

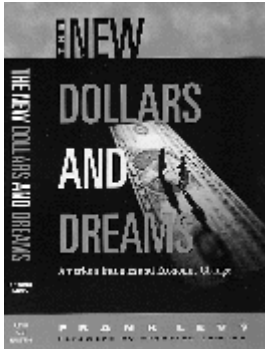
BOOK REVIEWS

The New Dollars and Dreams: American Incomes and Economic Change

by Frank Levy

Russel Sage Foundation, 256pp \$39.95 cloth; \$16.95 paper

Reviewed by [Sylvia Nasar](#)



Inequality has become something of a growth industry. Dozens of books on income disparities—from *The Bell Curve* by Richard Herrnstein and Charles Murray to *The Winner-Take-All Society* by Robert Frank and Philip Cook—have appeared in the past few years. The latest is *The New Dollars and Dreams* by Frank Levy, a labor economist at the Massachusetts Institute of Technology.

As the title implies, Mr. Levy's new book is a sequel. *Dollars and Dreams*, published a decade ago, argued that the living standards of average Americans fell in the 15 or so years following the 1973-74 oil crisis. The new version retreats from the original thesis that Americans were trapped in "a quiet depression." This characterization, Levy now concedes, was "excessive." After all, consumption per person rose faster in the 1970's and 1980's than during the Eisenhower years. While the economy didn't grow as rapidly, Americans worked harder and (with the help of credit cards and home equity mortgages) managed to boost their spending by more than one third in each decade.

These days the economy is perking along about as well as it did in the good old days of the 1960's. Inflation and unemployment are back to pre-oil-shock levels. Productivity growth has recently edged back up to long-run historical trends (1.6 percent), and the real wages of most workers have been growing briskly.

However, Levy has another bone to pick: the widening gap between rich and poor. That gap shrank from the 1930's through the 1970's, but has been growing for the past 20 years. The top 5 percent of families captured 20.3 percent of the nation's income in 1996, up from 15.3 percent in 1979. The bottom 20 percent, meanwhile, saw their share fall by one-fifth – from 5.4 percent to 4.2 percent. If the trend toward greater income inequality continues, writes Nicholas Lehmann, the respected chronicler of social economy, "we may be seeing the emergence of the kind of hard class system that has never existed in this country."

The chief culprit, argues Levy, isn't one of the popular suspects – the shift to service jobs, globalization or the Reagan tax cuts – but the Computer Age itself. For two decades, the demand (and hence, pay) for less skilled, less educated workers has grown much more slowly than for the highly skilled and educated. The trend is remarkably pervasive and stretches across industries, occupations and countries. "People with no more than high school education are frequently viewed as downscale in both commercial and social terms," writes Levy, and "many of today's older workers have not seen significant income gains over their careers."

Levy does link some of the increase in inequality to Washington's liberal stance on welfare and crime. He singles out Great Society policies that gave states incentives to expand welfare caseloads and to make dependence a more acceptable condition. This, he argues, made it possible – and socially permissible – for young, single women to have babies. In addition, he cites research tying the explosion of crime in the 1960's to the collapse of both work opportunities and the work ethic among young black men.

None of Levy's points are especially new. But his evenhanded, careful and concise summary of what economists know about the changes in income distribution over the past 20 or so years is still very useful.

He fails, however, to buttress his claim that the current degree of inequality – as distinct from the phenomenon of an entrenched underclass – is a major problem for the country. True, incomes are less equal than they were in 1947 or in 1977. But they're far more equal than they were in the 1920's. Income disparities have widened, but other kinds of inequality – between men and women, blacks and whites – have narrowed dramatically. Many Americans, surely, would choose to live with today's income distribution over the one that prevailed a half century ago.

It's also true that a smaller fraction of families have "middle class incomes," which Levy defines as \$30,000 to \$80,000 a year. However, a much larger fraction share the goals of the middle class – college attendance, work, home ownership – and fewer seem stuck in a culture of poverty, crime and dependency. Which is more important?

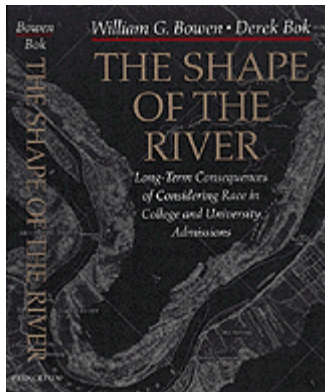
In short, Levy's honest and balanced presentation of statistical evidence – as well as the economy's recent performance – keeps getting in the way of the story he's trying to tell. He concedes that if productivity continued to grow at its recent pace and the "skill bias" in favor of educated workers stopped widening, inequality would no longer be so problematic.

What he really fears is "the reduction of common interests." He's referring not to middle class behavior and beliefs but to the decline of the social welfare state. The welfare state, Levy argues, is based on the notion of "there but for the grace of God." If the haves no longer identify with the have-nots, they may no longer support programs that compensate the economy's losers. That, in turn, he suggests, could give rise to a new, destructive, class politics in which less favored Americans abandon pro-growth, free-market policies.

Again, though, Levy's facts don't justify his fears. The welfare state seems in no danger of withering away; government payments to individuals are a higher share of national income than ever, and reforming public education and Social Security are among voters' top concerns.

Read *The New Dollars and Dreams* for its crystal-clear analysis of where we are and where we have been. Take the jeremiad about where we are going with a grain or two of salt.

SYLVIA NASAR, a reporter for The New York Times, is the author of *A Beautiful Mind* (Simon and Schuster).



**The Shape of the River:
Long-term Consequences of Considering Race in
College and University Admissions**

by William G. Brown and Derek Curtis Bok
Princeton University Press, 472pp., \$24.95

**A Hope in the Unseen:
An American Odyssey from The Inner City to the
Ivy League**

by Ron Suskind
Broadway Books, 372pp., \$25.00

Reviewed by [Rebecca Ford](#)

Esteemed dons during Camelot and the chaotic 1960's, William Bowen and Derek Bok later became the presidents of Princeton and Harvard respectively – the very symbols of progressive Atlantic gentility. Bowen is now the president of the Andrew W. Mellon Foundation, while Bok is professing at Harvard's Kennedy School of Government. Their new book, *The Shape of the River*, is built around Mellon's vast database, which was used to track some 80,000 undergraduates who entered 28 academically selective colleges in the autumns of 1951, 1976 and 1989.

The title is taken from Mark Twain's *Life on the Mississippi*: "You've got to know the shape of the river perfectly. It's all there is left to steer by on a very dark night." It reflects the writers' belief that an individual's education, career and place in the community follows something more like the winding course of a river than a smooth passage through a pipeline.

For a generation, debaters on affirmative action have relied on anecdotes to make their cases. Bowen and Bok use statistical methods to examine the admission and performance of black students at selective colleges and the impact of that experience on their lives. Multivariate regressions allow the researchers to examine individual factors – earnings, test scores, graduation rates, post secondary degrees, civic participation – not to mention satisfaction with college and interaction with members of other races.

This journey begins with the admissions minuet. Most colleges do not have affirmative action programs because they do not have enough applicants from which to pick and choose. Only about one-fifth, with distinguished academic programs, have this luxury.

Selecting the members of an incoming class in an Ivy League school, it seems, is like planning a party. Adequate grades and SAT scores are required, but the applicant must also bring some distinctive trait to the table. The most sparkling students are wanted – a group in which each member will enhance the experience of the others. To survive the initial screening, an applicant must surmount the relatively modest threshold of demonstrating an ability to graduate. After this first cut, though, the going gets tougher: Schools weigh promise of academic excellence, diversity of backgrounds and talents, likelihood that the applicant will make a special contribution to a profession or to society. Institutional continuity counts, too, with preferences for alumni and faculty. With a surfeit from which to choose, schools turn away applicants whose profiles are

very similar to those admitted.

Preferences for blacks appear to have minor impact on white applicants. Indeed, Bok and Bowen found that if race-neutral policies had been applied, a white applicant's probability of admission to the colleges surveyed would have risen from 25 percent to just 26.5 percent. On the other hand, African-Americans admitted per class would plummet from 6.8 percent to 2.4 percent.

Why, then, the heated debate over a paltry 1.5 percentage points? Thomas Kane, an economist at the Kennedy School, offers the analogy of handicapped parking: "Eliminating the reserved space would have only a minuscule effect on parking options for non-disabled drivers. But the sight of the open space will frustrate many passing motorists who are looking for a space. Many are likely to believe that they would now be parked if the space were not reserved."

What of the argument that blacks admitted to selective institutions as a result of preferences are penalized by the stigma? Only a small percentage of black matriculants interviewed, including dropouts and transfers, expressed dissatisfaction with their experience. Moreover, neither black nor white students whose academic credentials were below average later paid a penalty in terms of success in the marketplace. Everyone, it seems, benefits from an elite education.

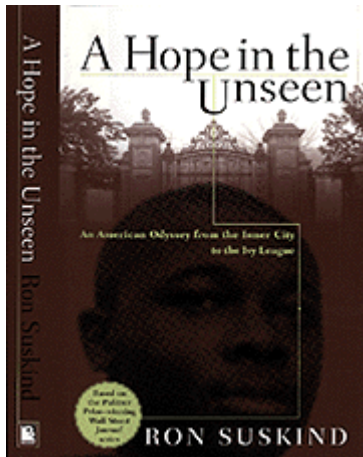
In the end, the best advice for blacks and whites is to get good grades. Household income was found to be the greatest predictor of life satisfaction for all participants, and grades had the most powerful independent effect on annual earnings. Bok and Bowen's research confirmed the earnings gaps between men and women, blacks and whites. Nevertheless, the authors found that "the large premium associated with doing well academically, like the premium associated with attendance at the more selective schools, is unaffected by the introduction of controls for SAT scores, socioeconomic status, type of school attended, field study, advanced degrees held, and sector of employment."

The authors' most surprising finding was that the college grades of minorities, especially blacks, is significantly lower than their standardized test scores would predict. More startling yet, African-Americans who would have been admitted under a race-blind policy perform the farthest beneath the level predicted by pre-college testing. Some, I would argue, are demoralized by subtle prejudice: the "Iago effect" of consistent negative feedback based on assumptions about a group can become self-fulfilling prophecy.

In an environment in which overt racial animus is largely absent, racial preferences that exclude blacks, not the ones that include them, can be most demoralizing. Although written in a very different context, Jean Paul Sartre's words apply: "[H]e never encountered any particular resistance; people seem, rather to be in flight before him; an impalpable chasm widens out, and, above all, an invisible chemistry devalues all he touches."

The Shape of the River uses quantitative analysis to show that the benefits of affirmative action admissions outweigh the costs. *A Hope in the Unseen* adds human dimensions to the argument.

Ron Suskind, a writer for the *Wall Street Journal* won a Pulitzer Prize for two long articles he wrote on the high school years of Cedric Jennings. Suskind first



met Jennings in 1994, when he was a junior at Ballou High School in Washington, D.C. The book that grew out of the articles incorporates the high school material and follows Jennings through his first year at Brown University.

At Ballou, Jennings is harassed for his academic achievement. If he changed, he would be accepted – no question. Other once-achieving black males have successfully reaped social acceptance by repudiating academic performance. When this line is crossed, however, it's not clear one can step back.

Despite his abysmal SAT scores, Jennings gets early admission to Brown University. Brown admits its share of affirmative action candidates, then leaves them to sink or swim. Jennings sinks – but rises again to the surface.

Suskind helps us to understand Jennings by providing fleshy profiles of the dozen or so people who touched his life in important ways. Indeed, the book reads like a college dorm episode of the *Real World* MTV series, with Jennings the star of the show.

At Brown, the value and reward system is the opposite of everything he has been taught. At home, he lived monastically, buoyed by faith that God would reward his self-sacrifice and clean living. At Brown, he is surrounded by contemporaries who are drinking, drugging and fornicating – and still running circles around him academically.

Jennings isn't entirely alone, though. He has a guardian angel, Donald Korb, a contact lens mogul in Boston who discovered Jennings through the *Journal* articles. Korb sends Jennings an allowance, pushes him to a writing tutor and even gives Jennings a seersucker suit to wear to his summer job. (The gesture is lovely but, of course, no self-respecting 17-year-old wears seersucker in southwest Washington.)

A highlight of the book is Jennings' relationship with Zayd Osceola Ayers Dohrn. Selective schools seek students with extraordinary backgrounds who will expose others to new experiences. And Zayd Dohrn is almost a caricature of their dream candidate.

Dohrn is the son of two Chicago college professors. Not just any professors, but Bernadine Dohrn and Billy Ayers, leaders in the 1960's of the revolutionary splinter of the Students for a Democratic Society called Weather Underground. In watching these two young men interact, it becomes clear that Jennings is there for Dohrn to sharpen against, not just the other way around.

By the end of the book Jennings is well along to resolving his ambivalence about leaving his former life behind. If Bowen and Bok are right, it's likely he will graduate, attend graduate school and look back at college as a positive experience. He will earn more than comparably gifted black men from less selective institutions – but not as much as the white guys. Projecting this young man's prospects seems easy enough, but the million curves and variations of

shape in the banks and shoals of Jennings life have yet to be fathomed.

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