

# Creating an Opportunity Society: A Frame for Bridging the Ideological Divide?



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# Our Vision



- Everyone should have a shot at the American Dream
  - Issue not just poverty and inequality but also opportunity to get ahead
  - More public support for equal opportunity than for equal results
  - People's fortunes change over the life course
  - But poverty and inequality are also concerns

# What We Found

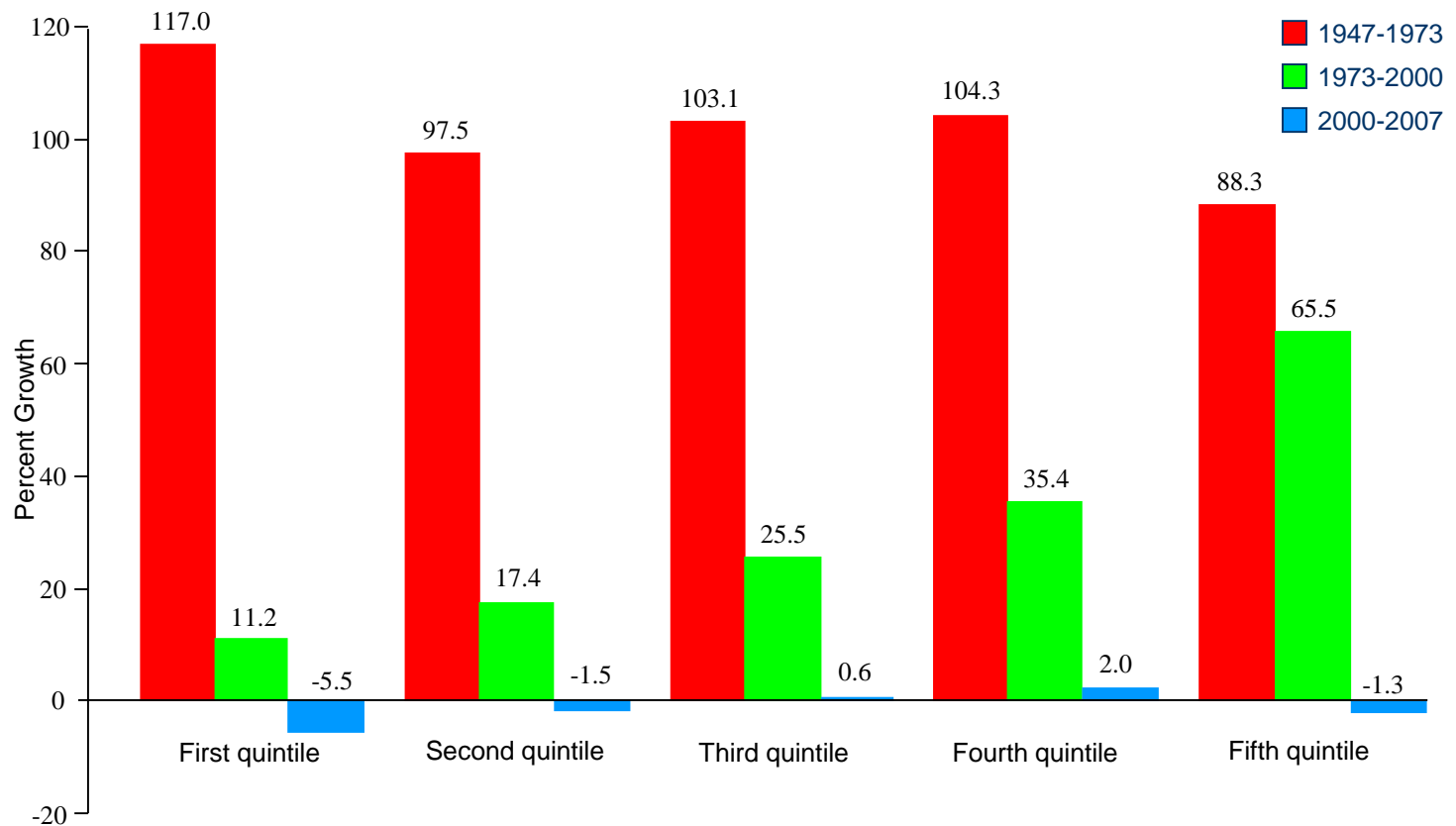


- Growing income inequality, especially at the very top.
- A middle class that is treading water and only because they have two earners
- Little progress in reducing poverty
- Considerable income mobility both over the life course and intergenerationally
- But less mobility than in some other advanced countries; and less at the tails of the distribution

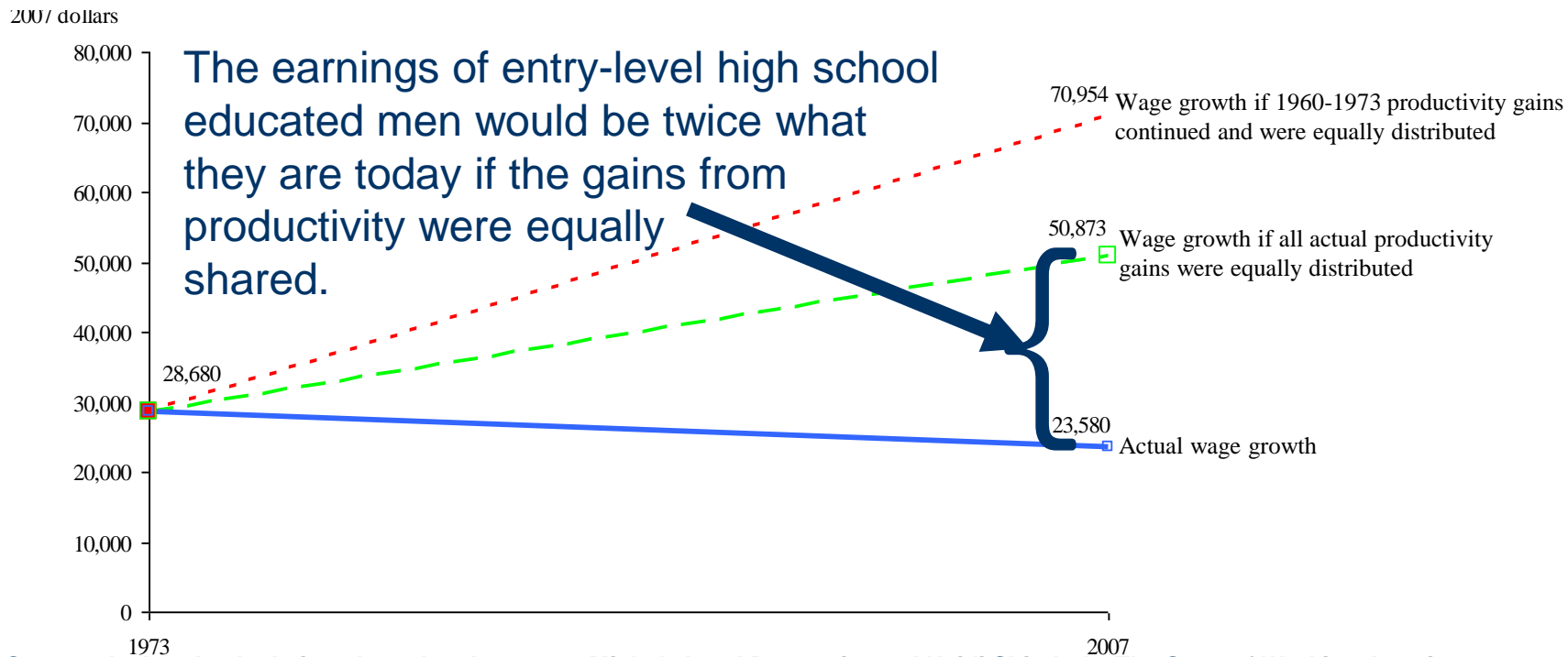
# Growing Levels of Inequality



Family Income Growth, by Income Quintile, 1947-2007



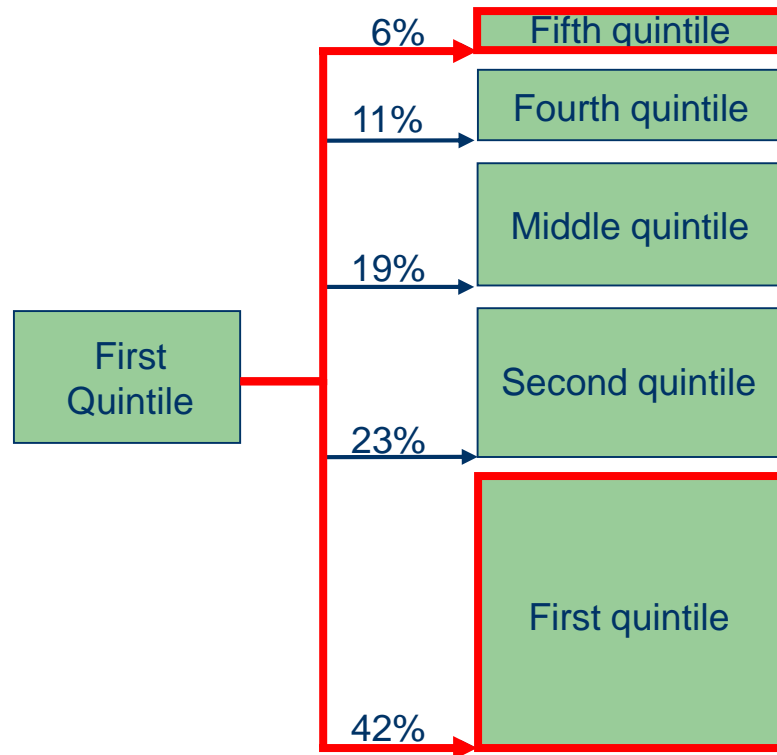
# Inequality in Wages and Productivity



Source: Authors' calculations based on Lawrence Mishel, Jared Bernstein, and Heidi Shierholz, *The State of Working America 2008/2009* (Washington: Economic Policy Institute, 2009), table 3.19 p 170; and U.S. Bureau of Labor Statistics. *Productivity and Labor, Major Sector Productivity and Costs Index*, various years.

a. Wage data are entry-level wages for high school educated men in 1973 and 2007 (in 2007 dollars). Annual wages assume forty hours a week and fifty weeks a year of work.

# Family Background Matters



Only 6 percent of those born into a family in the bottom quintile, climb to the top quintile as adults.

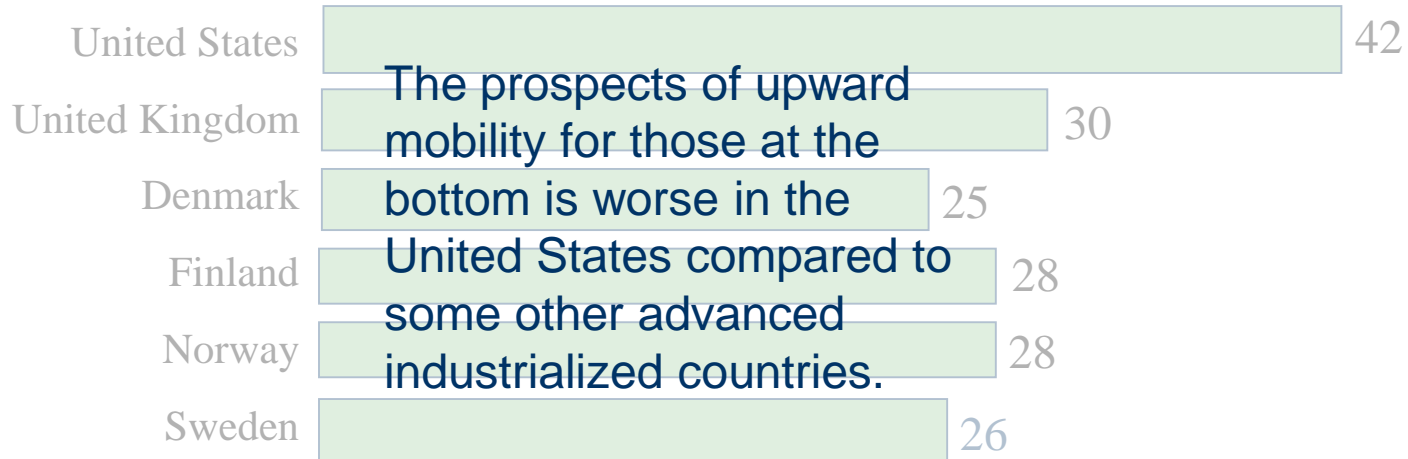
On the other hand, 42 percent of those born into a family in the bottom quintile, remain in this quintile as adults.



# Less Opportunity in the U.S. relative to Other Countries



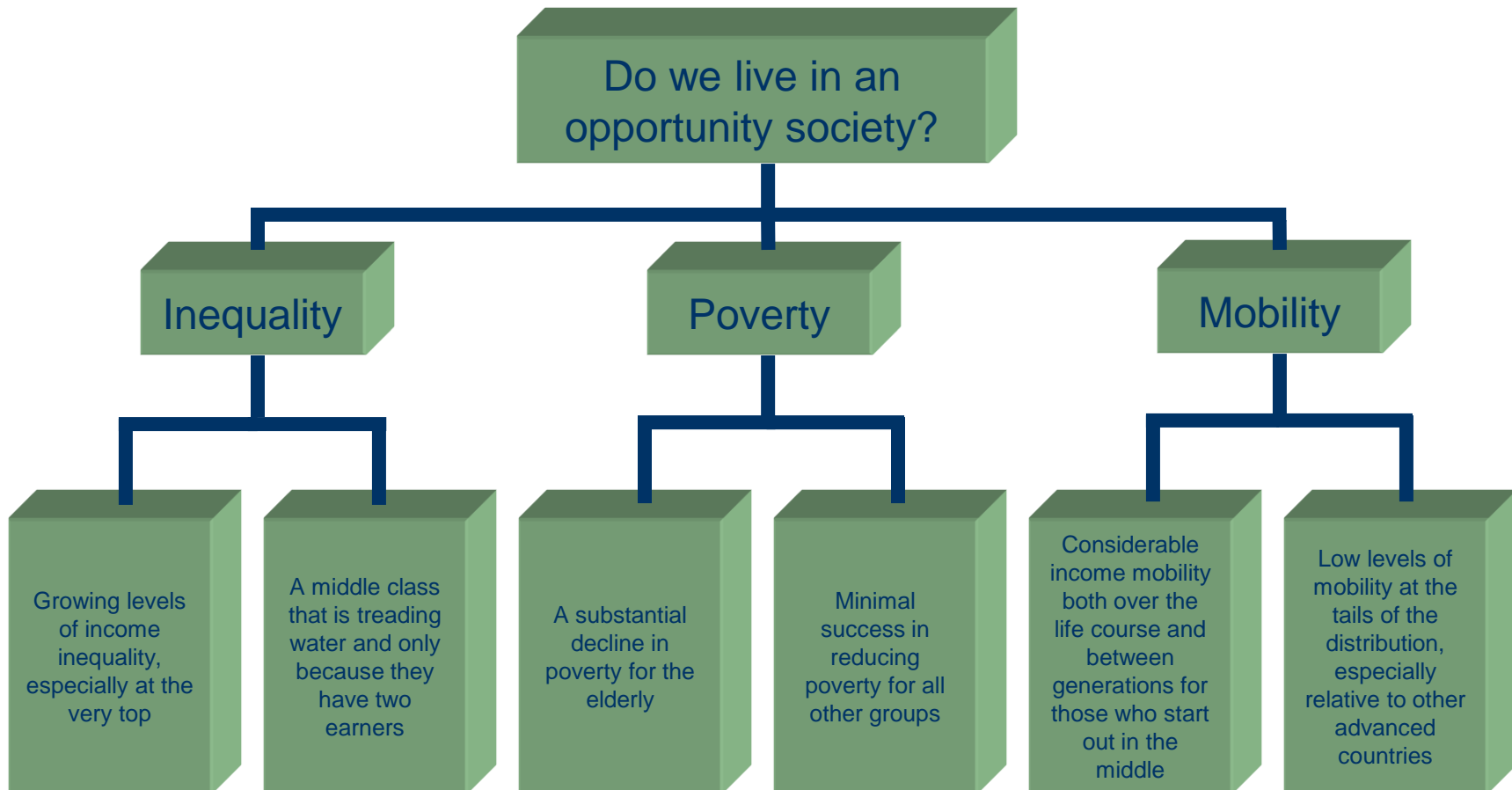
Percentage of Men with Fathers in the Bottom Fifth of the Earning Distribution that Remained in the Bottom Fifth, by Country



Source: Marjus Jäntti and others, "American Exceptionalism in a New Light: A Comparison on Intergenerational Earnings Mobility in the Nordic Countries, the United Kingdom, and the United States," Discussion Paper 1938 (Bonn: IZA, 2006), table 4, p. 18, and table 12, p. 33.

a. Sons were born around 1958, and earnings of both fathers and sons were observed near age forty. Sons' earnings are generally measured between 1992 and 2002.

# Summary of the Findings



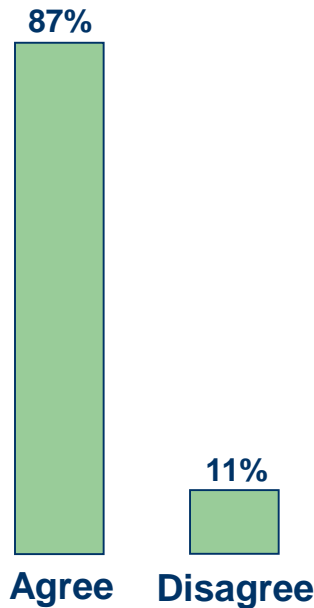


# Public Attitudes



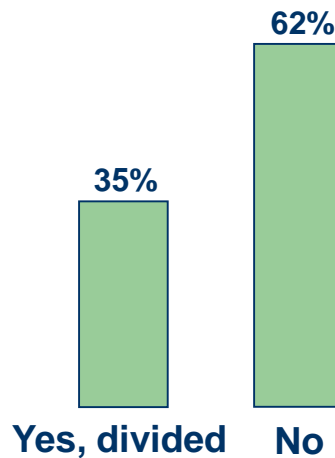
## Opportunity:

“Our society should do what is necessary to make sure that everyone has an equal opportunity”



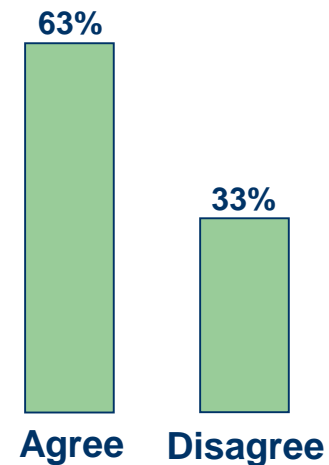
## Inequality:

“Do you, yourself, think of America as divided into haves and have-nots, or don't you think of America that way?”



## Poverty:

“It is the responsibility of the government to take care of people who can't take care of themselves.”



Source: The Pew Research Center for the People & the Press Poll Database, 2009.

# What the Public Thinks

- More support for equality of opportunity than of results
- Willingness to provide assistance depends on perceived reasons for low income;
  - Meritocracy
  - Class-based system
  - Fortune cookie society
- Also depends on ability to identify with the recipient;
- Conditional assistance consistent with these beliefs; public expects people to play by the rules, exercise personal responsibility



# What Accounts for Success?



- Expert as well as public opinion diverges sharply on whether poverty is structural or behavioral; it's some of both
- Low wages and periods of temporarily high unemployment can constrain opportunity;
- But immediate prerequisites to success include getting a good education, working full-time, and marrying before giving birth

# So What Needs to Be Done?



- We argue for a three-front war
  - Improve educational opportunities
  - Reward and encourage work
  - Strengthen families to reduce the number of children in single parent families
- We offer specific recommendations in each of these three areas

# What Guides our Policy Choice



- Consistency with public values
- Personal responsibility; playing by the rules
- Cost-effectiveness
- Targeting on the young and the less advantaged
- Recognition that people don't always behave in their own self-interest
- Greater simplicity

# The Education Agenda: The Early Years

- Home visiting and a high-quality preschool experience for disadvantaged 3s and 4s.
- Better coordination of existing programs and careful monitoring of implementation to insure continued effectiveness
- Follow up in the early grades; reallocate Title I funds to effective programs and curricular reforms; research-based decision making



# The Education Agenda: K-12



- National not state-based standards
- Better teachers in the classroom
  - Less emphasis on credentials, more on performance and nontraditional routes
  - Incentives to teach in challenging schools
- More experiments with charter schools that emphasize high expectations, basic skills, orderly and respectful behavior in the classroom, longer school hours, attendance

# The Education Agenda: Postsecondary Years



- Improvements in preparation are key; but few high school-based programs have succeeded here
- Streamline and target financial aid; make repayment more conditional on income; simplify the application process
- Experiment with vouchers for low-income students attending in-state schools
- Some programs aimed at increasing graduation rates have had modest success but without better preparation, such programs unlikely to have much impact



# Supporting and Encouraging Work



- The Evolving Work-Based System
  - tax credits, child Care, Food Stamps, health, housing, employment and training
  - Rapidly growing
- Our proposals
  - More money for child care
  - Radically reformed housing assistance
  - Expanded work-based tax credits
  - Access to health care (as part of overall reform)
  - Suspension of past-due child support and repeal of mandatory sentencing laws
  - New generation of career-oriented work and training programs
  - Continued emphasis on work requirements in most cases

# Strengthening Families



- Key to reducing poverty and increasing opportunity
- Bring back the success sequence: graduate, work, marry before having children – *in that order*
- Government's role is limited; but it can support others such as faith communities, nonprofits, the media involved in social marketing campaigns

# What Government Can Do to Strengthen Families



- Reduce teen pregnancies
  - Give states funding for effective programs
- Reduce unplanned pregnancies among singles in their twenties
  - Involve community colleges
  - Encourage longer-acting contraceptive use
  - Expand Medicaid funding for family planning
- Continue some marriage education programs
- Social marketing campaign to bring back success sequence

# Two Big Challenges



- Political: Balancing off the needs of the less advantaged with those of the broader middle class given the problems facing the latter:
  - Stagnant incomes; loss of jobs to trade and immigration; rising health care costs; declining value of 401ks; income instability; possible prolonged recession; all in context of rising expectations and an aging and fiscally burdensome population that votes
- Fiscal: Finding the money to pay for any new programs for the less advantaged

# Our Solution



- Revise the intergenerational contract
- Reform entitlements, especially for more affluent, and reallocate funds to less advantaged younger families and their children.
- Will increase productivity and earnings, enabling next generation to save more for own retirement
- We illustrate the general strategy with specific measures that would save more than enough to pay for our proposals and still leave room to reduce the deficit

# What People Are Saying About *Creating an Opportunity Society*



- “This book presents a bold and thoughtful vision of how to change American economic and social policy to promote a more productive and less unequal society.” – James J. Heckman, Nobel Laureate
- “Two of America's shrewdest social policy thinkers have produced a comprehensive and timely look at an increasingly urgent problem: expanding the opportunity for all Americans to get ahead in this turbulent economy.” – Ronald Brownstein, *National Journal*
- “It’s the best thing of its kind I’ve read for a long time.” – Clive Crook, *Financial Times*

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Visit [www.opportunitysociety.org](http://www.opportunitysociety.org) for more information about the book  
Order information can be found on this site and on Amazon.com