Steven: Hello everyone, and welcome to the Inequality Podcast. This is Steven Durlauf. Many conversations by the Inequality Center are on short run or medium term measures, hourly wages, per capita income, and the like. But a richer conception of inequality has to derive from the observation that we have life courses, or on trajectories, that move from childhood to adolescence to adulthood. Once when one thinks about it that way, of course, when one moves back from asking questions about hourly wages to what determines them, and that's an example where pride of place is going to be education, attendance in college. It is incontrovertibly a fact that college attendance is highly associated with economic success. What that leads to is actually something of a question. Why do we see higher levels of college attendance and college completion? The answer to those questions of course matter for individual level inequality and for understanding the distribution of socioeconomic outcomes in a population as a whole. Once one goes down that route, one begins to address essential questions associated with inequality in the United States. And so in this next conversation with Salvador Navarro, I have an opportunity to explore some of the major issues in understanding college attendance. So Salvador, naturally in the context of an inequality podcast, what I was hoping we could do is explore different dimensions of your research that speak to inequality issues. And I thought we might start with the ways to think about the role of life cycle trajectories and inequality. So Salvador, might you talk a bit or give an overview of the work you've done in this area?

Salvador: Sure, it's an interesting story actually. So when I started working on this area, a lot of the focus was on figuring out first whether there was a return to school. Right? So one of the big questions was how important was schooling for generating income later and did it matter or not? So that question kind of got settled into it's a big number. And so the question was if it's a big number, which is roughly when I started working on this area. So if it's a big number, the big question was “Why aren’t there more people taking advantage of it then?” Right? So if it turns out that going to college has a big payout, why don't we see more people going to college then? Now, the obvious as an economist, the obvious answers that come to mind, not necessarily that we know which one is the answer, is one because people can't afford it, which from an economist's perspective directly is not such a big deal. There's a lot of things we can't afford. Right? Now there may be a reasons of public policy to make it more affordable. But another question is whether there's credit constraints and credit constraints are probably one of the most misunderstood concepts. So people usually confuse credit constraints with the notion of not being able to afford one. So let me give you a very, very, very rough caricature of how to think of credit constraints. So here's an idea. Imagine that I tell you that the return to college is 10%. Let's say, you could think that if I can borrow money at less than 10%, go to college, get a return of 10%, then I can pay it back. So a credit constraint comes when you cannot

borrow that money, even though the return is there. Right? And you can borrow for less than that. So you can pay it back and still make some money. You cannot do it for some reason. And that's what we call credit constraints, which is different from not being able to afford something. So that's an alternative explanation that for some reason, the financial market, there's no way that you can borrow under the promise of paying once you get the education and the return associated with that. And we have good reasons why that exists. Becker made it clear. And the other one is, well, maybe the people that don't go to college don't have what it takes to go to college for some reason. So in economics, we call that skills. Maybe they don't have the right set of, by the time they arrive at college-going age, they don't have the right set of skills to do it. And so when we started working on this, when I started working on this, that was kind of like an open question, a big open question. Why is it that if we see these big return, more people are not taking advantage of it? And that's when we started working on this and trying to figure out, trying to run a horse race between these explanations, or trying to figure out whether one stands out, or maybe it's a combination of all of them. And so we started working on this. And while working on this, we came up with even another alternative possible explanation, which was the idea that, well, maybe people don't necessarily have enough information, that when they are making this choice with the information that they have access to, it seems like a good idea not to go to college. Even though exposed, it may turn out that it was a good idea. But it's kind of the same reason as to why you say, oh, why didn't you buy Apple in 1980? Well, because I didn’t know. Had I known that it was going to be such a big payout, I would have bought it. So that was where I came and started working on this to try to figure out, well, is any of these possible explanations the big one? Or is it just like a mix of everything and so on? And I think it's fair to say that me and other people working on the topic at the time, the biggest explanation, at least for the generation of people that were working on, it turns out that that has changed a little for the next generation, a was that the skills were not there. So the people that were not going to come, for the most part, again, all of them contribute, but for the most part a lot of it was that they didn't have the skills necessary to succeed in college, and so they were not going to college. And that goes to the life cycle aspect of it because what happened afterwards is the big question became, okay, if that's the question, if that's the answer as to why they're not, they're not going to college, why are these skill differences being generated? Why are people arriving at age 18 or age 19 with these big skill differences? And so people started working backwards from there. Okay, so now let's figure out where are these skill differences generated throughout the life cycle, the schooling life cycle of the individuals or are these something that they are born with these differences? And so all of this work that came afterwards and people started working on earlier and earlier and earlier education, I think at least the way I see it came from that answer, from this notion that what the biggest explanation of why

people weren't going to college were disability differences. A line of research popped out of that. Now why study that? Well, I mean, schooling is probably, again, if we believe that they have such a big return, you can imagine that for the most part, it's kind of like a one-shot opportunity. You either go to college when you have the opportunity, when you're at the right age and at the right stage, or you missed it. And from there on, the differences in your income compared to somebody else are going to be there for the rest of your life, right? So that's the importance of thinking at that stage in life, how this is going to generate big differences through the remainder of your life compared to what you could have got and had you gone to college.

Steven: And so, to reemphasize when you bring up the issue of abilities, these are not abilities that are fixed. They're are malleable. And so that leads, therefore, to the question of understanding the role of schools at different ages, early childhood investment, even factors such as heterogeneities and exposure to lead or exposures to violence and other social ills as mechanisms that are leading to sort of dispersion in skills among adolescents that means at that point in time, simply going to college is not going to rectify the experience in terms of the economic trajectories. And so another way to articulate what you really have identified in this body of work is that I would say by way of background that the college wage premium, in other words, the gap between graduate incomes and wages and those and others remains extremely high. There's clearly fluctuations over time, but it's a fundamental source of persistent inequality in the United States, presumably in Canada and other countries. You know, the natural thing, of course, is to say we would like everybody to go to college, but how do you avoid that being utopian? It's exactly what you said. You have to identify how to produce the skills that are necessary for college success once one is in a position of attending college. I also just wanted to reiterate the importance of thinking about the role of cost and as the expenses of college, of course, you know perfectly well that all these controversies in the United States about student debt, et cetera, those are different than the question of affordability in the sense that one question is whether people are able to take loans and therefore attend college. A different question is whether or not those experiences post-college have justified the debt that's been accumulated. I mentioned that because related to what you call the paradox of lack of college attendance given what we know about the gross returns to it, it is certainly the case also in the United States that belief in college has deteriorated and so and there's been you know, additudinal changes. Ethnographic studies have found that the importance that parents ascribe to college today is different than the importance that was ascribed to my parents, for example. And that becomes particularly hard to understand, given the fact that the premium are bigger than ever. Is there something you might want to say simply about the role of information? In other words, what you've

learned about ways to improve information?

Salvador: Yeah, so the other big determinant that we found was this notion of information. Now information in itself is interesting because economists like to think of these differences in information or what we call uncertainty, depending on what are the mechanisms that are available to deal with them, right? So if there is a lot of uncertainty and I have ways of what we call ensuring against it, then it's not such a big deal, right? So if it turns out that I can say, I'm not going to go to college because I think it's not going to work out for me, but I can imagine that this existed, I can buy an insurance policy that says that if 10 years from now, you gave me an exam and it turns out that I would have done great in college, and it would have been the opportunity of my life, and I would be a millionaire today, then the insurance company pays. Then it doesn't really matter that I didn't know. I made the best decision that I could given the information that I had at the point, but I am insured in case I made the quote-unquote wrong decision just because of the uncertainty. Now this information getting revealed, the information that I didn't have at the time that gets revealed over time, right? So it's the usual story that you hear about this guy that could have done great, but at the time he wanted to be a musician and play in band or something and made the wrong decision. So what we found when we were studying this was that information plays a big, big role, but not as big as people thought, meaning that people are very good at predicting how they're going to do, and by very good, you have to be a little careful because people are...

Steven: Yes, predictive accuracy is not the normal attribute we give to 17-year-olds.

Salvador: Yeah, no. I know. So let me put it in context. What I mean by people are very good at predicting is the following: If you try to explain why people make more money than others, and you throw everything you can imagine at trying to explain these differences, raise the background of your family, whatever characteristics you can think of that may explain these differences. It turns out we can explain very little. There's a huge unexplained gap there. Now the question is, is that unexplained gap just luck, just uncertainty, right? It's just you have to wait and see how you're do in life, right? A few years from now, you're going to see that some people are going to do better, some people are going to do worse. Or is this something that even though we, when we throw all of these potential explanations at the data, find that don't really explain, but is this something that the agent knows? Is there something that the agent himself or herself knows that can explain this differences? And so what looks like a bad decision to us, like me, the outside observer, it looks like a bad decision from the perspective of the agent, it turns out that if I knew what the agent knows, if I knew what the person making the decision knows, doesn't look that bad.

Steven: So let me just give a concrete example for the audience. And that is that, suppose as I believe there's good evidence that's true, is that conscientiousness is important in economic success. If I just look at data, I don't have a time series or a cross-sectional set of observations called conscientiousness. And so if I were to group people by similar observable characteristics and found that there's this large difference in rates of return in college, that seems to be irrationally not exploited, it just may be that individuals know whether or not they're conscientious and proceed accordingly.

Salvador: Yeah, and so that's what we were trying to quantify, right? How much of this huge, unexplained gap is known to the agent at the time they're making the decision, even if it's unknown to me as an outside observer. That's what I mean when I say that they are good at predicting. It means that we can shrink that gap. Now the gap remains very large, but much smaller than what you would think. And it has important differences because again, in this imaginary insurance example I was giving, well now it's a difference between ensuring against 80% of your income versus ensuring against 40% of your income. Because what you knew about it means that only 40% was unknown and unknowable to you, right? You had to wait and see it. Versus you kind of could predict very well the other 40%, which is something that, as far as I know, hadn't been done up to that point, quantifying how much was known to the agent. And a lot of work has gone since into finding better ways of being able to see how well our agents, how good our agents are at predicting this.

Steven: So a second area that you've done important inequality-related work on has to do with schools. And there I wanted to sort of identify two tales of the distribution. One of them is the work you've done in elite schools in Mexico, and then we would turn to issues of grade retention. I bring this up for reasons not only because of the importance of inequality, because I think that these types of questions you are addressing, they speak to how we think about meritocracy. In other words, as controversial as it may be in public policy debates, there's very widespread assent to the idea that we would like admission schools to behave in meritocratic fashions in terms of who is assigned to what schools and how schools reward students in terms of performance. And so I'd like you to share with the audience the work you've done in elite schools in Mexico to start.

Salvador: So Mexico City in particular, which is a context where we studied, has for various reasons a very rigid system on deciding who goes to which public high school. And so some public high schools are much better recognized as much better for various reasons and in various ways than others. That's what we call elite high schools. These are schools that are always oversubscribed, that everybody wants to attend, that in the context of Mexico City, if you go to one of these high schools, you have automatic access to the public

universities and so on. And so the system, the way it works is students list the high schools that they want to go to, they create a list, they give the list. Then they take an exam, one exam, that's it. You take one exam and based on the distribution of scores that the universities see, right, different universities put different cut-ups, right? And so if you listed me as at the top of your preferences for high schools and your score is good enough to come to my high school, then you're going to enter my high school, and they keep going down the list until the high school is full, next school, next school, next school. There are various reasons to follow a system like that, but that's a system that Mexico City follows. And so that generates a way in which students, arguably the idea is that they're the best students go to the best high schools, because the best high schools just put a higher cut-off on who can attend those high schools. The problem with that is that it assumes that all the information is contained in this one score. Again, there are other reasons to like this system, but in this particular case, it puts all the weight on this one score, and that's it. And so what we did is we went and we analyzed, okay, what is the effect of going to these schools? What are these schools really that much better than the next best school on the list? That was a question we were asking. And what we found somewhat surprisingly is that even though there doesn't seem to have been much change in the scores of the students that attend these schools. And when you look at the characteristics of the schools, there doesn't seem to have been much change in the characteristics of the schools themselves. The return—at least measured in terms of how their grades improved as they, or their scores in these tests improved as they attended these schools—the return has been going down over time. And we are not quite sure why. We analyzed this. We were looking at this change over time. We said, oh, it must be that the composition of the students going to the top schools is changing. Maybe they are allowing students with lower scores now. And so now you don't have as good students going. And that doesn't seem to be the case. Well, maybe the schools are getting worse or the next best schools are getting better in terms of observable characteristics. That doesn't seem to be the case. And so we are a little at a loss as to figure out why that's the case. Why is it that you observe this decline in the return to these elite schools? Now, the one thing that we did find, and that my co-author has found, is that this one score is not doing a very good job at selecting the appropriate set of students to go to these schools. So the dropout rate in these schools is enormous. It's about 50%.

Steven: That's stunning.

Salvador: Yeah, so the dropout rate. So I don't know if you want to use the word mismatch for this, but amongst all the students that go, about 50% don't finish, which is enormous. We don't necessarily have a smoking gun, but some of what seems to be happening when you look at the socioeconomic background of the students and some other characteristics of the students, students that come from a better

socioeconomic background seem to be able to do better at this course, at these exams, these entry exams, regardless of how well they did in school before. I mean, we suspect that it's something about the industry of preparing these students for test taking and so on. And so that's the risk of making all your decision based on one point of information. And so in some simulations that my co-author did in a different paper, when he includes more information into the decision rule of the schools, it allows the schools to use other pieces of information besides the score. Many more women go to these elite schools, many more low socioeconomic background students go to these schools, and they drop out a lot less than the current system. One thing we did do or we're trying to do now, is to identify what's the difference. What other information does this, say your GPA in your previous school and so on, contain that the exam doesn't? I suspect without proof at this point that it's going to tell us something about these so-called non-cognitive skills, that it's going to tell us something about this sticking to it, this consciousness, these other things that are needed for you to keep a GPA throughout time, as opposed to just doing well in one particular exam, that are valuable to succeeding in these elite schools.

Steven: And that's all fascinating. And it's somewhat different than general discussions about the SAT or other standardized tests in the United States. And thinking about the criticisms of the SAT, I think that the arguments are not that the matching is producing people that don't do well in the schools, its that the matching has an injustice associated with it because of the differential access to test preparation, to give one example. But I think beyond that, simply the disparities in high school quality are feeding into the standardized test differences. A couple of weeks ago, Nicholas Lemann was here in a public discussion of standardized tests. And Stephen Raudenbush, a sociologist here at Chicago, emphasized a view he had that the standardized tests, he supports their existence, but he doesn't think the American ones are appropriate ones, as opposed to China. And so the key distinction was the American test, which is at least in my day, was three hours or so long, and was in some crude sense supposed to be something like an IQ test, asking people to solve analogies to reading comprehension. The test in China lasts for three days, and they are detailed examinations of the knowledge spaces that people have. And so the reason I put these on the table as examples of alternative tests is this question of measuring certain types of cognitive abilities at the expense of all the personality characteristics that are essential for success in life, that may be mitigated by the more extensive examinations. In other words, if I'm testing somebody on how much history they know at a very deep level, that requires conscientiousness, that requires the commitments that may make for college success. So I put on the table at least that maybe one implication in thinking about how education policy might change, is to exchange the subject matter of the test in such a way that they capture, admittedly imperfectly, a broader set of the skills

that matter.

Salvador: Yeah, I mean, there's an open question, I think, even though people who design tests will, I'm sure, disagree with me, of whether how well we can design tests to capture these more, I'm going to, for lack of a better word, I'm going to call dynamic personality traits, like sticking-to-itness. How well can a test capture that as opposed to seeing what you did during your lifetime or say during your schooling, and seeing whether you actually stick to it? As a source of information for whether you have that characteristic or that skill, I don't know the answer to that, but I suspect at the potential of enraging people who design these tests, that this is a much better measure than the test itself.

Steven: So I refer to the flip side of a meritocracy, which is how we're less able to have lower skill levels at points in time do, and you've done work on grade retention, and had to think about the consequences of that for educational outcomes. Could you tell us about that?

Salvador: Yeah, so there are many countries where grade retention just doesn't exist. Canada is one, France is another, where you just move on to the next, it doesn't matter how poorly you did for the most part, you just move on to the next year. The US is not one of those. In the US, there is a lot of great retention, in fact. And so we wanted to know, as a first question of how easy that people learn is repetition the best way of making sure that people have what they don't seem to have learned? So that's the logic behind grade retention. The logic behind grade retention is to say, well, you didn't learn what you were supposed to learn in second grade. Let's have you take second grade again. Now the problem with this is, well, we need to figure out—it's not a costless activity, because if I force somebody to repeat a grade, that's one less year that they're going to have. It's not the only way that human capital can be accumulated. So if you repeat a grade, that means that you're going to be delayed one year, ceteris paribus, holding everything else fixed. It's going to be one year that you're going to be delayed, and going into the job market, and doing on-the-job training, and learning on the job, and so on. And that can mean a lot of money, so it's not costless. So the question is, A, does it work? Is grade retention improving the outcomes of these children? And two, which we don't have evidence on, is it worth it? The next step would be to say, if it does work based on some notion of you learning what you didn't learn, was it worth delaying one year, your being out there in the job market. So on the first aspect, that's what we started to work on. We wanted to see whether the test scores of the kids that repeated the grade improved after repeating the grade. Was there an exam improvement after it? So we had measures of cognitive and non-cognitive skills of these children and what we found is that it depends where in the distribution of cognitive skills you are. So it seemed to have a

negative or no effect on children that are on the left tail with low cognitive skills to begin with. It didn't seem to help. It seemed to hinder them or not do anything. But it seemed to improve the outcomes of children that were already on the high cognitive scale, which is surprising. You may think, first of all, why are these high cognitive skill children repeating the grade to begin with? Well, as everything is based on some measure that you get. So you get some imperfect measure of what the child knows. His grades, her grades during the grade. And based on that, you decide whether the kid repeats the grade or not. And there will be mistakes. So there are a surprising number of kids that seem to have high cognitive skills that repeat the grade. Where we got a lot of pushback was like, what do you mean they're doing better by repeating the grade? I mean, you're saying that we should take the smart kids and have them take second grade again and again. And so we got a lot of, I mean, it sounds like a rather surprising result. But to us, it wasn't that surprising, but we had to provide some evidence. So here's what we went and did. So we went on and we thought about, okay, so what happens? So to the extent that cognitive skills of the child are correlated with socioeconomic status, which we document they are. Then what you have to ask yourself is what is the response of the parents? If all of a sudden your child has to repeat a grade, if you come from a low socioeconomic background, there may be very little that your parents can do about it except say, “Well, go repeat the grade, right?” With all the consequences that they might have on the self-esteem of the child, on the stigma and so on, versus if you are a high socioeconomic status family, like if I were told that my child has to repeat the grade, sure, he has to repeat the grade, but I would make sure that he has access to tutors, that he's going to activities that will help him with this. I would make sure that he's spending more time on his homework. I would make sure—and we have some evidence. Unfortunately, the data wasn't rich enough to provide a lot of evidence, but we have some evidence that that's exactly what happened; that the high cognitive skill children, which translates roughly to high socioeconomic status children, got more investment from their parents once this happened. So their reaction itself was the reason why this grade repetition was showing. So people call this mediation analysis now. That was the mediator behind the apparent success of the great repetition on these high-skill kids, which again, it's kind of the same story keeps repeating itself about families doing stuff so that their kids do better when they can, versus families who can't do anything. Going back to the, for example, the test scores to go into high school.

Steven: And it's a very nice observation, because it indicates the complexities in the richness of thinking about how socioeconomic status of parents is affecting children. This is the real microstructures of it. So thinking about the consequences about responses to retention and how that's going to have very much a socioeconomic gradient. This unpacks the black box of looking just at

correlations of parents and child permanent incomes and things like that. So that seems like an important advance. Well, Salvador, thank you so much.

Salvador: Thank you.

Steven: The percentage of American adults aged 25 or older who have a four-year degree is currently about 38%. Among Hispanic Americans, the number is substantially lower at 21%. That figure is important in understanding economic disparities between Hispanics and Whites, but it's also noteworthy that the Hispanic graduation rate is lower than one finds for African Americans and for Asians. And so in this conversation, I will have a chance to speak with Stephen Trejo, the professor of economics of the University of Texas at Austin, who is one of the world's leading experts on the economic status of Hispanic Americans. We'll discuss the reasons why college graduation rates have remained steadily low and what might be done about it. So I was hoping that we could start by you giving an overview of the main contours of absolute and relative economic status of Hispanic Americans in contemporary America.

Stephen: Yeah, you know, about two-thirds of Hispanics today are born in the United States and the other one-third are immigrants. I'd like to focus on the US one. Often, to kind of gauge how a group is doing, we compare their earnings to the reference group, which often is US-born non-Hispanic whites. So if you look at these earnings gaps for Hispanic men in particular, they're about 25%. The earnings gaps are a little smaller for women, maybe more like 15%. The earning gaps are sort of close to those of African Americans, but there's a big difference, especially for men, in that most of the gap goes away for Hispanic men if you control for education. So the big place where Hispanic Americans kind of fall behind other Americans is in education.

Steven: Following that up, are there reasons to believe that in another generation, you'd have substantially faster conversions? In other words, I'm trying to have an image of children of immigrants and then grandchildren of immigrants. And I don't know, I'd like to ask what is known about the next transition?

Stephen: That's really the big question. That's what kind of led to a lot of my research. Is the fact that, you know, Hispanic immigrants themselves arrive with very low education levels and most with a little or no English proficiency. And so it's understandable. They have much bigger wage gaps, 40 to 50% relative to US-born whites. And then there's a lot of progress when we go from the first generation, the immigrants themselves, to their US-born children who I'll call the second generation. There's huge increases in education, in English proficiency, and in earnings. And so the natural question is, okay, the initial gaps were so large. Maybe it takes another generation. And

this is similar historically to what people think happened with Irish and Italian Americans, that in groups that arrived at the end of the 1800s and the early 1900s, the initial groups had relatively low skills, low earnings. Their children did better and by the third generation, by the grandchildren, it seems like they had kind of merged and on average had the same education, the same earnings with everybody else. And that's where the data, at least the, you know, the initial kind of the data doesn't look so good for Hispanics because if you kind of move from the second generation, the children of immigrants to higher generations, the third and higher generation, is kind of what we can look at. They don't look that different from the second generation. So there are still these pretty sizable earnings and education gaps. That was sort of puzzling in the sense that a lot of what determines someone's education, a big factor is their parents' education. And you go from immigrants, their kids have the advantage of growing up in the United States. So that means that the third generation, they're going to have parents who are from the second generation who have a lot more schooling than the first generation, so just that kind of bump in education between the first and second generation almost by an off-shoot generate another bump. And I think the puzzle, I think the puzzle is that it's the data we have that isn't perfect. So, you know, we can identify in almost all data sets, we can identify Hispanic immigrants, by looking at people who are born in Spanish-speaking countries. We know the country of birth of people in almost all data sets. In a few data sets, like the current population survey, we also know where people's parents were born. So we can sort of identify the second generation of Mexican Americans, for example, as people who were born in the United States, but one or both of their parents were born in Mexico. For the third generation, we typically don't have data. We almost never have data on where people's grandparents were born. So it gets tricky in the way in data sets that researchers have been forced to identify higher generation, later generation, Hispanics beyond the second generation, is by looking at people who are born in the United States, both their parents are born in the United States. But then to know whether they're of Hispanic origin, people have to self-identify as being Hispanic. So there's a question, are you Hispanic or Latino? And if you say yes, then it asks what particular national origin group are you Mexican, Cuban, Puerto Rican, whatever? That's the group we're looking at. But it turns out there's a large number of later generation Hispanics, or people who have a grandfather or a grandparent or other descendant who was an immigrant from Mexico, who was born in Mexico. There's a lot of people who, in that sense, are of Hispanic descent, who don't call themselves Hispanic in answer to that question. And so that's where we get this, what I call selective ethnic attrition, where, kind of, we're missing some of the most successful, most integrated, most assimilated Hispanic Americans as we look at the later generations.

Steven: What would you say in terms of mechanisms that might explain

enough of the convergence to the educational levels of others? I understand, given the data limitations, it may not be empirically compelling, but once you think a priori or likely to be salient. Really I'm asking the question to whether segregation of Hispanics might mean that there's something about the quality of the schools that's inhibiting the next step from the parents to the first generation born here.

Stephen: That could be an issue. I mean, there certainly is, we look at other dimensions of integration. So I talked about economic dimensions, earnings and education, socio-economic dimensions, but in lots of dimensions, there's lots of integration evident between the first and second generation. So Hispanic families are more likely to move out of sort of ethnic enclaves where there's lots of other Hispanic immigrants and people speak Spanish. They're more likely to move into other parts of the city or the state where there's a more mixed balance that the demographic composition isn't so heavily tilted towards Hispanic. So they move into areas and there's more economic opportunities in those areas as well. In terms of education, so part of my argument is that I think there is more educational progress between the second and third generations that we see in the data for the reasons that I just talked about. If we look way back over time, there's been a lot of progress. So let's just focus on US-born Mexican-Americans, kind of, to level the playing field and go back to 1940. In 1940, as was the case with African-Americans, there were huge educational gaps between Hispanics and whites, even among the US-born. So Hispanics had, on average, over four years less education than Whites. And that was a big percentage back when Whites only had, on average, about 10 years of education. And there's been steady progress over time in closing that gap. And so now the gap is down to about a year of education for US-born Hispanics. Most of the way that that gap was closed was by Hispanics catching up in their rates of high school completion. So even in 1970, 1980, US-born Hispanics would have high school dropout rates that were triple the rate of Whites and double the rate of Blacks. And so that gap has been mostly closed. And so most of the educational progress for Hispanics has occurred through almost everybody finishing high school like other Americans, where there's still big gaps. And this is true for African-Americans as well, is the rates that which Hispanics go to college and finish college. And those gaps really haven't closed at all, and maybe even widened a little bit. So to me, that the puzzle and kind of the big question is, how do we get more Hispanics to go to college and finish college?

Steven: So I'm going to put you on the spot and ask for policy recommendations, what are your thoughts?

Stephen: I mean, there's a paper by Zach Bleemer that looks at the University of California system, which had affirmative action, and then there was a voter referendum that got rid of affirmative action.

And what he found is that affirmative action was a big help to Hispanics, that by allowing them to go to better universities, to University of California universities, more of them finished, and there was a big benefit to their ultimate earnings. So that, you know, that that seemed like one policy that worked. But there's been other things, I think Carolyn Hoxby and her co-authors have looked at educational interventions. So if we look at, you know, highly qualified low-income or minority students who typically don't always apply to the quality of college they could get into, what if we provide information to those students? Does that increase the chances that they'll apply to better colleges that might be farther from home? And that only had limited success. So I don't really know what the answer is here.

Steven: The Hoxby-Avery work on under-match, you know, identifying these high-acheiving students that do not apply to elite schools or schools away from where they live. It struck me as actually a very deep challenge for us as economists. And the conjecture I have is that it's asking a question about imagination. In other words, speaking for myself, my children, your children, they knew what it meant to go to college. Every influence they had was pushing them to do that. Parents, because professors, the children, friends, or the children of professors, etc. But for many disadvantaged people, it's an active imagination to leave a community, to go into a world where people are very dissimilar. And I don't think we understand how one bridges that gap. And so I'm very glad you brought that up. That strikes me as a very deep challenge for thinking about convergence as opposed to converging.

Stephen: Actually, one more thing along those lines that I'm just thinking of now: I think there's been studies of this, but just my own experience, it's a program that works very well is called the Longhorn Scholars Program with the University of Texas. You know, when affirmative action was, I think this was in the 90s when there was a federal court decision that didn't allow University of Texas to practice affirmative action anymore. And the fractions of Black and Hispanic students went way down. We adopted a top 10% program. You know, if you take the right classes, then you're in the top 10% of your high school class, you're automatically admitted. There have been a problem where lots of students, who seem to do very well in places like the Rio Grande Valley, a very Hispanic part of South Texas. They would often not go to the University of Texas or a higher rank school. They would, they would go to a local community college or something like that. And so this Longhorn Scholars Program has been effective at getting more students to come to UT, but also the students who came to UT because, you know, they were ranked high in their high school class, but their SAT scores and preparation might not have been the same as students from wealthier schools, who weren't ranked in the top 10% because they were going to a more competitive school. A lot of those Longhorn Scholars students struggled when they came to UT. They

had a pretty easy time in high school without studying or things like that, so hadn't developed the same work habits that if they'd been at a more challenging high school, they might have. And so this program kind of provides some of that and also provides counseling and support for students who, they're away from home, maybe for the first time and struggling in that dimension too. So programs like that might help, although I don't know that well about the specific research and so on.

Steven: So Steve, thank you. This was a master class for me, and I guess I learned a lot, so I'm very grateful to that.

Stephen: Thank you. A lot of fun for me too.

Steven: The Inequality Podcast is a production of the Stone Center for Research on Wealth Inequality and Mobility at the University of Chicago. I want to end the podcast with thanks to the people who really make it happen. First, I want to thank our producer and engineer Shane McKeon. Second, I'd like to thank our assistant director Gerardo Espinal Franco for really the production oversight and doing everything that is required to bring the podcast to fruition. And finally, I'd like to thank our executive director Grace Kolavo for her support, not just for the podcast, but for every activity at the Stone Center. You may get in touch with us at stonecenter.uchicago.edu. Thank you so much for listening.

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