

THE BROOKINGS INSTITUTION

Brookings Cafeteria Podcast:  
Hoarding the American Dream

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REEVES: As he put the final touches to a book, the historian James Truslow Adams was pleased with his idea for the title - the American dream. But his publishers told him not to be silly. Americans were a practical people. They would never buy a book about a dream. So it was published in 1931 as the Epic of America, but his phrase nonetheless jumped off the page and into common use. The American dream, according to Adams, is a dream of being able to grow to the fullest development as man and woman unhampered by the barriers which had slowly been erected in older civilizations. For the benefit of classes rather than for the simple.

DEWS: Welcome to the Brookings cafeteria, the podcast about ideas and the experts who have them. I'm Fred Dews. That was Brookings senior fellow Richard Reeves reading from his new book Dream Hoarders: How the American upper middle class is leaving everyone else in the dust, why that is a problem and what to do about it. Much of the political and economic discussion over the past few years has focused on the gap between the top 1 percent and everyone else and how the ultra-rich are hoarding income and wealth while incomes for all the rest are stagnating. But is this the most important gap in American society? In his new book, which has just been published by the Brookings Institution press, Reeves says the more important and widening gap is between the upper middle class or those with incomes that are in the top 20 percent and everyone else. In this episode my colleague Bill Finan talks with Reeves about his ideas and recommendations. Also in this episode meet Camille Busette, a new senior fellow at Brookings and director of the race place and economic mobility initiative, Bill over to you.

FINAN: Richard, good to see you again.

REEVES: Thank you.

FINAN: I wanted to begin by asking you to read a short piece in the conclusion to the introduction to your new book Dream Hoarders.

REEVES: Sure I'd be happy to. As he put the final touches to a book by historian James Truslow Adams was pleased with his idea for the title the American dream. But his publishers told him not to be silly. Americans were practical people. They would never buy a book about a dream. So it was published in 1931 as the Epic of America, but his phrase nonetheless jumped off the page and into common use. The American dream, according to Adams, is a dream of being able to grow to the fullest development as man and woman unhampered by the barriers which had slowly been erected in older civilizations. For the benefit of classes rather than for the simple human being. The American Dream is not about super wealth or celebrity. The American dream is of a decent home in a pleasant neighborhood, good schools for our kids steadily rising income and enough money put aside for an enjoyable retirement. It's about sustaining a strong family and seeing your children off to a good college. It's become a staple of politicians to declare the American dream dying or dead. But it is not dead. It is alive and well, but it is being hoarded by those of us in the upper middle class. The question is - will we share it?

FINAN: I asked you to read that not only because of the fact that the editor made one of the most epic fails on a title ever with this book, but also because it captures the essential tension in your book. The American dream is only available to a certain segment of American society. The top 20 percent, what you call the upper middle class. How would you define that segment, that upper middle class?

REEVES: Both in the country I come from, the UK, and my new home the US, sociologists and Economists have long debates about it. I essentially use an economic definition so I take that broad of the top 20 percent the top quintile of the income distribution. But now that's roughly those households with incomes above about \$120,000 a year. In today's times the average income of that group is about \$200,000 a year and it does look as if that's the group that have been separating away. You can also define in terms of education. You can do self-definition. So actually, if you ask Americans to define themselves, the first thing that happens is they're all middle class or 90 percent middle class. But then within that middle class broad categorization, one in seven 15, 16, percent or so depending on the year will describe themselves as upper middle class. And so both in terms of economics and self-definition as well as education that feels like about the right definition.

FINAN: And when you mention 150000 to 200000 dollars, I think you say in the book that the median household income in the United States is 54000. So and those people would define themselves as middle class right.

REEVES: That's the thing. I mean it is difficult writing a book about class in a country where everyone starts by defining themselves as middle class and so it is the distinctions within that group that start to really matter. And so it's also one of the reasons why the self-definition is only so far off because almost no one in the 1 percent described themselves as upper class or very few people describe themselves as rich. And so both in terms of definition and history, America is a middle class nation. So it's this group at the top, this top slice of the favored faith, if you like, at the top where he really seemed to be pulling away from everybody else. And they and I should say we and maybe many of

the listeners to this podcast are the ones who been doing pretty well for the last 20 years and not just economically but occupationally, geographically, in terms of family life and so on.

FINAN: You talk about the joy of leaving Britain's class system for America's class system and talking about becoming an American citizen which was just a few years ago right. But that snippet from your book that you read also captures a central idea in your book, that we are in America class space society even though we think we aren't, money as you mentioned education, wealth, occupation you say tightly clustered together to create a certain class. In this case the upper middle class the top 20 percent and in the book you call this the great division the great divide the top 20 percent and the rest 80 percent. You also say that the driver of this economic separation can be traced to sources: wages and wives. What did you mean by that?

REEVES: in terms of the economic separation of that group at the top trying to get at the kind of factors that underlie it the two identified wages first is that there's been a big growth in earnings inequality. And so in the labor market people, or actually in the work place you've seen that there's really quite a significant increase in the gap between the highest paid and everybody else. And so that's factor one, if you like, but then wives, the second one, is what's happening to female employment and related to marriage and family patterns. And so the last few decades we've seen women catching up with men educationally. And so there are many more women who are around him. There's still a gender pay gap. But you are seeing many college graduate women who are now earning pretty well in the labor market and they tend to be married to college educated men. And so what happens is you are getting sort of two high incomes or two potentially high

incomes coming into one house. So those two factors together, increased earnings inequality and increased, what sociologists very unromantically, call assortative mating. Marrying someone like yourself is actually kind of meant that at a household level you see this really strong separation.

FINAN: What I thought was interesting is that in the 80s and early 90s we had double income, no kids. But what you point out in dream quarters is double income and kids, you call marriage a child rearing machine for the knowledge economy. It seems that marriage is a central driver and to creating an upper middle class geography, point out educational opportunities and a host of other. Advantages advantage piles on top of advantage, you say. What are some of those advantages?

REEVES: Well you've mentioned some already though but there is clearly a higher earnings potential earnings so even if you take some time out you know you can go back in at high level education. And so we're seeing significant and increased educational inequality between those who do get a college degree or a good college degree and those who don't. We're seeing geographical separation, so while segregation in terms of race has dropped modestly in the U.S. It rather had to I must say has gone down a little bit. Segregation of all neighborhoods by class economically speaking has actually increased and so our neighbors are slightly more likely to be of a different race to us but they're actually less likely to be a different class to us. And that's happening just as much at the top as it is at the bottom and so you see the sort of physical set. And then of course that means access to good schools it means that you are able to kind of protect the value of your property and so on. And there's occupational segregation, too, in certain kinds of professions where you get more flexibility with more job security. And so last but not least

what you've referred to family stability, marriage, which is that there is a big marriage gap in the U.S. And again it's where the U.S. is unusual in this regard to the extent to which upper middle class Americans marry and stay married. So actually divorce rates have dropped to the top in the U.S. And so you're seeing quite strong marriages, quite strong families among those well-educated folk at the top and one reason for that is because it's easier to maintain a strong family or when you've got those higher earnings coming in and more economic resources. That's what I mean by compounding, this kind of clustering of advantages one advantage leads to another. Higher education means higher earnings, high running's means you are and then you marry somebody else who also has high earnings and you buy a house in a good neighborhood and so on and so forth and then you add in the tax subsidies and the outrageous form of things like mortgage interest deduction and it starts to look as if Uncle Sam's kind of helping us along the way, he's helping the upper middle class to halt the dream rather than actually kind of opening up the American dream.

FINAN: I want to come back to the children for a moment. They are important, you say, because you argue children raised in upper middle class families do well in life; as a result there's a lot of intergenerational stickiness as you call it. What are some of the reasons that children are the upper middle class do well in life compared to those in the 80 percent?

REEVES: Worth saying first of all of that is where the U.S. stands out internationally as for this stickiness at the top, it's for the perpetuation of the upper middle class. So you know still something of a shock for me is to discover that the upper middle class is more resilient over generations in America than in the UK, where I come from. So

for all the watching of the crown on Downton Abbey and so on, the U.S. class system operates at the top more ruthlessly than the British one I left behind. I think if you look at the way the institutions work from something we're going to talk about zoning college and so on I think that actually I wanted the chance to say this and I don't actually say this in the book because my thinking is developed a bit since then is that I never thought I would say that I miss British class consciousness. I hate British class consciousness and that constant calibration of where you are. But one of the things that comes along with class consciousness is a recognition of class division. And so it does at least open up the past people at least are aware in the UK that they're in a class system. The U.S. always has the worst of both worlds because it has as I said a ruthlessly efficient class reproduction machine but all under the veneer of classless meritocracy and so actually in some ways the worst of all worlds is to have no consciousness of class or at least less consciousness of class whilst you do have a class machine operating. So that the U.S. class machine operates much more quietly than the British class machine but I've come to believe that it operates, if anything, somewhat more ruthlessly.

FINAN: and there's no political attempts to call attention to it either within the American political system at all.

REEVES: That's why at least the upper middle class in the UK have the decency to feel a bit guilty about their privilege whereas the American middle class really don't. And so, so it's actually one of the things that really struck me is the absence of the other sort of moral anguish or guilt or any sense of sort of a recognition of privilege and you see that even today in this sort of fierce way in which upper middle class defend their tax breaks, almost as if they're entitled to them in some way. And the lack of sort of moral

anguish about the decisions that people make to kind of keep zoning out the poor or to hold certain educational resources or use legacy preferences to get their kids to get to college. So these are all practices that the very least would cause some moral tremors in upper middle class people in the UK because of our awareness of class; in the US people do it without a backward glance.

DEWS: Time for a break here to meet a new Brookings expert who is leading our initiative on promoting policies and strategies that unlock barriers to economic opportunity by race and place in America.

BUSETTE: I'm a senior fellow in governance studies and I head up the New Race place, and economic mobility project here at Brookings.

I grew up in a variety of places actually, which I think has made me very much who I am. I was born in Los Angeles. I grew up in New York City, and then toward the end of high school my family moved to Sacramento, California where I finished up high school; and then I went on to University of California, Berkeley for college. But I think what's probably more important than where I grew up is actually my family background. My family is originally from the Caribbean, and we did spend a lot of time during the summers visiting my relatives in a variety of different places: the Dominican Republic, Puerto Rico, Trinidad and Tobago, and some other islands. And part of why I think that's important is that a lot of my relatives are very low-income. And I think it gave me an opportunity to see the differences pretty early. So by the time I was six, seven, eight, I kind of could tell there was a big difference between their standard of living and the standard of living I enjoyed here in the U.S., and I think that's a big part of who I am now.

I'm very interested in social problems and really trying to innovate and find solutions to those. My parents were pretty highly educated. My dad had a Ph.D. in Spanish language and literature and my mom was an ABD in economics and so I grew up in a household that was very engaged intellectually and very curious intellectually, and we were really encouraged to be pretty much the same. I was just, in general, kind of a very curious person. But when I got to graduate school I put that in into overdrive and saw that where I flourish and what really motivates me is when there is an unsolved puzzle—whether it be empirical or theoretical or practical—where I could take a different set of perspectives and apply that to this puzzle in order to solve it. So that to me is actually really interesting and it's one of the reasons I'm here doing this at Brookings. The Race, Place, and Economic Mobility Initiative is a new initiative, and Brookings has been working in this space a little bit since 2015, but not as an official initiative. So we have scholars like Richard Reeves, and our colleagues in the Metropolitan Policy Program, and other places in Governance Studies that have contributed to some really excellent scholarship already. But what I plan to do with this initiative is try to focus it on recrafting and updating the iconic American narrative, which I think needs to be very inclusive of who we all are. And in doing that I think I'm going to bring to bear a lot of different kinds of disciplines, everything from the typical social science disciplines that we're familiar with here at Brookings, to looking at how we can structure a campaign around race and inequality and economic mobility that's not dissimilar to some of the campaigns that have been run recently like the gay marriage campaign and anti-smoking campaign.

Obviously I need to set up the program; there's an operational piece of that. But the first thing we're going to be working on now is the demographic profile of young men

of color with respect to economic mobility. I think the most critical challenge that we face is the persistence of barriers to social and economic inclusion that perpetuate inequality and that prevent individuals from reaching their potential and their aspirations. That's actually a really serious problem that we have. My previous work at the World Bank took the form of extreme poverty and lack of access to health, education, sanitation, those kinds of things, and to the labor market. And in the work that I'm doing here at Brookings, which is much more domestically focused, we have a very significant issue with racial inequality and with the lack of economic mobility more generally.

I have two recommendations that I think are pretty critical to understanding the work that I'm going to be focusing on here at Brookings. The first is a book-length poem called "Citizen" by Claudia Rankine, and it won the 2014 National Book Critics Circle Award in Poetry. It's a very intimate look at what it's like to live in a world where you aren't seen and where your presence isn't considered an asset. And the second book is entitled "Toxic Inequality." It's by Thomas Shapiro at Brandeis, he's a very well-known scholar who has been working on wealth and assets and inequality for decades. And in his book he argues that wealth inequality is structural and results in persistent disparate outcomes by race. Those are two really excellent starter books and very very interesting. I'm also really eager to dig into my colleague Richard Reeves' book, "Dream Hoarders," which has just been published and I think having seen him with David Brooks a couple of nights ago, I think that's a really interesting perspective on inequality as well.

DEWS: News now back to Bill Finan's discussion with Richard Reeves about dream hoarders.

FINAN: Why do you call the upper middle class 'Dream Hoarders'?

REEVES: The children of the upper middle class do very well and they're more likely to remain upper middle class than in other countries and that's really for the two main reasons. One good, one bad. The good reason is that they're raised well, their parents work very hard to get them good education, they're raised in stable families there. They're kind of fortunate in the kind of birth lottery they chose, their parents did well and here they end up, well-educated, they're skilled in all kinds of areas, they're a very accomplished and skilled people. It's about time they hit the labor market. It's not surprising that they are going to do well and those are mostly things that we want more people to do. And I don't think anybody upper middle class or otherwise should feel bad about being parents invested in their children. But the second reason is what I call opportunity hoarding, and that's where the upper middle class are using their power, their economic power, their political power to effectively exclude the bottom 80 percent of children from the quite scarce and valuable resources and that's where we're beginning not to just compete well in that market. But actually, to shrink the market that's where the upper middle class is engaging in anti-competitive behavior that looks more like a cartel than a fair competition to me. And the examples that I use in the book are things like zoning which is a really unfair way to move inland.

FINAN: Could you explain it a little bit. You call it exclusionary zoning. It just is in the book. Make it concrete.

REEVES: But sure so zoning is the way that we regulate land in every country. Of course the U.S. has a lot of land use to have a lot more than it does now economically anyway. But I see the U.S. is getting quite cramped in the sense that economic activity is more concentrated in certain areas that pushes up the price of land but actually land use

regulations really increased in the US and particularly around residential neighborhoods and zoning is necessary of course to sort of separate different kinds of activities. I mean you don't want power plants in the middle of any residential neighborhoods and so on but exclusionary zoning is when actually the only justification for a particular zoning regulation is to maintain the sort of economic and social character of a particular neighborhood. So in particular if you see sort of single family dwellings zoning ordinances or very strict rules about how many people you can have per acre and so on. What that's doing in effect is just sort of maintaining the class status of that area and that's that's really against the market. Today the U.S. housing market is not very free. Who would be better if it was a bit freer and this kind of exclusionary zoning is one of the ways that in the old days it was a way to exclude people of color and particularly black Americans. Now it's really used, whether consciously or not, to exclude people of a different class.

FINAN: So where we see a pothole or a tract of single level homes but no apartment buildings that's an example of exclusionary zoning then.

REEVES: That's right. And you can see how that overlaps with other things. Just recently a study in Seattle showed that if you take the top 13 elementary schools in Seattle, 72 percent of the land in the areas that served by those schools are zoned for single family homes.

FINAN: Another example of opportunity hoarding, dream hoarding, you imagine is unfairness in college admissions, the legacy admissions.

REEVES: Yes I think legacy preference is a straightforward form of dream hoarding or opportunity hoarding, as I say in the book. Actually the US is unique in the

world in allowing this kind of preference. It has been wiped out everywhere else including where you know the U.K.

FINAN: It was amazing to me that we're the only country in the world that has legacy preferences at the college admissions.

REEVES: I have to say it would be pretty difficult to get away with it and certainly in the UK and you get the heads of Oxford and Cambridge now will be saying there is no way they should have any effect at all. I mean you only have to consider the fact that the royal family don't get into Oxford or Cambridge in the UK anymore. So actually it's been quite startling to me how again how, actually, this is not a partisan point because even pretty liberal Americans seem to think 'well that's just the way it's done' and to think, if anything, it's quite a good thing and the extended arguments are in increases alumni giving which is good because they create scholarships for the poor and so on. And actually there's no evidence for any of those arguments. No hard evidence that any of those things are true. And in any case most of the places people are giving lots of money to are not the places that need the money. And so if you're really seriously trying to use your charitable giving to help create a better society don't give it to your old college if you went to a top one. It seems extraordinary to me the nation that prides itself on being a meritocracy competitive meritocracy would allow something like your parents having happened to go to college to be a factor in admissions to that college because every place that's taken by a Legacy is a place that could have been taken by somebody else. And so that the invisible victims of this kind of opportunity hoarding, you know, we don't know who they are but they are there nonetheless; someone gets hurt when you play that kind of card.

FINAN: Another example you give to is unpaid internships.

REEVES: So here, I mean, actually Charles Murray, the right of center social scientist, who is quite controversial. And so I think quite rightly that it's just affirmative action for the rich. Internships have become quite important in terms of the transition to the labor market particularly in certain professions. And so as an institution the labor market internships which used to be almost unheard of 30 years ago are now really quite prevalent. And what that means is that how they're allocated who gets them and how they get them becomes quite important for opportunity. And unfortunately because a lot of them are unpaid they're very often handed out on a kind of basis of who you know and when that happens what that means is it gives an additional leg up to the people who happened to be in the right social networks and so that's clear opportunity hoarding. It is a valuable labor market opportunity that should be allocated meritocratic and openly but actually sort of stitched up by the people who know the right people. And each of them individually might not recognize that they're just adding to a pattern of behavior that overall is deeply unfair. And the best argument they tend to give is what everyone's doing it. So I should do it too. But that same very weak moral argument that my kids come to me and say is OK if I cheat in a math test that because everyone else is doing it I would say no I don't care. Just because everyone else is doing it doesn't make it morally justifiable

FINAN: and that everyone else's within your network too. It's not that 80 percent. I mean it's not about race.

REEVES: It really is a mechanism for a kind of class perpetuation. And I think we just need to be honest enough to admit it at least to ourselves.

FINAN: Right. So your kind attention to this for that upper middle class is but underneath itself that's a ceiling for the 80 percent. And what are some ways of breaking that for.

REEVES: You know I think it's like a glass floor that we put underneath our own kids to try and stop them being downwardly mobile. And, as I say, there's a difference between the good stuff we do to make that happen and the unfair stuff the opportunity hoarding and so I think that the really big thing we need to do is to help those in the bottom 80 percent to increase their human capital better education. And you know that's not just through postsecondary, it's also through K-12, pre-K, home visiting and also through community colleges who are like incredibly under-resourced by comparison to four year colleges. And so it is a huge amount we can do to kind of level the field a bit, but we also really do need to dismantle these opportunity hoarding mechanisms, the various ways in which effectively we cheat our way to the top. And so I do think that means, right, systematic attacks on local and state level on zoning regulations that really just allow the upper middle class to seal themselves off; they're in gated communities, effectively. Just because you can't see the gates or invisible gates in the form of zoning, but there are gates nonetheless. Legacy admissions need to become as they have everywhere else in the world. A relic of an old and unfair world and internships need to be better regulated and paid and they need to be fairly allocated and a lot of this is as much about attitudes and social norms as it is about policies and legislation, although those can help in the end. Really this is about becoming more aware of our own practices and our own privileges and changing the norm should just become unacceptable. That's a moral level to engage in activity that is basically cheating.

FINAN: You're the author of a biography of the philosopher and economist John Stuart Mill. I'm curious to know what you think Mill would say of the unequal system we have in America today.

REEVES: I can't tell you how grateful I am for your bringing John Stuart Mill into this conversation and let's hope it survives the era because he is needed more today than ever on issues of free speech as well. But I think that, you know, Mill's liberalism -- I'm using liberalism in the proper sense of the word -- what I see going on based on a very strong view that actually most Americans I think would endorse a candidate against inherited status. The idea that you inherit your position in society, which I kind of thought was one of the reasons why America was born in the first place. But it turns out that for various reasons, complex reasons, and very often unintentional consequences, actually, status is pretty strongly inherited in the US. And so the class system does actually mean that too much is passed on from one generation to the next. And I know that from his attitudes towards education and from inheritance and taxation that Mill was very strongly in favor of society, it was genuinely individualist, that was genuinely one where you could carve your own path and you could rise if that was what you chose to do. And everything, a glass floor, opportunity hoarding, this kind of dream hoarding that I identify, but all of those things stand in the way of the kind of classless society that not only every liberal properly defined but I think every American should support.

FINAN: Thank you again Richard. The new book is Dream hoarders: how the American upper middle class is beating everyone else in the dust, why that is a problem, and what to do about it.

DEWS: You can learn more about and buy the book on our website [Brookings.edu](http://Brookings.edu) and also buy it wherever you shop for books. Have you ever wanted to ask an expert a question? You can by e-mailing me at [BCP@brookings.edu](mailto:BCP@brookings.edu). Attach an audio file and I'll get an expert to answer and I'll play your question and the experts answer. And that does it for this edition of The Brookings cafeteria, brought to you by the Brookings Podcast Network. Follow us on Twitter at [policy podcasts](https://twitter.com/policypodcasts). Thanks to audio engineer and producer Gaston Reboredo with assistance from Mark Hoelscher. Vanessa Sauter is the producer. Bill Finan does the book interviews. Our interns are Sam Dart, Chynna Holmes, and Brian Harrington. Web support comes from Eric Abalahin and Rebecca Viser. Thanks for additional support from David Nassar and Richard Fawal.