



# 'The Great Gatsby Curve': Why It's So Hard for the Poor to Get Ahead

High-income kids who don't graduate from college are 2.5 times more likely to end up rich than low-income kids who do. Why it's so hard for the poor to get ahead today.

MATTHEW O'BRIEN | JUN 18, 2013 | BUSINESS

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The American Dream isn't dead--it just moved to Denmark.

We like to think of ourselves as living a classless society, but it isn't true today. As the [Brookings Institution](#) has pointed out, America has turned into a place Horatio Alger would scarcely recognize: we have more inequality and less mobility than once-stratified Europe, particularly the Nordic countries. It's what outgoing Council of Economic Advisers chief Alan Krueger has dubbed the "[Great Gatsby Curve](#)" -- the more inequality there is, the less mobility there is. As [Tim Noah](#) put it, it's harder to climb our social ladder when the rungs are further apart.

And it's getting worse.

Inequality is breeding more inequality. It's a story about paychecks, marriage, and homework. Now, it's not entirely clear why the top 1 percent have pulled so far away from everyone else, but there's a [long list of suspects](#). Technology has let winners take, if not all, at least most, in fields like [music](#); deregulation has set Wall Street free to make big bonuses off big bets (and leave taxpayers with the bill when they go bad); globalization and the decline of unions have left labor with far less leverage and [share of income](#); and [falling top-end tax rates](#) have exacerbated it all. But high-earners aren't just earning more today; they're also marrying each other more. It's what economists romantically call "assortative mating" -- and Christine Schwartz, a professor of sociology at the University of Wisconsin, estimates inequality would be [25 to 30 percent lower](#) if not for it.

Marriage is widening inequality today, and keeping it wide tomorrow. Well-off couples [get married more](#), stay together more, read to their children more, and otherwise have more time and money to spend on their children's education. As the [New York Times](#) points out, economists Richard Murnane and Greg Duncan have found that high-income couples have poured resources into the educational arms race at a prodigious pace the past generation. For one, the amount of time college-educated parents spend with their kids has grown at double the rate of others since 1975; for

another, high-income households invested 150 percent more in "enrichment activities" for their kids from 1972 to 2006, compared to a 57 percent increase for low-income households.

It's paying off. As [Jonathan Cohn](#) of *The New Republic* points out, early cognitive development has long-lasting consequences that can leave less-lucky children behind from the moment they start school -- and keep them there. But even when kids from low-income households *do* outperform those from high-income households, it's far from a guarantee that they'll end up earning more as an adult. Indeed, [Matt Bruenig](#) highlights the chart below from the [Pew Economic Mobility Project](#) that shows that *rich kids without a college degree are 2.5 times more likely to end up rich than poor kids who do graduate from college*.

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This chart is a bit hard to follow, but the message isn't: it's hard to rise, and harder to fall in our "meritocratic" society. The red columns show which income quintiles people who didn't graduate from college end up in based on which one they were born into; the blue columns shows the same for

college grads. As you can see, there's only a 10 percent chance that a college grad from the bottom quintile will end up in the top quintile, but a 25 percent chance that a non-college grad from the top quintile will stay there.

This is one part obvious and another part mystery. Now, it's no secret that the rich are different from you and me -- they have more money to leave to their kids -- or that they have a special jobs program called "working for dad". [Miles Corak](#), a professor of economics at the University of Ottawa, found that almost 70 percent of the sons of Canada's top 1 percent had worked where their fathers worked. In other words, it's clear enough why so many well-off kids who don't get a college degree stay well-off. But it's less clear why higher education isn't more of a path to prosperity for low-income children.

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(Here, "high-achieving" is defined as the top 10 percent of overall test-takers on the SAT I or ACT, and a "selective" college is one of the top 236 schools in the country.) This, of course, is *not* how high-achieving, high-income students play the college admissions game. They follow their guidance counselors' advice, and apply to a few "reach" schools, a handful of "match" schools, and a "safety" school or two. As you can see in the chart below from Hoxby and Avery, this optimal strategy means applying to schools with median SAT I scores mostly in line with their own, and a few much lower -- say, 20 percentiles or so lower. The clump to the far left, around 95 percentiles lower, are, in this case, largely specialty schools, like art or music academies.



It's a totally different game for high-achieving, low-income students, because nobody tells them how to play it. Aside from magnet school kids, they mostly don't have parents or teachers or counselors with much experience applying to selective colleges. Nor do many know, despite the best efforts

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But, again, they either aren't told or don't remember this -- or think other things are more important. Maybe they want to [stay close to home](#) to help their parents or be near a significant other. Maybe they just don't believe they could get into a top-tier college. Whatever the reason, the vast majority of high-scoring, low-income students don't apply to selective schools, but opt instead for community colleges or small state schools. As you can see below, there's little concept of applying to "reach", "match" and "safety" schools. And insofar as there is, it's not strategic; applications are pretty evenly distributed across the three groups. Still, that's far better than the mountain of applications to un-selective schools that you don't really need to apply to.



This is how the American Dream ends. Not with a bang, but a whimper of elite school applications by poor kids. Like it or not, the Ivies and other

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income students. This has to be the most boneheaded way we as a society perpetuate the people at the top. The deck is already more than stacked against kids growing up in low-income households -- their parents often aren't as involved or even around -- and we're not helping the ones who do succeed to succeed more.

There is plenty to be done. We can help parents, help parents help their kids, and help kids once it's time to pick colleges. Of course, the first step in any plan to reverse inequality is, simply enough, more redistribution. But not just more redistribution; smart redistribution. Thinking small, something like a bigger Child Tax Credit or Earned Income Tax Credit would give working families a bit more security -- which, regardless of whether people invested it in their children's education, would help their kids. Thinking bigger, something like a [universal basic income](#) -- that is, cutting checks to make sure everyone has a minimum income -- would put a floor under low-income households, and, just maybe, could make lower-income men more marriageable. It sounds utopian now, but as [Dylan Matthews](#) of the *Washington Post* points out, it's an idea with a bipartisan heritage: none other than Milton Friedman endorsed the negative income tax.

The second step are smart interventions to help new parents. Actually, President Obama's call for universal, high-quality pre-kindergarten is somewhere in-between these first and second steps. As [Jonathan Cohn](#) has chronicled, we know that daycare is a disaster in the U.S. now, and that top-notch pre-K can make lasting impacts, but we don't quite know how to scale that up. It might be that universal pre-kindergarten is less high-quality, and more high-quantity, but even that would help working families' budgets more -- and let parents look for work without having to worry about who will look after their kids. And, of course, it might do much more than that. But it's not just about helping low-income parents juggle their jobs and children; it's about helping them do the things they don't realize they need to do. The [Providence Talks](#) program, which the *New York Times* recently highlighted, could be a good model here: nurses and social workers ask new parents to record all the things they say to their babies to try to get them to talk more and use more words with their infants.

The last step is by far the easiest. It's just giving high school students better information about what colleges match their scores, and what colleges costs what given different family incomes. Right now, high-achieving, low-income students get all kinds of glossy brochures from colleges looking for socio-economic diversity if they send their scores in to the College Board, but it can be hard for them to know where to start or what to trust without much adult guidance. In other words, there's a needed public good we're not providing -- a government site (and maybe mailing list) that clearly shows students what they need to know about different schools to make an informed choice. And it sounds simple -- well, that's because it is -- but schools can help by waiving their application fees for low-income students, and maybe entirely. Fees don't do much to dissuade high-income students from mass applying to schools, but they do stop low-income ones from sending out nearly as many, if any, applications as they should. In other words. stop creating barriers to the students you sav you want the most!

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school *should* be the ladder out of poverty. But too often it's not; if anything, the reverse. We need to stop failing early and failing late. In other words, we need to reach kids during those formative years before school begins, and to keep kids who are thriving in high school to keep thriving in the right college.

If we don't, the American Dream will be just that.

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