



INTRODUCTION

Economic Mobility: An Overview

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The concept of economic mobility—particularly of upward mobility—lies at the core of the American ethos and economy. The notion that individuals can improve their economic lot in life through hard work, education, and risk-taking is not a uniquely American one, but is broadly held in the United States as a fundamental tenet and aspiration.

Because indications are that upward mobility and economic opportunities may be more limited for some than others, the Federal Reserve System sponsored a recent research conference aimed at better understanding

- the status of economic mobility,
- how it differs across the population,
- what related factors may have changed over time, and
- potential policy directions to address concerns.

The conference brought together leading researchers and authorities to discuss and debate these issues, and this compilation presents selected findings and perspectives from participants at the event.¹ The essayists and authors represented here explore a range of issues and concepts central to understanding how, and how well, people are able to move economically today. In particular, the essayists and authors examine

- *absolute mobility*, or essentially how well individuals are faring compared to their parents' generation—did an individual have more income or wealth than their parents at a similar age?
- *relative mobility*, or how easily individuals move up or down compared to others within the same generation—did an individual move from, say, the bottom fifth of the income or wealth ladder as a child to the middle fifth as an adult?

Furthermore, and more generally, some perspectives are optimistic or describe how people are able to improve their economic situation relative to others and relative to previous generations. Still other perspectives are

1 For additional materials from the conference, see www.stlouisfed.org/community-development/economic-mobility-conference-2015.

cautionary and sobering, pointing out failures of opportunity and the differential ability of specific groups to get ahead relative to the overall population.

In this overview, we examine what we observe to be some of the overriding themes in this publication:

- economic mobility from an individual and family perspective
- the role of communities in fostering mobility
- the interplay between individual mobility and overall economic growth
- the nature of public policy debates that have arisen or that might be informed by research on the topic

Starting Points Matter: Individuals and Families

A key question about individual mobility is how much one's starting point in life—e.g., the education and wealth of one's parents, the moment in economic history, and/or the economic and social health of the community in which one is born—enables or constrains financial success.

There seems to be little doubt that both individual effort and starting points factor into economic mobility. But how deterministic is our starting point? Or, as Chair Yellen asks in her foreword, how much do one's "initial circumstances in life" affect how far individuals can get or how hard they need to work to get ahead? It appears, based on the research and perspectives summarized here, that these authors do not question whether starting points matter. Instead, the key questions revolve around how strongly these forces influence individuals, or how much individuals can get ahead regardless of their starting point.

This publication's discussion of individuals and families opens with a set of essays by Raj Chetty, Scott Winship, and Katherine Newman. Each offers different perspectives on the status of economic mobility in the United States—whether or not economic mobility is declining, stagnant, or improving and, indeed, what upward mobility means in the first place. By design, each essayist's perspective reflects larger debates among academics, policymakers, and others regarding trends, causes, and current prospects for upward economic mobility in the United States.

Several other authors explore the issue in this publication, including an investigation of numerous factors affecting one's starting point on the path to economic mobility. Family economic circumstances seem to be an important factor affecting an individual's economic mobility: children born into circumstances of limited financial means have more room to grow than those born into wealthy circumstances in the first place, yet might be expected to, *ceteris paribus*,

face greater challenges relative to others because of these circumstances.

Family Wealth. Among the “early” economic factors, family wealth—what a family has in savings, owns, and owes—plays a key role. Family wealth could affect, for instance, such disparate factors as ability to pay educational expenses, provide tutoring or other support when needed, pay child-care or child health-care expenses, or contribute to postsecondary education—any of which could have an influence on later outcomes.

According to Fabian Pfeffer and Alexandra Killewald, wealth inequality appears to substantially persist across generations and, in their analysis, it is not, discouragingly, counterbalanced by any meaningful wealth mobility. The degree of this “wealth inequality” influence, however, is debated and not completely understood. One way to conceptualize this debate is to look directly at the level of relative mobility over time by income.

In their essays, Chetty and Winship each explore this, though they reach somewhat different conclusions about the evidence as to how well people can move from low-income groups to high-income groups. Chetty examines how often children move from the lowest end of the income spectrum during childhood to the top end as adults, and he sees cause for concern about how easily and often that happens. Winship sees mobility concerns as well, but believes those to be more narrowly centered around issues of family structure than do other observers.

Newman, on the other hand, points out that, for many families, the issue may be less about dramatic movement from the bottom to the top and more about achieving smaller incremental gains in economic security and hanging onto such gains. She has also concluded that intergenerational “downward mobility and economic precariousness loom very large in the popular consciousness.”

Race and ethnicity. Another economic mobility factor—also clearly a strong starting point factor—is race and ethnicity.

The variance in economic mobility by race and ethnicity has persisted over time, and there is little evidence it is shrinking in significant ways. There is much debate about whether this lingering and substantial disparity is an artifact of underlying economic conditions or whether it reflects other, non-economic factors. In fact, the importance of lingering effects of the disparity emerge as one of the predominant themes of contributors to this volume, discussed in some detail by, among others, Winship, Rucker Johnson, Molly Metzger, Danilo Pelletiere, and Robert Sampson. “Racial inequality,” writes Sampson, “cannot be set aside in this discussion.”

Generation factors. Other factors that derive from the time of one’s birth also bear on economic mobility.

Neil Howe and Diana Elliott describe how one’s birth year has a strong

relationship with outcomes and note that, in the aggregate, there is significant generational upward mobility disparity. They witness it in the relative affluence of today's elderly, the particular fragility of Generation X, and the observation that late Boomers are currently the last generation to have experienced a living standard greater than the generation before.

Coming of age at a time of relative prosperity and economic activity—or not—appears to have lasting influences that are presumably unrelated to individual potential and initiative. In her essay, Governor Lael Brainard explores the generations that have come of age in the years surrounding the recent Great Recession, and she discusses what the potentially long-lasting consequences of this misfortune in timing may bode for the future.

Family structure. Family structure, growing evidence suggests, is also related to economic mobility.²

Research from a number of scholars strongly suggests that children who grow up in single-parent households—a growing segment, particularly among parents with less than a college education—have relatively less opportunity to get ahead as adults than children raised in two-parent households.³

Reuben Finighan and Robert Putnam, in fact, argue that America is rapidly dividing along class lines, with roughly one-third of children being raised by married, college-educated parents, whose economic prospects are bright due to large investments of time and money. They find at least another third of children being raised by non-married, non-college-educated parents, whose economic prospects are constrained due to limited ability to invest both time and money.⁴ Hannagan and Morduch note that the month-to-month income volatility is mitigated in households with two income earners.

Moreover, Chetty finds that, among the five correlates of upward economic mobility, he and his colleagues discerned that family structure looms as the strongest. Specifically, they found that the larger the *share* of single parents in a community, the lower the prospects for upward economic mobility for any one child, irrespective of the marital status of that child's parents. Newman found that changes in family composition—such as additional earnings from a child entering the workforce or another earner marrying or moving into the

2 While it is difficult to establish the pure effects of being a single-headed or married household—many social and economic factors may make it more likely that a child resides in a one- or two-parent home—and we thus cannot claim that family structure causes economic mobility outcomes, a growing body of evidence suggests that family structure is strongly correlated with economic mobility outcomes and thus merits serious consideration by researchers, policymakers, and others.

3 See, for instance, Sawhill (2014); Lerman and Wilcox (2014); and Putnam (2015).

4 Robert Pollack, in his conference paper, finds that marriage is thriving among better-educated couples precisely because it is being used as a commitment device to raise highly successful children.

household—were among the four successful routes families pursued to move up the economic ladder.

Similar findings by Winship prompted him to posit that the real mobility problem in the United States relates to profound changes in family structure over the last generation. Jeff Larrimore, Jacob Mortenson, and David Splinter, in fact, note that changes in family structure or earnings pattern—specifically marriage or an additional family member joining the workforce—account for the largest mobility gains among households whose income rises from year to year.

Recent data from the Federal Reserve’s Survey of Household Economics and Decisionmaking (SHED) report also show a strong relationship between the educational attainment of parents and the earnings of their children.⁵ Children who have two parents with college degrees are themselves much more likely to earn high incomes than children of parents without college degrees (Larrimore 2015).

Public policy and household balance sheet conditions. Naturally, other factors beyond the starting point affect family economic mobility. Two key topics addressed in this volume include the role of public policy and the significance of growing income and expense volatility.

Public policy can affect households’ movements up and down the income ladder and affect their personal balance sheets. For instance, Larrimore, Mortenson, and Splinter find that both the Earned Income Tax Credit and progressive income taxes overall (such as the Alternative Minimum Tax) can act as income stabilizers, smoothing out consumption and thus helping families steady their financial lives.

Recent findings of increasing volatility in income and expenses among struggling families—compounded by a severe lack of emergency or liquid savings—sheds light on the challenges of holding on to existing resources, let alone moving up the economic ladder.

Disturbingly, the Federal Reserve Board’s SHED finds that an unexpected expense of just \$400 would prompt nearly one-half of all households to borrow funds, sell something, or simply not pay the expense at all (Federal Reserve Board 2015). Data from the Federal Reserve Board’s Survey of Consumer Finances (2013) show that the top savings priority for American families is emergency or liquid savings, yet only about one-half of this group actually has such savings.

Income volatility appears as an issue that may have significant implications for many households. Using tax data, Larrimore, Mortenson, and Splinter find relatively frequent income swings, both up and down, among tax filers. Anthony Hannagan and Jonathan Morduch describe an interesting, though

5 More information on SHED can be found on the Federal Reserve Board’s website at: www.federalreserve.gov/communitydev/shed.htm.

not representative, study of low- and moderate-income households tracked through the U.S. Financial Diaries project.

The study found that the tracked families experienced sizable income swings, on average, both up and down from month to month: in a given year, the families averaged about two-and-a-half months in which their incomes spiked more than 25 percent from their average, and about the same number of months in which their incomes dropped by more than 25 percent. Those families below the poverty line experienced especially acute volatility.

This phenomenon may be particularly problematic for households if spikes in income do not move in tandem with spikes in expenses. In fact, Hannagan and Morduch (and Newman) remark that managing volatility and scarcity have become a way of life for many American families. (Meta Brown and Matthew Mazewski note that access to unsecured credit may provide opportunities to mitigate such volatility.) Such findings help explain why the Financial Diaries project, echoing research by the Pew Charitable Trusts (2015), report that an overwhelming majority of families value financial stability over upward mobility or, at least, see stability as a prerequisite to mobility.

While the papers discussed here suggest that starting points, public policy, and balance sheet items matter, families do not exist or strive for financial success in isolation; they are embedded in a community, a place, which also has an effect on their prospects for upward economic mobility.

Place Matters: The Role of Communities and Other Nexus Points

As some of the other contributors explore, economic mobility also appears to be related to place—the neighborhood, community, schools, employers, places of worship, unions, and other institutions an individual encounters in youth and adulthood.

A powerful and recurring theme from the research presented in this publication is the role that communities play in affecting the prospect of economic mobility. Chair Yellen notes that economists do not fully understand how locational differences affect economic mobility or, for that matter, the complex relationship between economic mobility and geographic mobility.

Many variables may be at play, such as strength and number of community institutions, the degree of economic and racial diversity, the quality of financial services and other critical factors that may advance or impede a child's ability to develop and grow, or access resources and employment opportunities. As Sampson puts it, we may gain a fuller understanding by focusing on “contextual” mobility, not just individual mobility.

Metropolitan areas. Among the more striking findings from Chetty, Newman, and others is the *extent* to which place or context is associated with mobility. Chetty looks at the likelihood of a child raised in the bottom 20 percent making it to the top quintile as an adult. In some U.S. metropolitan areas, the odds are more than 17 percent, while those same odds in other U.S. metropolitan areas are below 5 percent.

And just as remarkable is how much economic mobility rates vary *within* individual metropolitan areas. The Washington, D.C., metropolitan area, for example, has a relatively high—11 percent—overall upward mobility rate. But this masks intraregional variation: it reaches only 4.7 percent in the District of Columbia proper and soars to 14.2 percent in Charles County, Maryland. Newman, too, observes enormous variations in poverty, mortality, teen pregnancy, and high school drop-out rates in areas with regressive taxation regimes.⁶ Further research, it seems, could serve to better understand these complex dynamics.

Resource-rich locales and related dynamics. If better neighborhoods matter for mobility, then families living in areas with relatively few resources could presumably increase their lot in one of two ways—if that area improves or if they move to a better neighborhood.

Evidence presented here suggests that both routes can work, though there are no simple policy prescriptions for either place-based or people-based interventions, including the fact that there are limits on how many people can be moved to higher-income areas or better schools. Chetty, Nathaniel Hendren, and Lawrence Katz, based on their re-evaluation of the Moving to Opportunity Project, find evidence that moving to low-poverty census tracts at a young age has substantial influences on children’s long-term success (Chetty, Hendren, and Katz 2015). Metzger and Pelletiere, in their paper, find that vouchers are at least somewhat successful in helping residents reach higher-income neighborhoods, although the effect of vouchers at achieving racial and ethnic diversity are more limited. And Sampson explores the interrelationship between individual mobility and community conditions, including significant variation by race, and calls for a greater understanding of “contextual mobility” and for policy considerations that “take the long view” and allow low-income individuals to increase their resources without needing to physically move.

6 Jonathan Rothbaum, however, in a presentation at the conference, cautioned that place may not matter as much as Chetty and others suggest. He finds the local characteristics that are highly correlated with mobility (such as share of single parents, income inequality, and social capital) are not predictive of mobility after controlling for race, parental education, and family type (whether single or teen parent-hood). See www.stlouisfed.org/community-development/economic-mobility-conference-2015.

Other authors explore what effects an improvement in a neighborhood may have on its residents. Todd Swanstrom, Hank Webber, and Molly Metzger find that some low-income and minority residents of improving neighborhoods do benefit from those improving conditions. They call for comprehensive policy approaches to address distressed neighborhoods. Brown and Mazewski find that regional variations in credit scores, access to credit, types of debt and other consumer debt measures “map” well with Chetty’s observed economic mobility outcomes, suggesting that regional differences in financial services could also affect economic mobility. However, the challenges involved in improving existing communities are steep.

Economic segregation. Finighan and Putnam argue that growing economic segregation magnifies inequality by concentrating poor families in places that have fewer job opportunities, fewer trusting neighbors, and fewer community institutions. Sampson observes that there appears to be a “path dependence of living in neighborhood poverty” and that blacks living in some poor neighborhoods pay a “significant racial penalty.”

Perhaps most troubling, however, in efforts to revitalize struggling communities, are trends in concentrated poverty which, as Sampson and Patrick Sharkey (2008) have shown, is significantly associated with crime, social mobility, and other outcomes for residents of those communities.

The U.S. Census reports that the number of people living in concentrated poverty rose by about 56 percent between 2000 and 2010, a time period during which the overall population rose by only about 10 percent. This increase reversed prior trends in the opposite direction and returned the country to previous peak levels of concentrated poverty (Bishaw 2014). Paul Jargowsky (2015), explores the racial and ethnic dimensions of this troubling trend: of lower-income individuals, one in four blacks, and one in six Hispanics, live in areas of high poverty, compared to only one in 13 lower-income whites.

Sampson, in fact, observes that the racial “penalties” are too large and persistent not to be addressed head-on. He also points out that high-income blacks are more likely to live in areas with high poverty levels than are low-income whites, and calls for an “affirmative action” not just for individuals, but neighborhoods as well.

Education availability and quality, and related class dynamics. Other research, including recent research from the Federal Reserve Bank of St. Louis (Boshara, Emmons, and Noeth 2015), finds that the racial wealth gaps remain large—non-whites have, on average, 10 percent of the wealth of whites—and largely unchanged over recent decades despite much civil, economic, and political change during that time. Even when comparing whites and non-whites with similar education levels, the racial wealth gap remains large, suggesting that education alone may not erase the gap.

Indeed, race is related to another dynamic connected to economic mobility: schools and school quality. Several authors explore the ways in which the quality of educational institutions may matter for economic mobility. Johnson looks at school desegregation, school finance reform, and Head Start, and finds what he considers robust and compelling evidence that educational spending in these areas matters for improving outcomes, including large effects on low-income children. Additionally, he observes that these programs have valuable cumulative effects, as the combined benefits from school spending increases and Head Start exceed the sum of the independent effects of these programs.

Johnson, as well as Finighan and Putnam, stress how important family background is—that children enter elementary school with much relative advantage or disadvantage already and that growing class segregation (over the last 30 to 40 years) is magnifying educational segregation and disparities. However, both stress that improved school quality can help ameliorate the performance of those from disadvantaged backgrounds. That is, schools may not be part of the problem, but can be an important part of the solution.

Access to higher education plays a key role, too: Newman finds that “firm hopping” after accruing more education (including, surprisingly, after age 25) was a key route for some to move out of poverty and into the middle class.

Labor unions. Workplace labor unions are another institution that may affect mobility. Richard Freeman, Eunice Han, David Madland, and Brendan Duke maintain that unions have been important contributors to higher incomes and upward mobility among low-wage workers and their offspring.

They find positive associations between union affiliation and incomes of both workers and their offspring, and conclude that the decline in union membership in recent years implies a decrease in the size of the middle class and of the ability of workers to convey economic benefits to their offspring.

The Macro-Economy Matters: Opportunity and Growth

Other authors in this volume explore the complex relationship between employment and economic mobility prospects of workers and the strength or weakness of the economy overall.

Mobility, inequality, and macroeconomic dynamics. The effects that economic mobility—and related factors such as inequality—have on the broader economy, and vice versa, have been the subject of debate for years. As Chair Yellen notes in her foreword, “it seems obvious that greater economic opportunity and mobility promotes a healthier economy.” The extent of this

relationship, and the extent to which inequality may matter for both economic opportunity and economic growth, are topics explored by several authors.

The well-documented rise in income and wealth inequality over the last few decades has been matched by a constructive rise in scholarly, media, and public attention. While there is recognition about the importance of this issue across the political spectrum, there is not agreement on how problematic this income and wealth divide may be.

Some argue that the ability to climb the economic ladder is more important than the actual inequality and that, in fact, relative inequality has long been a motivator to incentivize working hard to get ahead. From this perspective, evidence that economic mobility could be stagnating might be even more concerning than similar evidence of inequality.

Others attempt to demonstrate a strong relationship between inequality and opportunity. Outside this volume, Jared Bernstein and Ben Spielberg (2015) argue that rising inequality necessarily means fewer resources for lower-income families to make mobility-enhancing investments. They argue that inequality, *inter alia*, “is driving increasing residential segregation by income,” leading to unequal access to education, and eroding economic opportunity by limiting access to a variety of “enrichment goods” such as social networks.

In this volume, Winship cautions that, in his view, we should not conflate growing inequality with declining mobility: “A country can have high (and rising) inequality without economic mobility being worse. If American CEOs earn much more than fast-food workers, that does not necessarily mean that it is more difficult in the United States than in other countries for the daughter of a fast-food worker to become a CEO.” The real mobility issue for Winship, as noted, is change in family structure, not rising inequality. Chetty, while not addressing this macroeconomic issue specifically, did find that *regional* inequality is one of the five strongest correlates of mobility: the higher regional inequality, the lower the rate of upward economic mobility.

Inequality of opportunity and effort. Another question addressed in this volume is the effect of inequality on the nation’s economic performance. Gustavo Marrero and Juan Gabriel Rodriguez find that the literature, overall, is ambiguous because total inequality includes two components of inequality that, working simultaneously, could have opposing effects on economic growth.

The first component is inequality of opportunity, which is due to factors beyond one’s control—such as one’s parents, race, or time and place of birth. Inequality of opportunity, in their view, is unfair and “always” harms economic growth. The second component is inequality of effort, which relates to choices over which people do have control. They view this kind of inequality as fair and also show that inequality of effort has an ambiguous relationship to economic growth.

While it is important to understand what type of inequality is affecting economic growth, they argue that policy should focus on the more problematic and unfair type of inequality—inequality of opportunity—which can be addressed through affirmative action, lowering constraints in credit markets to students and entrepreneurs, and improving public education and public health.

Human capital accumulation and development. The accumulation of “human capital” is noted as (1) an important component of one’s ability to get ahead and, as Eric Hanushek and Ludger Woessmann argue, (2) an equally important contributor to the overall economy. They argue that, if overall improvements in basic skills and other components of human capital were realized, the influence on overall economic health would be significant.

One implication is that, to the extent that schools and other contributors to skill development are lacking in certain areas or for certain portions of the population, the overall economy may not be as robust as it could otherwise be.

Public Policy Matters: How Proactive a Role?

Policymaking institutions and bodies both influence—and are influenced by—the ease with which citizens can be economically mobile.

In his essay, Joseph Stiglitz points out the influence that central banks—in the United States, the Federal Reserve specifically—have on economic mobility and inequality. He argues that central banks ought to care about inequality “both because of how it affects overall economic performance and because it affects the well-being of ordinary citizens,” and calls for a rethinking of monetary policy to reflect such concern.

In that vein, a number of public policy questions emerge and interweave with themes found in the essays and papers in this volume.

Public Policy and Individual and Family Starting Points

First, to the extent that the circumstances associated with one’s birth appear to increasingly matter for realizing upward economic mobility, in what manner should public policy attempt to “compensate” for this?

Much of the research in this volume suggests that factors beyond one’s control play heavily into how easy or difficult it is to get ahead. If this is true, an implicit question is whether public policy should play a more proactive role in attempting to provide more opportunities, resources, and investment or otherwise make it more likely that individual effort and risk-taking lead to success.

Several policy ideas seem aimed broadly at just this goal. Some authors, including Finighan and Putnam, as well as Larrimore, Mortenson, and Splinter, discuss the role that tax credits can play in increasing net income

among lower-income families, which could in turn ameliorate the troubling financial volatility documented by Hannagan and Morduch. Sampson even discusses the idea of offering cash assistance or tax breaks to those who live in historically disinvested places as a way to compensate them for the disadvantages those places seem to impose on their residents' ability to get ahead.

Policy prescriptions designed to advance this goal should, of course, first define success, since the policy levers may be different depending on the ambition of the policy intervention. Should policy, as Chetty's research implies, aim to enable more children to be able to move from the bottom quintile as children to the top quintile as adults, or should policy, as Newman argues, principally aim to help more struggling families simply achieve and consolidate modest gains?

Public Policy and Communities

Another clear thread running through much of the work in this volume with policy implications is the extent to which place or context seems to matter for the economic mobility prospects of families. Many community- or place-based factors appear to matter: the level of economic and racial integration, quality of schools, prevalence of single families, networks and social capital, and the quality of other institutions such as churches and service organizations. And whether policy aims to improve existing neighborhoods or incentivize families to move to better neighborhoods—a distinction discussed by Sampson and others—it appears that the earlier a child is exposed to better neighborhoods and stable family circumstances, the greater the likelihood of upward mobility.

The overall quality of one's surroundings and infrastructure also appears to be important and have long-lasting effects throughout life. Finighan and Putnam discuss the effect of children growing up in lower income neighborhoods with fewer resources, and the improvements that could be brought to bear by improving their surroundings through public policy. That said, there is not uniform agreement on what the most effective policy levers may be to effect these kinds of place-based improvements. Sampson argues that neighborhood improvement needs to include durable investments that are made with holistic, long-term views. Swanstrom, Webber, and Metzger cite a number of policy levers—from the Low-Income Housing Tax Credits to neighborhood “public health” approaches—that they think should be used differentially depending on the condition and trajectory of the specific neighborhood.

Quality of education, which of course varies by place, is another specific and recurring theme that has clear policy implications. Johnson makes a compelling

case that past policy interventions in how education was conducted and funded led to measurable improvements in economic mobility for African-Americans. Finighan and Putnam argue for improvement in education, from universal early childhood education all the way through apprenticeship programs and improved community colleges. And Hanushek and Woessmann argue straightforwardly that making significant improvements in the funding and delivery of the education system would lead to concomitant increases in economic mobility and national economic performance.

Another troubling theme that has policy implications is the depth and persistence of racial inequality among families and communities, and its pernicious effects on economic mobility. Many of the policy issues already discussed touch on race and ethnicity, but it is worth considering, specifically, what role public policy may have in attempting to improve the economic prospects of minority families and communities. Metzger and Pelletiere, for instance, take on the conundrum of continuing racial concentration even among HUD Section 8 voucher holders, who ought to be able to achieve geographic mobility but largely do not, and describe a number of specific policy levers that could be used to bring about less segregated outcomes. And Sampson makes a call for “affirmative action” for highly impoverished, segregated neighborhoods, rather than just for individuals, as a policy response.

Public Policy and the Macro-Economy

Finally, Hanushek and Woessmann raise the question of what role policy should play in improving the institutions and ideas that contributed to the upward mobility of millions over several generations. These include superior economic institutions, early commitment to human capital, excellent colleges and universities, and the benefits of a tradition of immigration. Many of these advantages, they note, are “likely to go away as many other countries have made great strides in emulating and even surpassing these strengths of the United States.” But those advantages will not disappear immediately, they note, and accordingly argue that the effects on gross domestic product and upward mobility of reclaiming these advantages could be quite large.

In Summary: The Case for Optimism or Pessimism

By and large, Americans themselves are optimistic about their ability to get ahead, and the ability of the next generation to do the same.

Two Perspectives

In the Federal Reserve Board's SHED report, respondents are asked how they perceive themselves financially compared with their parents at the same age. A little over half of respondents say they're better off, while a little under a quarter say they're worse off. Notably, respondents under 30 are somewhat less optimistic than others.

Looking into the future, many people are similarly optimistic, though somewhat less so. When asked if their children, or family members in the next generation behind them, will be better off than they are, 44 percent expect them to be, while 28 percent expect them to be worse off. Interestingly, respondents who have children under 18 in their household are somewhat more optimistic than others.

But who will actually turn out to be right, the optimists or the pessimists?

Reasons for Optimism

Given the historically high levels of income and wealth inequality, coupled with the U.S.'s fiscal, political, and demographic challenges, maintaining or improving our rates of upward economic mobility could prove to be difficult.

Yet, on the whole, we remain optimistic for a few reasons:

1. **Understanding of mobility drivers.** We now better understand the drivers of mobility at all levels than we have in the past, which can provide a basis for policy actions.
2. **Zero-sum games applicability.** As Chetty demonstrates in his essay, economic mobility does not have to be a zero-sum game: improving the mobility prospects of lower-income children can increase the size of the economic pie, which benefits everyone.
3. **The seeds of innovation and experimentation.** Given the highly localized nature of economic mobility—how much place matters—there is ample room for innovation and experimentation to see what works. Promising ideas can be tested at state and local levels with the most successful ones expanded nationally, as has happened throughout U.S. history.
4. **A re-imagining of the mobility definition.** And finally, as Howe and Elliott keenly observe, the notion of the American Dream is not fixed, but is in fact re-imagined by every generation. What moving up in America may mean to one generation may not mean the same to another, challenging all of us to define and achieve success in novel and ever-changing ways.

Throughout this publication, the authors explore a range of issues and questions pertaining to economic mobility. Readers can decide for themselves whether signs of hopefulness trump areas of concern, as well as the appropriate role for public policy. Indeed, through this publication, and the conference spawning it, the Federal Reserve hopes to shed light on this important and complex topic. ■

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