

MOVING UP ECONOMICALLY IS NOW IMPOSSIBLE FOR MANY, IF NOT MOST, AMERICANS.

Goodbye, Horatio Alger

JEFF MADRICK

The Democratic pragmatists in Congress are so wedded to their middle-of-the-road attitudes about government social programs, which some of them insist won them victory in November, that they seem incapable of seeing the economic state of the nation for what it has sadly become. To put it simply, the Democratic majority that took control of Congress in January is inheriting a class society. Today in America, one's birth largely determines one's future.

We may quibble about the exact threshold over which a nation must pass to be described as a class society, but the latest research on income mobility is startling. As economists Isabel Sawhill and Sara McLanahan state in the fall volume of the journal they edit, *The Future of Children*, the American ideal of a classless society "is one in which all children have a roughly equal chance of success regardless of the economic status of the family into which they were born." In sum, they write, "the association between one's parents' income and one's own should be small."

But that is not the case in America. Only a couple of decades ago, economists thought that in the land of Horatio Alger only 20 percent of one's future income was determined by one's father's income, a conclusion that University of Chicago economic Nobelist Gary Becker, among others, hailed as proof of the fairness and health of the American economic model. More sophisticated research in the 1990s, however, suggested that the relationship between incomes of fathers and their sons was closer to 40 percent—disheartening if true. Some relationship between intergenerational incomes is to be expected through biological inheritance, cultural privilege and the passing on of social norms, but at 40 percent, the Chicago school argument took a serious blow.

Now, based on new data gathered in the past few years, some economists, led by Bhashkar Mazumder of the Federal Reserve Bank of Chicago, argue that 60 percent of a son's income is determined by the level of income of the father. For women, it is roughly the same. Sixty percent is a shocking number, and some economists want to await further research, but Mazumder's methodology is persuasive. At the least, the estimate of a 40 percent correlation is likely too low.

Still, has mobility declined in recent decades? Mazumder and others think it has. Their research finds that the correlation of income between generations rose markedly in the 1980s and '90s. Again, not all economists agree, but most of those doing



CAITLIN DOVER

research in the area do concede that income mobility today is greater in many European countries than it is in America. My guess is that few in Congress, or in the media for that matter, believe that yet. Reality dawns slowly on unwilling eyes.

The findings would not be as disturbing, of course, if incomes had been growing about equally for all levels of Americans over the past quarter-century. But income inequality has risen since the 1970s to the levels of the Roaring Twenties. For example, the income of the top fifth of American households after inflation has risen by 50 percent since the late 1970s, the next fifth by only about 20 percent and the middle fifth by only 10 percent or so. A gain of 10 or even 20 percent over roughly a quarter-century is close to trivial, and the income of those in the bottom fifth did not increase at all over this period. By contrast, throughout American industrial history, incomes grew 30 to 50 percent or more every quarter-century, and in the quarter-century after World War II, gains reached more than 100 percent for all income categories. Since the late 1970s, only the top 1 percent of households increased their income by 100 percent.

Thus, an American worker in the 1950s and '60s could improve his or her standard of living significantly even without rising in the hierarchy, because incomes increased handsomely for all levels of earners. To do well now, you've got to climb the pyramid, as conservatives until recently could insist Americans did. It is now clear that many, probably most, cannot.

What's going on? First, the nature of the economy changed beginning in the 1970s, and median wages, for a variety of reasons, largely stagnated. For men alone, they declined.

Second, to make it to the middle class—or stay there—a college degree increasingly became a requirement. College was a new and expensive cost for those climbing into the middle class.

And third, as the economy changed and society evolved, government essentially sat it out. The influence of a neoliberal ideology of minimal government was effectively promulgated by Ronald Reagan and economists led by Milton Friedman. Generally slow economic growth since the early 1970s also meant lower federal tax revenues, which the Reagan and Bush tax cuts reduced even further. The Republicans did not succeed in cutting the absolute size of government, largely because entitlement programs like Medicare and Medicaid grew, but both Republicans and Democrats were party to what amounted to a sharp reversal of the progressive history in America, in which government since 1900 had been an active, constructive force to help people adapt to changing and difficult economic circumstances.

No doubt, government programs by the 1970s and '80s

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required reform, pruning and some serious rethinking. But the government activism that started with Teddy Roosevelt did not dampen prosperity, and effective and concerned government policy would not have done so in the past quarter-century either. To the contrary, during the progressive first three-quarters of the twentieth century, the nation grew faster than it has since the Reagan revolution. Americans swallowed such laissez-faire illusions before, notably in the late 1800s and the 1920s, and the promises turned out as empty then as they are today.

Today the United States is two nations, but not so much divided between rich and poor, as former Senator John Edwards puts it, as between the well-educated and the rest. A college degree is not a guarantee of a middle-class life, but it has become pretty close to a necessity. And a college degree is expensive, even for those who attend public institutions. The demand for ever more education is not new in our history. But when Americans first needed a good primary education in the mid-1800s, state and local governments provided it, and made sure it was also available in poorer communities. Along with the distribution of land, free primary schooling was among the first income redistribution programs in the nation. In the early 1900s, when Americans needed high schools, state and local governments built thousands across the land, and graduation rates soared. In the second half of the nineteenth century, the federal government also actively supported new land-grant colleges, which became the basis of a state university system. The federal and state governments never went as far as they did with high school, however, and today the nation still treats higher education as if it is a privilege. There is federal and state aid, but increasingly it comes in the form of loans, leaving graduates even of state and community institutions burdened with record levels of debt. And tuition and room and board at private universities has risen considerably faster than has aid, even in the form of loans.

Economists Timothy Smeeding and Robert Haveman report in an essay in *The Future of Children* that the median income of workers with a bachelor's degree or higher is about double the income for those with only a high school diploma, and that more than 40 percent of all new jobs now require a college degree. The Census Bureau figures college graduates will earn about \$2.5 million over their lifetimes in today's dollars, compared with \$1.5 million for high school graduates. Those with advanced degrees will earn a lot more.

The differences are especially stark for men. Male high school graduates have weathered a sharp fall of about 15 percent in their median wages since the 1970s. Median wages of men with college degrees have risen some 14 percent—nothing to crow about, frankly, but nevertheless leaving a wide gap between them and their high school graduate peers.

It would be comforting if economists fully understood why this is happening, because it might help us understand what social policies to adopt. One of the obvious causes is deindustrialization—the loss of manufacturing jobs in particular, which

once paid high school graduates well, provided good benefits and pensions, and often turned out to be jobs for life. But why has deindustrialization occurred? Globalization, including foreign competition from low-wage nations like China, the offshoring of good jobs to nations like India and the rapid flow of capital to good investment opportunities in foreign lands, certainly contributes to the education wage gap. But the loss of middle-class jobs for high school graduates started long before trade and offshoring became so influential.

Most economists, in fact, ascribe the shift in the demand for college graduates to changing technologies, as Information Age businesses require sophisticated workers with better educations. But the case for “skill bias technology” is suspiciously fashionable and oversimplified. A more mundane and convincing variant of the hypothesis is that America has become an office economy of white-collar workers, whose growth industries include finance, marketing, consulting, public relations, healthcare and the media, all of which generally require workers with college educations, and the social skills often acquired there (or required to gain admission). A final argument too often neglected is also credible: Federal policies have

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restrained growth and kept unemployment too high on average for a generation, resulting in an excess supply of labor that has enabled employers to pick and choose workers with the best qualifications, even when workers with those qualifications are not needed. High rates of unemployment also helped business and its allies in the government win the battle against union power. Meanwhile, those without a college degree are often consigned to low-wage jobs, especially punishing over a generation in which the government refused to raise the minimum wage to keep up with inflation.

Whatever the reasons, some could argue that this transformation to a college-based labor market is in fact pretty terrific. College can indeed be the great equalizer: Be disciplined, study and go to college, and you will be just fine. And Americans did respond. About 26 percent of all Americans over 25 have a bachelor's or more today, compared to 14 percent in 1975. About 40 percent of all those between 25 and 34 have a college degree or higher.

But because of high expenses and inadequate aid, among other causes, the march toward ever higher college graduation rates has stalled in America over the past two decades, and other nations are catching up or even surpassing American levels. Among those aged 25 to 34, Canada, Japan, Finland and Korea boast higher college graduation rates, with another handful of nations just behind the United States and gaining fast.

More important, fewer middle-income and poor kids go to college, get into a good college or finish college than better-off kids. To put it simply, going to college also depends on who your parents are. Had the nation adequately enrolled its lower-income students in solid four-year programs, the nation's college graduation rate would still lead the world by a handsome margin. But to the contrary, college attendance has not enabled lower-income Americans to escape their class in the way prom-

ised. Rather, the process reinforces class disparities.

For example, four out of five high school graduates from the top-income quintile enroll in college after they graduate from high school, compared with only two in five from the bottom quintile. Even when lower-income children have the same test scores, go to similar schools and have the same class rankings, they are significantly less likely to go to college. Poorer students tend to cluster in two-year community colleges, and when they do go to four-year colleges, they finish less frequently than better-off students.

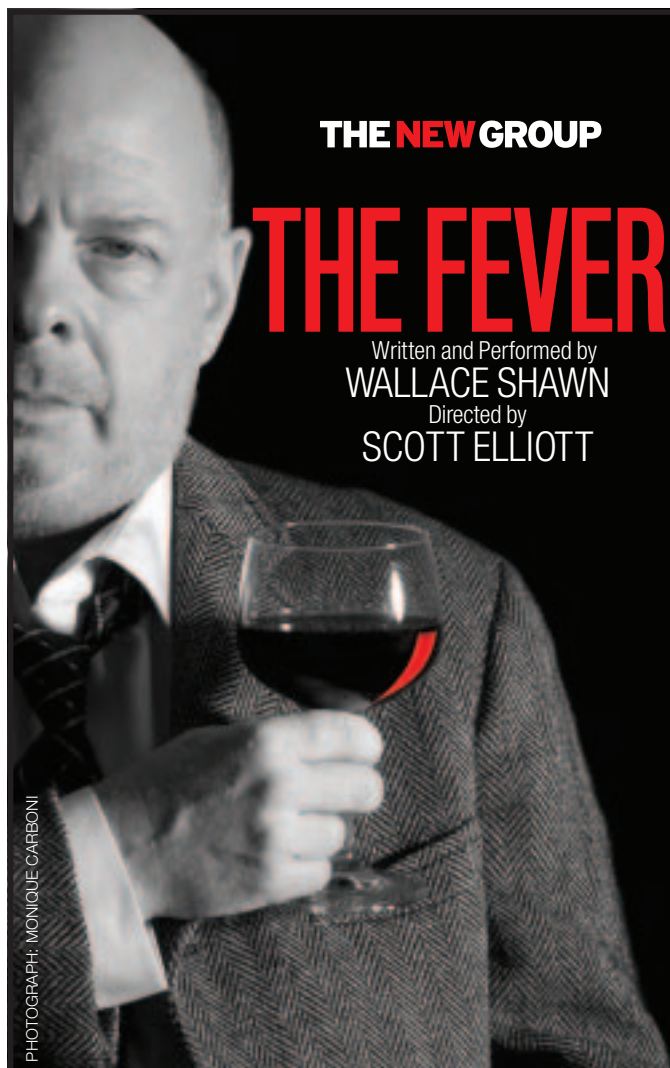
As for going to a good college, family background is even more important. One study ranked colleges into four tiers and broke families into quarters according to their socioeconomic status (family income, occupation and parental education). Only 3 percent of those students in the lowest quarter of families attended a tier-one school, while 74 percent of those from the top quarter of families did. By contrast, 21 percent of those in the bottom quarter attended a community college.

The issue is not merely how much it costs to go to college. Researchers point out that the well-off have more money to spend on developing their children's abilities and interests, and on prepping them for college entrance exams; they expose them to more books and other intellectual stimuli at an early age; they are more aware of how the college admissions process works; and they can afford to send their children to better primary and secondary schools.

Reform, then, is not just a matter of making college more affordable. Evidence that high-quality preschool programs work to improve children's educational capacities is now overwhelming. Thus, policies to make high-quality pre-K education universally available should be a high priority in America. K-12 education generally requires serious improvements, especially in poorer neighborhoods. There can also be many useful reforms of college subsidization without increasing federal funds. Smeeding and Haveman propose a number of such reforms, including funneling state assistance directly to low-income students rather than to the institutions themselves.

In sum, the dirty little secret is that the central role of college in getting a good job is now probably reinforcing a class society, not leveling it. Add to this the disparity in educational quality for pre-K and K-12, and we are getting to the heart of the matter. This is essentially why Bhashkar Mazumder and his colleagues are probably right when they argue statistically that mobility has declined in modern America. As Smeeding and Haveman summarize, "Though college attendance rates are rising, college graduation rates are growing slowly, if at all, and changes in the composition of the college-eligible and college graduating populations appear to perpetuate existing class differences."

I am not saying that improving access to good education is alone the answer to America's class disparities. But it is the central one. In the nation today, a college education provides access to a decent job. And the way the nation has organized itself, adequate health insurance and a decent retirement income also depend on the quality and duration of one's job. Nearly 24 percent of American workers with only a high school diploma, for example, have no health insurance, compared with less than 10 percent of those with college degrees. For high school gradu-



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ates who have just entered the job market, both healthcare and pension coverage have plunged since the 1970s.

Again, let me emphasize that college is not a panacea. Healthcare and pension coverage have also declined for college graduates, though not as dramatically. And incomes are by no means rising rapidly for typical college graduates, especially men. Moreover, even for them, incomes are growing in a highly unequal way, and American economic life has become less secure. But college graduates are the ones who have a reasonable chance to make it through to a full and decent life. And to produce more college graduates, improvements must begin with early childhood and, arguably, even with prenatal care, and move up the ladder, including K-12.

Despite the anti-Republican rhetoric of some of the Democratic leadership, little in the agenda of the new Democratic majority so far will change these prospects. The strategy of the new majority may admittedly be a sensible one: Make a few broadly acceptable policy reforms, such as raising the minimum wage, modestly raising college subsidies and getting some drug costs down. Then, win the presidency in 2008, and at last begin to address the enormous challenges left to the nation by twenty-five years of substantial neglect.

That of course is the optimistic view of well-meaning legislators. And some are talking seriously about bolder programs down

the road. Senator Edward Kennedy, now chair of the Senate Committee on Health, Education, Labor and Pensions, has proposed forgiving all college loans after ten years if graduates enter public service professions, for example. John Edwards, now running for President, has made universal healthcare a centerpiece of his campaign. Kennedy has proposed a Medicare-for-all universal healthcare program in his book *America Back on Track* (I worked on the book with him). Several states, now possibly including California, are taking the lead in providing universal healthcare to residents.

But the federal programs needed are decidedly on the legislative back burner. It seems that too many Democrats, arguably the most influential of them, are themselves sincerely skeptical of government and are unwilling to raise the tax money to do the job properly. Even if they see clearly how the state of the nation has decayed, many simply believe it is politically unwise to bring the issues out of the shadows. Meantime, the American promise is being betrayed, and no one knows the level of cynicism this will generate over time in a large portion of the population. We may expect a blithe and even sanguine attitude toward the true state of the economy from the old Republican majority. But too many Democrats neglect the urgency of the nation's challenges. Class war? If it is necessary to make America a just and equal society again, yes. You bet. ■

LETTERS

C O N T I N U E D

(Continued From Page 2)

by Craig Furlong and Gordon Ross, "Seismic Proof: 9/11 Was an Inside Job," which demonstrates that these explosions actually took place as much as fourteen and seventeen seconds prior to the airplanes' impacts.

Heavy-steel-construction buildings like the Twin Towers are not generally capable of "pancake collapse," which normally occurs only with concrete structures of "lift slab" construction and could not occur in redundant welded-steel buildings, such as the towers, unless every supporting column were removed at the same time, as Charles Pegelow has pointed out to me.

The destruction of the South Tower in about ten seconds and of the North Tower in nine is even faster than free fall with only air resistance, which would have taken at least twelve seconds, which, as Judy Wood has emphasized, is an astounding result that would have been impossible without extremely powerful explosives.

The towers are exploding from the top, not collapsing to the ground, where their floors do not move, a phenomenon that Wood has likened to two gigantic trees turning to sawdust from the top down, which, like the pulverization of the concrete, the official account cannot possibly explain.

Pools of molten metal were found at the sub-basement levels three, four and five weeks later, an effect that could not have been produced by the plane-impact/jet-fuel-fire/pancake collapse scenario, which, of course, implies that it was not produced by such a cause.

WTC-7 came down in a classic controlled demolition at 5:20 PM after Larry Silverstein suggested the best thing to do might be to "pull it," displaying all the characteristics of classic controlled demolitions: a complete, abrupt and total collapse into its own footprint, where the floors are all falling at the same time, and so forth, an event so embarrassing to the official account that it is not even mentioned in the 9/11 Commission report.

The hit point at the Pentagon was too small to accommodate a 100-ton airliner with a 125-foot wingspan and a tail that stands forty-four feet above the ground; the debris was wrong for a Boeing 757: no wings, no fuselage, no seats, no bodies, no luggage, no tail! Which means the building was not hit by a Boeing 757.

The Pentagon's own videotape does not show a Boeing 757 hitting the building, as even Bill O'Reilly admitted when it was shown on *The O'Reilly Factor*; at 155 feet, the plane was more than twice as long as the seventy-one-foot Pentagon is high and should have been present and visible; it was not, which means that the building was not hit by a Boeing 757.

The aerodynamics of flight would have made the official trajectory—flying at high speed barely above ground level—physically impossible; and if it had come in at an angle instead, it would have created a massive crater; but there is no crater and the government has no way out, which means that the building was not hit by a Boeing 757.

If Flight 93 had come down as advertised,

there should have been a debris field about the size of a city block, but the debris is distributed over an area of about eight square miles, which would be explainable if the plane had been shot down in the air but not if it had crashed, as required by the government's official scenario.

There is more, especially about the alleged hijackers, including that they were not competent to fly the planes and their names were not on any passenger manifest. Several have turned up alive and well and living in the Middle East. The government has not even produced their tickets as evidence that they actually could have boarded the aircraft they are alleged to have hijacked. Did Osama call from a cave in Afghanistan and charge them to his MasterCard?

President Bush recently acknowledged that Saddam Hussein had nothing to do with 9/11. The Senate Intelligence Committee has reported that Saddam was not in cahoots with Al Qaeda. And the FBI has acknowledged that it has "no hard evidence" to tie Osama to 9/11. If Saddam did not do it and Osama did not do it, then who is responsible for the deaths of 3,000 Americans that day? We believe the nation is entitled to the truth. JAMES H. FETZER

WE NEVER WERE IN KANSAS, TOTO

■ Re Alexander Cockburn's January 22 "Beat the Devil" column: The 1976 Republican National Convention was indeed held in Kansas City, but it was Kansas City, Missouri, not across the river in Kansas City, Kansas.

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