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The Why, What, and How of Class-Based Admissions Policy

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Why (Now)?

Whether or not traditional, race-based affirmative action policy in college admissions survives decisions like *Fisher v. University of Texas*, an increasing number of scholars have been calling—as of late—for policies to promote socioeconomic diversity on college campuses. The push for class-based affirmative action (for lack of a better term) is only partly a response to the looming threat of an end to the legality of race-based policy (which was predicted to have a twenty-five-year life expectancy by Justice Sandra Day O'Connor back in 2003). A cry for economic considerations in the admission process also arises from mounting evidence that class has become an increasingly salient driver of academic opportunity (and success).

The statistics about increasing class stratification on American campuses are alarming: “The college-completion rate among children from high-income families has grown sharply in the last few decades, whereas

the completion rate for students from low-income families has barely moved.”¹ Moreover, high-income students make up an increasing share of the enrollment at the most selective colleges and universities²—even when compared with low-income students with similar test scores and academic records.³

Class-based admissions policies, then, offer a way to redress this unequal access to selective institutions of higher education while also indirectly tackling racial disparities in attendance and completion in the process. Additionally, class-based policies, if well-designed, can help address some of the criticisms of traditional, race-based affirmative action.

One of the most common criticisms of race-based affirmative action is that, as currently designed, such admissions policies most typically help those minorities who least need it. While prior to the 1970s, race was seen to trump class in determining the life chances for success for the vast majority of African Americans, today it is the reverse pattern that predominates.⁴ Back in 1967, sociologists Peter Blau and Otis Dudley Duncan described the process of stratification in the United States in their landmark book, *The American Occupational Structure*.⁵ In this study, they found that class background mattered little for African Americans vis-à-vis whites. Instead, they described a dynamic called “perverse equality”: no matter what the occupation of the father of a black man (this was a period of low labor force participation for women overall, even if black women did work at significant rates), he himself was most likely to end up in the lower, manual sector of the labor market. Meanwhile, in each generation a small, new cadre of professional blacks would emerge seemingly randomly through a dynamic they described as “tokenism”—that is, family background mattered little in predicting who emerged into the small, black professional class.

By the mid-1970s, however, this dynamic had changed. In 1978, sociologist William Julius Wilson described a black community where class stratification was increasingly rearing its head.⁶ Later work confirmed inter-generationally what Wilson observed cross-sectionally: there were increasing class divisions within the black (and Latino) communities and class background was an increasingly salient predictor of economic success not just for whites, but for minorities as well.⁷

Stanford sociologist Sean Reardon goes so far as to argue that class disparities have eclipsed racial ones, at least in terms of achievement:

The black-white achievement gap was considerably larger than the income achievement gap among cohorts born in the 1950s and

1960s, but now it is considerably smaller than the income achievement gap. This change is the result of both the substantial progress made in reducing racial inequality in the 1960s and 1970s and the sharp increase in economic inequality in education outcomes in more recent decades.⁸

Harvard economist Roland Fryer sums this up nicely in writing that “relative to the 20th century, the significance of discrimination as an explanation for racial inequality across economic and social indicators has declined.”⁹

In short, while there are increasing class divisions within historically underrepresented minority groups, the identity group policies held over from the 1960s treat disadvantaged groups uniformly. The result of an admissions policy that has such a homogenized approach is that the most disadvantaged minorities are not helped, and intra-racial stratification is enhanced. Thus, either in lieu of, or in combination with race-based policies, class-based affirmative action could address these inequalities within minority (and majority) communities.

What Is the What?

Even in light of the compelling reasons for SES-based affirmative action, in order for class-based admissions to address the factors that matter in predicting college attendance and completion while also promoting racial diversity on campus, such policies must be designed correctly. Typically, differences in college going—overall or by institutional selectivity—are shown broken down by income levels. However, this is misleading, since in a fully specified statistical model, income ends up not being significantly predictive. In other words, when scholars or journalists show sizable gaps between income quantiles in rates of college attendance and completion, those income categories are really acting as proxies for the factors about a student’s class background that really matter: parental education and parental wealth.

The Panel Study of Income Dynamics (PSID) is the world’s longest running longitudinal survey of families in the world. It began in 1968, when researchers at the University of Michigan interviewed 5,000 nationally representative families. They then followed—to the extent possible—these families, and the new households formed by split-offs from these original units every year (and as of the late 1990s, every other year). This study, then, offers a unique opportunity to ask how conditions of childhood

predict success in school and beyond. Notably, in 1984, the PSID started asking families not just about their earnings and employment patterns, but also about their assets, debts, savings, and investment patterns.

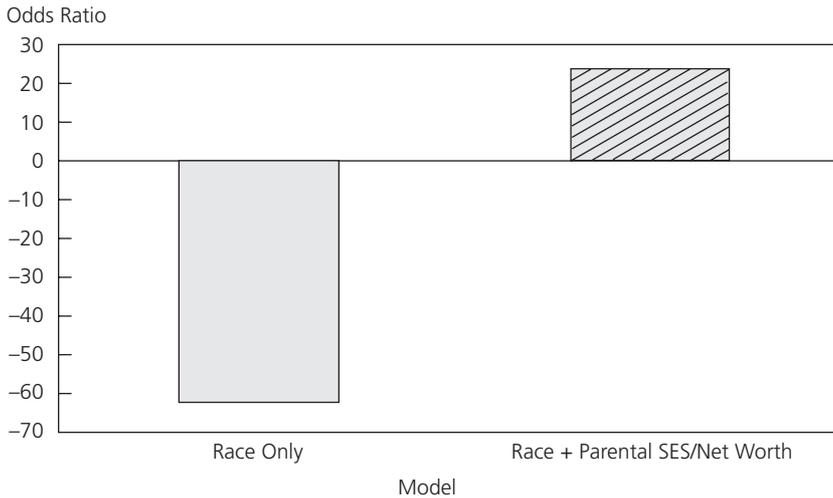
As a result, by following individuals who were children in their parents' households in 1984 as they grow up, finish school, and become adults, we can compare the various factors that predict success in college (and beyond). Further, this generation of offspring is perfectly timed to assess the impact of the Civil Rights triumphs of the 1960s, since they were born shortly after the enactment of those landmark pieces of legislation.

We know that even today black students are much less likely to complete college, but what is driving this? Is it race, parental income, parental education, or wealth? Using a statistical technique called multiple regression, which allows for the comparison of the unique impact of many measured factors while holding constant the others, I found that—surprisingly—parental household income has no net effect on college completion. (I was unable to look at the selectivity of institutions attended, though other researchers are currently addressing this lacuna.) Neither did race, itself, matter (see Figure 16.1); nor did the occupation of either parent. This was amazing, since these were the very same class-background factors typically studied by sociologists of education. It turned out, however, that these variables were merely acting as proxies for what really drove stratification in higher education: parental education and parental net worth.

It is worth pausing to reflect upon exactly what the finding that race per se does not matter to college completion means. It does not suggest that racial discrimination has been vanquished in American society. As I discuss below, the effects of past and current discrimination in the housing market, for example, may well explain why there is a very large racial gap in wealth in the United States. The finding instead suggests that once one accounts for wealth and parental education, the race effect disappears. Race matters for educational outcomes, but it matters indirectly, through its association with wealth levels. Asset inequality is the primary locus of racial stratification, and this equity inequity has ripple effects in other domains critical to opportunity—such as the schooling system.

It should not come as a surprise that—by far—the most important factor in predicting individual academic success is the education of a parent.¹⁰ The advantages of having an educated parent reach all the way back to prenatal conditions,¹¹ on up through early childhood (as measured by the number of words to which children are exposed),¹² all the

FIGURE 16.1. Chances of Completing a Bachelor Degree for Blacks Relative to Whites, Conditional on Finishing High School



Source: Dalton Conley, *Being Black, Living in the Red: Race, Wealth, and Social Policy in America* (Berkeley, CA: University of California Press, 1999).

way to college completion (first generation college students are the most likely to drop out).¹³ That said, upon reflection, it should also not come as a surprise that the only economic factor that mattered was parental net worth (that is, wealth) and not income.

After all, income is, by definition, financial resources that flow into a household or family unit. Most families spend weekly, monthly, or annual income on expenses, consumption, and so on. The structuring of educational opportunity does not happen on a paycheck to paycheck basis. Rather, educational advantages are acquired through major capital investments and decisions. These include, for example, where to purchase a primary residence. Even in the aftermath of the housing crash, equity in the family home (that is, primary residence) still represents the modal form of wealth for American households.¹⁴ Not only does this form of wealth smooth consumption by fixing housing payments (since the typical method of financing in the United States is a fixed rate mortgage),¹⁵ it also correlates highly with local school quality. In fact, school quality is intimately related to housing values, since public schools are financed,

to a great extent, by local property taxes. Second, evidence suggests that parents weigh school quality heavily when choosing where to live (and buy) a home. Indeed, the borders of school districts and catchment areas form sharp discontinuities in housing prices.¹⁶ Finally, the equity amassed in a family home can be accessed in order to finance the higher education expenses of offspring through deployment of a second mortgage, HELOC, or other credit mechanism.¹⁷ Indeed, when, in my analysis, I break out wealth into its component parts (primary home equity, business equity, stocks/bonds, vehicles, and other), I find that primary home equity is what best predicts educational outcomes.¹⁸

In an attempt to parse out when and how wealth is associated with academic success, sociologist Wei-Jun Jean Yeung and I looked at young children's test scores. If the social-psychological, consumptive, and school district effects of wealth were what mattered most, we might see this reflected in test scores. But if it is the educational financing effect that predominates, there should be little to no effect of wealth on these measures of cognitive achievement. When we performed this analysis, we found that indeed wealth predicted math scores among school-aged children (but not reading scores, and not for children before they attended school). "Liquid assets, particularly holdings in stocks or mutual funds, were positively associated with school-aged children's test scores. Family wealth was associated with a higher quality home environment, better parenting behavior, and children's private school attendance."¹⁹ It should also be noted that in this study, there was no net effect of race on test scores. (Though, to be fair, the race gap was eliminated just by controlling for parental education; it was not even necessary to statistically eliminate the racial wealth gap.) Future scholars should assess whether—as we expect—wealth effects on achievement strengthen as children age through the school system.

While parental education is a substantially more powerful predictor than parental wealth (and much cleaner to measure) for both educational achievement (that is, test scores) and attainment (that is, years of completed schooling), it is still worth incorporating parental wealth into any measure of student class background for admissions purposes for at least two, related reasons.

First, to the extent that class-based policies are meant to do double duty as colorblind but racial-diversity-enhancing admissions criteria, wealth does a better job than any other measure of socioeconomic background of serving as a proxy for historically underrepresented minority

status.²⁰ While the income gaps between, for example, blacks and whites, are substantial (on the order of 70 cents to the dollar for family income), they are dwarfed by equity inequity. Today, the typical (median) African American family holds 10 cents to the dollar of wealth compared to the median white family.²¹ Looking at this gap within income categories attenuates it, but it does not come close to eliminating it (income explains about half the race gap in wealth).²² Further, while the income gap between blacks (and other minority groups) has narrowed slightly since the civil rights triumphs of the 1960s, the wealth gap has arguably widened.²³ This may be partly a result of ongoing discrimination in the credit and housing markets,²⁴ but it is also due to the simple fact that wealth does a better job than any other socioeconomic measure in capturing historical legacies. Economists Laurence J. Kotlikoff and Lawrence H. Summers, for example, estimate that up to 80 percent of lifetime wealth accumulation can be attributed to past generations directly (through transfers and inheritance) or indirectly (through the advantages wealth confers or, for example, the fact that those with wealthy parents may not have to go into debt as greatly to finance their educations).²⁵ A more conservative definition of transfers puts the figure at 20 percent;²⁶ splitting the difference leaves us at half.²⁷ Further, through access to more lucrative investment vehicles, the ability to rely on wealth as a buffer to smooth consumption, and the magic of compounding, those with greater wealth to begin with may be able to redouble their advantage over the course of years or decades.

This is indeed the second reason for including wealth: even though its intergenerational correlation is not substantially different than that for income, wealth conceptually captures the legacy of historical inequalities of opportunity better than aspects of class that cannot be literally transferred directly from one generation to the next by signing a check (or a deed or a will).

How? Implementing Affirmative Asset Policies

If one were to decide to design a class-based admissions policy using parental education and parental wealth as the key class measures, how would one operationalize such a scheme? There are significant considerations to both increase administrative efficiency and minimize perverse incentives.

Parental education is easy to record through self-report, the way many social science surveys do. A typical question asks how far a respondent

(or her parent) progressed in school and then assigns numerical values to those categories. For example, a high school graduate with no additional education would receive a score of 12 for having completed grades one through twelve. Someone who was a high school dropout would typically receive a 10. Someone with some college education (including an associate degree) but no bachelor degree would receive a 14, a bachelor or equivalent gets a 16, and graduate education can be coded any number of ways, usually maxing out at 20 (no matter how long the individual actually took to complete their graduate training). Similarly, wealth could be assessed using the same series of questions that are asked in surveys like the PSID or the Survey of Consumer Finances or the Survey of Income and Program Participation. (These questions go through asset classes to prompt recall of various specific holdings rather than asking for an overall figure that may be estimated with more error.)

While a survey-based approach to assessing class background may be useful—and indeed a version of this approach is being applied by the University of California presently—it opens up significant opportunities for malfeasance as well as perverse incentives to hide or minimize assets. The nice aspect of income is that not only is the information being collected by the college financial aid offices, it is also being collected by the Internal Revenue Service, and thus any misrepresentation would not just be to the college but to the government as well, since most colleges require tax forms as a means of income verification. There exists no similar verification system for claims about parental education or parental wealth (or, important to note, for race, which has been taken on faith as accurately and honestly self-reported in the college admissions process). One way to address the education verification question would be to conduct random audits with stiff penalties (such as expulsion) for fraudulent reporting. The probability of audit could be weighted by the parents' income and occupation (as proxies for education) as reported on the included tax returns.

Another concern is that by providing advantages to individuals from families with low education or wealth levels, we might be creating perverse incentives at the parental level since—unlike race—these are not fixed characteristics of parents but can be altered. Parental education has the nice quality that it is most often completed well before offspring are approaching college age and has such a major impact on the lives and opportunities of parents that it is not something that parents might alter in response to incentives from their children's college admissions processes. That is, it is highly unlikely that (future) parents would

substantially cut back on their own schooling in order to provide a marginal advantage to their offspring during their educational careers. This is not inconceivable, however. One way to minimize (though not eliminate) any incentives for parents to forsake schooling would be to measure their education levels at the time of the birth of the child. (Though this, in turn, creates the incentive for individuals to complete their fertility before their education—another outcome that most would agree is not desirable.)

Parental wealth, meanwhile, faces an even greater problem of potential gaming and perverse incentives against savings. For example, since Medicaid has strict asset limits, many families shift assets from one individual to another (or even get divorced) in anticipation of needing Medicaid's long-term care insurance component. Similar shell games may emerge in response to offspring approaching their senior year of high school. However, for parental wealth, we can infer a lot based on a few factors that are less apt to be gamed.

First, we can measure the median housing value of a community in which a student was raised. This has been shown to be a very good proxy for individual wealth level. If it were measured for all years from birth, the incentive to move to a poor value neighborhood just during the period preceding college applications would be minimized. Second, other forms of wealth can be ascertained or imputed through property tax records, estate tax records, and schedules A through D of the Federal Income Tax return. While these individual-level measures could theoretically be gamed, to the extent that they are measured over multiple years (as with the address of the applicant) this minimizes such potential threats; and when combined with the neighborhood level measures, such a risk is further minimized.

Wherefore? Concluding Thoughts

From a strictly scientific perspective, we cannot know for sure whether parental wealth—or income or education, for that matter—are actually causal in determining children's educational outcomes. The studies that show income gaps in college attendance and completion, or those (including my own), that show parental education and wealth as strongly associated with offspring attainment are all based on observational—not experimental—data. There is no good natural experiment (that is, instrumental variable or regression discontinuity) to assess the true causal effects of wealth in the United States (though there is some evidence that

parental education is truly causal thanks to studies of compulsory schooling law changes). This limitation should not stop us from rethinking admissions policies, however.

If the goal is give a leg up to certain groups who tend to have poorer education outcomes, we want to use the measures of disadvantage that are most strongly associated with inferior educational careers—regardless of whether the mechanism driving that correlation is causal or if it is merely reflecting unobserved heterogeneity. If the mechanisms described above are truly causal then we can expect a bigger bang for our buck, so to speak. That is, if parental education, for instance, does *cause* offspring attainment, then boosting the most educationally disadvantaged students of one generation will indeed translated into positive gains for their children as well, thereby reducing the “work” need to be done in the next generation. But if, instead, education level is merely acting as a proxy for other, unobserved factors, we will need to keep applying preferential admissions to rectify whatever that unobserved factor is anew each generation. That is, we gain more efficiency and longer-term effects in our policies by getting the causal story right.

These causality concerns aside, we must be cognizant that, as we implement these policies, the very predictors on which they were based may change. That is, if we implement SES-based admissions policies, the effect of parental SES may then vanish. This is the point and goal, of course. But it also means that race may assert reassert itself through other channels. After all, this is the America that replaced slavery with Jim Crow, and Jim Crow with a number of other racially oppressive policies—all the way up to the mass incarceration system of today. Even if we do not solve the race question forever, constant fiddling with efforts to address it is still well worth the effort.