

THE BROOKINGS INSTITUTION

OPPORTUNITY IN AMERICA:  
DOES EDUCATION PROMOTE SOCIAL MOBILITY?

Tuesday, September 19, 2006  
10:00 a.m. - 12:00 p.m.

The Brookings Institution  
Falk Auditorium  
1775 Massachusetts Avenue, N.W.  
Washington, D.C.

C O N T E N T S

**OVERVIEW:**

ISABEL SAWHILL

Senior Fellow, Economic Studies and Co-Director, Center on Children and Families  
The Brookings Institution

**PANEL ONE:**

MODERATOR:

ISABEL SAWHILL

Senior Fellow, Economic Studies and Co-Director, Center on Children and Families  
The Brookings Institution

PANELISTS:

W. STEVEN BARNETT

Director, National Institute for Early Education Research

Rutgers University

CECILIA ROUSE

Professor of Economics and Public Affairs  
Woodrow Wilson School, Princeton University

TIM SMEEDING

Director, Center for Policy Research  
Maxwell School, Syracuse University

**PANEL TWO:**

MODERATOR:

RON HASKINS

Senior Fellow, Economic Studies and Co-Director, Center on Children and Families  
The Brookings Institution

PANELISTS:

SEBASTIAN MALLABY

Editorial Writer, *Washington Post*

HUGH PRICE

Senior Fellow, The Brookings Institution

DAVID WESSEL

Deputy Bureau Chief, *Wall Street Journal*

ADRIAN WOOLDRIDGE

Bureau Chief, *Economist*

\* \* \* \* \*

## PROCEEDINGS

MS. SAWHILL: Good morning, everybody. I want to welcome you to this event this morning.

I am Isabel Sawhill. I am a Senior Fellow here at Brookings and also an editor of the *Future of Children* and of the volume that we are releasing on “Opportunity in America,” along with my colleague at Princeton University, Sara McLanahan. We were co-editors of the volume.

We are very pleased that three of the authors of the volume were able to join us today. They are up here with me, and you are going to be here from them shortly. We also have a terrific panel of journalists to comment on the issues raised in the journal after we hear from the authors.

What I want to do is take a few minutes to set the stage and to argue that if you care about social mobility or opportunity in America, you have to care about education. As we all know, America is the richest country in the world, but as we also know now, over the past 30 years, the benefits of economic growth have not been as broadly shared as they were in some earlier periods of our history and income inequality has increased sharply over that period. Moreover, the poverty rate is as high now as it was in the 1970s. There have been ups and downs in the poverty rate, including an impressive drop in the late 1990s, but no really sustained progress on this front. Those facts are by now well known.

I start with them because what interests me is not just the facts but the way in which the American public has responded to them. The public in this country seems reasonably comfortable with a large degree of poverty and inequality, as evidenced by the

fact that we have done much less than other advanced countries to address this problem. There are many possible reasons for this lack of interest in redistributive policies in the U.S., but I think that at least one of them is the fact that the public believes that America is the Land of Opportunity. In the volume being released today, the authors address the question of just how much opportunity we really have and what might be done about it.

I should explain what we mean by opportunity. A country with a lot of opportunity is one in which you can easily move beyond your origins; in which, if you work hard and play by the rules, you can secure the American Dream; in which your economic or social status does not depend very much on that of your parents.

Academics, including the ones writing for the journal, measure the degree of opportunity in a society by looking at the correlation between a person's income or socioeconomic status as an adult and the income or socioeconomic status of the family in which they grew up. The best data currently available suggests that this correlation is pretty high, that we have less opportunity than most people think and clearly less opportunity than other rich countries. More specifically, it takes about five generations for the advantages or disadvantages of your family background to die out in the U.S. There is some reversion to the mean, but even your great, great grandchildren will be influenced by how well or badly you do in the competition for society's prizes. So, circumstances of birth matter and you need to pick your parents well. Over several generations, people do move up or down the ladder, but they don't move that far from where they started.

I want to mention two important exceptions to this generalization. The first is immigrants. For them, America really is the Land of Opportunity for a very simple reason. If you want to do much better than your parents, you can achieve that

goal, simply by moving from a poor country to a rich one. The second is African-Americans. They have made steady gains over the past half-century, but they still lag behind whites in many areas, especially in education. More importantly, for purposes of today's discussion, they have a harder time, according to the research, moving up the ladder between generations, than whites, and a harder time preserving whatever gains they have made by passing them on to their children.

The topic of opportunity has been getting a lot of attention of late. The *New York Times*, the *Wall Street Journal*, the *Washington Post*, the *Economist* have all done series and articles on this.

There are several reasons, in my view, why this new attention is entirely appropriate. First, opportunity matters more in a world where income is very unequally distributed, much more than it does in a world where economic rewards are more broadly shared or more equal. When the prizes are large, you should want to make sure that everyone has a decent chance to win those prizes, that the process is a fair one. Second, through most of American history, we have had a very dynamic economy. Economic growth has meant that each generation could do better than the previous one even if children remained in the same relative position as their parents. On average, going all the way back to 1820, each generation's incomes have been about 50 percent higher than the previous generation's. But if the kind of growth we have had over the past generation, that is, since the early 1970s, is any indication of what the future may hold, then each generation's income is only going to be about 17 percent higher than the previous generation's income. So that is a third less than what we have come to expect historically, and people's economic status therefore may increasingly depend on how

they do in the competition to get their piece of a more slowly growing pie.

Let me turn now to the role of education in promoting opportunity.

Providing everyone with a good education is, of course, the classic way to increase mobility. A society with a weak education system will, by definition, be one in which the advantages of class or family background are likely to loom large. A society with a strong education system should, in principle, help to break the link between parental background and a child's eventual success.

So, what we want to explore with you today is these linkages between family background and a child's success and what might be done to compensate for them at each level of the education system from pre-K to institutions of higher learning. To do this, we have got some of the best experts from around the country to discuss these issues with you. I would like to invite them to now give us their thoughts on these questions.

We will start with Steve Barnett. Steve is Director of the National Institute for Early Education Research which is housed at Rutgers University, and he is an expert on pre-K and early childhood education, one of the best in the country, and an author of one of the chapters in the volume.

Next, we will hear from Cecilia Rouse. She is a professor at Princeton University. She is also an editor of the *Future of Children* and has got a research center at Princeton that deals with these issues. She is also right now editing one of the next volumes in the series of the *Future of Children*, which will be on teacher quality. I look forward to seeing it.

Finally, last but not least, we will hear from Tim Smeeding. He is a professor at the Maxwell School at Syracuse University and Director of its Center for Policy

Research. One of the things that Tim has worked on, in addition to what he is going to talk about today, is this issue I alluded to earlier, which is how the U.S. compares to other advanced countries and the fact that they do less to redistribute income than we do in the U.S. So I just thought I would note that.

Okay, over to you, Steve.

MR. BARNETT: Thank you. Good morning.

You should all have a handout on the presentation. It is based on the paper that Clive Belfield and I wrote on preschool and social mobility. The handout will help. A picture is worth a thousand words, and that will help me keep to my time this morning.

I want to begin by saying that our paper is basically a good news/bad news story. I will start with the good news. The good news is there is substantial evidence that investments in learning and development for children before they enter kindergarten can have a significant effect on social mobility, looking at social mobility both as everyone moving up the ladder and as gaining rungs on other people. I guess you might think of it that way. The additional good news is that the public programs that we already have — Head Start, subsidized childcare, state pre-kindergarten programs, and local pre-K programs — already have some modest effect in terms of increasing social mobility.

The bad news is that those effects are very, very modest. There are several reasons for that. The first is that access to these public programs is actually quite a bit more limited for children in poverty than I think the public realizes. They are also limited in access for people in lower middle income families. The second bit of bad news is that the programs that we have are extremely weak. They are quite a bit weaker than

the programs that we know can have fairly large impacts on young children's learning and development, and this is true for childcare, Head Start, and state pre-K, all of the major categories of early childhood programs. Finally, these programs actually start fairly late. They start when children are three or four, often when they are four. Now, there is quite a bit of learning and development, unequal learning and development, which has already taken place by the time a child is three or four.

You will see there is a chart — I think it is the fourth one you have — that says: Access is unequal and unfair. This gives you some sense. We think that the stair step you see beginning at the right and moving downward would continue downward without the current public programs that we have, and you can see it flattens out right about the median income and stays flat. That means that essentially half of the children in poverty and also half of the children just under the median income are not in Abecedarian early childhood programs, which are the types of programs that have demonstrated some impact.

Then if you move to the next chart, this is basically a graph that relates family income to children's development at the time they enter kindergarten. This shows it for the academic subjects. If we were to graph social/emotional development, you would see exactly the same kind of relationship. So, you can see, despite the impacts of current programs, there is still a substantial relationship between income and early development. To quantify this, children in poverty are 18 months behind on these skills when they enter kindergarten compared to kids at the median income. Kids at the median income are equally far behind kids in the top 20 percent by income.

If we wanted to remedy this situation, what would we need to do? Well,



first we would need to increase access. Second, we would need to increase quality or intensity. There is no magic about how to do that. In fact, I think the strategy for improving the quality and intensity of programs is quite well known. It is the same throughout education: better teachers, better paid teachers, smaller classes and reasonable ratios, strong supervision, high standards and accountability. That is a formula that would be apparent to anybody who has been involved with education reform in K-12. It is more urgent in the early childhood field because unlike K-12 where, say, every teacher begins with a four-year college degree and an average salary of perhaps \$40,000, in the early childhood world, the average salary is half that and many teachers have nothing but a high school diploma.

Quantity matters also. There are a lot of half-day preschool programs being provided to children, a lot of programs that start at age four. We could start them earlier. We could provide extra hours. There is emerging research that indicates extended day, extended year programs have substantially larger than part day, part year programs. We could also invest more in programs that begin before age three. We don't have as many examples of those programs that are highly effective, but we have examples of some programs: Early Head Start, David Old's Nurse Home Visiting Programs. We know something about how to make those programs more effective than they currently are on average, but we don't do that.

Finally, I think there is an important issue about how do we make this happen. We have got 40 years of experience with compensatory early childhood programs for children in poverty. I think for all the success that those programs have had, it is time to admit they don't go far enough; they are too little, too late.

We think that a universal strategy, at least for three and four-year-olds, has more to offer than a targeted strategy because a universal strategy would do more to increase access. It would recognize that the benefits of programs are not simply limited to children in poverty. As you saw from that graph, this is a continuum. It is not that you get down to the bottom 20 percent and suddenly drop off. And, we believe that quality would be improved if these programs were open to all children and not just for poor children. Even if you increase the access, our work shows you wouldn't get much of an improvement in children's learning and development or social mobility, unless you greatly increase the quality of the programs.

Thank you.

MS. SAWHILL: Thanks very much, Steve.

Ceci?

MS. ROUSE: I am going to talk about the K through 12 system. My paper was co-written with Lisa Barrow who is at the Chicago Federal Reserve Bank.

Americans have long had high expectations for our educational system and one reason is that education is closely linked to both future income and occupation. In fact, for those two reasons, it is thought to be an important determinant of an adult's socioeconomic status. Again, turning to your handout, I just have figures from the paper here. Figure 1 shows you average annual earnings by years of completed schooling. So, what it shows you is for individuals who have completed a certain number of years of schooling, how much do they earn on average in a year. If you look at 12, which is generally high school graduates, you can see that, on average, high school graduates earn about 26,000 per year. You can compare that to those with just 11 years of schooling,

high school dropouts, who earn only \$19,000 per year. That relationship continues for those who go on to college; they are earning more, et cetera. In fact, the value of our college degree which is 16 years of schooling is very high and has been increasing over the past 25 years.

Yet, it is not clear that simply increasing educational attainment is going to break the relationship between a child's socioeconomic status, future socioeconomic status, and that child's parents' socioeconomic status. Why is that? This is the bad news of this paper: because education outcomes are very strongly linked to a family's socioeconomic status to begin with. Basically, what we find is that students from less advantaged backgrounds have poor educational outcomes — not a surprise. If you look at Figure 2, it shows this result.

What we have from Figure 2 is data from a cohort of eighth graders who were in eighth grade in 1988 and we have divided their family background into four quartiles. The SES is a combination of parental income, parental education, and parents' occupation. We have contrasted the lowest SES quartile and the highest. What you can see, for example, is that the students who come from the most advantaged families have much higher test scores than those who come from the lowest family background. They are much less likely to have been ever held back a grade. The more advantaged students are less likely to have dropped out of school, and they have higher graduation rates. All of these educational outcomes are strongly linked to their parents' family background.

The question is: Why? One of the things that is very striking is that it is very hard to establish where there is a causal relationship between the child's family background and the child's outcomes.

Why is it not straightforward? Because it is very possible that what happens is that more innately able parents, who are therefore successful, it is not so much that the fruits of their success — their big house, their income — is what is generating better outcomes for their students, for their children, but rather that they have this great innate ability and they have passed that genetically on to their children. It is important as a society to distinguish whether we think it is due to the environment that these more successful parents are providing or to the genetics that the parents are passing on. This is very difficult to ascertain, but there is some evidence from, for example, adoption studies, from welfare experiments, from changes in the ITC which have exogenously changed the family's income, or in the case of the adoption studies, exogenously changed or randomly changed a child's background and broken the link between the genetics of the parents and the child and the family background circumstances.

The best evidence suggests that there is some genetic component to the success of the child, but that there is large room for the environment as well. That is important because it is really the environment that policy can potentially change. I think we are not making as big headway on the genetics.

Why is there this link? We think some of it is genetics, but there is still this other component. Economic theory would say that — being an economist, this is where I am going to turn — well, people are going to do as well in school and they are going to stay in school as long as the benefits of doing so outweigh the costs of doing so. In this paper, what we do is we try to consider: Why is it that the benefits of doing well in school might differ between more advantaged children and less advantaged children, or why might the costs differ?

Here is what we concluded: First, in terms of the benefits, as I showed in Figure 1, there is very strong evidence that there is a relationship between educational attainment and future success, and people have actually shown that to be a causal relationship. Surprisingly, there is much less evidence that that benefit to education differs by family background. So, it doesn't look like the more advantaged kids are going to see a much bigger gain to staying school than the less advantaged kids. It doesn't look like that is the benefit.

We then to turn to the costs. There are direct costs and there are indirect costs. Well, at the K through 12 level, the direct costs aren't very great. To begin with, most children are in public schools. So, it is not the direct costs, but there may be indirect costs.

We considered various kinds of indirect costs. There are psychological costs. If it is more difficult to master the material at a later grade level because you haven't mastered the earlier material, that is going to be a psychological cost of staying school; or if your teachers or parents don't have as high expectations for you as a student, it might make it psychologically more difficult to try to achieve than it would for a more advantaged student whose parents and teachers have high expectations. There is some evidence that suggests that teacher expectations differ by the socioeconomic status of the child. So, we think that psychological expectations and psychological costs play some role.

There might be information costs. For example, do the less advantaged children fully understand the potential benefits of education? Do they think that that education might be kind of risky? Wealthier feel fairly confident that if they stay in

school, their income will increase, but children from less advantaged families may not feel that there is that same certainty of the payoff. It is surprising information, I think, that it is a very compelling difference that might explain these differences. The evidence is very fledgling and not very strong. So, I am not going to suggest that that doesn't explain it. I suspect it does, but the evidence isn't as strong as you might think.

There are opportunity costs which are that while you are in school, you can't work. As children get older, that becomes more compelling. You can earn more money as an 18-year-old than you can as a 3-year-old. Those differences may be greater for less advantaged families. The contribution of a child's income is going to be a greater proportion of family income than for a wealthier family, and we think that plays a role. Then there are going to be borrowing constraints. For example, largely, children are assigned to attend public schools in their neighborhood, and if you can't afford to buy a house in the fancy neighborhood and can't borrow to buy that house, then there is going to be a difference there too.

We think that differences in costs do explain part of the story, but we also think that a lot of these costs may be generated by differences in school quality, and that is what we next consider. What is the role of school quality? The traditional measure of school quality is differences in pupil-teacher ratio or expenditure per pupil. You might be surprised to learn that there are not big differences in expenditures per pupil or pupil-teacher ratios by the family background of the students. That is because for 30 or 40 years, we have had policies to try to compensate for educational differences and those funding differences, so that looking at expenditures per pupil don't account for the cost differences that exist across districts. For many years, researchers who tried to look at

differences in school quality have had to look very carefully and go beyond just aggregate measures like school spending because of the compensatory nature, and they have tried to disentangle that.

One of the things that we have done in the paper is to look at measures of school quality that are not as sensitive to the compensatory policies, and that is what you have in Figure 3. We look at differences in teacher experience, schools that have no temporary buildings, schools that are fully adequate, and peer quality which is the percentage of students who are taking AP classes or that are going on to college. On all of these measures, you can see that more advantaged students are going to better quality schools.

Does school quality matter for educational outcomes? Well, most of the recent evidence suggests it does. Some of this actually comes from evidence looking at school funding that really tries to disentangle the compensatory funding from the other types of funding. This suggests that increased funding improves outcomes. There is really good evidence that smaller classes generate better outcomes. There is evidence that teacher quality improves outcomes. Thus, it looks like policies aimed at improving school quality can have more potential for improving social mobility, i.e., weakening the link between family SES and child's outcome, than I think many other policies that we might do in education.

That said, I want to highlight that I think such policy has its limits. One of the things that more advantaged parents do is they spend a lot of money on their children outside of school. If you look at Figure 4 in the handout, it shows you how much parents spend outside of school by the SES of the family. You can see that parents who are high

school dropouts are spending, on average, about \$33 per year on their children compared to \$600 among parents who have at least a high school degree. That is an 1800 percent increase. While we can try to equalize funding and equalize school quality in the public arena, we have to keep in mind that parents can undo that on the outside.

MS. SAWHILL: Thank you.

Tim?

MR. SMEEDING: Hi, everybody.

I have got a one-pager, too. You can find it while I am starting here.

I did my chapter on the role of higher education and social mobility with my mentor, Bob Haveman, the first time we ever worked together, actually, after 30 years or so. I kind of like what we came out with. We will see what you think.

First of all, let me begin with given what you have heard about the early part and then the middle part of school, guess what happens when you get to college? I want to do three things. I want to talk about a few basic facts that you might not know that will help focus in on what we should do. Then I am going to walk through the practical and policy steps of a high school kid, let us say a sophomore or a freshman, getting through college and where all the policy lovers are, and at the end, a challenge of maybe we need another G.I. Bill, a big challenge.

First of all, turn it over and you get some of the basic facts. Now, I know it is really important that Harvard doesn't charge tuition to low income kids. It is also really important, I think, now that there is going to be no early admissions policy, but that is not where low income kids go to school, duh.

You start at the top with the Tier I schools, 146 schools. If I went back to



Syracuse and said we had dropped from 50th to like 75th or something in the *U.S. News and World Report* rankings, they would roll over. Virtually, everybody in this room went to one of these schools, but that is only 10 percent of all students and only 3 percent of lowest quartile students.

Go to the next tier, another 253 schools. Now, you are looking at the top 400 schools somehow ranked by Barrons, but you have only 18 percent of all students and only 7 percent of the bottom. The bottom line is most low income kids go to community colleges or go to state schools and to schools where basically you need a high school degree and they are less selective; some of them are nonselective and you need a high school degree to get in.

First thing, that is where to shine the light. It is great that they write about Harvard all the time and Princeton and they write books about that.

Sorry, Ceci, nothing special there.

MS. ROUSE: I won't take it personally.

MR. SMEEDING: But I do think you have to look at that.

The second thing, at the bottom, this didn't come out quite too well. There is supposed to be a circle at the beginning of the dots. What that means, what you are looking at here is the fraction of 25 to 34-year-olds and then the circle was supposed to be 45 to 54-year-olds who graduated college in 2002. In the United States, the circle is right smack-dab over the triangle, which means that no higher fraction of our students in that cohort who completed college, there has been no difference and no progress over these 20 years. In all these schools, you can see where the arrows are going, up. So, we started out first or second in the world with the Baby Boomers in terms of college

attainment. Now, we are seventh or eighth, and you can see where all the arrows where everybody else is going, other than Germany which essentially made Mexico its 51st state, in other words, reunified and that is why their trend goes down. But you can see that we are not doing well.

Now, turn it over to the front side; okay, just a couple more facts. It depends on where you look, but if you took the PSAD and you looked at all those children born in the lowest income quartile versus the highest income quartile in 1966 and 1970, only 7 percent of the bottom eventually graduate college, by the time they are 28 actually, and 50 percent of the top. They may not have been equally well prepared.

Let us look at those who enrolled in a four-year college. You got there. You are in a college. Then only 26 percent of the bottom kids graduate within six years versus 59 percent of the top.

Then let us go to the Brewer et al study and just look at the very elite schools. Even within the elite schools, where this really small fraction of kids are going, in the bottom quartile of kids, only 44 percent graduate within six years, 78 percent of kids from the top quartile. So, there are differences at every level.

The other thing is you have to understand most lower SES kids, especially minority kids and especially Latino kids and black kids, that is, first enroll in a two-year community college. That is where they touch the higher education system. Among them, only about a third go on. The data is that it doesn't look quite so good.

Now, let us move to the steps. I always like this because I ask everybody in this room, those of you who are parents: Was there ever any doubt from the conception of your child, much less the birth, that your kid was going to college? Most

people say: Of course not. Well, believe it or not, there are people out there who don't know that. There are people out there who don't really push their kids in school, who aren't able to enroll their kids in schools where all the peers or 98 percent of the kids are going on and so forth.

So, you have to follow these steps. You have to be prepared in high school. You have to take the SAT or ACT. You have to apply. You have to be accepted and feel that you can afford to go. You have to enroll and matriculate. Most important now, coming through, you have to persist; you have to stick with it; and then you are going to graduate. There is room for policy levers — we hit most of them in our paper — in each of these steps.

What counselors do, even though they are paid the same amount in a lot of schools, is to try and get rid of truancy, violence, and crime. There is nobody there. Bob Granger said the number one thing he would do to improve college enrollment from the bottom is have somebody in big city high schools whose sole focus was to get kids thinking about going to college from eighth grade on, spend the time, take the right courses, take the exams, and so forth. We are not doing that.

Then they have to apply. Mike McPherson will tell you, as the President of the Spencer Foundation, the last thing that you know is the actual price for college. What kids learn in high school and what all our newspapers put out is Harvard costs \$40,000 this year, Princeton costs \$38,000. That is the sticker price, and the sticker price isn't the real price that kids pay. So, you have to understand that. You have to apply. You get the true cost of college. Then you are accepted.

Can you afford to go? This has to do with the income package, the aid

package, the way tuition and subsidies are structured, the merit, the *U.S. News and World Report* effect which is let us get the best students who tend to be from the high income families, not the students who are least able to pay.

Then you enroll and matriculate. There has to be capacity for you to go. We think that you should help the students, specifically the universities. In fact, we think that we should limit subsidies to really wealthy schools. We should put most of our subsidies in other schools, target them there.

Then, most important, you have to persist. In my university, where there is a famous guy who does this stuff, Vincent Tinto, we do enrollment management which means that not only do you get in the door but what fraction of those who get in the door are still there in the second year and the third year, and we try and push that up. As Ceci and I were talking before, there is no magic bullet, but if you make an effort, that would be great. If you rewarded, let us say within the state system, you rewarded the schools who did the best at this, that might help, in other words, give the school, a public school more money if they do that better.

Capacity is an issue in many schools in California. John Bonham and C.R. Turner, since this volume, so they are not mentioned in our paper, have written about the capacity constraints like in the California state schools which just means that you have to turn kids away, who don't have a B average or so, simply because there is no room. There is no room for them. Or, you can't graduate in four or five years because the problem is that the courses just aren't available and you can't get enough courses for your major to graduate.

Then, finally, you graduate with or without a mountain of debt. That has

to do with loan versus grant policy which is really important. Kids from high SES have their parents or grandparents who pay their way through, they are much less likely to graduate with that and so forth.

We have more in the paper. There are things you can do at every step, and I think you have to do them in most steps including at the bottom. We did it once; we had a G.I. Bill, a massive effort that once educated a generation and which put us in front in the whole world in education, and maybe it is time to think about a more unified effort all the way from K to 19. That is part of the problem, all the way from Steve and Ceci, all the way over here, and we ought to be thinking in those terms.

Thank you.

MS. SAWHILL: Thank you, Tim.

I want to open this up to all of you, but let me pose a couple of quick questions here.

Ceci, you told us a lot about the current situation in terms of education and the extent to which it is linked to socioeconomic status. You didn't really give us any policy thoughts at the end, and it may be that you are pessimistic that there is much of anything that we can do, but I am interested to know what your research suggests in terms of policy.

A question for everyone: In the introduction to the journal, I argued, along with a number of other people, that the cost effectiveness of investing public dollars is different at different levels of education, and specifically that the highest rate of return is probably on investments in the early years for the simple fact that if you don't get children to school, ready to learn, they tend to fall behind and then there is a

cumulative spiraling effect that is not good. Some of you may want to disagree with that.

Tim, you might. If I gave you \$50 billion, are you going to put it into preschool or are you going to put it into your new G. I. Bill, for example, or are you going to do something at the K through 12 level?

Just a couple of quick thoughts as follow-up and then we will open it up to the audience on these questions.

Ceci, do you want to say anything about policy?

MS. ROUSE: Well, I guess what we were arguing was that improving school quality is important and the question is, well, what dimensions do we think make a difference. I think some of the stronger evidence is that smaller class sizes make a difference. I think improving teacher quality—a preview of the next issue of *Future of Children*—we think that improving teacher quality can make a very large difference.

There are a lot of potential policies that haven't been really rigorously studied, for example, summer school. There is some evidence that grade retention can make a difference. Smaller schools, the Gates Foundation is really pushing that. There is a little bit of evidence, but there is not a lot of evidence that that makes a big difference. So, one of the things we struggle with in education is that we have a lot of good ideas and not as much evidence of what makes a difference.

For example, one direction that many people have been pushing for is increased accountability on schools. This is either through institutional accountability such as state accountability systems — the No Child Left Behind Act is a form of that as well — or school vouchers which is accountability through the marketplace. The evidence on school vouchers is decidedly mixed, and some people chastise me for saying

even that positively. The best evidence on school vouchers which came from a randomized evaluation in New York City suggests that there was no effect overall. There was some effect found for African-Americans, but it turns out that result was very sensitive to how the researchers analyzed the data. So, that is not very strong. On the school accountability front, there is some evidence from Florida, which I participated in myself, which suggests very small effects from a program that doesn't cost very much. These accountability systems don't cost much. In terms of increasing in terms of schools, I think we can get some improvement, but I don't think that is really where we are going to push and I think we don't really have the magic bullet to improve the K through 12 system, but there are some ideas.

MS. SAWHILL: Tim, what are you going to do with your \$50 billion? Are you going to split it between the G.I. Bill and what?

MR. SMEEDING: I am going to give it all to Steve. That is because there are so many things that Bob and I list that you could do that don't cost a lot of money or don't cost much money. While Ceci is out increasing these salaries, give me one FTE at every major city school whose job is to speak to kids in eighth and ninth grade and have them think about college, get the correct information, take the right courses, and so forth and so on.

The other ones are redistributing information is important, redistributing within an institution. So, Bob and I talk about state schools charging more to high income families and then subsidizing low income families within the state schools where low income kids go.

We talk about this reward system, contracting out specific services within

colleges, like remediation. College professors who have PhDs are probably not very good, as I would not be very good, at teaching remedial English or Mathematics to freshmen who fell behind. Contract it out to somewhere where they could or make that a specific program in community colleges that takes a year. That is how graduate school was for me; trust me. I had a one-year boot camp before I could talk with these other really bright people.

A lot of the programs and policies that we have don't cost a lot. So, I am going to give the \$50 billion. I am going to follow Jim Heckman's and Steve's lead and the National Academy of Sciences volume that Jean Swansky [ph] put out and everybody else, and let us get them started out right. I would give Steve all 50.

MS. SAWHILL: Ceci, as an editor of our earlier volume on school readiness, do you agree with this as well or not? I have to put you on the spot.

MS. ROUSE: That was a set-up.

I am actually just going to take a moment to disagree with that. I am not going to disagree with it wholeheartedly. With all due respect to our Nobel Laureate, Jim Heckman, I don't think the evidence is quite so strong that the returns to investing in later years of schooling are as weak as we think. That said, there is very powerful evidence that preschool can make a big difference. At the same time, the evidence also suggests that if you do a great job at pre-K and don't follow up with a strong K through 12 system, you are going to lose all of your investment.

So, I don't think you give it all to Steve for a couple of reasons. One is because I am not so convinced that the evidence is so strong that that is the whole game, and two, I think that we could end up throwing money there and then losing it with some



follow-up.

MS. SAWHILL: Thank you.

A couple questions from the floor, yes, please stand up and give your name — use the mic — and your affiliation if you have one.

QUESTIONER: It is always good to have an affiliation.

MS. SAWHILL: Right.

QUESTIONER: William Jones, I teach at one of the lower third colleges, well, Southeastern University here in Washington, D.C.

My question is this: Many of the students who get into an institution like Southeastern or like UDC are students who not only lack the kinds of verbal skills you are talking about but lack any sense of what a university education is all about. This is directed at Tim. Do you know of any model programs that work with the whole student, a boot camp for freshmen in that sense?

MR. SMEEDING: I don't know of those programs. There are people who study UDCs and community colleges like yours, Mr. Jones. There is a center at Teachers College in New York where they have looked at a number of these programs. I think that is really important, to understand that. Community colleges, as Isabel has said and we have all said in the volume, are far too understudied. It turns out a quarter of the kids who go to community colleges already have a B.A. They go to get a certificate in Medical Technology or in another field where they can get a job. Maybe some kids ought to go there.

See, in eighth grade, everybody says, I want to go school, and I want to graduate college. But the trick is after that, it all falls off. For some kids, I think that

community college bringing them up, whether it is a boot camp or remedial work to bring them up to a level where they can then go to the University of Maryland, Baltimore County or wherever their nearest four-year school is, that is the right way. For others, it may be getting them into a particular certificate or a program where they can go to work soon thereafter, hopefully, in a growing field.

You asked a really good question, and I encourage you to go ask those guys at Columbia what the answer is.

MS. SAWHILL: Right here?

QUESTIONER: I should say who I am. I am Catherine Polanski. I am the Director of the Governmental Affairs Division at the National Head Start Association, and I have an answer for you. I love this.

Head Start is working to improve quality of the teachers. We are working towards the B.A. for all of the teachers, and it is a struggle in places like Alaska where you have people scattered all over the place. So, what they did is they had a special innovative grant, and what they did is they thought, we are just going to set up this thing where people can do distance learning and it is going to be fabulous. It was not. People were not doing well.

Somebody with great wisdom said, we have got to go in and make this a whole student, whole cultural experience. They got the elders involved, and the elders in these native tribes bought into it and said: Yes, this is important. The first step was they met in a community meeting with the young teachers and said: We did not have an opportunity to do this. This is great. You must do this. So, they have the backing of their elders.

Then they had the boot camp. They had 101 on how to survive at a school. A lot of them didn't fill out the forms properly. They didn't turn things in. That is why they didn't pass. They learned all of those things and they had people following up with them on how to do that. So, they learned the culture of school, which I grew up with because my mom went to college and I just sort of knew it, not really; she taught me that. That then brought that opportunity to these families and then they had incredible success with these students actually finishing and getting their degrees and doing well. There is a good example.

MS. SAWHILL: Thank you.

Marguerite?

QUESTIONER: Marguerite Kondracke, President of America's Promise.

I wanted to take on the question of universal versus targeted in preschool.

I think this is an important debate in a time of scarce resources, and I think universal preschool probably even does a disservice to some of your other findings which is the need for extended day and starting earlier. The reality is that if we are going to make some important gain and take a quantum leap in the results for which we are looking for kids, we may have to strike a grand bargain and target the resources versus universal in a more limited application. So, I would argue for a more targeted approach and starting earlier, early Head Start, whole day Head Start, those kinds of things. I would love your thoughts on that trade-off.

MR. BARNETT: Sure; we have talked a lot about trade-offs. Would we put it in early childhood? Would we put it in higher education? Should it be universal or targeted? I don't think it is the right question.

As an economist, I look at, given that we are a rich country, where are the investment opportunities? If these are good investments, we don't need to make trade-offs between, saying: Well, we can only invest in the very poorest children. Sorry, everybody else. America doesn't have enough money to do that, even though it pays off and makes us all wealthier in the long run. Or: We can only invest in three and four-year-olds and can't invest in younger children.

You only have to look at the amount of money that we have put into Iraq — everybody should be well aware of that in the last few years — to realize that we are a wealthy country. We can mobilize a lot of resources, if we want to. You look at the early childhood programs and 40 years of saying we are going to provide compensatory education for preschoolers and it is still too late, too late? I think it is time to think: Gee, maybe that approach doesn't work in terms of the political economy.

I didn't even get into this. In our paper, we talk about apart from the lack of will which is a serious problem, I think, for targeted programs, there are also the practical issues. Poverty is a moving target. There are very few children who are permanently poor. So, wherever you set an arbitrary cut-off for income, children are going to be moving back and forth. It turns out, in reality, our programs have very low hit rates on that. If you wanted to increase the hit rate, you would now be spending a lot of money trying to actually identify and keep in and keep out children who really, it turns out, aren't very different because remember that graph; there is no sharp dividing line between rich and poor.

MS. SAWHILL: Thank you.

We want to move on and hear from our next panel now. So, I am going to

ask them to come up here.

I want to thank Steve and Ceci and Tim for their great work on all of this and for being here today. Let us give them a hand.

[Applause.]

PANEL TWO:

MR. HASKINS: There may be one or two people out there like me who think scholars are okay, but give me some real journalists who have to spend their time out there in the real world and get batted around by each other when they write their articles on a regular basis. While scholars publish twice a year maybe, these guys are putting stuff out all the time. Their editors harass them. The public writes in and criticizes them. These are the folks that really know what is going on in the countryside and have their finger on the pulse of the population. That certainly is true of this panel, and not only that, but everybody on this panel has written frequently about issues having to do with poverty, inequality, and social mobility that are addressed in this volume. It is a spectacular panel with the possible exception of the moderator, but you will just have to tolerate that.

Let me start over there on the far left.

This is Adrian Wooldridge from the *Economist*. He is a Bureau Chief in Washington for the *Economist*. If I might just mention one thing about him: He wrote a spectacular book that all of you might like to read. It is a little tongue-in-cheek. It is called *The Right Nation*, and it is about the history of the conservative movement and especially how conservatives became so powerful in America and what they have done with that power. It is a really interesting book.

Next to him is Hugh Price who is a Senior Fellow here at Brookings.

Hugh was on the editorial board of the *New York Times* for many years and so has those kinds of experiences of being banged around that I just referred to a few minutes ago. So, he sees the world from both perspectives. We are very pleased to have Hugh here.

Then right next to me on my right is Sebastian Mallaby from the *Post*. He is a columnist and also a member of the editorial board, also an author of a series on issues very much like the ones we are addressing here.

Finally, David Wessel from the *Wall Street Journal* who is a Deputy Bureau Chief and also has written a series.

We are very fortunate to have this panel.

We are going to follow roughly the same procedure we did the first time. We are giving each panelist seven minutes to talk, and then I am going to ask some astoundingly perceptive and difficult questions. Then we will turn it over to the audience to ask a question or two out there.

Let us begin on the far left, as we usually do at Brookings.

MR. WOOLDRIDGE: I just wanted to address the issue of the changing perception of American inequality. People have often assumed, usually assumed that America is this land of upward mobility, land of inequality that is balanced by extreme degrees of social mobility, and I get the sense that something is beginning to change very dramatically in that. A few years ago, I personally wrote an article in the *Economist*, pointing out the meritocracy or the meritocratic idea in America was, to some extent, under threat. At exactly the time when I was working on that article, I noticed the *New York Times* producing a very good series, I think, on rising inequality and also lowering

degrees of social mobility. The *Wall Street Journal* produced a series of articles on a similar theme and so did the *L.A. Times*. I think there is a real sense that people have, that something is going wrong here, that American inequality is something that is perfectly good and reasonable, so long as it is balanced by high degrees of social mobility, and that mechanism of social mobility is beginning to break down.

I think the reason for that is clearly what is wrong with the educational system in this country. Everybody, for a long time, has known that the system of proper primary education and secondary education is very badly broken in this country and that it tends to reproduce and reinforce inequality rather than deal with those inequalities. All sorts of methods have been tried for changing that, from vouchers to charter schools and various other things, none of which have particularly worked very well.

But I noted, again, a very strange new element coming into this equation, which is worry about American universities and American higher education. America, I think, clearly does have the best higher education in the world when it comes to the quality of research that is being produced, when it comes to importing brains from around the world. It has a fantastically good system of higher education, something that America ought to be proud of, but that system of higher education is no longer functioning in the way that it ought to be functioning to promote social mobility. It is promoting excellence in research, but it is not promoting social mobility, anything like the way that it used to. You had a period from the 1930s onwards through the G.I. program when American universities really were huge engines of upward mobility in this country, and that has begun to go into reverse for many reasons. Part of it is cutbacks on funding for scholarships. You see quite clearly that the proportion of people from the upper income

quartiles going to the elite universities is actually increasing. The proportion from lower income quartiles is probably going down or at least it is remaining the same. You have a system of affirmative action, race-based affirmative action which did little and is doing less and less to promote upward social mobility on the basis of class.

I think what we have, which is particularly disturbing in this country, is not only that people from privileged backgrounds have all sorts of rewards that you get from privileged backgrounds — better preschools and better secondary schools and have better informed parents who are better at getting them into colleges — but you actually have a system whereby people are essentially buying their way into universities through gifts as alumni or are given preferences through being legacies or through athletics programs or through being celebrities or all sorts of other ways. You have a system which is already overwhelmingly skewed towards the privileged, being more skewed in a more blatant manner. I would strongly recommend this book which I have just been reading to anybody who hasn't read it, which is from the *Wall Street Journal's* education correspondent, *The Price of Admission*, which I think is a devastating indictment of the American university system.

There is much that is wrong with the American system of upward mobility, much that is very difficult to fix, from the quality of its preschool education to the quality of its secondary school education or which is rooted problems of poverty. But when you actually have universities with their presidents proclaiming allegiance to diversity and the rest of it and their professors talking about the evils of capitalism and patriarchy, when you have those universities deliberately tipping their admissions in favor of the children of alumni, the children of rich privileged people, then you really do



have a problem that actually could quite easily be solved and ought to be solved, not just on the basis of our commitment to upward mobility but on the basis of, I would have thought, the shame of the people who are perpetrating the system.

Thank you.

MR. HASKINS: Very good, thank you.

Hugh?

MR. PRICE: Thank you, Ron.

I am the product of the Washington, D.C. schools of the late 1940s and early 1950s. When I was growing up, schools made no pretense of educating all children well or to college levels of proficiency, and that was largely because the economy didn't need all that many for the managerial positions and it had plenty of factory jobs and opportunities in the Army where you could work and earn a decent living without having a high level of education.

What we have done in the last decade and a half is move the goalpost. We have added 30 yards to the football field for both the children and the schools. We have said to the kids, for example, according to the recent study by ACT, that the level of education you need to get a good job is about the same level of education you need to get into college. So, the level of proficiency for most children or all children has been extended and escalated. We have also said to the schools, whereas you used to only have to educate 10 or 15 percent of the children as college-ready, now you have to get most of the kids. So, we have moved the goalpost also for the schools. We have made the rhetorical shift in our society, but we have not made the shift in the reality of the education or added the capacity to the schools to add the capacity to the kids in order to

be competitive in the 21st Century.

As I look back at how we think about what must be done, we tend to think in single shot mindsets: Well, if only we would have testing and tough love, if only we would have small schools and small classrooms, if only we would invest in high quality education. I think that that thinking is simplistic, and it is also cheap in its thinking. It is geared to how much we are willing to spend, not how much must be spent in order to do the job.

Producing a child who is well equipped for citizenship and self-reliance is vastly more complicated than producing a car that is fit to drive and appealing to consumers. Yet, when you look at the process of automobile production, interestingly enough, in our society, it is vastly more sophisticated than the process of education. It isn't merely a matter of saying we are going to get the car to go from 0 to 60 the fastest or to have the greatest braking distance. It isn't merely a matter of saying we are going to do just one thing; we are going to jack up the horsepower of the engine. It is the improved plant, production processes, people, quality control, technology, research and development, marketing, and marketing research. If you look at how *Consumer Reports* rates the best cars, namely the automobile equivalent of reading scores, they rate according to design, ergonomics, fit and finish, reliability, frequency and cost of repair, driving experience, comfort, handling, ride, interior and exterior road noise, safety, fuel efficiency, environmental friendliness, and how they rate as used cars when they get some mileage on them, which is the automobile analogy of saying how do they do when those cars grow up and become adults. In the world of automobile manufacturing, it takes a whole plant to produce a whole car.

It doesn't take one simple intervention. It takes a whole series of interventions that attend to the entire education and development of the child. Therefore, I think the whole conversation going forward needs to shift into a much more sophisticated realm of how do we create whole schools that address the education and development of children, so that we are producing whole children who are ready and equipped for the future. There is a very interesting body of research about what happens with schools that attend to the full panoply of things that have to be done: the caliber of teachers, the quality of instruction, the nature of the environment, the size of the classroom, the availability of after school programs. It is all of a piece. It is all of the education and development of the piece. Interestingly enough, some of the most robust civilian or public sector analogues to the whole school and the whole child are found in the whole military which produces whole soldiers.

Thank you.

MR. HASKINS: Thank you, Hugh.

Sebastian?

MR. MALLABY: It is very striking when you read this new volume and listen to the people on the previous panel, the way that a lot of the causes of inherited inequality are clearly beyond the reach of government policy. Inherited inequality is not just about inherited financial inequality. There are a whole bunch of other factors that cause the transmission which we are not going to get at, and the most obvious is the genetic one. Professor Rouse mentioned that. She did say that in her paper, the amount of difference in school outcomes that appears to be determined by inherited genetic ability from these studies of adopted kids appears to be in the range between 77 percent

in one study and 30 to 40 in another that she mentioned. So, right there, you have between one-third and two-thirds of the problem in genetics, and it is pretty much out of reach.

Now, the remaining one-third or two-thirds of the problem, some of that is also out of reach because there are ways in which the parents pass on advantages to their kids. It is not just the money. It has to do with their own education, their ability to use that education to motivate their kids to be educated, to coach them through the tough times, even something as basic as health outcomes, which obviously have a bearing on one's ability to do well at school. Health outcomes for kids from poor families are worse than from rich families. This hasn't to do with a lack of universal health coverage because in Canada, you apparently have a similar distribution of health outcomes correlating with the background of the parents. So, it comes down to the ability of parents to absorb advice from pediatricians about what the right nutritional strategy is for their kids and other health things, things which really, again, are going to be pretty difficult to intervene on public policy.

Just to crystallize this problem, I think the point that, again, Professor Rouse mentioned that if you look at schools in affluent areas versus poor ones, you don't see a big difference in the amount of money per pupil, but you see a huge difference in school quality, and that is because the kids in the affluent area arrive with all their imbedded social capital. Presumably, there are fewer discipline problems. There is more of a focus on learning. This frees the teachers to focus on the learning and not on the discipline. It frees the school administrators to focus on the learning and not on the discipline problems. So, you get a virtual cycle of higher attainment, but it is not to do

with the difference in money. Again, that qualifies the idea that inherited inequality is all about unfair distributions of parental income. That is the first point.

I think the second point is that the right conclusion in policy terms to draw from that is not the one that people sometimes draw which is that public policy isn't going to influence this thing. So, therefore, we might as well give up. On the contrary, it seems to me if we have got a lever which is fairly short, which is only going to shift, which is only going to look at 10 to 20 percent of the total problem of inherited inequality, that is an argument for pushing on that lever all the harder, not for giving up because we know that education is, if it can be gotten right, the best way to counteract these inherited inequalities. Since it is the lever we have, we have no choice but to use it.

Some of the reasons why we should use it have already been mentioned, namely that people are more likely to tolerate a country in which you have unequal outcomes if they feel that at least everyone has a fair shot at the prize. But I would add to that an economic efficiency argument. If you have a lot of talent which is being underdeveloped because of this inherited inequality, that is an economic cost.

I also would be a bit less sanguine than Isabel Sawhill was in the previous panel by the way that people will tolerate all of it. They may be willing to tolerate inequality, but you see some of the frustration over inequality, I think, fitting through into pressure for economic policies which would be growth-reducing. If you think about the contrast between the Democratic Party when NAFTA was pushed through in the World Trade Organization and the Uruguay Round was ratified, and you compare that to Democratic trade politics now, I think you see quite a big shift over the past decade in the country's willingness to tolerate open trade. Worries about globalization because of the

increase in inequality, I think have become more acute. So, there are real threats to growth and to the policies that will support growth if we do not do something about social mobility.

The lever may be short, but you have to push on it hard. I think this point would lead to a reevaluation of some of the classic yardsticks for deciding whether it is that we are doing enough or not. I mean it would be tempting, for example, to say, okay, poor schools/rich schools, affluent areas/poor areas, they get the same per pupil spending, so we are doing what we are supposed to do. No, precisely because of all of these ways, these transmission mechanisms for inequality that cannot be attacked by money. You have to give more to the poor schools per capita, not the same amount. So, that is a way that we could shift the way that we judge whether we are doing enough or not.

Equally, it seems to me that when you ask the question, are we doing more to get poor kids into college, well, yes, we are doing more. I think a higher share of kids from low socioeconomic backgrounds do enroll in college than they used to 20 years ago. But the point is that rate of increase is much lower than it is for kids in higher socioeconomic sectors which is why the share of enrolled kids has gone down. The share of enrolled kids from poor backgrounds has gone down. The point here is that the yardstick is not to say how are the poor kids doing to how they were 20 years ago. The point is to look at what is going in the private part of the education market where you have all this private energy, private parental energy pushing kids into college, responding to the signals that technological changes and globalization have increased the returns to education dramatically, which is pushing more affluent parents to really emphasize their kids getting into college. You have this market response to higher returns to education

going on in the affluent part of the country, and you should judge the not affluent part of the country where the public sector has to play its role, not by whether the public sector is doing more than in the past but by whether it is keeping up with the richer parents, and it is not.

I want to finish off by, as I was reading this material and thinking about that point, an analogy or contrast suggested itself to me between U.S. education policy and U.S. health policy. In both education and in health, you have a public-private mixture marketplace, right, where a mixture of public spending and private decisions, private demand are determining final prices for college on the one hand or medical services on the other. In both cases, demand is going up very fast. Therefore, prices of these goods are going up extremely fast.

The response of the public sector in the healthcare market is to say, okay, if private amount is pushing up health prices extremely fast and medical inflation is way higher than average inflation, the public sector is going to just match that. We will increase the Medicare spending in line with this very rapid spending increase driven by this private amount. So, although Congress has attempted at various times to limit Medicare spending growth to GDP growth rate, they have never really had the political will to do that. In fact, the public sector has caught up with the private sector, kept up with the private sector simply by growing the public spending in the same way that the private spending, private demand has been increasing.

But in the education example, we don't have that linkage between the public sector willingness to put money in and the revealed price from private sector choices. Instead, what you have is you have parents of richer kids being willing to pay

more and more for college and the college price is going up and up and up, but the willingness of the public sector to help poor kids get into those colleges is going up on a different metric where the yardstick is how much did we do last year and how much is a reasonable increase, not how much is it increasing in the richer part of the country and can we keep up with that.

MR. HASKINS: Very good, thank you.

David Wessel?

MR. WESSEL: I have always thought the optimal number of people on a panel was about three. Here I am, the fourth one, and it is a pleasure to be here with both academics and journalists from whom I have learned so much. I do want to say that if anything I say makes any sense, it is because I had very good pre-K education at a pre-K run by Bill Galston's mother in New Haven, Connecticut.

I think it is important to back up a little bit and to think about why it is that we are thinking about this now. I am not as convinced as Adrian that there is a public reaction to the inequality and the lack of social mobility that we see today. As I am convinced, as my colleague says, that some of the angst about foreign trade and foreign investment is a reflection of people's uneasiness. Somehow I am playing by the rules, but I am not getting ahead.

I think there are a couple things really to keep in mind. One is we have to be very careful; there is some reason that to want as a social policy what parents do for their kids to have a difference in their kids' lives. If you try and pretend that the optimal amount of social mobility is like buying a lottery ticket. You put all this time into your kids and you have just as much chance as the next door neighbor who spends all his or



her money on vacation; that is not a good social policy. So, I think it is really important to remember to keep a balance here.

Secondly, the reason we are talking about this now, in my opinion, is not that social mobility has gotten harder in the United States. I don't believe the evidence suggests that it is harder to climb from the cellar to the penthouse. What we know is that the distance from the cellar to the penthouse has really grown, if a building can be said to grow. It added a couple stories on the top, and the escalators aren't working any better. So, what we are talking about is how do we get the escalators to work better, given that they have more floors to go. The reason I say that is because it is very easy to draw the wrong conclusion, I think, from these conversations, to conclude that all the efforts we have made have failed. I don't think they have failed. I think we would be worse off if we hadn't tried a lot of these things. Not all of them are working, but collectively, the G.I. Bill, Head Start, the earned income tax credit, they have all had some benefit. We would be even more unhappy and uneasy if we didn't have those policies.

I think we know a couple of things also, and this is where I disagree a little bit with Adrian. The myth of American mobility is extremely strong and enduring. It is not just Ben Franklin or Andrew Carnegie. I mean Marx in 1865 was frustrated because he said that the position of the wage laborer is, for very large part of the American people, but a probational state which they are sure to leave within a longer or shorter term. It must be the case that a lot of Americans believe that. Otherwise, how could you make the estate tax a populist issue?

The other thing we have learned is the apple does fall closer to the tree than some of the academics thought in the past. So, it is worth thinking a little harder

about what is the right distance and how do we get there. Education is a very appealing way to think about this.

Why is it so appealing? I think there are two reasons. One is it is a lot easier sell to say we are going to educate people than to say maybe we ought to take some of the money away from the hedge fund kingpin we wrote about in the *Wall Street Journal* on Saturday, Steven Cohen, who paid \$15 million for an estate in Greenwich, then added a 20-seat movie theater and a basketball court and an indoor pool and \$700 million worth of art. It is also the case that it is very appealing to talk about education because it is both true and easy to market the notion that it raises all living standards as well as helping to slice the pie more evenly.

One of my friends says: Why do we always talk about growing pies? Did you ever see a pie that grew? It helps make the apple bigger, and it helps cut the slices a little more evenly, and that is why people talk about it. It is easier to think about than some of the things that we might have to do that are unappealing, and it has the benefit of both raising the median and helping the distribution.

To go to the specific papers that we discussed today, because I agree with almost everything that my colleagues say and I don't want to repeat it, I think we find ourselves with some very good summaries of what we know about education and what it might do, but I am afraid that, with possibly Tim's exception, we have done a lot of elephant stomping on the easy policy issues and a lot of tiptoeing around the harder ones. I believe that more and better pre-K is probably a good idea. It will probably help more low income kids get on that first rung. It is hard to see the impact on mobility, but really, we are not living in a world where we are without constraints. It is very well and good to

say, as the Heckman-led coalition is, that we ought to just spend more money on education. I think Heckman actually would be happy to starve some of the colleges to put the money in education.

Steve said we don't have to make the choice. Well, the fact is we do have to make some choices, and we have to assure people that the money we are spending on Head Start is really well spent before we tell them we need to spend \$50 billion more on pre-K, in my opinion.

Better K through 12, well, who could be against that? I mean really. It is sort of distressing that Ceci tells us that we have tried a lot of different things, and we don't know very much about whether they work. I am afraid that will paralyze the process, but in my opinion, the facts offer a much bolder approach. If Ceci and her colleague write that rather than encouraging upward mobility, U.S. public schools tend to reinforce the transmission of low socioeconomic status from parents to children, then we really have to do something more than make classes a little smaller. You don't have to walk very far from this room — Sidwell Friends and St. Alban's and some of the high schools in Anacostia — to see that there is a big difference in the quality of education in Washington, D.C. Maybe the answer is that we cannot any longer tolerate a system of locally financed schools. Maybe it is the case that at a time when the economy is changing so rapidly and some communities — think Gary, Indiana — are really sinking without much prospect, that we are reinforcing the unfortunate tendencies of those things by making it a locally based thing. I don't know what the answer is, but I don't think Ceci is being bold enough because she is an academic and she thinks you need to have evidence for things, and I am a journalist and I don't.

I did want to say that it is a pleasure to come to Brookings. This is the only place in America where a Washington journalist could be accused of living in the real world.

Now, Tim is a little bolder in his policy things. I do want to emphasize and reemphasize and reemphasize again the importance of thinking about community colleges in this thing. Community colleges are an important escalator of social mobility that are widely misunderstood and under-respected in America. I learned a lot about community colleges from pioneering work that Ceci Rouse did with Tom Kane. I spent a lot of time at community colleges, and I just want to make a plea that some of Isabel's \$50 billion ought to go there. I believe the social return to a federal dollar in a community college is substantially higher than giving another nickel to Williams college with its \$1.3 billion endowment or Harvard with I think they are about the size of the Chinese foreign reserve. So, I give Tim a lot of credit for raising a bold thing.

I am not sure if I were going to run for Congress, I would make my plank for making America a more equitable place raising the state college tuition, so the upper middle class people would pay more. I am still trying to think a little bit about the political strategy that gets there, and I give a lot of credit to the early childhood advocates who have done a remarkable job of building a political constituency largely among business to make the case for this thing, and I think it is going to pay off for them. But I think the people who want to change college financing and stuff do need to think a little bit about a political strategy.

Tim did mention, but I am intrigued by, in principle, the notion that if you make a lot of money, somehow your college ought to be tied to how well you do in life.

There have been a lot of experiments with this. He tells me that Australia and New Zealand have done that. That is an interesting approach. I don't know if it is practical.

I think this is an extremely important conversation for all the reasons I said at the beginning. The penthouse is farther from the cellar. The escalators aren't working. Education is one of the most likely avenues to discuss this thing where we can get a political consensus because it is less threatening, it seems less confiscatory, and it has benefits for all of us, as well as helping to lift the bottom. But education is a very, very slow escalator. Larry Summers once said: It is the ultimate act of faith in the future. That is really worth keeping in mind.

Thank you.

MR. HASKINS: I specialize in the belaboring the obvious, but in Washington, D.C., sometimes it pays to do that. There might be one or two of you out there in the audience who would disagree with the summary of what this volume shows. I believe it is the case for every single author in the volume. If you get the volume, you can test that for yourself. It certainly is the case of all of the speakers on the first panel, and I believe it is the case of all of the speakers on the second panel, but I want to make sure.

So, my first question is: The big picture here is that America has become more unequal. It is primarily because the top has moved so far away from the middle and the rest of the distribution. Secondly, even if you grant all the points made here — the somewhat optimistic points that David made that there is still mobility and so forth but it is very sticky — it certainly is not improving. It is not what it is in other countries. It certainly doesn't live up to our tradition.

So, (a) we have a lot more inequality, and (b) it is hard to overcome it through social mobility. Does everybody agree with that?

MR. WESSEL: Yes.

MR. WOOLDRIDGE: Sure.

MR. HASKINS: Hugh is resisting.

MR. PRICE: I am in a different place right now.

Can I ask a question?

MR. HASKINS: Yes.

MR. PRICE: I don't want to start a ruckus.

MR. HASKINS: Oh, yes, you do.

MR. PRICE: As an African-American, I am hyper-sensitive to questions of genetics and education, and I really would like to understand the points that were made earlier about genetics, low income, minority status, et cetera. What intersection were you suggesting between genetics and what, just to help me be clear about what you weren't talking about and what you were talking about?

MR. MALLABY: I was just reporting on the studies in Professor Rouse's paper, which look at what happens when you look at adopted kids. I think the study was about adopted kids from South Korea, who came to the United States and were assigned to families. Then you could look at their educational outcomes, and at the same time, you could look at the educational outcomes of kids from those same families, right, but who were not adopted, who had the genetic inheritance from their parents. It turns out that way you can distinguish between the performance of the adopted kids, which has got nothing to do with genetics, and the ones who were not adopted, which does have

something to do with genetics. By looking at that gap, you can make an estimate of how much genetics accounts for the gap in educational outcomes.

Is that about right? Okay.

MR. PRICE: You weren't getting into the question or circumnavigating the question of connections between genetics and race and IQ and all that stuff?

MR. WESSEL: Ceci has raised her hand. My advice to you, as a friend, is let her take this.

MR. HASKINS: We cannot tolerate answers from the audience. Once we start this precedent —

MR. WESSEL: I am living in the real world. You have the expert here.

MR. HASKINS: Go ahead, please. Go ahead. You even get a microphone.

MS. ROUSE: Oh, wow. I would even say the real expert is Bill Dickens who is here at Brookings.

I am going to make a plug for our first issue on school readiness as well.

In this paper, we were really looking at what is the tie of genetics between a mother's educational background and the child's outcome. Some of the best evidence of weight is what was just mentioned, looking at adopted children from Korea, who were not just assigned to families but randomly assigned to families because you might be worried that more advantaged families get the healthier infants. Then they compared the adopted children to the biological children in these families. The author of that study, Bruce Sacerdote, has to make very strong assumptions, and he concludes that about a third of the contribution of the transmission from mother to child is environmental and

the rest is genetics, but those are very strong assumptions.

There is psychological literature which takes issue with adoption studies because they are very narrow samples and says that they tend to produce upwardly biased estimates, so overly inflated estimates of the influence of genetics.

What I want to mention and why I brought up Bill Dickens and the school readiness is that is looking at the role of genetics. When we start to look at racial difference, what Bill Dickens says — he has a very nice paper in the school readiness volume which is on our *Future of Children* web site — he says that when we look at racial differences, the differences in environmental completely swamp genetics differences. He gives the example of if you look at seeds that are grown in Iowa versus seeds grown in the Mohave Desert, there is going to be differences among the seeds at both sites because some seeds are just going to be genetically superior to other seeds, but those are going to be swamped by the environmental differences in the Mohave Desert versus Iowa. So, when we look at the racial differences, that is different than what we were talking about in this volume.

MR. HASKINS: Could I just add to this? I have studied this. I am a developmental psychologist. I have been to Behavioral Genetics Institute and so forth, and I think there are two generalizations that most people agree with, not everybody. One is that for almost any human trait, there is substantial evidence of heritability, including intelligence, including performance. Half of the variability is accounted for by genetic factors is kind of a median number that I think many people agree with. But the evidence that there are racial differences in intelligence or any of these other human traits is extremely skimpy. In fact, most people think it is nonexistent.



Sebastian certainly did not mention that. I don't blame you for being sensitive, but I don't think that anybody here, okay.

MR. PRICE: I am fine with it. I just want wanted to make the point.

MR. WOOLDRIDGE: Can I come back on Sebastian's point on a slightly difference element?

I completely agree with Sebastian that it is very difficult to break the link between origins and destinations because people bring all sorts of advantages, but we do have one method of doing that and it is actually quite a good method, and that is to allocate places, particularly in selective schools, on the basis of standardized tests. It is something we did in England from the 1920s through to the 1970s, and we produced quite significantly higher rates of social mobility as a result of having selective education. Those rates of social mobility began to go down when we introduced comprehensive schools and got rid of that because comprehensive schools are ways of making it easier for privileged parents to send their children to better schools.

Also, with schools like Hunter College High School in New York, which are very, very selective, again you get much higher degrees of social mobility. You have people who come from poor backgrounds and privileged backgrounds getting into much better colleges as a result of being selective.

Also, if you used standardized tests as the sole basis for admission to Ivy League universities, if you just said we will get rid of affirmative action, we will get rid of legacies, we will get rid of so many points for people you happen to have dinner with last week and so many points for people who play polo, if you just did it purely on the basis of standardized tests, you would vastly increase the social and economic diversity

of people in elite universities. So, I think we actually have the solutions there. They are available. WE are choosing not to use them.

MR. PRICE: All of those thumbs on the scale, he just mentioned, are affirmative action for whites.

MR. WESSEL: I don't want to belabor. I am not sure and I don't know enough about this, but my impression is that SATs may not be the best arbiter of merit.

MR. WOOLDRIDGE: They are better than what we have.

MR. WESSEL: I agree. It would clearly hurt the quality of football with the Big Ten, but everything has a cost.

MR. MALLABY: This is actually a really interesting debate because I hear so many arguments about school testing and so forth. Instead of just confining the debate to here is a ruler for measuring people, how can we perfect the ruler, which would be a fair discussion to have, there is a presumption that the ruler can be blamed for all kinds of problems that are really to do with what is being measured, not with the measuring instrument.

I do think that Adrian has a core point which is extremely important, which is that for all the imperfections in schools tests as a measurement of student ability or student achievement, the alternative is much, much, much worse because the alternative is subjective. That is where background and so forth is going to be way more influential. Wouldn't you agree?

MR. WESSEL: Yes, I agree with that except for the fact that you work for a company that makes more money selling tests, capital, and services to help people get ahead on tests than it does for printing a newspaper. We can't be romantic about the

meritocracy.

MR. HASKINS: Let me ask one last question before I turn it over to the audience.

There has been a lot of discussion on both panels about money. Somebody optimistically said — it was Tim — well, we don't need that much money; most of our solutions are not that expensive. But the solutions for preschool are super expensive. The figure of \$50 billion was used up here. Professor Blau, an economist at the University of North Carolina, published a book and said it would be \$100 billion to have a high quality universal preschool. So, we do need money to address this issue.

As everybody on this panel knows, we have lots of problems with money in our country now. We have a huge deficit. In the years ahead, it seems inevitable that Congress will be cutting spending, if that is possible. Who knows? So, where does this money come from?

MR. MALLABY: Tax reform; the elimination of all kinds of loopholes in the tax code which are extremely expensive, extraordinarily badly targeted because rich families pocket the majority of them, and the elimination of which would not impede economic growth. If you raise tax rates at the margin, you do have an incentive problem, right? Whereas if you broaden the base, you do not have an incentive negative effect. If you got rid of, and the big ones are savings incentives, which about a quarter of them flow to the top 10 percent of households, and the mortgage interest tax relief, fully half of which goes to the top 10 percent of households. By eliminating these kinds of loopholes, you raise a lot of money for the Federal Government, you increase the equity of the tax distribution, and you do not reduce economic growth.

MR. HASKINS: Anybody else?

MR. PRICE: One of my favorite ones — I forget the name of the act — is the act that enabled corporations to repatriate profits earned overseas to bring back and create jobs in America, and that money just drops straight to the bottom line without passing go.

MR. HASKINS: Well, David, what would the *Wall Street Journal* think about this loophole reform?

MR. WESSEL: I have to give my disclaimer that you are not responsible for everything that I say at Brookings and I am not responsible for everything they say in the *Wall Street Journal*.

I think to go to the point that Sebastian made earlier — I saw this in this piece that I did in Louisiana — that one of the costs of having very rapidly rising healthcare spending in a state like Louisiana is that it does tend to crowd out some of the spending for education. The fact is that the things that are growing fastest in the federal budget are, of course, healthcare and then there is the retirement part of it. I am totally sympathetic on everything Sebastian said on tax reform, but if we really believe that education is as important as everybody on this panel said, then we are going to have to find a way to use the political system to spend more on that and slow the growth of healthcare spending.

MR. HASKINS: Adrian, do you want to say anything about this?

MR. WOOLDRIDGE: Well, I am just very skeptical about the idea that there is a very precise relationship between spending and outcomes. The United States spends actually quite a lot of money on education —

MR. HASKINS: And health.

MR. WOOLDRIDGE: — compared with European countries and other countries and doesn't get commensurately better education outcomes. I think it is much more a matter of organization. I think it is much more a matter of America would do much better, as I say, to introduce many more levels of testing with high consequences because one of the results of that is you get much more private investment in education, just as you see in China or Japan, people investing a lot in that. I think education is the single biggest expenditure of Chinese families at the moment because they are very concerned about their children succeeding, and they see a ladder upwards as a result of that.

Although I completely agree in terms of preschool education, I think as one moves later up the system — James Cameron [ph] has written a classic study about this — the connection between the amount of resources you spend and differences in outcome is pretty loose as compared to the ethos.

MR. HASKINS: I am sure we agree with that, and we have doubled and redoubled and so forth per pupil spending in the United States, but that is for the public schools where everybody goes to school, just about. But for preschools, as Steve pointed out, half the kids don't get any and many, many of the preschools that we have are not very high quality. So, you could — Steve, I am sure would agree — spend a lot of money on preschool and create a better preschool if we think that is the foundation for learning.

Hugh?

MR. PRICE: Just two points; one is I think you would have to add the

explosion in criminal justice spending to the list of things that have drained money possibly away from education or certainly competed.

Back to the question of the tie between economic status and mobility through education, I think it would be interesting. I am not sure if the paper did this. Maybe I didn't read it properly. It would be very interesting to try to isolate children who have been well educated, children from low income families, who have received good educations in schools that work and see how they have fared, instead of looking at the issue in the aggregate. Look at what has happened to low income kids who have managed to get a good education and track: does that break the cycle?

The analogy is when I was heading the Urban League I used to go to the Horatio Alger dinners here in Washington. The people who were inducted into the Horatio Alger Society are corporate leaders and others who come from hard scrabble backgrounds, hard scrabble backgrounds, abuse parents, dirt poverty, et cetera, barely got into college, and somehow got a good education, clawed their way up. Interestingly enough, there was an article, I think, just Monday about the number of corporate CEOs who have college degrees from schools that don't have that big of a reputation in our society. So, I think that maybe some more rifle-shooting of the research might draw some additional understandings about the impact of the education.

MR. HASKINS: We will go the audience.

Bill Galston?

QUESTIONER: Bill Galston from Brookings.

This is a dissenting thought, just to see how you react. I think a number of people have pointed out, and it is pretty clearly true, that the education component of

opportunity in America has risen very substantially in the past two generations for some of the reasons that Hugh Price pointed out and others besides. I would like to raise the following question: Is it possible that we are putting more weight on education as a potential equalizer of opportunity in America than the system as a whole will bear?

Let me put that question slightly differently. As a grand strategic matter, might it not make at least as much sense to try to weaken the link between money outcomes through labor, through work on the one hand and the basic building blocks of a decent middle class way of life on the other? So, for example, if decent healthcare coverage were available decoupled from work, which is going to happen sometime in the next generation, such that you could achieve relatively modest money earnings and nonetheless enjoy something like a zone of socially created equality in that zone, might not that be a more effective strategy in the long run than trying to push so hard on the education system in order to try to re-equalize opportunity which seems to be shifting dramatically in the other direction?

MR. HASKINS: Hugh Price?

MR. PRICE: Bill, it is a provocative thought. It is not only dissenting; it is anti-American. I mean it cuts against the whole ethos of the country, and I don't mean that in the way of political discord. It is sort of not the way America thinks about getting ahead. It is not the way we rear our children to think about getting ahead.

That said, I don't lose sleep anymore over eliminating inequality because it is not going to happen. What I am obsessed with is: What are the mechanisms, levers, and investments that enable people to have a decent life and earn a decent living, and how do we define that? What are the components of that? How much money do you

need to have a decent house, a decent car, send your kids to school, have decent healthcare, et cetera? That is a conversation worth having.

So, for me, the whole discussion of upward mobility is not whether I am getting to the penthouse because only five people live there. It is about how do you get into the mainstream and get to partake of most of what America has to offer. That is what I think the conversation should be about, and that is the real world for me.

MR. HASKINS: Sebastian?

MR. MALLABY: I think there is a lot to be said for your point. It seems to me that when you saw one of the handouts that we were shown earlier which said that the out of school spending on educational-related stuff by rich parents as compared to poor parents was an 1800 percent difference. That tells you that fixing this educational disparity, even if you just talk about the educational disparity, just by investing in the school system, whichever part of it, from 0 to 23, obviously, there are returns that you can get on this stuff just by having EITC which puts more money in people's pockets, so that they have more money that they can spend on buying the books or doing the stuff out of school or paying for the summer school or whatever it is. If there are diminishing marginal returns to any kind of investment, including public policy investments, then putting all of your eggs through the school system, all of that money through the school system, is going to be a mistake and you should have a broad portfolio of approaches.

MR. HASKINS: Another question in the back?

QUESTIONER: Paige Develin [ph], CBO.

My question is do you feel that maybe the underlying wage structure — it kind of goes along with what he said — won't support? For instance, right now, college



has a high return because not as many people go. But do you think it will continue and that return to education will continue to remain if more people are getting education?

I am just wondering if this is the best way to solve the problem of the entire economy.

MR. WESSEL: Well, I think there are two different things that you have to think about when you think about them, all of which I have learned from economists like Ceci. One is that there is the supply and demand of college-educated workers, and presumably, if you have lots and lots of people who get good college educations, the premium they earn for going to college will tend to shrink. It has happened before. It happened in the seventies. On the other hand, there is a good outcome here where you can have a narrowing gap, but you can have a rising average.

Before I go and conclude that the wage structure can't support things, we are in a somewhat unusual time in the American economic history. We have a growing economy with rising productivity. The economy has the wherewithal to deliver rising wages and standards of living for people at the middle of the middle class, and it doesn't seem to be doing that. So, we are fortunate enough to have the prosperity, and we are struggling with how we organize our economy and our educational system and our healthcare system, so that prosperity can be more broadly shared.

MR. WOOLDRIDGE: The other thing is you have to think about it in global terms, not just in U.S. terms. If you had more and more highly educated American college graduates, the jobs that they are moving out of will be done more increasingly abroad and you can have more specialization across borders which would enable everybody to capture the gains in the U.S.

MR. HASKINS: One more question, back here on this side?

MR. WESSEL: Brandon Roberts, Working Poor Families Project.

I was taken by the earlier discussion and the analysis and the data that stressed the importance of parent income and educational levels, and I am struck by the, I guess, perceived lack of discussion about trying to address the issues of parents and their educational levels and their income. I say that because we know that 77 million adults between 18 and 64 do not have any post-secondary education and that 25 million of those do not have a high school diploma. Federal policy is going in the direction of not supporting the initiatives that are designed to address those problems.

So, I guess I would ask the panel: Is it possible to address these issues without trying to address the income and the educational levels of the parents? Secondly, why is there not more attention given to that issue, given the important that seems to play on the future of children?

MR. HASKINS: You stumped the panel.

MR. PRICE: I think it is a very powerful and important observation.

I would only say that I could add to the list of things that should be addressed if we are going to take a whole look at it. I mean there are issues of health that have to do with the readiness and capacity of children to function well in school. If they are sugared up, obese, out of school a lot, that bears directly on their ability to perform. I think there are housing conditions that don't allow for space at home and conditions at home that don't allow for homework and quiet time to learn, et cetera, et cetera. There is a lot in the equation. It is more a manageability issue in the space of an hour than it is the importance of the question that you raised.

MR. WESSEL: I want to make two brief responses. One is that a lot of the early childhood work does focus some on the parents, some of the programs there. Secondly, one of the reasons why I think community colleges are such an important part of this ingredient is a lot of the people at community colleges are old enough to be parents or maybe they are not old enough to be parents but they are parents.

MR. HASKINS: Join me in thanking the members of this panel.

[Applause.]

MR. HASKINS: Again, I want to return to the obvious because there is dissent in this city and even on some of the editorial pages in our newspapers, that we do have a very serious problem with inequality, and we are not doing enough about it, we are not doing much about it. So, this is an important problem of the future, and I suspect that we will return to this issue over and over again.

Thank you very much for coming. Bye.

[Applause.]

[Whereupon, the event was concluded.]

\* \* \* \* \*