

# Introducing the Issue

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*Isabel Sawhill and Sara McLanahan*

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**T**he United States has long been viewed as a place where with hard work most people can succeed, whatever their family background. Immigrants flock to the United States because of the nation's image as "the land of opportunity." An immigrant candle maker's son, Benjamin Franklin, grew up to become one of the Founding Fathers. An immigrant weaver's child, Andrew Carnegie, began by working at a cotton mill and went on to build a vast empire of wealth. And compared with some of the older democracies of Western Europe, the United States is often presumed to be a less class-based society. It is understood, of course, that opportunity has not been available to all. African Americans, in particular, have long struggled to escape the legacy of slavery. And women, denied political and economic opportunities until relatively recently, are still trying to catch up to men. But the dominant ideology in America has been a deep-seated belief in equality of opportunity.

Americans' commitment to the ability of individuals to fashion their own success has made them less willing than the citizens of other

Western democracies to redistribute income, leading to large income disparities between families at the top and those at the bottom of the economic ladder.<sup>1</sup> One reason such inequality may be less troubling to Americans than to many Europeans is the conviction that opportunity is available for all to achieve economic success.

But does this set of beliefs comport with reality? Is the United States such a classless society after all? And to the extent that the nation has fallen short of its ideals, what can be done? This volume attempts to answer these questions, drawing on some of the best research and data available. In the articles that follow, the authors examine opportunity in the United States today, how opportunity has changed over time, and how it varies by race, gender, and national origin. They also explore how education, health, and culture affect social mobility for children born in different circumstances and what government might do in each of these domains to make opportunity in the United States more equal.

Before going any further, we should say a few words about what we mean by *opportunity*,

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how it is measured, and how it relates to economic growth and inequality. A society with economic opportunity 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. Stated differently, in such a society, the association between one's parents' income and one's own income should be small. This does not mean it should be zero. Some association between

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parent and offspring status is to be expected, as we discuss below—but a large connection suggests that the playing field is not level.

In these articles, the authors focus on several different measures of opportunity, but perhaps the most common is intergenerational elasticity (IGE), which measures the persistence of income across generations. A number of studies find that the IGE in the United States is in the neighborhood of 0.5, which means that about half the difference in income between families in one generation continues into the next generation. In short, Americans still experience both upward and downward mobility across generations, but a father's income says a lot about where his son will end up.

Questions about opportunity in America are especially important now, for several reasons.

First, income and wealth are more unequally distributed in the United States than at any time in the past half century. In 2003, the average CEO earned 185 times as much as the average worker, up from 24 times in 1965.<sup>2</sup> In 1979, the after-tax income of the top fifth of the population was 6.2 times higher than that of the bottom fifth; in 2003, the top fifth had 9.8 times as much as the bottom fifth.<sup>3</sup> According to Congressional Budget Office data, from 1979 to 2003 the average after-tax income of the top 1 percent of the population increased 129 percent, while that of the poorest fifth of Americans rose just 4 percent.<sup>4</sup> Wealth is even more unevenly distributed than income.<sup>5</sup> With the rewards for economic success becoming bigger, as they have in recent decades, ensuring that competition is fair and open becomes even more important.

Second, one reason why the United States has been considered the land of opportunity is that as a young nation with an open frontier and an unusually entrepreneurial spirit, it has been blessed with relatively strong economic growth through much of its history. Growth has meant that each generation could do better than the previous generation, even if children remained in the same relative economic position as their parents. Indeed, starting in 1820, per capita gross domestic product has risen an average of 52 percent for each succeeding generation.<sup>6</sup> In short, growth can go a long way toward neutralizing any negative effect of low mobility. Although it is quite possible that the nation's economy will continue to grow rapidly, family income growth has slowed in recent decades, suggesting that the process may now be less of a positive-sum game than it once was. From 1953 to 1973, median family income rose swiftly, at an annual rate of 2.8 percent. Since 1973, however, median family income has grown an anemic 0.6 percent a year, a rate that would entail a

17 percent increase in the typical family's income for each generation.<sup>7</sup> Thus, unless economic growth picks up, the next generation will experience an improvement in its standard of living that is only about one-third as large as the historical average for earlier generations.

We took an informal poll among some of the authors and discussants of this volume and asked, if they could be born with just one of the following characteristics, which would it be: their race, their class, their gender, or their national origin? Interestingly, the vast majority picked their class. Because the survey was casual, the results are only suggestive. But what they imply is that in public debates, Americans may give too much attention to race, ethnicity, and gender, and too little to class, or what sociologists call "the socioeconomic status of one's family of origin."

So class is important. But what can and should government do to promote greater opportunity? First, as the authors of this volume recognize, there are limits to what government can accomplish. One reason why children from high-income families are more successful than those from low-income families is that some of the attributes that contribute to success in both generations—ability, motivation, and health—are at least partially inherited. In other words, genes matter, and short of genetic engineering, children from different socioeconomic backgrounds will always have unequal chances for this reason alone.

A second reason why children of higher-status parents are more successful economically is that their parents often work hard to give them a variety of advantages, and by virtue of their income, education, and social networks, have the means to do so. If, as a na-

tion, we were willing to separate children from their parents at an early age, we could theoretically eliminate this second source of variation in child outcomes. Though such a policy is one that few people could support, public policies can nevertheless do quite a lot to compensate children for what their parents cannot provide. And because the kind of family one is born into is a matter of pure luck, we would argue that government should be doing more. (Indeed, it is interesting that the public and the political system reacted so generously in the wake of Hurricane Katrina, probably because people said to themselves, "There, but for the grace of God, go I." For some reason the bad luck of being born into a disadvantaged family does not always elicit the same kind of response.) So we asked our authors to consider the most promising ways for government policies to reduce the intergenerational persistence of income, and especially to focus on how to increase the chances that children at the bottom of the economic ladder have an opportunity to move up. After summarizing the most important findings in this volume, we will return to this question.

### **How Much Opportunity Exists in the United States?**

Intergenerational mobility speaks to the fluidity or openness of society, the extent to which individuals can better themselves through their own efforts and not be constrained by the class into which they were born. Researchers debate how best to measure mobility, with economists preferring to look at income and sociologists preferring a broader set of measures that usually includes occupation or education, or both. Even if one focuses on income alone, there is the question of what period to look at and whose income to count. For example, comparing a father's income when his son is age ten with

the son's income at age thirty picks up too many temporary fluctuations in income to accurately capture the longer-term economic status of either generation. And because an increasing number of families have two earners, such a measure fails to capture the total incomes of the two households. After correcting for such problems by including longer-term measures of income and more sources of income, recent research finds less mobility in the United States than earlier studies had suggested.

In their article, Emily Beller and Michael Hout examine both occupational and income mobility. Looking first at occupational mobility and dividing occupations into six categories, they find that among men born after 1950, 37 percent were upwardly mobile in their occupation, 32 percent were downwardly mobile, and 32 percent stayed in the same occupational category as their fathers.

Turning to income mobility, Beller and Hout once again find a rather mixed picture. On the one hand, research shows that one of the best predictors of where a son will end up is his parents' income. One study they highlight shows that a son born into a family whose income is in the bottom quartile of the distribution has a 42 percent chance of staying at the bottom. On the other hand, there is considerable mobility between income groups: 58 percent of sons born into the bottom quartile will move up to a higher income quartile as adults. The tendency of sons' incomes to look like their parents' is strongest at the top and the bottom of the income distribution. Persistence among those at the top is especially notable and may be related to the ability of wealthier families to protect their children from downward mobility. Indeed, the persistence of wealth across generations is even stronger than the persistence of income.

Whether any particular rate of mobility is high or low is a matter of judgment. But when Beller and Hout compare mobility in the United States with that in other industrialized countries, they find that U.S. occupational mobility is about average, or a little above; and U.S. income mobility is below average. Either way, it is hard to argue that opportunity among the native-born is greater in the United States than it is in most other countries. (Immigrants who come to the United States do experience upward mobility and are generally not included in the data used for these studies. Whether they do better than immigrants in other advanced countries is not clear.) Research also suggests that U.S. occupational and income mobility increased from the 1960s to perhaps the mid-1980s and declined thereafter, although a lack of complete data on the adult careers of men born after about 1970 prevents firm conclusions on more recent trends.

Finally, Beller and Hout emphasize that education enhances opportunity. In fact, college graduates have opportunities that no longer depend on their family background. But, as addressed more extensively in the three articles on education in this volume, educational attainment is itself very dependent on class or family income.

## Women and Minorities

Class is not the only barrier to upward mobility in the United States. Being female and being African American have also constrained opportunity. Melissa Kearney reviews the record and finds that women and minorities have made tremendous strides relative to men and whites during the past sixty years. Women are much more likely to work today than they were in the past, and as their labor market experience has increased, so have their earnings (in 1820, women earned 30 percent of what

men did; today, the comparable figure is 80 percent). For blacks, education, earnings, and occupational status have all improved dramatically relative to whites. Although some discrimination still exists in the labor market—as evidenced, for example, by results from hiring audits and experiments in which employers are presented with two resumes that are identical except for the race of the candidate—it is no longer as explicit or as important as it once was. For minorities, most of the remaining gaps in earnings appear to be related to the quality and quantity of education. For women, the remaining gaps more likely reflect the kinds of occupations entered and the amount of time worked, and both of these factors may, in turn, be related as much to women’s own preferences as to those of employers.

The dramatic changes in the position of women and minorities in recent decades complicate the study of intergenerational mobility. Because fewer women worked in the past, most studies of intergenerational economic mobility have focused on the relationship between the incomes of fathers and sons. What research there is on women suggests that their earnings are roughly as dependent on family background as men’s are. Another reason for the dearth of research on women is that in the past, when far fewer women worked outside the home, women’s economic status was more dependent on their spouse’s earnings than on their own. But because women and men tend to marry people with similar backgrounds, a woman’s *husband’s* earnings are just as highly correlated with the income of her parents as her own earnings are. Thus women (and increasingly men) have two equally important routes to upward (or downward) income mobility.

For blacks the story is even more complicated. Until recently, there was little relation-

ship between a father’s income and his son’s income because the distribution of income among blacks was very compressed. Almost all blacks earned low wages, and few advanced. As a result, few black parents had advantages they could pass on to their children. Today more black parents occupy positions in the middle or upper strata of society. But despite their recent success (and perhaps because it is so recent), black parents have

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much greater difficulty transmitting their status to their children. A recent study finds that black children born into the top quarter of the income distribution have a 15 percent chance of staying there, whereas white children have a 45 percent chance of staying. Similarly, black children born into the bottom quartile are four times as likely to remain there as white children. Some of this difference can probably be explained by racial differences in income and wealth among parents in the top and bottom quartiles. Put differently, poor blacks are poorer than poor whites, and wealthy blacks are not as well off as wealthy whites.

### **Immigrants**

As noted, America has long been viewed as a place where people from different countries could come to improve their economic fortunes and provide a better life for their children. Although most immigrants are better off than they would have been in their home

country, George Borjas notes that most enter the United States at a sizable earnings disadvantage relative to native-born workers, and that there is considerable variation in the earnings of different immigrant groups. He finds that second-generation immigrants have consistently done better than the first generation in terms of catching up to the native-born population. But given the size of the initial disadvantage of recent groups, catching up may take a long time.

In examining the extent to which the earnings of immigrants from different ethnic groups converge over time, Borjas finds that group differences tend to persist into the second and third generations. Although some of this “stickiness” is due to group differences in education, Borjas argues that part is due to “ethnic capital”—values and behaviors that are reinforced because immigrants tend to live in enclaves. Thus a Korean child whose parents have only a high school education may benefit from living in a Korean community that values college education and that sends most of its children on to college, whereas a Mexican child whose parents are similarly educated may suffer from living in a Mexican community with different values, where most children do not attend college. Borjas thus notes a possible trade-off between maintaining a strong ethnic identity and assimilating rapidly into the native population to promote economic success. He believes that “ethnic stickiness” works against the upward mobility of many groups of immigrants.

Borjas cautions that the immigrant success stories of the twentieth century may not be repeated this century. Today, with many fewer opportunities for low-skilled workers, weaker pressures for assimilation, and a much larger concentration of low-skilled workers in the immigrant pool, poor immi-

grant groups will find it harder to reach parity with native-born Americans.

## Education

Americans have long viewed education as the primary way for children from less advantaged backgrounds to move up the economic ladder. And America was the first country to provide free elementary education to all children, at least in the northern states. Because education is such an important potential force for upward mobility, this volume includes three articles on the current education system and its role in creating equal opportunity: one on preschool programs, one on elementary and secondary schools, and one on higher education.

### Preschool Programs

Preschool programs can increase upward mobility among children from disadvantaged backgrounds under two circumstances. First, the programs that low-income children attend must be of the quality and intensity required to increase the children’s future educational attainment and economic success. Second, low-income children must either have more access to these programs than more advantaged children or be disproportionately advantaged by them. Steven Barnett and Clive Belfield assess the evidence on these two propositions.

Based on their review of a variety of early childhood programs, they conclude that the most effective programs are very high-quality or intensive interventions (such as the model Abecedarian or Perry Preschool programs), followed by high-quality public pre-K programs, Head Start, and typical child care or family support programs, in that order. Head Start, for example, tends to be only one-tenth to one-fourth as effective as the more intensive programs. These latter programs are

characterized by highly qualified, well-paid teachers, high ratios of teachers to children, and long-term participation by the children. To assess how any program affects the longer-term outcomes relevant to social mobility, researchers need extensive follow-up data, which are not always available. But based on existing data, they find that the intensive programs have large effects. Children who participate are much less likely to be placed in special education, to repeat a grade, and to drop out of high school. They are more likely to graduate from high school and go on to college, more likely to have better health, less likely to give birth as a teen, and less likely to use drugs or be involved in a crime.

Barnett and Belfield find that a large share of young children already attend some kind of preschool—42 percent at age three and 67 percent at age four. (The programs they look at vary widely and include Head Start, programs for disabled children, state pre-K programs, center-based child care, and private nursery schools.) Despite efforts to target resources on disadvantaged children—for example, in Head Start—the likelihood of being enrolled in preschool continues to be higher among children from more advantaged families than among those from less advantaged families. Specifically, more than half of all poor children aged three and four are not enrolled in preschool. And participation is especially low among the children of mothers with little education, among Hispanic families, and in the western United States. Finally, access is not the only problem. The quality of the programs that low-income children attend is lower than the quality of those that higher-income children attend. The authors conclude that although public programs have increased preschool enrollment among children from less advantaged families, they could do more.

Barnett and Belfield also examine whether preschool programs benefit disadvantaged children more than their advantaged peers. Evidence of such differences in effectiveness is somewhat mixed, but on balance and especially for outcomes like crime, fertility, and welfare participation, the programs do appear to give disadvantaged children a relatively greater boost. And even if the programs do not confer large benefits on the children

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themselves, they have second-generation effects (that is, on the children of participants), especially in the important areas of crime, fertility, and welfare participation. Expanding these programs, then, could modestly improve intergenerational mobility. The authors argue, however, that targeting these programs to the disadvantaged may not be the best option, for three main reasons: such targeting is often imperfect, universal programs are politically more popular, and mixing children from different backgrounds in the same classrooms may have desirable effects.

### **Elementary and Secondary Schools**

In their article on elementary and secondary education, Cecilia Rouse and Lisa Barrow examine a set of propositions similar to those studied by Barnett and Belfield: does family socioeconomic status affect educational outcomes, and are those outcomes an important determinant of adult earnings? Although

links between family background, schooling, and ultimate economic success are evident in the data they review, Rouse and Barrow also delve into a much more difficult question—are these links causal or do they reflect the inheritance of ability across generations? After reviewing an interesting body of sophisticated research, they conclude that a family's socioeconomic status does lead to greater school success for the children, and that schooling strongly affects earnings, even for children of the same ability. Rouse and Barrow go on to ask why children from more advantaged families get more or better schooling than those from less advantaged families. Because public education at the elementary and secondary levels is virtually free to all students, the answer would seem to involve such things as class differences in the expectations of parents or teachers or in perceptions about the longer-term benefits of doing well in school. In addition, because children normally attend schools in the neighborhood where they live, lower-income children may attend schools that are inferior to those their more advantaged peers attend.

Rouse and Barrow do not find large differences in spending per pupil or pupil-teacher ratios. But they do find that children from more affluent families attend better-managed schools and schools with better facilities, and that they have more experienced teachers and more academically oriented classmates. They conclude that family income affects school quality and that such variables as class size, facility quality, the efficiency with which administrators spend funds, and the quality of teachers affect what children learn. Rouse and Barrow also look at the likely effects of the recent policy emphasis on school accountability, charter schools, and experiments with school vouchers and conclude that any gains for less advantaged children

from these institutional reforms are likely to be small at best.

Rouse and Barrow's overall conclusion is that public schools *as currently organized* tend to reinforce the transmission of socioeconomic status from parents to children. Policies aimed at improving school quality, such as smaller class sizes or better teacher quality, can increase opportunity, but schools can go only so far in promoting opportunity as long as wealthier parents use their abundant resources to provide more enriched environments for their children.

### College Education

Unlike most elementary and secondary education, the U.S. system of higher education is supported by a mix of public and private funds. Robert Haveman and Timothy Smeeding argue that public subsidies for higher education are justified on grounds of both efficiency and equity. Public investment in higher education is efficient because in the absence of a public subsidy, parents and students would underinvest in their schooling, thus reducing overall productivity. Subsidizing higher education is equalizing because, in principle, higher education acts as what Haveman and Smeeding call a “mobility-increasing filter.”

The authors examine how well the mobility-increasing filter is working, whether the college admission process differs for youth from different family backgrounds, and how to make the current system more conducive to opportunity. They argue that despite an overall increase in U.S. college attendance during the past two decades, class disparities in attendance have widened—that is, attendance has increased more among children from high-income families than among children from low-income families. The gap is espe-

cially pronounced for youth attending four-year colleges. The authors conclude that the mobility-increasing filter is not working as well as it once worked or should be working.

They also examine how the college admission process differs for youth from different class backgrounds. To get into college, a student must be motivated to attend and must be academically prepared. He or she must also complete application forms, take special exams, and be able to pay the fees. Children from high-income families, say the authors, are much better able to make their way through this maze than are children from low-income families, who are less well prepared for college, less likely to understand the application process, and less likely to have accurate information about the real costs of college. Changes in the cost of college and in financial aid policies have also reduced opportunities for disadvantaged youth to attend college.

All these factors have made it more difficult for students with the least means to get into the best colleges. Ranking the colleges into four tiers, the authors find that 74 percent of students in the top tier are from the highest socioeconomic quartile, while only 3 percent are from the lowest quartile. Even in the bottom tier of colleges, only 16 percent of the students are from the bottom socioeconomic quartile and 46 percent are from the top. And although community colleges, which are intended as a way to facilitate entrance into four-year colleges, are evenly balanced throughout the quartiles, the transfer rate of students from community colleges to four-year colleges is not high. Thus there is a widening gap between the highest and lowest socioeconomic quartiles in college enrollment, in completed credits, and in graduation rates.

Finally, the authors suggest several ways to improve the mobility-increasing filter. One is for colleges to outsource the provision of dormitories, food service, and other operations, which would reduce costs and allow them to focus on their specialty, education. A second is to price education at its real cost, instead of providing the subsidy to the more affluent that even full-price tuition now includes.

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Such a step would provide sufficient revenue to offer additional financial aid to low-income students. A third possibility is to base state funding for higher education on criteria such as the retention rates and graduation rates of students from lower-income families, an increase in enrollment of such students, and affordable tuition, rather than giving state-supported universities a lump-sum appropriation with no reward or penalty for performance. Other suggestions include limiting public subsidies to wealthy private schools, directing assistance from states (or even the federal government) to low-income students instead of passing it through the institution, and linking repayment of loans to income, thus enabling graduates to pay off loans even if they take lower-paying jobs. All these changes might help increase low-income students' enrollment in colleges and universities and improve the mobility filter.

## Child Health

Child health will affect the intergenerational link between the income of parents and their offspring if family income is related to children's health and if children's health is related to their future economic success. Anne Case and Christina Paxson examine both these propositions. First, they find that par-

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ents' income is indeed linked with children's health and trajectories in health. Poor children have poorer health than nonpoor children. And as children grow older, differences in health between poor and nonpoor children become more pronounced. Blacks and Hispanics show the same pattern as whites. And children in countries with universal health insurance, such as Canada, show the same pattern as children in the United States.

Not only are poor children more likely to experience such health problems as low birth weight, asthma, heart conditions, mental retardation, and vision and hearing disorders, but their prognosis is worse than that of nonpoor children with the same conditions. The authors attribute this finding to differences in the severity of the illness, in the quality of medical care received, and in parents' ability to manage their children's care.

Case and Paxson also examine whether poor health in childhood leads to lower income in adulthood. Although they note that many studies suggest that it does, they caution that

the evidence is based on observational rather than experimental data, making it difficult to establish causality. Nevertheless, they point out that poor health in childhood might reduce income in adulthood both by reducing schooling and by impairing health in adulthood, thus limiting employment prospects and the number of hours worked.

In discussing policy implications, the authors call for better programs to help pregnant women quit smoking. They note that nutrition programs such as WIC have improved children's health, but they caution that evidence on the benefits of prenatal care, as practiced today, is surprisingly mixed and that both the food stamp program and the national school lunch program also appear to have mixed results. They point out that although the idea that increased access to health insurance would equalize health outcomes was the driving force behind Medicaid expansions of the 1980s and 1990s, access to care may no longer be the primary barrier to the improvement of health outcomes among lower-income children. The challenge today is to improve the quality of both prenatal and pediatric care.

## Culture

Ensuring that all children are healthy and well educated is a goal that most people would support, although they might disagree about how much the public should invest and how best to use the money. Much more controversial are programs that aim to change family behaviors. Nonetheless, much of today's political rhetoric and many of today's policy initiatives are aimed at encouraging parents to marry, work, and participate in faith-based programs. In their chapter, Jens Ludwig and Susan Mayer examine the extent to which these behaviors improve children's chances of avoiding poverty as adults.

Ludwig and Mayer argue that the effect is unlikely to be large, for two reasons. First, the evidence for a causal link between these parental behaviors and children's chances of growing up poor is relatively weak, making it impossible to be sure whether changing parents' behavior would change children's economic outcomes. Second, most children who become poor as adults do not grow up in a single-parent family, a family with no full-time worker, or a family that does not attend religious services. Therefore, even if the effects of family behavior on intergenerational poverty were causal, getting all parents to marry, work, and attend church would have only a minor effect on the poverty rate in the next generation. The authors call this the poverty-prevention paradox.

The calculations presented by Ludwig and Mayer help illustrate the paradox. Using data for children born during the 1970s, they find that the odds of being poor in adulthood are around 10 percent for children who grow up in "Ozzie and Harriet" families, with two biological parents. For children growing up with only one parent, the chances are around 17 percent. Because the first group of children is so much larger than the second group, they account for a much larger share of the poor in the next generation. According to the authors' estimates, if every home had two parents, this would reduce poverty in the next generation by only one-sixth (assuming that all the association between these behaviors and children's chances of being poor is causal, which it obviously is not). A policy that could put a second parent into even half of all homes that now have one parent—a huge success by social policy intervention standards—would reduce poverty in the children's generation by less than 10 percent. Ludwig and Mayer conclude that there are more effective ways to increase

social mobility than by targeting these family behaviors.

The article by Ludwig and Mayer is provocative, and the poverty-prevention paradox they describe underscores an important point: eliminating disparities in family behavior in one generation would not eliminate the problem of poverty in the next. Indeed, a highly mobile society will, by definition, always produce a new group of families at the bottom of the income distribution. So the poverty-prevention paradox is not inconsistent with a relatively high degree of economic opportunity.

## Conclusions and Policy Implications

Growing income inequality in the United States would be less troublesome if all U.S. residents had the same chance to get ahead. But the fact is that family background matters. Americans need to pick their parents well. Moreover, the United States does not have a higher degree of mobility than other industrialized countries. Increases in income inequality and wealth inequality in recent decades are likely to persist from one generation to the next. Some observers believe the appropriate policy response is to adopt more progressive income or benefit programs. Others argue for redressing the balance by improving opportunities for all citizens to get ahead. This volume focuses on the latter—in part because it is "the American way." But we believe that both approaches are needed.

The persistence of wealth across generations is high, and children who grow up in affluent families are greatly helped by the advantages associated with wealth. The current estate tax curbs at least some of this persistence and enables each generation to start on a slightly more even playing field than would otherwise

be the case. But the effects of the estate tax are modest. In 2006, less than one-half of 1 percent of all estates will be subject to taxation.<sup>8</sup> Some people want to raise the estate tax. Others want to repeal it. We believe the repeal or further erosion of the estate tax would be a mistake. The current (2006) exemption of \$2 million per person (or \$4 million per couple) provides more than ade-

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quate motivation for parents to save and a rich legacy for their children.<sup>9</sup>

As important as the estate tax is, it is small relative to the effects of education on opportunity. Education, after all, is considered the great leveler, the most important opportunity-enhancing vehicle available to any society. But the three relevant articles in this volume all conclude that education in the United States tends to reinforce rather than reduce divisions based on class. This conclusion is supported by three facts. First, the U.S. education system is not as strong as that in some other countries. Thus it does less to ameliorate the effects of family background than it might. Second, much education at the preschool and postsecondary levels is still privately financed, effectively making it unavailable to children from less wealthy families. Third, poor children tend to go to poor schools. In short, providing more equality of

opportunity requires that schooling at all levels be of higher quality and that children from less advantaged backgrounds have the same educational opportunities as those whose parents can afford to enroll them in nursery school at an early age, live in a high-priced neighborhood with good schools, and send their children to college.

Ensuring that children from disadvantaged families have access to high-quality early education is particularly important. As emphasized in another issue of *The Future of Children*, test score gaps by race and socioeconomic status are large even before children enter kindergarten; preschool programs have the potential to reduce these gaps.<sup>10</sup> Closing the gap in quality at the elementary and secondary level will require higher-quality teachers, smaller class sizes, continuing assessments of student performance, and more effective ways of providing extra help to schools serving less advantaged families.<sup>11</sup>

One proposal that is getting increased attention involves a change in the way teachers are recruited and retained. Today, teachers in the public schools must be licensed or certified to teach, but there is no evidence that these initial credentials make much difference to what children learn. Drawing teachers from a broader pool, assessing their ability on the job, and then providing tenure to those who succeed could, according to the evidence, improve student outcomes substantially.<sup>12</sup>

Attaining a college degree greatly enhances mobility by breaking the link between family background and adult success. But with college attendance increasingly related to family resources, the United States must redouble efforts to provide a college education for

well-qualified children from less advantaged families.

Although discrimination against women and minorities has declined over the past half century, neither group has completely caught up with white men. In the case of women, the gap is primarily related to the kinds of jobs they hold and the time they spend in the workforce, some of which may be due to personal preferences. In the case of minorities, the gap is primarily related to a lack of education. But for both groups the gaps may be related less to race and gender and more—especially in the case of minorities—to issues of class. Policies should thus emphasize better education for minority groups as much as, if not more than, affirmative action per se.

The nation's latest waves of immigrants are less skilled than earlier arrivals and are thus finding it more difficult to assimilate and achieve parity with native-born workers. To avoid the challenges presented by a group of immigrants who remain stuck at the bottom of the economic ladder, the United States may want to tighten immigration policy somewhat or base it less on family ties and more on the skills that immigrants bring into the country.<sup>13</sup> Two other policy priorities are to ensure both that immigrant children learn English and that they get a good education.

Good health is another advantage that higher-income or better-educated families pass on to their children. The expansion of Medicaid in the 1980s and 1990s has helped equalize access to health *care* across the income distribution, but disparities in health *outcomes* remain because of differences in the quality of care received, the ability of parents to use the health advice they get from pediatricians, or lifestyle and genetic factors that trump access to care. Greater emphasis on good nutrition (see the *Future of Children* volume on childhood obesity),<sup>14</sup> on smoking cessation for pregnant women, and other preventive measures may have as much impact as further extending health insurance to low-income families.

A great deal of social mobility is attributable to characteristics of families that cannot be measured simply by looking at their economic resources. An intact family, with a steadily employed parent, that transmits good values to children may produce more successful children than a wealthier family without these characteristics. But how much do these cultural attributes matter? The evidence in this volume suggests that their role is smaller than many have argued, but we believe the jury is still out on exactly how these hard-to-define attributes of a family influence its children's chances of success.

## Notes

1. Gary Burtless and Christopher Jencks find that market income inequality in the United States is similar to that in other OECD countries but that taxes and transfers did more to redistribute these market incomes in other OECD countries in the 1990s, with the result that disposable incomes were more unequal in the United States in that decade. Gary Burtless and Christopher Jencks, "American Inequality and Its Consequences," in *Agenda for the Nation*, edited by Henry Aaron, James Lindsay, and Pietro Nivola (Brookings, 2003), p. 76.
2. Lawrence Mishell, Jared Bernstein, and Sylvia Allegretto, *The State of Working America 2004/2005* (Cornell University Press, 2005), p. 214.
3. Authors' calculation from Congressional Budget Office, "Historical Effective Federal Tax Rates, 1979–2003" (December 2005), table 1-C. The CBO calculations use the Census Bureau's fungible value measure to determine the cash equivalent of in-kind government transfer payments. The CBO adjusted the resulting measure of comprehensive income for differences in the size of households in order to assign households to income quintiles. Quintiles contain equal numbers of people, but because households vary in size, quintiles generally contain unequal numbers of households.
4. Ibid.
5. Arthur B. Kennickell, "Currents and Undercurrents: Changes in the Distribution of Wealth, 1989–2004," Finance and Economics Discussion Series 2006-13 (Federal Reserve Board, 2006), [www.federalreserve.gov/pubs/feds/2006/200613/200613abs.html](http://www.federalreserve.gov/pubs/feds/2006/200613/200613abs.html) (June 15, 2006).
6. Authors' calculation interpolating data from Angus Maddison, "The World Economy: A Millennial Perspective" (Paris: Organization for Economic Cooperation and Development, 2001), tables A1-c and A1-d.
7. Authors' calculation from U.S. Bureau of the Census, "Historical Income Tables—Families," *Current Population Survey*, table F-6, [www.census.gov/hhes/www/income/histinc/f06ar.html](http://www.census.gov/hhes/www/income/histinc/f06ar.html) (May 18, 2006). The Census Bureau adjusts income data for inflation using the CPI-U-RS.
8. Authors' calculations using Urban-Brookings Tax Policy Center, "Table T06-0020. Current Law: Distribution of Gross Estate and Net Estate Tax by Size of Gross Estate" (January 23, 2006), [www.taxpolicycenter.org/TaxModel/tmdb/Content/Excel/T06-0020.xls](http://www.taxpolicycenter.org/TaxModel/tmdb/Content/Excel/T06-0020.xls) (May 18, 2006); and Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, *2006 Annual Report* (2006), tables V.A1 and V.A2, [www.ssa.gov/OACT/TR/TR06/V\\_demographic.html](http://www.ssa.gov/OACT/TR/TR06/V_demographic.html) (May 18, 2006).
9. Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16, subtitle C, "Increase in Exemption Amounts," sec. 521(a). See also Leonard Burman and William Gale, "The Estate Tax Is Down, but Not Out," Tax Policies Issues and Options Policy Brief 2 (Washington: Urban Institute, December 2001).
10. See "School Readiness: Closing Racial and Ethnic Gaps," *Future of Children* 15, no. 1 (2005).
11. See Jens Ludwig and Isabel V. Sawhill, "Success by Ten: Intervening Early, Often, and Effectively in the Education of Young Children" (Georgetown University and Brookings, 2006); and William T. Dickens, Isabel V. Sawhill, and Jeffrey Tebbs, "The Effects of Investing in Early Education on Economic Growth," Working Paper (Brookings, April 2006).

12. For a set of specific, evidence-based proposals on effective ways to intervene, see Robert Gordon, Thomas J. Kane, and Douglas O. Staiger, "Identifying Effective Teachers Using Performance on the Job," Hamilton Project White Paper 2006-01 (Brookings, 2006).
13. See George Borjas, *Heaven's Door: Immigration Policy and the American Economy* (Princeton University Press, 2001).
14. "Childhood Obesity," *Future of Children* 16, no. 1 (2006).

