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# The State of Economic Mobility and Why It Matters

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**T**here is a growing consensus that the United States has insufficient levels of economic mobility. However, the way we characterize the problem matters greatly because it will determine the policies we pursue to address low mobility. I would argue that the latest evidence indicates the problem is narrower than the conventional wisdom suggests. That does not mean that we need not worry about economic mobility, but it does suggest that expansive, expensive, and overly interventionist policies that presume a broader problem may be ill-suited to solving the specific challenges the United States faces.

The idea that the United States has worse economic mobility than our peers in Europe and the English-speaking world has become accepted as fact. What was a relatively inaccessible conclusion from the academic literature gained popular attention with the introduction of “The Great Gatsby Curve” in early 2012 by Alan Krueger, then chair of the President’s Council of Economic Advisors.<sup>1</sup> The curve is a chart that looks at different countries and plots their levels of inequality on the X-axis and their level of immobility on the Y-axis. It shows a strong correlation between inequality levels and economic immobility, with the United States firmly in the corner of high inequality and high immobility.

However, the Great Gatsby Curve, like most of the research on which it is based, uses a measure of “immobility” that indicates less mobility when income inequality grows between generations of parents and children. It is important to distinguish between these two concepts.

When most researchers and practitioners talk about “equality of opportunity,” they are talking about whether someone who starts at the bottom of the income distribution has an equal chance of reaching the top of the distribution as someone who starts out at the top of the distribution. Since inequality has risen more in the United States than in other nations, our “immobility” looks relatively bad. But 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

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1 This term was coined in a 2012 speech given by Krueger at the Center for American Progress (see [www.whitehouse.gov/sites/default/files/krueger\\_cap\\_speech\\_final\\_remarks.pdf](http://www.whitehouse.gov/sites/default/files/krueger_cap_speech_final_remarks.pdf)), based upon work by Miles Corak (see <https://milesorak.files.wordpress.com/2012/01/inequality-from-generation-to-generation-the-united-states-in-comparison-v3.pdf>).

United States than in other countries for the daughter of a fast-food worker to become a CEO. The “mobility” measures that we have used in the past to compare countries have conflated these two issues.

However, a recent paper by Miles Corak, Matthew Lindquist, and Bhashkar Mazumder at the Federal Reserve Bank of Chicago carefully compared the mobility levels of the United States, Canada, and Sweden (2014). They took great care to make the country-specific analyses comparable to each other, and they utilized a mobility measure that is not affected by changes in inequality. Remarkably, they found that these three countries have essentially the same levels of upward mobility from the bottom of the income distribution.

This result, if it holds up, would overturn more than two decades of research, including a widely cited paper by Markus Jäntti and his colleagues that showed the United States with worse mobility than the Scandinavian countries (2006). Figure 1 shows the percentage of sons growing up in the bottom fifth of paternal earnings who remain in the bottom fifth of male earnings as adults. The Scandinavian figures are taken from the Jäntti paper, which showed the corresponding figure much higher in the United States—40 percent versus the 25 to 28 percent for the Scandinavian countries.

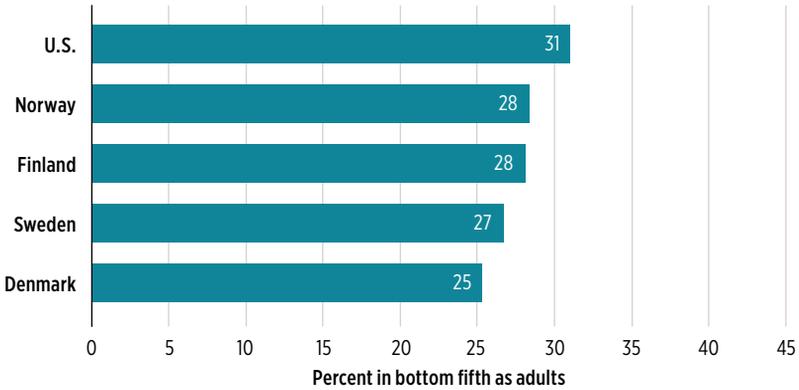
But the Jäntti paper compared American sons’ earnings to their parental family income rather than their paternal earnings. Figure 1 replaces the paper’s American estimate with one from a recent report from the Pew Charitable Trusts that compared father and son earnings (2012). Instead of 40 percent of sons raised in the bottom remaining there, 31 percent do, which is substantially closer to the other countries. When this result is combined with the finding in the paper by Corak, Lindquist, and Mazumder (2014) that Sweden and the United States have the same upward mobility, the implication is that only Denmark’s mobility levels are better than ours.

And given that Scandinavian countries have some of the highest mobility rates, the U.S. rates are probably comparable to other non-Scandinavian countries. Raj Chetty’s comparison of data from Canada and the United States appears to contradict the Corak et al. result, but he, too, is contrasting an American estimate using parental family income with an estimate (for Canada) using paternal earnings. There is also evidence suggesting that mobility rates in Germany are comparable to American rates (Schnitzlein 2015).

Figure 2 presents similar results for downward mobility rates from the middle fifth of the income distribution. The differences between the United States and these other countries are even smaller than they are for upward mobility rates from the bottom.

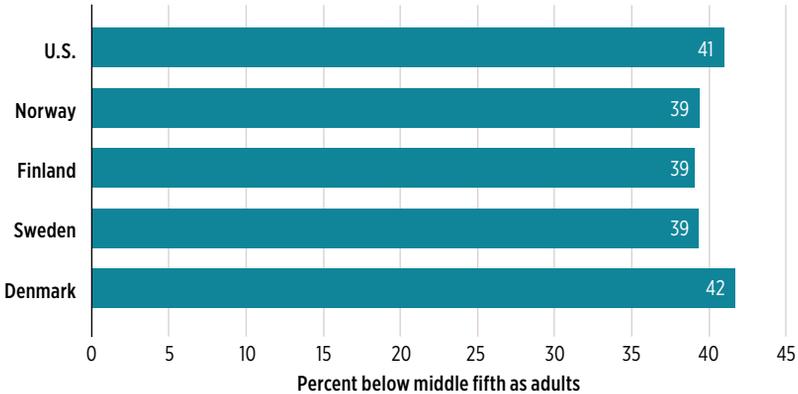
If American mobility rates are not substantially worse than in other countries, perhaps they are worse than in the past? Here popular misperception

**Figure 1. Upward earnings immobility of sons with father earnings in bottom fifth**



**Source:** For Scandinavian countries, Jäntti et al. (2006); for United States, Pew Economic Mobility Project (2013).

**Figure 2. Downward earnings mobility of sons with father earnings in middle fifth**



**Source:** For Scandinavian countries, Jäntti et al. (2006); for United States, Pew Economic Mobility Project (2013).

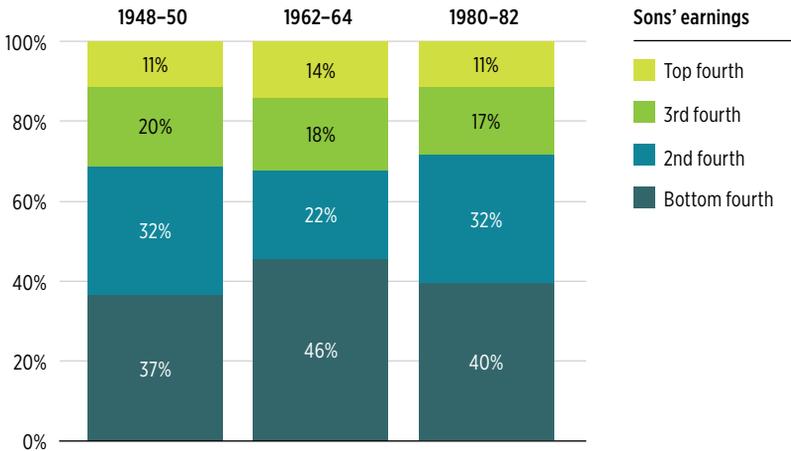
runs up against a fairly consistent academic literature finding only small changes in mobility over the past 50 years. The recent paper by Chetty et al. on mobility trends using tax data reinforced this consensus (2014).

My own research, extending to cohorts of sons born as recently as the early 1980s, yields the same conclusion (Winship, forthcoming). Figure 3 shows three cohorts of men: those born in the late 1940s, the early 1960s, and the early 1980s. The figure displays where sons growing up in the bottom fourth of parental income ended up in terms of their own earnings.

Previous studies using the same datasets compared the first two cohorts and found the same decline in upward mobility that I show (Levine and Mazumder 2002; Bloome and Western 2011). A son born in the 1940s into the bottom of the distribution had a 37 percent chance of remaining in the bottom. By the early 1960s, the same group had a 46 percent chance of remaining in the bottom fourth. However, as we look at figures for those born in the 1980s, these numbers fall close to the 1940s level. None of these differences are statistically meaningful. Over time in the United States, mobility has not fallen. A similar figure for downward mobility from the middle shows cohort mobility levels that are virtually identical across birth cohorts (figure 4) (Winship, forthcoming).

These are important findings: as inequality has grown in the United States,

**Figure 3. Percent of sons growing up in bottom fourth of parental income in different fourths of the earnings distribution, by birth year**



Source: National Longitudinal Surveys estimates and Winship (forthcoming).

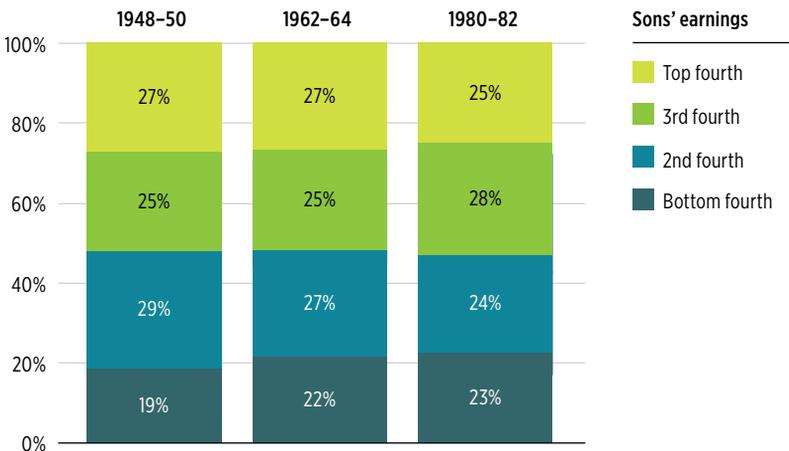
mobility has not fallen; while the United States is a high-inequality country, it does not appear that the differences in mobility are very notable compared to low-inequality countries.

So what is the real problem with mobility in the United States? Figures 5 and 6 are derived from the National Longitudinal Survey of Youth, a survey that continues to follow men and women born in the late 1950s and early 1960s. Figure 5 shows the percentage of sons and daughters raised in the bottom fifth of family income who remain in the bottom fifth of family income or earnings as adults. The blue bars are for the country as a whole, while the others are broken down by race.

If there were perfect mobility, 20 percent of the people who start in the bottom would remain in the bottom. For men, there is a dramatic racial difference in upward mobility from the bottom. Among whites, 25 percent of men starting at the bottom have earnings that put them in the bottom of the male distribution—nearly perfect mobility. Among black men, however, 48 percent remain stuck in the bottom.

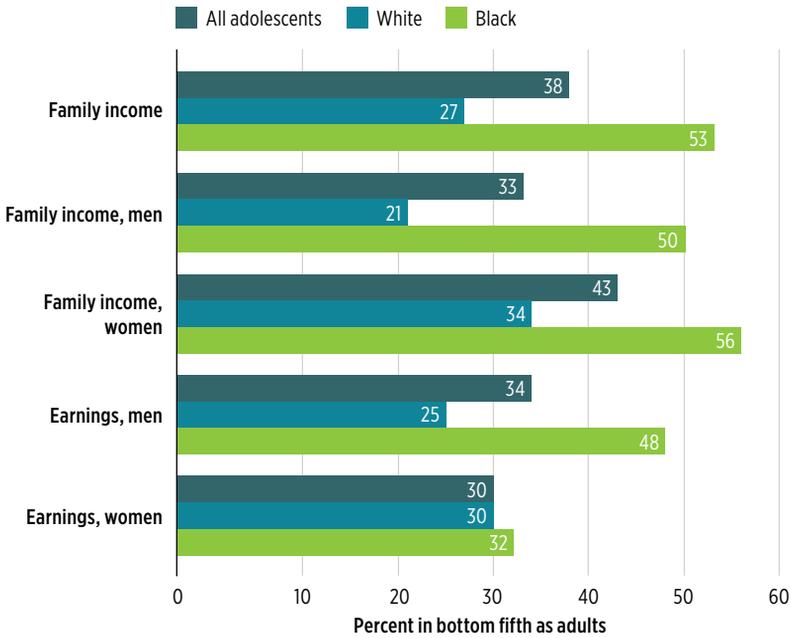
Remarkably, there is no difference in upward mobility from the bottom when comparing the earnings of white and black women. However, looking at adult family income reveals large black–white mobility differences among

**Figure 4. Percent of sons growing up in middle half of parental income in different fourths of the earnings distribution, by birth year**



Source: National Longitudinal Surveys estimates and Winship (forthcoming).

**Figure 5. Upward immobility of adolescents with parental income in bottom fifth**

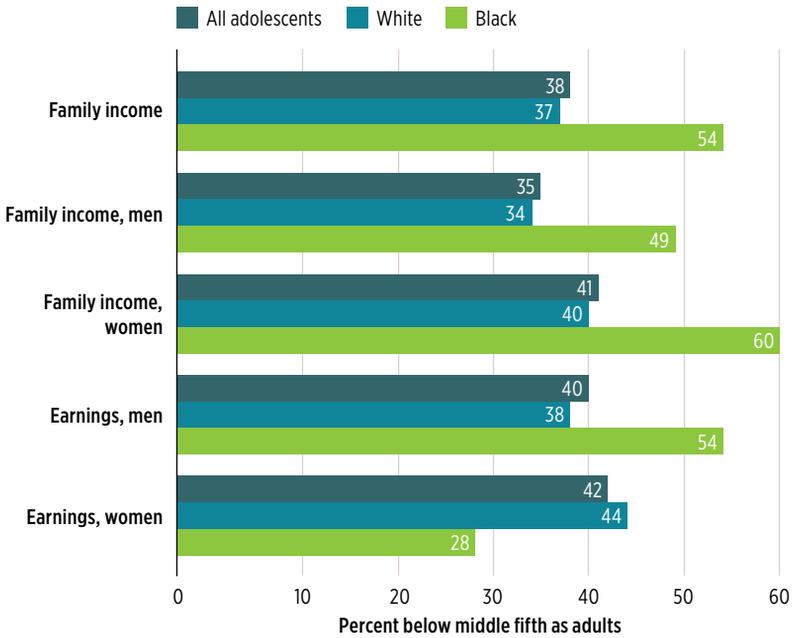


**Source:** National Longitudinal Survey of Youth (1979) and Winship (forthcoming).

women as well as men. Once again, white men have nearly perfect mobility rates. Among white women, 34 percent remain stuck in the bottom, but among black men and women, half or more do.

While there are not black–white differences for women looking at earnings mobility, there are large differences in terms of family income mobility. I suspect these numbers are capturing differences in marriage rates between whites and blacks. Essentially, black women are able to escape disadvantage in terms of their own earnings, but are not able to escape it in terms of family income because they are less likely to have the second income a husband provides. The marriage gap itself may reflect the difficulty that black men are having moving up. That is, black men may be less economically attractive to black women as marriage partners than they would be if they experienced the mobility of white men. Alternatively, it is possible that even if black marriage rates mirrored those of whites, low black male mobility might thwart the ability of many black women to escape the bottom fifth of family income.

**Figure 6. Downward mobility of adolescents with parental income in the middle fifth**



**Source:** National Longitudinal Survey of Youth (1979) and Winship (forthcoming).

Figure 6 examines downward mobility from the middle of the income distribution. It tells essentially the same story.

It is remarkable how few black women who start in the middle class fall below the middle fifth of female earnings. Here the “perfect line of mobility” would be at the 40 percent mark, but just 28 percent of black women starting in the middle fall out of the middle of female earnings. But turning to adult family income, 60 percent fall out of the middle.

Here, then, is the mobility problem in the United States—intolerably low upward mobility and high downward mobility for African American men, which is likely related to poor family income mobility outcomes for black women (despite their surprisingly strong earnings mobility). Fifty years after Selma, we still have far to go eliminating this fundamental racial inequality. Doing so will require that we better understand the problems that afflict black men (but not black women), the low marriage rates in the black community, and the interaction between these two sources of immobility. But if we insist

on believing that economic mobility in the United States is generally worse than in other countries and diminishing over time, we will misdiagnose the problem as uniquely American and pervasive throughout society. That may lead to policy responses involving government intervention that do more harm than good—for all Americans regardless of race. ■

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