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Inequality and family structure

Michael Hemesath

College of Saint Benedict/Saint John's University, mhemesath@csbsju.edu

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Quad 136

Inequality and Family Structure

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Inequality and Family Structure



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There is much concern about income inequality in America. Here is a recent example from *The Economist* and another from *Forbes*. The data show that the top part of the income distribution (1% or 5% or 10%—the data is similar) has seen its income rise for the past few decades while the bottom part of the income distribution has seen its income stagnate.

What is important to note is that these data are typically reported in terms of family or household income. Changes in social and cultural norms have led to changes in the structure of the typical family, which affects family incomes. On one hand, as divorce rates have climbed and the children have typically lived with their mothers following a separation, the number of female-headed households has grown from less than 10% in the 1960s to nearly 25% today. As a purely algebraic exercise, a divorce painfully causes one family to

become two, with the income of both being less than that of the previous single family. Both of the new households move down the income distribution.

On the other hand, as more women have gotten post-secondary degrees in recent decades and entered the workforce, this has created more two-income families. The returns on education have risen over time, meaning that highly educated two-income families have seen their income rise faster than less highly educated households, and much faster than households headed by one parent. The blog *Café Hayek* has an interesting discussion of these issues, with graphs showing the relevant data. Of course changes in the income distribution over time are complicated and cannot be attributed to one source, but no discussion is complete without reference to family structure.

These changes in the income distribution and family structure are important for society as a whole but are especially relevant to educators who value education as a tool of social mobility. One of the most pressing issues for institutions like the College of Saint Benedict and Saint John's University is striking the right balance when allocating scarce financial aid dollars between need-based

and merit-based aid. Students from lower socioeconomic backgrounds require need-based aid to help climb the social ladder, yet, since academic performance is correlated with family income, we also offer merit-based aid to keep our entering classes academically strong, which arguably exacerbates long-run issues of income inequality.

One way to square this circle would be to encourage our students to marry one another—thus creating upwardly mobile two-income families!

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About the

Author:

Michael

Hemesath



Michael Hemesath is the 13th president of Saint John's University. A 1981 SJU graduate, Hemesath is the first layperson appointed to a full presidential term at SJU. You can find him on Twitter [at] [PrezHemesath](#).