

Still the Land of Opportunity?: Evidence shows it's getting tougher and tougher to move from one class to another -- and the U.S. risks becoming a rigid economic society

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Oregon's middle class -- that icon of society, schools and suburbs -- is struggling, says a recent study. The state's gap between incomes at the top and those in the middle grew at the 11th-fastest rate in the country during the past two decades.

But one study often contradicts another: witness the confounding back and forth over coffee consumption and low-fat diets. Just how much credence should we put into the struggling-middle-class claims?

Critics say class woes should be of little concern. Sure, the richer got richer but the middle class did, too - just less so. After all, America's not the land of guaranteed success. The real issue isn't about the condition of one class or another but rather: Can we easily move up the economic ladder?

In other words, are we still the land of opportunity?

We still believe, but mounting evidence suggests other countries eclipse us on this most American of virtues. And, shockingly, researchers say the U.S. is no more income-fluid than the United Kingdom -- a country long accustomed to class divisions. A global labor market and its high premium for intellectual skills threatens to create even greater rigid class boundaries at home.

Perception, reality differ

But the legend lives on. Last year, according to a New York Times poll, 40 percent of Americans said opportunities to climb from one class to another improved during the past 30 years; only 23 percent said chances declined.

And surveys show a slim 28 percent of Oregonians believe success in life is determined by forces outside their control. Most believe if you roll up your sleeves and get to work, riches can be yours.

Perception is one thing, reality another.

In the past, economists were similarly cheerful about American opportunity. In 1986, Gary Becker, University of Chicago's Nobel laureate economist, argued that earnings disadvantages inherited from ancestors were erased within three generations.

Subsequent studies show shedding rags and donning riches is much tougher than Becker thought. Children born into very poor families -- those with incomes in the bottom 10 percent -- have a 30 percent chance of staying there. While many do escape severe poverty, the odds of escaping very far aren't good.

That same child, born into the bottom 10 percent, has less than a 1 in 5 chance of reaching the median income by the time he's in his 40s. A child born into a high-income household (95th percentile) has better than a 3 in 4 chance of exceeding the median income.

In an even bigger crack in the mirror, economists are finding that America's brand of opportunity is nothing special.

Poring over tax records and research surveys for earnings comparisons between parents and children, economists find Canada, Finland and Sweden have more income-mobile societies than the United States. Compared with an American kid, a Canadian, Finnish or Swedish child's prospects are linked less to his parents' economic fortunes.

While the root causes of these differences are still largely speculative, some economists believe larger public investments in children's skill-building programs and higher rates of cross-class marriages foster mobility.

As the evidence mounts, Becker, the economist, has hedged his optimism. Last year he told The Wall Street Journal, "I do believe that it's still true if you come from a modest background it's easier to move ahead in the U.S. than elsewhere, but the more data we get that doesn't show that, the more we have to accept the conclusions."

A more-rigid future

While evidence on America's unexceptional mobility may bruise our self-image, it doesn't mean this country lacks opportunities. It simply means other countries offer similar -- and sometimes better -- opportunities.

But more important than where we've been on mobility is where we're headed. Our changing economy points to even more-rigid class boundaries on the horizon. In post-World War II, stable manufacturers and strong unions lifted workers up the income ladder. No more.

Today a college education is the ticket to riches. College grads earn \$900,000 over a lifetime -- or 40 percent more than their counterparts with high school degrees. More than at any time, educational mobility -- the ability of low-income children to reach higher levels of education than their parents -- is crucial.

David Ellwood and Tom Kane, economists from Harvard and UCLA, argue that education mobility stalled after the 1970s. While the proportion of 18- and 19-year-olds in college rose from 55 percent to 66 percent in the country's richest families, it declined slightly -- from 29 percent to 28 percent -- in the poorest.

Two factors underlie the trends. First, as income gaps between the rich and poor increased, college became relatively less affordable for poor families. No big surprise there.

But income and college costs aside, Ellwood and Kane also discovered that a widening gap in the average education of rich and poor parents made a difference. Put simply, rich families -- headed by ever-growing numbers of college graduates -- pushed more of their children into higher education.

"As the payoff to education has increased," Ellwood and Kane concluded, "a larger share of high-income youth have enjoyed the added advantage of having more educated parents."

A college education ethic

So where do we go from here? These trends don't easily reverse themselves.

First, we have to wrestle Oregonians' fundamental misunderstanding about the value of a college education. In a 2004 statewide poll conducted for the nonpartisan Chalkboard Project, a full third of Oregonians saw the role of K-12 education as preparing students for the work force -- signaling that high

school is all the education your son or daughter needs. Instilling a college education ethic where none exists is the first crucial step.

Next, we have to address the price of college. As the earnings boost from education have taken off, state financial support of Oregon's community colleges and public universities plummeted. From 1982 to 2004, for example, tuition at Oregon University System public schools more than doubled in inflation-adjusted dollars.

Today, a middle-income Oregon family pays \$10,807 or 34 percent of its income to cover annual, public four-year college expenses. That's up from 25 percent a decade ago. Meanwhile, low-income families pay an average \$9,538 or 79 percent of their incomes.

Last year, state leaders made some inroads by providing more money for needy students through the Oregon Opportunity Grant program. Still, these need-based grants don't go far enough.

Early action

But lowering the price of admission can only do so much. Preparation is the primary requirement for success in postsecondary education. A stable and competent investment in our K-12 system is long overdue. Policymakers should embrace The Chalkboard Project's calls for smaller kindergarten and first-grade class sizes, more tutors for young students who struggle to read and mentoring programs that help retain quality teachers.

James Heckman -- another University of Chicago economist with his own Nobel -- calls for even earlier action. His solution: funding intensive early childhood programs for disadvantaged youths from birth to age 5. Heckman's prescription includes high-quality, early education provided by college-trained teachers who make home visits to pull parents into the process. Heckman argues the strategy would generate up to a 17 percent return on the investment in higher wages, lower crime and welfare use.

His idea is bold but worth it. The Children's Institute -- an Oregon-based nonprofit that advances Heckman's goals -- will call for a \$28 million annual down payment on the strategy during the coming legislative session. That would pay for Oregon's prekindergarten program and implement proven practices for children from birth to age 3.

Ultimately, without some major commitment, we'll see our economy evolving into two classes: the well-educated and the less so. Americans will increasingly tune into synthetic forms of opportunity -- TV's "American Idol," "The Biggest Loser," "Deal or No Deal" to name a few. In Oregon, of course, we have the lottery to placate those who never really got a fair shot. But the American land of opportunity -- the way we remember it -- will be lost.

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