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Planning the American Dream: The Case for an Office of Opportunity

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Opportunity is a Bipartisan Issue

U.S. politics is short on bipartisanship. But there is one issue on which the major players on both sides of the aisle are in agreement. Upward intergenerational mobility is too low—which is both a symptom and a cause of unfairness in American society.

Take these two quotes, one from President Obama and the other from Representative Paul Ryan:

> "Upward mobility is the central promise of life in America: but right now, America's engines of upward mobility aren't working the way they should.
>
> "Opportunity is who we are... but upward mobility has stalled."

Hard to know which one is which, isn't it? The first is Ryan, the second Obama. Rhetorical agreement that America ought to be a land of opportunity is, of course, hardly news. But it is significant that most senior political figures now agree that we are falling way short of this ideal. Mounting empirical evidence that rates of intergenerational social mobility in the U.S. are low and flat has finally penetrated the American political consciousness. A chance for some bipartisan work to address social mobility has presented itself. This is a precious moment, which ought to be seized.

But even if the two sides agree there is a problem, they are very far from agreeing on any solution. Quite the opposite: while Democrats are pushing state action—pre-K education, Race to the Top in schools, a higher minimum wage, new metrics for college performance—Republicans emphasize wealth creation, trust, and civic capital in communities, and focus on reducing welfare rolls.

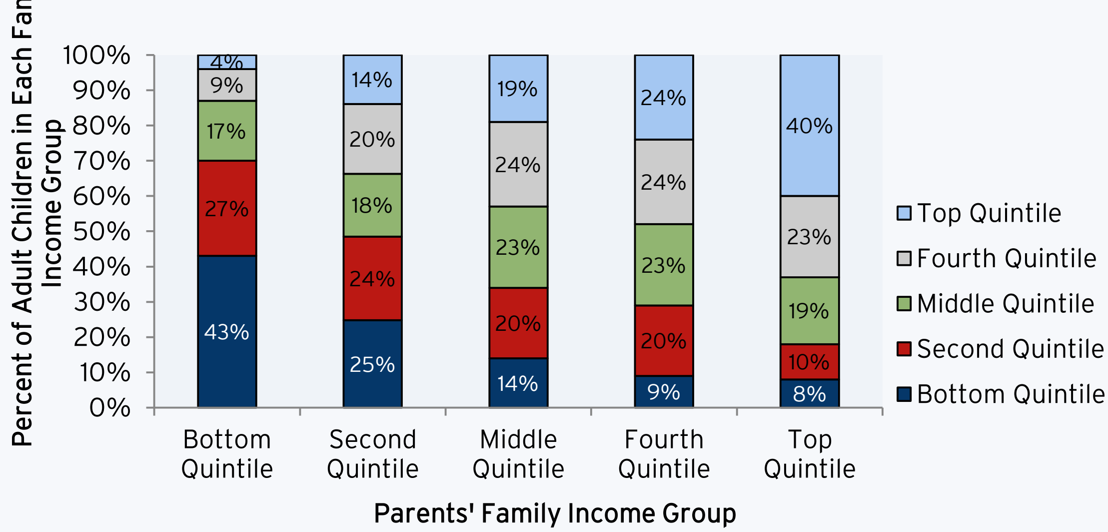
For now, then, efforts to gain bipartisan support for specific policy programs are likely to be unsuccessful. Policies will have to stand or fall on the political battleground. But there is space for bipartisanship in the creation of an institutional framework designed to measure the nation's progress towards greater opportunity, keep the attention of policy-makers on this long-term task, and dispassionately assess initiatives intended to improve rates of social mobility.

The Mobility Challenge

Intergenerational mobility can be measured using a variety of different scales and over different time periods. An important, basic distinction is between absolute and relative mobility. Absolute mobility is a measure of how people fare compared to their parents, particularly in terms of income, education or occupation. Most people, given economic growth, will achieve a standard of living higher than their parents managed by the same age. The latest data suggests that 84% of people are upwardly mobile in this sense.

Relative mobility is a measure of where people end up on the income ladder, compared to their peers, on the basis of their background: the extent to which the circumstances of birth determine the outcomes in life. A common approach is to examine the relationship between the income quintile (fifth of the income distribution) people end up in as adults, compared to the quintile they were born or raised in. The transitions between generations can be shown clearly on a graph:

Figure 1: Children's Chances of Getting Ahead or Falling Behind, by Parents' Family Income

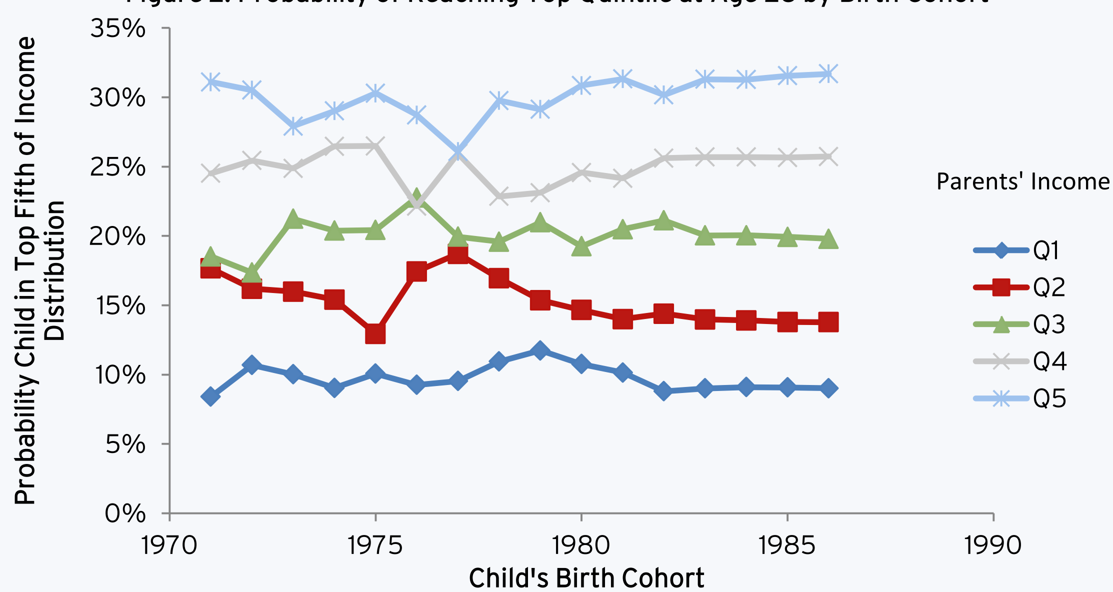


Source: Leonard Lopoo and Thomas DeLeire. "Pursuing the American Dream: Economic Mobility Across Generations." Pew Charitable Trusts, 2012.

This shows that the U.S. income distribution has sticky ends: four out of ten of those raised in the bottom quintile remain on the bottom rung as adults, and almost the same proportion raised at the top manage to remain there. Only one in twenty move from the bottom to the top. Studies adopting more sophisticated methods, such as rank directional mobility (which measures movement up and down the whole range of percentiles of the income distribution) produce similar results—but can provide more detail. One finding, for example, is that rates of downward mobility from the top 5% of the U.S. income distribution are much lower than in Canada.

Importantly, and contrary to some political rhetoric, this picture has not changed in recent decades. The chances of someone from the bottom quintile moving up looks to have been low for at least half a century:

Figure 2: Probability of Reaching Top Quintile at Age 26 by Birth Cohort

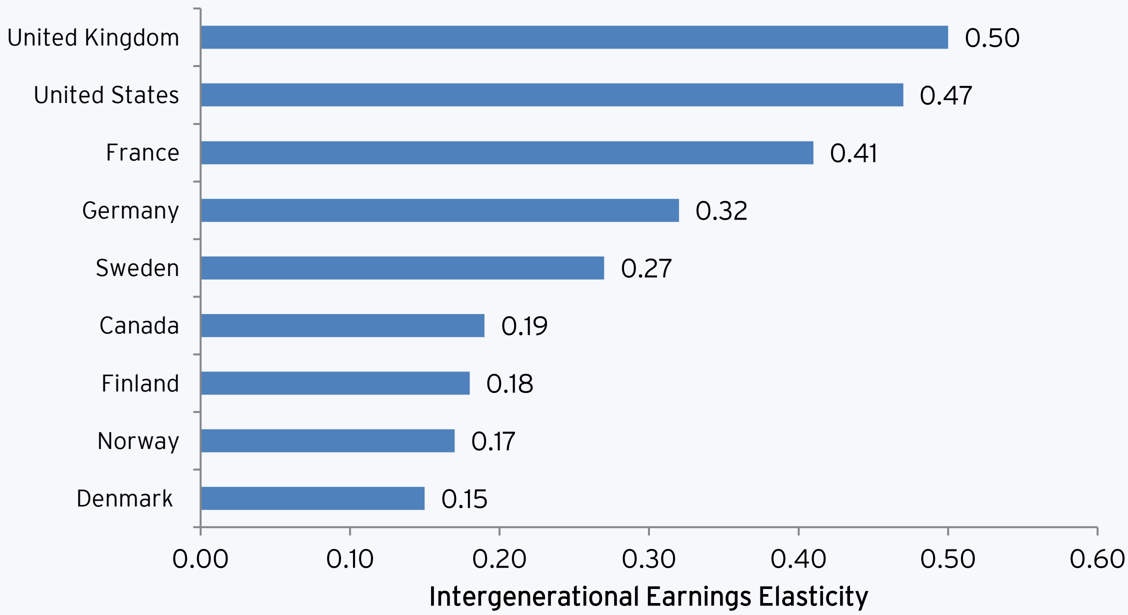


Source: Raj Chetty et al. "Is The United States Still A Land Of Opportunity? Recent Trends in Intergenerational Mobility" NBER Working Paper 19844, 2014. Figure 3.

Sluggish upward mobility is not a new problem for the U.S. What is new is the general acceptance and widespread discussion of the problem among policy-makers.

Another mobility measure, often used for the purposes of international comparison, is of intergenerational earnings elasticity—the extent to which a person's wages relate to their parents' wages. More mobile societies will show a lower correlation between the earnings of parents and children, and there is significant variation across economically developed nations on this measure:

Figure 3: Intergenerational Elasticity between Father and Son Earnings



Source: Miles Corak. "Do Poor Children Become Poor Adults? Lessons from a Cross Country Comparison of Generational Earnings Mobility." IZA Discussion Paper No. 1993, 2006. Table 1.

All I have provided here is a lightning sketch of a complex, growing research literature. But suffice it to say, U.S. mobility rates are low by international standards, flat over time, and too low for most observers of all political stripes. There is now the possibility of greater political commitment to act on the opportunity challenge, but the first steps need to be taken carefully.

Needed: An Office of Opportunity

Having identified a problem, the temptation is to jump immediately to policy solutions. But there are two good reasons to be careful about making this leap. First, there is only a very slender consensus among scholars on which specific policies or programs will effectively promote mobility (although few would argue closing gaps in the quality of K-12 education is not a priority). Second, there is no consensus among politicians on the same question.

There is, however, an important space between agreeing, in general terms, that we have a mobility problem, and agreeing on policy solutions. It should be possible to at least agree to officially measure trends in mobility, track interim indicators of our direction of travel, and assess the likely effects of various policies on mobility.

We should, in short, be able to set a goal—increased intergenerational social mobility—and agree to start officially measuring our progress towards it. If we can agree on the ends, the political argument can continue over the means.

At the moment, politicians and policymakers rely on academic studies of mobility trends. We have official measures of growth, federal spending, employment, productivity and poverty—but no official measure of mobility. Given the central importance of mobility to a shared definition of American fairness, this is a serious omission. It is a fact that what gets measured gets talked about, worried about, and acted on. Whatever the shortcomings of the official poverty line (and they are many), its existence galvanizes political debate and policy development.

Adopting an official mobility measure is unlikely to require vast new data collection—though some investments will need to be made. It is more a question of deciding that mobility is worth measuring and promoting. As my colleague Isabel Sawhill put it, arguing for a wider range of social indicators: "The principal barrier to quantification, in the long run at least, is not a lack of meaningful data but a failure to define what is meaningful…to give operational content to our ideals."

There is a strong case for the mobility measure, and related activity, to be owned and promoted by an independent institution. In part, this is to increase the chances of bipartisan support. But it is also because improving the rate of social mobility is a long-term task, spanning many administrations and congresses. Giving mobility an institutional "home"—in the form of an Office of Opportunity—will help maintain a commitment to the mobility cause over the longer-term.

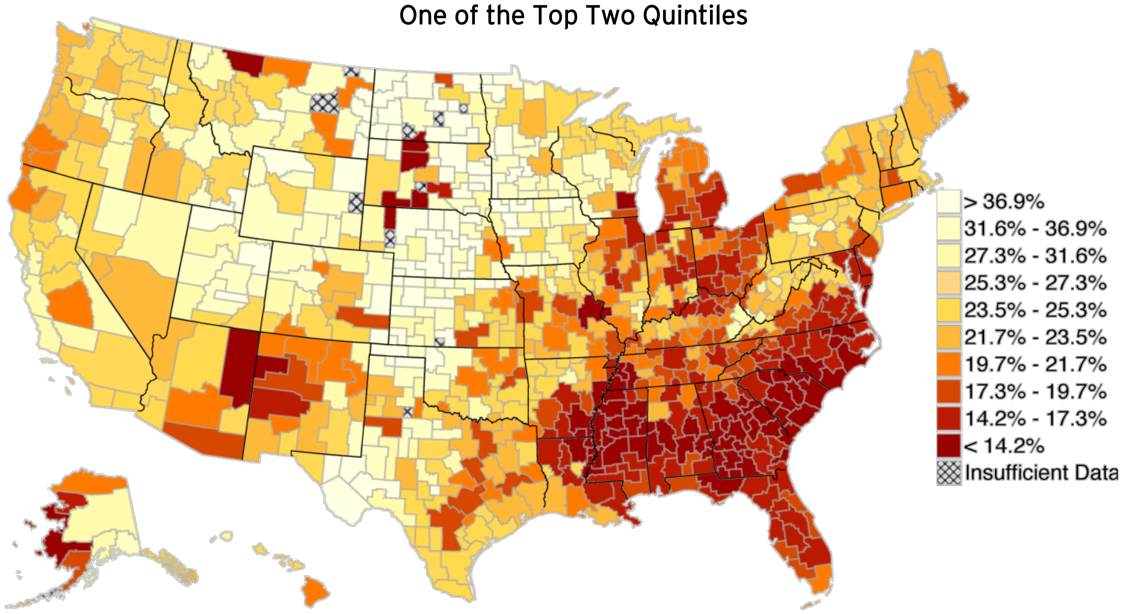
An Office of Opportunity would not deliver programs or allocate funds. The role of the Office would be to produce the official mobility measure, promote key indicators of social and economic mobility, and evaluate policy options for boosting rates of mobility. The new Office of Opportunity will act, then, as a commitment device, a measuring device, and an accountability device. Here I make the case for such an Office at a national level—but a virtually identical case can be made to forward-looking states and cities.

What the Office of Opportunity Should Do

The Office will focus on measures, metrics, and empirical assessments. It will be for its leaders to determine which precise gauges to apply. But it should undertake three broad tasks:

First, **define and measure success.** By contrast to other areas of bipartisan enthusiasm (such as economic growth), there is a dearth of clear, comparable, consistent data on progress on social mobility. And there is no official measure that is tracked and published on a regular basis, unlike, for example, the poverty statistics. The Office should produce an annual official mobility report, with a selection of different yardsticks. But it should also highlight a single measure of progress. For instance, the official mobility measure might be the proportion of people born in the bottom quintile making it to one of the top two quintiles: right now, that number is 13%. Over time, that measure has been fairly stable:

Figure 4: Geographical Variation in Chances of Transitioning from the Bottom Quintile to One of the Top Two Quintiles



Note: This map was produced by Alex Olssen and Nathaniel Hendren of the Equality of Opportunity Project. For a description of the underlying data used to generate this figure, see Raj Chetty et al. "Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States." NBER Working Paper 19843, 2014.

This is a relative rather than absolute measure of mobility. The Office should report on trends in both. But the mobility challenge, as expressed by most politicians, is typically a relative one.

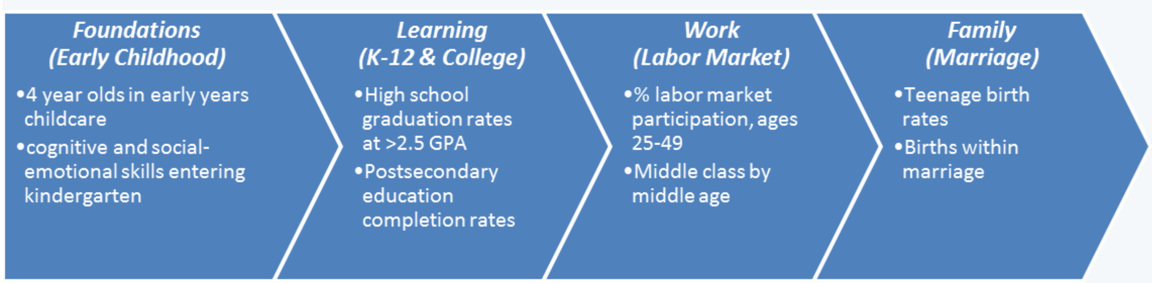
The Office may also choose to invest in higher-quality data. Because intergenerational mobility is a long-term goal, longitudinal studies are vital. So the Office could promote—and if necessary fund—high-quality longitudinal data collection. It may also choose to develop lifecycle models designed to estimate the long-run impact of policy interventions and/or social and economic changes. The New Zealand Treasury has pioneered a number of models for use in and by the government, including, most recently, a lifecycle model. Scholars at the Brookings Institution have also developed a lifecycle micro-simulation model, the Social Genome Model, which is now being further developed in partnership with the Urban Institute and Child Trends.

Second, **produce leading indicators of likely future mobility trends**. Clearly, shifting the official mobility rate will be a long-term, difficult task. The Office should also produce annual reports on shorter-term trends that—based on the best available evidence—will likely lead to more upward mobility in the long run.

This creates a dashboard from which overall progress can be estimated. The Office might be able to learn from similar approaches elsewhere: for example, the U.K. government publishes 17 such indicators which have been independently judged to be powerful predictors of long-run mobility. The leading indicators might be organized around key life stages, or the "strong starts" necessary to be successful in life.

Note the emphasis here is not just on overall rates for each indicator, but the gap between different groups (in these examples, between poor and non-poor). There is an important issue of substance here, highlighting the distinction between absolute and relative mobility. Increasing the overall rate in any area will mean more people doing better than their parents (i.e., absolute mobility). But improving rates of relative intergenerational mobility (how people fare compared to others in their own generation) will typically require a closing of the gap on key indicators, at least as much as raising the overall rate. Importantly, the key metric in terms of relative mobility is not raising the overall level of achievement but narrowing the achievement gaps between different groups. Increasing college graduation rates will not improve mobility rates if most of the increase is made up of students from affluent backgrounds. Expanding the size of the professional class generates greater absolute mobility by creating "more room at the top," but may do nothing to alter relative mobility (i.e., the chances of ending up in that class by social background). For mobility, the mantra is always: mind the gap. Here are some illustrative leading indicators:

Figure 5: Possible Leading Indicators for Social Mobility



To the extent that certain government agencies will be focused on many of these gaps, the Office of Opportunity will help to coordinate and assess the efforts of multiple actors in improving overall mobility.

Third, **assess policies for improving social mobility**. Many policies aim to narrow the opportunity gap (i.e., promote upward relative mobility). Whether they work or not is another matter. Importantly, policy here means not just public policy, but also policies adopted by businesses or voluntary organizations. Corporate hiring policies, for example, may have as great an impact on mobility as any number of federal K-12 initiatives. The Office ought to be evangelical about the ends—intergenerational mobility—but agnostic about the various means to it. What matters is what works.

The Office could select certain areas of focus each year, or certain policy proposals on an ad hoc basis. For example, in its first year of life, the U.K. Commission for Social Mobility and Child Poverty produced reports on access to the professions, and to higher education.

How to Create the Office: Three Approaches

The Office should require only a modest budget of, say, $10 million a year. It is a small institution with a big message. There are at least three models:

1. Executive office, created by presidential order
2. Congressional office, created by legislation
3. Hybrid agency, commission, or board

In an ideal world, the new Office of Opportunity would enjoy bipartisan support and the respect and attention of both the executive and legislative branches of government. Of course, we do not live in an ideal world. It may be that the only way such an Office will be created is through Executive Order—which, given current political dynamics, may also mean it will have a short life and difficulty attracting resources in terms of talent, political energy, and money.

Each model for the proposed Office of Opportunity comes with pros and cons, and there will be different views about the best way forward. There will also, of course, be alternatives to the approaches listed here. Perhaps the CBO could set up a new unit? Or a joint unit might be established between the CBO and OMB. There are doubtless many other options.

Table 1: Office of Opportunity: Three Models

MODEL	ANALOGUES	MECHANISM	LEADERSHIP	PROS	CONS
Executive Office	Office of Social Innovation and Civic Participation	Exec. Order: funding split between education, HUD & HHS.	Presidential appointees & career staff	• Quick • Focused on the President's goals • Improves co-ordination in Executive branch • Political appeal for incumbent	• Unlikely to outlast the current President • If opposed in Congress, impact blunted, and funding hard to secure
Congressional Office	CBO	Law: Funding appropriated regularly	Independent expert appointed by Congress	• Bipartisan appeal • Independent • Likely to endure	• Unlikely in current Congress • Antagonistic relationship with the Executive branch, making bipartisan action more difficult
Agency/ Commission	NLRB or GAO	Law: President appoints head; money from discretionary funds	Bipartisan Board, including governors & key Congression-al Chairs	• Bipartisan appeal • Some independence • Involve states	• Weaker foundations & therefore credibility • Danger of descending into a "talking shop"

Conclusion

It is always tempting, especially for those of us outside government, to prescribe the creation of a new institution to fix a prevailing social or economic problem. As a rule, the better path is to make better use of existing institutions. But there is at least a plausible argument that intergenerational mobility could be an exception, that a new institution is justified. This is not to say that even a modestly-funded, narrowly-focused Office of Opportunity will have an easy birth. Building an institution is always hard: and never more so, perhaps, than in a congressional political system, during a partisan period of political life.

In itself, a new Office of Opportunity would do nothing to promote mobility. But it would help to create a shared understanding of the facts, a clear assessment of our challenges and progress, and a better foundation for developing policies likely to make America a more socially mobile, more open society. If "opportunity is who we are," we should do a better job of finding out how we are faring, and holding ourselves and our successors to greater account for our efforts to restore its promise.

Author

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Additional Reading

Deputy Prime Minister's Office. "Research and Analysis: Social Mobility Indicators." November 16, 2013.

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