

## **To Fix Our Economy and Democracy, We must Un-learn Educationism.**

*American workers are struggling and angry because they are underpaid, not because they are undereducated.*

By Nick Hanauer

Early in my civic and philanthropic life, like many of my wealthy friends and peers, my mind was captured by a seductively intuitive idea: that America's crisis of rising inequality and poverty was largely a crisis of our failing education system. Fix that, I believed, and we would restore equality of opportunity and the American dream.

I call this belief system "Educationism," and it is grounded in a familiar story about cause and effect: Once upon a time, America built 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 it was this wealth of literacy and numeracy from which the great American middle class was built. But then, the story goes, sometime in the 1960s or 1970s, America lost its way. We allowed our schools to crumble, our curricula to stagnate, 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. And since a well-educated worker is a well-paid worker, as America's public-school systems foundered, so did the earning power and the economic mobility of the American middle class.

It was our failing education system, I believed, that was the root cause of both endemic poverty and rising economic inequality. And as inequality went up and equality of opportunity eroded, political polarization, cynicism, and anger exploded, threatening to undermine American democracy itself.

Steeped in Educationism, and out of an honest desire to give something back, I passionately embraced "fixing" our public schools as my civic mission. I was

certain that making our education system great again was the highest leverage way I could defend the American Dream of opportunity for all. I co-founded the League of Education Voters, a not-for-profit organization dedicated to improving public education in Washington State where I live. For twenty years our organization helped drive the politics and policy of public education, and we accomplished a great deal. We passed class size initiatives, reformed the levy system, increased teacher accountability and worked hard to increase funding. I joined Bill Gates, Alice Walton, and Paul Allen in giving over a million dollars each to help pass the ballot measure that established Washington state's first charter schools. I invested countless hours and dollars in the simple idea that, if only we modernized our curricula and our teaching methods—if only we substantially increased school funding, rooted out all the bad teachers, and of course, opened enough innovative charter schools—America's children would start learning again. Graduation rates would rise, wages would go up, poverty would go down, inequality would narrow, and our shared commitment to democracy would be restored.

Yet, the harder we worked and the more we accomplished, the more the American Dream seemed to erode. America's educational outcomes may have improved- more kids graduating from High school and more kids getting college degrees. But despite the policy wins we were making, it felt as if we were running faster and faster and still falling behind. I cannot count the number of school board races, levy campaigns; statewide initiatives we won, and state laws we passed. Yet, the more we "reformed" our education system, the more unequal and polarized our society seemed to become.

In 2009 or thereabouts, I had an awakening. A friend sent me the IRS tax tables that showed the [changes in income distribution](#) that had occurred over the decades I had been working on education. The story those numbers told was devastating. When I graduated from High school in 1977, the top 1% of earners got less than 8% of national income. In 2007, 30 years later, that number had increased to 22.86%. Worse, the bottom 50% of American's share of national income had fallen from approximately 18% to 12%. I was horrified by these trends, and frankly, shocked. I had put so much work and so much

faith in the Educationist theory of change, and all my work had amounted to nothing, or, if you were being brutally honest, *less than* nothing. Nevertheless, I was under pressure to keep grinding on the same stuff in the same way, only harder. You get a lot of strokes in the community for working on public education, and I did. I was “the education guy”. But it just didn’t feel right. I’ve run a ton of businesses, and I can tell you from experience that if smart, hard-working people work on something for a long time and make no progress, it is wise to question the strategy. And so, with reluctance I began to question mine. There were zero charter schools when I began “helping” our education system. Today there are over 7000. But our country has never been more unequal, polarized and angry.

So after decades of thinking and working and organizing and giving, I have come to the uncomfortable conclusion that I was *wrong*.

And I *hate* being wrong.

What I’ve come to realize, decades late, is that Educationism is a theory of change that tragically confuses cause with effect. The truth is, American workers are struggling, not because they are undereducated but because they are *underpaid*—and they are underpaid because 40 years of Neoliberal, trickle-down economic policies have rigged the economy in favor of wealthy people like me. Contrary to the Educationist narrative, Americans are actually better educated than ever before. Yet even in the face of near record-low unemployment, 90 percent of American workers, *at all levels of educational attainment*, continue to see their real wages stagnate or decline—not because their skills aren’t in demand (the labor market has rarely been tighter)—but because they lack the economic power to negotiate the pay they deserve.

Our education system isn’t failing the American middle class; our *economic system* is.

To be clear: we should still be doing everything we can to improve our public schools. There is much left to do, and I encourage my fellow philanthropists to

continue their commendable investments. In our modern technological economy, a better-educated America is absolutely crucial to building a more prosperous, inclusive, and democratic America. It is thus a moral and economic imperative to provide all our children with the best education the wealthiest country in the world can afford.

But here too, Educationism's misapprehension of cause and effect leads us astray. For even the most thoughtful and well-intentioned program of school reform will fail to improve educational outcomes if it ignores the single greatest impact on student achievement: *household income*.

In fact, for all the genuine flaws of the American education system, there are still many high-achieving public school districts throughout the nation, and they nearly all have one thing in common: *a thriving community of economically secure middle-class families* with sufficient political power to demand great public schools, the time and resources to help their children with homework and to participate in their schools, and a tax base affluent enough 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 our crisis of economic inequality to continue to grow, and educational inequality—both in opportunity and in outcomes—will inevitably grow with it.

Educationism is failing our children, our schools, our businesses, and our communities because it confuses a symptom—educational inequality—with the disease—economic inequality. And by distracting us from the true causes of these crises, we Educationists are part of the problem.

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When President Barack Obama declared that “the best anti-poverty program is a world-class education,” he too was viewing poverty from within Educationism's causal frame. And he and I were not alone in being captured

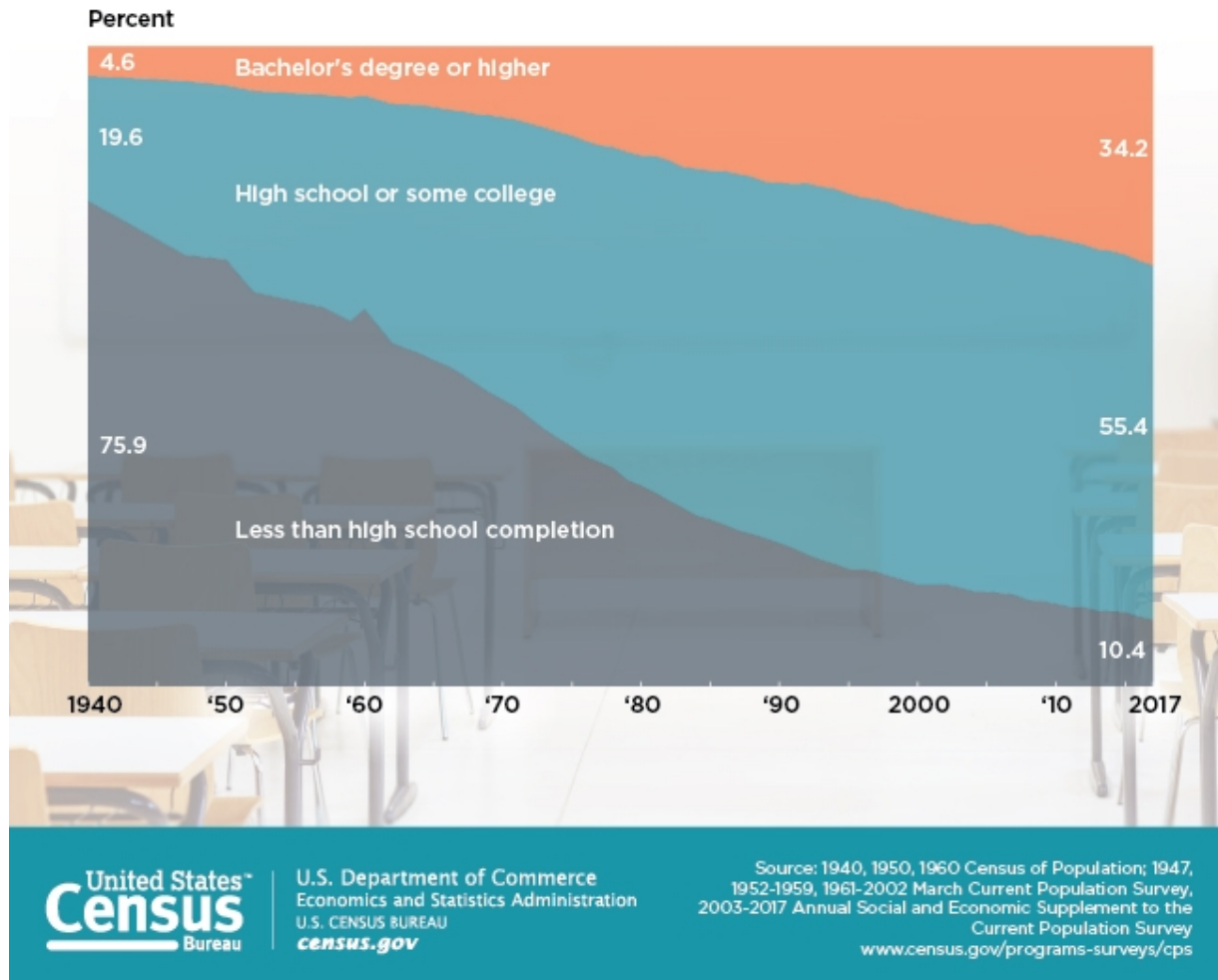
by the appealing idea of education as an economic cure-all. Whenever I talk with my wealthy friends about the dangers of rising economic inequality, those that don't just quietly stare down at their shoes invariably push back with something about the woeful state of our public schools. In fact, Educationism is so entrenched within the philanthropic elite that of America's 50 largest family foundations—a clique that manages [\\$145 billion in tax-exempt charitable assets](#)—the mission statements or supporting documents of 39 declare education as one of their key issues... while not a single one out of 50 mentions anything about the plight of working people or their wages. Every wealthy person I know donates money to education in one way or another. Approximately zero of them have ever given even a dollar to a minimum wage campaign.

The dominant plot line in this narrative is an Educationist version of the “[skills gap](#)”—the assertion that [decades of wage stagnation](#) are largely a consequence of a shortage of workers with the education and skills necessary to fill new high-wage jobs. As our 21<sup>st</sup> century technological economy has matured and become more knowledge-intensive, the story goes, the demand for low-skill jobs has fallen—and thus, so have working and middle-class wages. But if we improve our public schools and we increase the percentage of students attaining higher levels of education—particularly in the “STEM” subjects of science, technology, engineering, and math—the skills gap will shrink, wages will rise, and income inequality will fall.

It's a persuasive and intuitive story. Higher skilled workers in nearly all trades and professions do tend to earn relatively higher pay than their lower skilled counterparts. But it's a story predicated on two factual assertions that just aren't true—an oversupply of “low-skill” workers, and a shortage of highly-educated ones—when in fact, growth in demand for low-skill labor has consistently [outstripped supply](#) even as the percent of Americans earning high school and college degrees has [soared](#). The Educationist theory and the empirical facts simply don't align.

# America's Education

Population Age 25 and Over by Educational Attainment



In 1970, when the age of the Great American Middle Class was nearing its peak and inequality was at its nadir, only about half of Americans age 25 or older had attained a high school degree or equivalent. Today, that number stands at almost 90 percent. And over that same period, the percent of Americans attaining a college degree or higher more than *tripled*, from about 10 percent in 1970 to more than 34 percent today. Quite clearly, the American people have never been more highly educated. And yet, contrary to the promise of Educationism, the vast majority of American workers have seen their real wages [stagnate or decline](#).

## Cumulative percent change in real annual wages, by wage group, 1979–2017

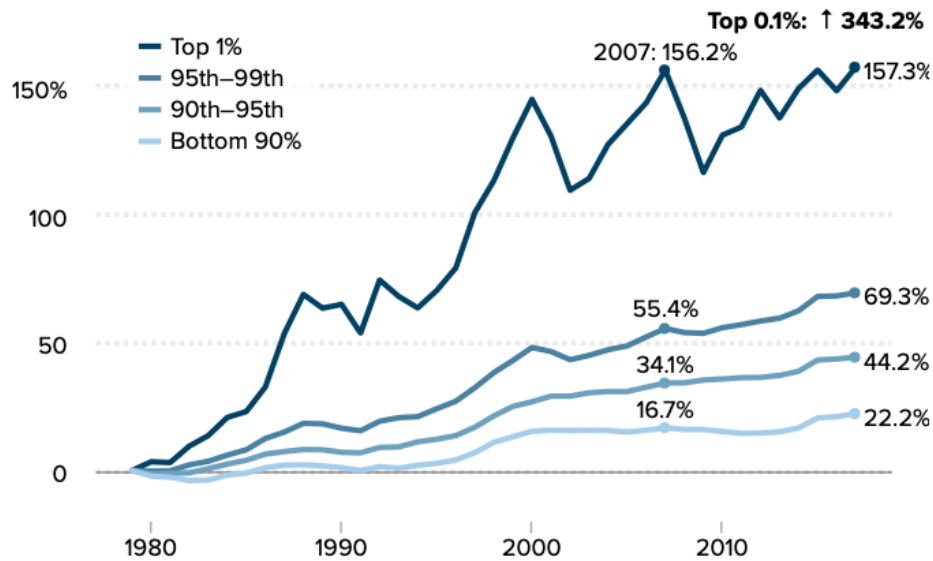


Chart Data

**Source:** EPI analysis of Kopczuk, Saez, and Song (2010, Table A3) and Social Security Administration wage statistics

Economic Policy Institute

Between 1979 and 2017 the average real annual wage of the top 1 percent of Americans rose an impressive 156.2 percent (the top .01 percent by a stunning [343.2 percent!](#)), while wages for the bottom 90 percent of workers have remained virtually flat. And median wages are not just being dragged down by the plight of the low-skilled working poor. The median earnings of [college graduates](#) have stagnated too, with recent grads seeing their real average hourly wages [stuck at or below 2001 levels](#) for most of the past 20 years. Adjusted for inflation, the bottom 60 percent of college graduates actually [earn less than they did in 2000](#).

FIGURE B

## The bottom 60 percent of college wages are lower today than in 2000

Cumulative percent change in real hourly wages of workers with a college degree, by wage percentile, 2000–2018

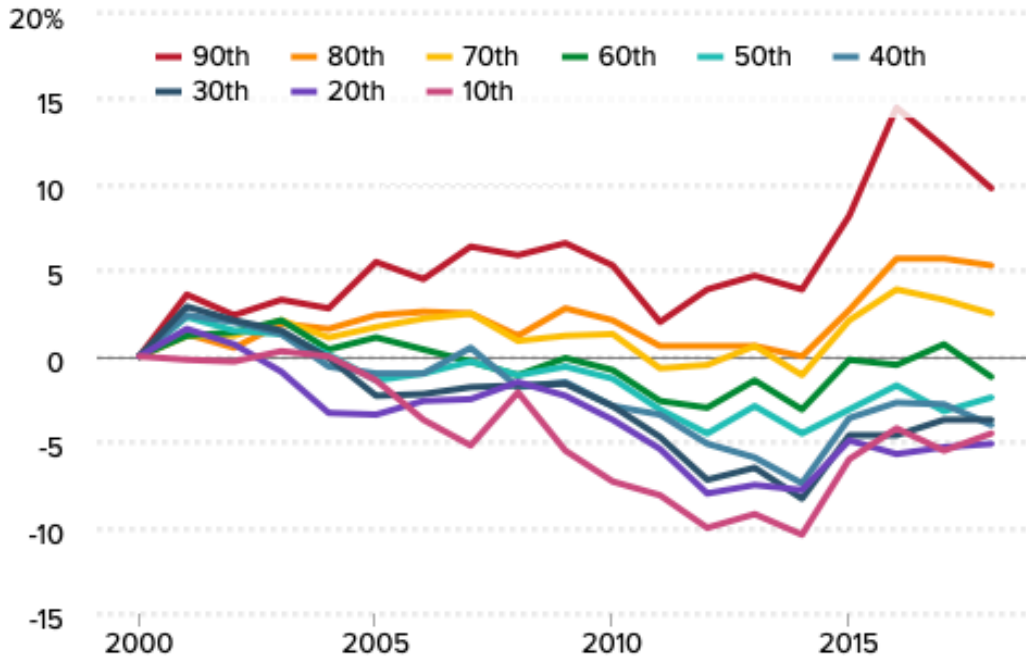


Chart Data

**Note:** Sample based on all workers ages 16 and older.

Education groups are mutually exclusive, so "college" here refers to those with only a 4-year college degree.

**Source:** EPI analysis of Current Population Survey Outgoing Rotation Group microdata from the U.S. Census Bureau

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In fact, over the past four decades nearly all of the benefits of economic growth have been captured by large corporations and their wealthy shareholders. [After-tax corporate profits](#) have doubled from about 5 percent of GDP to about 10 percent, while wages as a share of GDP have fallen by about the same amount. Meanwhile, the wealthiest 1 percent's share of pre-



tax income [has more than doubled](#), from about 8 percent in 1973 to about 22 percent today. Taken together, these two trends amount to a shift of more than \$2 trillion a year from the bank accounts of the middle class to those of corporations and the super-rich.

Clearly, income inequality [has exploded](#) *in spite of* trends in educational attainment, not because of them.

Likewise, the familiar claim that the declining fortunes of low-wage workers are largely due to an unforgiving “law” of supply and demand, simply does not fit the reality of the current labor market. With the unemployment rate near a 50-year floor, low-skill workers are actually in high demand. Indeed, by October of 2018, there were [1 million more job openings than jobseekers](#) in the U.S.—predominantly in low-wage industries like accommodations, food service, and retail—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 say they are, workers should be profiting from this seller’s market. Yet outside the cities and states that have recently imposed a substantially higher local minimum wage, low-wage workers have barely seen their real incomes budge. So much for the immutable “Law of Supply and Demand”—at least when it comes to the labor market.

And barring a recession, our nation’s shortage of low-wage workers isn’t likely to ease any time soon. According to [federal estimates](#), four of the five occupational categories projected to add the most jobs to our economy over the next decade are also four of the six *lowest paying*, including “healthcare support” (\$26,440 a year), “food preparation and serving” (\$19,130), “personal care and service” (\$21,260), and “sales and related” (\$25,360). Few of these jobs will require a college diploma let alone a STEM degree. And while, as a whole, the number of jobs requiring a post-secondary education are expected to grow slightly faster than those that don’t, the latter will still dominate the job market for decades to come. Educationism, as a theory of change, has absolutely nothing to offer the growing ranks of these working

poor.

In fact, it's not a shortage of highly-skilled workers that's eroding the American middle class, but rather a shortage of good-paying jobs at *every* level of education, including college graduates. While over 34 percent of Americans age 25 or older have attained a bachelor's degree or higher, [only 25 percent](#) of jobs currently require one. [No wonder there's so many college-educated baristas](#). And many jobs that require college degrees pay poverty wages too—for example, *teaching*. Ironically, for all the ire Educationists aim at public school teachers and their unions, teaching remains one of the worst-paid professions a college graduate could choose. [More than half of teachers hold a master's degree or higher](#) (and the crushing student loan debt that goes with it), yet the average starting salary of a public school teacher is only [\\$38,617 a year](#), with the median salary rising to [only \\$56,900](#), forcing many teachers to take [second or third jobs](#) just to scrape by. And our nation's half-million preschool teachers (a profession where demand far outstrips supply) have it even worse, earning a median wage of [less than \\$14 an hour](#).

To be sure, on average, workers with college degrees still enjoy a significant wage premium over those without. But that premium has grown very little in recent decades, while [inequality between college graduates has increased substantially](#). A college diploma is simply no longer a passport into the middle class, and as many college graduates settle for lower-paying jobs both within and outside their chosen professions, the effects cascade down the labor market to those without college degrees, reducing their advancement opportunities during good economic times, and their job opportunities during bad. As nearly all of the income gains concentrate near the top of the pay scale, competition between wage-earners in the bottom nine deciles, regardless of educational attainment, increasingly becomes a zero-sum game. While schooling and training and apprenticeship programs surely boost the prospects of individual workers relative to their lower-skilled peers, in the aggregate, the bottom 90 percent is divvying up a shrinking pie.

It is literally impossible to square these facts with the Educationist claim that

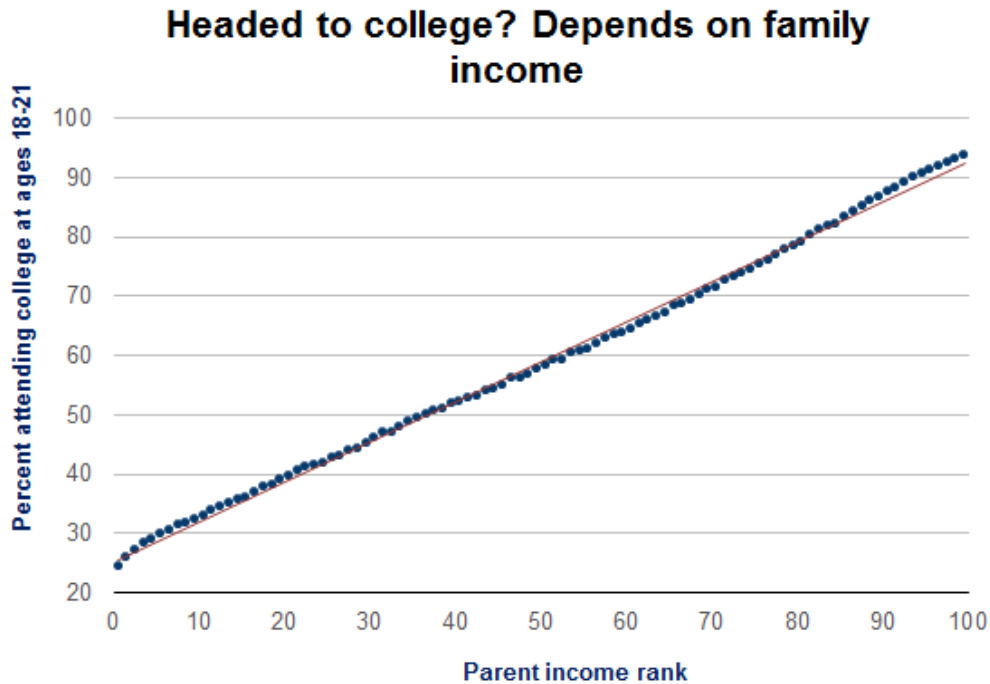
improving education, on its own, will reduce inequality, eliminate poverty, and restore the middle class. If closing the “skills gap” really is the key to spurring broad-based wage growth, then wages for highly skilled workers in so many high-demand fields should not have flatlined over the past two decades. And if the market truly pays you what you’re worth—if the wages of workers bear any relationship to the relative balance between demand and supply—then today’s much-in-demand low-wage workers should see their fortunes rise in lockstep with the booming service sector rather than continuing to see their real wages stagnate or fall. No, the vast majority of workers aren’t struggling because they lack skills, but because they lack *power*. Take it from a successful capitalist: Employers don’t pay you what you’re worth. We pay you what you can negotiate. And 40 years of a bipartisan neoliberal policy agenda have relentlessly and intentionally eroded the power of workers to individually or collectively negotiate a fair wage.

Make no mistake: education is an unalloyed good, in and of itself, regardless of its many economic benefits. We should all want more of it.

But the longer we pretend that education is the answer to economic inequality, the harder it will be to escape our new Gilded Age. And the more we ignore the catastrophic impact of economic inequality on educational inequality, the more difficult it will be to improve our public schools.

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As we have seen, the Educationist narrative simply cannot explain the past several decades of wage stagnation and rising economic inequality. But perhaps more importantly, Educationism also fails to provide much insight into how to better educate our children. That is because, for all of their justifiable focus on curricula and innovation and institutional reform, the Educationists have largely ignored [the single most predictive metric](#) of a child’s future educational success: the *household income* of the family into which he or she is born.



Source: Chetty et al., "Where is the land of opportunity? The geography of intergenerational mobility in the U.S."

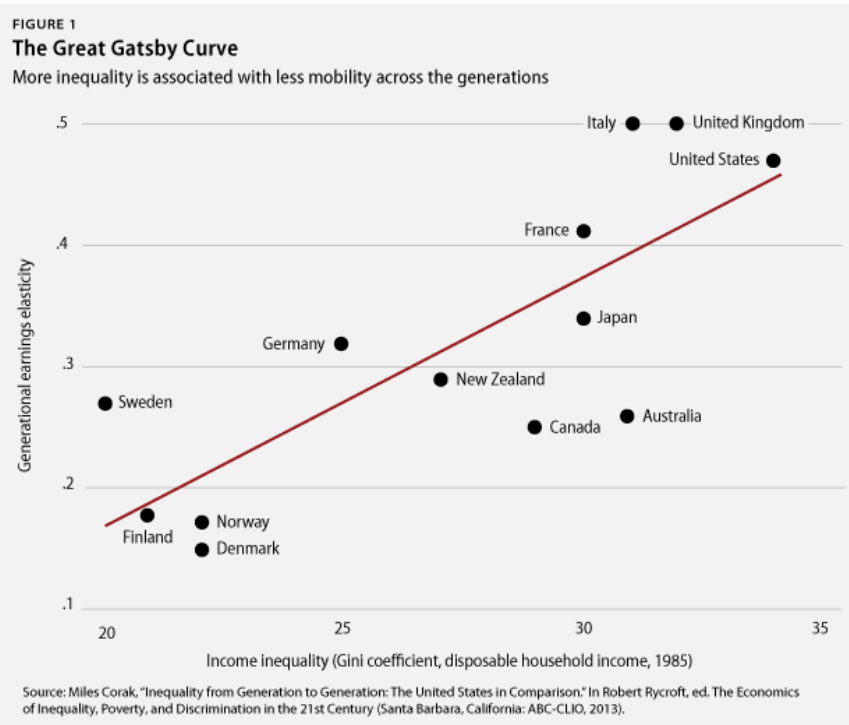
BROOKINGS

The scientific literature on this subject is so robust, and the consensus so overwhelming, that there is literally nothing in the data to dispute. The lower the income of your parents, [the lower your likely level of educational attainment](#). Period. So, if Educationists are truly interested in addressing economic inequality, and they truly believe that education is a factor, then you'd think household income might be a lever that they would try to pull.

Instead, Educationists in both political parties talk about extending "ladders of opportunity," often in the form of "innovative" (i.e. non-unionized) charter schools. But for many children raised in poverty, especially the racially segregated poverty endemic to much of the United States, the mere opportunity to attend a good public school isn't nearly good enough. As economist Lawrence Mishel [explains](#), these are children who face obstacles that would trip up even the most naturally gifted student... "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; have

parents with the greatest stress; and live in a chaotic and frequently unsafe environment.” In fact, multiple studies have found that [only about 20 percent of student outcomes can be attributed to schooling](#), whereas 60 percent is explained by family circumstances—most significantly, income. That is why Mishel dismisses the familiar Educationist rhetoric as an “opportunity dodge.” Opportunity without equality is an “empty promise,” he chides, “because opportunity does not thrive amid great inequalities.”

Our nation likes to imagine itself a land of opportunity, but as the recent [college admission bribery scandal](#) once again demonstrates, the American Dream has always been more fantasy than fact. Intergenerational mobility—the likelihood of achieving a higher income level than one’s parents—has always been relatively low in the U.S., but after decades of rising inequality it has fallen to [nearly half what it was in 1940](#). This is because intergenerational mobility and income inequality are inextricably linked in what’s come to be known as the “[Great Gatsby Curve](#)”: as nations grow less equal, their citizens also grow less economically mobile. In the words of journalist Timothy Noah, upward mobility declines because “it’s harder to climb a ladder when the rungs are farther apart.”



What emerges from the data is a decades-long trend of rising inequality and declining mobility that Educationism can neither address nor explain. Of course there is a mismatch between the skills of the present and the jobs of the future. How could there not be? In a fast-changing economy like ours, we must constantly invest in training and retraining. But the, [at most](#), hundreds of thousands of unfilled STEM jobs at the top of the pay scale offer little promise to most of the 140 million American workers in the bottom nine deciles—regardless of skill level—who have seen their aggregate real wages stagnate or fall. And if, on average, American students are lagging behind their international peers in the literacy, numeracy, and problem-solving skills our modern economy increasingly demands, it is clearly *poverty*—not teachers or their unions—that is mostly to blame. The easiest way to explain the so called miracle of high performing education systems like Finland’s is to acknowledge the obvious- the miracle of their economic system, which has reduced inequality and poverty to levels far below ours.

That is why, if we really want to give every American child an honest and equal opportunity to succeed, we must do much more than just extend a ladder of opportunity; we must narrow the distance between the rungs. We must invest more in our children, in their families, in their schools, and in their communities in order to alleviate the conditions of poverty that relentlessly work to keep these children poor. We must provide high-quality public education, yes, from preschool through college. But also, high-quality housing, healthcare, childcare, and all the other prerequisites of a safe and secure middle-class life. And most importantly, if we really want to build and rebuild the sort of prosperous middle-class communities where great public schools have always thrived, then we’re going to have to pay *all* our workers—not just software engineers and wall street traders—at least a dignified middle-class wage.

And that will require wealthy people like me taking less, not giving more. Today, after wealthy elites gobble up our outsized share of national income, the median American family is left with just \$59,000 a year. Had inequality

held constant since 1980, that figure would be \$86,000. Had middle-class incomes grown with productivity—as they had over the previous three decades—the median American family would be earning over \$100,000 a year.

Of course, we should always strive to make our public schools better-run, and our population better-educated. We should pursue reforms and innovations (and even competition, if that's what it takes) in an effort to improve our schools. We should scrap a structurally racist property-tax-based funding system that spends, on average, [\\$2,000 more per student in predominantly white districts](#) than it does in districts that are predominantly nonwhite. And as a parent who sent my own children to pricey private schools, it would be the height of hypocrisy to deny that we should be spending more money—a *lot more money*—on every student.

But just imagine, education reforms aside, how much larger and stronger and better educated our middle class would be if the median American family earned *\$40,000 more per year*. What I have come to realize too late is that education is not the principal way in which market economies distribute opportunity. Wages are.

Educationism's appeal to my crowd, the ruling elite is that it tells us what we want to hear: that the wealthy and powerful can help restore shared prosperity without sharing any of our power or wealth. But we can't. As Anand Giridharadas explains in his book *Winners Take All: The Elite Charade of Changing the World*, narratives like Educationism give the wealthy permission to feel good about how much we give back to the world, without worrying about how much we take. They are tales we tell ourselves to assuage our guilty and to justify our gains. But even worse, by distracting from the true causes of economic inequality—the institutions, laws, policies, and norms that have concentrated wealth and power in the hands of the few—Educationism can only serve to sustain and defend our grossly unequal status quo.

In fact, the most direct way to address poverty, rising economic inequality and the accompanying crisis of political polarization is to simply require companies to *pay people more*. A lot more. We need to substantially raise the minimum wage and the overtime threshold, so that an honest day's work is once again rewarded with an honest day's wage. We need to make college affordable to all and insure that every family has access to health care at a reasonable cost. We need to reform the corporate tax code and corporate governance to encourage companies to reinvest earnings in their workers and in their communities—and yes, in their business operations—instead of just maximizing shareholder returns and executive pay. We need to reduce market concentration and restore the bargaining power of labor, so that American workers can once again demand what they are worth rather than being forced to settle for what little they can get.

And we need to raise taxes—a lot—on rich people like me and our estates, both to return a little fairness and equity to the American economy, and to help pay for the things we all say we want: like the opportunity for every child in America—regardless of race, income, or zip code—to attend a truly great public school.