

**TAKING ON THE MOBILITY PROBLEM
... WITHOUT SPENDING A CENT**

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MAY, 2019

The Rise of Opportunity Markets: How Did It Happen & What Can We Do?

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Abstract: We describe the rise of “opportunity markets” that allow well-off parents to buy opportunity for their children. Although parents cannot directly buy a middle-class outcome for their children, they can buy opportunity indirectly through advantaged access to the schools, neighborhoods, and information that create merit and raise the probability of a middle-class outcome. The rise of opportunity markets happened so gradually that the country has seemingly forgotten that opportunity was not always sold on the market. If there were a recommitment to equalizing opportunities, it could be pursued by dismantling opportunity markets, by providing low-income parents with the means to participate in them, or by allocating educational opportunities via separate competitions among parents of similar means. The latter approach, which we focus upon here, would not require mobilizing support for a massive redistributive project.

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(Complete author biographies appear at the end of the essay.)

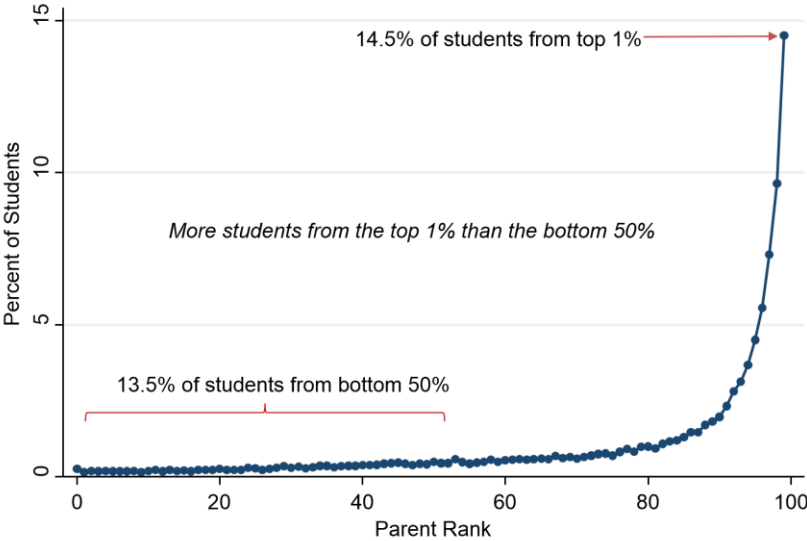
Is there any pressing need for another paper on the effects of educational expansion and reform on social mobility? Because the ongoing stream of commentary on education reform is so vast, it might seem unlikely that a new contribution to this literature could add much value.¹

However saturated the education reform literature may be, existing commentary tends to gloss over the rise of “opportunity markets,” a fundamental development that should be treated as a main threat to realizing our country’s long-standing commitment to equalizing opportunity and increasing mobility. We will show that the rise of opportunity markets makes it possible for parents to convert money seamlessly into high-quality resumes for their children and thus create the perception that merit just happens to coincide with money. We will also show that the task of building a merit-projecting resume requires vast infusions of parental money from the very moment of

COLLABORATORS ON THE PAPER
ARE PETER HALL AND HAZEL
MARKUS ... (AND ALSO WORKING
WITH RAJ CHETTY AND THE
OPPORTUNITY INSIGHTS TEAM
ON VARIOUS ASPECTS OF THIS
PROBLEM)

THE MOBILITY PROBLEM

WHO GETS INTO “IVY PLUS” COLLEGES?



PROBABILITY OF ATTENDING AN ELITE PRIVATE COLLEGE IS 54 TIMES HIGHER FOR CHILD IN TOP 1% COMPARED TO CHILD IN BOTTOM 50%

HOW DID IT HAPPEN THAT MONEY MATTERS SO MUCH?

WE'VE PUT OPPORTUNITY ON THE MARKET

OPPORTUNITY IS SUPPOSED TO BE SACRED – AVAILABLE TO CHILDREN OF RICH AND POOR FAMILIES ALIKE – BUT IN FACT WE ALLOCATE IT TO THOSE WHO HAVE MONEY

THE NEOLIBERAL BACKDROP

THE NEOLIBERAL COMMITMENT TO PUT EVERYTHING ON THE MARKET CARRIED THE DAY

WASN'T EXPLICIT DECISION TO PUT OPPORTUNITY ON MARKET

A HOST OF SMALLER DECISIONS TO PUT PARTICULAR OPPORTUNITY-CONVEYING SERVICES ON THE MARKET

THE CUMULATIVE EFFECT OF THESE SMALLER DECISIONS WAS ... A FULL-THROATED OPPORTUNITY MARKET THAT WE NEVER WANTED

THREE ZONES IN WHICH OPPORTUNITY MARKETS ARE IN PLAY



ZONE 1: EARLY CHILDHOOD



ZONE 2: MIDDLE CHILDHOOD



ZONE 3: EARLY ADULTHOOD

ZONE 1: EARLY CHILDHOOD

NEW DEVELOPMENT: DIFFERENTIATION OF CHILDCARE AND EARLY CHILDHOOD EDUCATION OUT OF THE FAMILY

SHOULDN'T THE EFFECTS OF FAMILY BE REDUCED BY TAKING CHILDCARE OUT OF THE FAMILY? EXTERNALIZING IT *REDUCES* EFFECTS OF SOCIALIZATION

WHAT WENT WRONG? TWO POSSIBLE TYPES OF DIFFERENTIATION

- STATE-PROVIDED
- MARKET-PROVIDED

WHEN CHILDCARE DIFFERENTIATES OUT OF FAMILY *AND INTO THE MARKET* (RATHER THAN THE STATE SECTOR), IT'S OFFERED AT DIFFERENT LEVELS AND PRICEPOINTS

BORROWING IN ZONE 1?

BUT THE MARKET WOULD PRESUMABLY WORK INSOFAR AS LOW-INCOME FAMILIES COULD BORROW TO MAKE INVESTMENTS THAT WERE WARRANTED

THE PROBLEM: VERY LITTLE OPPORTUNITY FOR BORROWING

WE HAVEN'T SET UP MARKETS THAT ALLOW LOW-INCOME FAMILIES TO TAKE OUT A LOAN TO SECURE HIGH-QUALITY CHILDCARE (SECURED AGAINST THE FUTURE INCREASED EARNINGS OF THE CHILD?)

ZONE 2: MIDDLE CHILDHOOD

Woodside Elementary is a district with resources

- Related story: [Woodside School fails in bid to dismiss tenured teacher.](#)

By Barbara Wood | *Almanac Staff Writer*

A key factor discouraging teacher dismissal hearings in California may be the cost. Even a winning district has to pay for an attorney and half the costs of the hearing. The Woodside Elementary School District, however, has more resources per student than many other public school districts.

The teacher that the district attempted to fire called Woodside a "hybrid public-private school" because the district, like many in the area, gets a good portion of its budget from parent and community donations. Woodside,



IS ZONE 2 – THE ZONE OF PUBLIC SCHOOLS – ANY BETTER?

NO ... QUALITY OF SCHOOL & OTHER MOBILITY-AFFECTING AMENITIES DEPENDS ON NEIGHBORHOOD

BECAUSE NEIGHBORHOODS ARE DEEPLY SEGREGATED BY INCOME, PARENT'S CHOICE SET DEPENDS ON INCOME

DOES BORROWING IN ZONE 2 SOLVE THE PROBLEM?

BORROWING UNAVAILABLE

MORTGAGES ARE BASED ON INCOME AND WEALTH ... NOT ON THE FUTURE EARNINGS OF THE CHILD

ZONE 3: EARLY ADULTHOOD

OBJECTIVE: GET INTO A GOOD COLLEGE

PROBLEM: IT TAKES MONEY – AND LOTS OF IT – TO BUILD A RESUME THAT CONVEYS MERIT TO COLLEGES

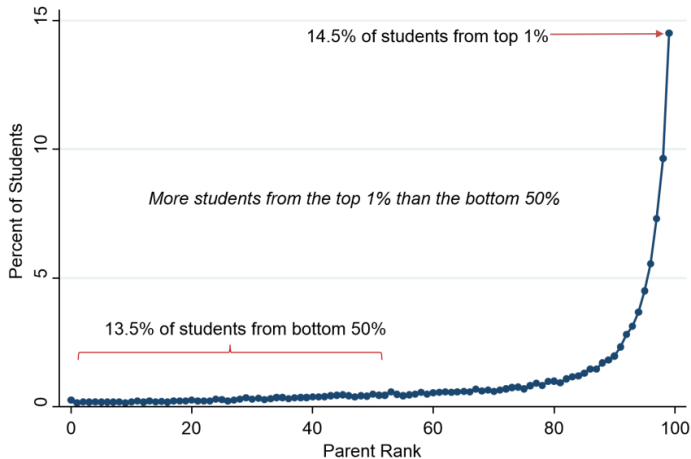
TWO MAIN ZONES IN WHICH MONEY IS NEEDED

- *EARLY CHILDHOOD:* PARENTS PURCHASE HIGH-QUALITY CHILD CARE, HIGH-QUALITY PRESCHOOL, AND HIGH-AMENITY AND STRESS-FREE NEIGHBORHOODS
- *MIDDLE CHILDHOOD:* PARENTS PURCHASE EXTRACURRICULAR ACTIVITIES, AFTER-SCHOOL TRAINING, SAT PREPARATION, HIGH-QUALITY PRIVATE OR PUBLIC PRIMARY AND SECONDARY SCHOOLS, COLLEGE CONSULTANTS

A MONEY LAUNDERING OPERATION: MONEY IS CONVERTED INTO A WINNING RESUME AND RECAST AS MERIT

BORROWING CONSTRAINTS IN ZONE 3 (I.E., THE COLLEGE ZONE)?

WHO GETS INTO “IVY PLUS” COLLEGES?



WE MAINLY WORRY ABOUT ZONE 3 BORROWING CONSTRAINTS, BUT THE REAL WORRY IS THAT CHILDREN WHO COULDN'T PARTICIPATE IN ZONE 1 AND 2 MARKETS CAN'T PRESENT THE RESUMES THAT SIGNAL MERIT ... IT'S AN *ACCESS* PROBLEM

THE LATE INVESTMENT STRATEGY

EARLY INVESTMENT STRATEGY: BUY OPPORTUNITY IN ZONES 1 AND 2

AN *INSIDIOUS PROCESS* BECAUSE IT CREATES THE APPEARANCE OF A MERITOCRACY

LATE INVESTMENT STRATEGY

- LEGAL: THE VERY RICH CAN *DIRECTLY* BUY ACCESS TO COLLEGE (VIA DONATION)
- ILLEGAL: CONSULTING SERVICE

IN ALL THREE CASES: IT'S ABOUT MONEY

THE CONVENTIONAL APPROACHES

REDISTRIBUTION

- PROVIDE LOW-INCOME FAMILIES – VIA TAX AND TRANSFER POLICY – WITH THE MONEY NEEDED TO BUY RESUMES THAT PROJECT MERIT
- A CAPITULATION TO OPPORTUNITY MARKETS

DIRECT PROVISION OF SERVICES

- EQUALIZE ACCESS TO HIGH-QUALITY PRESCHOOL, HIGH-QUALITY PRIMARY SCHOOL, HIGH-QUALITY SECONDARY SCHOOL, AMENITY-RICH NEIGHBORHOODS
- UNDO THE RISE OF OPPORTUNITY MARKETS

WHY THE CONVENTIONAL APPROACHES ARE PROBLEMATIC

A MONEY PROBLEM: BOTH COST SERIOUS MONEY ... MORE THAN WE'RE WILLING TO PAY

A RELATIVE ADVANTAGE PROBLEM: AS LONG AS REDISTRIBUTION DOESN'T DISRUPT THE RANK-ORDERING OF FAMILIES, THOSE AT THE TOP CAN STILL OUT-COMPETE THOSE BENEATH THEM

IS THERE ANOTHER WAY THAT DOESN'T FALL PREY TO THESE PROBLEMS?

YES!

THE GAME PLAN

INTRODUCE AN ALTERNATIVE APPROACH WITH A STANFORD UNIVERSITY EXAMPLE

AND THEN DISCUSS HOW IT MIGHT DIFFUSE VIA NORM CASCADES

AN AFFIRMATIVE ACTION ALTERNATIVE (IN QUINTILE FORM)

DIVIDE APPLICANTS INTO QUINTILES DEFINED BY NATIONAL FAMILY INCOME DISTRIBUTION

BOTTOM QUINTILE COMPETITION: SELECT 20 PERCENT OF THE CLASS FROM THE BOTTOM QUINTILE ... WINNERS IN LOW-RESOURCE ENVIRONMENT

SECOND QUINTILE COMPETITION: SELECT ANOTHER 20 PERCENT OF THE CLASS FROM AMONG CHILDREN WHOSE PARENTS HAD A BIT MORE MONEY TO INVEST IN THEM ... WINNERS IN MIDDLE-RESOURCE ENVIRONMENT

TOP QUINTILE: SELECT THE LAST 20 PERCENT OF THE CLASS FROM AMONG CHILDREN WHOSE PARENTS LAVISH RESOURCES ON THEM

THE “INCOMMENSURATE COMPETITION” CONCEIT

THE CHILDREN SELECTED FROM THE BOTTOM QUINTILE WOULD LOOK JUST LIKE THE WINNERS FROM THE TOP QUINTILE ... HAD THEIR PARENTS ALSO BEEN ABLE TO LAVISH RESOURCES ON THEM

OR IN ROEMERIAN TERMS: WE’RE SELECTING THE “HIGH EFFORT” CHILDREN ... AND ACHIEVEMENTS ONLY REVEAL EFFORT AFTER CONTROLLING FOR INVESTMENTS (BECAUSE ONE GETS A LOWER RETURN ON EFFORT WHEN INVESTMENTS ARE LOW)

achievement = f(effort, investment)

ASSUMPTION: EFFORT IS NOT ENDOGENOUS TO INVESTMENT. BUT – INsofar AS IT IS – WE’LL ELIMINATE THAT ENDOGENEITY (AS WORD WILL GET OUT THAT EFFORT DOES HAVE A PAYOFF)

TWO MAIN CHOICES IN IMPLEMENTATION

HOLISTIC VERSUS ALGORITHMIC

MERGE WITH A HOLISTIC PROCESS

HOLISTIC PROCESS: ADMISSIONS OFFICERS CONCENTRATE ON A SINGLE TRANCHE (E.G., QUINTILE) ... AND THUS THEY CAN BECOME SPECIALISTS IN THE TYPES OF ACCOMPLISHMENT THAT CAN EMERGE IN THE CONTEXT OF THE CONSTRAINTS CHARACTERIZING THAT TRANCHE

KEY POINT: CONSIDERATIONS OF RACIAL AND ETHNIC DIVERSITY ARE FOLDED INTO “HOLISTIC REVIEW” AS THEY ARE NOW

AN ALTERNATIVE ALGORITHMIC APPROACH

A REPLACEMENT APPROACH (INSTEAD OF HOLISTIC REVIEW VIA DIVIDING INTO QUINTILES)

SET UP OPTIMIZATION PROBLEM

- INPUT VARIABLES: GRADES, SAT SCORES, ESSAY SCORES
- CHOOSE WEIGHTS ON INPUT VARIABLES THAT MAXIMIZE THE “GROSS UNIVERSITY PRODUCT” (E.G., EARNINGS, PATENTS, DOCTORAL DEGREES, PUBLIC SERVICE OCCUPATIONS)

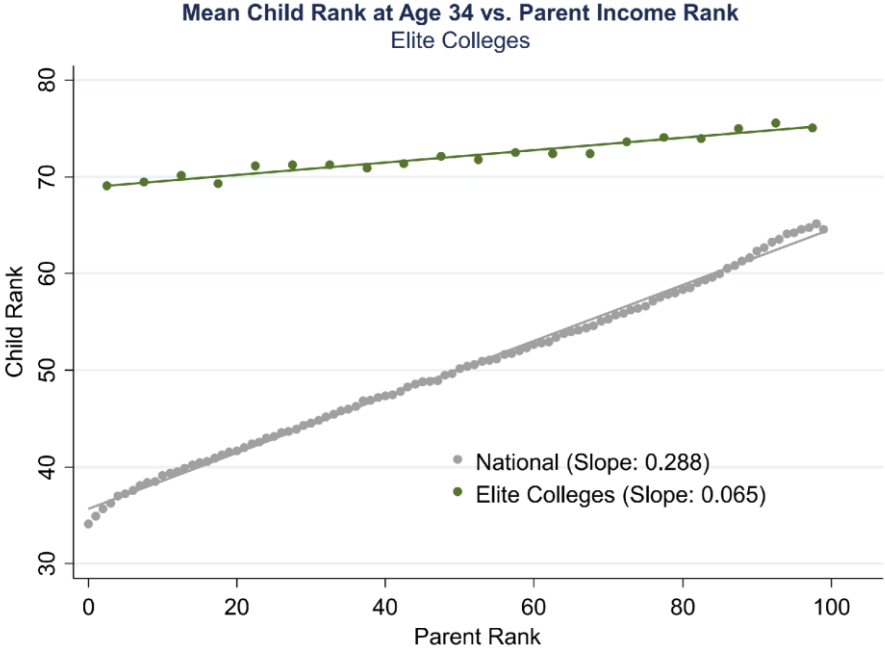
AND THEN RERUN AFTER SUBJECTING TO FAMILY INCOME CONSTRAINTS

VIRTUES OF ALTERNATIVE ALGORITHMIC APPROACH

MAY BE MORE EFFICIENT

EASILY ADDRESSES COMPLEMENTARITIES

MAY YIELD GROSS UNIVERSITY PRODUCT THAT'S *HIGHER*



VERY SMALL LOSS OF EXPECTED EARNINGS WHEN FIRST QUINTILE CHILDREN ARE SELECTED (AND IT PROBABLY STEMS FROM NETWORK DEFICITS)

SEE CHETTY ET. AL, EQUAL OPPORTUNITY PROJECT

COMPLEMENTARITIES

WHAT IF PAYOFF TO HUMAN CAPITAL INVESTMENT IS HIGHER WHEN PARENTS ARE WELL EDUCATED?

TWO TYPES OF CHILDREN IN BOTTOM QUINTILE

- CHILD WITH WELL-EDUCATED PARENTS (I.E., HIGH PAYOFF TO INVESTMENT)
- CHILD WITH LESS-EDUCATED PARENTS (I.E., LOW PAYOFF TO INVESTMENT)

MOST ADMITTED CHILDREN MAY COME FROM WELL-EDUCATED FAMILIES

SOLUTION: PLACE CONSTRAINT ON PARENTAL EDUCATION AS WELL AS INCOME (THUS ENSURING THAT ADMITTED STUDENTS PROPERLY REFLECT ALL PARENTAL EDUCATION LEVELS)

SAME APPROACH FOR OTHER COMPLEMENTARITIES

WILL THERE BE A NORM CASCADE?

WHY THIS MIGHT HAPPEN?

IT'S THE CENTURY OF NORM CASCADES (E.G., #METOO, SAME-SEX MARRIAGE RIGHTS, BLACK LIVES MATTER)

EVERYTHING DEPENDS ON THE FIRST MOVER ... CAN A PERSUASIVE ARGUMENT BE MADE?

THE PRINCIPLED ARGUMENT: A LINE-IN-THE-SAND COMMITMENT TO EQUAL OPPORTUNITY IS OUR OBLIGATION

THE REPUTATIONAL ARGUMENT: ELITE UNIVERSITIES ARE UNDER INCREASING ATTACK FOR FAILING TO ACT FOR THE PUBLIC GOOD

THE FIRST-MOVER ADVANTAGE: IF WE DON'T DO IT FIRST, MAYBE HARVARD WILL

THE LEADERSHIP ARGUMENT: THE SINGLE MOST DISRUPTIVE EVENT IN THE HISTORY OF HIGHER EDUCATION ... AS IT MAY TRIGGER A NORM CASCADE

HOW WILL OTHER INSTITUTIONS REACT?

OPTION 1: EMPHASIZE THE LARGE FINANCIAL AID PACKAGES TO LOW-INCOME STUDENTS

- THE RESPONSE: THAT'S A RUSE
- PUTS OTHER SELECTIVE INSTITUTIONS ON THE DEFENSIVE
- LEADS TO PRESSURE FOR ANNUAL REPORTING ON NUMBER OF LEGACY ADMITS, NUMBER OF ONE-PERCENT ADMITS, NUMBER OF BOTTOM-QUINTILE ADMITS
- LEAD TO EXTRAORDINARY PRESSURE TO CHANGE

OPTION 2: DOUBLE DOWN ON THE “ARISTOCRACY OF MERIT” ARGUMENT THAT THERE JUST HAPPENS TO BE MORE MERIT AMONG THE ONE PERCENT

- ARGUMENT APPEALS TO FAR RIGHT
- BUT THAT'S NOT THE CIRCLE IN WHICH ELITE UNIVERSITIES LIKE TO RUN

AND THEN THE NORM CASCADE BEGINS

SPREADS TO OTHER SELECTIVE EDUCATIONAL INSTITUTIONS

SPREADS TO GOVERNMENT EMPLOYERS

SPREADS TO OTHER EMPLOYERS

CONCLUSIONS

IF WE'RE NOT WILLING TO SPEND MONEY, THAT'S NOT REASON ENOUGH TO GIVE UP ON AN EQUAL OPPORTUNITY COMMITMENT

THERE'S ANOTHER WAY TO REALIZE ONE OF THE COUNTRY'S DEEPEST AND MOST CHERISHED COMMITMENTS