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MYTH OF THE AMERICAN DREAM

W hen Barack Obama spoke to schoolchildren at Wakefield High School in Virginia last week, he used his own experiences to argue that all young Americans, regardless of their family's wealth and income even kids who "goofed off" at high school, like he did have the potential to rise to the top. "That's what young people like you are doing every day, all across America," he told a national audience during his televised address. "Young people like Jazmin Perez, from Roma, Texas. Jazmin didn't speak English when she first started school. Neither of her parents had gone to college.

But she worked hard, earned good grades, and got a scholarship to Brown University and is now in graduate school, studying public health, on her way to becoming Dr Jazmin Perez." But how typical is Jazmin of Americans today? That question has been worrying the Economic Mobility Project, a non-profit organisation collecting data and surveying attitudes on the issue over the past few years. The project is leading a coalition of organisations from across the political spectrum who, together, believe that "the ability of American families to move up or down the income ladder within a lifetime or from one generation to the next" is a "unifying and core tenet of the American Dream".

The question of "upward mobility", in the United States and elsewhere, has also been studied across the Atlantic, at the Paris headquarters of the Organisation for Economic Cooperation and Development the 30-strong club of mainly Western economies. For both organisations, and in a series of academic studies from Europe, the US and Australia, the answer is clear: among comparable countries, the US has an unusually rigid social system. Jazmin Perez is very much in a minority.

Obama is no doubt aware of this research, and has made oblique references to the problems facing low- income families and neighbourhoods in speeches and interviews. But the mobility myth is so widely believed and so deep-seated that it's not surprising he hasn't tried to confront the problem head on.

When the Economic Mobility Project surveyed 2100 adults and ran 10 focus groups earlier this year, for instance, it found that respondents overwhelmingly believed that personal attributes "like hard work and drive" are the prime determinants of how economically successful an individual can be. A smaller majority also disagreed with the statement that "In the United States, a child's chances of achieving financial success is tied to the income of his or her parent." As the studies show, that statement is true for most children in the US, and for a higher proportion of American children than in most comparable countries. Among the 12 countries analysed by economist Anna Cristina d'Addio in a 2007 OECD report, the US was in a group of four with France, Italy and Britain where family background plays the greatest role in influencing adult

income. Children born into a poor family in any of these countries had a much lower chance of breaking into a higher- income group than in any of the other countries in the study.

Britain came out worst, with about 50 per cent of a person's income explained by his or her parents' income. Italy and the US weren't far behind, at about 47 per cent. At the other end of the range were Denmark, Norway, Finland and Canada, where parental income explained less than 20 per cent of children's eventual earnings. If these figures are correct and they're generally accepted as being broadly accurate then it's those four countries, rather than the US, that come closest to realising the American Dream.

Some studies have found that mobility has actually worsened in the US. A report for the **Future of Children** project, a collaboration of the Woodrow Wilson School of Public and International Affairs and the Brookings Institution, found that "occupational mobility" the measure favoured by sociologists increased during the 1970s but reverted to the levels of the 1940s-'60s during the two subsequent decades. The annual State of Working America report, published by the Economic Policy Institute, found a dramatic worsening since 1980 (and also found that girls were a little more mobile than boys).

Australia, according to d'Addio, is among Denmark and Norway in the group of most mobile countries. But that data came from a preliminary version of a paper by Australian National University economist Andrew Leigh. By the time Leigh finalised his calculations he'd become convinced that Australia was somewhat less mobile with somewhere between 20 and 30 per cent of an individual's income explained by parent income but still in the top half of performers.

Where d'Addio used existing studies from each country as the basis of its analysis, another major study reworked the data for a number of countries in a standard form. It concluded that mobility is lower in the US even than in Britain, which is lower again than a group of Nordic countries. For historical and data-related reasons, most evidence used in these studies relates to the earnings of sons compared to their fathers.

Why do some countries fare so badly on this measure? The OECD report offers the most comprehensive list of likely factors, but its conclusions are tentative. This isn't surprising, because the things that influence how children develop, how they perform at school, and what path their lives take as adults, are complex, varied and often unmeasurable. But looking at the factors that the OECD believes contribute "significantly" to differences in mobility, it isn't hard to see why the US does so badly and why Australia is still doing relatively well. First, there's the problem of entrenched income inequality. In general, according to d'Abbio, the countries in which income is distributed most equally across the population also exhibit the greatest mobility between generations. Among the 12 countries in the report, the US has the most unequal distribution of income. The exceptions, d'Addio continues, "include Australia and Canada, which combine high mobility with moderately high inequality, and France which has lower mobility than would be expected from its level of inequality." The warning in this data for Australia is that current or greater levels of inequality might begin to slow down mobility.

More unpredictable is the role of immigration. Overall, immigrants tend to be more upwardly mobile than the broader population. In Australia's case, our relatively high intake might well

have helped boost our level of mobility. Yet the US doesn't seem to have gained the same benefits from immigration, despite the fact that it too has a large program. Other important factors seem to have cancelled out the advantages of America's potentially mobile newcomers.

This clearly has something to do with how well migrant students perform at school. In Australia, according to the OECD, children born elsewhere perform only a few percentage points below native- born students; in the US, the gap is over 30 per cent (which makes Jazmin Perez's achievements even more impressive).

This reflects a broader problem in the US: children whose parents have limited education do much worse than their counterparts in Australia, according to the internationally recognised PISA survey of mathematics performance among students aged 15. Some countries did better than Australia on this measure, and there are reasons to fear that Australia might do worse with implications for mobility if current trends continue.

Why? The problem is the growing proportion of education expenditure that comes from private sources. Among the nations that do best on the mobility scale, private funding generally makes up less than 10 per cent of education spending (Canada is the odd one out, at 46 per cent.). In the US, a massive 66 per cent of education is privately funded; in Australia it's 52 per cent a proportion that rose significantly during the Howard years.

As the OECD report observes, this means that paying for education in the US brings greater benefits than paying for education in most countries. In other words, an underfunded public education system means that, for people who can afford it, the benefits of spending private funds on education can be considerable; for others, the financial barrier can be too great. In effect, a large private education sector is a form of "streaming" private schools, especially the elite schools, try to attract the most academically proficient students from middle-class households, which tends to leave less able students in the non- selective parts of the public system. According to d'Addio, "Early streaming of children according to ability reduces educational mobility across generations, while public provision of education (which reduces the costs of human capital borne by parents) increases it." On early childhood education, which the OECD report singles out as an important factor in promoting mobility, Australia spends 0.1 per cent of gross domestic product compared with the OECD average of about 0.4 per cent. Fewer than half of Australia's 3-4 year olds are enrolled, compared to an OECD-wide average of over two-thirds. If these trends continue, we risk locking in inequality in the same way the US has.

The other key factor identified indirectly by the OECD and more explicitly in the new Economic Mobility Project is a strikingly low level of mobility among black Americans.

"Over a generation," says the report, "white children are more likely than blacks to experience upward mobility in adulthood, while black children are more likely than whites to experience downward mobility." The author of the report, New York University sociologist Patrick Sharkey, finds that growing up in a high-poverty neighbourhood "increases the risk of experiencing downward mobility and explains a sizeable portion of the black- white downward mobility gap." These neighbourhoods usually suffer from others of the OECD report's warning signs for low mobility, including a high rate of male unemployment at the time of a child's birth and a high

rate of relationship breakdown. (The latter is not restricted to black neighbourhoods: as Andrew Cherlin shows in his recent book, The Marriage-Go-Round, Americans have an unusually high rate of divorce, with almost half marriages ending in this way). For Barack Obama, the possibility of any significant increase in the level of public spending on education in the US is remote. But the reform that's causing him the most difficulty at the moment health care also has implications for economic mobility. Child birth-weight is a "significant" factor in explaining low mobility, and the child's mental health and parents' physical health are "significant and large" factors, according to the OECD. Like any measures designed to break down the rigidity that keeps many Americans poor, improvements in health will take some time to influence overall mobility. But a system of health insurance for all Americans will certainly have an impact in the long- term.

Ironically, the remarkable rise of Obama could make it harder for Americans to recognise the shaky foundations of the American Dream. And the fact that so many people continue to believe the myth could make the problem worse. As the American researcher Isabel Sawhill writes, "When those who are relatively poor believe that they or their children will rise in status over time, they are less likely to complain about the status quo and more likely to accept the prevailing system." Peter Browne is editor of Inside Story (inside.org.au), published by the Swinburne Institute for Social Research in association with the ANU.