

# Patterns of Economic Mobility in the United States

What Does the Most Recent Academic Research Tell Us  
About U.S. Economic Mobility?

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Carter C. Price and Pedro Spivakovsky-Gonzalez    June 2014

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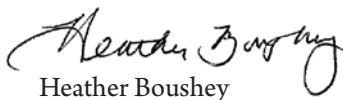
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# Preface

This report is the first in a series of papers examining whether and how economic inequality and growth are linked. The other papers in the series will take this same approach, focusing next on economic growth and then on economic inequality. Our purpose is three-fold:

- To improve our understanding of equitable growth and inequality by encouraging new academic research and bringing together scholars to share their work
- To build a stronger bridge between academics and policymakers to help ensure research on equitable growth and inequality is relevant, accessible, and informative to the policymaking process
- To shape a rigorous, fact-based national debate on equitable growth and inequality

The Washington Center for Equitable Growth is committed to these goals in our research and its annual grantmaking. We will be working with scholars across the United States and worldwide to reach a better understanding of the dynamics of economic growth and inequality and what policymakers can achieve in the way of equitable growth. We look forward to the debate.



Heather Boushey

Executive Director and Chief Economist  
The Washington Center for Equitable Growth

# Introduction and summary

“That dream of a land in which life should be better and richer and fuller for every-one, with opportunity for each according to ability or achievement regardless of the fortuitous circumstances of birth or position.”

—James Truslow Adams, “The Epic of America” (1931)<sup>1</sup>

The idea of the American Dream as defined by historian James Truslow Adams reflects a powerful cultural narrative with deep historical roots.<sup>2</sup> It also reflects the understanding that broad-based opportunity propels the economy forward. Adams wrote at a time when Horatio Alger’s nineteenth-century rags-to-riches tales were confronting the harsh realities of the Great Depression. This American Dream of upward economic mobility, though deferred for many women and people of color, became reality for many among the generation of Americans who came of age during the Depression and World War II and entered the workforce in the 1950s and 1960s, and for many of their Baby Boomer children, too. This drove productivity gains and strong economic growth, as people with talent and initiative were able to match their skills to jobs and economic opportunities.

Yet over the past decades, living the dream has seemed less likely for Americans following in their footsteps—those born into Generation X (1965-1980), the Millennials (1981-2000), and the so called Boomlet generation of the 21<sup>st</sup> century. Research suggests economic mobility in the United States as a whole has been essentially flat since the 1970s.<sup>3</sup> Although economic mobility may not have declined, income inequality has risen over that period, making the consequences of the ‘birth lottery’—the household a child happens to be born in—more stark.<sup>4</sup> Larger differences in income between people at the top and bottom of the income distribution are visible across the country, as are differences in perceived economic mobility. Understanding trends in levels of economic mobility is important to understanding what influences economic mobility, which in turn is important to understanding economic growth and stability.

The narrative that America was the best place for people to achieve a better life than their forebears, though once uncontroversial, was built at a time when reliable statistics were difficult to come by. Recent advances in data collection and more precise methodology allow us to examine how the United States measures up as a land of opportunity today.<sup>5</sup> Now we can ask ourselves whether the entire United States is a land of opportunity or a country where different lands of opportunity exist, depending on one's geographic location or one's place on the income spectrum.

In the pages that follow, we present the most recent research and data available on economic mobility, which we define as movement up and down the income ladder from one generation to the next. This report aims to explain recent scholarship on intergenerational economic mobility across the nation. Briefly, this research and data show that:

- There are regional differences in economic mobility across the country.
- Economic mobility nationwide has been roughly flat in recent decades, but it has not remained flat everywhere.
- Economic mobility in the United States is lower than in many other developed economies.

We identify three sets of factors that are correlated with—though not necessarily causal determinants of—economic mobility: economic factors, social factors, and family factors. **Economic factors** are measures of economic well-being in an area. **Social factors** are a variety of measures of social cohesion and community activity. **Family factors** are various measures of family cohesion and structure. While there is more research to be done, this gives us ideas about what to pursue and where to look for answers. Researchers will need to explore these relationships further in order to identify the causal mechanisms driving levels and trends of economic mobility.

In this report, we first present terms related to economic mobility, before looking at how economic mobility varies across communities in the United States. We then examine how mobility has changed over time. Finally, we look at factors that may influence mobility.

## How do we measure mobility?

As an abstract concept, economic mobility seems fairly intuitive: an improvement or a worsening in one's economic status. While the basic concept is straightforward, capturing this shift with data requires a bit more nuance. Several measures of mobility provide a textured understanding of shifts in economic status. Here are some economic terms and phrases that researchers employ to understand mobility, and an overview of how these relate to economic inequality and growth.

### Economic mobility

Economic mobility is movement along the income distribution, from lower income to higher income and vice versa, from one generation to the next.<sup>6</sup> Researchers have developed a variety of metrics to measure mobility, each of which captures a different way of looking at the nature of the movement along this distribution:

**Intergenerational earnings elasticity**, or IGE, captures the percentage difference in earnings for one generation that is associated with the percentage difference in earnings from the previous generation.<sup>7</sup> If the IGE for a country is 0.5, for example, then half of the earnings differences between people in this generation can be attributed to variation in their parents' earnings.<sup>8</sup> In other words, an IGE of 0.5 indicates that if one person's parents make 10 percent more than another person's parents, then (without knowing anything more about the two persons' education or area of employment) we would expect the first person to make about 5 percent more than the second person. Thus, a high IGE implies a greater expected impact of a person's parents' earnings on their own, and thus lower average mobility. In contrast, a low IGE reflects high mobility. (Note that IGE is different from international income elasticity because earnings are income from labor, but other sources of income exist, including taxes and transfers.)

**Directional rank mobility** measures the percentage of people that experience a higher or lower income rank than their parents. This is one measure of the churn in the economy, or how much people move up or down the income ladder compared to their parents.<sup>9</sup>

**Persistence rate of characteristics** is the intergenerational correlation between the characteristics of the parent’s generation and the child’s generation. These characteristics can be economic, as they are in the case of the IGE. Intergenerational correlation varies from zero (no correlation between generations) to one (perfect correlation between generations), which represent the spectrum from complete mobility—the hypothetical scenario where we cannot at all predict what will occur to the next generation—and perfect immobility—where children’s status is perfectly linked to their parents’ status.<sup>10</sup>

**Mobility gap** is the difference in incomes as adults between people born into the lowest-earning and highest-earning households. Specifically, in this report the mobility gap is the average percentile difference in the national income distribution as adults between children born to parents in the bottom 1 percent of households and children born to parents in the top 1 percent of households. A lower ‘mobility gap’ implies greater mobility, and vice versa.<sup>11</sup>

**Bottom-to-top mobility** is the likelihood that a person born into the lowest-earning segment—the bottom fifth—of the population lands in the highest-earning segment—the top fifth—of the population as an adult.<sup>12</sup>

**Absolute mobility** refers to a change in economic outcomes as measured by income levels. In this report, when we refer to absolute mobility we refer specifically to a measure that represents the average percentile in the national income distribution of children whose parents are at the 25th percentile of the national income distribution.<sup>13</sup>

Each of these measures provides a different view of mobility. No single measure should be considered the “best” measure in all circumstances. The measure to use depends on which aspect of the mobility puzzle one is most interested in, and what dynamics one is attempting to explore. For example, researchers may be interested in understanding prospects for particular segments of the income distribution, such as the bottom fifth of income earners. Examining multiple measures of mobility can help us to develop a better sense of mobility in America and the state of the American Dream. In addition to understanding the terms used to describe economic mobility, we must understand the concepts of economic inequality and economic growth, which are related to mobility.

**Economic inequality** is the underlying distribution of economic characteristics such as income and wealth. Inequality differs from economic mobility because while economic inequality reflects the state of income distribution, economic mobility reflects possible



changes to that distribution of income. In this paper we will refer to different types of inequality measures:

**The Gini coefficient** reflects the extent to which the income distribution in an economy deviates from a hypothetical uniform distribution. A Gini of 0 represents perfect equality and a Gini of 100 represents perfect inequality.<sup>14</sup>

**The interquartile range** is the difference in income between the 25<sup>th</sup> percentile and the 75<sup>th</sup> percentile of the income distribution in an area. In other words, it is the difference between the income level higher than that held by 75 percent of the population and the income level higher than that held by 25 percent of the population. In this report, we refer to this measure as the **income inequality** in an area.<sup>15</sup>

**The middle class** is not a technical term, but it is widely used to represent the “broad middle” of American families. There are a variety of ways to define the middle class; in this report, we define it as the fraction of a geographic area’s households whose incomes fall within the national interquartile range.<sup>16</sup> (Note: This is different from the fraction of an area’s households that fall within the local area’s interquartile range.)

**Economic growth** is the change in output in an economy. There are different ways to measure economic growth, but in this brief we refer to economic growth as an increase in real gross domestic product, or GDP, the dollar value of all the goods and services produced in the economy after factoring in inflation.<sup>17</sup> **Income growth** is defined here as a positive change in per-capita GDP, or growth in the mean output per person.

# What is the state of economic mobility in the United States?

We often think of the United States as a land of opportunity and, in particular, a society committed to equality of opportunity. In fact, opportunity is not equally distributed across the nation. Prospects for economic mobility differ in important ways for children born in different regions of the country.

The economists at the Equality of Opportunity Project, including Raj Chetty and Nathaniel Hendren from Harvard University and Emmanuel Saez and Patrick Kline from the University of California-Berkeley, developed and released a dataset on economic and demographic characteristics, from the Internal Revenue Service and other sources.<sup>18</sup> We have mapped their mobility measures to show how mobility varies across the country. The South (primarily Alabama, Arkansas, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee) and the Rust Belt (mostly parts of Illinois, Indiana, Michigan, and Ohio) appear to have particularly low mobility for each of the measures. Many parts of the West and the Great Plains states tend to have much higher mobility for all of the measures.<sup>19</sup>

“The South and the Rust Belt appear to have particularly low mobility for each of the measures. Many parts of the West and the Great Plains states tend to have much higher mobility for all of the measures.”

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## Expected outcomes for children born in low-income families (absolute mobility)

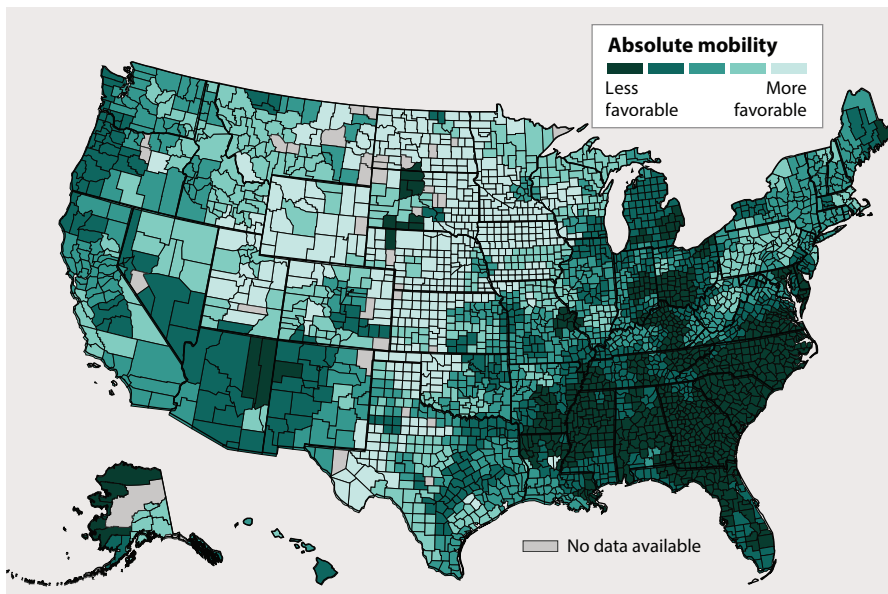
Among the 100 largest commuting zones<sup>20</sup>—the geographic units the Equality of Opportunity Project considers—there are important differences in absolute mobility. For example, children born to parents with an income higher than only the bottom 25 percent of the income distribution are expected to rise to an income rank of 46.2 in Salt Lake City versus 33.7 in Memphis, Tennessee

(incomes respectively higher than 46.2 percent and 33.7 percent of the population).<sup>21</sup> Although both of them represent an improvement from the 25<sup>th</sup> percentile, suggesting better average outcomes than their parents, the Equality of Opportunity Project data portray an America where opportunity varies by region. The data suggest that the Great Plains states have higher absolute mobility while the South and Rust Belt states appear to have lower absolute mobility. (See Figure 1.)

FIGURE 1

### U.S. Mobility Measured by Absolute Mobility

2010 expected economic mobility outcomes for children born to low-income families in 1980-82.



Source: Author's calculations using data from Raj Chetty et al., *Where Is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States*, Working Paper (Cambridge, MA: National Bureau of Economic Research, January 2014).  
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### Gap in adult income ranking between children from low- and high-income families (mobility gap)

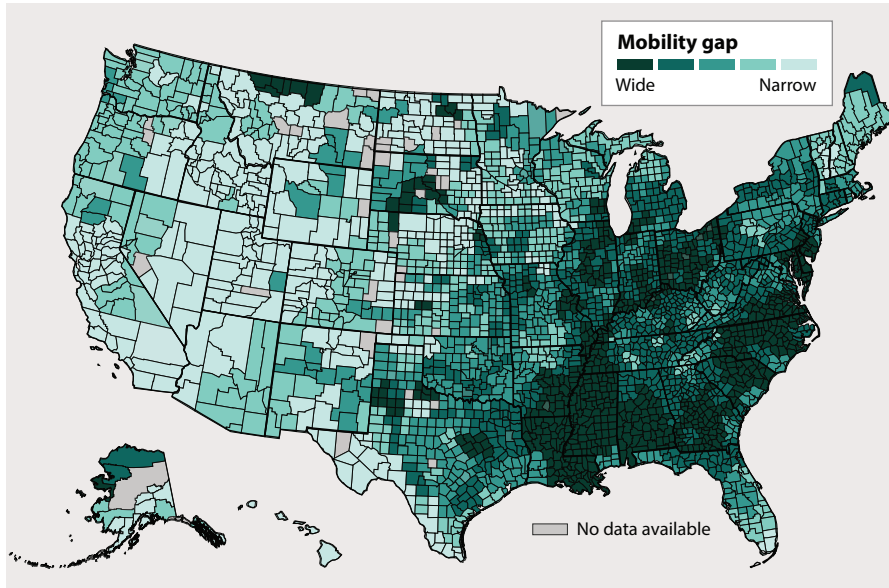
Among the 100 largest commuting zones, there are also important differences in the mobility gap, the difference in incomes as adults between children born to low- and high-income families. Among large commuting zones, the smallest gap in income ranking (indicating the highest mobility) is in Santa Barbara, California, with a difference of 0.215 in the income distribution as adults between children from low- and high-income households, while Cincinnati, as the largest gap, with a difference of 0.429. More broadly, according to these data the South and the

Rust Belt have a particularly high gap in mobility between the children from low-income and high-income families, while much of the Great Plains and the West have a substantially smaller gap in mobility. (See Figure 2.)

FIGURE 2

### U.S. Mobility Measured by the Mobility Gap

2010 gap in income ranking as adults between children born to low- and high-income families in 1980-82.



Source: Author's calculations using data from Raj Chetty et al., *Where Is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States*, Working Paper (Cambridge, MA: National Bureau of Economic Research, January 2014).  
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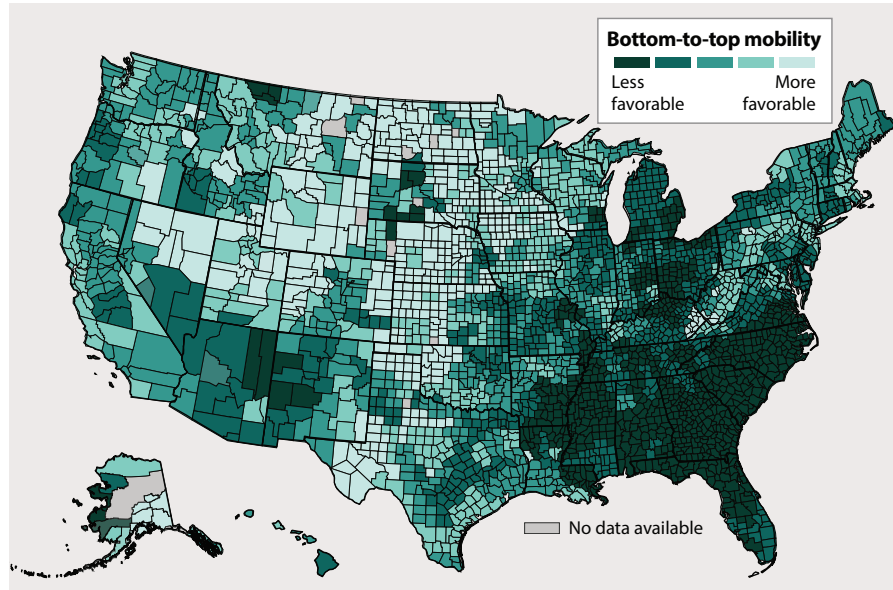
### Likelihood of moving from the bottom fifth to the top fifth of the income distribution (bottom-to-top mobility)

Bottom-to-top mobility, or the probability that a child born into the bottom quintile moves into the top quintile as an adult, varies by geography, too. According to these data, of the 100 largest commuting zones, this probability ranges from 2.8 percent for people born into low-income families in Memphis, Tennessee, to 12.9 percent for people born into low-income families in San Jose, California. The geographic distribution for the bottom-to-top mobility measure strongly resembles that of the absolute mobility measure. (See Figure 3.)

FIGURE 3

### U.S. Mobility Measured by Bottom-to-Top Mobility

Likelihood of moving to the top fifth of the 2010 income distribution for people born in the bottom fifth in 1980-82.



Source: Author's calculations using data from Raj Chetty et al., *Where Is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States*, Working Paper (Cambridge, MA: National Bureau of Economic Research, January 2014).  
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The data from the Equality of Opportunity Project present a striking picture, as shown by the maps above. Taken together, these findings raise questions about whether differences in economic mobility across the nation pose a problem to our conception of the American Dream. In this report we do not explore the philosophical question of what the 'ideal' level of economic mobility is, or whether there even is such a thing, but we do highlight research that suggests there are differences in opportunity among communities across the nation. The next section examines the recent trajectory of economic mobility in America.

# How has mobility changed in the United States?

As part of the Equality of Opportunity Project, Harvard economists Raj Chetty and Nathaniel Hendren, Berkeley economists Patrick Kline and Emmanuel Saez, and Department of Treasury economist Nicholas Turner also released a study of changes in the mobility gap for people born in the United States between 1971 and 1993.<sup>22</sup> This cohort includes those born into the latter years of Generation X (Gen Xers) and those born into the early years of Generation Y (Millennials). (As described earlier, the mobility gap is the average difference in the income rank as adults for those born into high-income families and those born into low-income families.) The Equality of Opportunity Project researchers' main finding was that intergenerational economic mobility had remained essentially flat across the nation as a whole over this period. While the net change observed nationally was minimal, the authors note that mobility had varied over time in different regions.<sup>23</sup>

We will first consider the national picture. In some sense, it is quite surprising that mobility across the country has been flat. As noted by Chetty and his colleagues, there has been substantial progress on issues related to racial and gender equality and access to higher education that may have offset forces lowering mobility.<sup>24</sup> Furthermore, real GDP per person for the United States increased by more than 50 percent between 1971 and 1993.<sup>25</sup> Yet several of the other factors associated in the popular narrative with lower mobility, such as income inequality<sup>26</sup> and the share of families headed by single mothers,<sup>27</sup> have increased. Thus, it appears that the changing family structure and rising inequality may have counteracted other social and economic gains, keeping mobility flat for those Gen Xers and Millennials.

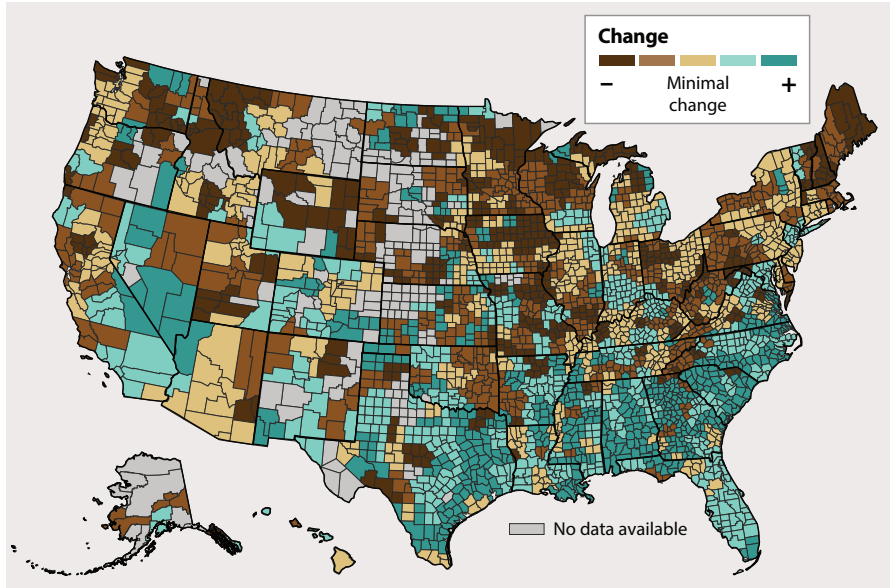
Despite this seemingly gloomy national picture, there are reasons to believe that economic mobility can improve. The map on page 12 helps us visualize changes in the mobility gap between the cohort born in 1980 and the cohort born in 1986—all of them Millennials—drawing from a slice of the data developed by Chetty and his colleagues.<sup>28</sup> Although this is just a small subset of years from which we should not extrapolate longer-term trends, it does allow us to see that mobility can indeed change over time. More specifically, using the mobility gap measure, the map

shows that parts of the South and parts of the West experienced the highest gains in mobility over this period, while much of New England, the Rust Belt and the upper Midwest saw declines in mobility. (See Figure 4.)

**FIGURE 4**

### Millennial Mobility—A Slice in Time

Changes in economic mobility, as measured by the change in the mobility gap—the difference in income ranks as adults between people born into the lowest-earning and highest-earning households—between the cohort born in 1980 and the cohort born in 1986.



Source: Author's calculations using data from Raj Chetty et al., *Where Is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States*, Working Paper (Cambridge, MA: National Bureau of Economic Research, January 2014).

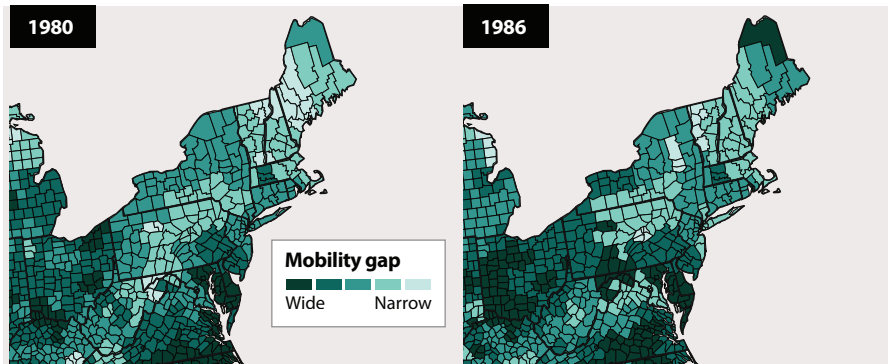
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When looking at the level of the mobility gap instead of the change over time, however, it appears the South still has a high mobility gap, in contrast to much of the West. (See Figure 2.) The inset maps of these regions below detail the changes in economic mobility (See Figures 5 and 6.)



**FIGURE 5**  
**Millennial Mobility—The Gap Widens**

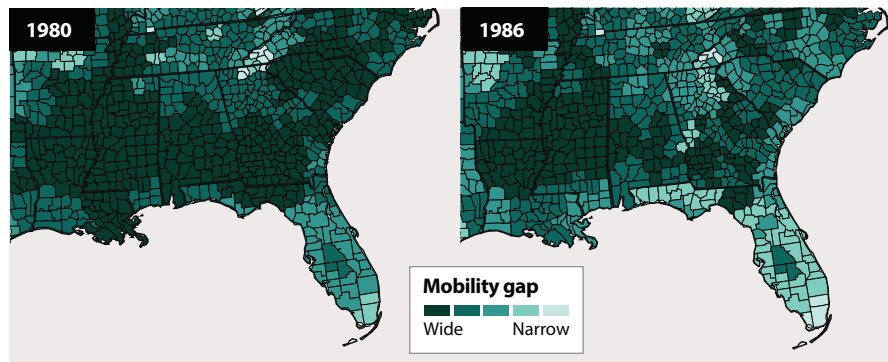
2010 mobility gap in the Northeast for those born in 1980 and 1986.



Source: Author's calculations using data from Raj Chetty et al., *Where Is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States*, Working Paper (Cambridge, MA: National Bureau of Economic Research, January 2014).  
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**FIGURE 6**  
**Millennial Mobility—The Gap Narrows**

2010 mobility gap in the Southeast for those born in 1980 and 1986



Source: Author's calculations using data from Raj Chetty et al., *Where Is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States*, Working Paper (Cambridge, MA: National Bureau of Economic Research, January 2014).  
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While the Equality of Opportunity Project found that mobility in the United States may not have changed overall on a national scale, mobility has changed over time in dramatic ways for many local labor markets.<sup>29</sup> These local over-time changes suggest a possibility for national changes in economic mobility. In other words, the level of economic mobility is clearly not a fixed, immovable force but rather one that varies by context, and thus one that we can hope to change. If we want to understand the roots of intergenerational mobility, then we should seek to understand the differences at the local level. In the next section we will discuss some factors that are associated with these regional differences in economic mobility.



# What factors are associated with economic mobility?

The finding that mobility is lower in some parts of the United States than in others—and that it has improved more in some parts than in others—provides a clear motivation to examine whether and how we can improve economic mobility. The dataset released by the Equality of Opportunity Project team also includes estimates for a wide variety of characteristics for each commuting zone.<sup>30</sup> In this section, we describe our method for analyzing these data, the factors related to economic mobility, and possible mechanisms through which these factors may influence mobility.

We examined the commuting zone characteristics in the Equality of Opportunity Project data set to identify which characteristics were associated with mobility. We used a population-weighted regression to find factors associated with differences in the absolute mobility measure, from among the fifty-plus variables identified by Chetty and his colleagues,<sup>31</sup> in order to select a set of variables for further investigation.<sup>32</sup> This allowed us to eliminate about two-thirds of the more than 50 characteristics in the data set because they were weakly associated with mobility.

Although this is admittedly a very rough analysis and by no means definitive, it can provide a rough baseline of possible factors associated with mobility. These sets of factors can be separated into three broad categories: economic, social, and family factors.

*Economic factors* refer to the characteristics of the local economy. Examples include the size of the middle class (the share of people with incomes between the national 25<sup>th</sup> and 75<sup>th</sup> percentiles, those who are in the ‘national middle class’), the unemployment rate, growth in per-capita income, and income inequality (as measured by the interquartile range described earlier).

*Social factors* refer to the strength of social relationships and social institutions. These include proxies for social cohesiveness such as the number of per-capita bowling alleys<sup>33</sup> or attendance at religious institutions. It also includes the quality of educa-

tion, as reflected by school rankings in reading and math and the high school drop-out rate, as well as measures such as commuting times or racial segregation.

*Family factors* refer to the dynamics within households, such as the divorce rate, the teenage birth rate or the share of families with single mothers.<sup>34</sup>

Many of these factors are closely correlated with each other, which makes it difficult to disentangle issues of causality and directionality without a clear understanding of the mechanics of the relationship. Still, these factors are a good place to start. We will narrow our focus to those mechanisms that economic policymakers may be able to influence. Among the economic factors, we will briefly discuss income growth and the unemployment rate before discussing mechanisms through which income inequality (and the size of the middle class) could influence mobility.

Income growth and unemployment are strongly associated with economic mobility. This should not be surprising. The observation that higher overall income growth rates appear to be associated with higher economic mobility would certainly be consistent with the notion that “a rising tide lifts all boats,” if income growth is broad-based. For this to occur, children must have access to the opportunities that income growth in their region provides.

In addition, it is unsurprising that high unemployment is associated with low mobility. Moving up the income distribution is unlikely if one does not have a job. In particular, recent research suggests that long-term unemployment can have stark consequences for mobility.<sup>35</sup> When previously long-term unemployed workers do find work, they experience diminished earnings and are less likely to hold down that job.<sup>36</sup> In areas with high unemployment, workers who have jobs have less leverage to improve their wages and working conditions, which can also dampen prospects for upward mobility. In addition, research suggests academic achievement may fall in areas with high job losses.<sup>37</sup> So even those with jobs can be disadvantaged in times of high unemployment.

A more complex relationship is the relationship between economic inequality and economic mobility. In the next section, we explore possible mechanisms through which high income inequality could reduce economic mobility.

“When previously long-term unemployed workers do find work, they experience diminished earnings and are less likely to hold down that job.”

# How might economic inequality reduce economic mobility?

The researchers from the Equality of Opportunity Project note that higher inequality is associated with lower economic mobility.<sup>38</sup> This does not establish causality (which is exceptionally difficult to do in the social sciences), but there are certainly mechanisms that could explain how high inequality could lead to large differences in economic mobility and vice versa. High income inequality, for example, could affect differences in education and skills development as well as differential access to professional networks, all of which have implications for economic growth since a consistent finding in the economic literature is that human capital and the level of skills of the potential labor force are a primary determinant of economic growth.<sup>39</sup>

High-income households can provide more opportunities for education and skills development for their children. University of Kansas sociologists Betty Hart and Todd Risley found large disparities in the number of words heard before attending school between children from low- and high-income households, which they later found to be associated with differences in test scores in the third grade.<sup>40</sup> In addition, children from high-income families are more likely to attend better schools, and recent research by Harvard economists Roland Fryer and Lawrence Katz also suggests that differences in the quality of schools attended by children can have an important effect on differences in their income.<sup>41</sup>

Furthermore, because the social networks of high-income people disproportionately include other high-income people, differences in social networks can reinforce differences in mobility. This could occur directly through nepotism or more indirectly through access to information that makes it easier to identify opportunities. Princeton sociologist Paul DiMaggio and Harvard sociologist Filiz Garip find that social networks can increase income inequality.<sup>42</sup> This suggests that access to opportunities through one's social network could affect mobility. Again, this has significant implications for growth if jobs are distributed according to whom one knows rather than matching the best talent to the right job.

In contrast, low-income parents have limited resources and are less likely to be able to provide their children with the support to pursue paths that require a high level of investment of time or money (such as becoming a doctor or a lawyer). More generally, low-income families have fewer economic resources to invest in their children, a resource gap that can lead to concentrating in lower-skill, lower-pay professions. Children from low-income families are also exposed to different social networks, which could have important consequences for their mobility prospects. Altogether, differences between high-income and low-income households in the opportunities available for the development of skills and knowledge, and in the access to professional networks could play an important role in explaining differences in mobility between high-income and low-income households, leaving our economy without the benefit of talented people who just happened to be born to low-income families.

There are also a number of mechanisms through which cumulative income inequality—in other words, wealth inequality—could lead to lower mobility, including through direct transmission of wealth to future generations. This mechanism has received attention of late because of Paris School of Economics economist Thomas Piketty’s surprise-best-seller, *Capital in the Twenty-First Century*.<sup>43</sup> Piketty documents a rise in the importance of inheritances in Europe. He warns of the construction of an ossified class that could live off inheritance rather than work for their income, akin to the aristocracy of the nineteenth century. Although Piketty’s data on inheritances focus on France, Germany, and the United Kingdom, Piketty argues that the rebound of inheritances could also affect the United States in decades to come.<sup>44</sup>

Intuitively, it makes sense that people who earn more are able to save more, and research also supports this view. For instance, Treasury economist Karen Dynan, Dartmouth economist Jonathan Skinner, and Columbia economist Stephen Zeldes find a strong positive relationship between saving rates and lifetime income, suggesting there is a strong link between high income and high wealth.<sup>45</sup> Wealthier families can provide more financial security for their children through a larger safety net, which can help to mitigate financial risks associated with seeking and optimizing opportunities to find jobs that are the best fit for them. This sentiment is captured in interviews conducted by Lehigh University sociologist Heather Johnson for her book *The American Dream and the Power of Wealth*, where people in wealthy families cited wealth as a source of security.<sup>46</sup>

“Children from low-income families are also exposed to different social networks, which could have important consequences for their mobility prospects.”

Economic inequality is also highly correlated with segregation by both race and income. The Equality of Opportunity Project researchers analyzed these types of segregation in great detail and found each type of segregation to be strongly associated with lower mobility.<sup>47</sup> This means that income inequality could affect mobility through other channels related to urban sprawl or residential segregation. Specifically, if lower-income people are segregated in one way or another, their children might have reduced access to social services, employment opportunities, and other means to improve their economic standing.

The mechanisms above are just some of the ways that economic inequality and economic mobility may be linked. These hypothesized links between inequality and mobility can help us envision possible policy interventions, but further research is needed to assess the relative importance of each of these or other channels and to identify potential solutions.

# How does U.S. mobility compare with other select countries?

Despite widespread belief that America is the land of opportunity, mobility in the United States today is lower than in many other developed nations, as shown by the work of University of Ottawa economist Miles Corak, who produced estimates for the intergenerational earnings elasticity for several countries.<sup>48</sup> As described above, IGE captures the percentage difference in earnings for one generation that is associated with a percentage difference in earnings from the previous generation. Table 1 ranks 22 countries,<sup>49</sup> from high mobility (low IGE) to low mobility (high IGE). (See Table 1.)

According to Corak’s data, the United States has an intergenerational earnings elasticity of 0.47, indicating that nearly half of future earnings differences among children are associated with differences in parental earnings. This means that according to this measure the United States has much lower economic mobility than many developed economies in the Organisation for Economic Co-operation and Development, and lower also than Pakistan.

Using data from the World Bank on the Gini coefficient, a measure of inequality, Corak found a strong inverse relationship between inequality and mobility. Princeton economist and former Chairman of the Council of Economic Advisers Alan Krueger used the term the “Great Gatsby Curve” to describe this relationship.<sup>50</sup> This curve has sparked a great deal of debate, particularly because the United States stands out among wealthy nations for its high inequality and low mobility. (See Figure 7.)

**TABLE 1**  
**U.S. Not the Best in Upward Mobility**

Estimates of intergenerational earnings elasticity,\* 2012

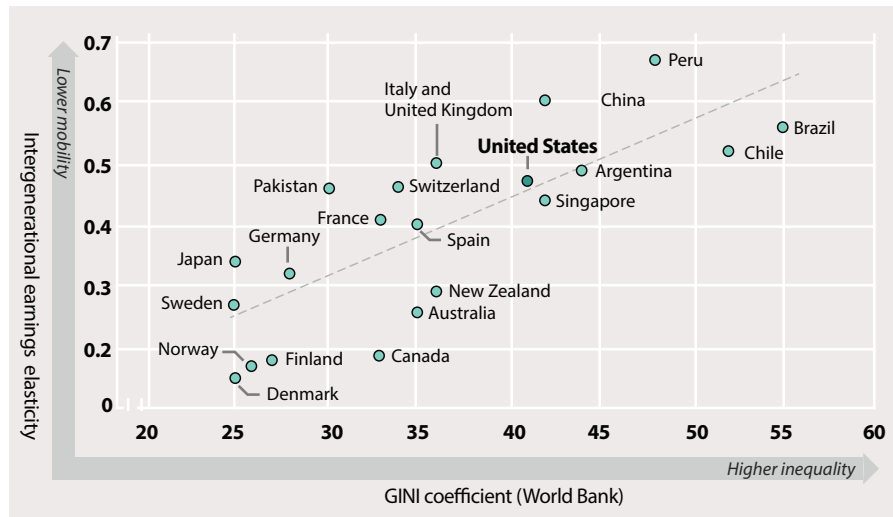
| Ranking | Country              | Intergenerational earnings elasticity |
|---------|----------------------|---------------------------------------|
| 1       | Denmark              | 0.15                                  |
| 2       | Norway               | 0.17                                  |
| 3       | Finland              | 0.18                                  |
| 4       | Canada               | 0.19                                  |
| 5       | Australia            | 0.26                                  |
| 6       | Sweden               | 0.27                                  |
| 7       | New Zealand          | 0.29                                  |
| 8       | Germany              | 0.32                                  |
| 9       | Japan                | 0.34                                  |
| 10      | Spain                | 0.40                                  |
| 11      | France               | 0.41                                  |
| 12      | Singapore            | 0.44                                  |
| 13      | Pakistan             | 0.46                                  |
| 14      | Switzerland          | 0.46                                  |
| 15      | <b>United States</b> | <b>0.47</b>                           |
| 16      | Argentina            | 0.49                                  |
| 17      | Italy                | 0.50                                  |
| 18      | United Kingdom       | 0.50                                  |
| 19      | Chile                | 0.52                                  |
| 20      | Brazil               | 0.58                                  |
| 21      | China                | 0.60                                  |
| 22      | Peru                 | 0.67                                  |

\* Intergenerational Earnings Elasticity—the percentage difference in earnings for one generation that is associated with a percentage difference in earnings from the previous generation—among 22 developed and developing economies. Source: Miles Corak, “Inequality from Generation to Generation: The United States in Comparison,” 2012 ©2014 Washington Center for Equitable Growth

FIGURE 7

## How the U.S. Measures Up in Mobility

The relationship between economic inequality and mobility across countries, 2012.



Source: Washington Center for Equitable Growth, using data from Miles Corak, "Inequality from Generation to Generation: The United States in Comparison," 2012  
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In another study, Corak, Stockholm University economist Matthew Lindquist, and Chicago Fed economist Bhashkar Mazumder compared their respective countries (Canada, Sweden, and the United States) and found intriguing results.<sup>51</sup> Using a measure called Directional Rank Mobility, the authors found smaller differences between Canada, Sweden, and the United States in upward mobility (mobility up from the bottom of the distribution) than in downward mobility (mobility down from the top of the distribution). In particular, they found that of these three countries, Canada has the most downward mobility, the United States has the least, and Sweden is somewhere in between. In other words, the authors found that people at the top of the distribution in the United States are more likely to remain there compared to Sweden and Canada.

Other scholars, such as Julia Isaacs, Isabel Sawhill, and Ron Haskins of the Brookings Institution, have noted that there is “stickiness” at both ends of the income distribution in the United States—meaning that a large share of people born into the top and bottom fifths of the income distribution tend to stay there.<sup>52</sup> Sawhill notes that this is true especially for low-income households.<sup>53</sup> In the same report, Isaacs notes that the economic mobility of families across generations is lower in the United States than in several European countries, citing research by Finnish economist Markus Jantti and his colleagues.<sup>54</sup>

University of California-Davis economist Gregory Clark has also studied mobility into and out of the top social strata. In his recent book, *The Son Also Rises*,<sup>55</sup> he summarizes the work that he and his colleagues have done using rare surnames to measure mobility across time. His general finding is that across cultures (including England, the United States, Sweden, India, Japan, South Korea, China, Taiwan, and Chile) social mobility out of and into the highest social strata has historically been very low.

Clark devotes a chapter to examining mobility rates in the United States since 1920.<sup>56</sup> He uses directories of physicians and attorneys, as representative of high-income groups, and considers the frequency in these professions of last names associated with different social and ethnic groups, including Ashkenazi Jewish, Black, Native American, “New France,” and Japanese last names, as well as last names corresponding to high-income Americans in 1923-1924 and Ivy League graduates from before 1850. He finds high intergenerational persistence of particular surnames, averaging 73 percent in 1970-2011, which in his view suggests that most of a person’s social status can be explained by their parents’ social status. Clark concludes that mobility has stayed rather low, although he argues that the United States is not significantly less mobile for the elite than other countries.<sup>57</sup>

Altogether, as a number of researchers have found, economic mobility in the United States is not as high as popular notions of the American Dream would suggest. Indeed, international comparisons show that economic mobility in many cases is higher in other countries than in the United States. This may be surprising to some, and provides good reason to focus resources on seeking to improve economic mobility in the United States.



# Conclusion

By many measures, economic mobility in the United States is low relative to other developed nations. Furthermore, despite economic growth and social progress, there are reasons to believe that economic mobility in the United States has not been improving in recent decades. That said, levels of and trends in mobility are not equal across the country, and a variety of economic, social, and family factors are associated with these differences in economic mobility.

To address the economic factors related to low mobility, policymakers could look for policy levers aimed at reducing economic inequality, raising income growth, and reducing unemployment. Policies targeting the social factors associated with lower mobility could include efforts to reduce segregation by race and income. Likewise, the family factors correlated with reduced mobility could be mitigated using policies to support families such as paid parental leave laws. While there are certainly open questions about the causes of and solutions to low economic mobility, enough is known that policymakers can begin taking steps to provide opportunities for all.

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