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IDEAS

Better Schools Won't Fix America

Like many rich Americans, I used to think educational investment could heal the country's ills—but I was wrong. Fighting inequality must come first.

By Nick Hanauer



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Long ago, I was captivated by a seductively intuitive idea, one many of my wealthy friends still subscribe to: that both poverty and rising inequality are largely consequences of America's failing education system. Fix that, I believed, and we could cure much of what ails America.

This belief system, which I have come to think of as "educationism," is grounded in a familiar story about cause and effect: Once upon a time, America created a public-education system that was the envy of the modern world. No nation produced more or better-educated high-school and college graduates, and thus the great American middle class was built. But then, sometime around the 1970s, America lost its way. We allowed our schools to crumble, and our test scores and graduation rates to fall. School systems that once churned out well-paid factory workers failed to keep pace with the rising educational demands of the new knowledge economy. As America's public-school systems foundered, so did the earning power of the American middle class. And as inequality increased, so did political polarization, cynicism, and anger, threatening to undermine American democracy itself.

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Taken with this story line, I embraced education as both a philanthropic cause and a civic mission. I co-founded the League of Education Voters, a nonprofit dedicated to improving public education. I joined Bill Gates, Alice Walton, and Paul Allen in giving more than $1 million each to an effort to pass a ballot measure that established Washington State's first charter schools. All told, I have devoted countless hours and millions of dollars to the simple idea that if we improved our schools—if we modernized our curricula and our teaching methods, substantially increased school funding, rooted out bad teachers, and opened enough charter schools—American children, especially those in low-income and working-class communities, would start

learning again. Graduation rates and wages would increase, poverty and inequality would decrease, and public commitment to democracy would be restored.

But after decades of organizing and giving, I have come to the uncomfortable conclusion that I was wrong. And I hate being wrong.

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What I've realized, decades late, is that educationism is tragically misguided. American workers are struggling in large part because they are underpaid—and they are underpaid because 40 years of trickle-down policies have rigged the economy in favor of wealthy people like me. Americans are more highly educated than ever before, but despite that, and despite nearly record-low unemployment, most American workers—at all levels of educational attainment—have seen little if any wage growth since 2000.

To be clear: We should do everything we can to improve our public schools. But our education system can't compensate for the ways our economic system is failing Americans. Even the most thoughtful and well-intentioned school-reform program can't improve educational outcomes if it ignores the single greatest driver of student achievement: household income.

For all the genuine flaws of the American education system, the nation still has many high-achieving public-school districts. Nearly all of them are united by a thriving community of economically secure middle-class families with sufficient political power to demand great schools, the time and resources to participate in those schools, and the tax money to amply fund them. In short, great public schools are the product of a thriving middle class, not the other way around. Pay people enough to afford dignified middle-class lives, and high-quality public schools will follow. But allow economic inequality to grow, and educational inequality will inevitably grow with it.

By distracting us from these truths, educationism is part of the problem.

Whenever I talk with my wealthy friends about the dangers of rising economic inequality, those who don't stare down at their shoes invariably push back with something about the woeful state of our public schools. This belief is so entrenched among the philanthropic elite that of America's 50 largest family foundations—a clique that manages $144 billion in tax-exempt charitable assets—40 declare education as a key issue. Only one mentions anything about the plight of working people, economic inequality, or wages. And because the richest Americans are so politically powerful, the consequences of their beliefs go far beyond philanthropy.

A major theme in the educationist narrative involves the "skills gap"—the notion that decades of wage stagnation are largely a consequence of workers not having the education and skills to fill new high-wage jobs. If we improve our public schools, the thinking goes, and we increase the percentage of students attaining higher levels of education, particularly in the STEM subjects—science, technology, engineering, and math—the skills gap will shrink, wages will rise, and income inequality will fall.

Annie Lowrey: Wages are low and workers are scarce. Wait, what?

The real story is more complicated, and more troubling. Yes, there is a mismatch between the skills of the present and the jobs of the future. In a fast-changing, technologically advanced economy, how could there not be? But this mismatch doesn't begin to explain the widening inequality of the past 40 years.

In 1970, when the golden age of the American middle class was nearing its peak and inequality was at its nadir, only about half of Americans ages 25 and older had a high-school diploma or the equivalent. Today, 90 percent do. Meanwhile, the proportion of Americans attaining a college degree has more than tripled since 1970. But while the American people have never been more highly educated, only the wealthiest have seen large gains in real wages. From 1979 to 2017, as the average real annual wages of the top 1 percent of Americans rose 156 percent (and the top .01 percent's wages rose by a stunning 343 percent), the purchasing power of the average American's paycheck did not increase.

Some educationists might argue that the recent gains in educational attainment simply haven't been enough to keep up with the changing economy—but here, yet again, the truth appears more complicated. While 34 percent of Americans ages 25 and older have a bachelor's degree or higher, only 26 percent of jobs currently require one. The job categories that are growing fastest, moreover, don't generally require a college diploma, let alone a STEM degree. According to federal estimates, four of the five occupational categories projected to add the most jobs to the economy over the next five years are among the lowest-paying jobs: "food preparation and serving" ($19,130 in average annual earnings), "personal care and service" ($21,260), "sales and related" ($25,360), and "health-care support" ($26,440). And while the number of jobs that require a postsecondary education is expected to increase slightly faster than the number that don't, the latter group is expected to dominate the job market for decades to come. In October 2018 there were 1 million more job openings than job seekers in the U.S. Even if all of these unfilled jobs were in STEM professions at the top of the pay scale, they would be little help to most of the 141 million American workers in the bottom nine income deciles.



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It's worth noting that workers with a college degree enjoy a significant wage premium over those without. (Among people over age 25, those with a bachelor's degree had median annual earnings of $53,882 in 2017, compared with $32,320 for those with only a high-school education.) But even with that advantage, adjusted for inflation,

average hourly wages for recent college graduates have barely budged since 2000, while the bottom 60 percent of college graduates earn less than that group did in 2000. A college diploma is no longer a guaranteed passport into the middle class.

Meanwhile, nearly all the benefits of economic growth have been captured by large corporations and their shareholders. After-tax corporate profits have doubled from about 5 percent of GDP in 1970 to about 10 percent, even as wages as a share of GDP have fallen by roughly 8 percent. And the wealthiest 1 percent's share of pre-tax income has more than doubled, from 9 percent in 1973 to 21 percent today. Taken together, these two trends amount to a shift of more than $2 trillion a year from the middle class to corporations and the super-rich.

The state of the labor market provides further evidence that low-wage workers' declining fortunes aren't explained by supply and demand. With the unemployment rate near a 50-year floor, low-wage industries such as accommodations, food service, and retail are struggling to cope with a shortage of job applicants—leading *The Wall Street Journal* to lament that "low-skilled jobs are becoming increasingly difficult for employers to fill." If wages were actually set the way our Econ 101 textbooks suggested, workers would be profiting from this dynamic. Yet outside the cities and states that have recently imposed a substantially higher local minimum wage, low-wage workers have seen their real incomes barely budge.

All of which suggests that income inequality has exploded not because of our country's educational failings but despite its educational progress. Make no mistake: Education is an unalloyed good. We should advocate for more of it, so long as it's of high quality. But the longer we pretend that education is the answer to economic inequality, the harder it will be to escape our new Gilded Age.

Read: The 9.9 percent is the new American aristocracy

However justifiable their focus on curricula and innovation and institutional reform, people who see education as a cure-all have largely ignored the metric most predictive of a child's educational success: household income.

The scientific literature on this subject is robust, and the consensus overwhelming. The lower your parents' income, the lower your likely level of educational attainment. Period. But instead of focusing on ways to increase household income, educationists in both political parties talk about extending ladders of opportunity to poor children, most recently in the form of charter schools. For many children, though—especially those raised in the racially segregated poverty endemic to much of the United States—the opportunity to attend a good public school isn't nearly enough to overcome the effects of limited family income.

As Lawrence Mishel, an economist at the liberal-leaning Economic Policy Institute, notes, poverty creates obstacles that would trip up even the most naturally gifted student. He points to the plight of "children who frequently change schools due to poor housing; have little help with homework; have few role models of success; have more exposure to lead and asbestos; have untreated vision, ear, dental, or other health problems; … and live in a chaotic and frequently unsafe environment."

Indeed, multiple studies have found that only about 20 percent of student outcomes can be attributed to schooling, whereas about 60 percent are explained by family circumstances—most significantly, income. Now consider that, nationwide, just over half of today's public-school students qualify for free or reduced-price school lunches, up from 38 percent in 2000. Surely if American students are lagging in the literacy, numeracy, and problem-solving skills our modern economy demands, household income deserves most of the blame—not teachers or their unions.

If we really want to give every American child an honest and equal opportunity to succeed, we must do much more than extend a ladder of opportunity—we must also narrow the distance between the ladder's rungs. We must invest not only in our children, but in their families and their communities. We must provide high-quality public education, sure, but also high-quality housing, health care, child care, and all

the other prerequisites of a secure middle-class life. And most important, if we want to build the sort of prosperous middle-class communities in which great public schools have always thrived, we must pay all our workers, not just software engineers and financiers, a dignified middle-class wage.

Today, after wealthy elites gobble up our outsize share of national income, the median American family is left with $76,000 a year. Had hourly compensation grown with productivity since 1973—as it did over the preceding quarter century, according to the Economic Policy Institute—that family would now be earning more than $105,000 a year. Just imagine, education reforms aside, how much larger and stronger and better educated our middle class would be if the median American family enjoyed a $29,000-a-year raise.

In fact, the most direct way to address rising economic inequality is to simply pay ordinary workers more, by increasing the minimum wage and the salary threshold for overtime exemption; by restoring bargaining power for labor; and by instating higher taxes—much higher taxes—on rich people like me and on our estates.

Educationism appeals to the wealthy and powerful because it tells us what we want to hear: that we can help restore shared prosperity without sharing our wealth or power. As Anand Giridharadas explains in his book *Winners Take All: The Elite Charade of Changing the World*, narratives like this one let the wealthy feel good about ourselves. By distracting from the true causes of economic inequality, they also defend America's grossly unequal status quo.

We have confused a symptom—educational inequality—with the underlying disease: economic inequality. Schooling may boost the prospects of individual workers, but it doesn't change the core problem, which is that the bottom 90 percent is divvying up a shrinking share of the national wealth. Fixing that problem will require wealthy people to not merely give more, but take less.

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