



# Middle-Class Societies Invest More in Public Education

A Stronger Middle Class Is Associated  
with Higher Levels of Spending on Education

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# Introduction and summary

America's economic future depends in large part on the quality of our nation's public education. Education increases productivity, sparks innovation, and boosts our economic competitiveness. In a globally competitive environment, we can't afford to have a poorly educated workforce.

To boast a world-class public education system requires investments.<sup>1</sup> Alas, we have not invested as much as needed to stay ahead of our international competitors, and the results are clear: Fifteen countries now have higher college graduation rates than us, and our average test scores are lower than those of not just peer countries but also less wealthy places such as Slovenia and Poland.<sup>2</sup>

Not surprisingly, the American public thinks we should be making greater investments in education, with polls showing strong and growing support for increased spending. Seventy-two percent of Americans support spending more on education today, up from 65 percent in 1985.<sup>3</sup> So why have we not been making the investments in education that the public desires and the economy demands?

There are of course many reasons but a key, though often overlooked, piece of the explanation is the decline of the American middle class. Societies with a strong middle class make greater investments in public goods such as education, which helps fuel their future economic success. Because paying for private school imposes a much greater, and sometimes impossible, hardship on middle-class families than it does on the wealthy, middle-class families have a strong incentive to make public schools work. The middle class invests its time and energy in public schools and supports higher levels of spending on education—and especially the taxes necessary to pay for it—than do the rich.

Moreover, people in strong middle-class societies feel they share a similar fate and thus are more willing to make investments that they may not directly benefit from, such as, for example, in education when they do not have school-age children.<sup>4</sup>

Over the past several decades, however, America became less of a middle-class society as the wealthy captured most of the economy's gains. The top 1 percent's share of income rose to 23.5 percent in 2007, the last year before the beginning of the Great Recession, up from 9.12 percent in 1974, while over this same time period, the share of income going to the middle class (defined as the middle 60 percent of the population) fell from 52.2 percent to just 46.9 percent. The share of income going to the bottom 20 percent over this period stayed around 3 percent, declining by less than 1 percentage point.<sup>5</sup>

As the rich pull away from the middle class, the relative political power of the wealthy significantly increases compared to the middle class. This dramatic change in power distorts our political system, leading to not as much investment in the public goods needed to maintain a healthy middle class, including a great public education system. The rich are able not only to purchase ever more political influence but also boost their political power relative to the middle class, which now feels less influential and thus votes less often and gets involved in politics less frequently.<sup>6</sup> As a result, the views of the American middle class now hold less political weight than they used to.

Because of the decline of the middle class, education spending is lower than it would be otherwise. Indeed, four decades ago the United States ranked second among high-income countries in education spending as a share of GDP—the broadest measure of a country's income level—with only Canada outspending us, according to the World Bank.<sup>7</sup> In 2008, the most recent year data are available, we ranked 11th—and Canada, whose middle class has also shrunk significantly, dropped to 16th, as countries with stronger middle classes like Sweden and New Zealand edged ahead.

In states across the country, a similar dynamic has played out as well. Since the Great Recession began, most states have cut education spending, yet in those states with a stronger middle class, education spending has not been cut by nearly as much on average.<sup>8</sup> Moreover, of the five states that cut education spending the most, the middle class in four is weaker than the national average. And of the five states that increased education spending the most, four had stronger middle classes than the average.

To flesh out these observations and help quantify the importance of a strong middle class to making investments in education, we examined in detail educational spending in all 50 states over the past two decades—the entire period for

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which complete data are available. We find that a weaker middle class is associated with significantly lower levels of education spending, controlling for other factors that affect education spending such as state income levels, the percentage of minorities in a state, and the age distribution of the state. Specifically, we find that a 1 percentage point increase in the share of income received by the middle class is associated with an increase of \$64 per-pupil spending on public school kindergarten-through-12th-grade education.

Our study suggests that if the middle class received the same share of income as it did in late 1960s—approximately 7 percentage points more—then spending per pupil on education would be about \$447 higher today. In a state such as Louisiana, the median state in terms of student population, that would have translated into \$308,839,005 more in education spending during the 2009-10 school year.

Importantly, increased education spending tends to lead to greater levels of achievement.<sup>9</sup> Many of the factors that boost educational performance require resources. Hiring and retaining good teachers and principals takes money, as do supplies, enrichment programs, small class sizes, and high-quality facilities.

To be sure, there is room to improve the efficiency of our current levels of education spending.<sup>10</sup> But strong middle-class societies also tend to spend government money more efficiently than unequal societies, with less waste, fraud, and abuse, suggesting that the increased educational spending would be likely put to good use. Case in point: Researchers commonly find that in more equal societies, corruption is less prevalent and educational resources are allocated more equitably, ensuring most students have sufficient resources, not just the privileged.<sup>11</sup>

Additionally, a strong middle class boosts educational attainment through far more than just increased spending.<sup>12</sup> The ways in which a strong middle class leads to better educational outcomes, such as middle-class parents putting pressure on administrators to fire or transfer bad teachers, are described more completely in our companion report, [“The Middle Class Is Key to a Better-Educated Nation.”](#)

Skeptics may argue that over the past several decades as the middle class declined, spending on education generally increased. But we spend more on education now because we are a much richer society. Per capita GDP nearly doubled over the past four decades, adjusting for inflation, increasing from \$26,669 in 1967 to \$46,804 by 2008, providing much greater resources for spending on a range of goods, including education. Research consistently finds that as the income level of

a society increases, it spends more on education.<sup>13</sup>

Skeptics might also note that all Americans, including the wealthy, generally support increased educational spending. They would be correct.<sup>14</sup> But the middle class expresses higher levels of support for spending on education than do the wealthy, suggesting that spending on education would be even greater if the middle class had more political power.

As a result, neither of these points refutes the basic argument of this paper, which is that spending on education is higher when the middle class is stronger.

In the pages that follow, we explore other studies done on the relation between a strong middle class and support for a variety of public investments that benefit the overall strength and well-being of society. We then examine how a strong middle class results in a strong democracy, and consequently in a proclivity for those societies to invest in important public programs such as public education. Our paper then turns to the topic at hand—the demand for a quality public education system and the willingness to pay for it—before presenting our seminal state-by-state analysis of the correlation between a strong middle class and spending on public education per pupil.

In short, this paper argues that a stronger middle class is likely to be good for our nation's educational system. And improving education in the United States would be good for our economy.

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