The Great Equalizer?
An Exploration of the Links Between K-12 Schooling and Wealth

Joanna Taylor, Tatjana Meschede, Alexis Mann
Institute on Assets and Social Policy
Heller School for Social Policy and Management
Brandeis University
Americans consider a good education central to the American Dream, and a pathway out of poverty. Parents work hard to get their children into the best possible school. We know that wealth plays an important role in the options available to parents. Does the work of school choice pay off in terms of wealth outcomes for young adults?
Wealth influences parental school choice.

- Parents with means buy homes in affluent neighborhoods, often relying on word of mouth from their social network on the “best” schools in the area.
- Local school funding mechanisms mean richer neighborhoods have “better” schools.

White parents, much more affluent on average, perceive whiter districts as better, consciously or not.

- This cycle reinforces itself, contributing to unequal schooling opportunities.
Family wealth also influences school success. Children from families with liquid assets have higher math test scores, are more likely to graduate from college, and are less likely to have burdensome student debt obligations. This is true at lower wealth levels for African American families than for White families. Timing of wealth accumulation may matter – liquid wealth may be leveraged for better educational opportunities during K-12, and home wealth for support for higher education.
High quality K-12 school has been shown to improve adult outcomes on a variety of measures.

Increasing school funding improves outcomes in educational attainment and earnings.

The largest gains come to students at the bottom of the school-quality distribution.

No research has looked at wealth as an outcome.
Measuring school quality is complex and much-debated.

- **Student measures** – Test scores, peer ratings
- **Teacher measures** – training, qualifications, tenure, student-teacher ratio
- **Funding measures** – per-pupil expenditures, teacher pay
- **Other measures** – course offerings, safety ratings, school term length

Very few of these are available at the school level, and few consistently since the 1990’s.

Most research linking quality to adult outcomes uses funding and student-teacher ratio because of availability; is often aggregated at state level.
Interviews in 1997-98 and again in 2010 with Black and White families in Los Angeles, Boston, and St. Louis.

- Questions focused on the trade-offs between financial security and opportunities.
- Generally were families with young children in 1998. These children are younger than those in the PSID quantitative data we used.
- Two time periods allow exploration of how choices about school have paid off for child
Findings from the LM study

White Families

- Nearly all were able, sometimes through family wealth, to buy homes in neighborhoods with desirable schools.
- One family purchased a condo as a placeholder “residence” in their desired school district.
- Another family purchased the least-expensive home in the desired district, and will move back to former neighborhood when children graduate.

Black Families

- Mostly unable to purchase homes in desirable districts.
- Took advantage of busing, desegregation, and transfer programs.
- Chose to rent instead of buying, or to use retirement accounts to buy in desirable districts.
Sample drawn from the PSID Child Development Supplement – 1997 wave.

- Links children to their family wealth, to their 1997 school, and to their outcomes as young adults.

Figure 1: Datasets

- **Parent Variables**
  - PSID 1999

- **Child Variables**
  - CDS 1997

- **Child Outcomes**
  - PSID 2011 & 2013

- **School Variables**
  - CCD 1996/97 & 1997/98
Descriptive Findings

**In Childhood (1997)**
- Children in the sample averaged 11 years old and in 5\textsuperscript{th} grade.
- Significant differences by race for family wealth, parent marital status, and homeownership.
- **Black children** were much more likely to:
  - have repeated a grade,
  - been suspended/expelled,
  - attend schools with high Black attendance and poverty rates
- **Black students** attended significantly more vulnerable schools on average.

**In Early Adulthood (2011/13)**
- Black young adults were less likely:
  - to be heads of household and
  - reported significantly lower completed education, earnings, and wealth.
- **White young adults** had higher amounts of student loan debt
  - But were more likely to have completed a four-year degree.
Main Findings—Parental Wealth

- **Parental wealth was** a significant predictor of school quality for children, even after controlling for race.

- **Parental wealth was not** a significant predictor of whether a young person formed their own household by their late 20’s, nor was completed education.

- **Race** was highly significant, indicating additional challenges for Black youth entering adulthood.
Predictors of Wealth and Income

Young Adult Wealth

- Family wealth did not predict child wealth once education and young adult family outcomes were introduced.
- Student loans were the major driver of wealth outcomes, with a stronger negative impact than the positive impact of increased education.
- Homeownership was significant.
- Race was not significant.

Young Adult Income

- School quality is significant in all models.
- Education is significant, and student loan debt is not.
- Being married and owning a home were also significant.
- Race is significant in all models.
Wealth predictors for Black and White young adults were quite different.

- **For Blacks**: School quality and carrying student debt with no degree were significant.
- **For Whites**: Child risk score and amount of student loans were significant.
- **For both**: Education and homeownership were significant.
- Pathways to wealth are differently mediated by race, with some indication that school quality does make a difference in Black wealth trajectories.

---

### Table 6: Predictors of Wealth, by Race

<table>
<thead>
<tr>
<th>variable</th>
<th>Black</th>
<th>White</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>coef</td>
<td>SE</td>
</tr>
<tr>
<td>school quality</td>
<td>0.786</td>
<td>0.326</td>
</tr>
<tr>
<td>child risk score</td>
<td>0.299</td>
<td>0.825</td>
</tr>
<tr>
<td>loans but no degree</td>
<td>-9.08</td>
<td>2.05</td>
</tr>
<tr>
<td>student loans amount</td>
<td>-0.0001</td>
<td>0.0001</td>
</tr>
<tr>
<td>education</td>
<td>2.474</td>
<td>0.829</td>
</tr>
<tr>
<td>family wealth</td>
<td>0.03</td>
<td>0.085</td>
</tr>
<tr>
<td>married</td>
<td>3.475</td>
<td>1.831</td>
</tr>
<tr>
<td>homeowner</td>
<td>10.373</td>
<td>1.988</td>
</tr>
</tbody>
</table>
Conclusions

- Some indication that school quality impacts income and wealth trajectories for young people, particularly Blacks.

- Continued evidence of the negative impact of student loan debt.

- Preliminary evidence that the wealth accumulation trajectories for Black and White young adults are determined by different factors.

- Further research is needed, perhaps with a different dataset or in future years when the CDS population is more mature.