Discussion:

“The Balance Sheets and Economic Mobility of Generation X” by Diana Elliott

and

“Coming of Age in the Early 1970s vs. the Early 1990s:” by Daniel Cooper

Bhash Mazumder, Chicago Fed
Start with Diana’s paper

• Looks at absolute and relative income mobility and wealth mobility for Gen X (compared to their parents)
• Backdrop: Trajectory of wealth for recent cohorts is poor
Figure 1. Younger Generations Are No Longer Successively Wealthier


Notes: All dollar values are presented in 2010 dollars and data are weighted using SCF weights. The much lower wealth of the 1970–78 cohort at age 38–46 is partially explained by the fact that this cohort was at the younger end of this age range in 2010. The same is true for the 1952–60 cohort at age 56–64.

From: Steurle, Mckernan, Ratcliffe and Zhang (Urban Institute, 2013)
Paper adds direct intergenerational linkages

• Confirms that absolute levels of wealth is lower for most Gen Xers compared to parents (at same age)

• But relative mobility measures suggest much greater fluidity in wealth than income
  – Education, family income explains some of wealth mobility differences
  – Future work will model relative wealth mobility with more covariates
Big Picture Comments

• Aren’t the key factors that led to lower wealth for Gen Xers big macro-level shocks? (e.g. housing boom and busts, Wall street gyrations, financial crisis and associated debt)

• If so, then we might want to think about “covariates” that mediate these shocks
  – Financial sophistication? Risk attitudes? Sources of stability e.g. parents, employers
Big Picture Comments

- At what *age* do we want to measure wealth?
- Aren’t the Gen Xers parents hit with these shocks later in life … perhaps Gen Xers got them early but won’t get them later
- When in the lifecycle does wealth accumulation really matter most?
  - Potentially important for investments in kids
Smaller Picture Comments

• Difference between 1960s and 1970s cohorts
• Is wealth measured in PSID up to the task?
• Could greater relative mobility be due to greater noise?
• Benchmark to SCF or SIPP
Daniel’s paper shows that

• Wealth lower for those aged 35 to 40 in 2005 compared to 1984

• This “cohort” effect remains after controlling for lots of things including parent characteristics
Big Picture Comments

• What is the cohort effect picking up?
• Paper does discuss some of the “other” factors that might matter (e.g. S&P 500, homeownership in both generations)
• But other factors that mediate shocks can potentially be included
• Points made earlier also relevant here:
  – At what age or period of lifecycle does wealth matter?
General Point: How Does Wealth Influence Intergenerational Mobility

- Becker and Tomes (1979, 1986) emphasized the potential role of borrowing constraints as a key source of intergenerational persistence.
- Some papers verify this empirically
  - e.g. Mazumder (*Restat*, 2005)
- This point has been lost a bit in the recent literature
  - e.g. Chetty et al.’s (2014) focus on geography shouldn’t detract us from family determinants of mobility.
- Lots of other related literatures could pay more attention to wealth (infant health, test scores, college enrollment).