

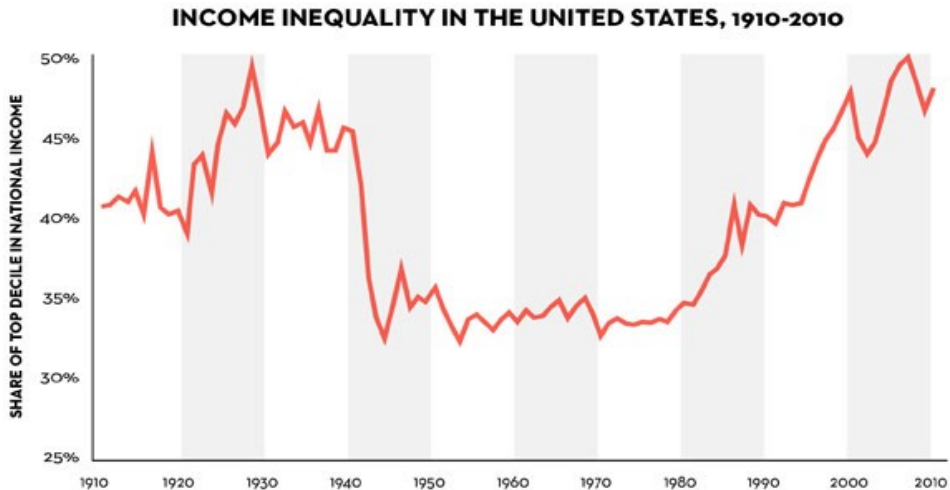
Paying it Forward: The Economics of Closing Opportunity Gaps

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Evolution of Inequality in USA



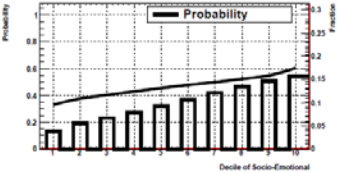
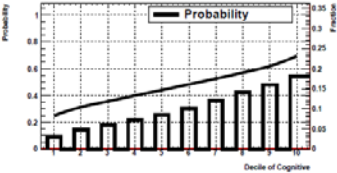
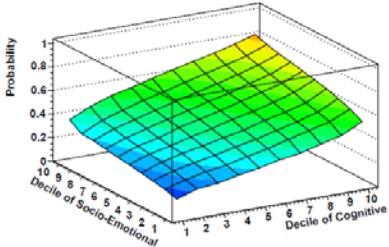
Evolution of Inequality in USA

- Why is inequality increasing?
 - The demand for skills continues to grow at the same historical rates from the beginning of the 20th century.
 - In the last 40 years, the supply of skills has grown at much lower rates.
- As a result, prices of skills have been increasing over time.
- For example, returns to college degree have risen from less than 30% in 1970s to almost 50% in 2015.

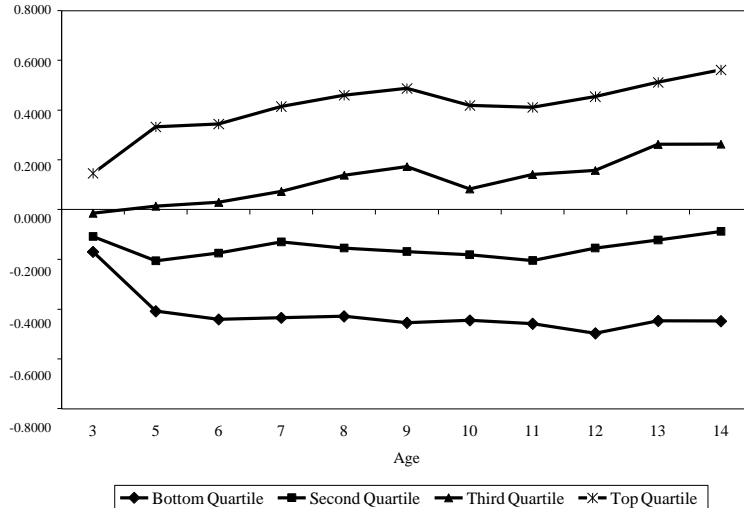
Evolution of Inequality in USA

- The policy response is to increase access to postsecondary education.
- We have increased access and enrollment, but we have made little progress on improving graduation rates.
- Two reasons:
 1. We increased enrollment rates for individuals who are not post-secondary ready.
 2. The individuals who are not post-secondary ready are enrolling in institutions that do not have resources to help them graduate.

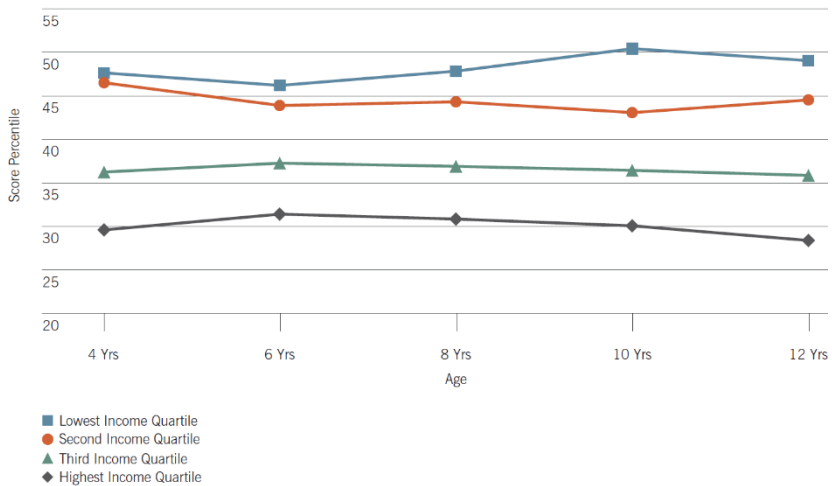
Figure 3: The Probability of Educational Decisions, by Endowment Levels, **Some College** vs. **4-year college degree**



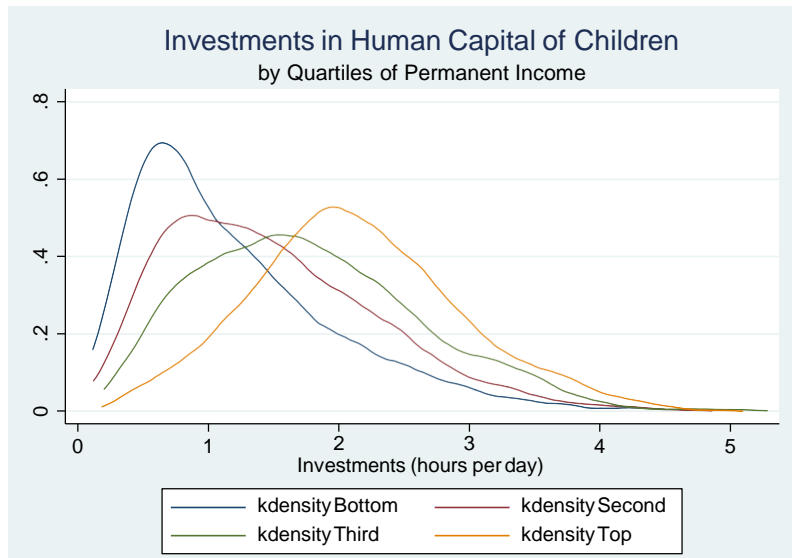
Gaps in Skills in Childhood and Adolescence



Average percentile rank on anti-social behavior score, by income quartile



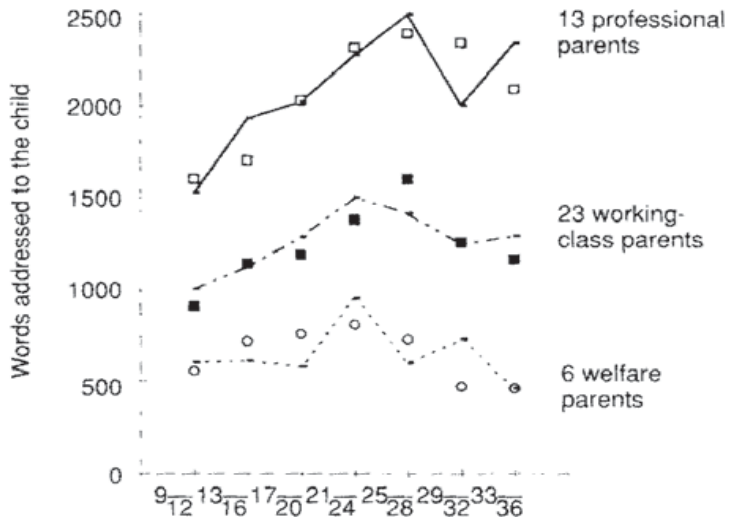
Gaps in Investments in Human Capital



Three Comments

1. It is not only correlation, it is partially causal.
 - The Perry Preschool Program and the Abecedarian Program show that it is possible to change social outcomes by improving the quality of environment of disadvantaged children.
2. It is not only income.
3. It is a more serious problem than only inequality.

It is not Only Income



It is not only income

Philadelphia Human Development Study

- At first pregnancy: Estimate maternal beliefs about the impact of investment on child development.
- At age 9 months: Visit the home and measure investments on the child.
- At age 24 months: Bring parent and mother to the study site and measure child development and maternal beliefs.

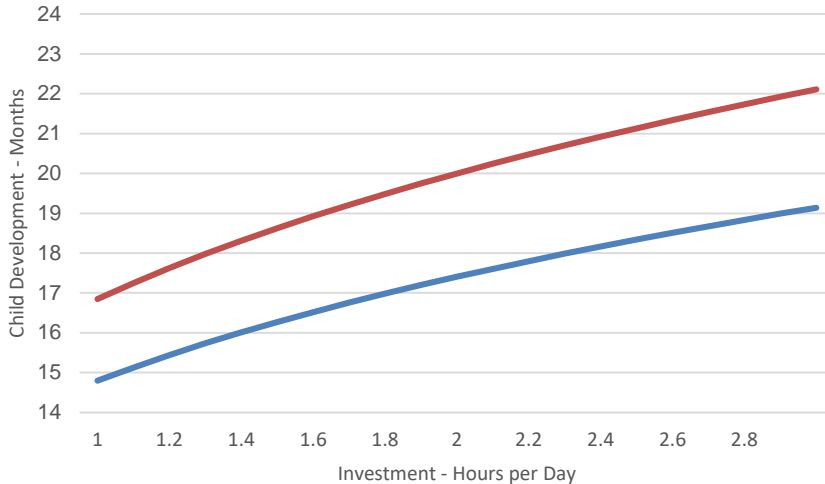
Differences Between Groups: CESD and HOME

Philadelphia Human Development Study

	CESD		HOME	
	Low Income	High Income	Low Income	High Income
First Quartile	25.11%	44.24%	32.34%	0.00%
Second Quartile	25.27%	29.70%	28.61%	14.41%
Third Quartile	20.70%	20.00%	27.11%	19.49%
Fourth Quartile	28.92%	6.06%	11.94%	66.10%

Maternal Beliefs

Low-Income (Blue) and High-Income (Red) Samples
Philadelphia Human Development Study

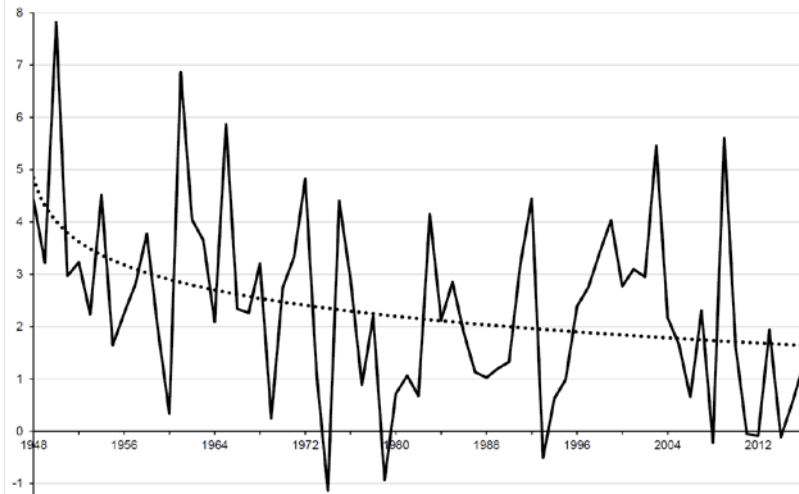


What we know and what we don't

- One standard deviation increase in maternal beliefs translates into 0.06 to 0.20 of a standard deviation higher score in the HOME.
- What we don't know:
 - Is the correlation causal?
 - How are beliefs formed?
 - Has any parenting program ever changed parental beliefs?
 - If so, how much did it cost? By how much did investments increase?
 - Is it necessary to change parental beliefs to improve parent-child interactions?

It is more serious than inequality

Figure 1
Labor Productivity Growth



Summarizing

- Inequality is growing and the growth rate of labor productivity is declining.
- These are symptoms of a serious problem: We are failing in producing a skilled labor force.
- We need to find interventions that not only improve parent-child interactions, but can also be taken to large scale.
- Interventions will be multiple in nature:
 - Child-focused as well as parent-focused programs.
 - Language, cognition, and socio-emotional development.