

“Perspectives on Intergenerational Mobility in the U.S.”

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Introduction

- Rising inequality in US and other advanced economies has led to a surge of interest in intergenerational mobility
 - Will inequality persist into future generations?
 - Is there a growing lack of opportunity?
 - President Obama has called growing inequality and lack of upward mobility, “*the defining challenge of our time*” (12/4/13)
 - Greater attention is now being paid to academic studies of intergenerational mobility (IGM) than ever before
- Key Questions:
 - What do we mean by IGM? What do we know about IGM? What role for policy makers?

Conceptual Issues

- Most research actually measures intergenerational persistence
 - e.g. What is the association between parent and child income
 - When association is high \rightarrow mobility is low
- Traces back to Sir Francis Galton who invented “regression”
- Early work on “social” mobility pioneered by sociologists: intergenerational persistence in occupation
- Economists have focused on income, developed theory and addressed various statistical issues.

Conceptual Issues (cont.)

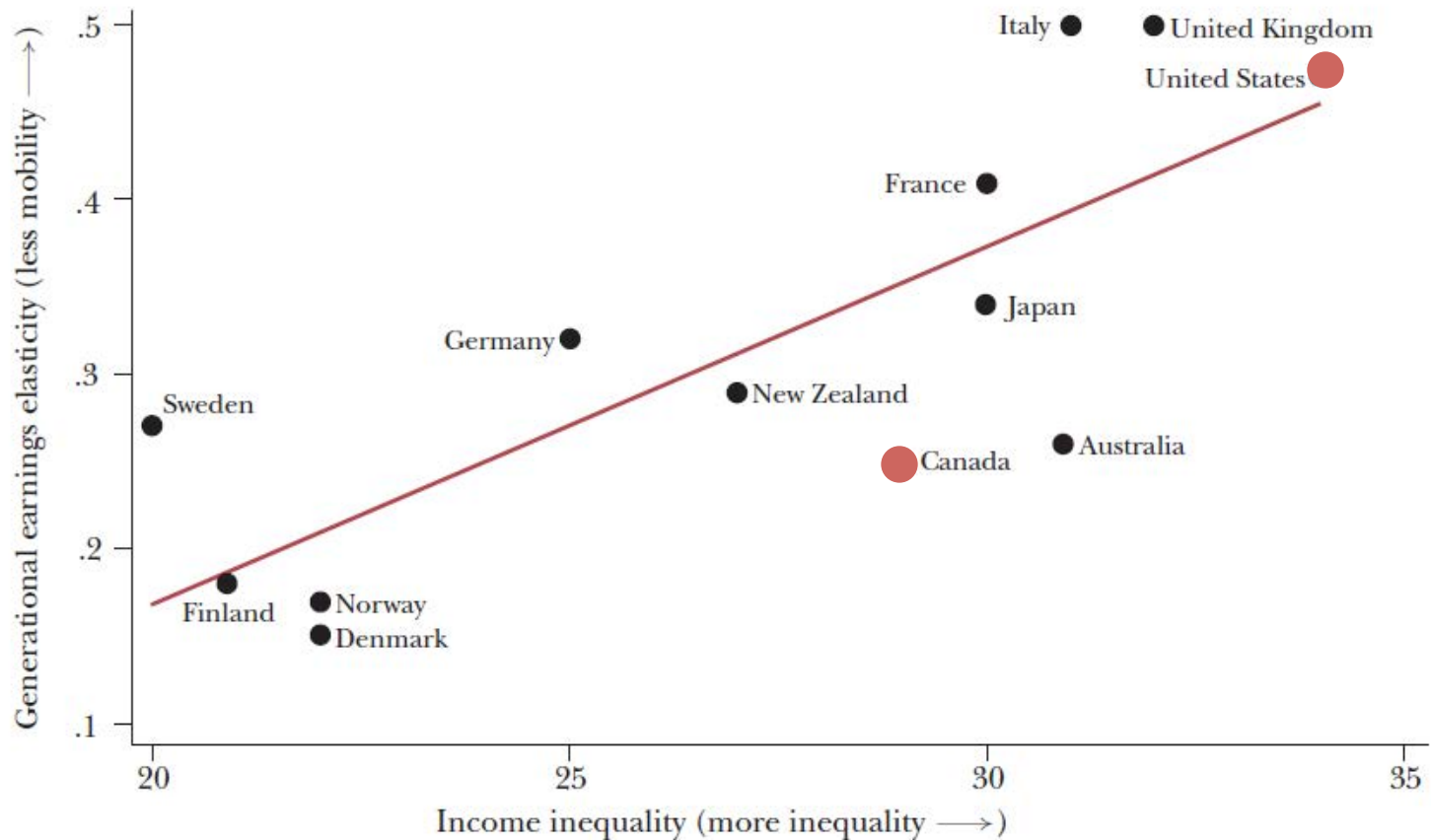
- Important caveat: Persistence measures only indirectly measure immobility, (separate literature on “equality of opportunity” still underdeveloped)
- Relative vs. Absolute mobility
 - Most academic research is about relative mobility
 - ...this is because absolute mobility is basically about growth
 - Relative is about shuffling of places in the distribution irrespective of growth
 - When growth is unequal both are potentially interesting
- Backwards vs. forward looking indicators
 - Most IGM measures inherently backward looking
 - Suggest need for early warning indicators

What do we know about Intergenerational
Mobility Differences Across Countries?

“Great Gatsby” Curve

Figure 1

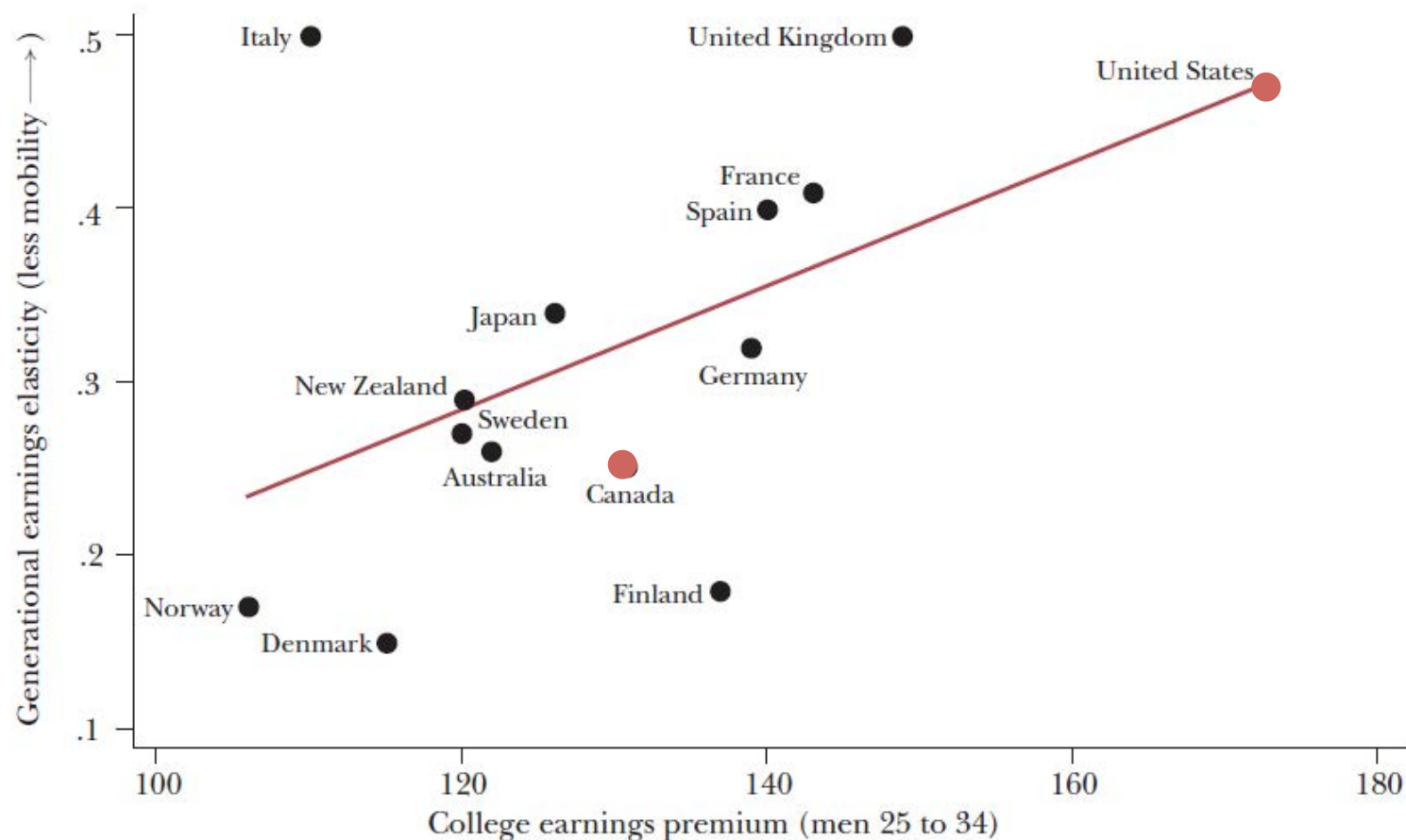
The Great Gatsby Curve: More Inequality is Associated with Less Mobility across the Generations



Returns to Schooling Matter

Figure 4

Higher Returns to Schooling are Associated with Lower Intergenerational Earnings Mobility



Source: Author using data from OECD (2011b, table A8.1), and Corak (2013).

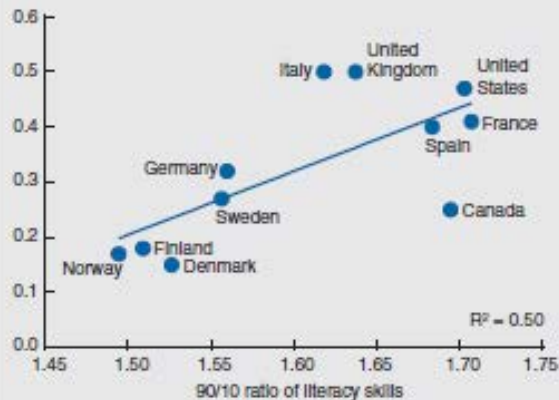
Inequality in skills and the Great Gatsby curve

by Bhashkar Mazumder, senior economist and research advisor

2. Inequality in skills and intergenerational mobility

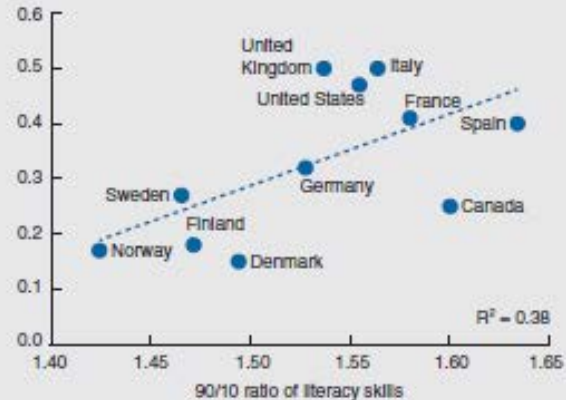
A. Numeracy

Intergenerational earnings elasticity



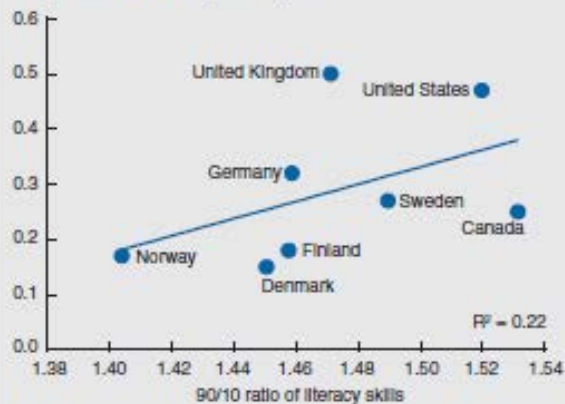
B. Literacy

Intergenerational earnings elasticity



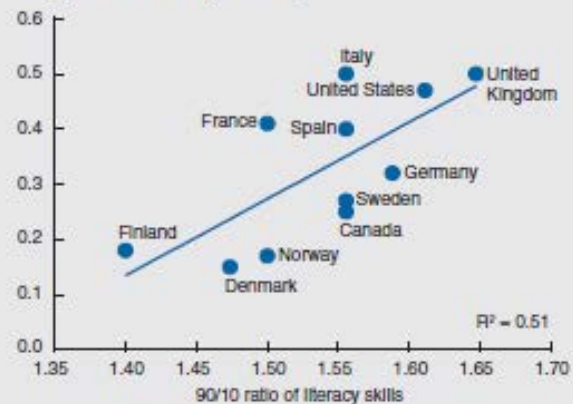
C. Problem solving

Intergenerational earnings elasticity



D. Index of non-cognitive skills

Intergenerational earnings elasticity



Upward and Downward Mobility: Comparing U.S., Canada and Sweden

Corak, Lindquist and Mazumder
Labour Economics 2014

Figure 4: Mean Percentile Gain Using Cumulative Samples, Conditional on UP-0

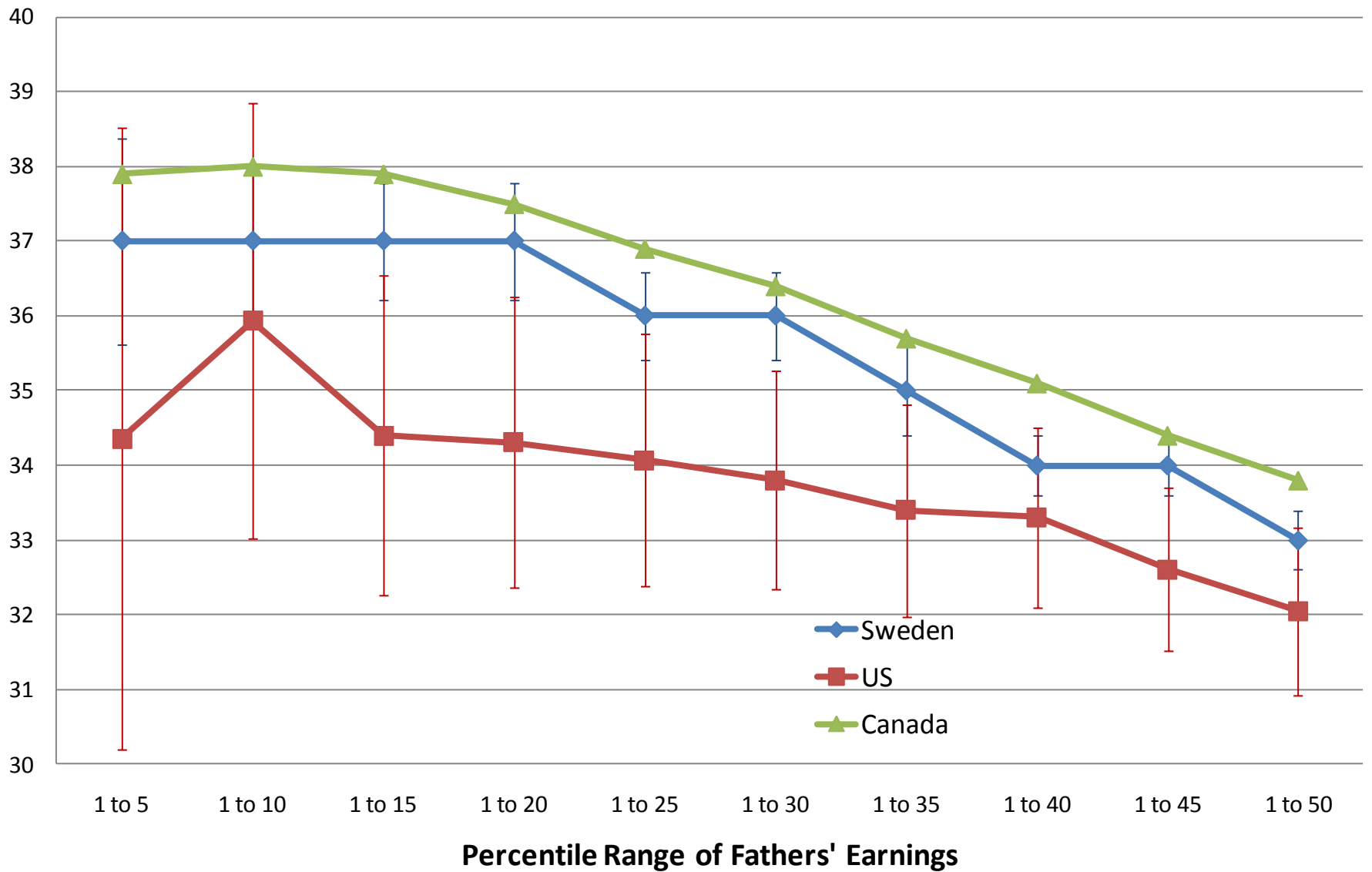
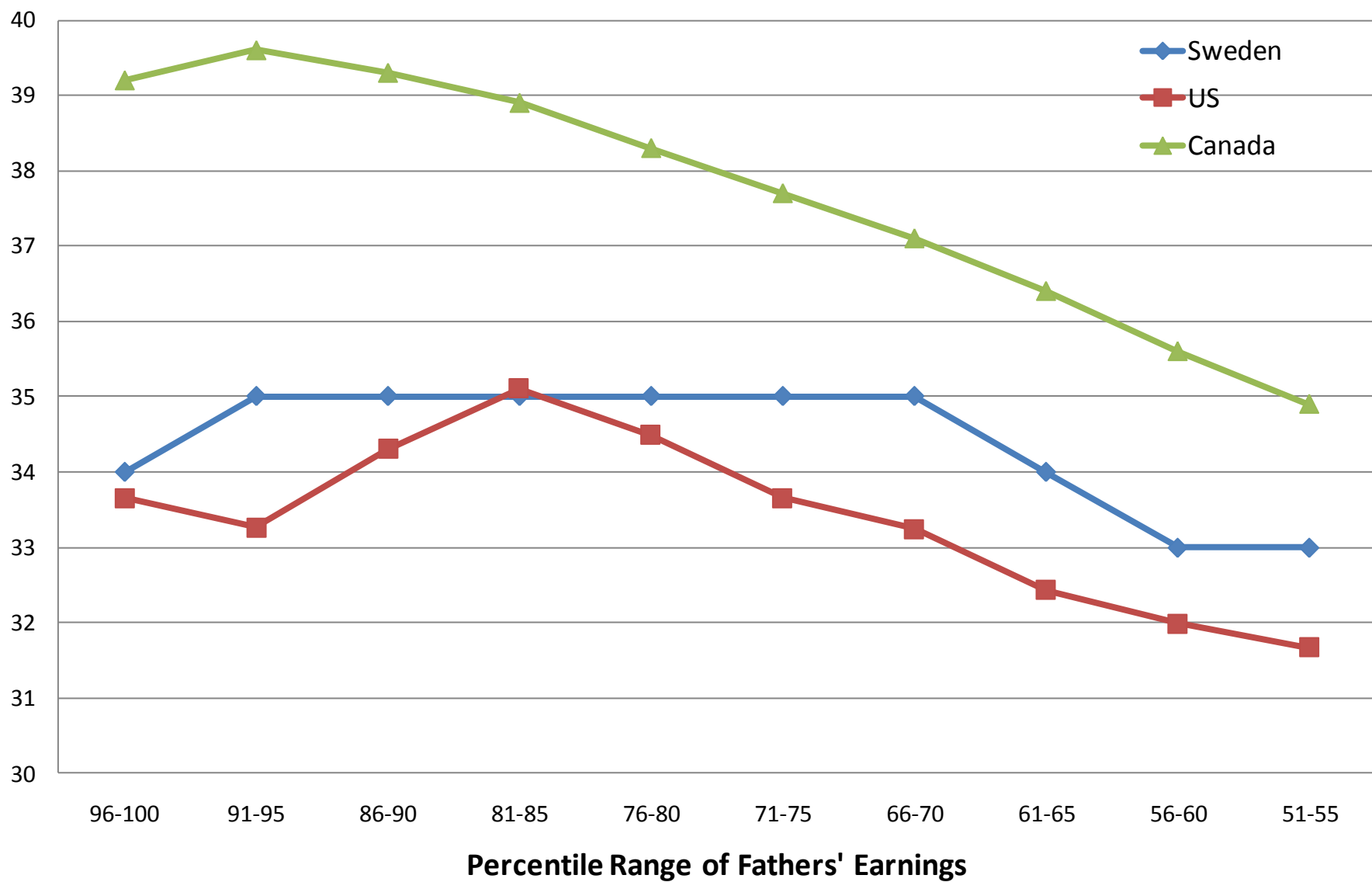


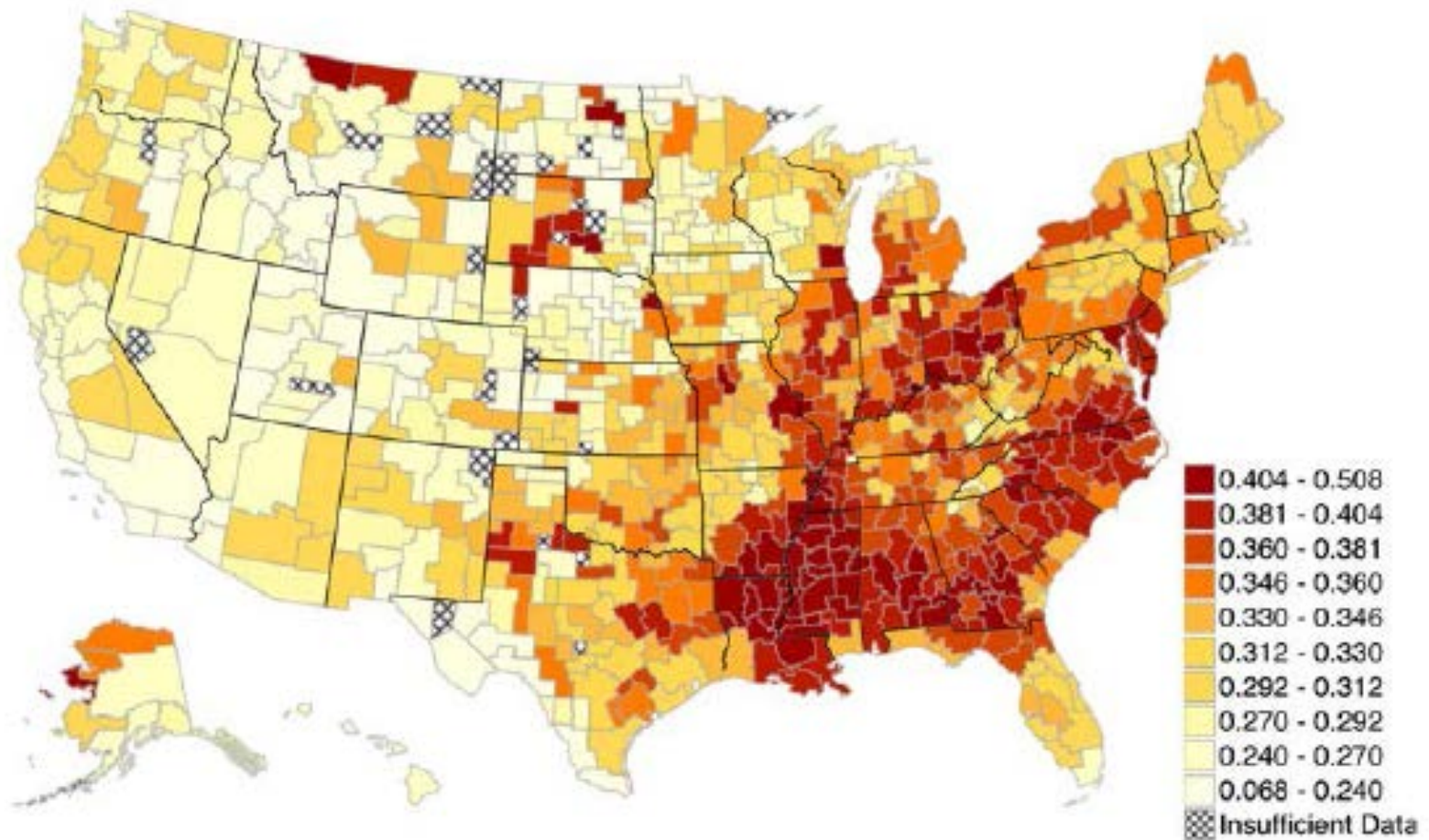
Figure 8: Mean Percentile Loss Using Cumulative Samples , Conditional on Down



Intergenerational Mobility Differences in the U.S.

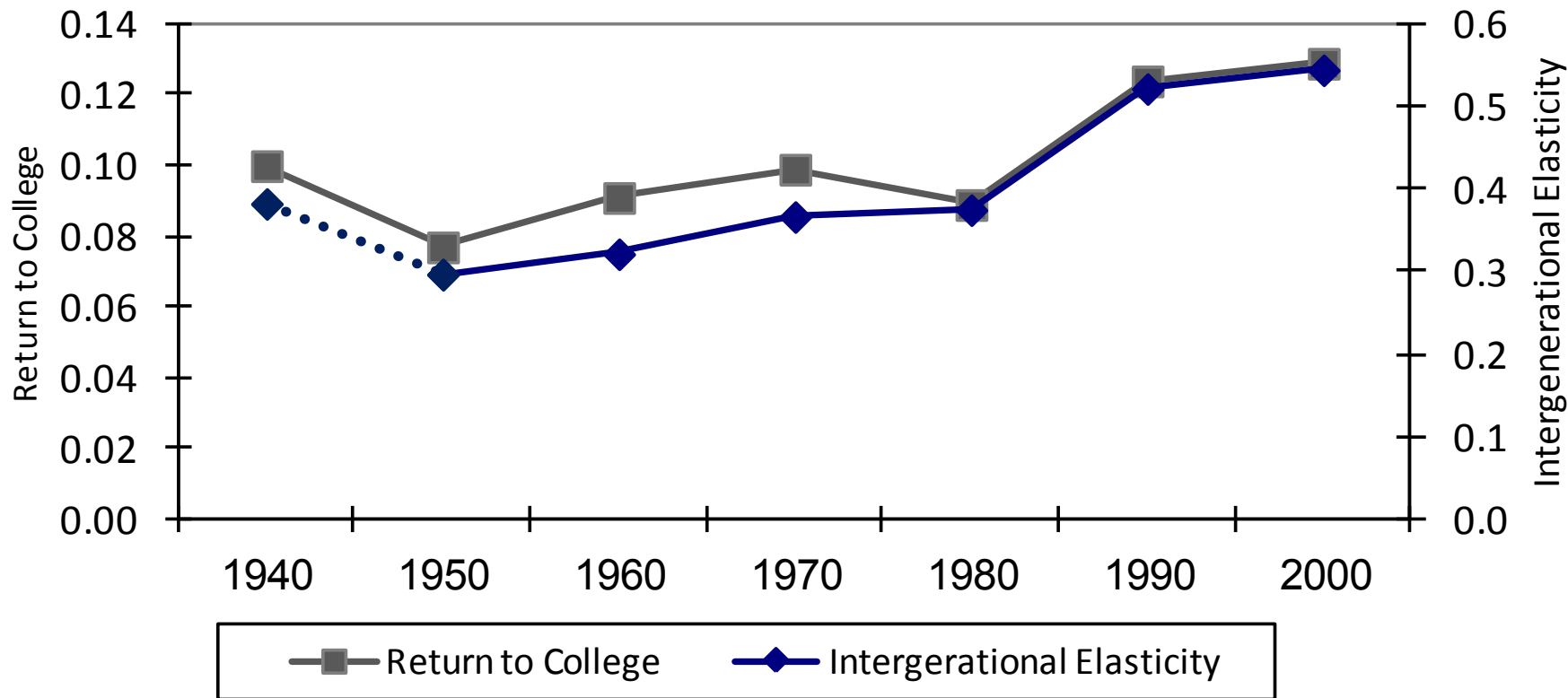
Striking Geographic Differences in Intergenerational Mobility in US

B. Relative Mobility: Rank-Rank Slopes $(\bar{y}_{100} - \bar{y}_0)/100$ by CZ



Corr. with baseline $\bar{y}_{25} = -0.68$ (unweighted), -0.61 (pop-weighted)

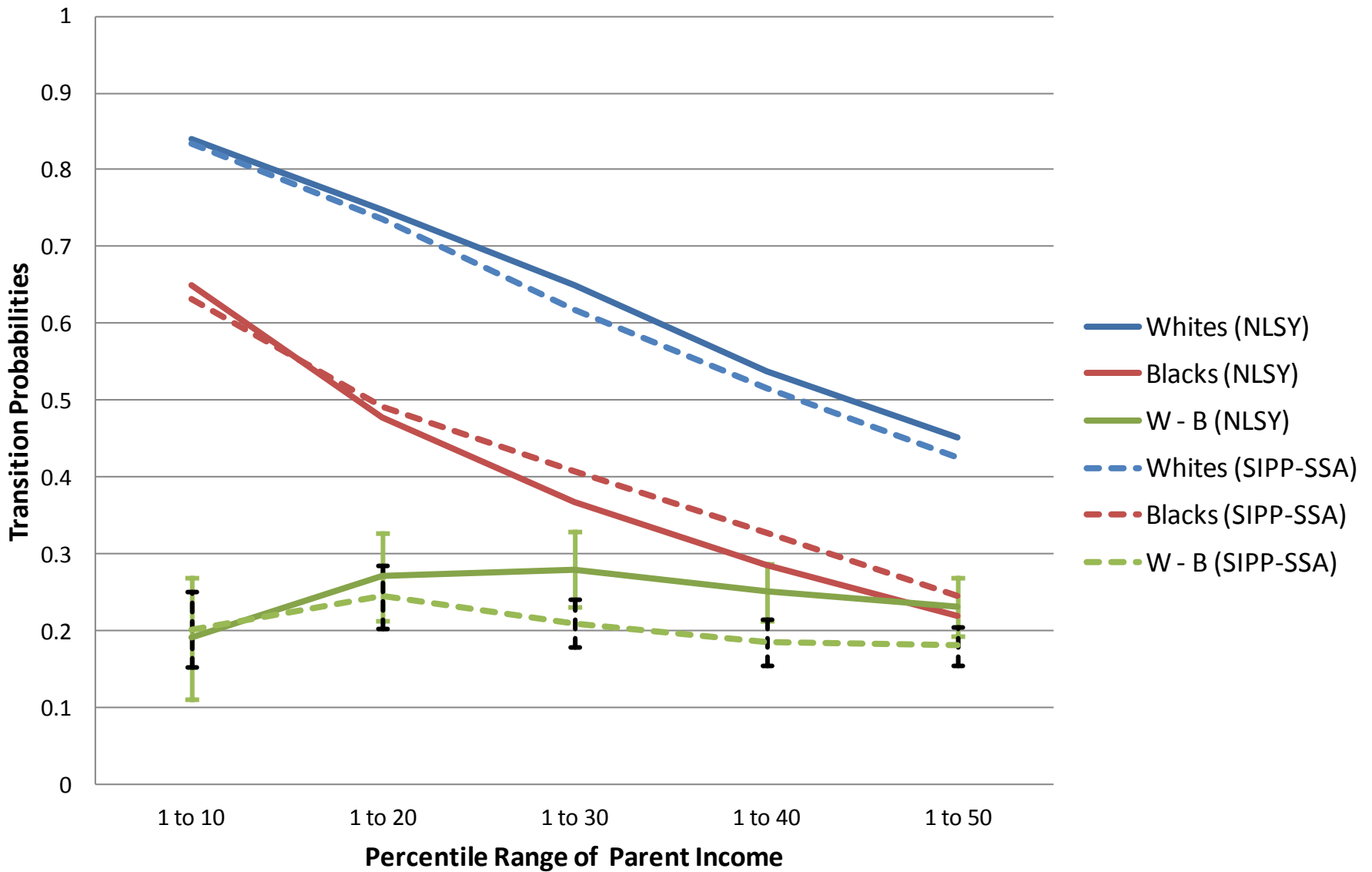
Trends in the Return to College and the Intergenerational Elasticity



Notes: The intergenerational elasticity for 1950 to 2000 uses estimates from Table 1, column 2 of Aaronson and Mazumder (2008). The 1940 estimate is projected based on the results from Table 2, column (2).

Sources: Aaronson and Mazumder (2008), Goldin and Katz (1999)

**Figure 2: Upward Transition Probabilities by Race
Using Cumulative Samples ($\tau=0$)**



Key Early Life Policy Levers

- Maintain a Strong Social Safety Net:
 - Food Stamps (Hoynes et al., *AER* 2016)
 - Medicaid (Miller and Wherry, 2016)
- Other Prenatal and Early Health Provision
 - General Health Access, Pediatricians, Nurse Family Partnership Programs
- Environmental Policy:
 - Clean Air Act (Isen et al., 2015)
 - Clean Water (Currie et al., 2013)
 - Lead Exposure (Reyes, 2007, 2014)

Education Policy

- Early Childhood Education
(Duncan and Magnusson, 2015)
- School Resource Equalization
(Jackson, Johnson and Persico, *QJE*, 2016)
- Teachers
(Chetty et al., *QJE*, 2011, *AER* 2014 a,b)