We decided to end the symposium on a discussion of mobility because in many ways, Americans have been happier to trade off greater income inequality than many of our industrialized neighbors have because we have the promise of greater mobility. So, it’s a lot easier to watch the income distribution, or the wages distribution, widen when you think that you have a crack at getting at the top if you work hard enough, and you get the right skills. So, this has been something that Americans hold dear. And what I want to do today is ask, do the perceptions that we have as Americans match the data? And so, I want to spend the rest of my discussion talking about economic mobility in the United States. Before I do that though, I think it’s reasonable, or a good idea, to review what we mean by the American Dream. And I’m going to base these three sentences on survey data that you can see – surveys taken from decades, starting in the 1940s. And this data goes all the way through just before the Great Recession. And the vast majority of Americans believe the following things. First, each generation does better than the last. Second, hard work, talent, and effort pay off. They create success. And third, there’s only a very small role played by your birthright. So, how you fare
as an adult is only indirectly related to how you started as a child.

So, those are three American beliefs. If you think about those beliefs relative to other industrialized nations, you see that we stand very far apart. This is a plot that shows cross-country perceptions of a variety of questions. The questions are listed at the bottom. And let me just start with this first one. People get rewarded for their effort. And these are OECD nations, so, industrialized nations. And the minimum here would be the country that has the minimum number of population. Or the lowest percentage of people saying they agree with this question. People get reward for their effort. And the max would be the country with the highest percentage of the population saying they believe they agree with that statement. And the medians are in red, so you have a benchmark. You can see that the US, in this particular measure, is very close to the top. We’re only beaten out by the Philippines. But we’re at the very top. So, a great percentage of Americans believe that people get rewarded for their effort. The important thing to take from this entire chart is that we’re an outlier, or at the edge of the distribution, really, on any of these measures. So, let me walk through them. People get
rewarded for their intelligence and skills. We are the max country across industrialized nations. Coming from a wealthy family is essential to getting ahead. We’re at the very bottom almost. Close to the bottom in that. And then the last two relate more to the kinds of things that Brad and Rob were talking about, income inequality. On those two it’s differences in income in your country are too large. Now, certainly a large percentage of the United States population believes that. They say 60 percent feel that way. But we’re really at the edge of other countries in the industrialized world. Other countries care much more about that than we do as a population. The final one is, is it the responsibility of government to eradicate these differences? And here again, the US stands apart; that we believe that less than other countries in the industrialized world. So, this is a graph, I think, or a survey that highlights that assertion I made at the beginning, which is that in many ways, Americans have been willing to trade off higher income inequality, or wage inequality, for greater mobility. And the belief that greater mobility is there. So, in the rest of my talk, what I’m going to ask is, to what extent do the data match the facts. I have to back up a little bit though, and do what I call an economic
mobility primer. Now, the reason I’m going to drag you through this exercise is that 90 percent of the debates I’ve been in among researchers, and then a hundred percent of the debates I’m in when I’m talking to media representatives, are usually about – or almost always about – people having different definitions of what they mean by mobility. So, you can have someone in a research community say, we’ve got great mobility. And someone else could say we have terrible mobility. And they’re not looking at the data and coming to different conclusions. They’re actually asking different questions. So, I want to go through specifically what kinds of questions we can ask, and then what the answers to those questions are. That’s what I’ll do in the second part. Once I get the primer, we know what we’re talking about. We can make apples to apples comparisons. I’ll actually take the questions to the data. And I’ll show you actual statistics for the United States that answer the questions we pose. And then I’m going to wrap up by revisiting this American Dream that I reviewed when I started. And ask, to what extent do the data match the dream that we have. So, let’s start with the primer. So, as I said, economic mobility describes the ability of individuals to move up or down the
economic ladder. There can be two types of mobility. The first type of mobility is a concept of absolute mobility. This is the concept which says incomes rise over time. So, I can be an individual. My income rises over my lifetime. Or we can think of incomes rising over generations. The way that we typically visualize this, it seems to work well, is to think about an escalator. And absolute mobility is like riding an escalator. I’ve got generations here, generation one, two, three, all the way through. So, this is a person who starts generation one. And he has offspring. His children and they’re in generation two. And you can see that they’re marching up the income ladder. They’re gaining in absolute terms because the whole entire distribution of income is rising in the United States over the last one hundred years. And incomes of individuals in that income distribution are also rising. So, this is a concept of absolute mobility. It’s about dollar amounts rising over time. The second concept is a relative concept. And it’s quite a bit different than the absolute. It’s about jumping rank. So, essentially, this is about not just your income’s rising in real dollar terms over time, but about you moving up to different points of the income distribution. So, if you’re in Brad and Rob’s language, moving from
the 10\textsuperscript{th} percentile to something like the 50\textsuperscript{th} percentile.

Here what I’m going to do, is I’m going to divide into fifths. I’m going to say there’s five – the income distribution can be divided into fifths. The bottom is the bottom of the income distribution. Then we have the second, third, fourth, and fifth. And that’s the top fifth. This is a picture of walking up an escalator. Where instead of just riding as income’s grow, my offspring if I’m the person in generation one, my offspring actually get richer, of course. But they also move up in the income distribution. Then the third generation, my grandchildren, they get richer. But they also move up in the income distribution. So, we’re moved from being in the bottom when I’m there, to three generations from now we’re in the middle; all the way to the end when we’re at the top. And this is kind of the concept in the extreme of the rags to riches story over generations. So, you start low and you end high. And that is a concept of relative mobility. In the United States, or in most countries, both are considered important. You want to think about what’s going on in absolute mobility, but also what’s happening in relative terms. Of course, to make things even more complicated, we can talk about this over individual lifetimes. So,
when I start out versus when I end my working age career. Or we can talk about it in successive generations. The focus of the talk today is going to be on successive generations. The reason for that is that’s where we’ve got the best research and the best data. And I think most of the best work has been done there. But also because if you really get down to it, I only have 30 minutes to tell you about these things. It is really the essence of the American Dream. When you think about the American Dream, you think about being able to pass on to successive generations of your offspring a chance to do better in their lives. So, that’s the primer. I will now take this primer to the data. I will say right here that everything I show you from now on actually comes from data. Those were visualizations and illustrations. But from now on I’m just going to talk about actual data. So, when you see statistics, they’re for the United States. So, to do this work well, we have to actually have excellent datasets that track not only me in a given year, and ask me questions about what’s my income, what’s my schooling, but actually track families over time, and track offspring of those families over time. So, in the United States, as in most industrialized nations, we have such data. They’re called
panel studies because they’re panels of people, longitudinal data. So, we have something called the Panel Study of Income Dynamics. It started in 1968. And since 1968, on a yearly basis for 30 years, and biannually after that, they were asking questions of everyone in the survey. Meaning, what is your income? What are your children doing? And then when the children go off and make their own households, they also interview the children. So, what I’ve got to use today when I show you these statistics, is I’ve got parent–child pairs. So, I’ve got parents from 1960s and ‘70s when they were between the ages of 30 and 50. And I’m going to look at their adult children now when they’re between the ages of 30 and 50. So, essentially, if you were going to get right down to it, and we’re going to use me as an example, I’m going to ask two questions. Absolute mobility. I’m going to compare, if I was in the PSID. My parents’ real income, inflation–adjusted income when they were my age to what I earn now, or my family earns now. And I’m going to say am I absolutely better off than they were? That’s question one. We’re going to do that for a random sample of United States citizens. The second question I’m going to ask is – again let’s look at me – I’m going to look at where my parents were
in the income distribution when I was born. And I’m going to ask - so, say they were in the second part of the income distribution. The second 20\textsuperscript{th}; The second quintile. Then I’m going to say where am I now? Say I’m in the fourth. So, I’m going to say in my lifetime, I’ve gone from being in the second. That’s what I was born to, to being in the fourth income quintile, near the top. So, I’ve jumped position by two quintiles. So, that’s the data I’m going to use. And I’m going to answer those questions. So, let’s start with absolute mobility. Now, I’ve titled this Absolute Mobility is High. And the reason I’ve done that is because if you do that calculation I said for a random sample of United States citizens. We are talking just about citizens here, that you see that 67 percent of adult children report incomes – family incomes that are higher than their parents had when they were the same age. So, this says that nearly 70 percent of our population is doing better than their parents did when they were the same age. Importantly, if you look over where people are in the income distribution, so, this is going to be the bottom part of the distribution now. Where are people sitting right now? So, if I’m a person in the bottom of the income
distribution today, how many of those individuals actually are doing better than their parents did when they were young adults. And it’s 82 percent. So, this is another thing that social science researchers see as good news. So, we have high absolute mobility overall. But absolute mobility is the highest, if you will, when you’re at the bottom of the income distribution. Now, that’s a little bit rigged because if you’re at the top, your parents are doing pretty well, and it’s somewhat difficult to jump over them. But still, it’s encouraging news, if you will, that at the bottom people are – a large fraction, almost the entirety is doing better than their parents did in absolute terms, dollar value terms. So, that’s a good mark. We get a good checkmark on that in the US. But let’s look at relative mobility. And here the information is a little less clear. The answer is a little less clear. One of the reasons it’s less clear has to do with it’s very difficult to figure out what the right metric or benchmark should be. In other words, how much relative mobility should we have in our society? How much rank–jumping should we have? So, on one hand, we don’t want to have a birthright economy. A birthright economy is an economy where your outcomes are tied directly to your parents.
So, in its extreme, this would be a classist society where you are born into the first income quintile, or at the bottom, and you’re going to stay in the bottom no matter what you do. No matter what your talent is, and no matter how hard you work. So, that’s the extreme. And in the United States, we don’t have a concept that we’re in a birthright economy. So, we know what we don’t want. We know what we do want, which is a meritocracy. And a meritocracy economy is one where hard work, skill, effort, all those things pay off. And that contributes to your success. But I think if I took a poll of hands here, it would be very difficult for any of us to answer the question, how much relative mobility should we have? How much rank–jumping should we see in an economy that has a meritocracy? It’s just not an easy question to answer. So, economists and social scientists have stepped back and said, well, let’s think about hypothetical economy. You knew I’d have to use the word hypothetical at some point. But an equal chance economy is what we have when we think of this hypothetical. So, what’s an equal chance economy? It’s an economy where you imagine that talent, and effort, and all those attributes that we think contribute to success are randomly distributed across the population. And
socioeconomic status at birth doesn’t matter at all to how well you do. And in that kind of concept, no matter what income quintile I’m born into, I have an even chance, an equal chance based on just my initial conditions of being distributed anywhere in the income distribution as an adult. So, that’s a 20–20–20–20–20 economy. I should see an equal chance of being anywhere in the distribution of income as an adult, no matter where I’m born, whatever birth quintile I’m in. So, that’s the kind of calculation that economists often do as a comparison or a benchmark. So, I’m going to show you the next chart, and all the answers are going to be clear. See, that’s very clear. Now, how much relative mobility we have. No, in all seriousness, I’m going to take this chart. It’s going to be my main chart for relative mobility, but I’m going to break it down into something that actually makes some sense. So, what does this chart show? First thing that I want to talk about is what the bottom of the chart means. What does this labeling mean at the bottom? This is basically, if I took all the people in the United States as adults right now, and I bucketed them into bins of those who were born at the bottom of the income distribution, the second quintile, the second
5th., the third 5th, thee fourth 5th, and then the top. Then I would line all those people up, and I could put them in buckets. Then what I would do, is I would say where do they end up when they’re adults? And so, these bars labeled, one, two, three, four, five, are the percentage of people born in any of these income quintiles who end up in different income quintiles as adults. Or what income quintiles they end up in. So, just to make that even, hopefully, more clear. It’s as simple as this. I’m taking all the people born in the second 20th of the income distribution, the second quintile. And I’m saying what fraction of those born in the second end up in the first – in other words, fall a rank when they’re adults? And it’s roughly 26 percent. Then what fraction of those end up in the second? They don’t move at all. They go from the second to the second. They’re stuck there. That’s about 24 percent. And then the third, about 25 percent. So, on and on you go until you get all these bars added up, and that would be a hundred percent of the people born in the second income quintile. So, this is just saying that people move around, and how much they move around. So, now I’m going to use that comparison, and I’m going to look at the middle of the birth–income distribution. So,
these are people who – if you roughly want to put some common
glanguage around it – it’s people born to middle-class parents.
Let’s just call this the middle class. People born to middle-class
parents, what happens to them? Well, let’s take our equal chance
reference point. And what you see, and what economists read this
as – and I think this is more or less a consensus – is that this says
that the middle is fairly mobile. Why am I making that argument?
Well, it’s true that if you’re in the second, you’re born to second
quintile parents, your chances of
00:15:32 getting to the top over here, are not as high. But your chances to
getting to the other ones are pretty good. They’re pretty even. If
you’re born to the third, you’re pretty even across the group.
You’re a little bit different, but nothing that would be – it’s not
strikingly different. And if you’re in the fourth, you know, you’re
not going to be born to the fourth income quintile and have as
good a chance of falling all the way to the bottom. But for the rest
of
00:15:54 them, you’re pretty evenly distributed. So, social scientists have
basically read these data as saying, it looks like in the United States
the middle is fairly mobile. There’s a lot of churning. Being born
in the middle class means you can end up somewhere around that middle class fairly evenly. Another way you can compare, though, about how mobile the middle really is, is to look at the ends of the income distribution in the United States. And ask, okay, so what is relative mobility here? So, the ends in the United States are actually what we say are a lot more sticky. So, while I was claiming that the middle is fairly mobile based on the size of those green bars, these blue bars suggest that the ends are much more sticky. Let me say what I mean by that. If you’re born to the bottom of the income distribution, your chances of ending up in the bottom as an adult are high, 42 percent. So, 42 percent of people in the United States born to bottom-income quintile parents – so, the lowest part of the income distribution – actually end up in the bottom as adults. On the flipside, 37 percent of people born to the top income quintile parents, end up in the top. So, relative to the middle, we say the ends are pretty sticky because there’s not an even chance, really, of being anywhere else but the bottom if you’re born to bottom-income parents. And you’re really much more likely to be at the top if you’re born to top income parents. So, that’s the ends are very sticky. In summary then, we have
looked at these data in the United States and said, well, it looks like we got a pretty good middle. Not such good ends of the distribution. Top and bottom seems to come with some penalty. But how do we really know? Maybe that’s true everywhere. So, then we turn to other countries and compare our results to theirs. So, let’s compare now the bottom of the income distribution. So, this is just that blue set of bars on the right-hand side I showed you. So, if you’re born in the bottom in the United States, 42 percent of those people end up at the bottom as adults. And I’m going to compare that to the countries listed here at the bottom, which is just a representative set of the industrialized nations. Mostly all of them look basically the same as these. And what I want to say here is that the parental penalty is high in the US if you’re born in the bottom. So, if you’re born in the bottom in the United States, you’re going to stay in the bottom much more so than if you’re born in the bottom in the income distribution in these other nations. Other nations have more mobility from bottom to top, over one’s working life – or one’s entire life. In contrast, the parental advantage seems universal. If you’re born to the top – so
this is again, now I’m doing the top. I’m doing what was on the far
right‐hand side. If you’re born to parents at the top of the income
distribution, your chances of being at the top in the United States
are pretty high; thirty‐seven percent of people born to the top stay
in the top. And that is about the same in any of the industrialized
countries. So, if you’re born to very wealthy parents, in terms of the
income distribution, you’re going to do well no matter where you
live. So, I say that that is the parental advantage is fairly high
everywhere. So, I started this part on relative mobility by laying out
three things. We could have a meritocracy. We could have
birthright economy. We could have an equal chance economy.
Let’s go back to this birthright concept, because in many ways,
being stuck at the bottom and the top, that almost strikes you of a
birthright economy. Where once you’re born into something, you
can’t really escape it. So, what I want to do next is dig into that,
and say is it really birthright or is it something else underlying
birthright. So, let’s look at that. And here I think the news is good
in many ways. And I’m going to tell you the bad news in just a
moment. But the good news is college is a great equalizer, if you
go to college, and you come from the bottom. So, here I’m going
to look at the bottom income folks. These are the birth quintiles.

00:19:40 Same folks I was talking about before, born to bottom-income parents. Now they’re going to be stuck at the bottom. Well, that’s going to happen for sure if they don’t obtain a college degree. If you don’t obtain a college degree, you’re born to bottom-income parents, you’re going to have a high chance of being in the bottom as an adult. But if you manage to get a college education, you have an even chance, roughly, of getting anywhere in the income distribution. So, it really improves your opportunity set to move up and down the income distribution. And that really looks much more like that equal chance economy I showed you earlier, hypothetically. Similarly, and I think most surprisingly to me, was that if you don’t get a college education, your birthright of being born at the top evaporates. You’re as equally likely to move up and down the income distribution, be downwardly mobile, if you don’t get a college education. If you’re born to top income parents, though, and you get a college education, that advantage is solidified. So, the question is – or, the good news is, rather, college is a great equalizer. The question is, how many people get to go to college? And here, you find that college is not equally
distributed. Only 11 percent of people born to bottom-income parents actually get a college degree. So, why it is a great equalizer if you do obtain it, it's actually very difficult to obtain if you're at the bottom of the income distribution. So, these are the individual who do, and they look great. But that's only 11 percent of those people born to bottom-income parents. For the rest of them, 89 percent, their situation looks like this. Again, surprisingly to me, when I put these statistics together for this talk, it’s 50–50, really. It’s a little bit different than 50–50, but it’s really 50–50 whether people go to college or not when they’re born to top-income parents. And if you don’t get a college education, even if you have very well-to-do parents in our society, your advantage is eroded. And you’re just an even chance. It’s equally likely you’ll end up anywhere. But if you do go to college, that advantage is maintained. So, one of the things that makes this, I think poignant is that we might believe that different aspirations and different income families keep people from going to college. Certainly K–12 education, not being prepared for college is a barrier for low income children to reach college and
obtain a college degree. But something that I wanted to show you, because I know many of the directors in the meetings I go to have talked repeatedly about how state and local and federal budgets being squeezed have really hurt education and made education extremely expensive. In this chart I found, again, remarkable.  

This comes from people in our community development group. And what it shows is the public four-year price of education. This is rising costs over entire – since 1980. And you see private and public, and public two-year, mainly track. But public four-year now has diverged from private. So, it’s getting extremely expensive to go to public four-year college, which is where most low-income families would send their children. At the same time that subsidies for that kind of education have also been declining. So, you start out with low-income parents. You have rising costs of college education and falling subsidies. And I’m worried – or one worry you might have, is that 11 percent statistic I showed you before – about how many people born to the bottom can obtain a college education – might actually fall over time with these rising costs. So, let me conclude by just saying, if I put all these things together, how does this look relative to the American Dream that
we talked about in the beginning? So, I just put together a little scorecard because I find it easier. I’m an economist. I find it easier to put things down in accounting terms. And here’s our economic mobility scorecard. Well on the concept that each generation does better than the last, I think we get a plus. The data showed that 67 percent of children exceed their parents’ income when they’re adults. That’s a good score. So, each generation in the United States has been doing better than the last. As Rob and Brad said, it’s not evenly distributed, but a rising tide does lift the boats. It just doesn’t lift all the boats evenly. But it does lift the boats. So, that’s good news. Hard work, talent, and effort create success. Well, while I didn’t test the specific hypothesis and show you that in the data, I think the general theme that I showed is that if you’re born to the middle, or you’re born to the top and you do different things, you have an even chance of being distributed anywhere in the income distribution. Which I’m willing to offer is consistent with the idea that various efforts and skills you obtain yourself can determine your success rate. That birthright plays only a small role. Here I think we’re much more mixed. On the middle of the income distribution, it seems to be
true. If you’re born to middle class parents, you’re evenly distributed across the distribution of income when you’re an adult. And it seems more related to other things that we don’t have in birthright. But if you’re at the end, it’s not so clear. And where it’s particularly unclear is at the bottom. And while I said college is an equalizer, in many ways I want you to expand your concept of birthright. It doesn’t mean we’re in a completely classist society where your birthright is definitely determining your outcome. But it does mean if you’re born to low-income parents, and you don’t have access to the kinds of education that will allow you to escape if you have the interest and initiative, then we have to wonder whether or not we have some birthright component going on there. So, that’s why I have a minus there. So, the next question one wants to ask is, if the data sort of support our belief system but not entirely supporting our belief system, is our belief system immutable? Will it just stay un tarnished no matter what the data show? Or will it start to deteriorate if the data begin to chip away at it? And here I wanted to – I can’t really answer that question for sure. But I think this is an interesting thing to think about. So, we have post-recession surveys of parents that
were done in 2011. And these are, I think, eye-opening to me. The first one is, will your child’s opportunity to succeed be better or not as good as you’ve had? And here, 46 percent of the population says worse. And only 47 says better. So, it’s kind of even. Now, if you compare that to the fact that 67 percent of people do better in the data, then this is a deterioration relative to the data I showed you in the beliefs going forward. The second one is, when your child reaches your age now, will they be better or worse off than you? And here, 40 percent say worse off. Again, challenging this concept that each generation does better, and that you’re going to pass on the ability to exceed you to your offspring. So, that’s again a worrisome survey result. But the one that I think is most trying, or telling, is the final one. Will your children have an easier or a harder time moving up the income ladder than you had? And 72 percent of parents surveyed – these are individuals who also don’t have children, but are imaging the lives of children. And 72 percent say harder. So, this is something that I think kind of shakes at the values of our system a little bit and is reflective of some limitations in the relative mobility that I showed you earlier.
So, I want to conclude by just asking is the dream important? Does it matter? Do we need it? If it erodes, or it gets tarnished at the edges, does it affect us? And I’m going to give you three reasons to think it might affect us. The first one is that inequality is harder to tolerate if you don’t think you can move up and down the income distribution. So, while Americans are generally okay, more okay than many European nations with the idea that there are some people who do extremely well. And some people who do much less well. If you think that you’re locked into that, and you can’t succeed in climbing the ladder. Or your children can’t climb above you, that tolerance may erode; likely will erode. The second one is the ability to move up the distribution drives individuals to work hard, innovate, and contribute. And I think if I had to name one thing I’ve heard more than any other comment in the director’s meeting since 1996 when I began working here, it’s this. You need an economy that has incentives. And the incentives that we have in the United States have been to be able to move up, and see your children move up beyond you. So, this is an important one, I think and one that drives our economy, but also just the whole mechanism of our society. And the final one is a little more
philosophic, but I think just as important. And that is that opportunity matters. It matters for the economy, and our economic growth going forward. But it also matters for a just, fair, and civil society, and one that we all feel comfortable living in. So, with that I'll conclude. And we'll go to the Q&A.

[Applause]

00:28:36 [End of recording]