HOW INEQUALITY WORKS

THE PUBLIC POLICY BARRIERS TO SOCIAL MOBILITY IN URBAN AMERICA

BY JOSH ANDERSON

NOVEMBER 2025

FutureEd
Independent Analysis, Innovative Ideas

About the Author

Josh Anderson is a FutureEd senior fellow.

About FutureEd

FutureEd is an nonpartisan, solution-oriented think tank at Georgetown University's McCourt School of Public Policy, committed to improving opportunities and outcomes for traditionally underserved students in the nation's schools and colleges. Follow us on Twitter at @FutureEdGU

Usage

HOW INEQUALITY WORKS

THE PUBLIC POLICY BARRIERS TO SOCIAL MOBILITY IN URBAN AMERICA

TABLE OF CONTENTS

Foreword

While education is a powerful engine of opportunity, it is increasingly clear that it typically can't overcome the broader barriers that shape many children's lives. Too often, gains in one social sector are offset by new challenges in other sectors. Policies in education, housing, healthcare, and other social sectors interact in ways that hold students in poverty, diminishing their life chances. As a result, social mobility remains out of reach for many Americans.

Yet for decades, policy solutions have been siloed—educators tackling education problems, housing experts implementing housing initiatives—without fully accounting for how progress in one area can be undermined by obstacles in another.

FutureEd is launching an initiative to highlight this important but largely neglected barrier to social mobility and to provide policymakers with strategies to address it. This report, *How Inequality Works: The Public Policy Barriers to Social Mobility in Urban America*, is the first product of that effort. Researched and written by FutureEd Senior Fellow Josh Anderson, it explains how policies in seven sectors of public life perpetuate inequity and it explores how disadvantage compounds over a lifetime. Drawing on decades of social science research, the report lays the foundation for FutureEd's forthcoming work to give civic leaders the ability to create customized strategies for promoting social mobility in their neediest communities.

This work should be seen as a call for more comprehensive strategies for fighting poverty and promoting social mobility, not as a way for educators to absolve themselves of the hard work of teaching low-income students to high standards. High-quality education is a key driver of social mobility. Without it, students' life chances are diminished. But policymakers can move students further, faster, and help them be more economically successful later in life by abandoning today's siloed policy solutions in favor of strategies that address poverty from multiple directions—introducing reforms in education, healthcare, housing, and other sectors simultaneously.

Accompanying the report are analyses of policy trends that have intensified inequality since World War II and political barriers that have impeded social mobility.

FutureEd Senior Policy Analyst Bella DiMarco managed the publication of the package. Molly Breen lent her considerable editing talents to several drafts. Merry Alderman designed the reports. Policy Analyst Tara Moon provided editorial support.

We're very grateful to Crown Family Philanthropies, Finnegan Family Foundation, Gates Foundation, the Keiser family, and the Mansueto Foundation for supporting the social mobility project.

Thomas Toch
Director, FutureEd

It's no secret that talent is widely distributed in the United States but opportunity is not. Research has demonstrated that if a large population of children passes through an unequal set of social and economic systems, the children who receive better opportunities will have better outcomes. While there will always be outliers, the aggregate results will reflect the distribution of advantage, not ability.

And strikingly so. In a 2014 study by Harvard economist Raj Chetty and colleagues, children from families in the bottom fifth of the nation's income distribution had a less than 30 percent chance of meeting or exceeding the national median income, and only an 8 percent chance of reaching the top fifth. In contrast, their counterparts from families in the top fifth of the distribution had a greater than 70 percent chance of reaching the national median income and a 37 percent chance of remaining on the top rung as adults.[1] The two groups' odds of success are a mirror image of one another.

Race compounds the price of poverty. A later Chetty study compared Black and white children from households in the bottom income quintile. Black children had a 63 percent chance of exiting the bottom fifth as adults and a 3 percent chance of reaching the top fifth. But their white counterparts had an 71 percent chance of escaping the bottom quintile and an 11 percent chance of making it to the top.[2]

These disparities in social mobility do not only damage families trapped in poverty. Economist Heather Boushey, a senior research fellow at the Harvard Kennedy School, notes that a failure to invest in the talents of young people lowers workforce participation, reduces life expectancy, and undercuts long-term economic growth.[3] Lack of social mobility also erodes public faith in the fairness of institutions. As political scientists Jacob Hacker and Paul Pierson have argued, when ordinary working Americans begin to see the nation's political and economic systems as rigged in favor of the "haves," they stop believing that traditional politicians will be responsive to their needs. They become less inclined to participate in the political process, further reducing their level of political representation in a cycle that undermines democracy.[4]

The policy world's response has been largely siloed: educators work on education reforms, housing experts propose housing solutions, and so on, with little or no coordination, much less an understanding of how remedies in one sector interact with those in another. For decades, education policymakers have sought to improve opportunities and outcomes for low-income students and students of color through higher standards, a stronger teaching force, and other strategies. Yet achievement gaps have remained stubbornly wide. Even when an intervention works, the long-term results are often discouraging. Improvements in student achievement in high-poverty elementary schools often fade out by the time students reach high school or after they graduate. Early educational gains do not reliably translate into college graduation, good jobs, and other markers of social mobility.

> **Diverse barriers to social mobility conspire to hold students in poverty, diminishing their life chances. Single-sector solutions simply aren't sufficient to make sustainable differences in students' lives.**

Why not? To a significant degree because gains in one social sector are often offset by new challenges in other sectors that resource-stretched individuals and systems cannot absorb. The superintendent of a large urban district makes ambitious plans to improve attendance only to run up against the reality that over 12 percent of the district's students are unhoused; the counselor at a community college matches a talented returning student with a prestigious apprenticeship program only to watch the student drop out to care for a sick family member; the high-achieving, first-generation college student graduates into a depressed job market and is forced to accept a low-paying job with lasting consequences for their earning potential and lifetime wealth, while more affluent peers head to graduate school to burnish their credentials and wait for conditions to improve.

In these and myriad other ways, diverse barriers to social mobility conspire to hold students in poverty, diminishing their life chances. Single-sector solutions simply aren't sufficient to make sustainable differences in students' lives.

This report examines this fundamental but under-addressed driver of poverty in the United States. Drawing on a wide range of social science research, it describes how policy mechanisms in seven key social sectors—housing, health care, education, employment, banking/consumer credit, criminal justice, and the social safety net—interact to undermine opportunity for low-income students and how disadvantage builds over a lifetime.[5] The goal is to offer a schematic of inequality—a map of the policy drivers of advantage and disadvantage in America, their origins, and the political forces that sustain them. It provides the foundation for a forthcoming second report, "How Opportunity Works: A New Strategy for Driving Social Mobility," that presents a model for promoting substantial and sustainable improvements in social mobility.

The Architecture of Inequality

How does disadvantage play out in the major arenas of daily life, and how does it build over a lifetime? At the individual level, differences in outcomes are explained by genes, environment, and luck. But at a group level, individual variation washes out and differences in outcomes are explained by systematic differences in environment. The best way, then, to understand different group outcomes is to look at the varying ways that different racial and economic groups encounter the major social sectors of housing, health care, education, employment, banking/consumer credit, criminal justice, and the social safety net, and identify the policy mechanisms that cause the disparities. Other systems also matter, such as transportation, but these seven play an outsized role in the lives of most people. Here's why.

Housing

A host of factors in the housing sector increase costs, depress home ownership, and undermine the building of home equity in low-income neighborhoods.

When it comes to housing, low-income families pay more for less. For a greater outlay as a share of income than their more affluent counterparts, they receive less living space in a neighborhood with fewer basic amenities, including grocery stores, green space, and easy access to mass transit. What they get more of are building repairs, neighborhood poverty, and crime. Nearly half of low-income families are "rent burdened," meaning that more than 30 percent of their income goes towards rent or mortgage costs. This leads to frequent evictions and moves.[6]

Zoning laws make it hard to build affordable housing outside of already poor areas. This leads to a long-standing and predictable pattern of investment in more affluent areas and disinvestment from poorer areas. As a result, the supply of affordable housing is constrained and prices are high.[7]

Construction costs have outpaced inflation over the last few decades. Extended approval and permitting processes as well as more expensive materials, supply chain disruptions, and labor shortages have all increased prices and decreased housing supply.

> **When it comes to housing, low-income families pay more for less. For a greater outlay as a share of income than their more affluent counterparts, they receive less living space in a neighborhood with fewer basic amenities, including grocery stores, green space, and easy access to mass transit.**

As Princeton sociologist Matthew Desmond explains in *Evicted*, his Pulitzer prize-winning study of Milwaukee families facing eviction, low-income rental markets are rife with exploitation, as a dearth of units and lax regulation have allowed landlords to spike rents and under-deliver on maintenance and repair.[8] At the same time, lower-income borrowers typically pay a higher interest rate for home credit because they're deemed riskier borrowers. Overall, poorer households are less likely to own their homes and, when they do, they realize lower returns on home ownership when they sell.[9]

America's contemporary housing landscape did not emerge by accident. Federal and local policy designed to racially segregate urban and suburban communities throughout the 20th century was highly effective. And a built environment by its nature endures, allowing historical drivers to define today's urban landscape.[10]

Health Care

In the U.S. health-care system, low-income families use fewer health services, receive lower quality care, and have worse health outcomes than their more affluent counterparts.

The current structure of American health insurance—a fragmented system of private and public options heavily reliant on employer-provided insurance—is the biggest driver of unequal care. Despite major gains in coverage under the Affordable Care Act, millions of Americans remain uninsured. Cuts to health-care spending just signed by President Trump are expected to result in almost 12 million people losing Medicaid coverage and an additional five million losing health insurance through their Affordable Care Act plans.[11]

Predictably, the uninsured ration their health care, often foregoing preventive services and accessing emergency rooms when issues become acute. Even for the insured, different tiers of coverage determine who patients can see and what they pay for care. To paraphrase health economist Uwe Reinhardt, U.S. health care is rationed based on patients' ability to pay.[12]

That, in turn, largely determines the quality of care patients receive. Hospital systems and physician practices focus on differing "payer mixes." At one end of the system, top hospitals rely mainly on patients with premium insurance plans, while at the other, public hospitals serve patients on Medicaid and the uninsured. Payer mix drives everything from the quality of the provider's physical plant to the age and quantity of medical equipment, doctor-patient ratios, and physician compensation. In every way, better insurance leads to better care, creating what Nobel Prize-winning economist Angus Deaton and fellow economist Anne Case call an income-based apartheid system of health care.[13]

> **In every way, better insurance leads to better care, creating what Nobel Prize-winning economist Angus Deaton and fellow economist Anne Case call an income-based apartheid system of health care.**

The high cost of health care in America exacerbates inequalities in three ways: 1) As it becomes more expensive to offer coverage, the gaps widen in the quality of care available to people based on their ability to pay; 2) employers have a strong incentive not to provide health benefits, so they don't extend them to more vulnerable workers; unsurprisingly, the jobs available to less-educated workers are more often part-time and lacking benefits;[14] and; 3) total public spending on health care—dramatically higher in aggregate for a fraction of the coverage consumers receive in other advanced democracies—crowds out spending on other poverty-fighting measures.[15]

Education

Low-income children, especially children of color, are less likely than more affluent peers to be enrolled in early childhood care and education centers; they are more likely to attend K-12 schools with fewer resources and greater student need; and, if they pursue post-secondary education, they are much more likely to attend resource-constrained community colleges. Indeed, less than 8 percent of students at the nation's top 500 colleges and universities come from families in the bottom quartile of income, excluding the vast majority of low-income students from these resource-rich private and public institutions.[16]

Head Start and state preschool programs are designed to fill the gap in access to early childhood education but fall far short: more than half of low-income children do not attend center-based preschool. As a result, family resources determine the quality of care and education very young children receive, contributing to significant class- and race-based achievement gaps by age five.[17]

Once a child enters the K-12 system, family income continues to influence educational opportunity. In the U.S., K-12 funding draws significantly on property taxes, which means family income and neighborhood wealth strongly influence school resources. Schools in affluent communities have more resources; schools in low-income communities have fewer. Further, local education officials establish their schools' attendance boundaries, allowing them to further shape school enrollments by race and class.

As a result, despite efforts by states and the federal government to direct more resources to under-funded schools, the nation routinely spends less educating low-income students than others.[18] In the Chicago area, for example, the wealthy suburb of Winnetka spends in excess of $30,000 per student per year while the working-class suburb of Harvey spends roughly $18,000.[19]

Well-resourced schools in affluent communities can afford to pay top tier teachers, while those in low-income communities struggle to retain skilled staff. Under-resourced schools are also more likely to have outdated instructional materials, older equipment, and a constricted curriculum. The impact of these disparities intensifies the higher the concentration of low-income students in a school. Many students have greater needs in such schools and so already lower funding levels must be stretched even further, Harvard political scientist Robert Putnam has noted. Resource gaps between rich and poor students, as a result, are often larger than they seem.[20]

The sorting of education opportunity by race and class continues in the post-secondary system. Elite private institutions and state flagships are available to mostly affluent students because of their high cost. Only 3 percent of students at the top 150 colleges come from families in the bottom quartile of income. A second tier of less selective public universities and private colleges serves primarily middle-class students. And non-selective community colleges and for-profit colleges are the destination of more than 80 percent of low-income students in higher education.[21] Family income is the most powerful predictor of where a student attends college.

> **Despite efforts by states and the federal government to direct more resources to under-funded schools, the nation routinely spends less educating low-income students than others.**

And as labor economists and higher ed experts Anthony Carnevale, Peter Schmidt, and Jeff Strohl report in *The Merit Myth: How Our Colleges Favor the Rich and Divide America*, students in higher education's different sectors have vastly different resources available to them: Elite schools spend 50 percent more per student per year than second-tier institutions and 300 to 500 percent more than community colleges, which often lack sufficient local and state funding to provide high-quality programs.[22] In reality, the post-secondary system reflects and reinforces social inequities far more than it offers young people opportunities to transcend them.

Employment

Low educational attainment has devastating consequences for employment. In the current U.S. labor market, workers without a bachelor's degree face low wages, high job instability, limited access to benefits, and minimal pathways to advancement.[23] So precarious are the lives of the least educated and lowest earning Americans that political scientist Kathleen Thelen has dubbed them "the American precariat."[24]

How did this happen? Global trends have reshaped the American employment landscape over the last half century. Globalization has brought more and cheaper goods into the U.S. market but also contributed to the loss of U.S. manufacturing jobs. More significantly, technological change has led to the automation of many manufacturing and agricultural jobs. As a result, employment of less educated workers has shifted away from extracting and harvesting natural resources and, later, manufacturing to the lower-paying service sector, where workers drive for Uber, prepare fast food at McDonald's, and restock clothing at Target.

This shift coincided with a change in how businesses are structured. In the late 20th century, the largest American companies were conglomerates employing many workers across multiple industries. It was plausible (if uncommon) that an employee could rise from the mailroom to the C-suite. Today, the largest companies have smaller, almost exclusively college-educated payrolls and use specialized subcontractors for food and janitorial service, call centers, etc. This arrangement excludes less-educated workers from the rewards of working for highly profitable large companies, chief among them access to company health and retirement plans, not to mention the opportunities of a career ladder. The subcontractors that do hire less-educated workers, University of Virginia political scientist Herman Mark Schwartz points out, often operate on razor thin margins in order to offer the cheapest possible services, resulting in low wages and no or very limited benefits.[25]

The last 25 years also have seen American industry grow more concentrated, with fewer firms overall and fewer new businesses in many markets. Fewer, larger firms means the firms have more scope to set wages instead of responding to the wage demands of a competitive labor market. This leads to a gap between the value a worker offers and the pay that worker receives. Estimates put this gap, or labor “markdown,” at 15 to 20 percent.[26] With private sector union representation in freefall—from 30 percent participation in 1955 to 6 percent today—low-, moderate-, and middle-wage workers have little bargaining power.[27] The economist Thomas Phillipon argues that the government has a vital role in ensuring free markets to help ensure workers are paid their full value; as it is, monopoly power, deregulation, and lax enforcement have led to distorted markets that harm workers and inflate employers’ leverage.[28]

On top of these challenges confronting less-educated workers, people of color face an additional barrier: workplace discrimination. Many studies have shown that identical resumes from applicants with different racial identities receive different treatment.[29] Black and Hispanic workers, in particular, receive fewer invitations to interview, fewer job offers, and once employed, make less for equivalent work.[30] While these practices may be unconscious on the part of employers, the results are no less destructive. Lax enforcement of anti-discrimination laws has allowed these practices to flourish, a problem likely to intensify under the Trump administration’s opposition to diversity, equity, and inclusion policies.

Overall, the history of employment in the United States over the past 50 years has been a story of policy drift—many of the present harms faced by vulnerable workers are the consequence of inaction rather than deliberate policy choices.

Overall, the history of employment in the United States over the past 50 years has been a story of policy drift—many of the present harms faced by vulnerable workers are the consequence of inaction rather than deliberate policy choices. As the world of work changed, the U.S. never mounted a sufficient policy response to protect working people. Union laws, for example, didn’t keep pace as American jobs moved out of factories and into stores. They continued to require that workers be organized by job site, even as it became vastly more difficult and costly to organize workers across 30,000 Starbucks stores than across 10 Ford factories.[31] And beginning in the 1980s, the nation backed away from anti-trust enforcement for several decades, further diminishing workers’ ability to win fare wages.

Nor has the nation developed a workforce upskilling policy on par with those of peer nations. Germany, Sweden, and Denmark, for example, all spend double or more what the U.S. spends in skill development for workers over the course of their careers.[32]

Banking/Consumer Credit

Basic banking services that many people take for granted, such as check cashing, debit cards, bill pay, and money transfers, can be prohibitively difficult for low-income households to access. High fees and minimum balance requirements in the traditional banking sector lead many low- and moderate-income people to fringe banking options for their most basic financial transactions, where they pay a premium to access and move their money. These fringe providers (familiar as payday lenders, among others) also supply short-term credit needs—along with exorbitant interest rates and fees. Small-dollar loans (less than $2,500) are especially common due to employment instability and income disruptions, unexpected expenses (including health expenses), and the lack of a basic savings cushion. As a consequence, low-income families spend 10 percent of their income, on average, on financial transactions, an astonishingly high figure.[33]

Access to banking services used to be more affordable for low- and moderate-income families because the United States used to regulate banks as if they were public utilities. Most people were served by regional banks, which had an obligation to serve all members of their communities. In the 1980s and 90s, however, a wave of deregulation led to the dramatic consolidation of the commercial banking industry. Today, five national banks hold 80 percent of all deposits, and these providers strategically focus their business on higher margin, less risky customers; they have few incentives to take on lower-income, higher-risk customers.[34]

> **[Recent] steps haven't resolved the basic structural problem at the core of U.S. banking: low- and moderate-income households lack adequate access to basic services and are pushed into costly non-traditional alternatives to meet their needs.**

In recent years, many states have taken action to regulate fringe banking providers, while Community Development Financial Institutions have stepped in to support markets that large banks exclude. But these steps haven't resolved the basic structural problem at the core of U.S. banking: low- and moderate-income households lack adequate access to basic services and are pushed into costly non-traditional alternatives to meet their needs.

Criminal Justice

Low-income teenagers and young adults are more likely to be victims of or involved in property and violent crime than their more affluent peers. They are equally likely to use drugs and are less likely to sell drugs than these same peers.[35] Yet across all categories of crime, they are dramatically more likely to be arrested, charged with a crime, charged with a serious offense, sent to prison, given a longer prison sentence, and harmed by the stigmatization and exclusions that come with a criminal record.[36] These outcomes are magnified significantly for low-income Black teenagers and young adults.[37]

Barriers to fair and secure education, housing, employment, and banking opportunities all contribute to these unequal outcomes for young people growing up in communities of concentrated poverty. With less opportunity to develop their human capital, lower earnings prospects, higher economic strain, and higher exposure to criminal activity, it is hardly surprising that some low-income young people become involved in crime—either voluntarily, through peer influences, or out of desperation.

A second, more targeted set of mechanisms contributing to unequal criminal justice outcomes arises from the structure and practices of the criminal justice system itself. This includes policing strategy, prosecutorial practices, sentencing, and restrictions placed on convicted felons. Neighborhoods of concentrated poverty tend to have heavier police presence, which means all residents have a much greater likelihood of police contact. Police presence, surveillance, and proactive policing strategies like traffic stops and investigatory stops lead to higher likelihood of arrest.[38]

Once a person is arrested, prosecutors have discretion over whether and at what level to set charges. Low-income arrestees usually must rely on an overburdened group of public defenders and are stuck in jail because they can't make bail. The combination of aggressive prosecutors, weak defense, and captive defendants leads to a high conviction rate and long sentences, mainly through plea deals.[39]

And a felony conviction has lasting impacts well after time served. Today, four million convicted felons don't have the right to vote and half of states restrict felons' access to public benefits.[40] As the late Harvard sociologist Devah Pager showed in her influential 2004 paper "The Mark of a Criminal Record," and as many others have since confirmed, a criminal record severely diminishes future job opportunities.[41]

Social Safety Net

What economists often describe as a social safety net is a set of mostly government policies and programs designed to protect individuals and families against economic shocks ranging from individual job losses to national recessions. It thus plays a vital role in reducing inequality and raising living standards.

Unfortunately, the U.S. has a significantly weaker social safety net for poor and near-poor households than the other industrialized countries that comprise the Organisation for Economic Cooperation and Development (OECD). U.S. public spending on the social safety net is 10 percent below the OECD average and far less redistributive.[42] The largest U.S. safety net spending categories are Medicare and Social Security, programs that target funds to seniors rather than to the general population based on need.

> **Compared to the OECD norm, U.S. unemployment insurance lasts half as long and covers a lower share of prior wages, while America's lack of universal health insurance and sky-high health-care costs are an outlier among peer industrialized countries.**

The relative weakness of the U.S. safety net for poor families comes into sharp focus when each component is evaluated against practices in other OECD countries. Compared to the OECD norm, U.S. unemployment insurance lasts half as long and covers a lower share of prior wages, while America's lack of universal health insurance and sky-high health-care costs are an outlier among peer industrialized countries. Most OECD members provide paid parental leave that is much longer than the 12 weeks of unpaid leave afforded by the Family and Medical Leave Act (FMLA), and many provide universal childcare subsidies or comprehensive early care and education, while the U.S. relies mainly on private markets. U.S. government housing assistance, through public housing and housing vouchers, reaches a smaller share of households with less generous support than most OECD nations. On average, "social housing," defined as public housing and voucher-assisted living, accounts for 7 percent of households in OECD countries, compared to 3 percent of households in the U.S.[43]

Factors that Compound Inequity

Four significant barriers to social mobility intensify the challenges that members of low-income families face: 1) the dynamics of skill development; 2) the social determinants of health; 3) the dynamics of wealth building; and 4) neighborhood concentration effects.

Skill Development

Economists used to think about the development of human capital as a "one period" model: they considered "inputs" such as genes, parent characteristics, and parent investment, combined them in a mathematical function, and generated a person's predicted skills and capabilities by early adulthood.

Work by Princeton economist Janet Curie, University of Chicago economist and Nobel laureate James Heckman, and others shifted the paradigm to a "multi-period model," which better captured the progressive nature of skill development: What happens in early childhood influences what happens in middle childhood, which in turn influences what happens in adolescence—"skill begets skill" in the development of "self-productivity," as Heckman puts it.[44]

Early skill acquisition increases subsequent skill acquisition, so the child who enters kindergarten already able to self-regulate gets more out of primary school. By the same token, the child who is reading fluently enough to "read to learn," versus still "learning to read," by the end of third grade gets dramatically more out of the intermediate grades.

As learning gaps widen, differences in skill-building do not simply add up across each subsequent life stage, but multiply. Early adversity makes it significantly more difficult for a young person to get back on track later on.

Heckman and colleagues also made a crucial related discovery: An academic intervention made in middle or high school will have a significantly greater impact if preceded by an early childhood intervention. The converse is also true: Later investment is less powerful if not preceded by early investment. They call this idea "dynamic complementarity."[45]

These findings suggest that human skill-building follows a pattern of "path dependence." Learning gained early in life cascades through subsequent developmental periods, facilitating further skill acquisition and enhancing the impact of later interventions. In the same way, inequities experienced early in life, including lack of access to high quality childcare and preschool, amplify the effects of later inequities. As learning gaps widen, differences in skill-building do not simply add up across each subsequent life stage, but multiply. Early adversity makes it significantly more difficult for a young person to get back on track later on.

Social Determinants of Health

Social conditions have profound impacts on human health. In 1967, Sir Michael Marmot began what would become a famous set of longitudinal studies of British civil servants known as Whitehall I and II. The Whitehall studies showed that long-term health strongly correlated with rank in the civil service: The more senior the person—the more they were paid, the more autonomy they enjoyed—the healthier they were and the longer they lived. These differences in health outcomes between rich and poor did not appear as a simple gap but as a gradient, with income gains mapping to steady increases in health and longevity.[46]

Marmot's research inspired a new branch of epidemiology and public health that examines the social determinants of health. Expanding on Whitehall, the field's essential insight is that social conditions such as poverty, exposure to stress and trauma, access to food, and job status not only have profound impacts on human health, but that these effects compound over time, ultimately leading to higher individual and family health costs, decreased ability to work and thrive, and, ultimately, a shorter life.[47]

At a population level, the effects are significant. Take, for example, Chicago, one of the largest U.S. cities. In 2025, there was a 25-year life expectancy gap between residents of the Loop, a wealthy downtown area, and West Garfield Park, a poor, majority Black neighborhood on the West Side.[48] Health thus reflects and magnifies the impact of inequities in individual social systems.

Dynamics of Wealth Building

In 1995, a pioneering study by sociologists Melvin Oliver and Thomas Shapiro showed that class- and race-based wealth gaps in America are an order of magnitude larger than income gaps. These gaps grow so wide and are so difficult to close, they argued, because historical inequities are "sedimented" into present day family wealth.[49]

The "sediment" takes several forms. First, low- and moderate-income households spend all, or nearly all, disposable income trying to meet basic needs, limiting their ability to save and invest. And because across much of the U.S. the cost of essentials—food, housing, and transportation—exceeds household income, any income gain goes towards consumption, not savings. This is the affordability crisis facing many American families.

By contrast, middle class and affluent families who can save have access to powerful investment tools. These include retirement benefits, through which employers augment income and invest those savings for the long-term, where they multiply in value over the course of a worker's career. Wealthy families with larger savings have access to higher yield investments including private equity, hedge funds, and other alternative investment vehicles. The more money a family has, the longer they can invest it and the more specialized their investment instruments become—the more "work" their money can do for them, in other words. In this way, families with larger fortunes see their wealth grow faster—another, very different, form of path dependence.[50]

> **Without the flow of resources from parent to child, wealth building is slower and harder, even for the low-income child who has "made it" in adulthood and is earning a solid upper middle-class income.**

The second major driver of the wealth gap is home ownership. Because they are less able to save for down payments and often struggle to access home credit, low- and moderate-income households have home ownership rates 20 percentage points below middle-income households and 40 percentage points below upper-income households.[51]

For families that do own their home, two further realities erode their ability to build equity. Their cost of credit is higher because they're deemed riskier borrowers, so they pay more interest over time, and their home value is likely to appreciate less because poor and near-poor families tend to live in neighborhoods with fewer grocery stores, green spaces, and other amenities—and with higher crime and increased blight. Lower home equity represents a tremendous loss for low- and moderate-income families, as home equity is the largest single source of wealth for the median American household and an even bigger share of wealth for families living below the median.

How wealth is translated across generations from parents to children is a third major contributor to the wealth gap. There are two parts to this story—formal and informal transfers. Predictably, children of affluent families are much more likely to receive gifts or inheritances and, generally, the richer the family, the bigger the inheritance. Yet these formal transfers, which concentrate resources at the very top of the social pyramid, account for the wealth outcomes of only a sliver of the population: fewer than 10 percent of Americans receive gifts or inheritances equaling more than $25,000.[52]

Informal transfers—resources passed down (or up) through one generation shouldering expenses for another—also play a vital but often hidden role in wealth building. The class differences are stark: An affluent young person can expect their parents to contribute to college tuition, assist with a first down payment, and fund their own retirement. But a young person from a low-income family must take on debt to finance post-secondary education, try to create savings on their own, and, when their parents can no longer work, assume significant costs to support them in retirement. Without this flow of resources from parent to child, wealth building is slower and harder, even for the low-income child who has "made it" in adulthood and is earning a solid upper middle-class income.

As with other forms of disadvantage, wealth-transfer disparities are magnified for low-income Black and Hispanic individuals, who are less likely to receive gifts or inheritances than their white low-income counterparts. Even after controlling for income, Black and Hispanic individuals are much less likely to own their homes, are more likely to lack access to traditional investment vehicles through corporate banks and are more likely to live in neighborhoods of concentrated poverty, where even a home inherited mortgage-free may be of low value.[53]

In addition to compounding advantage across a lifespan and across generations, wealth cushions shock and support freedom and enterprise. A job loss in a family with some wealth may lead to belt-tightening but also provide an opportunity to explore new career options. A job loss in a family with no wealth leads to eviction and other significant hardships.[54] And after each setback, the next shock becomes harder to absorb.

Concentration Effects

From 1950 to 1980, the character of neighborhood segregation in big cities changed. As Harvard sociologist William Julius Wilson describes in his seminal book, *The Truly Disadvantaged*, increasing racial segregation due to redlining, urban renewal, and public housing policies coincided with the beginning of deindustrialization and large-scale job displacements of Black workers, leading to a greater concentration of poverty in Black neighborhoods.[55]

In their landmark 1993 book, *American Apartheid*, sociologists Douglas Massey and Nancy Denton explored what happens when poverty is concentrated in this way. They developed the idea of concentration effects, a set of cascading negative consequences that unfold when poverty becomes too condensed.

Here's an example: Neighborhood income is insufficient to sustain a basic retail sector. Stores go out of business, leaving rows of vacant storefronts. A higher share of homeowners can't afford repairs, so blight becomes pervasive. A growing share of renters can't consistently make rent. Evictions become common. Families have to move more often and landlords defer basic maintenance. A higher share of young adults is out of work and face bleak career prospects. Loitering increases, gang presence grows, and crime rates increase. The city responds by increasing police presence. Community institutions struggle to survive, let alone buoy the community.[56]

This cascade is extreme. It describes a hyper-segregated, high-poverty urban neighborhood. But it illuminates a broader reality about the geography of inequality. America's bleakly effective historical practice of segregating by race and class has ensured that poor and near-poor families live in resource-deprived and resource-constrained communities. By design, the concentration of urban poverty enables resource and amenity hoarding by the rich and near rich while keeping them comfortably insulated from the harms of such an unequal system.

> **America's bleakly effective historical practice of segregating by race and class has ensured that poor and near-poor families live in resource-deprived and resource-constrained communities.**

Each of these forces imposes a pattern of path dependence on the people they touch; prior outcomes intensify until it becomes difficult to change trajectory.[57] As the statistics on social mobility from Raj Chetty's studies make plain, the dynamics of path dependence are powerful. Not only do they make it more likely that an individual will confront barriers to opportunity, but, once that confrontation has occurred, they make it more likely that the encounter will result in more such encounters and long-lasting harm.

A New Social Mobility Strategy

The many, mutually reinforcing barriers to social mobility that emerge from economic inequality in the United States point to the need for a comprehensive response. The limitations of today's siloed policy solutions become clear when seen against the full backdrop of urban American poverty—in all its deeply rooted, deliberately cultivated complexity. They point to the need for narrow interventions to give way to comprehensive strategies that address poverty from multiple directions—introducing reforms in education, health care, housing, and other sectors simultaneously.

To help civic leaders do that, FutureEd is building a new resource that gives policymakers, philanthropists, and civic and community leaders the ability to model how investments in education, health care, housing, and other sectors can work together to strengthen student and family outcomes over time. It will help leaders simulate the effects of many individual policies and combinations of policies on children's future income and other economic outcomes—allowing them to craft comprehensive strategies for promoting social mobility in their highest-need communities. We call it a mobility engine.

The tool is currently being pilot tested in several cities. We are working with leading social scientists to refine it before we release it in 2026. Ultimately, we hope it will help leaders nationwide chart promising new pathways out of poverty for millions of Americans.

ENDNOTES

1 Raj Chetty, Nathaniel Hendren, Patrick Kline, Emmanuel Saez, and Nicholas Turner (January 2014) "Is the United States Still a Land of Opportunity? Recent Trends in Intergenerational Mobility," (Working Paper 19844); author's calculations using National Longitudinal Survey of Youth data.

2 Raj Chetty, Nathaniel Hendren, Maggie R. Jones, Sonya R. Porter (May 2020) "Race and Economic Opportunity in the United States: an Intergenerational Perspective" *The Quarterly Journal of Economics*, Volume 135, Issue 2, Pages 711–783, https://doi.org/10.1093/qje/qjz042; author's calculations using National Longitudinal Survey of Youth data.

3 Heather Boushey (2019) *Unbound: How Inequality Constricts Our Economy and What We Can Do About It*, Cambridge, MA: Harvard University Press.

4 Jacob S. Hacker and Paul Pierson (2010) "Winner-Take-All Politics: Public Policy, Political Organization, and the Precipitous Rise of Top Incomes in the United States," *Politics & Society, 38*(2), 152-204. https://doi.org/10.1177/0032329210365042

5 A health setback for a worker without PTO, health insurance, unemployment insurance becomes a financial crisis for their family; displacement from housing disrupts school attendance; chronic absence negatively affects literacy development, and so on.

6 Joint Center for Housing Studies of Harvard University (2022) The State of the Nation's Housing 2022, Cambridge, MA: Harvard Graduate School of Design and Harvard Kennedy School; Matthew Desmond (2023) *Poverty, by America*, New York: Crown Publishing Group.

7 Desmond, ibid.; Jessica Trounstine (2018) *Segregation by Design: Local Politics and Inequality in American Cities,* Cambridge: Cambridge University Press.

8 Matthew Desmond (2016) *Evicted*, New York: Crown Publishing Group.

9 Dorothy A. Brown (2021), *The Whiteness of Wealth: How the Tax System Impoverishes Black Americans - and How We Can Fix It*, New York: Crown; Board of Governors of the Federal Reserve System (2024), *Economic Well-Being of U.S. Households in 2023 – Housing*, Washington, DC: Board of Governors of the Federal Reserve System; Urban Institute (2023), *Homeownership Has Fallen Further Out of Reach for Younger Families with the Lowest Incomes*, Washington, DC: Urban Institute.

10 Richard Rothstein (2018) *The Color of Law: A Forgotten History of How Our Government Segregated America*, New York: Liveright Publishing Corporation.

11 Jessica Glenzer (July 30, 2025) "Explainer: Medicare and Medicaid Turn 60 – and Face Historic Cuts Decades in the Making," The Guardian.

12 Uwe E. Reinhardt (2019) *Priced Out: The Economic and Ethical Costs of American Health Care*, Princeton, NJ: Princeton University Press.

13 Anne Case and Angus Deaton (2020) *Deaths of Despair and the Future of Capitalism*, Princeton, NJ: Princeton University Press.

14 Kathleen Thelen (March 2019) "The American Precariat: US Capitalism in Comparative Perspective," *Perspectives on Politics* 17, no. 1: 5–27; Herman Mark Schwartz (2022) "Mo' Patents, Mo' Problems: Corporate Strategy, Structure, and Profitability in America's Political Economy," In *The American Political Economy: Politics, Markets, and Power*, edited by Jacob S. Hacker, Alexander Hertel-Fernandez, Paul Pierson, and Kathleen Thelen, 247–69. Cambridge: Cambridge University Press.

15 Two things in particular contribute to extremely high costs in the U.S. health-care system. First, the opaque constellation of patients, providers, private insurers, and public insurers creates very large administrative overhead on all sides of the system, which drives up costs. Second, until very recently, public insurance plans had no ability to negotiate prices and are still constrained in their negotiations to a tiny fraction of costs. See Uwe E. Reinhardt (2019) *Priced Out: The Economic and Ethical Costs of American Health Care*, Princeton, NJ: Princeton University Press.

16 Raj Chetty, John F. Friedman, Emmanuel Saez, Nicholas Turner, and Danny Yagan (2020), *Income Segregation and Intergenerational Mobility Across Colleges in the United States*, Cambridge, MA: National Bureau of Economic Research / University of Chicago Press; Anthony P. Carnevale, Peter Schmidt, and Jeff Strohl (2020), *The Merit Myth: How Our Colleges Favor the Rich and Divide America*, New York: The New Press.

17 Elliot Haspel (2019) *Crawling Behind: America's Child Care Crisis and How to Fix It*, North Charleston, SC: Black Rose Writing; and Elliot Regenstein (2022) *Education Restated*, New York, NY: Bloomsbury Publishing.

18 Allegretto, Sylvia; García, Emma; and Weiss, Elaine (2022) *Public Education Funding in the U.S. Needs an Overhaul: How a Larger Federal Role Would Boost Equity and Shield Children from Disinvestment During Downturns*, Washington, DC: Economic Policy Institute.

19 Illinois State Board of Education Report Card, https://www.illinoisreportcard.com/

20 Robert D. Putnam (2016) *Our Kids: The American Dream in Crisis*, New York: Simon & Schuster.

21 Anthony P. Carnevale, Peter Schmidt, and Jeff Strohl (2020), *The Merit Myth: How Our Colleges Favor the Rich and Divide America*, New York: The New Press.; Raj Chetty, John F. Friedman, Emmanuel Saez, Nicholas Turner, and Danny Yagan (2020), *Income Segregation and Intergenerational Mobility Across Colleges in the United States*, Cambridge, MA: National Bureau of Economic Research / University of Chicago Press..

22 Ibid.

23 Even though real wages have begun to increase, recent gains have not been nearly enough to make up for decades of stagnation. Also see https://www.epi.org/productivity-pay-gap/.

24 Kathleen Thelen (March 2019) "The American Precariat: US Capitalism in Comparative Perspective," *Perspectives on Politics* 17, no. 1: 5–27.

25 Herman Mark Schwartz (2022) "Mo' Patents, Mo' Problems: Corporate Strategy, Structure, and Profitability in America's Political Economy," In *The American Political Economy: Politics, Markets, and Power*, edited by Jacob S. Hacker, Alexander Hertel-Fernandez, Paul Pierson, and Kathleen Thelen, 247–69. Cambridge: Cambridge University Press.

26 Sydnee Caldwell, Suresh Naidu (2020), *Wage and Employment Implications of U.S. Labor Market Monopsony and Possible Policy Solutions*, Washington, DC: Washington Center for Equitable Growth; Suresh Naidu (2021), *Labor Market Power in the American Political Economy*, Jacob S. Hacker, Alexander Hertel-Fernandez, Paul Pierson, and Kathleen Thelen (eds.), *The American Political Economy: Politics, Markets, and Power*, New York: Cambridge University Press.

27 This decline is driven by the unique structure of US labor law, which requires store-level organizing versus industry- or sector-level bargaining, disallows "closed shop" rules in all "right to work" states, for many years required extended union election processes versus the more-streamlined model of "card check," and applies modest penalties for employer retaliation against workers involved in organizing. See Joseph E. Stiglitz (2012) *The Price of Inequality: How Today's Divided Society Endangers Our Future.* New York: W. W. Norton & Company.

28 Thomas Philippon (2019) *The Great Reversal: How America Gave Up on Free Markets*, Cambridge, MA: Belknap Press of Harvard University Press, October 29, 2019.

29 Devah Pager (2003) "The Mark of a Criminal Record," *American Journal of Sociology* 108, no. 5 (2003): 937–975; Devah Pager and Bruce Western (2009) *Race at Work: Realities of Race and Criminal Record in the NYC Job Market*, Princeton University Press; Marianne Betrand and Sendhil Mullainathan (2004) "Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination," American Economic Review 94, no. 4 (2004): 991–1013.

30 Valerie Rawlston Wilson and William M. Rodgers III (2016) "Black-White Wage Gaps Expand with Rising Wage Inequality," *Economic Policy Institute*.

31 Jacob S. Hacker, Alexander Hertel-Fernandez, Paul Pierson, and Kathleen Thelen, eds. (2021) *The American Political Economy: Politics, Markets, and Power*, Massachusetts Institute of Technology Press.

32 KathleenThelen (2014) *Varieties of Liberalization and the New Politics of Social Solidarity*, Cambridge University Press.

33 Mehrsa Baradaran (2015) *How the Other Half Banks: Exclusion, Exploitation, and the Threat to Democracy*, Cambridge, MA: Harvard University Press.

34 Ibid.

35 National Academies of Sciences, Engineering, and Medicine (2024), *Reducing Intergenerational Poverty: The Role of Crime and the Criminal Justice System*, Washington, DC: The National Academies Press.

36 Michelle Alexander (2010), *The New Jim Crow: Mass Incarceration in the Age of Colorblindness*, New York: The New Press.

37 Bruce Western (2006), *Punishment and Inequality in America*, New York: Russell Sage Foundation; Bruce Western (2006), *Punishment and Inequality in America*, New York: Russell Sage Foundation; Elizabeth Hinton (2016), *From the War on Poverty to the War on Crime: The Making of Mass Incarceration in America*, Cambridge, MA: Harvard University Press.

38 Michelle Alexander (2010), *The New Jim Crow: Mass Incarceration in the Age of Colorblindness*, New York: The New Press.

39 At 1.9 million people total, or 531 per 100,000 people, the US prison population is five times the per capita rate of any other advanced democratic country. Over 19 million Americans have felony convictions and 70 million have some form of criminal record; one in three Black adult men has a felony conviction. One consequence of the criminal justice regime of the mid 1980s to early 2010s was the devastation of low-income communities of color, from which a large share of less-educated men was removed then returned with severely constrained economic and life prospects. See Bruce Western (2006) *Punishment and Inequality in America*, New York: Russell Sage Foundation.

40 Uggen, Christopher; Ryan Larson; Sarah Shannon; Robert Stewart; Molly Hauf (2024), *Locked Out 2024: Estimates of People Denied Voting Rights Due to a Felony Conviction*, Washington, DC: The Sentencing Project.

41 Michelle Alexander (2010) *The New Jim Crow: Mass Incarceration in the Age of Colorblindness*, New York: The New Press; Devah Pager (March 2003) "The Mark of a Criminal Record," *American Journal of Sociology* 108, no. 5: 937–975.

42 OECD (2024), *Society at a Glance 2024: OECD Social Indicators*, Paris: OECD Publishing.

43 Organisation for Economic Co-operation and Development (2024), *OECD Affordable Housing Database – indicator PH4.2 "Social rental housing stock",* Paris: OECD Publishing.

44 Flavio Cunha and James J. Heckman (2007), "The Technology of Skill Formation," *American Economic Review*, 97(2): 31–47.

45 James J. Heckman (August 1999) "Policies to Foster Human Capital," *NBER Working Paper* No. 7288.

46 Michael Marmot (2015) *The Health Gap: The Challenge of an Unequal World*. First edition. New York: Bloomsbury Press.

47 Michael Marmot (2017) "The Health Gap: The Challenge of an Unequal World," *International Journal of Epidemiology*, 2017 Aug 1;46(4):1312-1318, doi: 10.1093/ije/dyx163.

48 Ahmad, Meha and Micah Yason (2025) "Where You Live in Chicago Can Determine How Long You Have," WBEZ Chicago.

49 Melvin L. Oliver and Thomas M. Shapiro (1995) *Black Wealth/ White Wealth: A New Perspective on Racial Inequality*, New York: Routledge.

50 John Edward Sabelhaus and Jeffrey P. Thompson (February 16, 2022) "Racial Wealth Disparities: Reconsidering the Roles of Human Capital and Inheritance" *FRB of Boston Working Paper* No. 22-3; Thomas Piketty (2014) *Capital in the Twenty-First Century*, Translated by Arthur Goldhammer, London: Belknap Press of Harvard University Press.

51 Kabir Dasgupta, Jeff Larrimore, Alicia Lloro, Zofsha Merchant, Ellen A. Merry, Fatimah Shaalan & Anna Tranfaglia (2024), *Report on the Economic Well-Being of U.S. Households in 2023*, Washington, DC: Board of Governors of the Federal Reserve System.

52 John Sabelhaus and Jeffrey Thompson (2023), *The Limited Role of Intergenerational Transfers for Broad Increases in Household Wealth*, Boston, MA: Federal Reserve Bank of Boston.

53 Melvin L. Oliver, Thomas M. Shapiro (2006), *Black Wealth / White Wealth: A New Perspective on Racial Inequality*, New York: Routledge; Zhu, Linna & Amalie Zinn (2024), *The Great Inequality Transfer: Unpacking the Relationship Between Homeownership and Intergenerational Wealth Transfers*, Washington, DC: Urban Institute.

54 Melvin L. Oliver and Thomas M. Shapiro (1995) *Black Wealth/ White Wealth: A New Perspective on Racial Inequality*, New York: Routledge; Raj Chetty, Nathaniel Hendren, Maggie R. Jones, and Sonya R. Porter (May 2020) "Race and Economic Opportunity in the United States: An Intergenerational Perspective," *Quarterly Journal of Economics*, 135(2): 711–783, May 2020.

55 William Julius Wilson (1987) *The Truly Disadvantaged*, Chicago, IL: University of Chicago Press.

56 Douglas S. Massey and Nancy A. Denton (1993) *American Apartheid: Segregation and the Making of the Underclass*, Cambridge, MA: Harvard University Press; Robert J. Sampson (2012) *Great American City: Chicago and the Enduring Neighborhood Effect*, Chicago: University of Chicago Press.

57 Paul Pierson (2004) *Politics in Time: History, Institutions, and Social Analysis*, Princeton, NJ: Princeton University Press

HOW INEQUALITY WORKS

THE PUBLIC POLICY BARRIERS TO SOCIAL MOBILITY IN URBAN AMERICA

FutureEd
Independent Analysis, Innovative Ideas