seem to believe this despite a shortage of evidence and, indeed, considerable evidence to the contrary.

If so, then another gloss on Maslow's aphorism would seem to be in order. Where the analogy between Maslow's hammer and American attitudes toward inequality breaks down is that Maslow implies that if he could, the holder of a hammer would prefer to have other tools to hand. He recognizes, at some level, that the screw in the drywall is not a nail and requires a screwdriver and not a hammer. By contrast, in the fight against inequality and poverty, Americans have willingly tossed out almost every other tool in their toolbox. The hammer of education is the only thing that feels good in their hands. When all you *want* is a hammer, everything must be a nail.

So why, particularly since the Second World War and the G.I. Bill, has opportunity come to mean educational opportunity? Sure, the capitalists had something to do with it, but so did everyone else. Education is one of the few policies that fits Americans' generous yet at the same time punitive beliefs about inequality and justice. In the next chapter, I make the case for why we should put down our hammers and experiment with other, more appropriate tools for the job at hand.

Chapter 5
Belling the Cat

***Editors note: There are numerous figures, charts, and graphs that could not be reproduced in this format. The editor encourages consulting the book for this information.**

On January 11, 1944, Franklin Delano Roosevelt, sick with the flu, did not, as custom usually dictated, stand before Congress to deliver his State of the Union address. Rather, he took to the nation's airwaves, and the State of the Union became a fireside chat.

With victory in the Second World War in sight, Roosevelt urged Americans to consider "the future peace."[1] "Sacrifices that we and our allies are making," he told the nation, "impose upon us all a sacred obligation to see to it that out of this war we and our children will gain something better than mere survival."[2] Roosevelt proposed "security" as the "one supreme objective for the future."[3] Hearkening back to his 1941 State of the Union speech (often called the Four Freedoms speech), Roosevelt reminded the nation that security meant freedom from fear, including freedom from "disturbers of the peace" like "Germany, Italy, and Japan."[4] However, "freedom from fear," Roosevelt observed, "is eternally linked with freedom from want," and therefore he offered that "an equally basic essential to peace is a decent standard of living for all individual men and women and children in all Nations."[5] To ensure that decent standard of living for Americans, Roosevelt proposed "an economic bill of rights" and asked "Congress to explore the means for implementing" it.[6]

For many liberals and social democrats, the speech is a Sermon on the Mount, full of principles and aphorisms that might guide national policy and measure progress toward economic justice.[7] You almost always find it quoted at some length. So shall you here. "It is our duty now to begin to lay the plans and determine the strategy for the winning of lasting peace," Roosevelt told the country,

> and the establishment of an American standard of living higher than ever before known. We cannot be content, no matter how high that standard of living may be, if some fraction of our people—whether it be one-third or one-fifth or one-tenth—is ill-fed, ill-clothed, ill-housed, and insecure.
>
> This Republic had its beginnings, and grew to its present strength, under the protection of certain inalienable political rights—among them the right of free speech, free press, free worship, trial by jury, freedom from unreasonable searches and seizures. They were our rights to life and liberty.
>
> As our Nation has grown in size and stature, however—as our industrial economy expanded—these political rights proved inadequate to assure equality in the pursuit of happiness.
>
> We have come to a clear realization of the fact that true individual freedom cannot exist without economic security and independence. "Necessitous men are not free men." People who are hungry and out of a job are the stuff of which dictatorships are made.
>
> In our day these economic truths have become accepted as self-evident. We have accepted, so to speak, a second Bill of Rights under which a new basis of security and prosperity can be established for all—regardless of station, race, or creed.
>
> Among these are:
>
> The right to a useful and remunerative job in the industries or shops or farms or mines of the Nation;
>
> The right to earn enough to provide adequate food and clothing and recreation;
>
> The right of every farmer to raise and sell his products at a return which will give him and his family a decent living;
>
> The right of every businessman, large and small, to trade in an atmosphere of freedom from unfair competition and domination by monopolies at home or abroad;

> The right of every family to a decent home;
> The right to adequate medical care and the opportunity to achieve and enjoy good health;
> The right to adequate protection from the economic fears of old age, sickness, accident, and unemployment;
> The right to a good education.
> All of these rights spell security. And after this war is won we must be prepared to move forward, in the implementation of these rights, to new goals of human happiness and well-being.
> America's own rightful place in the world depends in large part upon how fully these and similar rights have been carried into practice for our citizens. For unless there is security here at home there cannot be lasting peace in the world.[8]

Since Roosevelt's speech, the United States has compiled an uneven record in securing these rights for its citizens. On the one hand, the Health Care and Education Reconciliation Act of 2010 took tentative steps toward achieving the right to adequate medical care, as, earlier, did Medicare and Medicaid. Social Security, Supplemental Security Income, workers' compensation laws, and unemployment insurance mitigate the economic fears of old age, sickness, accident, and unemployment, but these programs have by no means eliminated these fears. On the other hand, no one has a right to a useful and remunerative job, or the right to earn enough to provide adequate food and clothing and recreation, or the right to a decent home. True, the United States has a slightly better record on the last right, the right to a good education. Still, no one can read Jonathan Kozol on the savage educational inequalities between rich and poor, black and white, or contemplate long the fact that rich dumb kids go to college at the same rate as poor smart ones and wholly believe that the United States has guaranteed this right.

For my purposes here, though, it does not matter *whether* Americans have a right to a good education or *whether* that right is being honored; rather, what matters is the *status* of that right on Roosevelt's second Bill of Rights. Notice that Roosevelt does not make one right dependent upon another. Each right has, as it should, an independent status as a right. Thus, for example, the right of every family to a decent home does not depend on the right to a useful and remunerative job. The two rights might be linked by, say, how much a worker makes in wages, but even the unemployed or underpaid have a right to a decent home. No right depends upon or requires another.

Why does this matter? Because within the past few decades, the United States has made more and more economic rights—the right to a useful and remunerative job, the right to adequate food and clothing and recreation, the right to a decent home, the right to adequate protection from economic fears—more and more dependent upon one right in particular, the last, the right to a good education. Today, the right to a good education is less a right than a requirement, the requirement from which many if not most of the other rights flow. The problem, however, arises in that as soon as you make one right dependent on another right, or the outgrowth of another right, the dependent or secondary right ceases to be a right. Consider the original Bill of Rights. Your right to due process of law does not depend on earlier having made use of your right to freedom of speech. Even if you never wrote or uttered a controversial phrase in your life—regardless, in fact, of what kind of speeches you make—the government cannot lock you up unless it has a good reason to do so.

No one, of course, has any constitutionally protected economic rights, at least in the sense that you have a constitutionally protected right to freedom of speech or to due process of the law. Nevertheless, the United States acknowledges—and provides the resources for— some of Roosevelt's economic rights (the right to a good education) more than others (the right to a useful and remunerative job). As a result, Americans can exercise some economic rights but not others. Throughout this book, I have argued that the United States, especially in its recent past, pays far too much attention to one economic right— the right to a good education—and far too little attention to others. We seem to have assumed that if you take care of one right the other rights will take care of themselves. Indeed, we seem to have believed that if we acknowledged and guaranteed some rights—the right to a decent and remunerative job, the right to a decent home—we might undermine incentives to exercise the supposedly crucial right, the right to a good education. If that happened, or so many believe, all economic hell would break loose. To compete internationally, spur economic growth, and generate decent and remunerative jobs for as many people as possible, the conventional wisdom holds, as many people as possible must exercise their right to a good education. Whether for people or nations, education, as all the posters, public figures, and public service announcements proclaim, is fundamental.

Little evidence exists, however, to support these beliefs. Regardless of how much use the poor make of their right to a good education, there are not enough decent and remunerative jobs—there are not even enough indecent and low-paying jobs—to go around. The number of heads of households living in poverty outnumbers the supply of job openings that would lift their holders and their families above the poverty threshold. As far as national policies go, too, investments in education have not always had the dynamic effect on economic growth that many economists and certainly most newspaper columnists would like to believe. However, even if investments in education had an obvious and positive effect on economic growth, in the last few decades most Americans have not shared in that growth. As I discuss below, while productivity has grown, wages have fallen or stagnated, and inequality has increased. On a more individual level, earning a degree, high school but especially college, undoubtedly improves your chances at finding a "useful and remunerative job," as well as your chances of securing your other economic rights. However, according to the most generous (and self-interested) estimates, one-third of the jobs that the economy creates over the next decade or so will require, at best, a high school degree. Other projections place the proportion of high school-degree-only jobs even higher, closer to half. More people with college degrees will not make those jobs pay any more than they do. Finally, though some countries that are committed to raising the educational attainment of their citizens have grown more equal, some have grown more or less equal regardless of how much longer or shorter a time their citizens remained m school.

Whether the nation or individuals make those investments, then, something besides investments in education must occur before a majority of Americans can share in economic growth or the existing material wealth of the United States. We cannot, to reiterate my subtitle, teach or learn our way out of poverty and inequality. That is perhaps why I admire Roosevelt's speech as much as I do. It offers a different way of viewing the world, one that we may have forgotten but would do well to remember. Roosevelt acknowledges that regardless of how wealthy a country grows, and on a per capita basis the United States is one of the richest countries in the world, that wealth means nothing unless and until everyone achieves security and prosperity. Similarly, whereas the United States has imagined itself as the land of opportunity and fixated, in recent decades, on education as the preeminent form that opportunity takes, Roosevelt offers a different vision for the nation. Security, for Roosevelt, at least as much as opportunity, is what matters. Indeed, opportunity goes unmentioned, although I do not believe that Roosevelt thinks opportunity does not matter. Rather, opportunity, including educational opportunity, emerges from a foundation of economic security. For the purposes of this book, though, the most radical part of Roosevelt's speech is what I cited above. The right to a good education is an economic right, but it is by no means the only economic right. Moreover, those who do not or cannot take advantage of their right to a good education do not surrender their other rights. Indeed, the right to a good education may come last on Roosevelt's list not because it is the most important right, but because it is the least important.

Our world has changed a great deal since Roosevelt's speech. But it has not changed so much that his catalogue of rights, the relationship among those rights, or even the ordering of them has been made obsolete. Far from it.

In the remainder of this final chapter, I offer some preliminary answers to some questions raised but postponed in the course of this book. If education, or lack thereof, has not caused poverty or economic inequality, what has? If we cannot teach or learn our way out of poverty and inequality, how can we find our way out of these ills? And what stops us? Finally, if education does not have much to do with poverty and inequality, either as an explanation or a solution, what should it do instead? My answers to all these questions, however, start from the same premise as Roosevelt's speech. Each of us has a right to a good education. Yet each of us has other economic rights as well. We should not make those other economic rights dependent upon how far one goes—or how short one comes up—in exercising his or her right to a good education.

If Not Education, What?

Compared to debates about why incomes have grown so unequal over the last thirty years, the debate about why people are poor seems like child's play. Either someone is poor because they do not work enough, whether because they cannot (disability, lack of jobs, child care responsibilities) or will not (laziness), or they are poor because they do not get paid enough for the work they do.

If so, then a couple of solutions present themselves. Number 1: Get more unemployed or underemployed poor people into the labor market. Number 2: Increase the earnings of those who work but do not earn enough to escape poverty. Or Number 3: Increase the income of those who cannot (or even will not) find work.

Of course, Number 1 seems preferable, but the United States economy would need to create a lot of jobs—an unprecedented number, really—to move the unemployed poor into the ranks of the prosperously employed. In the fall and winter of 2000, for example, at the height of the dot-corn bubble, the unemployment rate in the United States fell to 3.9 percent, the lowest it had fallen since 1970.[9] Sure enough, the poverty rate fell as well, to 11.3 percent, its lowest point since the early 1970s.[10]

Still, even at 11.3 percent, over 30 million people lived in poverty. Nearly 17 million were between the working ages of eighteen and sixty-four. Of the poor aged sixteen and older, 6.1 million worked part-time and 2.4 million worked full-time year-round. That left roughly 10.9 million poor people between the ages of eighteen and sixty-four without a full-time job.[11] Assume that not all 11 million of those un- or underemployed poor could work full-time jobs—whether because of school, disability, retirement, or caregiving responsibilities. Nevertheless, in order to move the un- and underemployed poor into the labor market, the U.S. economy would need to create millions of additional jobs—over and beyond the millions of jobs it needs to create simply to keep up with population growth. It has not shown that it can do this or do this for any extended period of time. Remember, this discussion deals with the year 2000, when the U.S. economy came as close to full employment as it had in a long time. Today, with the poverty rate at 14.3 percent, and unemployment over 9 percent, the picture would look even bleaker. So it is tempting to say these laggards in poverty should work, but if you could not get a job in 2000, in the wake of the Personal Responsibility and Work Opportunity Act, which placed limits on how long one could receive welfare benefits, and with the unemployment rate below 4 percent, when could you get a job? I doubt even an ambitious, fully-funded public works program could create the number of jobs it would take to move the able-bodied, un- and underemployed poor into full-time work. If so, then we shall always have the (unemployed) poor among us, as Christ put it. Though job creation or full employment policies may move some of the poor into the labor market job creation and full employment, like education, will not end poverty.

Moreover, having a job does not guarantee you will not live in poverty. In 2000, despite having full-time jobs, 2.4 percent of workers—about 2.4 million workers in total—lived in poverty, and these working poor constituted about 12 percent of all poor people age sixteen and older.[12]

(In 2009, the rate was 2.7 percent of workers and 2.6 million workers in total.) Add the family members of the working poor—including children below age sixteen—and you have an enormous working-poor problem. (Raise the threshold to 200 percent of the poverty level, as the Working Poor Families Project does, and, as of 2009, slightly fewer than 1 out of every 3 families is a low-income working family. That means over 45 million people live in low-income working families.)[13] Hence, in addition to Number 1, the need for strategy Number 2: increase the earnings of those who work but do not earn enough to escape poverty. You can do that in one of two ways. Either increase how much workers earn or increase how much the federal government redistributes to them. The first would mean increasing workers' bargaining power, which I explore below. The second would mean expanding programs like the Earned Income Tax Credit, which does a fair job of lifting the working poor out of poverty but could do more. Although market fundamentalists might object, I think most Americans would agree that if you have a full-time job, you and your family should not live in or anywhere near poverty.[14]

In any case, neither creating jobs for the poor nor paying them more for the work they do will wholly eradicate poverty. Hence the need for strategy Number 3: increase the income of those who cannot find work.

As a number of scholars have demonstrated, before governments step in to tax and redistribute earnings, the United States economy does not generate *that* many more poor people than other advanced countries. In fact, European countries achieve their famously lower poverty rates not because they practice a gentler kind of capitalism, but because they offer far more generous—and, in some cases, simply more numerous—social programs aimed at the poor and unemployed. In addition to more worker-friendly labor market policies and a more progressive income tax structure, European Union countries devote nearly twice as much of their Gross Domestic Product to social spending than does the United States (18.1 percent versus 10.7 percent).[15] Using relative rather than absolute definitions of poverty, for example, in the mid-2000s, Canada had a poverty rate of 23.1 percent before taxes and transfer payments. In the same year, the U.S. economy generated roughly the same levels of relative poverty, 26.4 percent. After taxes and transfer payments, however, Canada reduced its poverty rate to 12.0 percent. By spending less on government programs that might lift the poor out of poverty, 17.1 percent of people in the United States continued to live in poverty, considerably more than any comparable country and often twice if riot three times that of other industrialized countries. That bastion of social democracy, Sweden, would have had 26.7 percent of its population living in poverty without government programs. With government programs, their poverty rate fell to 5.3 percent.[16]

Other countries have not discovered some secret formula for reducing poverty. They simply pay for it. The United States could, too, if it wished. It does not, of course, but that does not mean it could not or it should not.

To put it generously, education has a minimal role to play in any of these strategies. Education may ease a few more people into the labor market, or indirectly create a few more jobs, but as befits a problem defined largely by a lack of resources, it will take resources—jobs, higher wages, more generous welfare and redistribution programs—to solve it.

Economic Inequality

In September 2010, on Slate.com, the journalist Timothy Noah conducted a widely followed, extended inquiry into the causes of what he called, variously, "The United States of Inequality" and, following the economist Paul Krugman, "The Great Divergence."[17] Both terms refer to the dispiriting figures on growing income inequality—the ballooning proportion of the nation's income going to the top 1 percent, the failure of all but the highest-income Americans to share in the economic growth of the past two or three decades—which I discussed in chapter 1. After consulting all the right sources and talking to all the right experts, Noah rejected some causes for the Great Divergence, minimized others, and nominated a few as the guiltiest parties. Race, gender, single parenthood, and skill-biased technological change, that is, "the imagined uniqueness of computers as a transformative technology," Noah concluded, were responsible for none or virtually none of the Great Divergence. Immigration and tax policy, he estimated, were each responsible for 5 percent, and global trade, 10 percent. The decline of labor, he guessed, was responsible for 20 percent.[18]

For Noah, two factors brought about the Great Divergence more] than any others and combined had more to do with the rise in economic inequality than the rest of the factors put together. Noah believed that what he called "Wall Street and corporate boards' pampering of the Stinking Rich" was responsible for 30 percent of the growth in economic inequality. (By "Stinking Rich," Noah meant the top .01 percent of income earners, mostly corporate executives, who have done gloriously, in fact extraordinarily well in the last two decades.) Noah ascribed the remaining 30 percent of the growth in income inequality to "various failures in our education system." Noah, a convert to Goldin and Katz's book *The Race between Education and Technology,* adopted their thesis that "the education system has not been able to increase the supply of better-educated workers, and so the price of those workers (i.e. their incomes) has risen faster relative to the general population."[19]

Although I would quibble with some of Noah's emphases, particularly the weight he ascribes to educational failures, Noah has more or less captured the causes of growing income inequality in the United States in the last thirty years. So when people wonder what, if not education, has led to the increased economic inequality in the United States, Noah's list serves as well as any other.

Nevertheless, by isolating each cause, Noah may overlook what most of the more important causes, with the exception of educational failures, all have in common. And what do most of these causes, particularly the most important ones—global trade, the decline of labor, the rise of the Stinking Rich—have in common? They have resulted from, and in some cases further caused, the loss of bargaining power of the average worker. If you are looking for a single cause for the Great Divergence, look no further.

According to standard labor market theory, bargaining power refers to your ability to induce an opponent to agree to your terms. In the labor market, employers bargain with employees, and vice versa, although, as economists have long recognized, employers usually have much more bargaining power than workers. As long ago as 1776, in *The Wealth of Nations,* the philosopher and political economist Adam Smith observed:

A landlord, a farmer, a master manufacturer, a merchant, though they did not employ a single workman, could generally live a year or two upon the stocks which they have already acquired. Many workmen could not subsist a week, few could subsist a month, and scarce any a year without employment. In the long run the workman may be as necessary to his master as his master is to him; but the necessity is not so immediate.[20]

In other words, employers need workers. But workers *really* need to work. Moreover, when many qualified workers compete for a single job opening—when, that is, unemployment is high or employment anything less than full—the employer acquires even more bargaining power than workers. In general, if you are a worker, desperate for work, competing for work with equally desperate workers, and the rent is due or the refrigerator is empty, you will likely accept whatever wage an employer deigns to offer, so long as, and perhaps not even then, it would pay the rent or put food on the table. Employers, for the most part, do not operate in such a state of emergency.

But over the years workers have slowly accumulated more bargaining power. Minimum wage laws, for example, provide something like a bargaining-power floor. Regardless of how much advantage employers may gain over workers, or how many workers compete for a single opening, employers cannot pay less than the reigning minimum wage. By temporarily propping up wages, unemployment insurance enables workers to remain slightly choosier in terms of which work (and at what wages) they will accept, at least while the insurance lasts. (In the United States, it generally lasts around twenty-six weeks.) Similarly, tight labor markets, or what economists call full employment, when the unemployment rate is low and job openings abound, increase demand for workers and thus the wages employers must offer in order to purchase their labor. Skills, too, shift bargaining power in the direction of workers, so long as those with that skill can limit the number of workers who have it. (Think of doctors, or more mundanely, plumbers, who can charge as much as they do because they have skills that many people need and, usually, need quite urgently.)

One labor market institution, however, has historically provided ordinary workers with the greatest amount of bargaining power: unions. Quite simply, unions give workers bargaining power because they make it possible for workers to strike. If I demand a raise from my boss, and he turns me down, from the boss's perspective, the worst that will happen is that I quit. That may inconvenience my boss, but it will not much harm his bottom line. If all the workers at an establishment go to the boss and demand a raise, however, the boss has much more to lose if he turns them down. His workers may go on strike, which will harm production and profits. To avoid these losses, as one popular economics textbook dryly but accurately puts it, "the employer will voluntarily pay a higher wage or provide greater fringe benefits and improved working conditions than it would in the absence of a union."[21]

For evidence of this phenomenon, consider the differences in wages that otherwise identical workers receive merely because they do or do not belong to a union. In 2003, a trucker who belonged to a union made, on average, $16.47 an hour. A trucker who did not belong to a union made, on average, $12.60 an hour, for a difference of $3.87.[22] Or imagine that you are a health aide, one of the fastest-growing occupations in the United States. If you belonged to a union, you would make $12.19 an hour. If you did not belong to a union— $8.86 an hour.[23] The Bureau of Labor Statistics found that the average blue-collar worker who belonged to a union received $4.12 per hour more than a similar worker who did not belong to a union.[24] The wage differential rises even higher for workers in service occupations. There, a union worker earned $5.63 more than his or her non-union counterpart.[25] A later study by the Bureau of Labor Statistics concluded: "In 2007, among full-time wage and salary workers, union members had median usual weekly earnings of $863 while those who were not represented by unions had median weekly earnings of $663."[26] A still later analysis by Lawrence Mishel, Jared Bernstein, and Heidi Shierholz found a union wage premium of 14.1 percent overall(17.1 percent for men and 10.7 percent for women) and a considerable premium in terms of benefits.[27] Unionized workers are more likely to have employer-provided health insurance, employer-provided pensions, and more paid time off.[28]

But, as discussed in chapter 4, since the 1950s, fewer and fewer workers (in absolute numbers and as a share of all workers) belong to unions. In 1955, the percentage of wage and salary workers belonging to unions reached 33.2 percent. By 1975, the percentage had fallen to 25.5. By 1983, it had fallen to 20.1 percent, and in 1995 fell still further to 14.9 percent. In 2009, it limped in at 12.3 percent, and for the first time in history, unionized workers in the public sector (state, federal, and local government) outnumbered unionized workers in the private sector.[29]

It would stand to reason that if unions increase bargaining power, then the decline of unions would also decrease it. If so, then the decline in unions that occurred over the last fifty years should show up as a decline in bargaining power and a decline in wages. And so it does, even if the decline of unions can explain a lot—but not all—of the decline in bargaining power and wages. The economists Frank Levy and Peter Temin have devised what they call a Bargaining Power Index. Basically, they add up how much employers paid workers in earnings and fringe benefits and divide that number by the total value of all the goods and services produced in the United States. The ratio captures "the share of total output per worker that the average full-time worker captures in compensation."[30] Their graph, Figure 5.1, is as revealing as it is disturbing.

The bottom line represents the bargaining power index for all full-time workers ages 21 to 65 from the 1960s to 2005. Whereas full-time workers used to capture 60 percent or more of what they made, by 2005 they had captured just slightly over 40 percent of that output.

Figure 5.2 offers a different version of the same story.[31] The chart tracks productivity (labeled "productivity-enhanced," for reasons I will explain in a moment) and the inflation-adjusted weekly wages of production and non-supervisory workers from 1947 to the present. From 1947 to the early 1970s, weekly wages more or less keep pace with productivity. That is, as the economy could produce—and sell— more and more goods and services relative to the number of hours worked, workers received a more or less equal share of the value of those new goods and services in compensation. (By the way, this does not mean that workers captured all the profits that accrued from increases in productivity. Needless to say, businesses still turned a profit from 1947 to 1973.)

Beginning in the early 1970s, and reaching a point of no return around 1980, productivity continues to grow—the economy continues to make more and more things—but wages fall and then level off. In 1973, the weekly wages of production and non-supervisory workers peaked at $746. Today, they have stalled out at $612 per week. As with the bargaining power index, in the mid-1970s, perhaps slightly earlier, something happens that dislodges wages from the growth of the economy as a whole. Adding increased costs of capital depreciation and benefits, particularly health care, accounts for some but nowhere close to all of the difference between wages and productivity.[32] In short, workers received virtually none of the increased productivity of the economy. One journalist has calculated that if wages kept pace with productivity, as they did in the period between 1947 and, say, 1973, production and non-supervisory workers, instead of earning $612 per week, would have earned $1,171 per week (this is what "productivity-enhanced" refers to in Figure 5.2). That is, instead of earning $31,824 per year, as the average employee currently does, he would have earned $60,892 per year.

So where did increases in productivity go if it did not to production and non-supervisory workers? Some of it remained in the form of corporate profits, which, even after the recession began in 2008, are at a record high.[33] Some of it, what remained in the form of wages, anyway, went to the top 1, 5, and, to a much lesser extent, 10 percent of workers, thus driving up inequality. (For the most part, these top 10-percent types are not your average production and non-supervisory worker.) Look again at Temin and Levy's graph, Figure 5.1. They pair the bottom line', the bargaining power index, with the top line, which charts the percentage of income that went to the top 1 percent of all income earners. Beginning in 1985 or thereabouts, this cadre of the Stinking Rich, to use Noah's term, began to do very well indeed. They thrived in part because they began to earn more income in the form of wages, but also because they could then convert that income into wealth (stocks, bonds, cash, real estate), which generated still more income, not in the form of wages but in the form of non-wage incomes like interest, dividends, capital gains.

This shift of income from ordinary workers to the already well-off may explain why, as the journalist Kevin Dram put it, the top 1 percent had "so much idle cash lying around to do stupid things with," like invest in pets.com or synthetic collateralized debt obligations.[34] It may also explain why Wall Street and corporate boards could pamper the Stinking Rich, again to use Noah's terms, as much as they did. Suddenly, there was a lot of cash lying around, and the Stinking Rich, whether in the world of finance or atop large corporations, could help (for an exorbitant price) the other members of the Stinking Rich, Sort of Rich, and the Plain Old Rich to dispose of their newfound income and earnings.

But none of that feathering of nests, or at least less of it, would have happened if bargaining power had kept pace with productivity, which would not have allowed so many feathers to accumulate in so few nests, so to speak. To my mind, that is another way of saying that none of that feathering, or less of it, would have happened had workers continued to form or to belong to unions.

If unions explain so much of rising inequality, then why does Noah ascribe only 20 percent of the increase in economic inequality to their decline? He does so based on a paper written by the economist David Card, who examined the effect of unions on wage inequality in the United States between 1973 and 1993.[35] Card concluded that "since the fraction of women belonging to unions was relatively stable over the two decades under examination, shifts in unionization explain almost none of the rise in overall wage inequality among female workers."[36] For men, Card estimated, "the decline in union membership ... explains a modest share—15 to 20 percent—of the rise in overall wage inequality."[37] Card's analysis returned lower wage differentials between union and non-union workers than most previous studies. He settled on these lower figures based on the finding that "unionized workers with low observed skill characteristics tend to have higher unobserved skills than their nonunion counterparts, contributing to their apparent wage advantage."[38] In other words, workers in unions would have made more than their nonunion counterparts even if they did not belong to unions. Noah, then, actually breaks with Card by ascribing 20 percent of the increase in economic inequality to the decline of unions. According to Card, given how little effect unions had on generating income inequality among women, it should be far less.

Noah should have broken far more, though. While Card accounts for how unobserved skills affect union wage differentials, he leaves out other factors that might ascribe greater importance to the role of unions in increasing inequality. When a critical mass of workers in a given industry belongs to unions, for example, non-union employers may— and often do—raise wages and benefits to approximate the wages and benefits of union workers and thus keep their workplaces non-union. Unions, in other words, pull up the wages of even non-union workers.[39] Economists call this the "union threat effect." Conversely, when union membership as a share of the workforce declines, unions cannot exercise this gravitational pull on non-union wages. Beyond wages, unions can also affect the realm of public policy, where actions—or inaction, as the case may be—can have enormous economic consequences. "In the United States, and elsewhere," the political scientists Jacob Hacker and Paul Pierson write, "unions are the main political players pushing leaders to address middle-class economic concerns and resisting policy changes that promote inequality."[40]

For these and other reasons, I suspect that the decline of unions has played a more important role in the increase of economic inequality than either Card or Noah acknowledge. Consider one additional graph, Figure 5.3.[41]

The top line tracks the Gini index of income inequality for all full-time, year-round workers. As you perhaps do not need to be told at this point, it has gone up. The bottom line tracks the percentage of workers who belong to unions. As the line measuring inequality rises, the other line, the percentage of workers in unions, falls. Indeed, by 2008, the lines look like the open mouth of a crocodile. Or, since I am an English professor, like the two roads that diverge in a yellow wood of Robert Frost's deceptively fatalistic poem, "The Road Not Taken." Other images will suggest themselves to you. But the point is that as union membership declines, economic inequality increases and that, to quote Frost, has made all the difference.

Correlation, as even English professors know, is not causation, but the decline in union membership—or something closely correlated with the decline in union membership—seems to have caused a significant part of the increase in economic inequality. Even so, the decline of unions cannot tell the entire story. Bargaining power and labor's share of productivity begin to decline, at the earliest, in the early 1970s, whereas the percentage of workers organized into unions began to decline twenty years earlier in the 1950s. Given the union threat effect, perhaps the decline reached some sort of tipping point in the mid-1970s—when the threat began to seem less threatening, as it were—but that would be hard to prove. Moreover, Gini ratios of economic inequality for individual states do not correlate especially well with the percent of employed workers in those states who belong to unions. To a lesser extent, the same goes for comparisons across countries. For every Sweden, which has the lowest Gini index among

European countries *and* 90 percent of its workforce covered by collective bargaining, there is also a Portugal, which has 80 percent of workers covered by collective bargaining yet a Gini index not too far below the United States.[42] Of course, some of these differences may owe not just to how many workers belong to a union but how those unions function in any given country. These anomalies aside, in general there is a fairly strong correlation between union coverage and equality. As percentage of the workforce covered by collecting bargaining increases, inequality decreases.[43]

All the same, the decline of unions must represent only one of several "labor market institutions and social norms" that the economists Thomas Piketty and Emmanuel Saez believed would explain the rise of income inequality in the United States.[44] (Piketty and Saez's 2003 paper, "Income Inequality in the United States, 1913-1998," jump-started the latest round of scholarly and lay interest in the question of economic inequality.) Fear of inflation, for example, has kept various chairmen of the Federal Reserve from adopting monetary policies that would encourage full employment, tighter labor markets, and thus higher wages for workers.[45] (Come to think of it, those conditions—full employment, tight labor markets—also make it easier for workers to join unions, so perhaps fear of inflation itself has something to do with the decline of unions.) Moreover, the minimum wage, like wages more generally, has failed miserably to keep up with productivity. In fact, before Congress raised it in 2008 and again in 2009, it had fallen to the smallest share of output per worker since its inception.[46] On the other end of the income spectrum, confiscatory top federal tax rates on income once held down the wages of the very rich. In 1945, for example, the top tax rate was 94 percent. It remained above 90 percent through the 1950s and early 1960s, declined to 70 percent in the 1960s and 1970s, and remained as high as 50 percent as late as 1986. In Ronald Reagan's last year of office it was lowered to 28 percent, and since then has inched upward to where it stands today at 35 percent. Top tax rates at or above 90 percent tamped down incomes at the top not just because the federal government seized that income in taxes, but also because high tax rates discouraged businesses from paying inflated salaries in the first place.[47] More symbolically, steep top tax rates signaled that there was something unjust about stratospheric incomes.

Nevertheless, what Noah lists as separate causes of the Great Divergence—global trade, the decline of labor, the rise of the "Stinking Rich"—may flow from a more singular cause, the decline in bargaining power. To my mind, the decline of unions played an important, perhaps decisive role in the decline of bargaining power, but the gradual failure of other institutions and norms (full employment, the minimum wage, tax policy, simple human decency) that once kept wages and income fairly compressed must have played a role as well.

In any event, causes do not necessarily imply solutions. In other words, solutions are not always the problem in reverse. For example, assume for the sake of argument that education did contribute 30 percent of the rise in income inequality over the last three decades, as Noah believes, or an even higher percentage, as Goldin and Katz would no doubt claim. As I argue in chapter 2, you would not necessarily have to fix education to fix income inequality. Other policies besides those that caused it might reduce income inequality more efficiently. If the United States truly sought to do something about economic inequality, for example, it could raise taxes on high earners, distribute those taxes to low earners—or reduce the taxes of low earners—and voila, post-tax, post-transfer income inequality falls while education remains untouched. Through similar tax and redistribution schemes, you could make incomes more equal tomorrow without enabling more workers to join unions, without increasing bargaining power, or without raising the minimum wage.

As even a casual observer of the American political scene could gather, the United States has a better chance of replacing the stars and stripes with the hammer and sickle than it does of adopting these sorts of radically progressive tax and redistributive policies. The shouting in early 2011 is not about whether to raise taxes on the rich, but whether the top tax rate should return to 39.6 percent, where it was before the Bush tax cuts, or remain at 35 percent, where it was after the Bush tax cuts. Good luck getting back to 90 percent, or even 50 percent. (Good luck, in fact, getting back to 39.6 percent. In exchange for extending unemployment benefits and a payroll tax deduction, President Obama and Congress agreed to extend the Bush tax cuts for an additional two years.)

Short a revolution in tax policy, then, to combat the great—and continuing—divergence of income in the United States, ordinary workers need to capture more of the total output of the economy, which is another way of saying they must acquire more bargaining power. For that to happen, I am convinced, they need to form and join more unions.

Belling the Cat

Enabling more workers to join unions would go far toward increasing bargaining power. (And we know that more workers want to join unions than currently belong to them. More on this below.) But other policies might do so as well. Indeed, a surprising consensus among left-leaning economists and policy gurus exists about what it would take to increase bargaining power and share prosperity more generally. In his recent book, *Aftershock,* Robert Reich, newly converted to Keynesian demand-side policies, lists what I have come to think of as "the formula": the catalogue of public policies that would stop and perhaps reverse growing economic inequality in the United States. Discussing the period between 1973 and the present—otherwise known as the Great Divergence—Reich says the following:

> The real puzzle is why so little was done in response to these forces that were conferring an increasing share of economic growth on a small group at the top and leaving most other Americans behind. With the gains from that growth, the nation could, for example, have expanded our educational system to encompass early-childhood education.' It could have lent more support to affordable public universities, and created more job retraining and more extensive public transportation.
>
> In addition, the nation could have given employees more bargaining power to get higher wages, especially in industries sheltered from global competition and requiring personal service—big-box retail stores, restaurants, hotel chains, and child and elder care, for instance. We could have enlarged safety nets to compensate for increasing anxieties about job loss: unemployment insurance covering part-time work, wage insurance if pay dropped, transition assistance to move to new jobs in new locations, insurance for entire communities that lose a major employer so they could lure other employers. We could have financed Medicare for all. Regulators could have prohibited big, profitable companies from laying off a large number of workers all at once and required them to pay severance—say, a year of wages—to anyone they let go, and train them for new jobs. The minimum wage could have been linked to inflation.
>
> Why did we fail to raise taxes on the rich and fail to cut them for poorer Americans? Why did we fail to attack overseas tax havens by threatening loss of U.S. citizenship to anyone who keeps his money abroad in order to escape U.S. taxes? America could have expanded public investments in research and development, and required any corporation that commercialized such investments to create the resulting, new jobs in the United States. And we could have insisted that foreign nations we trade with establish a minimum wage that's half their median wage. That way, all citizens could share in gains from trade, setting the stage for the creation of a new middle class that in turn could participate more fully in the global economy.[48]

Reich's version of "the formula" is more extensive and, perhaps, more ambitious than most, but not by much. With the exception of education and training, which, as I have argued, will not greatly affect economic inequality, these policies would have helped and, if adopted now, would help ordinary workers achieve some of the economic security that Roosevelt made the "one supreme objective for the future."

Nevertheless, as Reich later admits, an air of unreality hangs about proposals like these. Indeed, whenever I read catalogues of eminently reasonable policy proposals like those Reich offers, I think of Aesop's fable "Belling the Cat." In this fable, the mice all agree that a bell on the cat would announce her approach and keep the mice safe. Yet as one old mouse rises to observe, "That is all very well, but who is to bell the cat?" When no mouse volunteers for the job, the old mouse concludes, "It is easy to propose impossible remedies." Alas, Reich's parade of policies seems like a list of impossible remedies.

Why? In the spirit of cats and mice, take my pet solution, unions. We know from surveys that many more workers want to join unions than currently belong to them. According to a survey conducted in the mid-2000s, 53 percent of the non-union workforce wants union representation. Combine those workers with the workers who already belong to unions, 90 percent of whom would vote to keep their unions if given the choice, and, as the Harvard labor economist Richard B. Freeman puts it, "if workers were provided the union representation they desired in 2005, then the overall unionization rate would have been about 58%."[49] Compare this to the actual unionization rate in 2005 of 12.5 percent.

If so many workers desire union representation, why do so few actually belong to unions? Because the National Labor Relations Act, the legislation passed in 1935 designed to ease the process whereby workers decided to form unions or not, no longer does what it was supposed to do. As Richard B. Freeman elsewhere notes, "NLRB elections have turned into massive employer campaigns against unions, in which supervisors unprotected by the law play a critical role in pressuring workers to reject the organizing drive."[50] Employers exert this pressure by barring union organizers from the premises; by forcing employees to attend meetings devoted to how unions will harm employers and employees alike; by threatening that the company will shut down or relocate if workers organize a union; and, if those fail, and even if they do not, by firing workers who seem most interested in forming a union. All of which, under existing National Labor Relations Board practices, is more or less legal. And what is not legal, like firing workers for their union sympathies, carries such minimal penalties that employers engage in it at will. In the early 1950s, for example, firms fired less than 1 out every 100 workers who voted in NLRB elections. By the 1980s and early 1990s, in a pattern that continues today, they fired 5 out of every 100 workers who voted in elections.[51] Even if workers, against all odds, succeed in forming a union, nothing compels an employer to negotiate a contract with the newly organized union. Only about half of newly formed unions ever sign a contract.[52] Worse still, if newly organized unions fail to reach a contract after one year, they are no longer presumed to represent the will of workers and have to hold another election. In short, employers have every incentive—and virtually no disincentives—to prevent workers from forming unions. Most act on those incentives. And to judge from the falling rates of union membership, most succeed.

So why doesn't the nation "give employees more bargaining power to get higher wages," as Reich proposes? The Employee Free Choice Act, which has kicked around Congress for the last three or four years, would do just that. It would enable more workers to join unions, thereby increasing their bargaining power and, I would wager, reducing economic inequality. To dissuade employers from threatening and intimidating employees during elections, under the law workers could form a union if a majority signed cards stating their desire to do so. To keep companies from firing workers sympathetic to unions, the act would increase the penalties companies pay for breaking the law. (As it stands now, companies only have to pay fired workers what they would have made had they not been fired, *minus* what those fired workers made at jobs they took since they were fired. Under the EFCA, the penalty would increase to three times back pay and not subtract other earnings, in addition to civil fines of up to $20,000.) Finally, to make companies bargain in good faith with newly formed unions, the EFCA would allow for federal mediation and then binding arbitration if companies and unions did not agree to a contract within a set period of time.[53] The EFCA would essentially make U.S. labor law comparable to labor law in Canada, where the rate of union representation remains above 30 percent and where, not coincidentally, inequality remains much lower.

That, of course, is the problem. Unions have many enemies in the United States—powerful and well-organized enemies. In particular, beginning in 2007, the U.S. Chamber of Commerce "launched a full scale campaign" against the EFCA. We "spent some money," Tom Donohue, president of the Chamber of Commerce, understatedly put it in an interview with the *Wall Street Journal.*[54] Other lobbying groups, like the Workforce Fairness Institute, the Coalition for a Democratic Workplace, or the Center for Union Facts, mostly ad hoc clearinghouses of corporate money, also "spent some money" (tens of millions of dollars) combating the legislation. In addition to paying lobbyists, the money these groups spent went toward television advertisements designed to pressure moderate Democrats, whose votes would be needed to overcome a Republican filibuster, to oppose the legislation.[55]

The money was well spent. In 2007, the House of Representatives passed the EFCA, and even though it had majority support in the Senate, it could not overcome a Republican filibuster. Even if the Senate had passed it, it would not have survived a Bush veto. After the 2008 election, when Democrats controlled both houses and the White House, Congress delayed consideration of the bill until after the health care reform debate, during which time the Democrats lost their sixtieth vote in the Senate. Even with that sixtieth vote, however, not all Democrats supported the bill, meaning it could not overcome another almost certain Republican filibuster. With no signals that the bill would pass in the Senate, the House did not even vote on it. And following Democratic losses in 2010 midterm elections, EFCA remains in limbo, although in the sense that a hospice patient remains in limbo. That is, waiting to die.

Winner Takes All

The fate of the EFCA represents what has happened to American democracy in the last three decades. As Jacob S. Hacker and Paul Pierson document in a recent book, a winner-take-all economy, with increasing concentrations of incomes at the very top, has made possible—and been made possible by—winner-take-all politics. Beginning in the late 1970s, big business—and those who benefited from it—began to mobilize. They formed (or revitalized) organizations, trade associations, political action committees, and ad hoc single-issue groups. (Think the U.S. Chamber of Commerce, the National Association of Manufacturers, the National Retail Federation, and so on.) Through the granting or withholding of campaign contributions, these organizations purchased the services of both political parties, and through the truly mesmerizing power of lobbying, they shaped public policy to their interests. Those interests, it perhaps goes without saying, rarely coincided with the interests of middle- and working-class Americans. Moreover, groups that had once acted as a countervailing power to big business, like organized labor, entered a period of decline, brought about by their own failures, of course, which were legion, but also, in many cases, by the same businesses and organizations that sought greater and greater influence over federal policy.[56]

As a result, Hacker and Pierson conclude that American democracy has grown incapable of redressing its most urgent problems— unless those problems are that taxes are too high or that business suffers from too much regulation. In which case, American democracy leaps into action. By contrast, when it comes to the growing concentrations of income, wealth, and power, the federal government—by design, as Hacker and Pierson suggest—sits on its collective hands.

The election of Barack Obama in 2008, together with Democratic control of Congress, promised to usher in one of the periods of political renewal that seem to follow periods of rapid concentration of wealth and power in American history. What happened next, however, illustrates, according to Hacker and Pierson, the decay of American democracy. In its first two years, the Obama administration passed a stimulus package that saved the economy from an even worse fate, a health-care reform bill that sought to make good on Roosevelt's right to adequate medical care, and a financial regulatory reform bill. "This is a genuinely impressive record," especially given the obstacles the administration faced, "and yet," Hacker and Pierson observe, "it is one that largely nibbles at the edges of the winner-take-all economy."[57] (Even these signature reforms—stimulus, health care, and financial regulation—suffered death by a thousand lobbying cuts and the need to attract one or two Republican votes in the Senate.) Anything more ambitious, Hacker and Pierson argue, any reforms that might reverse the concentration of income, wealth, and power—anything, that is, on Robert Reich's or other such lists—will inevitably run into the "buzz saw" of contemporary American politics.[58] With one party who only has eyes for tax cuts, deregulation, and budget austerity and another party ideologically divided between the middle class who votes for it and the wealthy that pays its bills and funds its campaigns; with a Senate that now requires a super-majority of 60 votes to overcome filibusters; and with an easily distracted, "woefully ignorant" electorate abetting it all—at best American democracy can nibble at the edges of a winner-take-all economy.[59]

The question, then, is not how to—or what policies might— reverse decades of falling bargaining power and increasing economic inequality. With the exception of education, any or all of the reforms that Reich or other economists propose would do the trick. Rather, the question is why American democracy has not undertaken these reforms. The short answer is that it has not because it cannot. And it will not, without some change that remains difficult if not impossible to imagine. "The U.S. has developed a combination of features," Hacker and Pierson write, "that imperil our government's capacity to deal with formidable collective challenges."[60] Moreover, "the only viable and defensible route to fixing our broken political system runs through our broken political system."[61] At the same time, the only viable and defensible route to fixing economic inequality runs through that same broken political system. That is rather like trying to fix a gushing water pipe with broken channel locks—it is hard to know where to start.

At various moments in American history the possibilities of reform must have looked as dismal as they do today, but today they look especially, even exceptionally bleak. Not least because our moment of reform—the election of Obama and Democratic control of Congress—has come and gone and accomplished so little. The only option, it seems, is to fix the broken political system. Even Hacker and Pierson end their book with a vague appeal to "mass engagement."[62] But after reading their exquisitely bleak book, or after paying even casual attention to the rigged game of American democracy over the last few years, one feels like an old mouse standing up at a meeting of the mice, asking, to no answer, who will bell the U.S. Chamber of Commerce? It is easy to propose impossible solutions. If I were a betting man, I would wager that the radical economic inequality of the last thirty to forty years is here to stay. If it does change, it is likely to grow worse rather than better.

Where Does This Leave Education?

Throughout this book, I have argued that the origins of economic inequality lie in economics and not education. Above, I contend that the solution to economic inequality lies in both economics and politics, but in any case, riot in education. The same goes for poverty. So where does this leave education? If education only partly explains the origins of poverty or economic inequality and will not do much to reverse them, what role should it play in contemporary American public life? What implications, if any, do the arguments of this book have for the future of education?

On the one hand, you could argue that since education provides neither a convincing explanation for poverty and economic inequality nor a terribly effective strategy against them, it simply does not much matter what goes on in classrooms. According to this way of thinking, debates about education, about access and achievement gaps, only distract from the larger goal of reducing poverty and economic inequality. In short, forget education. As we will see, some critics have made this provocative and, at times, agreeable argument.

On the other hand, you could argue that even if education does not explain the origins of poverty or economic inequality and will not do much to reverse them, education still matters to discussions of economic opportunity and, perhaps, equality. If the prospects for economic reform are as bleak as I describe them, then at least from the perspective of an individual, education matters more than ever. What kind of education you get plays an important, in many cases decisive role in what job you find, what salary you earn, how satisfied you are with your life, even how long you live. Equality of educational opportunity may not lead to greater equality of outcomes, but that does not mean it has no value. For a poor African-American child growing up in the Bronx or East St. Louis, education may be his or her first, last, and only chance. Declaring the whole thing a charade seems both heartless and hopeless. According to this position, education matters too much to abandon it out of mere principle or because it may distract from the fight against a greater injustice.

In the end, I think these competing arguments about the role of education in contemporary public life can coexist. In what follows, I try to bring them together. To put it as briefly as possible, we ought to acknowledge the limited but nevertheless real role education plays in providing individual economic opportunity and may play in generating national economic growth. At the same time, we should seek to make education more of an end in itself and less of a means toward some other end, whether that something else is opportunity, economic security, or national prosperity. Above all, we need to do a better job of securing the right to a good education, but in doing so we must keep in mind that individuals have more economic rights, and perhaps more important economic rights, than the right to a good education.

Education for Learning not Earning

I began this chapter under the spell of Franklin Roosevelt, arguing that one economic right should not depend on another. According to Roosevelt, each of us has a right to a good education, but we also have a right to a useful and remunerative job, regardless of what use we make of our right to a good education. In other words, we should not make those other economic rights, or economic security more generally, dependent upon how far one goes—or how short one comes up—in exercising his or her right to a good education. Rights are not requirements.

Other critics have taken this argument one step further, and their conclusions offer one possible way to think about the relation between economics and education. In his (if nothing else) ambitious book, *Inequality,* which I discussed in chapter 4, the social scientist Christopher Jencks argued that not only should education *not* play a role in determining economic success, it *did not* play any appreciable role in determining that success. If he is right, we would need to rethink entirely the purpose of schooling.

Obviously, education, particularly the amount of schooling one received and the academic credential one achieved, opened up certain occupations to young people or closed off others. Obviously, too, some occupations paid better than others. Furthermore, some schools—obviously—had greater resources than others. Yet Jencks and his colleagues found that the attainment of academic credentials— the amount of schooling one received—depended on variables that schools had little control over. These variables included luck, innate cognitive skills, family background, and, largely as a result of family background, the attitude a young person adopted toward schooling. Some people enjoy school, some find it painful and pointless and drop out, while others find it painful and pointless but, since they come from middle-class families, endure it because they have had chips implanted into their brain that remind them, at periodic intervals, that education is the key to prosperity. In any case, and regardless of how many resources they have, Jencks observed, schools play a negligible role in all this. They educate young people, and confer credentials and degrees on them, but they cannot greatly affect the distribution of cognitive skills, the backgrounds children bring with them to school, or the attitudes children (or their parents) adopt toward school—any more than they can affect the distribution of luck.

Against expectations, Jencks did not then conclude that what happened in schools did not matter. Rather, he argued that schools mattered all the more, although not for the reasons people usually gave. "Instead of evaluating schools in terms of their long-term effects on their alumni, which appear to be relatively uniform," Jencks wrote,

> we think it wiser to evaluate schools in terms of their immediate effects on teachers and students, which appear much more variable. Some schools are dull, depressing, even terrifying places, while others are lively, comfortable, and reassuring. If we think of school life as an end in itself rather than a means to some other end, such differences are enormously important. Eliminating those differences would not do much to make adults more equal, but it would do a great deal to make the quality of children's (and teachers') lives more equal. Since children are in school for a fifth of their lives, this would be a significant accomplishment.[63]

Like highways, schools could get you where you needed to go, and you had to take them in order to get there, but they could not change your destination. Still, if you had to spend time on highways, and everyone did, just as everyone had to spend time in schools, why not make them as pleasant as possible? By this logic, Jencks argued, schools did not need reform. They needed highway beautification: the educational equivalent of fewer potholes, less road rage, and more clean rest areas. They needed to be nicer places to spend twelve years or, for teachers, a working life.

In a 1973 review of *Inequality,* the historian and sociologist Christopher Lasch pushed Jencks's argument even further. "Our school system," Lasch wrote, somewhat exaggerating Jencks's findings,

> neither levels nor educates. We could more easily accept its intellectual failures, though we could not forgive them, if we knew that at least the I system was an effective instrument of egalitarian social policy. Since it is not, the time has surely come to insist that the two objectives, egalitarianism and intellect, be separated, and that the schools be left to address themselves to intellectual concerns while the state attacks inequality more directly and effectively through policies designed to equalize income.[64]

If schools could not level income, Lasch wrote, and not even equalize opportunity, then they should not define themselves by these tasks. Rather, they should devote themselves to "purely intellectual concerns." But what were those purely intellectual concerns? "Why *should* education be valued?" Lasch asked.

Inspired by Thomas Jefferson's defense of public education, Lasch found two "objectives a democratic system of education might reasonably expect to accomplish.... The first of these ends is to give everybody the intellectual resources—particularly the command of language—needed to distinguish truth from public lies and thus to defend themselves against tyrants and demagogues." The second "purpose of education is to train scholars, intellectuals, and members of learned professions." "The eighteenth century saw no other reason for higher education. Neither do I, "Jencks provocatively concluded.[65]

Catch me on the right day of the week, after I have calculated the number of working poor in the United States, or read some columnist or overheard some provost arguing that "education is the solution to most problems we face today," or learned how few Americans (about 1 in 4) "could correctly identify the number of votes needed to overcome a filibuster"—and I will swear to you that as audacious, as unthinkable, and as impracticable as it may seem, Jencks and

Lasch have essentially got it right.[66] If schools can only do so much to engineer equality of opportunity, why should schools concern themselves with opportunity? And if equality of educational opportunity, even if schools could engineer it, would in all likelihood merely change who is poor but not the extent of poverty, then why take any more than a passing interest in equality of educational opportunity? Why not focus the debate about poverty and economic inequality on what matters, on economics and politics, rather than on what does not matter, education? Moreover, if the greatest obstacle to doing anything about economic inequality lies not in the failures of schools but in the failures of government, then why not, as Jefferson imagined and Lasch argues, "give everybody the intellectual resources—particularly the command of language—needed to distinguish truth from public lies"? Perhaps then students could learn why governments fail—and why their government was failing them.

If schools do not disproportionately improve—or harm—the life chances of their charges, and if they do even less to alter the ultimate distribution of income and wealth, why not free them to pursue other educational ends? As it stands now, the supposed economic consequences of schooling hold students, teachers, and parents hostage. The virtue of Jencks's data-driven argument, and Lasch's provocations, is that they raise questions that would otherwise go unasked. What would our schools look like, what would they do, if we acknowledge, as Jencks and Lasch urge us, that they do not play as decisive a role in determining economic outcomes as everyone imagines? What if the state attacked inequality through more direct policies and left schools to their own devices? What are those devices? Or what if, even more ambitiously, and as Roosevelt imagined, you could be fairly certain of economic security regardless of what use you made of your right to a good education? What if greater equality of income and greater economic security deprived education, as Lasch put it, of its cash value? In all likelihood, the college premium will never disappear, but what if the lack of a college degree did not consign you to quite such a desperate life of economic insecurity? What would this mean for education?

At the primary and secondary school level, we might test students less and teach them more. We subject students to standardized tests to measure how much they have learned. But this assumes that learning will differ from teacher to teacher or from school to school. For Jencks and Lasch, learning does not work this way, so why bother? At the college level, if a college education did not make or break you, the changes would be even more dramatic. Indeed, I can daydream about this for hours at a time. To start, fewer people might pursue higher education, although just because the economic incentives vanish does not mean that the more intangible benefits of higher education (learning) or professional careers (the chance, as Robert Frost put it, to unite avocation and vocation) would vanish as well. In any case, those who did pursue higher education may not approach it as so much job training. (Remember, students would have a decent and remunerative job waiting for them regardless of what they studied.) At the public universities where I have attained degrees or played my part in conferring them upon others, perhaps fewer students would major in business and more in economics—or even English. The liberal arts might regain the stature their inevitably central locations on campus indicate they once had.[67] How much better for students' souls—for their future happiness—to have studied the humanities or some branch of the liberal arts. Regardless, if a college degree did not so decisively separate the sheep from the goats, one could spend a semester—or four years—reading books and not feel quite so much like a dilettante or, even worse, a derelict.

As much as I like to build these castles in the sky, I care less about the fate of the liberal arts or education—although I care deeply about both—than I do with the nature and extent of poverty and inequality in the United States. Admitting, as Jencks and Lasch would force us to, that education could do little to affect equality of opportunity or equality of outcome may liberate education to pursue other, more humane ends. Its most important effect, though, would be to refocus debates about poverty and economic inequality back where they belong, on economics and politics and not on education.

Comfortable Ideas

Although they inspire some delightful flights of fancy, Jencks, and especially Lasch, may have, to switch metaphors, advanced a bridge too far. For one thing, we do not have much evidence or even reason to believe that schools can, as Lasch proposes, "give everybody the intellectual resources needed to distinguish truth from public lies and thus to defend themselves against tyrants and demagogues." Schools could doubtless give students more intellectual resources, but nothing guarantees that those resources would enable them to distinguish between truth and lies, or make it easier to identify the tyrants and demagogues from whom they must defend themselves. Lasch seems to think that if students received the right education, they would agree on who to vote for or against, or could agree on who lied and who told the truth. That seems naive. It sounds like a slightly dopier version of the belief that "education is the solution to most problems we face today."

Nor can we, as Jencks and Lasch argue we should, treat schools entirely as ends. In fact, schools do serve as means and as means to radically different ends. Contrary to Jencks's data, researchers now understand that schools do not have uniform long-term effects on their alumni. As recent studies have shown, good teachers do make a difference. (Alas, bad teachers make a difference too.) Few of those good teachers, however, work at schools where their ability to make a difference would do the most good.[68] As a body of new research has shown, too, traits that to Christopher Jencks would have looked fairly fixed, like cognitive ability or even attitudes toward schooling, can, if efforts start early enough, respond to interventions. Geoffrey Canada, whose Harlem Children's Zone I discuss in chapter 2, has had some— admittedly tentative, admittedly qualified—success in translating this research into practical results.[69]

What is more, the stakes of schooling have grown even higher in the last three or four decades, and the question of who can or cannot take advantage of educational opportunities is even more serious. In 1972, when Jencks published *Inequality,* college graduates earned 74 percent more than high school graduates. In 2009, they earned 121 percent more. In absolute terms, adjusted for inflation, the average college graduate in 1972 earned a little more than $59,000 annually while the average high school graduate earned a little more than $34,000 annually. In 2009, the average college graduate earned a little less than $66,000 per year while the average high school graduate earned a little less than $30,000 per year. In other words, between 1972 and 2009 the college premium increased by 44 percent, from about $25,000 to about $36,000.[70] Even if schools can only fractionally increase the odds that students from poor or minority backgrounds find their way into the ranks of the college-educated, given such enormous differences in outcome even fractionally greater odds have enormous payoffs.

If so, then we cannot write schools off so quickly. For it remains the case in the United States today that if someone wants to make a living wage, if she wants her family to not live in or on the edge of poverty, she had better go to college. As I have written elsewhere, I deeply regret that that is the economy we live in. But so long as it is, and so long as we profess to believe in equality of opportunity, then everyone has the right to try to succeed in that economy.[71] And if the only way to do that is through a good education, then we ought to make sure that everyone, as Roosevelt put it, has the right to a good education. In which case, we should not abandon or suspend efforts to increase access to higher education for low-income students or surrender to the savage inequalities of primary and secondary schools. Dumb rich kids should not go to college at the same rate as smart poor kids. And if they did not, though the effect might be small, the United States would grow more equal. It would also grow more just. Where you were born, or to whom, should not determine the quality or the quantity of the education you receive nor the life you go on to lead. An injustice is an injustice all the same, even if we can imagine greater injustices and correcting lesser ones will have relatively little effect on the greater ones. The college premium is real. It exists. And some young people, largely owing to circumstances beyond their control, have a better chance of enjoying that premium than others. If so, then we ought to make sure that in the lottery of useful and remunerative jobs, everyone holds a ticket—a good education—that will give them an equal chance of winning. (This in addition to all the other, perhaps less tangible benefits that come from a good education.) Just because schools cannot solve every problem, or even just the problem of poverty or economic inequality, does not mean we should keep them from solving what problems they can.

That said, even if we grant that schools still have a meaningful role to play in debates about equality and justice, ironically, the best way to achieve equality of educational opportunity is not to look to the schools but, once again, the distribution of incomes. Indeed, some fascinating new research shows that you would have better luck improving educational performance—for the nation as a whole and for low-income students—not by undertaking educational reforms but by reducing poverty and economic inequality. For example, Richard Wilkinson and Kate Pickett, whose research I referred to in chapter 2, have found that "more unequal countries and more unequal states have worse educational attainment."[72] Math and literacy scores of fifteen-year-olds, they find, are lower in more unequal countries, and math and literacy scores of eighth-graders are lower in more unequal U.S. states. Similarly, more young people drop out of high school in more unequal states.

Moreover, Douglass Willms, a professor of education at the University of New Brunswick, has found that educational success depends upon which country you call home. That is, among children whose parents have identical levels of educational attainment, those children who lived in unequal countries performed worse on tests of adult literacy. Moreover, the effect is greater for those lower down the social scale. That is, children of parents with college degrees in general perform the same regardless of where they live, whether in Finland, one of the most equal countries, or the United States, one of the most unequal. However, as you travel down the scale of parental educational achievement, where you live turns out to matter quite a bit. The more unequal your home country, and the further you fall down the scale of parental educational achievement, the worse you can expect to do on measures of adult literacy. For example, children in the United States whose parents only attained high school degrees will perform far worse on literacy tests than children in Finland whose parents only attained high school degrees.[73]

Among other explanations for these effects, Wilkinson and Pickett theorize that economic inequality may affect the quality of family life and relationships, which then may affect early childhood development, which, as neurologists and educational psychologists now understand, is crucial for brain development and later educational achievement. The general quality of social relationships is lower in more unequal societies, as are physical health, mental health, and rates of substance abuse. Divorce rates, too, increase with increases in economic inequality. "It's not a great leap then to think," Wilkinson and Picket conclude, "how life in a more hierarchical, mistrustful society might affect intimate, domestic relationships and family life. Domestic conflict and violence, parental mental illness, poverty of time and resources will all combine to affect child development."[74] Inequality, in other words, tends to beget more inequality.

This international data, by the way, confirms what some educational scholars have argued for some time now. As Richard Rothstein writes in his powerful book *Class and Schools,* "For nearly half a century, the association of social and economic disadvantage with a student's achievement gap has been well known to economists, sociologists, and educators,"[75] Echoing Jencks, Rothstein argues, "The influence of social class characteristics is probably so powerful that schools cannot overcome it, no matter how well trained are their teachers and no matter how well designed are their instructional programs and climates."[76]

The upshot of this research is that if you wanted to increase equality of educational opportunity, particularly for low-income students, you might devote at least as much energy—if not more—to reducing poverty and economic inequality as you would to instituting educational reforms. "Proposals for a higher minimum wage or earned income tax credit, designed to offset some of this inequality," Rothstein observes, "should be considered educational policies as well as economic ones."[77] To invoke Roosevelt's speech once more, rights may depend on the exercise of other rights after all, although not in the direction we imagine. The right to a good education does not enable the right to a decent and remunerative job. Rather, your parents' right to a decent and remunerative job may enable your right to a good education.

Of course, whether you achieve equality of educational opportunity through school reforms or through economic reforms, equality of opportunity alone will not go terribly far toward correcting the greater injustice of stagnant poverty rates and increasing economic inequality. So we are again left with the conclusion that if what matters to you is economics, poverty, and income inequality, you ought to focus on economics and not on a poor proxy for economics like education.

So yes, by all means, fix schools, reward good teachers, race to the top, leave no child behind, end the soft bigotry of low expectations. The problem, however, is when our notion of social and economic justice starts and stops with education, or when education, as it has in recent years and decades, displaces other tools needed to secure economic justice. Both are an example, I am convinced, of what the writer James Agee calls "dangerous talk," which "is dangerous because by wrong assignment of causes it persuades that the 'cure' is possible through means which in fact would have little effect save to delude the saviors into the comfortable idea that nothing more needed doing, or even looking into."[78]

It is time to leave behind these comfortable ideas about education.

Appendix:
The Gini Coefficient

Throughout this book, I refer to the Gini coefficient, which, together with the ratio of incomes at the 90th and 10th percentiles, is one of the most common methods of measuring income inequality. In order to follow the arguments I and others make about income inequality, you really only need to know that a lower Gini coefficient implies more equality and a higher number implies more inequality. Still, for those who would like to know a bit more, I am throwing two parties, and these may clear things up.

If a picture is worth a thousand words, it ought to be worth at least one number. The Lorenz curve, developed by Max O. Lorenz in 1905, is the picture that depicts the same condition that the Gini coefficient seeks to express as a number. And what the Gini coefficient seeks to express as a number—and what the Lorenz curve seeks to depict on a graph—is how far a given distribution (of income, of height, of anything, really) departs from a perfectly equal distribution. Fortunately, the picture of income inequality, the Lorenz curve, is much easier to understand than the number, the Gini coefficient, yet understanding one ought to help you understand the other.

Consider Party no. 1. I invite five guests, each of whom makes $80,000. The combined income at this party is $400,000. In order to create a Lorenz curve, we arrange the incomes of partygoers from lowest to highest—needless in this case because everyone makes the same amount of money—and then plot the cumulative distribution of income against the cumulative distribution of population. It is easier than it sounds. On the graph below, the *x* axis represents cumulative share of population at the party, and the *y* axis represents cumulative share of income at the party. In the series labeled "Party no. 1," Guest A makes 20 percent of the total income ($80,000 divided by $400,000) and represents 20 percent of the population (1 divided by 5). So, we plot a point at 20 on the *x* axis and 20 on the *y* axis. Guest B also makes 20 percent of total income ($80,000) and also represents 20 percent of the population. So we add his percentages to Guest A— this is the cumulative part of the equation—and get 40 percent of the population and 40 percent of the income. Guest C makes $80,000, or 20 percent of income, and represents 20 percent of the population, so together with Guests A and B we have accounted for 60 percent of the population and exactly 60 percent of the income. As you can see on the top, straight line of the graph, as cumulative population increases, cumulative income rises as well.

Cumulative population more than rises, it perfectly matches cumulative income. Each portion of the population, each guest at the party, earns exactly the same proportion of overall income, Thus, we have a party characterized by perfect equality.

Now, consider Party no. 2. Five guests also come to this party, but each has a different income:

Dick:	$20,000
Jim:	$40,000
Ron:	$60,000
Bill:	$100,000
George:	$180,000

The combined income at this party is also $400,000. But unlike Party no. 1, that $400,000 is not divided equally among all partygoers. Dick makes considerably less than $80,000, and George makes considerably more. The graph of cumulative population and cumulative income—the bottom, curved line on the graph—will look far different than at Party no. 1.

To see this, we also arrange incomes from lowest to highest, and then plot the cumulative distribution of population against the cumulative distribution of income. At this party, Dick represents 20 percent of the population but earns only 5 percent of the total income. Unlike at Party no. 1, then, where we plotted a point at 20 percent population and 20 percent income, for Party no. 2 we plot a point at 20 on the *x* axis (population) and 5 on the *y* axis (income). Jim, who makes the second-least amount of money, earns only 10 percent of the combined income. So while Dick and Jim make up 40 percent of the cumulative population, they account for only 15 percent of cumulative income. So we plot a point at 40 and 15. Ron makes $60,000, or 15 percent of all income. Dick, Jim, and Ron thus make up 60 percent of the population at the party, but together they earn only 30 percent of the total income at the party ($20,000 plus $40,000 plus $60,000 equals $120,000, and $120,000 divided by $400,000 equals 30 percent). So we plot a point at 60 and 30.

As you can see, the line of distribution at this party is falling below the line of perfect equality that characterized Party no. 1. Remember, at a party of perfect equality, since Dick, Jim, and Ron account for 60 percent of the population, they would need to account for 60 percent of the income. At unequal Party no. 2, however, they only account for 30 percent.

The trend continues when we add in Bill's $100,000. With Bill, we have accounted for 80 percent of the population but only 55 percent of total income. By the time we add in George's $180,000, we have accounted for everyone at the party—everyone in the population—and all the income.

But we are left with a gap between a perfect distribution of income (the top line, Party no. 1) and an imperfect distribution of income (the bottom line, Party no. 2). *The bottom line is the Lorenz curve.* It shows how far a given distribution departs from a perfectly equal distribution. In the case of Party no. 2, it departs quite a bit.

However, the Lorenz curve shows us only *that* a given distribution departs from perfect equality, not how much it departs. For that, we need the Gini coefficient, named for its developer, the Italian statistician Corrado Gini. The Gini coefficient puts a number on the extent of statistical dispersion. The actual calculation involves some slightly complicated math, but it returns a number between 0 and 1. The lower the number, the more equal a society; conversely, the greater the number, the more unequal a society.

An easier way to think of the Gini coefficient is as an index, or the ratio of one thing to another. In the case of the Lorenz curve, the Gini index is the ratio of A (the area between the line of perfect equality and the Lorenz curve) and A plus B, the area below the line of perfect equality. Think of it geometrically. You could divide A and B into triangles and squares, calculate the areas of those triangles and squares, and then divide the area of A by the area of A plus B. In any case, the ratio returns a number between 0 and 1. The more a distribution departs from a perfectly equal distribution, the bigger A will be, and the bigger A is, the bigger the ratio of A divided by A plus B will be. Again, the smaller the number, the more equal a society; and, conversely, the greater the number, the more unequal a society.

As you might expect, no country lives in a condition of perfect equality or inequality. Rather, as of 2005, and among OECD countries, the numbers range from .474 (Mexico) on the most unequal end to .232 (Denmark) on the most equal end. Among developed countries, the U.S. falls on the high end of the Gini spectrum, .381.

The Gini coefficient for Party no. 2, by the way, is .380. The resemblance of this party to the United States is not a coincidence. The incomes of the partygoers more or less match the income of those at 20th, 40th, 60th, 80th, and 95th percentiles as calculated by the U.S. Census Bureau.

By way of contrast, consider a third party, where the guests do not have quite so wide a spread of incomes, say where each makes $35,000, $50,000, $65,000, $95,000, and $155,000. The Gini coefficient for that more equal—though still far from perfectly equal— party would be .285.

Notes

INTRODUCTION: UNINTENDED CONSEQUENCES

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1. THE PATHS OF INEQUALITY LEAD BUT TO THE GRAVE

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3. Smith, "Socioeconomic Differentials in Mortality," 1555.

4. Carmen DeNavas-Walt, Bernadette D. Proctor, and Jessica C. Smith, U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2009* (Washington, D.C.: GPO, 2010), 14. The Census measures income literally. That is, with the exception of capital gains, it measures the amount of money—in the form of earnings, unemployment compensation, workers' compensation, Social Security, public assistance, pension or retirement income, interest, dividends, alimony, child support— that comes into the household. It does not include what households pay (or are refunded) in taxes or the non-cash benefits (food stamps, for example) that some households receive.

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8. U.S. Census Bureau, "Percent of People by Ratio of Income to Poverty Level," Table 5; www.census.gov/hhes/www/poverty/data/historical/ people.html.

9. OECD, *Growing Unequal? Income Distribution and Poverty in OECD Countries* (n.p.: OECD, 2008), 154.

10. For poverty rates, see DeNavas-Walt, *Income, Poverty, and Health Insurance Coverage,* 14.

11. Author's analysis of U.S. Census Bureau data. See U.S. Census Bureau, Table F-l, "Income Limits for Each Fifth and Top 5 Percent of Families (All Races)"; and Table F-7, "Type of Family by Median and Mean Income (All Races)"; www.census.gov/hhes/www/income/data/historical/families/index.html.

12. In general, middle-class families achieved the gains they did not because they received a raise or shared in prosperity but because they added a second earner. That is true for wealthier families, too, but whereas wealthy families objectively gained from economic growth, most of the growth median families experienced came from that second earner. In 1970, about one out of ever)' three married couples had both spouses in the workforce. By contrast, most married couples today, about 60 percent, have both spouses working. See Elizabeth Warren and Amelia Warren Tyagi, *The Two-Income Trap: Why Middle-Class Mothers and Fathers Are Going Broke* (New York: Basic Books, 2003).

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31. Ibid., 13.

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57. Gregory Acs and Seth Zimmerman, *U.S. Intragenerational Economic Mobility from 1984 to 2004: Trends and Implications,* Economic Mobility Project, October, 2008,5; www.urban.org/UploadedPDF/1001226Jntragenerational_economic_mobility.pdf. "Relative mobility" measures an individual's economic ranking *relative* to her peers over a given period of time. It does not, therefore, account for mobility that comes strictly from economic growth. That is, given sufficient economic growth, a person could have grown wealthier over a ten- or twenty-year period but, so long as everyone grew more or less wealthier together, he or she would remain in the same relative economic position.

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78. Ben S. Bernanke, "The Level and Distribution of Economic Well-Being," speech delivered to Greater Omaha Chamber of Commerce, Omaha, NE, February 6, 2007; www.federalreserve.gov/newsevents/speech/ bernanke20070206a.htm.
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82. Robert B. Reich makes a similar argument in *Aftershock: The Next Economy and America's Future* (New York: Knopf, 2010).
83. John Bellamy Foster and Fred Magdoff, *The Great Financial Crisis: Causes and Consequences* (New York: Monthly Review Press, 2009).
84. Richard Wilkinson and Kate Pickett, *The Spirit Level: Why Greater Equality Makes Societies Stronger* (New York: Bloomsbury, 2009), 181, 24. Given the audacity of its thesis and its political implications, Wilkinson and Pickett's work has attracted a good deal of controversy. Some of the challenges to it feel petty and partisan, while others have slightly more to them. For a different take on the relationship between health, longevity, and inequality, see Angus Deaton's "Policy Implications of the Gradient of Health and Wealth," *Health Affairs,* March/April 2002, which anticipates— and challenges—many of the conclusions Wilkinson and Pickett draw. Lane Kenworthy's measured analysis of the book is also worth reading, "Inequality as Social Cancer," lanekenworthy.net/ 2010/01/18/inequality-as-a-social-cancer/. Michael Sargent's review in *Nature,* "Why Inequality Is Fatal," is fair and mostly admiring. Having digested as much of this at times acrid debate as I can take, it seems that though Wilkinson and Pickett may have made some errors—methodological and rhetorical—and drawn some hasty conclusions, they are nevertheless, perhaps even considerably more right than wrong. Obviously, others will disagree with this conclusion. For Wilkinson and Pickett's response to these challenges, see their website, The Equality Trust, www.equalitytrust.org.uk/.
85. Wilkinson and Pickett, *The Spirit Level,* 80.
86. Ibid., 181.
87. Ibid., 184.
88. Ibid.
89. Ibid., 20. The index includes level of trust, mental illness, life expectancy, obesity, children's educational performance, teenage births, homicides, imprisonment rates, and social mobility.
90. Wilkinson and Pickett theorize that stress and what they call social evaluation anxieties explain these health and social problem disparities. How people see you matters, they write, and in countries with greater levels of inequality, people experience more stress about their place in the social hierarchy. People compare themselves to others more; they trust others less. And low social status, and anxiety about social status, together lead to sicker, more divided, and more punitive communities. Although this mechanism—the stress that comes from social evaluation anxieties—seems highly speculative and may not seem capable of causing all these health and social disparities, some evidence does support the claim.
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7. Based on author's analysis of U.S. Census Bureau, "Years of School Completed—People 25 Years Old and Over by Mean Income and Sex," Table P-19; and "Educational Attainment—People 25 Years Old and Over by Mean Income and Sex," Table P-18, www.census.gov/hhes/www/ income/data/historical/people/index.html.
8. Anthony P. Carnevale, Nicole Smith, and Jeff Strohl, *Help Wanted: Projections of Jobs and Education Requirements through 2018* (Washington, D.C.: Georgetown University Center on Education and the Workforcejune 2010), 14.
9. Ibid.
10. Ibid.
11. See Claudia Goldin and Lawrence F. Katz, *The Race between Education and Technology* (Cambridge: Belknap Press, 2008), 291. See also Thomas Lemieux, "Postsecondary Education and Increased Wage Inequality," *American Economic Review* 96 (May 2006): 195-99.
12. Abramowitz and Montgomery, "Bush Addresses Income Inequality."
13. Barack Obama, remarks, Joint Session of Congress, February 24, 2009; http://www. whitehouse.gov/ the_press_office/Remarks-of-President-Barack-Obama-Address-to-Joint-Session-of-Congress/.
14. U.S. Bureau of Labor Statistics, "Overview of the 2008-2018 Projections," Chart 6, http://www.bls.gov/oco/oco2003.htm.
15. Ibid.
16. Ibid.
17. Ibid., Table 2.
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20. Ibid., 13.
21. Ibid., 8.
22. Ibid., 13.
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25. The Georgetown study does a poor job explaining exactly what the category "Some college, no degree" means. It seems to work backward from the fact that some people went to college but did not graduate, and those people now hold jobs. It is not clear, though, that those jobs require the few semesters of college that their holders happened to acquire.
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29. Jared Bernstein, "Is Education the Cure for Poverty?" *The American Prospect,* April 22, 2007, www.prospect.org/cs/articles?article=is_educa-tion_the_cure_for_poverty.
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32. To Reich's credit, he seems to have come around on this point. In a 2008 op-eel in the *New York Times,* he argues: "The only way to keep the economy going over the long run is to increase the wages of the bottom two-thirds of Americans." The country can do that, he elaborates, through a larger earned-income tax credit for low-income workers, stronger unions, harsher fines for employers that violate a worker's right to organize, and better schools for children in lower- and moderate-income communities. Robert B. Reich, "Totally Spent," *New York Times,* February 13,2008. See also my discussion of his more recent book, *Aftershock,* in the final chapter.

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41. OECD, *Society at a Glance 2009: OECD Social Indicators.* See the data for Equity Indicators, Income Inequality, EQ1, http://www.oecd.org/document/24/0,3343,en_2649_34637_2671576_I_I_I_I,OO.html.

42. If you graph the relative change in educational attainment (the percentage of 25- to 34-year-olds with an Associate's degree or higher divided by the percentage of 55- to -64-year-olds with an Associate's degree or higher) *against* the relative change in the Gini coefficient of income inequality from the mid-1980s to the mid-2000s, you can draw a line from the upper left to the lower right that sort of matches the data points. That is, as relative educational attainment increases, the shift toward greater inequality—since most OECD countries grew more unequal over this period—is less pronounced. The correlation changes slightly if you use absolute changes in educational attainment and Gini coefficients rather than relative changes.

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5. BELLING THE CAT

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