

Poverty and Marriage, INCOME INEQUALITY AND BRAINS

BY CHARLES MURRAY

It may be said with only a little exaggeration that policy analysts are happy describing the causes of problems while ignoring their solution, and politicians are happy proposing solutions to problems while ignoring their causes. At least, such is the case with poverty and income inequality. I fit the bill for the policy analyst, lacking any politically feasible solutions. But the articles of the three presidential candidates fit the bill too, written as if we have a set of solutions ready to go, awaiting only a chance, whether they be Hillary Clinton's home visitation program that produces 56 percent fewer arrests among participants than nonparticipants, Barack Obama's Harlem Children's Zone that is "literally saving a generation of children in a neighborhood where they were never supposed to have a chance," or John Edwards's million government-created "stepping stone jobs" that will get unemployed young men into work.

Variants of all such remedies have been tried repeatedly since 1964. They typically were greeted with early and well-publicized claims of success. When the technical evaluations were published (and seldom publicized), it turned out that the early successes were temporary or that they never really existed. It was this monotonous pattern that led Peter Rossi, the nation's leading scholar in the evaluation of social programs, to formulate Rossi's Iron Law of Program Evaluation: "The expected value of any net impact assessment of any large scale social program is zero."

The cycle of optimistic promises and zero results will repeat itself, because once again the politicians are ignoring causes

that don't fit the way they want the world to be. In the case of poverty, they ignore the causal role of the failure to marry. In the case of increasing income inequality, they ignore the causal role of the rising market value of brains.

Poverty and Marriage

The first-order effect of the failure to marry is to create poverty among lone women with children. In 2005, 91 percent of married couples with children under the age of 18 had enough family income to put them above the poverty line even without counting government transfers, compared to only 56 percent of single mothers. A young woman with children

and no husband is an inherently vulnerable economic unit.

The second-order effects arise from the consequences to the next generation when large numbers of children within a neighborhood are raised without fathers. I focus the discussion on African Americans because historically they quit marrying first and have been the subject of the most research.

As black nonmarital births rose from 22 percent of live births in 1960 to 55 percent in 1980, most policy scholars still held that the

black extended family compensated for the lack of fathers and that single mothers can raise children just as well as the old-fashioned two-parent family if they are given a decent level of economic support. By the end of the 1980s, when black nonmarital births had reached 67 percent of live births, both positions had become empirically untenable. The extended-family argument had overlooked a brutal reality:

If there is no marriage in generation I, grandfathers and uncles become scarce in generation II and are gone by generation III. The fathers-aren't-that-important argument ran up against the results of the research that was supposed to confirm it. Study after study found that children raised by unmarried women did worse than children raised by the biological father and mother, even after controlling for income, education, and other socioeconomic background variables. They did not do worse on a few selected outcomes, but on everything from educational achievement and emotional development in childhood to employment and criminal activity in adulthood. The accumulated technical literature was so large and one-sided that by the mid-1990s the consensus among scholars that the failure to marry was damaging to children had crossed ideological boundaries.

Exactly why the damage is so great is not as settled as the fact that damage occurs. I will offer some explanations that are consistent with the literature but that still have speculative elements.

One explanation is painful to state publicly: In the aggregate, unmarried women tend to make bad mothers. It sounds harsh, but the evidence, derived from systematic data collection on parenting behaviors for large, nationally representative samples, needs to be faced: The chances that a child born to an unmarried woman will grow up severely deprived of stimulation, warmth, consistent discipline, and an organized environment are multiples of the chances facing a child born to a married couple, even after controlling for income. Why? The empirical realities that unmarried mothers are disproportionately immature, ignorant, and with low cognitive ability probably play roles.

A second explanation involves the functions that fathers serve for daughters who are coping with sexual maturation. Daughters of never-married women are more likely to have sex in early adolescence, with all its negative consequences, than girls who have grown up with the biological father in the home. Fathers can delay sex through two routes. One is a father's authority—it may be hard to restrain adolescent sexual momentum in the heat of the moment, but “My daddy would kill me”

has been known to do the job. The other route may be the father's role as first boyfriend. In early adolescence, girls without fathers have a hole in their emotional lives that they tend to fill with the males who are available—i.e., boyfriends who demand sex.

A third explanation involves the functions that fathers serve for sons. Little boys instinctively pick an older male to idolize, and, given a chance, the person he will choose first is his father. A father who behaves responsibly

toward the mother and gets up and goes to work every day is teaching his son about how a grown-up male is supposed to behave, even if he never says a word about what he is doing. Boys who do not have fathers tend not to learn those lessons. Boys who live in neighborhoods where they do not even have friends with fathers have an even stronger tendency not to learn those lessons.

Lacking fathers, boys will find role models somewhere. For African-American boys in inner-cities, there is a ready substitute in the form of adolescent males who have the most money, the most bling, the most women, and the most attitude—the role models who tell little boys that drugs are cool, crime is cool, living off women is cool, low-paying jobs are demeaning, and that a man is supposed to retaliate immediately and violently whenever he is disrespected. They are not lessons that make for good employees.

Ignore the figures on unemployment and imprisonment among young black males, bad as they are, and consider just this: About a quarter of young black males who are not in prison and not in school are also not in the labor force. Lest it be thought that this number reflects discouraged workers who have given up, the percentage of black males ages 16–24 who are not in school but not in the labor force has risen during the hottest economies. It stood at 21 percent as of 1992, when the national unemployment rate was a high 7.5 percent. In 2000, the year that had the lowest national unemployment rate in three decades, after seven consecutive years of plentiful jobs for low-skill workers, it had risen to 26 percent. Young black



male dropout from the labor force is not a jobs problem. It is a socialization problem.

The aggregate effects of the inherent financial vulnerability of the single-mother household, bad parenting by unmarried mothers, and the lack of fathers mean that the failure to marry plays an important role in producing each year's black poverty statistics. Just how large a role is a matter of debate, but a few basics are undeniable. As long as half of black families with children under 18 are headed by a lone female, and as long as a quarter of young black males who are out of prison and out of school are not even looking for work, the poverty numbers for blacks are not going to come down much no matter how good the economy is and no matter what new social programs the politicians try.

Meanwhile, the poverty-inducing effects of nonmarital births are growing for Latino and Anglo populations. Nonmarital births now account for half of all Latino births and a quarter of all Anglo births. Both figures have risen steadily and show no signs of slowing down.

Income Inequality and Brains

Consider the classic geek. He is 22 years old with a new bachelor's degree *summa cum laude* in mathematics, his fingers dance across a computer keyboard like Vladimir Horowitz's danced across a piano keyboard, but socially he is a klutz. He will never be a success at any career that requires people skills. How is he going to make a living? If the year is 1908, he can become a teacher of mathematics or an accountant who will never rise to management. He will make a modest income all his life. If the year is 2008, employers from microchip companies to quant funds are aggressively recruiting him with offers of big starting salaries, signing bonuses, and stock options. He is likely to be a millionaire before he reaches thirty. Or as Bill Gates once said to a reporter, Microsoft's real competitor is not Apple or IBM, but Goldman Sachs. "I mean the competition for talent," he continued. "It's all about IQ. Our only competition for IQ is the top investment banks."

The story of the mathematics geek is emblematic of much of the story behind increasing income inequality. Over the course of the 20th century, the job market changed in three respects, all of which lead to higher incomes for people lucky enough to be born with high cognitive ability.

First, the proportion of jobs that are screened for high cognitive ability doubled from 1900 to 1950, and then doubled again from 1950 to 2000. By "screened for high cognitive ability," I mean occupations such as engineer, physician, or attorney with advanced educational requirements that can be met only by people with high cognitive ability. For many of these occupations, the proportion of jobs they represented far more than quadrupled over the century. Engineering jobs in 2000 accounted for 12 times the proportion they had in 1900. College and university teaching jobs accounted for 30 times the 1900 proportion. In computer science, the two million jobs that existed in 2000 had no counterpart at all in 1900.

Second, the link between cognitive ability and managerial

jobs not formally screened for cognitive ability also increased. In part, this reflected credentialing—many entry-level managerial jobs that were routinely filled by people with high school educations in 1900 were restricted to people with college degrees by 2000. But the cognitive demands of managerial jobs also increased over the course of the century, as the size of organizations and the complexity of managing their operation increased in tandem.

Third, the dollar value of these jobs in the marketplace, already higher than the value of skilled and unskilled labor, increased disproportionately. For the first half of the century, for example, the average engineer made a little more than twice the income of the average manufacturing employee, and the ratio remained roughly constant. Then, beginning in the 1950s, their incomes began to diverge sharply. By the 1960s, the average engineer made three times the income of the average manufacturing employee. The same thing happened throughout the economy.

The most obvious factor leading to this situation is technology. If a robot can replace a worker with a strong back, pay for strong backs must stay below the break-even point for buying robots instead. Meanwhile, the economic incentives to invent better and cheaper robots generates high-paying jobs for people with the cognitive ability to design robots.

The scale of modern enterprises also makes cognitive ability more valuable. The average revenue of a *Fortune* 500 company increased by 5.5 times from 1960 to 2000 in constant dollars. This increase in scale changes the value of the marginal contribution that a talented employee can make. How much money will a company pay someone who can create an advertising campaign that increases its annual revenue by half a percentage point? If a half a percentage point represents \$63 million (the average for the *Fortune* 500 in 2000), that person is worth a lot more money than he was in 1960, when it represented \$11 million in comparable dollars. Similarly, the scale of the stakes in lawsuits, corporate mergers, and favorable rulings from regulatory agencies have multiplied, and so has the value of people who can increase the odds of getting the right outcome.

Other dynamics are at work too, but they are variations on a common theme: American society is increasingly complex and has ever more money in play. Wealth will gravitate toward those who are best at dealing with complexity. Dealing with complexity is what high cognitive ability is good for.

Controlling rising income inequality in the face of these dynamics is impossible with anything short of 90 percent marginal tax rates, and perhaps not even then. Consider the excoriated CEOs with compensation packages worth tens of millions of dollars even though their companies are losing money. Such CEOs exist, and better rules for corporate governance could probably reduce their incidence. But the trend that underlies these notorious cases, the rapidly increasing ratio of the pay of the senior executive to the pay of the average worker, is not irrational. Exceptionally able managers are correlated with exceptional corporate performance—that's an empirical relationship that Warren Buffet has relied upon to choose stocks

and thereby make his own fortune, and it is the reason that Microsoft's most important competitor is Goldman Sachs. As long as that underlying relationship exists—and there is no way to get rid of it—corporations are going to bid up the price of the most able executives. The richer corporations become, the higher the bidding will go.

Don't look to more and better education as a way of damping rising income inequality. More education of the right kind is useful for almost everyone as a way of raising personal earning potential. But raising skills is not the same thing as reducing income inequality. Another aspect of today's economy is what Robert Frank and Philip Cook have called the "winner take all" phenomenon. To illustrate, suppose the problem were unequal income for cellists, and we were to borrow from John Edwards's "College for Everyone" idea and undertake a "Cellos for Everyone" initiative. It would surely increase the number of proficient cellists. But as long as we can go to iTunes and download any recording of Beethoven's cello sonatas we prefer, we will still download the ones played by Yo Yo Ma and a handful of others at the top of the cellist hierarchy. A Cellos for Everyone initiative may affect who is at the very top, but it will not reduce income inequality among cellists. Similarly, a College for Everyone initiative will not reduce income inequality in the labor force

as a whole. There are many reasons it won't, but the relevant one here is that the most radical increases in income inequality are not driven by differences in education among people at the center of the cognitive bell curve. They are driven by the rising economic value of people at the far right-hand tail.



I should not pick on John Edwards. College for Everyone would be no more ineffectual than the solutions for poverty and rising income inequality that other presidential candidates have proposed. They all depend on assumptions about the nature of the problems that ignore reality. Perhaps the public understands that, which would help explain why those problems barely register on the list of political issues that will decide their votes. An old joke from the Soviet Union had as its punch line, "We pretend to work and they pretend to pay us." We in the United States appear to have reached a similar *modus vivendi* when it comes to poverty and income inequality. The politicians pretend to have answers and we pretend to listen to them. ☆

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Bibliographic Note

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