

Still the Land of Opportunity?

Commentary

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America is known as "the land of opportunity." But whether it deserves this reputation has received too little attention. Instead, we seem mesmerized by data on the distribution of incomes which show that incomes are less evenly distributed than they were 20 or 30 years ago. In 1973, the richest 5 percent of all families had 11 times as much income as the poorest one-fifth. By 1996, they had almost 20 times as much. But it is not only the distribution of income that should concern us. It is also the system that produces that distribution.

Indeed, I would argue that one cannot judge the fairness of any particular distribution without knowing something about the rules of the game that gave rise to it. Imagine a society in which incomes were as unequal as they are in the United States but where everyone had an equal chance of receiving any particular income—that is, in which the game was a completely unbiased lottery. Although some, especially those who are risk adverse, might blanch at the prospect of losing, and might wish for a more equal set of outcomes a priori (as most famously argued by John Rawls), others might welcome the chance to do exceedingly well. But—and this is the important point—no one could complain that they hadn't had an equal shot at achieving a good outcome. So the perceived fairness of the process is critical, and the rules governing who wins and who loses matter as much as the outcomes they produce.

In talking about this issue, we often invoke the phrase "equal opportunity," but we seldom reflect on what we really mean by "opportunity," how much of it we really have, and what we should do if it's in short supply. Instead, we have an increasingly sterile debate over income equality. One side argues for a redistribution of existing incomes, through higher taxes on the wealthy and more income support for the poor. The other side argues that inequality reflects differences in individual talent and effort, and as such is a spur to higher economic growth, as well as just compensation for unequal effort and skill. If there is any common ground between these two views, it probably revolves around the idea of opportunity and the measures needed to insure that it exists.

Opportunity first

The American public has always cared more about equal opportunity than about equal results. The commitment to provide everyone with a fair chance to develop their own talents to the fullest is a central tenet of the American creed. This belief has deep roots in American culture and American history and is part of what distinguishes our public philosophy from that of Europe. Socialism has never taken root in American soil.

Public opinion is only one reason to refocus the debate. Another is that the current emphasis on income inequality begs the question of how much inequality is too much. Virtually no one favors a completely equal distribution of income. Inequality in rewards encourages individual effort and contributes to economic growth. Many would argue that current inequalities far exceed those needed to encourage work, saving, and risk taking, and further that we need not worry about the optimal degree of inequality in a society that has clearly gone beyond that point. But the argument is hard to prove and will not satisfy those who believe that inequality is the price we pay for a dynamic economy and the right of each individual to retain the benefits from his or her own labor. In light of these debates, if any public consensus is to be found, it is more likely to revolve around the issue of opportunity than around the issue of equality.

A final reason why opportunity merits our attention is that it gets at the underlying processes that produce inequality. It addresses not just the symptoms but the causes of inequality. And a deeper understanding of these causes can inform not only one's sense of what needs to be done but also one's sense of whether the existing distribution of income is or is not a fair one.

Three societies

Consider three hypothetical societies, all of which have identical distributions of income as conventionally measured. The first society is a meritocracy. It provides the most income to those who work the hardest and have the greatest talent, regardless of class, gender, race, or other characteristics. The second one, I will call a "fortune-cookie society." In this society, where one ends up is less a matter of talent or energy than pure luck. The third society is class-stratified. Family background in this society is all important, and thus you need to pick your parents well. The children in this society largely end up where they started, so social mobility is small to nonexistent.

The United States and most other advanced countries are a mixture of these three ideal types. Given a choice between the three, most people would probably choose to live in a meritocracy. Not only do the rules determining success in a meritocracy produce greater social efficiency but, in addition, most people consider them inherently more just. Success is dependent on individual action. In principle, by making the right choices, anyone can succeed, whereas in a class-stratified or fortune-cookie society, people are buffeted by forces outside their control. So, even if the distribution of income in each case were identical, most of us would judge them quite differently. We might even prefer to live in a meritocracy with a less equal distribution of income than in a class-stratified or fortune-cookie society with a more equal distribution. Indeed, social historians have found this to be the case. The American public accepts rather large disparities in income and wealth because they believe that such disparities are produced by a meritocratic process. Even those at the bottom of the distribution believe that their children will do better than they have. It is this prospect, and the sense of fairness that accompanies it, that has convinced the American body politic to reject a social-welfare state.

For the last 25 years, the top one-fifth of the population has been improving their prospects while the other 80 percent has lagged behind. Yet no one has rebelled. The many have not imposed higher taxes on the few. (Small steps in this direction were taken in 1993, but the Democratic president who proposed them later apologized to a group of wealthy donors for doing so.) Even welfare recipients tell survey researchers that they consider the new rules requiring them to work at whatever job they can get fair. They plan on "bettering themselves." Such optimism flies in the face of studies suggesting that women on welfare (and those similar to them) will earn poverty-level wages for most of their lives. But it is an optimism that is characteristically, if in this case poignantly, American.

Several points need to be made about our purported meritocracy. The first is that even a pure meritocracy leaves less room for individual agency than is commonly believed. Some of us are blessed with good genes and good parents while others are not. The second is that the United States, while sharing these inherent flaws with other meritocracies, remains a remarkably dynamic and fluid society. Although it is not a pure meritocracy, it has moved closer to that ideal than at any time in its past. The third point is that, in the past, a rapid rate of economic growth provided each new generation with enhanced opportunities. It was this fact, in large part, that contributed to our image as the land of opportunity. But a mature economy cannot count on this source of upward mobility to leaven existing disparities; it needs instead to repair its other two opportunity-enhancing institutions: families and schools. The remainder of this essay elaborates on each of these points.

The inherent limits of a meritocracy

In a meritocracy, one would expect to find considerable social and economic fluidity. In such a system, the abler and more ambitious members of society would continually compete to occupy the top rungs. Family or class background, *per se*, should matter little in the competition while education should matter a lot.

The social-science literature contains a surprising amount of information on this topic. Based on my own reading of this literature, I would argue that social origins or family background matter a good deal. Not everyone begins the race at the same starting line. The kind of family into which a child is born has as much or more influence on that child's adult success than anything else we can measure. Yes, education is important too, but when we ask who gets a good education, it turns out to be disproportionately those from more advantaged backgrounds. Well-placed parents are much more likely to send their children to good schools and to encourage them to succeed academically. In short, although not as evident as in a class-stratified society, even in a meritocracy one had better pick one's parents well.

Why do families matter so much? There are at least three possibilities. The first is that well-placed parents can pass on advantages to their children without even trying: They have good genes. The second is that they have higher incomes, enabling them to provide better environments for their children. The third is that they are simply better parents, providing their children an appropriate mix of warmth and discipline, emotional security and intellectual stimulation, and preparation for the wider world.

It has proved difficult to discover which of these factors is most important. However, as Susan Mayer demonstrates in her recent book, *What Money Can't Buy*, the role of material resources has probably been exaggerated. Most studies have failed to adjust for the fact that parents who are successful in the labor market have competencies that make them good parents as well. It is these competencies, rather than the parents' income, that help their children succeed. I don't want to leave the impression that income doesn't matter at all. It enables families to move to better neighborhoods; it relieves the stresses of daily living that often produce inadequate parenting; and, most obviously, it enables parents to purchase necessities. Still, additional income assistance, although possibly desirable on other grounds, is not likely to produce major changes in children's life prospects.

Genes clearly matter. We know this from studies of twins or siblings who have been raised apart. However, IQ or other measures of ability are at least somewhat malleable, and differences in intelligence only partially

explain who ends up where on the ladder of success. Good parenting and an appropriate home environment are much harder to measure, but studies suggest that they may explain a substantial portion of the relationship between family background and later success in school or in the labor market. In addition, children with two parents fare much better than those with only one, in part because they have higher incomes but also because the presence of a second parent appears, according to all of the evidence, to be beneficial in and of itself.

So, for whatever reason, families matter. Unless we are willing to take children away from their families, the deck is stacked from the beginning. And even if one could remove children from their homes, there would still be the pesky little matter of differences in genetic endowments. Since a meritocracy has no good way of dealing with these two fundamental sources of inequality, it is a pipe dream to think that it can provide everyone with an equal chance. If we want a society in which there is less poverty and more equality, we will have to work harder and more creatively to compensate for at least some of these initial advantages and disadvantages.

How much social mobility?

Whatever its flaws, a meritocracy is clearly better than some of the alternatives. Although economic and social mobility may be inherently limited, it exists. But just how much of it do we actually have in the United States? Do families matter so much that children can rarely escape their origins? Do people move up and down the economic ladder a little or a lot? Before attempting to answer these questions, let us consider a simple example of a society consisting of only three individuals: Minnie, Mickey, and Mighty.

Assume that Minnie, Mickey, and Mighty start with incomes (or other valued goods) of \$20,000, \$30,000, and \$40,000 respectively. Now imagine that Minnie's children do extremely well, moving from an income of \$20,000 to one of \$40,000. Mighty's children, by contrast, fall in status or well-being from \$40,000 to \$20,000. Mickey's situation doesn't change. This is the sort of social mobility we would expect to find in a meritocracy. It is a story of rags to riches (or the reverse) in a generation. *Note that the distribution of income, as conventionally measured, has not changed at all.* As Joseph Schumpeter once put it, the distribution of income is like the rooms in a hotel—always full but not necessarily with the same people.

This same rags-to-riches story can occur over a lifetime as well as between generations. Those at the bottom of the income scale often move up as they accumulate skills and experience, add more earners to the family, or find better jobs. Those at the top may move down as the result of a layoff, a divorce, or a business failure. Thus any snapshot of the distribution of incomes in a single year is unlikely to capture the distribution of incomes over a lifetime. For example, in a society in which everyone was poor at age 25 but rich at age 55, the distribution of annual incomes for the population as a whole would be quite unequal, but everyone would have the same lifetime incomes!

Now note that it is theoretically possible for the distribution of income to become more unequal at the same time that the Minnies of the world are improving their status. Is this what happened over the last few decades in the United States? The answer is yes and no. On the one hand, we know that there is a lot of income mobility within the population. Every year, about 25 percent or 30 percent of all adults move between income quintiles (say, from being in the bottom one-fifth of the income distribution to being in the second lowest fifth.) This rate increases with time, approaching 60 percent over a 10-year period. So there is considerable upward and downward movement. A lot of the Minnies in our society move up, and a lot of the Mightys move down. A few of the Minnies may even trade places with the Mightys of the world, as in our example. On the other hand, most people don't move very far; many remain stuck at the bottom for long periods; and some apparent moves are income reporting errors. (These are particularly large among the very poor and the very wealthy whose incomes tend to come from unearned sources that are difficult to track and that they may be reluctant to reveal.) Most importantly, from the data we have, there is no suggestion of more mobility now than there was 20 or 30 years ago. So one can't dismiss complaints about growing income inequality with the argument that it has been accompanied by *more* opportunity than in the past for everyone to share in the new wealth.

But what about Minnie's and Mighty's children? Suppose we look at mobility across generations instead of looking at it across their own life cycles? Here, the news is much more positive. Social mobility in America appears to have increased, at least since 1960, and probably going back to the middle of the last century (though the data for measuring such things is much better for the more recent period). This conclusion is based on studies done by Michael Hout, David Grusky, Robert Hauser, David Featherman, and others—studies that show less association between some measure of family background and eventual adult career success now than in the past. This association has declined by as much as 50 percent since the early 1960s, according to Hout.

What has produced this increase in social mobility? The major suspects are a massive broadening of educational opportunities, the increased importance of formal education to economic success, and more meritocratic procedures for assigning workers to jobs (based on "what you know rather than who you know"). In addition, the extension of opportunities to some previously excluded groups—most notably women and blacks—has produced greater diversity in the higher, as well as the lower, ranks.

How much economic mobility?

Now return to our three-person society and consider a second scenario. In this one, the economy booms, and Minnie, Mickey, and Mighty all double their initial incomes from \$20,000, \$30,000, and \$40,000 to \$40,000, \$60,000, and \$80,000. Clearly, everyone is better off, although the relative position of each (as well as the distribution of income) is exactly the same as before. It is this sort of economic mobility, rather than social

mobility per se, that has primarily been responsible for America's reputation as the land of opportunity. In other words, the growth of the economy has been the most important source of upward mobility in the United States; it is the reason that children tend to be better off than their parents. In a dynamic economy, a farmer's son can become a skilled machinist, and the machinist's son a computer programmer. Each generation is better off than the last one even if there is no social mobility. (Class-based differentials in fertility aside, social mobility—as distinct from economic mobility—is, by definition, a zero-sum game.)

But, as important as it was historically, economic mobility has been declining over the past few decades for the simple reason that the rate of economic growth has slowed. Young men born after about 1960, for example, are earning less (in inflation-adjusted terms) than their fathers' generation did at the same age. It would be nice to assume that a higher rate of growth is in the offing as we enter a new century. Certainly, new technologies and new markets abroad make many observers optimistic. But whatever the force of these developments, they haven't yet improved the fortunes of the youngest generation.

In sum, both these factors—the increase in social mobility and the decline in economic mobility—have affected prospects for the youngest generation. The good news is that individuals are increasingly free to move beyond their origins. The bad news is that fewer destinations represent an improvement over where they began. For those concerned about the material well-being of the youngest generation, this is not a welcome message. But for those concerned about the fairness of the process, the news is unambiguously good.

Class stratification

Not only has economic growth slowed but its benefits now accrue almost entirely to those with the most education. Simply being a loyal, hard-working employee no longer guarantees that one will achieve the American dream. Whatever progress has been made in extending educational opportunities, it has not kept pace with the demand. Men with a high-school education or less have been particularly hard hit. The combination of slower growth and a distribution of wage gains that have favored women over men and the college educated over the high-school educated since the early 1970s has hurt poorly educated men. Their real incomes are less than one-half what they otherwise would have been in 1995. Education is, to put it simply, the new stratifying variable in American life. This, of course, is what one would hope for in a meritocracy, but only if everyone has a shot at a good education.

It is said that Americans would rather talk about sex than money. But they would rather talk about money than class, and some would rather not talk about the underclass at all. Many people consider the label pejorative, but research completed in the past decade suggests that such a group may indeed exist. Its hallmark is its lack of mobility. This group is not just poor but persistently poor, often over several generations. It is concentrated in urban neighborhoods characterized by high rates of welfare dependency, joblessness, single parenthood, and dropping out of school. It is disproportionately made up of racial and ethnic minorities. Although still relatively small (a little under three million people in 1990, according to an Urban Institute analysis of Census data), it appears to be growing. Anyone who doubts the existence of such a group need only read the detailed first-hand portrayals of ghetto life in Alex Kotlovitz's *There are No Children Here*, Leon Dash's *Rosa Lee*, or Ron Suskind's *A Hope in the Unseen*. These accounts suggest that dysfunctional families, poor schools, and isolation from mainstream institutions are depriving a significant segment of our youth of any prospect of one day joining the middle class.

All of this is by way of a caution: Whatever the broader trends in economic and social mobility, there may be enclaves that get left behind. Moreover, one can argue that it is this subgroup—and their lack of mobility—that should be our main concern. The very existence of such a group threatens our sense of social cohesion and imposes large costs on society. Its nexus with race is particularly disturbing.

What to do?

If families and education matter so much, we had best look to them as sources of upward mobility for all Americans—and especially for those stuck at the bottom of the economic ladder. Imagine a world in which everyone graduated from high school with the basic competencies needed by most employers—a world in which no one had a child before they were married and all had a reasonably decent job. Even if these parents held low-wage jobs, and one of them worked less than full-time, they would have an income sufficient to move them above the official poverty line (about \$12,000 for a family of three in 1995). The entry-level wage for a male high-school graduate in 1995 was \$15,766. If his wife took a half-time job at the minimum wage, they could earn another \$5,000 a year. No one should pretend that it is easy to live on \$20,000 a year, especially in an urban area. Rent, utilities, and work-related expenses alone can quickly gobble up most of this amount. It would make enormous sense, in my view, to supplement the incomes of such families with an earned income tax credit, subsidized health care, and subsidized child care.

What does not make sense is to insist that the public continue to subsidize families started by young unwed mothers. As of 1990, 45 percent of all first births were to women who were either teenagers, unmarried, or lacking a high-school degree. Add in all those with high-school diplomas that are worthless in the job market, and the picture is even grimmer. *There is no public-policy substitute for raising a child in a home with two parents who are adequately educated.*

Of course, poorly educated parents are nothing new. In fact, the proportion of mothers who are high-school graduates is higher now than it has ever been. But bear in mind that in the past mothers were not expected to work (in part because far more of them were married), that the economy didn't require people of either sex to have nearly as much education, and that the proportion of children in single-parent families was a fraction of what it is today. Because of increases in divorce and especially out-of-wedlock childbearing, we

now have a situation in which three-fifths of all children will spend time in a fatherless family. Almost one-third of all children are born out of wedlock in the United States, and the proportion exceeds one-half in such cities as New York, Chicago, Philadelphia, Detroit, and Washington, D.C. One needn't be an advocate of more traditional family values to be worried about the economic consequences of such social statistics. In fact, the growth of never-married mothers can account for almost all of the growth in the child poverty rate since 1970.

Where does the cycle stop? Urban schools that half a century ago may have provided the children of the poor a way into the middle class are now more likely to lock them into poverty. More than half of fourth and eighth graders in urban public schools fail to meet even minimal standards in reading, math, or science, and more than half of students in big cities will fail to graduate from high school. How can America continue to be the land of opportunity under these circumstances? If families and schools are critical to upward mobility, these children have little chance of success. We have no choice but to address both of these issues if we want to provide opportunities for the next generation.

Strengthening families

Despite all the talk about the deterioration of the family, no one knows quite what to do about the problem. Welfare reform, which has not only eliminated AFDC as a permanent source of income for young mothers but also made young fathers more liable to pay child support, may well deter some out-of-wedlock childbearing. The next step should be to make the Earned Income Tax Credit (EITC) more marriage friendly. Today, as a result of the credit, a working single parent with two children can qualify for almost \$4,000 a year. But if she marries another low-wage earner, she stands to lose most or all of these benefits. Congress should consider basing the credit on individual, rather than family, earnings. (A requirement that couples split their total earnings before the credit rate was applied would prevent benefits from going to low-wage spouses in middle-income families.) Such a revised EITC would greatly enhance the incentive to marry.

Equally important, we should find top-quality child care for those children whose mothers are required to work under the new welfare law. Indeed, such care might provide them with the positive experiences that they often fail to get within the home. Such intervention, if properly structured to accomplish this goal, can pay rich dividends in terms of later educational attainment and other social outcomes. The research on this point is, by now, clear. Although early gains in IQ may fade, rigorous studies have documented that disadvantaged children who receive a strong preschool experience are more likely to perform well in school.

Some argue that out-of-wedlock childbearing is the result of a lack of jobs for unskilled men. Although I don't think the evidence backs this view, it may have some merit. If so, we should offer jobs to such men in a few communities and see what happens. But we should tie the offer of a job to parental responsibility or give preference to men who are married.

Finally, I am convinced that messages matter. Many liberals argue that young women are having babies out of wedlock because they or their potential spouses are poor and face bleak futures. It is said that such women have no choice but to become unwed mothers. As an after-the-fact explanation, this may be partly true, but it is often accompanied by too ready an acceptance of early, out-of-wedlock childbearing by all concerned. Such fatalistic expectations have a way of becoming self-fulfilling. Just as it is wrong to presume that poor children can't excel in school, so too it is wrong to suggest to young women from disadvantaged backgrounds that early out-of-wedlock childbearing is their only option. The fact remains that education and deferred childbearing, preferably within marriage, are an almost certain route out of poverty. Perhaps if more people were willing to deliver this message more forcefully, it would begin to influence behavior. Though the question needs to be studied more closely, it would appear that the decline in welfare caseloads since 1993 was triggered, in part, by a new message. Moreover, the new emphasis on conservative values may have contributed to the decrease in teen pregnancy and early childbearing since 1991. These new values can explain as much as two-thirds of the decline in sexual activity among males between 1988 and 1995, according to an Urban Institute study.

Fixing urban schools

We must stem the tide of early, out-of-wedlock births for one simple reason: Even good teachers cannot cope with large numbers of children from poor or dysfunctional homes. And equally important, children who are not doing well in school are more likely to become the next generation of teenage mothers. This is a two-front war in which success on one front can pay rich dividends on the other. Lose the battle on one front, and the other is likely to be lost as well.

That many schools, especially those in urban poor neighborhoods, are failing to educate their students is, I think, no longer in dispute. What is contested is how to respond. Some say that the solution lies in providing vouchers to low-income parents, enabling them to send their children to the school of their choice. Others argue that school choice will deprive public schools of good students and adequate resources. They favor putting more money into the public schools. But choice programs have the potential to provide a needed wake up call to these same schools. Too many people are still defending a system that has shortchanged the children of the poor. Public schools are not about to disappear, and no one should believe that choice programs alone are a sufficient response to the education crisis. We should be equally attentive to the new choice programs and to serious efforts to reform the public schools.

In Chicago, for example, a new leadership team took over the school system in 1995-96 and instituted strong accountability measures with real consequences for schools, students, and teachers. Failure to perform can place a school on probation, lead to the removal of a principal, or necessitate that a student repeat a grade. New supports, such as preschool programs, home visiting, after-school and summer programs, and

professional development of teachers, are also emphasized. Early indications are that these efforts are working to improve Chicago's public schools.

A more equal chance

I began with a plea that we focus our attention less on the distribution of income and more on the opportunity each of us has to achieve a measure of success, recognizing that there will always be winners and losers but that the process needs to be as fair and open as possible. It can be argued that the process is, to one degree or another, inherently unfair. Children do not have much opportunity. They do not get to pick their parents—or, for that matter, their genetic endowments. It is these deepest of inequalities that have frustrated attempts to provide a greater measure of opportunity. Education is supposed to be the great leveler in our society, but it can just as easily reinforce these initial inequalities.

Thus any attempt to give every child the same chance to succeed must come to terms with the diversity of both early family environments and genetic endowments. In policy terms, this requires favoring the most disadvantaged. Numerous programs from Head Start to extra funding for children in low-income schools have attempted to level the playing field. But even where such efforts have been effective, they have been grossly inadequate to the task of compensating for differences in early environment. Assuming we are not willing to contemplate such radical solutions as removing children from their homes or cloning human beings, we are stuck with a certain amount of unfairness and inequality.

The traditional liberal response to this dilemma has been to redistribute income after the fact. It is technically easy to do but likely to run afoul of public sentiment in this country, including the hopes and dreams of the disadvantaged themselves. They need income; but they also want self-respect. In my view, we must find ways to strengthen families and schools in ways that give children a more equal chance to compete for society's prizes. To do otherwise runs counter to America's deepest and most cherished values.

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