

## Chapter 1: Introduction

*In 1931, the writer James Truslow Adams coined the term "The American Dream." His definition holds up well today. The dream, he said, is of a land in which:*

*life should be better and richer and fuller for everyone, with opportunity for each according to ability or achievement. It is a difficult dream for the European upper classes to interpret adequately, and too many of us ourselves have grown weary and mistrustful of it. It is not a dream of motor cars and high wages merely, but a dream of social order in which each man and each woman shall be able to attain to the fullest stature of which they are ... capable, and be recognized by others for what they are, regardless of the fortuitous circumstances of birth or position.<sup>1</sup>*

Today, many Americans fear that our country is no longer a land of opportunity. Although social mobility overall seems not to have decreased in recent decades,<sup>2</sup> there is evidence that it is lower in America than in many other advanced economies.<sup>3</sup> Scholars on both the left and the right are also increasingly worried that children growing up today in lower-income families have fewer social supports and pathways into the middle class than in past generations. As Robert Putnam showed in his recent book *Our Kids*,<sup>4</sup> children from well-to-do families today enjoy more material, emotional, and educational support than ever before, but children from low-income families often grow up in homes, schools, and communities that are in disarray. Charles Murray reached similar conclusions in *Coming Apart*.<sup>5</sup>

technological changes, changing relationships between workers and management, the increasing importance of education and training in a post-industrial economy, a less energetic civil society, high rates of incarceration, weaker attachment to the labor force among less-educated men, and the rising prevalence of single-parent families among the less-educated.

The poor prospects for children born into poor families are an urgent national concern. This state of affairs contradicts our country's founding ideals. It weakens the promise that inspired so many immigrants to uproot themselves from everything familiar to seek freedom, self-determination, and better lives for their children in America. It holds particularly grave implications for the

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The trends aren't entirely bleak, and poor children today are better off in several ways than they were a few decades ago. They have better access to healthcare, fewer of them are born to teen mothers, their parents have more education, they are exposed to fewer environmental toxins and violence, and fewer live in foster care. We should celebrate these advances. But the circumstances and outcomes of upper-income children have improved even more rapidly, leading to ever-widening inequality in the human and financial resources that boost child development. And on a few important factors, such as family stability, the circumstances of poor children have gotten worse.

The reasons for the increasing gaps between childhoods in different social classes are many and intertwined, including: the loss of manufacturing jobs, stagnating wages for workers without a college degree, labor-saving

wellbeing of blacks and for the future of racial equality so courageously fought for over the course of generations.

At its best, the American credo of freedom and individual initiative has been uniquely able to unleash the energy and imagination of its citizens, inspiring them, as Adams put it, “to attain to the fullest stature of which they are capable.”<sup>6</sup> For many American families—including many low-income families—that dream is still possible. But large numbers of children live in disadvantaged and often chaotic homes and communities, attend schools that don't prepare them to navigate an increasingly complex economy, and have parents (often a single parent) who work in low-wage jobs with variable and uncertain hours. The massive waste and loss of this human potential costs the United States in economic terms, and it is a tragedy in human terms. Most Americans would agree that we can do better.

The political difficulty arises when we turn to solutions. Most new ideas for helping the poor are controversial and expensive, and when one political party offers a proposal, the other party usually disagrees with its premises or specifics. The parties often have deep philosophical differences, but research also shows that the mere fact that one party proposes an idea can motivate partisans on the other side to dismiss it.<sup>7</sup> And yet, points of agreement are emerging that could serve as a foundation for consensus. Most Americans and their political representatives tend to agree on several key points. First, for able-bodied Americans, it is far better to earn money than to depend on public assistance, although economic conditions sometimes prevent people from becoming self-sufficient. Second, children are on average better off growing up with two parents committed to each other for the long term, an arrangement most likely to occur within the context of marriage. And third, our schools don't adequately prepare the young for the economic and social environment in which they must make their way.

## **THE AEI-BROOKINGS WORKING GROUP**

The authors of this report have come together to build on that consensus and propose a plan of action that will reduce poverty and improve opportunities for those at the bottom. Our report has three distinctive features. The first is the diversity of our perspectives and experiences. Some of us have served in Republican administrations or closely advised Republican candidates; others have done the same for Democrats. Some of us identify as conservatives, others as progressives, and others as centrists or nonpartisans. Some of us are economists, others are sociologists, others are psychologists. We share an intense belief that poverty and opportunity are profoundly consequential and that our nation's future prosperity and our common humanity compel us to work together to find credible strategies to reduce poverty and increase economic mobility.

Most of us have spent our careers studying and evaluating the many policies tried since the War on Poverty began in the 1960s. We agree that some of those policies

had disappointing results, but even the failures have taught us important lessons. We also agree that many of these programs and policies have worked as intended, demonstrating the value of public policy that is carefully implemented and evaluated. As policy analysts and social scientists, we share a commitment to collecting empirical evidence and then developing and revising public policy based on that evidence. We differ on many issues. Yet while working together for the past year, we have come to respect one another's sincerity and value each other's ideas.

The second unique feature of our report is that we consider three major domains of life simultaneously: family, work, and education. Many individuals and groups have addressed each of these challenges separately. But as we show in this report, they are highly interconnected. Improving family stability helps children succeed in school; improving the fit between schools and jobs helps teenagers transition into the labor force; when young people can find work that pays well, they create more stable families, and the cycle continues. In each of our three main chapters—on family, work, and education—we illustrate these and many other links, and we propose policies that create synergies among the three domains.

Our report's third distinctive feature is that it is grounded in values—the three broadly shared American values of opportunity, responsibility, and security. Focusing on these shared values has made it easier for us to work together and find many points of agreement. If our diverse group can come together to support a comprehensive and far-reaching set of proposals, based on shared values, we believe our report can find support across the political spectrum in Washington and in state capitals.

## **AMERICAN VALUES: OPPORTUNITY, RESPONSIBILITY, AND SECURITY**

When people talk about family, work, and education, they often talk as much about morals as about facts and policies. Citizens and politicians from the left and the right often invoke different values, which are linked to different

theories about what causes poverty. But rather than become paralyzed by these conflicts, we believe that differences can be fruitful. Neither side has a monopoly on the truth; neither side has a complete explanation for poverty; neither side fully understands what factors promote economic mobility. A comprehensive approach to the problem should draw on the best ideas from all sides.

We were particularly heartened when the same three values recurred throughout our discussions: opportunity, responsibility, and security. The vast majority of Americans endorse these three values, at least in principle. When policy recommendations are grounded firmly in these widely shared values, they become more immediately understandable and more politically achievable. Because we have crafted our discussions of family, education, and work in terms of these values, we must explain what we mean by them before we present our recommendations.

## **OPPORTUNITY**

The concept of “opportunity” draws nearly universal support among Americans, and it’s the core concept of the American Dream. We endorse Truslow Adams’ definition of opportunity as the state of affairs when “each man and each woman shall be able to attain to the fullest stature of which they are capable,” regardless of the circumstances of their birth.<sup>8</sup> America didn’t initially offer opportunity, in this sense, to all its residents. Any American whose skin wasn’t white was subject to severe discrimination, often supported and sometimes even promoted by government. But the Civil War and, much later, the civil rights movement and other rights movements have brought us closer to our ideal. We now broadly agree that discrimination against anyone on the basis of race, sex, religion, or sexual orientation is unacceptable, even if it remains much too common in practice.

Of course, in a free society with a free market, some families will end up far wealthier than others, and some parents will be more inclined or more able than others to prepare their children to grasp the opportunities that will come their way. Children don’t begin life or education at

the same starting line, and the question of how much the government should do to narrow the gaps in opportunity is a difficult one. Progressives generally believe that government should be more active and can be more effective than do conservatives. But this difference shouldn’t obscure the fact that nearly all Americans would prefer to live in a society in which opportunities for self-advancement are more widely available, especially to those at the bottom of the income distribution, than is now the case.<sup>9</sup>

## **RESPONSIBILITY**

America is a free society, but freedom comes with responsibilities. Responsibility is the state of being accountable for things over which one has control, or has a duty of care. Family life is a network of mutual responsibilities. So is work life. So is democratic citizenship. When people fail in their responsibilities, they should shoulder the blame—unless it’s clear that they tried hard to meet their responsibilities but were overwhelmed by forces beyond their control.

The values of responsibility and opportunity are closely linked in the American mind. We can see the link in a line from President Clinton’s 1993 Labor Day speech that has had bipartisan resonance:

*We’ll think of the faith of our parents that was instilled in us here in America, the idea that if you work hard and play by the rules, you’ll be rewarded with a good life for yourself and a better chance for your children.*<sup>10</sup>

The converse of this assertion is that if you fail to be responsible—if you don’t work hard or don’t play by the rules, then you aren’t entitled to a reward. These linked values of responsibility and opportunity were the linchpins of the bipartisan welfare reform law of 1996—whose official name included both “Personal Responsibility” and “Opportunity.”<sup>11</sup>

Americans have always broadly agreed that as many people as possible should be able to support themselves and their children. Public policies should aim to reduce poverty while also reducing dependency on the government and increasing people's ability to earn their own way and take responsibility for their own futures. Among the most important criteria for any social policy is that it strengthen people's ability to take responsibility for themselves and their children. We will attend closely to this criterion as we evaluate policies intended to improve family life, education, and work.

Despite this broad agreement, there are differences of emphasis and interpretation. Conservatives tend to believe that a society's high expectations of personal responsibility and upright behavior encourage the best in its citizenry. They argue further that it is proper to hold individuals accountable and that even when doing so seems unfair, failing to demand accountability risks the spread of irresponsibility. Progressives tend to believe that unpredictable labor markets, the stresses and pressures of modern life, enduring discrimination, and broader social influences often block people from supporting themselves, and so there are limits to how much accountability we can rightfully demand. Nevertheless, both sides accept that illness (both physical and mental), economic dislocations and recessions, and just plain bad luck will always leave some people in need of help. Both sides believe that a wealthy society such as our own should provide some degree of security, which is our final value.

## SECURITY

Despite our best efforts to care for ourselves, we all know that life sometimes resembles a lottery. Cancer, car

accidents, recessions, involuntary unemployment, and natural disasters can strike anyone. We all grow old. Some of us will become disabled along the way. The central idea of insurance is that we are all better off pooling some of the risks of life, and hoping that we never get to recover our insurance premiums.

Friedrich Hayek, an economist who was wary of collectivism in most forms and who is widely admired by conservatives, endorsed the value of security in 1944 in this famous passage from *The Road to Serfdom*:

*There is no reason why, in a society which has reached the general level of wealth ours has . . . should not be guaranteed to all . . . some minimum of food, shelter and clothing, sufficient to preserve health. Nor is there any reason why the state should not help to organize a comprehensive system of social insurance in providing for those common hazards of life against which few can make adequate provision.<sup>12</sup>*

Today, progressives and conservatives disagree on just how comprehensive social insurance should be, and on whether government is the best way to provide it. Progressives often look to Canada and Northern Europe and admire their more extensive social protection, but conservatives often want to reduce the major social welfare programs, or privatize some of their functions. The left tends to believe that a wealthy society can afford to offer wider and more generous forms of support, but the right is concerned that efforts to guarantee security often undermine people's sense of personal responsibility, lead to greater dependency, and make it more difficult for people to reach their full potential. But both sides agree that people need some source of security against the



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vicissitudes of life. Both sides realize that there will always be some individuals who can't care for themselves, for reasons beyond their control. Both sides are particularly concerned about children who, through no fault of their own, are being raised in terrible circumstances. We don't blame or punish children for the faults, bad luck, or even the irresponsibility of their parents.

In fact, several decades of research show that increasing security for children can better prepare them to break the cycle of poverty and grow up to be more responsible adults. A child's brain is highly malleable. In the early years, when it is growing rapidly, the young brain responds to cues about the kind of environment that surrounds it. When children are raised in a chaotic and unpredictable environment, they become more attracted to immediate rewards, rather than larger but more distant rewards.<sup>13</sup> Why invest in the future when the future is so uncertain? Chronic stress and unpredictability can cause substantial changes in children's brains and therefore in their behavior, in ways that may impede later success in education, work, and the creation of stable families.<sup>14</sup> The documented effects include greater aggression and antisocial behavior for boys, and earlier menarche, sexual activity, and pregnancy for girls.<sup>15</sup> Although children have great resilience and the capacity to overcome their early environment, some children—especially if they don't have the benefit of interventions that reduce the stress to which they are exposed—are overwhelmed by early stress and trauma and suffer permanent damage.<sup>16</sup>

Conversely, when children are raised in more stable and predictable environments, they are more likely to learn that it pays to defer gratification and reap larger rewards in the future. Low stress, high predictability, and strong, stable relationships with caring adults all help children become measurably better at self-regulating, delaying gratification, and controlling their impulses.<sup>17</sup> If we want adult citizens who can exercise responsibility, we should do as much as we can to improve the security of childhood, especially among the poor. Small investments in security could lead to large dividends in children's later self-sufficiency.

We strongly and unanimously agree on one final point: stronger economic growth would contribute greatly to our goals of reducing poverty and improving mobility. Indeed, the strong economic growth we enjoyed in the roughly 25 years after World War II and more briefly in the middle to late 1990s helped generate the large poverty reductions and income growth that we experienced in those periods. Greater productivity growth in the U.S., which has lagged in the past decade (as it did in the 1970s and 1980s), would help raise real wages, while robust employment growth for the economy overall would certainly improve employment and earnings for lower-income groups.

Our report focuses on social and education policy, not on macroeconomics or other policy inducements to bolster efficiency and growth. Still, we believe that all of our recommendations would be more successful in the context of a growing and vibrant economy, which we view as a top national priority.

## **THE STRUCTURE OF THIS REPORT**

These three values guide the rest of our report. We offer a comprehensive plan for reducing poverty and promoting economic opportunity in the United States. In each chapter, we evaluate the best evidence about current approaches and then recommend policies that will increase opportunity, encourage people to take greater responsibility for their own lives, and increase security, especially among lower-income Americans and their children.

In Chapter 2, we report on where things stand now. What is the nature of poverty and economic opportunity in America in 2015, and how has it changed since the 1960s? Is it true that America has less economic mobility than other nations? We conclude that the most alarming trends are the increasing gap in educational achievement between poor kids and rich kids; the increase in families headed by only one parent; the decline of work among men, especially young black men; unstable work and work hours; stagnating wages; and high rates of incarceration.

The four decades of trends in family composition we review in Chapter 2 show that more and more children live in single-mother families, primarily because marriage rates have fallen and nonmarital birth rates have skyrocketed. That change contributes greatly to the nation's poverty rate; mothers and children in single-mother families are five times as likely to be poor as those in two-parent families. Children in single-mother families also experience an array of developmental problems at much higher rates than children in married-couple families. Although there likely aren't any quick fixes to increase the share of our children growing up with their married parents, in Chapter 3 we outline four policies that can begin to move the nation's families toward greater stability and more effective childrearing. We propose a public interest campaign that would promote stable, two-parent families; policies to increase effective contraception by couples who aren't ready for children; programs to promote parenting skills among low-income parents; and programs to help young men with low earnings increase their education, employment, and family involvement.

It's no surprise that our group unanimously placed employment at the center of any national strategy to reduce poverty and increase mobility. But with a few exceptions, especially the second half of the 1990s, the nation's labor market has been weak since 1979. Three problems are especially important: the share of men who have jobs has been declining; wages have been flat or growing slowly since roughly the 1970s, especially among workers in the bottom half of the wage distribution; and incarceration rates, especially among black men, grew relentlessly until 2008 and remain at a very high level. Realizing that we face a difficult job market with low workforce attachment by some groups, in Chapter 4 we outline four sets of consensus policies that offer real hope for increasing employment and wages and thereby reducing poverty and increasing mobility. The first set of policies aims to increase the skills of low-income workers and their children; the second to make work pay better than it does now for less-educated workers; the third to expand work requirements and opportunities for the hard-to-employ

while simultaneously maintaining a work-based safety net for the most vulnerable; and the fourth to ensure that jobs are available.

If employment is central to our goals of reducing poverty and increasing mobility, education is central to improving the employment rate and wages of the disadvantaged. As we show in Chapter 2, for at least the past four decades, adults' education levels have been increasingly associated with their income. Those with less than a postsecondary education or a credential or certificate leading to a good job are falling further behind those who possess these tickets to success in our twenty-first century economy. Moreover, the gap in educational attainment between children from well-to-do families and those from poor families has been growing. These two developments led us to agree that unless we take action to close the education gap, it will be difficult to substantially reduce poverty or increase economic mobility. We make four sets of recommendations in Chapter 5 about how to close the education gap. These include increasing investment in preschool and postsecondary education, promoting social-emotional and character development as well as academic skills, modernizing the organization and accountability of education, and closing the resource gap between schools that serve children from middle-class and poor families.

In the final chapter, we summarize our recommendations and suggest how the nation can pay for the policies we propose. We also lay out a path by which our recommendations might be carried out, evaluated, and improved, despite America's political polarization.

We offer this report with our unanimous endorsement. This doesn't mean that each one of us agrees with every claim the report makes and supports every specific policy recommendation. Such unanimity could never be obtained from an intellectually diverse group for a report that is as comprehensive and detailed as ours. Rather, we all believe that America must take vigorous action to surmount the problems of poverty and stagnant economic opportunity.

We all recognize that America is growing increasingly polarized<sup>18</sup> along partisan lines, but we don't accept the defeatist conclusion that polarization must preclude cooperation between conservatives and progressives.

We have negotiated and compromised to create a plan that we believe is the best way forward. We are all enthusiastic about the final product because we believe it will reduce poverty and increase opportunity in America.