White House: Plan to end 529 tax benefits 'was a distraction'
Pelosi/Van Hollen: Affluent, liberal districts

Source: US Census Bureau Small Area Income and Poverty Estimates. San Francisco County roughly approximates CA-12 while Montgomery County roughly approximates MD-8.
Income distribution of families with and without College Savings Accounts, 2010

Families with College Savings Accounts
- 47% $150,000 or Higher
- 24% Between $100,000 and $150,000
- 30% Less than $100,000

Families without College Savings Accounts
- 8% $150,000 or Higher
- 9% Between $100,000 and $150,000
- 82% Less than $100,000

Families of dependent college students
- 11% $150,000 or Higher
- 17% Between $100,000 and $150,000
- 72% Less than $100,000

Source: United States Government Accountability Office (GAO), Higher Education: A Small Percentage of Families Save in 529 Plans, GAO-13-64, 2012, Figure 4; NCES, National Postsecondary Student Aid Study, 2012; PowerStats calculations by authors.
“This proposal was targeted at what may be the single most dangerous constituency to anger: the upper middle class - wealthy enough to have influence, and numerous enough to be a significant voting bloc.”
Paul Waldman, *Washington Post*
RICHARD V. REEVES

DREAM HOARDERS

HOW THE AMERICAN UPPER MIDDLE CLASS IS LEAVING EVERYONE ELSE IN THE DUST, WHY THAT IS A PROBLEM, AND WHAT TO DO ABOUT IT
What class are you?

![Bar chart showing the percentage of people in different classes in 2008 and 2014. The chart indicates a significant increase in the middle class between 2008 and 2014.](chart.png)
We are the 99% !! Or not....

Average real household income, 1979-2013

Source: CBO
Note: Income is pre-tax.
Not just the 1% ....

Average real household income, 1979-2013
Sticky ends: relative mobility

Chetty et al. 2014b mobility matrix

Source: Chetty et al. "Where is the Land of Opportunity?"
Sticky ends: relative mobility

Chetty et al. 2014b mobility matrix

Source: Chetty et al. “Where is the Land of Opportunity?”
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Chetty et al. 2014b mobility matrix

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RICHARD V. REEVES

DREAM HOARDERS

HOW THE AMERICAN UPPER MIDDLE CLASS IS LEAVING EVERYONE ELSE IN THE DUST, WHY THAT IS A PROBLEM, AND WHAT TO DO ABOUT IT
Further to fall in U.S.A.
Wealth status across generations

Figure 4.2. The Inheritance of Wealth Status

<table>
<thead>
<tr>
<th>Parents' wealth quintile</th>
<th>Top Quintile</th>
<th>Fourth Quintile</th>
<th>Third Quintile</th>
<th>Second Quintile</th>
<th>Bottom Quintile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bottom Quintile</td>
<td>6%</td>
<td>10%</td>
<td>12%</td>
<td>24%</td>
<td>30%</td>
</tr>
<tr>
<td>Second Quintile</td>
<td>11%</td>
<td>14%</td>
<td>23%</td>
<td>27%</td>
<td>35%</td>
</tr>
<tr>
<td>Third Quintile</td>
<td>18%</td>
<td>22%</td>
<td>21%</td>
<td>14%</td>
<td>27%</td>
</tr>
<tr>
<td>Fourth Quintile</td>
<td>27%</td>
<td>27%</td>
<td>20%</td>
<td>16%</td>
<td>44%</td>
</tr>
<tr>
<td>Top Quintile</td>
<td>44%</td>
<td>25%</td>
<td>25%</td>
<td>16%</td>
<td></td>
</tr>
</tbody>
</table>


a. Net worth quintiles within ages 45-64 (N=1,975); quintile cutpoints in 2013 dollars.
A market meritocracy?

- Upper middle class status is “sticky” across generations
- This is true for income, wealth, etc.
- Why?
- Reason 1: Education and skills
- Reason 2: Opportunity hoarding
A market meritocracy?

- Upper middle class status is “sticky” across generations
- This is true for income, wealth, etc.
- Why?
- **Reason 1: Education and skills**
- **Reason 2: Opportunity hoarding**
Educational status across generations

Figure 4.3. The Inheritance of Educational Status

Source: Author's tabulations of PSID data.
For more elaboration on methodology see "The Inheritance of Education". Available at https://www.brookings.edu/blog/social-mobility-memos/2014/10/27/the-inheritance-of-education/.
Upper middle class = BA
Which college? Depends on your class (social class, that is)

An upper middle class monopoly?

Class divide in college classes

- Harvard University
- UC Berkeley
- SUNY-Stony Brook
- Glendale Community College

Parent Income Quintile

Percent of Students

Top 1%
White House: Plan to end 529 tax benefits 'was a distraction'
Now, back to those 529s...

Thanks, Uncle Sam!

A market meritocracy?

- Upper middle class status is “sticky” across generations
- This is true for income, wealth, etc.
- Why?
- Reason 1: Education and skills
- Reason 2: Opportunity hoarding
Opportunity Hoarding: A Guide

- Exclusionary zoning
- Legacy admissions
- Internship opportunities
The rent is too darned high

Median rents vs. median household income, 1980-2014

Indexed: 1980 = 100

- Household income
- Rents

Source: Census Bureau; BLS; Haver; CEA calculations
Maybe because of this?

The growing regulation of land use

Source: Peter Ganong and Daniel Shoag, "Why has regional income convergence declined?" Hutchins Center Working Paper 21, July 2016, Figure eight.
Hey, what happened to all that space?

Los Angeles – Zoned Residential Capacity Over Time

- 60%

Source: Morrow (2016)
Legacies: “A slight tip”?

<table>
<thead>
<tr>
<th>University</th>
<th>Legacy Admission Rate</th>
<th>General Admission Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgetown</td>
<td>36%</td>
<td>17%</td>
</tr>
<tr>
<td>Stanford</td>
<td>14%</td>
<td>6%</td>
</tr>
<tr>
<td>Yale</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Princeton</td>
<td>33%</td>
<td>10%</td>
</tr>
<tr>
<td>Harvard</td>
<td>30%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Legacy vs. General Admission Rates
Dream Hoarders: So What?

- Reduce unintended pregnancies & births
- Invest in home visiting
- Pay K-12 teachers in tough schools more
- Shift $ from 4-year to community colleges
- End legacy admissions
- Open up internships & work experience
- Curb exclusionary zoning
Make the rich pay! Oh, wait....

Proportion of Respondents

Respondent income
- Under $30K
- $30-49K
- $50-99K
- $100K+

Annual income needed to be "rich"
"The moral indignation of the age [the Progressive Era] was by no means directed entirely against others. It was in a great and critical measure directed inward. Contemporaries who spoke of the movement as an affair of the conscience were not mistaken."

Richard Hofstadter
RICHARD V. REEVES

DREAM HORDERS

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