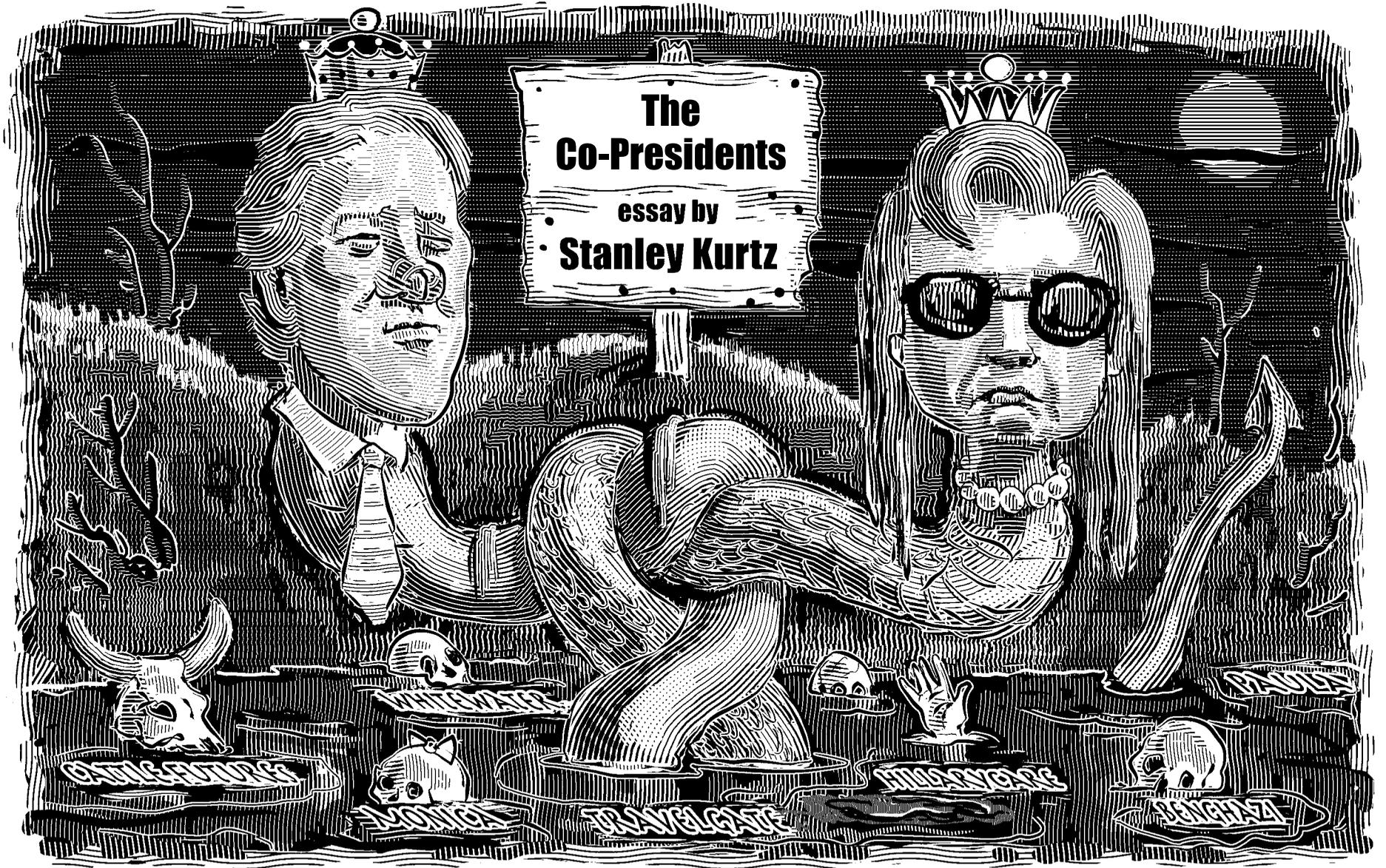


VOLUME XIV, NUMBER 3, SUMMER 2014

CLAREMONT

REVIEW OF BOOKS

A Journal of Political Thought and Statesmanship



Algis Valiunas:
The Great War

John Yoo:
**Is the President
a King?**

Paul A. Cantor:
Jonathan Swift

Plus:

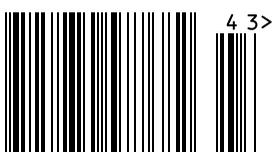
Steven F. Hayward:
**Barry Goldwater's
Extremism**

James W. Ceaser:
Three Funerals

William Voegeli:
The Resurgent Left

John O'Sullivan:
**The Good, the Bad, &
the Ugly American**

David P. Goldman:
Codevilla at War



A Publication of the Claremont Institute

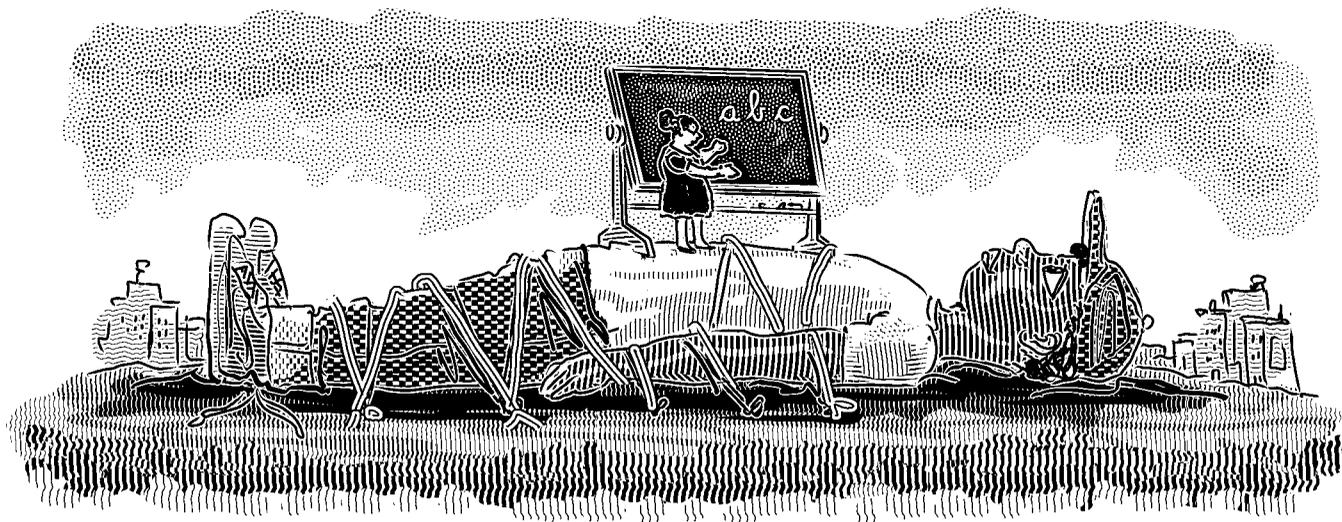
PRICE: \$6.95

IN CANADA: \$7.95

Book Review by Richard Vedder

THE INCOME INEQUALITY RACKET

Restoring Opportunity: The Crisis of Inequality and the Challenge for American Education, by Greg J. Duncan and Richard J. Murnane.
Harvard Education Press, 200 pages, \$65 (cloth), \$29.95 (paper)



PRESIDENT OBAMA AND THE DEMOCRATIC Party, aided by their allies in the media, have made “income inequality” the hot new topic. Veteran social scientists Greg Duncan of the University of California, Irvine, and Richard Murnane of the Harvard School of Education have jumped on this bandwagon, arguing in their new book, *Restoring Opportunity*, that a “crisis” of rising income inequality has contributed to greater educational inequality among our youth, which in turn has increased and perpetuated already pronounced economic disparities.

To support their conclusion, Duncan and Murnane borrow heavily from Claudia Goldin and Lawrence Katz’s *The Race Between Education and Technology* (2008; I reviewed it in the Spring 2009 CRB). Income inequality rose after 1975, they argue, because of technological advances favoring high-skilled workers and exacerbated by globalization, immigration, and a few secondary factors, including falling unionization and declining real minimum wages. Because the earnings differential between college and high school graduates grew steadily in the late 20th century, a trend “continuing into the twenty-first century” especially for lower-income individuals, income inequality is rising and intergenerational income mobility is declining, making the American Dream increasingly difficult to attain.

Certainly income inequality, conventionally measured, is higher today than it was,

say, 40 years ago. But some of the evidence Duncan and Murnane muster is dubious. For example, are income differentials between college graduates and high school diploma holders still continuing to grow? Using official U.S. Census Bureau data, I calculated that the mean annual earnings differential between men with bachelor’s degrees and those with only a high school diploma fell by a huge \$3,761 from 2006 to 2012—nearly a 10% decline. For women, the decline was smaller (\$950) but still 4% of the 2006 differential. Moreover, the findings hold (albeit with different magnitudes) if one uses the median rather than the mean, or if one confines the analysis to those working rather than to the total adult population.

Moreover, these numbers probably *understate* the deteriorating earnings advantage for newly minted degree holders, since they are based on the entire population 25 and older. Typically, in a poor labor market new job seekers are more vulnerable than those with seniority and experience. Data from the Bureau of Labor Statistics show a growing proportion of college graduates are performing low-skilled, relatively low-paying jobs—the 2010 Census, for example, reported that 115,520 janitors had a bachelor’s degree or more; and there are now more retail sales persons with college degrees than there are soldiers in the U.S. Army.

What’s more, college costs have dramatically risen while the financial benefits of

college continue to fall; the average rate of return on a college education has declined significantly. My read of the recent evidence is that we may be *overinvested* in higher education in the U.S.: too many kids go to college. Duncan and Murnane would have you believe the opposite.

OTHER EVIDENCE ON WHICH DUNCAN and Murnane rely is at least contestable. In the most comprehensive recent analysis of intergenerational income mobility, done for the National Bureau of Economic Research by a team of Harvard and Berkeley scholars, and released in January of this year, the authors conclude: “we find that children entering the labor market today have the same chances of moving up in the income distribution (relative to their parents) as children born in the 1970s.” Where is the “crisis” that Duncan and Murnane say exists—and that President Obama doesn’t want to let go to waste? Assertions that falling real minimum wages have negatively affected income distribution are not based on any citation of scholarly research, and even the supposed decline in the minimum wage is questionable: as I write, the inflation-adjusted minimum wage is within 1% of what it was in 1985—nearly 30 years earlier.

But let us assume momentarily that Duncan and Murnane are right. Let us grant that education is the key to income mobility, that low-income persons are particularly disad-



vantaged because they acquire less education quantitatively and qualitatively, and even that new targeted education programs for the poor, along with increasing their income, can eliminate this educational disadvantage and help reverse the alleged decline in American intergenerational income mobility. Do they make their case? I don't think so.

The authors spend half their book talking up a small number of publicly funded programs that improved low-income students' academic performance. A tenth of *Restoring Opportunity* is devoted to pre-K programs in the Boston Public Schools, and another dozen pages to a single charter school run by the University of Chicago. The New Hope program in Milwaukee, one of their favorite programs to enhance family educational support, has been defunct for 15 years; and the study of its long-term effects was based on just 22 participating families, too small a sample size on which to base conclusions.

DUNCAN AND MURNANE LAVISH LOTS of attention on a few cherry-picked success stories in order to prove that innovative, well-supported programs can improve the performance of students from poor families. In some cases, that is no doubt true. But they ignore an even greater number of failures. They don't mention that public financial support of education has soared in real terms over the past four decades—that many dysfunctional large urban public school districts spend vastly more per pupil than ever before, or than smaller school districts do—to virtually no avail. And they ignore a vast literature assessed by Stanford's Eric Hanushek and others showing next to no relationship between education spending and learning outcomes.

Restoring Opportunity assumes that our government's near monopoly on elementary education is a given, and that tweaks to existing curricula can unleash the potential of low achievers. They take little notice of several exciting developments occurring outside the orbit of traditional public education, such as KIPP schools (the Knowledge is Power Program's public charter schools) and Teach for America (which encourages young teachers to commit to two years working in public schools in poor urban or rural neighborhoods). Vouchers are briefly discussed and

dismissed with the comment that "critics caution against drawing general conclusions about the consequences of large-scale voucher programs from evaluations of small programs for which only low-income students were eligible." Which is ironic because that is precisely what Duncan and Murnane do with their pet programs.

The authors don't explore how major reforms might make education more competitive and efficient, freeing up resources to help the truly disadvantaged. Teacher unions are belatedly and too briefly criticized, even though radically changing union-imposed rules on pay, teacher mobility, and tenure are essential to improving education—and certainly worth at least as much discussion as the successes at Boston's Mather Elementary School. Although Duncan and Murnane acknowledge that single-parent families are significantly less successful at raising high-achieving students, the authors do not even raise the possibility that dysfunctional governmental policies may contribute to the rapid increase of such families.

THE REALITY IS MOST NON-POOR ADULTS aged 18 to 64 work (over 80% in 2012), while most poor adults do not (59%), with fewer than 11% of them working full-time. The precipitous decline since 2000 in the proportion of adult Americans working is largely a consequence of the rise in government entitlements including food stamps, expanded unemployment benefits, Medicaid, and soaring Social Security disability claims. Government may be more the cause than the solution of poverty and of the growing division in society between the relatively affluent and the poor. The poverty rate in 2012 was significantly higher than in 1973, despite massive increases in real government spending on programs for the disadvantaged.

Duncan and Murnane are right that kids from poor families are at an educational disadvantage. They often don't have college-educated parents who push them to excel academically, nor do they benefit from as many extracurricular activities. The authors also call for greater accountability for teachers and schools, and acknowledge that college is not for everyone. But their call for even more programs targeted for low-income kids is a tired old message that has failed in the past and will fail again in our

highly unionized, quasi-monopolistic public school environment.

I think a good case can be made for an altogether different interpretation of the data: Rent-seeking adults have adroitly used poor children as the justification for government policies that increase the adults' own income and power. They have used the political process and misleading, slanted evidence to drive up public education spending. Test scores in primary and secondary public education have remained largely stagnant while spending per pupil has soared. In higher education, the mantra of "college for all" along with massive federal loan and grant programs has contributed to radically higher costs (which mean bigger perks for faculty and administrators), soaring student loan debt, and an ever expanding number of underemployed college graduates.

How has this happened? Teacher unions, weak 50 years ago, now vigorously fight useful reforms. College administrators and professors like Greg Duncan and Richard Murnane and Claudia Goldin and Lawrence Katz have largely convinced policymakers that more spending on higher education is vital to economic growth—an idea endorsed especially by Barack Obama. The proportion of adults with college degrees has nearly tripled. Yet over the past 40 years, the rate of annual economic growth has fallen from over 3% to barely 2%. The poverty rate has risen, not fallen, despite large inflation-adjusted increases in education spending and in overall living standards. Single-parent families have become the rule, not the exception, among the poor, particularly in the African-American community. Despite constructive welfare reforms in the 1990s, the poor increasingly are non-working wards of the state.

French economist Frederic Bastiat got it right in 1848, when he wrote that the state "produces more poverty than it cures." If income inequality is indeed a crisis, which I doubt, the solution is not increased government spending on the poor, but rather to empower them by supporting individual responsibility centered on work, discipline, honesty, and a respect for the rule of law.

Richard Vedder teaches economics at Ohio University, directs the Center for College Affordability and Productivity, and is an adjunct scholar at the American Enterprise Institute.

The CLAREMONT REVIEW OF BOOKS is a publication of the CLAREMONT INSTITUTE
FOR THE STUDY OF STATESMANSHIP AND POLITICAL PHILOSOPHY.

Subscribe to
the *Claremont Review of Books*

*“The Claremont Review of Books is
the preminent intellectual journal
of conservative ideas and books. It
does for conservatism what the
New York Review of Books has done
for liberalism and leftism.”*

—Ron Radosh

Subscribe to the *CRB* today and save 25%
off the newsstand price. A one-year
subscription is only \$19.95.

To begin receiving America’s premier
conservative book review, visit
www.claremont.org/crb
or call (909) 621-6825.

CLAREMONT
REVIEW OF BOOKS
937 W. FOOTHILL BLVD.
SUITE E
CLAREMONT, CA
91711

NON PROFIT ORG.
U.S. POSTAGE PAID
PERMIT NO. 504
CLAREMONT, CA