

USA: Ever higher society, ever harder to ascend

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The United States likes to think of itself as the very embodiment of meritocracy: a country where people are judged on their individual abilities rather than their family connections. The original colonies were settled by refugees from a Europe in which the restrictions on social mobility were woven into the fabric of the state, and the American revolution was partly a revolt against feudalism. From the outset, Americans believed that equality of opportunity gave them an edge over the Old World, freeing them from debilitating snobberies and at the same time enabling everyone to benefit from the abilities of the entire population. They still do.

To be sure, America has often betrayed its fine ideals. The Founding Fathers did not admit women or blacks to their meritocratic republic. The country's elites have repeatedly flirted with the aristocratic principle, whether among the brahmins of Boston or, more flagrantly, the rural ruling class in the South. Yet America has repeatedly succeeded in living up to its best self, and today most Americans believe that their country still does a reasonable job of providing opportunities for everybody, including blacks and women. In Europe, majorities of people in every country except Britain, the Czech Republic and Slovakia believe that forces beyond their personal control determine their success. In America only 32% take such a fatalistic view.

But are they right? A growing body of evidence suggests that the meritocratic ideal is in trouble in America. Income inequality is growing to levels not seen since the Gilded Age, around the 1880s. But social mobility is not increasing at anything like the same pace: would-be Horatio Algiers are finding it no easier to climb from rags to riches, while the children of the privileged have a greater chance of staying at the top of the social heap. The United States risks calcifying into a European-style class-based society.

The past couple of decades have seen a huge increase in inequality in America. The Economic Policy Institute, a Washington think-tank, argues that between 1979 and 2000 the real income of households in the lowest fifth (the bottom 20% of earners) grew by 6.4%, while that of households in the top fifth grew by 70%. The family income of the top 1% grew by 184%—and that of the top 0.1% or 0.01% grew even faster. Back in 1979 the average income of the top 1% was 133 times that of the bottom 20%; by 2000 the income of the top 1% had risen to 189 times that of the bottom fifth.

Thirty years ago the average real annual compensation of the top 100 chief executives was \$1.3m: 39 times the pay of the average worker. Today it is \$37.5m: over 1,000 times the pay of the average worker. In 2001 the top 1% of households earned 20% of all income and held 33.4% of all net worth. Not since pre-Depression days has the top 1% taken such a big whack.

More dynastic than dynamic

Most Americans see nothing wrong with inequality of income so long as it comes with plenty of social mobility: it is simply the price paid for a dynamic economy. But the new rise in inequality does not seem to have come with a commensurate rise in mobility. There may even have been a fall.

The most vivid evidence of social sclerosis comes from politics. A country where every child is supposed to be able to dream of becoming president is beginning to produce a self-perpetuating political elite. George Bush is the son of a president, the grandson of a senator, and the sprig of America's business aristocracy. John Kerry, thanks to a rich wife, is the richest man in a Senate full of plutocrats. He is also a Boston brahmin, educated at St Paul's, a posh private school, and Yale—where, like the Bushes, he belonged to the ultra-select Skull and Bones society.

Mr Kerry's predecessor as the Democrats' presidential nominee, Al Gore, was the son of a senator. Mr Gore, too, was educated at a posh private school, St Albans, and then at Harvard. And Mr Kerry's main challenger from the left of his party? Howard Brush Dean was the product of the same blue-blooded world of private schools and unchanging middle names as Mr Bush (one of Mr Bush's grandmothers was even a bridesmaid to one of Mr Dean's). Mr Dean grew up in the Hamptons and on New York's Park Avenue.

The most remarkable feature of the continuing power of America's elite—and its growing grip on the political

system—is how little comment it arouses. Britain would be in high dudgeon if its party leaders all came from Eton and Harrow. Perhaps one reason why the rise of caste politics raises so little comment is that something similar is happening throughout American society. Everywhere you look in modern America—in the Hollywood Hills or the canyons of Wall Street, in the Nashville recording studios or the clapboard houses of Cambridge, Massachusetts—you see elites mastering the art of perpetuating themselves. America is increasingly looking like imperial Britain, with dynastic ties proliferating, social circles interlocking, mechanisms of social exclusion strengthening and a gap widening between the people who make the decisions and shape the culture and the vast majority of ordinary working stiff.

It's sticky out there

All this may sound a bit impressionistic. But more and more evidence from social scientists suggests that American society is much "stickier" than most Americans assume. Some researchers claim that social mobility is actually declining. A classic social survey in 1978 found that 23% of adult men who had been born in the bottom fifth of the population (as ranked by social and economic status) had made it into the top fifth. Earl Wysong of Indiana University and two colleagues recently decided to update the study. They compared the incomes of 2,749 father-and-son pairs from 1979 to 1998 and found that few sons had moved up the class ladder. Nearly 70% of the sons in 1998 had remained either at the same level or were doing worse than their fathers in 1979. The biggest increase in mobility had been at the top of society, with affluent sons moving upwards more often than their fathers had. They found that only 10% of the adult men born in the bottom quarter had made it to the top quarter.

The Economic Policy Institute also argues that social mobility has declined since the 1970s. In the 1990s 36% of those who started in the second-poorest 20% stayed put, compared with 28% in the 1970s and 32% in the 1980s. In the 1970s 12% of the population moved from the bottom fifth to either the fourth or the top fifth. In the 1980s and 1990s the figures shrank to below 11% for both decades. The figure for those who stayed in the top fifth increased slightly but steadily over the three decades, reinforcing the sense of diminished social mobility.

Not all social scientists accept the conclusion that mobility is declining. Gary Solon, of the University of Michigan, argues that there is no evidence of any change in social-mobility rates, down or up. But, at the least, most people agree that the dramatic increase in income inequality over the past two decades has not been accompanied by an equally dramatic increase in social mobility.

Take the study carried out by Thomas Hertz, an economist at American University in Washington, DC, who studied a representative sample of 6,273 American families (both black and white) over 32 years or two generations. He found that 42% of those born into the poorest fifth ended up where they started—at the bottom. Another 24% moved up slightly to the next-to-bottom group. Only 6% made it to the top fifth. Upward mobility was particularly low for black families. On the other hand, 37% of those born into the top fifth remained there, whereas barely 7% of those born into the top 20% ended up in the bottom fifth. A person born into the top fifth is over five times as likely to end up at the top as a person born into the bottom fifth.

Jonathan Fisher and David Johnson, two economists at the Bureau of Labour Statistics, looked at inequality and social mobility using measures of both income and consumption. They found that mobility "slightly decreased" in the 1990s. In 1984-90, 56% and 54% of households changed their rankings in terms of income and consumption respectively. In 1994-99, only 52% and 49% changed their rankings.

Two economists at the Federal Reserve Bank of Boston analysed family incomes over three decades. They found that 40% of families remained stuck in the same income bracket in the 1990s, compared with 37% of families in the 1980s and 36% in the 1970s. Aaron Bernstein of Business Week points out that, even though the 1990s boom lifted pay rates for low-earners, it did not help them to get better jobs.

There is also growing evidence that America is less socially mobile than many other rich countries. Mr Solon finds that the correlation between the incomes of fathers and sons is higher in the United States than in Germany, Sweden, Finland or Canada. Such cross-national comparisons are rife with problems: different studies use different methods and different definitions of social status. But Americans are clearly mistaken if they believe they live in the world's most mobile society.

Back to the 1880s

This is not the first time that America has looked as if it was about to succumb to what might be termed the British temptation. America witnessed a similar widening of the income gap in the Gilded Age. It also witnessed the formation of a British-style ruling class. The robber barons of the late 19th century sent their children to private boarding schools and made sure that they married the daughters of the old elite, preferably from across the Atlantic. Politics fell into the hands of the members of a limited circle—so much so that the Senate was known as the millionaires' club.

Yet the late 19th and early 20th centuries saw a concerted attempt to prevent America from degenerating

into a class-based society. Progressive politicians improved state education. Philanthropists—many of them the robber barons reborn in new guise—tried to provide ladders to help the lads-o'-parts (Andrew Carnegie poured millions into free libraries). Such reforms were motivated partly out of a desire to do good works and partly out of a real fear of the implications of class-based society. Teddy Roosevelt advocated an inheritance tax because he thought that huge inherited fortunes would ruin the character of the republic. James Conant, the president of Harvard in 1933-53, advocated radical educational reform—particularly the transformation of his own university into a meritocracy—in order to prevent America from producing an aristocracy.

Pushy parents, driven brats

The evils that Roosevelt and Conant worried about are clearly beginning to reappear. But so far there are few signs of a reform movement. Why not?

The main reason may be a paradoxical one: because the meritocratic revolution of the first half of the 20th century has been at least half successful. Members of the American elite live in an intensely competitive universe. As children, they are ferried from piano lessons to ballet lessons to early-reading classes. As adolescents, they cram in as much after-school coaching as possible. As students, they compete to get into the best graduate schools. As young professionals, they burn the midnight oil for their employers. And, as parents, they agonise about getting their children into the best universities. It is hard for such people to imagine that America is anything but a meritocracy: their lives are a perpetual competition. Yet it is a competition among people very much like themselves—the offspring of a tiny slither of society—rather than among the full range of talents that the country has to offer.

The second reason is that America's engines of upward mobility are no longer working as effectively as they once were. The most obvious example lies in the education system. Upward mobility is increasingly determined by education. The income of people with just a high-school diploma was flat in 1975-99, whereas that of people with a bachelor's degree rose substantially, and that of people with advanced degrees rocketed.

The education system is increasingly stratified by social class, and poor children have a double disadvantage. They attend schools with fewer resources than those of their richer contemporaries (school finances are largely determined by local property taxes). And they have to deal with the legacy of what Michael Barone, a conservative commentator, has labelled "soft America". Soft America is allergic to introducing accountability and measurement in education, particularly if it takes the form of merit pay for successful teachers or rewards for outstanding pupils. Dumbed-down schools are particularly harmful to poor children, who are unlikely to be able to compensate for them at home.

America's great universities are increasingly reinforcing rather than reducing these educational inequalities. Poorer students are at a huge disadvantage, both when they try to get in and, if they are successful, in their ability to make the most of what is on offer. This disadvantage is most marked in the elite colleges that hold the keys to the best jobs. Three-quarters of the students at the country's top 146 colleges come from the richest socio-economic fourth, compared with just 3% who come from the poorest fourth (the median family income at Harvard, for example, is \$150,000). This means that, at an elite university, you are 25 times as likely to run into a rich student as a poor one.

One reason for this is government money. The main federal programme supporting poorer students is the Pell grant: 90% of such grants go to families with incomes below \$41,000. But the federal government has been shifting resources from Pell grants to other forms of aid to higher education. Student loans are unrelated to family resources. Federal tax breaks for higher education benefit the rich. State subsidies for higher education benefit rich and poor alike. At the same time, colleges are increasingly using financial aid to attract talented students away from competitors rather than to help the poor.

Another reason may be "affirmative action"—programmes designed to help members of racial minorities. These are increasingly used by elite universities, in the belief that race is a reasonable proxy for social disadvantage, which it may not be. Flawed as it may be, however, this kind of affirmative action is much less pernicious than another practised by many universities: "legacy preferences", a programme for the children of alumni—as if privileged children were not already doing well enough out of the education system.

In most Ivy League institutions, the eight supposedly most select universities of the north-east, "legacies" make up between 10% and 15% of every class. At Harvard they are over three times more likely to be admitted than others. The students in America's places of higher education are increasingly becoming an oligarchy tempered by racial preferences. This is sad in itself, but even sadder when you consider the extraordinary role that the same universities—particularly Conant's Harvard—played in promoting meritocracy in the first half of the 20th century.

All snakes, no ladders

America's great companies are also becoming less successful agents of upward mobility. The years from

1880 to 1960 were a period of great corporate behemoths. These produced a new class of Americans—professional managers. They built elaborate internal hierarchies, and also accepted their responsibilities to both their workers and their local communities. But since the 1970s the pressure of competition has forced these behemoths to become much leaner—to reduce their layers, contract out some activities, and shift from full-time to part-time employees. It has become harder for people to start at the bottom and rise up the company hierarchy by dint of hard work and self-improvement. And it has also become harder for managers to keep their jobs in a single company.

There are a few shafts of sun on the horizon. George Bush's No Child Left Behind Act tries to use a mixture of tests and punishments for lousy schools to improve the performance of minority children. Senator Edward Kennedy bangs the drum against legacy preferences. But the bad news outdoes the good. The Republicans, by getting rid of inheritance tax, seem hell-bent on ignoring Teddy Roosevelt's warnings about the dangers of a hereditary aristocracy. The Democrats are more interested in preferment for minorities than building ladders of opportunity for all.

In his classic "The Promise of American Life", Herbert Croly noted that "a democracy, not less than a monarchy or an aristocracy, must recognise political, economic, and social distinctions, but it must also withdraw its consent whenever these discriminations show any tendency to excessive endurance." So far Americans have been fairly tolerant of economic distinctions. But that tolerance may not last for ever, if the current trend towards "excessive endurance" is not reversed.

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