

SEVEN

THE LANDS OF  
OPPORTUNITY

BRINGING BACK  
THE AMERICAN DREAM

A TALE OF TWO CITIES

The man was wearing several layers of clothing, including two pairs of pants, and his face was covered by a beard, strands of matted hair, and dirt. He was mumbling to himself, surrounded by tattered bags containing all his belongings. Then he peed in his pants. We got up and moved farther away, just as others had done before us. The stench, though, was inescapable, and I had to cover my nose and mouth to suppress a gag.

This could have been a scene from a Charles Dickens novel depicting the impoverished suffering of the nineteenth century. It could have been a scene in some dirt-poor Third World country. But it took place in an otherwise clean and orderly twenty-first-century New York City subway car, not long after my arrival in the United States, and it left me disturbed for days.

I had seen homeless people before, of course. But never in my life had I seen such an utter, complete, total wreck of a human being as that man on the New York City subway, and certainly never back home in Helsinki.

The Nordic countries have their psychiatric patients, alcoholics, drug addicts, and unemployed, but I couldn't imagine a person in a similar state roaming the streets of Finland's capital or any other Nordic city. Usually everyone has someplace to stay, if not in public housing, then in a decent shelter. And while you see the occasional person talking to themselves in public, the health-care systems reach more of the mentally ill than in the United States. Encountering the man on the New York subway was one of the moments that made it clear to me early on that in the United States you are really on your own.

Eventually I got so used to seeing the homeless that I stopped paying attention. Instead my attention was drawn to the other end of the spectrum.

As I began meeting people and sometimes getting invited to events or gatherings in apartments with roof decks, or gorgeous lofts with windows overlooking the Manhattan skyline, or brownstones with several floors and backyard gardens, I began performing a new calculation in my head. How were they able to afford it all? Some of these people were lawyers, doctors, or financiers, which easily explained their wealth, but some were artists, employees of nonprofits, or freelancers working on their own projects. Their well-appointed lifestyles mystified me, but I felt awe and cheer when faced with such uplifting examples of America's ability to remunerate talent. The American dream seemed to be alive and well, not to mention within my reach. If all these people were making it, surely I could, too.

Finally I realized that many of the people with an expen-

sive lifestyle but a seemingly low-earning profession had family money supporting them. I hope it doesn't take someone from stuffy old Europe, like me, to point out that inheriting wealth, rather than making it yourself, is the opposite of the American dream. America became an independent nation partly to leave behind the entrenched aristocracy of the old country, to secure the opportunity for Americans to be self-made men and women.

I'd traveled the globe, and I'd lived in Finland, France, and Australia. Now in America I felt as if I'd arrived not in the land of Thomas Jefferson, Abraham Lincoln, and Martin Luther King, but in that proverbial nineteenth-century banana republic of extremes—entrenched wealth, power, and privilege on the one hand and desperate poverty, homelessness, and misfortune on the other. A cliché, yes. But that makes the reality of it no less brutal. Never before had I seen such blatant inequality, not in any other nation in the modern industrialized world.

For someone coming from a Nordic country, it's hard to comprehend the kinds of income inequalities one encounters in the United States. The twenty-five top American hedge fund managers made almost one billion dollars—each—in 2013, while the median income for an American household hovered around fifty thousand dollars. At the same time homeless shelters were overflowing with record numbers of people seeking help. It's telling that many of them were not drug addicts or the mentally ill, but working families. The United States has returned to the age of the Rockefeller, Carnegie, and *The Great Gatsby*, and the trend in that direction isn't showing signs of slowing. After the financial crisis, incomes for the wealthiest bounced back quickly, while the vast majority of Americans saw little improvement. Between 2009 and 2012, the top 1 percent captured

more than 90 percent of the entire country's gains in income. This is not a problem that is only connected to the financial crisis. The share of income going to the richest Americans—the 1 percent, or even the 0.1 percent—has grown dramatically in recent decades, while the rest of America has faced stagnating incomes or even seen wages diminish.

The reasons commonly given in America for these changes are by now familiar. There's globalization, free trade, deregulation, and new technology, which allow the brightest talent to reign over larger realms and to amass more wealth. Today the most visionary CEO presides over a vast multinational corporation, instead of having fifty top executives running smaller companies. The best product is now sold everywhere, replacing local products. Because of advances in technology and the outsourcing of low-skilled work to poorer countries, workers in developed countries need increasingly specialized skills. The few who have such skills benefit. The many who don't suffer. At the same time arrangements at work have become less stable. Part-time and low-paying work has become more common, as technology has let employers optimize production, and as the power of labor unions has faded.

However, these oft-repeated reasons are not the whole story. Every wealthy nation is dealing with all these dislocating changes, not just the United States. Yet how different the experience has been in places like the Nordic countries, which have made serious efforts to adapt to this brave new future with smart government policies that fit the times. Rising inequality doesn't simply result from inevitable changes in the free market. Much of it follows from specific policies, which can direct change in one way or in another. Even though the times demand the opposite, American taxes have become more favorable to the

wealthy. Partly as a result of this shortsighted change, American social policies have had to move from supporting the poorest to having to help prop up the middle class. Income inequality has increased everywhere, but in the United States it's particularly pronounced because taxes and government services do less to mitigate the effects of the changes in the marketplace than elsewhere in the modern developed world.

Observers from the Nordic countries like me aren't the only ones confused by America's anachronistic new reality—Americans are, too. When one study asked Americans to estimate the current distribution of wealth in the United States, the respondents dramatically underestimated the level of inequality. When asked to "build a better America" by constructing distributions with their ideal level of inequality, they came up with distributions that were far more equitable than even their erroneously low estimates of the actual distribution. Finally respondents were shown pie charts depicting distributions of wealth in unnamed nations and told to choose which nation they would rather join out of pairs of two, given what's called a "Rawls constraint" for determining a just society: "In considering this question, imagine that if you joined this nation, you would be randomly assigned to a place in the distribution, so you could end up anywhere in this distribution, from the very richest to the very poorest." Without knowing which countries the charts were based on, more than 90 percent of Americans passed over the chart portraying the distribution of wealth in the United States and chose instead the chart that portrayed Sweden.

It would seem that the average American is already far more sympathetic to the basic tenets of the Nordic theory of love than might be imagined. And yet, there are voices in the United States as well as in Europe that continue to insist that

the vast inequalities of the twenty-first century are the new status quo, the unavoidable result of technological progress. In reality practically all studies show that in our hypermodern age, in which globalization, free trade, deregulation, and new technology have upended traditional relationships, the societies that are succeeding, and will continue to succeed, are those like the Nordic countries that enact smart government policies to ensure the health of their human capital. As more and more citizens need high levels of education, and then go on to work as freelancers, entrepreneurs, or on short-term contracts and projects in today's dynamic economies, Nordic-style government is the key to a nation's success.

Still, many Americans hold on to the idea that income inequality is an inevitable and perhaps even desirable state of affairs. This is understandable, considering that America has long been known as a place where everyone has a chance to improve his or her lot in life. That's what the American dream is all about: pulling yourself up by your bootstraps, rising from rags to riches. Naturally those who work hard earn more reward. It shouldn't matter if some are significantly wealthier than others as long as everyone has a fair chance at success. The trouble is, when it comes to opportunity, the United States has been moving further and further in the other direction. That chance at success is becoming smaller and smaller.

### FROM FATHER TO SON

America has long defined itself as the land of opportunity. But what does this mean? The best way to quantify opportunity is to measure upward social mobility—the ability of people to raise their standards of living and have their children do better than

they did. America does possess a proud and indelible legacy: It has offered a new life to millions of immigrants—myself included—throughout much of its history. But survey after survey reveals that upward social mobility has declined in the United States, while it has increased in other places, especially in northern Europe and particularly in the Nordic region.

There is no shortage of clear and convincing evidence for this. For example, take the correlation of a father's income with that of his son. A Canadian professor named Miles Corak found that in the United States and Britain, the *least* mobile societies, nearly half of the advantage that a father may have had in his time is passed on to a son in adulthood, and this was not the result of the son's own hard work and personal successes but can be explained by the advantages of belonging to the right family. In the Nordic countries, by contrast, there is far less of this sort of unfair advantage. Some of the most cited studies on this question have been led by Markus Jantti, a Finnish economist at the University of Helsinki, who with his colleagues looked at inherited disadvantage—in other words, how much worse your chances are for success if you're born into a low-income family. They found that in the United States, 40 percent of men who were born into the lowest income bracket stayed in it. In the Nordic countries, that figure was only 25 percent.

There is a very clear and straightforward reason for the difference. As several studies have demonstrated, societies with less income inequality tend to have greater upward mobility for their citizens. The United States is stuck so far in the past when it comes to equal opportunity that President Obama's economic adviser Alan Krueger came up with the term "the Great Gatsby Curve" to describe the connection between the rising inequality and falling social mobility in America. It is certainly possible to start poor and end up rich in the United States, but research



shows that doing so is much harder there than in other wealthy nations. America is no longer the land of opportunity—northern Europe is. This is the reality that led the British Labour Party leader Ed Miliband to make his surprising statement in 2012: “If you want the American dream, go to Finland.”

The reasons for the crumbling of the American dream have been debated, but the most obvious culprits are American inequalities in income, health care, education, and resources available to families. It’s no mystery why this is the case: The United States has simply not committed to basic public policies that ensure equality of opportunity the way the Nordic countries have.

In Finland the simple commitment that the nation made to unify Finnish education into one high-quality K–12 school system for all has made an enormous difference. Two countries may spend the same percentage of their gross domestic product on education, but as Miles Corak has noted, if this spending is directed to high-quality early-childhood education, and to primary and secondary schooling accessible for all, it is likely to create much more equality of opportunity than if it were directed to high-quality private university-level education that is accessible to only a few. Obviously Finland has deliberately adopted the former approach in order to meet the challenges of the twenty-first century, while America has been stuck with the latter approach, to the severe and direct detriment of millions of its children.

Affordable health care, day care, schools, and universities support equity of opportunities, but in the United States the availability of such services is not only severely limited, it has also been deteriorating in recent decades. Getting a good education is becoming increasingly difficult and expensive. American

low-income families find more and more obstacles in their way, while the wealthy can buy their children all the props they need: books, hobbies, tutors, private schools, doctors, and connections. Time after time I admired some American superachiever only to discover that his or her parents, too, were outstanding in their own fields, and had money.

There’s nothing wrong with a society in which parents who achieve success instill a similar drive for success in their children. But that’s different from a society in which a relatively small number of families have vastly more financial and logistical resources than everyone else, and can provide many more tangible advantages to their children every step of the way. In the United States I was much less likely to discover that the successful person I’d met had succeeded despite his or her family background rather than because of it. A fantastic diversity of talents is born into children across all classes of American society. Yet among far too many of these children—the ones who aren’t wealthy in particular—these talents aren’t being discovered and nurtured. In other words they are being wasted.

The Nordic countries feel that they can’t afford to waste the potential of any of their children, no matter what their fortunes in life.

Kaarina—the mother who’d told me about how liberating it was to have her husband take paternity leave and bond with their children—experienced a terrible family loss when her children were a few years older. Tragically Kaarina’s husband died of cancer. He hadn’t taken out life insurance, and unfortunately she didn’t have much in the way of other family support. Kaarina was left to pay the family’s mortgage and support her two young children all by herself.

This was a terrible emotional blow, and for an American middle-class family it might well have been a terrible financial blow as well. Yet in Finland, Kaarina managed to get through her husband's illness and death without incurring any debt. For starters, of course there weren't any significant medical bills for his cancer treatment. Then she and her children received a survivor's pension from the government, in addition to all the usual benefits available to families. Her children could, naturally, also continue studying for free in their high-quality public school, and could attend the subsidized after-school clubs. When her older son decided that he wanted to attend an English-language high school, located in a neighborhood dominated by diplomats and wealthy families, all he needed to do was pass the entrance exam. No tuition was needed, and public transportation took him there. The children continued to engage in hobbies they chose freely: swimming in the public pool, judo four times a week at a local club, gym at their school's facilities, and mixed martial arts at the free, publicly funded municipal sports center. None of their activities were expensive, because the operations were largely funded by the municipality and available to all. Later, should they want to go to college, that will be tuition-free as well. And since healthy parental leave policies for both Kaarina and her husband had allowed her to keep working at the same time that they'd raised their kids, she had a solid freelance career to fall back on after he died.

Kaarina's husband's death was still devastating, and needless to say she had all my sympathies. She also had my curiosity. At one point I asked her what she thought it had meant for her to have Finland's social policies in place when fate had dealt her such a difficult hand. "I'm a good example of what happens to a person who has no family and no employer to sup-

port them," Kaarina told me. "Anywhere else in the world, anywhere outside of the Nordic countries, my family's life and my kids' future, not to mention my own economic and social status, would have changed dramatically and permanently. Now the loss is only personal, if you will. Any other time in history, my sons would have been struck by an immense tragedy also in light of their futures."

This is what it means to have deliberate social policies to support the autonomy of individuals, to secure the independence of children, and to ensure the development of children's talents for the future. In America, if you're lucky enough, you might have the private resources to keep you on track through life's challenges. You might also end up haunted by the knowledge that you may have gotten unfair advantages over others who are suffering. This can have the debilitating effect of undercutting people's sense that they are the master of their fate, that they've earned their own success.

Personally I was able to live my life in Finland not only taking pride in my own achievements but also taking pride in my participation in a social contract that went to extraordinary lengths to give every individual a fair shot at success. No one can shield children from the pain of a parent's death, or the trauma of dealing with mental illness, addiction, violence, or other troubles in a family. Children will always grow up in a variety of circumstances, some better than others. Still, I was able to take satisfaction in my own achievements exactly because I knew that my society did its best to offer everyone the same opportunities—at least as much as any country in the world at the moment—and that in comparison with other people, my personal achievements were my own, and not simply the result of being blessed with a fortunate family background.

In addition, I could reach for my own dream without having to focus solely on the one thing that most Americans today have to worry about constantly: money.

### THE FUTURE OF THE MIDDLE CLASS

Here's a statement: The United States is one of the world's richest countries, and its middle class is the world's best-off middle class. The first part of that statement is still true. The second part was once true but is no longer. A study of income data in different countries over thirty-five years revealed that after-tax incomes of middle-class families in Canada—which were substantially behind those in the United States in 2000—now appear to be higher than those of their neighbors to the south. Median incomes in many European countries still trail those in the United States, but the gap in several, including Norway and Sweden, is much smaller than it was a decade ago. These trends shouldn't be surprising. Even though the American economy has grown significantly over the past few decades, the typical American family in 2013 earned no more than it did in 1988.

The poor in the United States fare far worse. A family at the lowest fifth of the income distribution makes significantly less money than does a similar family in Canada, Sweden, Norway, Finland, or the Netherlands. Thirty-five years ago the reverse was true.

But these figures only tell part of the story. From their shrinking share of take-home pay, middle-class Americans are also trying to cover rising costs for health care, child care, and education. In the Nordic countries, whether people make somewhat more or less than middle- or lower-class Americans,

Nordic citizens don't have to rob their own take-home pay to fund these other parts of life. The United States still offers some the chance to become fantastically rich, but for the vast majority of Americans, even just a comfortable middle-class life has become harder and harder to reach and maintain.

The means to restore the vitality of the American dream are well known and available. The OECD recommends three steps to counter the changes that have unsettled the labor market: investing in the workforce by offering easy access to education, health care, and day care; creating better jobs that pay more, especially on the lower rungs of the income ladder; and using a well-designed tax system to temper inequality and increase opportunity.

Americans are ready for these changes. In a 2014 survey by the Pew Research Center, U.S. respondents considered the growing gap between the rich and the poor the greatest threat to the world today, ahead of religious and ethnic hatred or pollution and environmental problems. States and cities have been raising the minimum wage on their own. Fast-food chains have started paying their workers higher wages—some even fifteen dollars an hour—while still making profits. And as the Nobel Prize-winning economist Paul Krugman has pointed out, the United States actually has a long tradition of letting the biggest earners and possessors of the largest fortunes contribute more in taxes.

The Nordic countries offer a clear road map for dealing with growing inequality in the United States. Another Nobel Prize-winning economist, Joseph Stiglitz, has noted that Sweden, Finland, and Norway have all succeeded in achieving about as fast or faster per-capita income growth as the United States, but with far greater equality. While class distinctions in

Let's not forget  
America's future

the U.S. become more deeply entrenched and social mobility becomes more and more a myth, in Nordic countries upward mobility is a healthy reality.

Building this framework costs everyone a bit of money. And yes, those who do very well by it are asked to pay quite a bit more. That's because the lives of the very rich are already fantastically good, and there's an acknowledgement that additional wealth beyond a certain point has diminishing returns for personal satisfaction—something that should be obvious, but that is also increasingly supported by research. Walk around the streets of Helsinki or Stockholm for a few days, and you'll see rich people driving brand-new BMWs, Porsches, even the occasional Ferrari. What you won't see so much of is rich people who own four or five Ferraris. Frankly, Nordics would rather have health care and good schools.

On the whole, Nordic citizens support the arrangement because it is so obviously fair and generally works so well. What Finland and its neighbors do is actually walk the walk of opportunity that America now only talks. It's a fact: A citizen of Finland, Norway, or Denmark is today much more likely to rise above his or her parents' socioeconomic status than is a citizen of the United States. All this means that in the Nordic countries people actually end up being able to create wealth for themselves. Government in the Nordic countries tends to be like a referee who makes sure that the field is level and the rules are followed, but who then steps out of the way and lets the competitors determine who gets the highest score. If the referee were to stop the game and take points away from the winners and give them to the losers, which is what some Americans seem to think happens in the Nordic countries, of course no one would want to play. It's exactly because that's not the way it works that Nordic citizens find their system to be in their own best interests.

Although the Nordic theory of love may predispose the Nordic nations to the recipe for success that they've developed and put to such effective use, there is nothing inherently Nordic about it. Today many Americans actually see the issues of taxation, income inequality, and opportunity in ways that reflect the same core values as the Nordic theory of love, and are working toward policies more appropriate for the challenges of the twenty-first century.

The United States is still the country that people elsewhere in the world look up to. It has created a way of life that many people in the world can only dream of, a life steeped in individual freedom, material wealth, and a liberating degree of choice in everything from shopping to religion to lifestyle. It continues to welcome immigrants, and millions are drawn in by its promise of opportunity and a better life. It should not let those wonderful, essential features about itself be lost. Rather, it can and should do more to protect them. For the United States has strayed from its own ideals, and in reality, Americans today enjoy less opportunity than do people of other wealthy nations. The land of opportunity needs to bring the opportunity back.