Inequality in America: What Role for Human Capital Policies? edited by Benjamin M. Friedman (MIT, 369 pp., $40). Forty years ago, most experts on inequality believed poverty itself was the cause of poverty—the result of discrimination and lack of money. The solution was, therefore, to compensate for discrimination through affirmative action and to transfer money to the poor through welfare programs. After the failure of that disastrous experiment, a new generation began to see poverty as a symptom of complex social dysfunctions. Despite some lingering disputes over racial discrimination, most scholars now believe the way to alleviate poverty is to enhance the productive capacities of individuals.

The economist Alan B. Krueger offers one way to take this, arguing that income differences derive from reduced investment in the poor. Inequality in America is a collection of talks at a 2003 public-policy symposium at Harvard, and as Krueger states in the opening essay, "It is clear that returns on education and training are at least as big at the bottom of the income distribution as at the top. . . . This applies to a diverse set of programs, ranging from preschool to Job Corps to conventional K-12 public schools."

There is another way to understand the situation. Associated with Charles Murray and the late Richard J. Herrnstein in their book The Bell Curve, it involves the argument that economic success is linked with intelligence, and that since intelligence is largely immutable, there is little that can be done to correct the resulting inequality. Yet a third possibility shares the determinism of the "IQ" school but emphasizes nurturing. Such scholars as James S. Coleman and Paul Barton have argued that two-parent families are the key, and in his famous 1993 article, "Defining Deviancy Down," Daniel Patrick Moynihan compared the difficulty of changing the "parent-pupil" ratio to getting state capitals to move closer to the Canadian border.

Thanks to Nobel Prize-winning economist James J. Heckman, who writes with Pedro Carneiro the core essay in Inequality in America, there is now a fourth school of thought. Heckman and Carneiro argue that noncognitive skills—character traits such as patience, reliability, adaptability, persistence—are just as important as intelligence for determining an individual's economic fate. "Manipulating noncognitive skills is more feasible than manipulating cognitive skills," the authors write, "because the prefrontal cortex, which controls emotion and behavior, is malleable until the late teenage years."

To prove their case the authors examine high-school dropouts who obtain a General Equivalency Diploma. They find that dropouts who get such diplomas are smarter than other high-school dropouts, but actually earn less than other high-school dropouts. This, the authors argue, is because GEDs have higher cognitive skills but lower noncognitive
skills. "Inadvertently, the GED has become a test that separates bright but nonpersistent and undisciplined dropouts from other dropouts." Unfortunately, Heckman and Carneiro point out, most social policy is focused on cognitive development. Current efforts to improve test scores—primarily, reducing class size and increasing spending—don't work, not only because they do not markedly improve test scores, but because test scores themselves are only weakly linked to earnings.

Instead, Heckman and Carneiro believe that social policy should be more active in attempting to alter noncognitive traits, especially in children from disadvantaged environments who receive poor discipline and little encouragement at home. Accordingly, they see a role for strengthening mentoring programs and stricter enforcement of discipline in schools. Even at later ages, job training and school-retention programs that emphasize good personal habits are the most effective.

For policy experts who have had ample cause for despair in recent decades, Heckman and Carneiro offer an inspiring vision. Let's hope policymakers at all levels hear their call.

--Seth Forman

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