

equal opportunities and the welfare state

The United States invests too little in most children's opportunities. Spending more would pay off handsomely.

The United States is widely believed to be a land of equal opportunities, yet it has an unusually unequal distribution of incomes. Unequal rewards may stimulate more effort to attain good education and careers. Great inequalities, however, will affect opportunities negatively, because the resources that parents can invest in their children will differ greatly. If the motivational effect overpowers the investment effect, we may not need to be too concerned with income distribution. If not, the rising tide of inequality should be cause for concern. This article reexamines the link between inequality and opportunities in light of new data and research.

We begin with a few puzzling facts. Among developed nations, the United States ranks first in poverty, especially in families with children. The latest comparative data show that 19 percent of American children live in poverty, a percentage twice that of Germany and five times that of Sweden. In addition, most attitude research finds that Americans are more tolerant of inequalities than other peoples, which seems to contradict the credo of equal opportunity.

But here we need to distinguish between egalitarian notions. End-result, "here-and-now" inequalities are tolerated on the grounds that they mirror differences in effort and ability. The egalitarian ideal that Americans embrace is connected to life chances, to the principle that the lottery of birth should not matter, that everyone should be guaranteed the same chance of success or failure regardless of social origin. Postwar sociologists and economists were convinced that the United States was a more mobile and just society. They ascribed this to three unique features of the American "model": America lacked Europe's feudal past, it was the leader of industrial modernization, and, most important, it started early to promote universal education.

To be sure, from Jacob Riis onward, the American "mobility myth" has had its critics. What is new is that we now have plenty of truly comparable, high-quality studies of mobility. These invariably conclude that mobility in the United States is no greater than and more frequently

lower than that of other rich countries.

Economists examine mobility as the correspondence between parents' and children's income. A high correlation implies less mobility, less equality of opportunities, and more social inheritance. The best and most recent estimates show a correlation of .46 for the United States. This indicates that almost half of the income inequality found in the children's generation is socially inherited, that is, determined by the inequality that prevailed in the parental generation. When we compare the United States with Germany (a .30 correlation), neighboring Canada (.20), or Scandinavia (.15), the United States appears exceptionally immobile.

Sociologists focus more on how social origins influence achievement in education or occupation. Recent cross-national research shows that social mobility has not increased during the postwar era and that mobility in the United States is certainly not greater than it is elsewhere. It is demonstrably lower than that in the Nordic countries. So all the evidence suggests that, far from being in the vanguard, the United States is an equal-opportunity underachiever.

This means that the key mechanisms governing opportunity have little to do with either feudalism or an advanced economy. The expansion of public education was the favored explanation of presumed mobility. Free and universal access to education should ensure that academic achievement will depend on merit rather than parental wealth. But we now know that the role of education is far more complicated. Everyone agrees that educational credentials are essential for getting ahead, especially in the unfolding knowledge economy. What is now becoming clear is that the seeds of inequality are sown prior to school age on a host of crucial attributes such as health, cognitive and noncognitive abilities, motivation to learn, and, more generally, school preparedness. It is also clear that even the most well-intentioned educational systems are poorly equipped to rectify inequalities implanted in early childhood.

International comparisons show that differences in

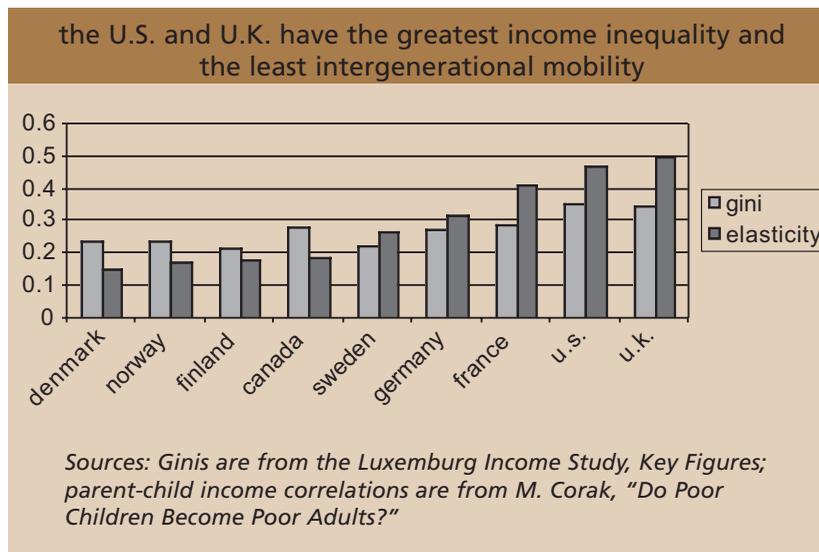
educational systems, the quality of schools, and the level of their financing have little effect on opportunities. One of the most important conclusions that we can draw from the OECD's cross-national PISA studies (Program for International Student Assessment) is that reforming the educational system or putting more money into schools is unlikely to result in any major equal-opportunity dividend. As a rule of thumb, the relative impact of school characteristics compared to family-of-origin effects on the cognitive abilities and learning of youth is on the order of 1:5. This does not, of course, imply that we can ignore the design of our educational system. Unequal funding of public schools and the existence of private alternatives breed more inequality, especially if (as in the United States) these coincide with class or racial segregation.

If our aim is to explain the persistence of social inheritance (or why the United States is an equal-opportunity underachiever), we must focus primarily on social origins and family conditions. Distilling a huge amount of research reveals two (not necessarily competing) sets of social-origin explanations for inequality: what we might call the "income" and the "culture" models.

income inequality

The income explanation, favored by economists, posits that parental income determines how much parents can invest in their children's future. It follows logically that the greater the income disparities in the parents' generation, the greater the inequalities in the outcomes of the children's generation. The U.S. income distribution, as measured by the Gini coefficient, is substantially more unequal than that of most other advanced nations. (The Gini coefficient ranges from 0 to 1. A coefficient of 0 indicates the greatest possible equality; a coefficient of 1 indicates the greatest possible inequality.) This helps explain why, comparatively, the United States (along with the United Kingdom) performs so poorly in terms of mobility. The accompanying figure illustrates the close connection

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between levels of economic inequality (measured by the Gini coefficient) and social inheritance (measured by the elasticity, i.e., the correlation, between the income of parents and their adult offspring's income).

The link between income distribution and mobility has also been measured as it changes over time. In the United States, the parent-child income correlation declined in the 1960s and 1970s, only to increase after the 1980s. But we

also know that the impact of parental income is especially accentuated at the two extremes of the income pyramid. There is far less downward mobility from the top than there should be, statistically speaking. The very rich can protect their less-gifted offspring from descending the social ladder.

Likewise, there is far less upward mobility from the bottom than we would expect. For example, a child of poor parents has, on average, two years less schooling than one whose parents are not poor.

Here we have a first clue why the United States is an equal-opportunity underachiever: on one hand, the rich in America are extraordinarily rich; on the other hand, child poverty is comparatively high. We arrive also at a first important lesson: "here-and-now" inequalities should be a major policy concern because they affect in a direct and major way the available opportunities. It may be, as some believe, that inequality motivates people to make an effort—but it also blocks opportunities at the bottom and shelters those at the top.

In the United States, as elsewhere, public education is free, and almost everyone completes high school. This ought to reduce the salience of parental income. But

money is extremely important for access to good preschool care. And if school quality is closely associated with residential segregation and the local community tax base, parental resources remain decisive. Extracurricular activities can be important both for cognitive and noncognitive skill development, and, again, access and quality are likely to depend on affordability. The adverse effect of unequal parental resources is bound to be amplified when combined with socially segregated and quality-differentiated schools.

Because most mothers and fathers work, early-childhood stimulation depends crucially on external care. The quality of outside care is clearly a major factor in subsequent child outcomes—especially for the underprivileged. If, as in the United States, high-quality child-care is expensive, it will exclude the poor. Here we arrive at a crucial finding of recent research: very early child investments matter most. What happens in the earliest years, especially in the preschool ages, is decisive for children's subsequent school success, and the effects persist into adulthood.

A long tradition of research, largely inspired by French sociologist Pierre Bourdieu, shows that the school milieu is inherently biased in favor of the more gifted and culturally "mainstream" students. James Heckman, the Nobel Prize-winning economist, is a strong advocate of early-childhood investments precisely because "learning begets learning." The more stimulation you receive at the start, the more effectively you learn later on. Conversely, it is difficult (and expensive) to remedy a poor start later on. The relative payoff to early-childhood programs is, in Heckman's estimate, \$5.70 for each dollar invested.

Alleviating child poverty would clearly be an effective and necessary policy to help equalize opportunity. As research by Tim Smeeding and other poverty experts shows, the American welfare state does far less than others to redistribute income to poor families and children. This is one reason that U.S. child poverty is five times greater than Scandinavia's. The good news is that the cost of eliminating child poverty would be quite modest. According to my own estimates, it would amount to 0.4 percent of gross domestic product (GDP), meaning about a 2-percent increase in government social spending. There is even better news: child poverty drops sharply (by two thirds) when mothers are employed. Accordingly, policies that support the employment of low-income mothers

would be doubly effective, because they would also result in greater government tax revenues.

cultural resources

Parents' investments in their children also include time. Money obviously matters: mobility is clearly adversely affected by income inequality. But a family's learning "culture" may be even more decisive, because this is what, day in and day out, dictates the quality and intensity of stimulation a child receives. Interestingly, "money" and "culture" are only weakly correlated—teachers, for example, earn little, and the rich have little time to read.

The PISA studies include information on parents' socioeconomic level and also on their cultural capital, as measured by the number of books in the home and everyday discussion of cultural issues. My own analyses of these data show that parental culture outweighs income in explaining cognitive test-scores among 15-year-olds.

Here we seem to face a major dilemma because most mothers, and especially the more educated, now pursue full-time careers. The additional income means that parents can spend more on their children. But the dual-career couple tends to have less free time, resulting in less parent-child interaction. Whether this will have adverse consequences for children depends on two factors: first, the quality of the alternative, namely, external care; and second, the extent to which fathers compensate for the reduction in mothers' time dedicated to childcare.

The quality of external childcare in the United States is extremely uneven. Except for targeted programs, such as Head Start, quality depends on price, which results in great inequalities in early-childhood stimulation and learning. Only a minority of American children attend licensed, high-quality childcare centers, simply because they are beyond the financial reach of most families. One reason for high Scandinavian mobility is their policy of guaranteeing affordable childcare to all children. Quality standards are nationally uniform, and generous public subsidies make participation virtually universal from age 1 onward.

We have evidence that this indirectly influences opportunity. When we examine educational attainment, in particular among children from less-privileged homes, we find a substantial equalization in all the Nordic countries that corresponds with the expansion of universal childcare. In an

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earlier study, I compared the United States with the three Scandinavian countries in terms of the relative chances of attaining post-secondary education among children of less-educated parents. Since I could control for the children's cognitive abilities (via test scores), I was able to capture the net effects of social origins.

My approach was to compare educational attainment across generations so as to identify the trend. The oldest group was born in the late 1940s, the youngest in the 1970s. Among children born to less-educated parents, we



photo by Stephanie Maze/CORBIS

find in the United States comparatively low odds for making it beyond high school. Their chances are roughly one-tenth that for children of more educated parents; moreover, we detect absolutely no improvement over time.

This contrasts unfavorably with all the Nordic countries, where the likelihood of post-secondary education for the least privileged has risen significantly over time. For the oldest group of children, the odds of attaining higher education were not much greater than in the United States. But for the youngest Scandinavian generation, born in the 1970s, we detect a significant equalization of opportunities. In Sweden, the youngest generation of the underprivileged is now three times more likely than its American counterpart to reach the post-secondary level. Denmark and Norway have done even better: underprivileged Danes are four times and Norwegians six times as likely as their American peers to go beyond high school.

Why have the Nordic countries managed to equalize opportunities while the United States has not? Considering their unusually egalitarian income distribution and generous transfers to families with children, the

“money” model offers a tempting explanation. But when we examine income trends over the same period, it is clear this cannot be the reason. No appreciable change in income distribution and no significant increases in redistribution to families have occurred in the Nordic countries since the 1970s. The expansion of early childcare offers a more persuasive explanation, especially since high standards and universal participation arrived pretty much in tandem with our youngest generation of children. This seems to have had substantial benefits, especially for the less-privileged children.

The most recent research on parental time investment is producing surprising findings. Fathers now dedicate more time and energy to their children, although, unfortunately, this has occurred primarily among higher-status men. Those with little education have hardly changed their behavior at all. Mothers are increasingly employed, and we would accordingly expect a decline in the time they dedicate to their children. And yet, to the contrary, we actually find a small increase among highly educated women. The upshot of this is that social-class differences in parental time dedication are increasing. To the extent that this goes hand-in-hand with the quality of external childcare, we have another important reason that American opportunities remain so stubbornly unequal.

It is vital to understand why the social differences of parenthood are so great. We have some evidence that the relative bargaining power of the mother is decisive. On balance, the mother has a stronger preference for spending both time and money on the children. Family expenditure data show that children's consumption is positively related to the amount of money that mothers control. Time-use studies show that fathers' contributions to childcare (and domestic chores) are substantially greater when the mother is financially autonomous. This is a fundamental point: mothers' earning power and career dedication can improve their children's life chances. But to close the child-dedication gap, we would need to empower lower-status women, who are less likely to have jobs, substantial earnings, or, as a result, bargaining power.

child-centered social policy

The case for an active social policy to ensure more childhood investment rests on the grounds of both equity and efficiency. Even if we firmly believe that we must hold individuals fully responsible for their destiny, there is still a powerful argument for pursuing more equality. Put simply, the United States is at present significantly under-invested in a very large proportion of its potential talent. At the same time, rich families are probably over-invested. This

becomes evident when we compare the United States with other countries. The PISA studies include a measure of what we might call cognitive dysfunction—the inability to understand even simple information. The proportion of contemporary youngsters in the United States in this group is about one-fifth—about twice as many as in Sweden. Since Swedes are unlikely to be equipped with superior genes, we must attribute this gap to social conditions. If we care about future productivity, we should rectify those conditions. Additionally, if we care about fairness and seriously subscribe to an equal-opportunities standard, the case in favor of corrective measures is strong indeed.

What, then, are the policy lessons suggested by recent research? The answers are fairly straightforward. First, to address the “money” effect, we must redistribute income to families with children. At present, the United States is just about the only rich nation that does not include a serious family policy in its welfare-state repertoire. The prevalence of child poverty in the United States is undoubtedly connected to its large low-wage economy and to single motherhood. Adequate income transfers to parents (such as child benefits) would constitute a first effective policy. Returning to the point that mothers’ command of income is decisive for children’s welfare, it follows that such income transfers should be in the name (and bank account) of the mother. This is now standard practice in nearly all of Europe.

American social policy has favored narrowly targeting the really needy because that is presumed to be more cost-effective. Targeting child allowances is, however, not necessarily the most effective approach. Programs that target the poor will never be generous. Since children produce a “positive externality” for the whole society, there is an additional argument in favor of making benefits universal. The financial costs need not be excessive when motherly employment becomes the norm throughout society. Less-educated women are far less likely to work because the high costs of childcare make it difficult for them to reconcile motherhood and careers.

This leads us to a second policy lesson: guaranteeing

access to affordable and high-quality childcare will reduce inequalities of employment and income among families even as it narrows the learning gap among children. Of course, this is a policy that does not come cheap. If we use Scandinavia as our benchmark, a program that delivers universal access to high-quality childcare centers will require between 1 and 2 percent of GDP. This may appear prohibitive at first, but measured against the macroeconomic costs of poverty—estimated by the Urban Institute to be 4 percent of GDP—it is actually a bargain. More equality of opportunity means less wasted human talent. An aging society can ill afford for a fifth of its youth—and future workers—to be essentially dysfunctional.

recommended resources

Robert Erikson and Jan Jonsson. *Can Education be Equalized?* (Westview Press, 1996). A thorough examination of why educational opportunities remain so unequal.

Gøsta Esping-Andersen with Duncan Gallie, Anton Hemerijck, and John Myles. *Why We Need a New Welfare State* (Oxford University Press, 2002). Argues that the future welfare state needs to prioritize families and child investments.

James Heckman and Allan Krueger. *Inequality in America* (MIT Press, 2003). Arguments by two leading economists regarding policies to create more equality of opportunity, including Heckman’s “learning begets learning” thesis.

Lynn Karoly, Rebecca Kilburn, and Jill Cannon. *Early Childhood Interventions* (Rand Corporation, 2005). A comprehensive overview of what matters for child development and which policies work.

Timothy Smeeding. “Poor People in Rich Nations: The United States in Comparative Perspective.” *Journal of Economic Perspectives* 20 (2006): 69–90. Up-to-date, comparative data on poverty and government redistribution.

Minimum time served by U.S. convicts whom DNA evidence later exonerated: 1,900 years