SPECIAL PRESENTATION:

"MOVING ON UP? ECONOMIC MOBILITY IN AMERICA."

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MR. DEREK DOUGLAS: First of all let me say thank you all for coming here today. I'd like to welcome you on behalf of the Center for American Progress to the program, "Moving on Up? Economic Mobility in America." My name is Derek Douglas, and I'm the associate director for economic policy here at the Center. And I also direct a new initiative that we're launching today on economic mobility, called the Economic Mobility Program, which I want to talk about very briefly in just a moment.

First I'd like to take care of a couple of housekeeping matters. Please, if you could turn off your cell phones and pagers, we'd appreciate that. We are recording the program and so we don't want to cause any interference. The second thing I want to do is to point you to the packets that you received. In particular I want to highlight the paper which is actually the featured product for today's event. It was commissioned by us, written by Professor Tom Hertz of American University. You're going to be hearing a lot more about that later on today, but I encourage you to take a look at that. There are some very interesting and provocative ideas in it.

Secondly, in the packet there's a one-page description of the new Economic Mobility Program, which will tell you a little bit about it. There's also contact information. So if you have any questions or would like additional information or are interested in possibly working with us on related issues, I encourage you to get in touch with us.

In a moment I'm going to be turning things over to Sebastian Mallaby who we're honored to have with us today to moderate the panel, and he's going to introduce the panelists and kind of set up the discussion.

But first I want to just say a couple of words about the new initiative at the Center, the Economic Mobility Program. I would say the impetus for creating this program really stemmed from concern of a lot of folks here at the Center that core aspects of the American dream are in peril. Over the last several years, in particular I would say the last couple with a lot of the newspaper articles and series on class and mobility, it was pointed out that economic and social mobility is not being shared as we may have thought. Millions of families are suffering from great economic insecurity as the numbers of bankruptcies and those in the middle class who are falling down has been detailed. Also, there's been significant inequalities in opportunity that have been exposed.

And in looking at these trends, it caused great concern to many people here, and although we do have programs such as our Healthcare Program and our Education Program, which touch on issues that will impact opportunities for American families, there was the thought that a program dedicated specifically to analyzing the questions of mobility and opportunity would be useful, and one that would then focus on the policy areas not already addressed at the Center that impact the mobility of families.

So the Economic Mobility Program, it really has two components to it. The first is to focus on the broader themes of mobility and opportunity. And today's event, which is the kickoff event for the program, is a perfect example of that. It's to look at what's happening with mobility in America, for example. What are the channels by which people have access to mobility, and are those channels being equitably distributed?

The second part of the program is to focus on specific policy areas, and the three we've identified to start with are issues of household debt, which deals with credit card, predatory lending, payday lending, and are critical to the economic security of families as many people – millions of people are struggling with debt. The second is higher education, which as the paper today shows has a very tight nexus to mobility. And the third is housing, which obviously goes to asset development and is very closely connected to wealth mobility, which is another issue that we will be exploring through this program.

I should say that on debt I want to highlight an upcoming event that we have. On May 11th, we are planning a one-day conference that will look at the question of the impact of household debt on American families and the economy. I encourage you all to attend. We are going to be sending out an invitation very shortly, and you all should get it if you're on the listserv. But we're going to be bringing leaders from around the country to talk about the various trends in household debt, to talk about the public's perceptions to questions of debt and the hunger or appetite for a government response. It's going to be very, very interesting. A poll will be released, so I encourage you to attend that.

Finally, I want to highlight some of the other work that the Center is doing that relates to these questions of mobility and opportunity. We recently launched the Poverty Task Force which is currently working on putting together an agenda to help low-income families. We also have one of our senior fellows, Scott Lilly, who's done a lot of work around the Job Corps Program which is in jeopardy. I don't know if you've been following that, but you should check out his testimony on the website. It's a program that's created mobility and opportunity for millions, for a lot of disadvantaged youth in America, and right now there's talk about dismantling it. The third is we're doing a lot of work on minimum wage and we have a report coming out shortly on that.

So that tells you a little bit about the program and about some of the other initiatives that the Center is doing to look at these questions of mobility and opportunity. And today's event, in my mind, is the perfect way to launch a program like this.

Sebastian Mallaby we're honored to have from the *Washington Post*, and he'll be moderating the discussion, and I want to just say a few words about him. Sebastian Mallaby is a *Washington Post* columnist and a member of the paper's editorial board. He was a 2004 Pulitzer Prize finalist for editorial writing. He has a long and distinguished career as a journalist and is the author of two books, *The World's Banker*, which was named as an editor's choice by the *New York Times* and became a *Washington Post* best seller, and *After Apartheid: The Future of South Africa*, which was listed by the *New*

York Times as one of the notable books of 1992. Sebastian also has a particular interest in issues of mobility and opportunity, and that is why he has joined us today.

And so with that, I'll turn it over to Sebastian Mallaby. Thanks.

MR. SEBASTIAN MALLABY: Thanks a lot, Derek. Okay. I'm always amused, as I've said before at this kind of event, when people choose a journalist to be a moderator, quote, unquote, because of course it's well known that journalists hype things up, exaggerate, maliciously distort. So I'm very pleased that the Center has eschewed these stupid stereotypes about journalists and invited one to be a moderator.

I'm very happy to be here because it does seem to be as an outsider who's been in the U.S. for 11 years but was not born here, as you can probably guess, that mobility is sort of central to what makes America what it is. And if you lose mobility, for a couple of reasons, this country could be in deep trouble. I mean lacking a common religion, ethnicity, even language, it's really the belief that anybody can make it if you work hard, play by the rules, to quote President Clinton's – one of his favorite lines, that you can really advance yourself. That is the common belief which I think knits the country together. And so if that belief is called into doubt, you know, the glue of the nation could suffer.

And secondly, I think it's clear that the economic success of this country relative to others has perhaps been historically linked – we'll perhaps get into that – to the idea that talent is not wasted. If you're talented and you work hard, again, you can rise up, contributing not only to your own success, but to that of the nation. The sheer waste of talent, the economic inefficiency of entrapping people at the bottom of society, is avoided in a mobile society.

So for these reasons I think this subject is absolutely central to what makes this country work. And so it's great to have a panel where you've got three extremely well-qualified speakers. And starting over there on my left, your right, is Isabel Sawhill, who is the vice president for economic studies at Brookings. Then Bhashkar Mazumder, who is from the Federal Reserve Bank of Chicago. And then here on my left the presenter of today's paper, Tom Hertz from American University. So I'll shut up now and invite Tom to kick off.

MR. TOM HERTZ: Thank you very much. I'd like to start by thanking the Center for envisioning this line of research and choosing me to get it started. It's been a learning experience for all of us, and I hope you enjoy the results.

I would like to start by talking about two dimensions of mobility, both of which Derek touched on in his introductory remarks. The first is really this question of intergenerational mobility, and this is where the question of opportunity and the equality of opportunity comes into play. When we study this, we ask how strongly one's economic status depends on one's parents' economic status. It's really the question of whether family backgrounds tell us a lot or a little about our life chances. And in general, we are looking for a weak connection there, which is synonymous with a high level of mobility; the idea being that it shouldn't be the case that only the children of the rich are rich and only the children of the poor are poor. And I've said, this is usually seen as a summary statistic that can somehow quantify the broad notion of equality of opportunity.

Now, as we go through this I think one of the things that I've learned is that equality of opportunity really is a tricky concept and you need to be quite clear about what you think constitutes equality of opportunity and what would constitute evidence of a violation of that kind of equality. And what I try to do in this research is focus on some of the transmission channels by which economic status flows from parent to child, the idea being that some of these channels are essentially innocuous and others are troublesome and might be amenable to policy intervention. So I hope that you'll keep in mind that the mere fact that parents resemble their children or children resemble their parents is not necessarily proof that we have a lack of equality of opportunity. But it's nonetheless – I will, nonetheless, argue that when the resemblance is too strong, that served as sort of prima facie evidence, and then you can supplement that evidence by looking at some of the mechanisms in a little more detail.

Now, the second aspect of mobility is not so much about opportunity as about security, and it's really measured on a short-term, annual timeframe. And I don't want to pretend that these two issues are the same. They're distinct though they're related, but I think they deserve talking about in the same breath. What I do in the short-term analysis is I look at changes in family incomes from one year to the next. And by doing this, we can look at trends in both upward and downward mobility at different points in the income distribution, all right. So rather than comparing parents to their children, we're comparing families to their status one year later.

And what I will present are some new estimates of an increased volatility of income and what I call income insecurity, by which I'll be focusing on the frequency of large negative income shocks. And I think this ties in with the Center's interest in debt, partly because large, negative income shocks puts your ability to repay your debts into jeopardy, which of course can have lasting financial repercussions. So the two halves of the presentation will follow this outline, and in some sense they're distinct, okay.

So the key findings – I hope you all get a chance to read the longer paper – relating to intergenerational mobility are first and foremost that the U.S., despite its self-conception as the land of opportunity, is in fact a low-mobility economy by international comparison, okay. And here are some numbers for nine or so different countries. I wish we had more, but it takes a fair amount of work to generate comparable estimates. These have been fairly carefully massaged to make sure that they're reasonable comparable. And the United States and the United Kingdom show up as having high values on this scale. This scale basically measures the degree of connection between parents and children, so a higher number represents a stronger role for family background or less mobility across generations. The U.S. and the U.K. having figures around .5.

The way to understand that is to imagine a pair of families separated by some distance in the income distribution and then look at their children and then say the grandchildren as well, and imagine – and ask yourself, what percentage of that initial income distance between the two families will be replicated and preserved as we go through the generations. With numbers like .5, after two generations about a quarter of that initial income gap will still be visible, so you'll be able to look at the two kids and say, you know, your parents must have been very different socioeconomically because look at the socioeconomic difference between the two of you. Whereas, were we in Denmark with a number more like .15, by two generations .15 times .15 is on the order of 2 or 3 percent. So parental income differences have basically washed out by the grandchildren's generation, whereas they remain visible and strong if the statistic is something like .5. So that gives you an idea of what this means, what these abstracts statistics actually mean.

And another way to make them more concrete is to translate them into the probability of moving from one part of the income distribution to another, so I put that simply as what are the odds of getting rich, depending on where you start from, okay. This matrix here starts by – whoops – let me back down there. Here. We first – I should mention, this is based on my own analysis of some 4,000 families from the Panel Study of Income Dynamics, and I look at a bunch of children who are between zero and 18 years old in the first few years of the study, '67 to '71, and I categorized them by their parental income quintile, so the family income is broken into five quintiles. And then in the body of the diagram are the percentages who make it into each income category as adults.

And if you want to start by looking at the odds of getting rich, you can see that if we define rich as the top 5 percent of the current income distribution for these people, which is measured in the late '90s and early 2000, rather than some 5 percent of them getting rich, which is what you would expect if life were random, we see that 1 percent, 1.5 percent, not quite 2 percent, get rich from the first ten – from the first 20, 40, 60 percent of the income distribution, right. So from the first three quintiles – the bottom 60 percent of the income distribution – your odds of getting rich by this definition are under 2 percent. By the time you move up to this income – this bracket here, you're more or less at even odds at 5 percent. And then if you're in the upper bracket to begin with you have a better than even chance of making it to the top 5 percent. And if you are born rich to begin with, in the top 5 percent of your parental income distribution, you have a quite respectable chance of ending up in the top 5 percent. And one way to summarize it is that the chances of getting rich are about 20 times higher if you're born rich than if you're born in the bottom quintile, okay.

Some other statistics you can draw from this table are the sort of high degree of stickiness at either end. Some 40 percent or more of people who were born in the bottom quintile stay in the bottom quintile, and ditto for the top. Not true for the middle. If you're born in the middle, you have a respectable chance of ending up just about anywhere, okay, so that's actually a situation in which mobility is high in both directions for the middle class, okay. And the thing about these relative measures is you can't have upward mobility without also having downward mobility. But people generally study relative measures using quintiles when they're looking at generation-to-generation changes because the income distribution has changed so much over time, okay.

Now, one of the points that has really not received much play is the fact that mobility varies dramatically for different people in the population, and it's not just by race, but race is one of the clearest dimensions along which mobility varies. So these probabilities here are averages, but as often happens averages can apply to no one. They can misrepresent people on both side of the average. And that's what I argue is going on in the situation for African-Americans in America. What I do is I look at those born to the bottom quarter of the parental income distribution. So everybody in this next table was born in the bottom quartile. And I ask what their chances of making it to the top or of staying in the bottom were. And you can see that the percentages are very different by race. Although it's true that some 40-some percent of all people born in the bottom quarter stay there that number is 60-some percent if you're black and 30-some percent if you're white, okay. And if you're trying to get to the top quartile, that number is 14 percent if you're white and about under 4 percent if you're black.

So in other words, mobility is not the same for everybody, okay? It depends on your situation in life. It isn't just parents' income that matters. These are black and white children born to the same level of parental income and yet the black children don't fare as well as the white. And that's the first sign that mobility is not just about – or excuse me – that – let me put it this way: part of the reason that mobility is so low in America is because race still makes a huge difference in economic life in this country, okay. That's what I'm trying to convey by these numbers.

And this opens up this issue that I alluded to of the transmission mechanisms. Exactly why is it that children so resemble their parents? And what I've tried to do here is take the overall intergenerational correlation – this number .43 is a similar animal to the numbers that we were looking at in that international comparison. It's a measure of the strength of the intergenerational association. And what I do is I break it down according to the various attributes of the children that are related to their parents' income. And I can sort of estimate the contribution of each channel, the first of which is education.

Now, notice that I include both the child and his or her spouse because I'm interested in family incomes. Family incomes being the most relevant measure of welfare or well-being, I would argue. So roughly 13 points out of the 43, or about a third, of the total effect seems to be transmitted through the mechanism of education. In other words, better – higher-income parents are able to purchase more education for their children, or in one way or another their children acquire more and better education, okay. So that's clearly the strongest factor. Race as a transmission channel, it's highly heritable, accounts for almost half as much as education, okay. And the mechanisms behind that are unspecified. One could tell various stories about why race matters. This just tells you that it does.

Moving on down, another one that has gotten some recent attention in the research is the relation between parents' income and the health of the children. And I'll have more to say about this later, or more precisely I'll be able to tell you what we don't know about it, but it contributes a fair chunk of the overall correlation, and a somewhat smaller contribution is made by state of residence, so that high-income parents, their kids tend to live in higher income states and that contributes a few percentage points towards this overall correlation.

There is almost a modest effect of living in a female-headed household. And a deceptively small effect of inheritances. The problem here is that my sample are not old enough to have received their inheritances yet by and large, so there just is not enough information about the crucial role that wealth transfers play in generating this intergenerational correlation. It looks very small, but I would argue that that's simply a limitation of the data.

And the rest is unexplained. About a third or so, or maybe 40 percent, of the overall effect parent income, we don't know why it is. And I'm not the only person who doesn't know why it is. It's a hot topic for current research.

Now, before I move to the short-term findings, let me just briefly sketch some of the policy implications here, and I won't go too far out on a limb. (Laughter.) The key take-home message I think is that low mobility does reflect the connection between parental income and the quantity and quality of education that children receive. So clearly, education is central to this argument – to this issue. And if you had to think of a policy designed to ensure low mobility, you couldn't design a better one than to finance public education by local property taxes, all right. I mean, that is – that assures that high-income parents will have access to better schools. But I think that people who have studied this issue know that that's not the only problem. Even in cities like D.C. where neighborhood variations and property taxes don't lead to neighborhood variations in school quality, other things lead to neighborhood variations and school quality. So clearly the schools are central, and I think that I'll just leave it there by deferring to people who are studying the issue of how to improve opportunity for low-income students in the schooling system.

I would also point to anything else that is directly related to parents' income and education. That's what we're talking about here. Thanks. That would include the student loan program, right, so cutting student loans is a way to worsen mobility in America because it directly bears on the issue of the affordability of education and the link between parents' income and children's education. So those are the kinds of policy conclusions around education that we can draw.

And it's also true that what the U.S. and U.K. have in common that puts them off the charts in terms of the importance of family background is they have large college premia. They are countries where the returns to education are particularly high at the college level. That seems to both generate more inequality and also more intergenerational correlation between parents and children, and the phenomena are related, right? If college weren't so expensive we would have more college graduates, and that would presumably drive down the returns to a college education and compress the income distribution a little bit, so affordability and the college premium are related, okay.

So I think there's room for plenty of policy work both with primary education and higher education as well, and I also think that when you realize how important race is to the story it draws our attention back to the black/white test score gap and the debates about this. Recent work by Levitt and Fryer has argued that school quality is a likely culprit in trying to understand why it is that children who start off fairly close in terms of aptitude diverge as they move through the schooling system. So it isn't just their parental background. And in the paper you'll see there's a set of regressions where I tried control for absolutely everything under the sun to understand the difference between black and white family outcomes.

In the early years of the PSID, they collected an awful lot of information about parents' habits and behaviors. This was the heyday of the discussion of the culture of poverty, and they measured everything you can measure about parents' attitudes, how much TV they watch, how many books in the house, their attitudes towards their children's education, whether they go to the bar, whether they go to church, whether they go to the social club – a whole host of attributes that would give you a much richer picture of family background. And the black/white mobility gap persists. It's not just about people being raised differently. It's something about the way race works in the broader society once you get out of the family environment, including in the schools. Oops, that was my point to that bullet point there. Okay.

The last point was this business about health. Research has shown that there is a clear connection between parental income and child's health and that this manifests itself as a health deficit for those born to low-income parents later in life, which leads to an income deficit later in life. So this is an intergenerational transmission mechanism in itself. The puzzling part is that the mechanisms are not as clear as one might think. It doesn't seem to be about health insurance and it doesn't seem to be, at least according to some research, and this is – I think a lot more work needs to be done here – but the provocative initial findings are that it's not about health insurance, it's not about low-birth-weight babies and lack of access to prenatal care. The authors that I've read speculate that it's more about healthcare behaviors later on in life and the fact that middle-income and higher-income parents are better able to care for their kids when they get sick, when they encounter chronic conditions. I don't think the story has been fully told on that, and I think it's a valuable effort for future research by the Center or others, but it's certainly a provocative place to start.

And finally, the fact that we don't have data on inheritance is due to the ages at which we observed the children should not obscure the obvious policy relevance of the question of intergenerational transfers of wealth. Repealing the estate tax would reduce intergenerational mobility, and we don't have to wait around for a generation to know that. Okay, so those are my take-home messages on the intergenerational aspect.

On the short-term question, I invite you to shift gears and think about income security, and what I present are the results of a new analysis using the CPS, which of course is a large data set and up to date, and it can be linked into a panel from one year to the next, but no further, so a limitation of this analysis is that I can look at year-to-year changes but I can't look at five-year changes or lifetime changes, but I have much larger data sets to work with than some of the alternatives.

And I look at three time periods here, chosen deliberately to reflect very different economic conditions. Of course 1990–'91 was the last significant recession, but for one, excuse me. And it was – what's significant about it is it was the sort of worst-case scenario for mobility. The change in median household income of about minus 3 percent is the worst in quite a while, so this is sort of a worst-case scenario for mobility. Then you had the height of the expansion, '97–'98, when GDP was growing strongly and median household income grew strongly by 3.6 percentage points. And then you have the most recent data set that I can analyze in this fashion, which just happens to correspond to an exactly equivalent GDP growth rate, 4.2 percent for that time period as well, but of course a very different change in median household income. And this is a point that others have made, which is that these days high GDP growth does not seem to be buying the same widely-shared growth in median household income that it did in the late '90s. So this is what's available from existing statistics, to which I want to add by looking at the actual mobility experience of individual households over time.

And my first finding is that despite the rapid GDP growth in the most recent period that I could analyze, the share of households who actually gained income over the year before was no higher in 2003-2004 than it was in the recession year of '90-'91. Even though – I mean that's partly because the growth in median household income was not that impressive. It was negative, but it was a heck of a lot better than that, and yet from a mobility point of view you could say that these are equally – you know, no more favorable from a mobility point of view. And you can also look at it by the median change in income. Just look at the changes in income and find the median, and $120 is about the median change in income in the most recent growth period, no different from during the recession, and dramatically different from the growth period of '97–'98. Those arrows indicate that the changes are statistically significant, okay. So if there's no arrow from here on in it means that the change was not significant. So that's the punch line of this slide, is that despite strong GDP growth upward mobility was no more prevalent in '03–'04 than in the recession of '90 and '91.

I also document an increase in what I call volatility or insecurity, which can be measured in various ways. You can look at the median income gained for those who gained income and the median income loss for those who lost income. So this is – rather than how many fell on each side of the line, we ask how big were the income changes? And we can see that the average movement in the income distribution is increasing dramatically in real terms from on the order of $8,000 to on the order of $11,000, so income movements are bigger than they used to be in both directions. That's what I call volatility.

And what I focus on is this insecurity –the probability of a large, negative shock – large enough, I think, to put your credit card payments in doubt or your mortgage payments in doubt. And I chose $20,000 as a threshold and the share of households that experienced a downward shock of $20,000 from one year to the next rose from t to 15 percent to almost 17 percent.

Another way of expressing the increased volatility is a fall in the correlation between your year one and year two incomes. Okay? That correlation has fallen from about three-quarters to about two-thirds and that's a pretty big change in the degree of volatility of an income distribution over time.

Now, that was for everybody, but who exactly is facing this increased risk of large negative shocks? I argue that it's happening to the broad middle class, so if we look at the second quintile, there is not much of an increase in the percentage of those who lose $20,000 or more. It's very low to begin with because this bracket – you're in the $20,000 to $35,000 category. It's hard to lose $20,000 when you haven't got much more than $30,000 or $35,000 to begin with, but nonetheless there is not much change in that proportion. Yet in the next quintile, those making $34,000 and $55,000, from '97–'97 to the present there is a several-percentage-point increase in the share who saw that large negative shock. Ditto for the fourth quintile, which goes up to $89,000. So that rose from 19 percent to about 23 percent.

Not so for the top quintile, where the numbers are insignificantly different over time and not even trending up to the (I?). Okay? So the increased negative shocks appear to be concentrated in the third and fourth quintile, those between $34,000 and $89,000 in family income.

In fact, the top decile seems to be experiencing more income security, all right? The share who lost $20,000 or more from one year to the next fell in the most recent comparison from 58 percent to 54 percent. And the share who are still in the same decile as they started rose, so this is a measure of persistence in that top decile from one year to the next – rose from about 53 to 55 to 57, so there seems to be more security for the top decile and less for the middle as time passes.

And finally, one of the most evocative aspects of this question of mobility is really mobility for those who work hard, or those who deserve it: those who work hard and play by the rules, as you said. And I was scratching my head trying to figure out ways to test this hypothesis and I first decided, well, suppose I look at people who worked more than 40 a week and rather than just working full time said, okay, you have to work more than full time and everybody in the household has to work more than full time, so it's a household in which every adult member is in the labor force full time or better than full time.

And what I first found surprised me, but it has a very simple explanation. If you look at all the people who worked more than 40 hours a week in year one and then look at their change to year two, you see that they tend to go down. That's because it's hard to work 40 hours – you know, it's hard to work overtime more than one year, two years in a row, so many people who choose to work that hard in the first year will back off of that schedule and return to a more normal schedule and therefore earn less in the second year, so that doesn't really tell you anything. It just tells you that people can't necessarily sustain that for two years in a row.

But how about the people who do sustain it for two years in a row? Were they more upwardly mobile? That's the question I asked on this last line. So these are households where all adults worked more than 40 hours a week in both years, and in '90–'91 and '97–'98, they were more upwardly mobile than average – than the households that didn't do that. Not so in the most recent period. In 2003–2004, not only is the number smaller, $880, it's not statistically different from zero, so what I conclude from this is that there is some evidence here that the sort of time honored channel of working your way up from the bottom is weakening to some extent. The connection between upward mobility and extraordinary labor market effort seems to be weaker now than it was in the past.

So my concluding comments on the short-term topics are that the increased frequency of large, negative income shocks are worrisome in the context of current levels of consumer indebtedness, and also – this is a point which I think deserves emphasizing – volatility is bad in a way and the argument is that our psychological research suggests that people are upset by income losses to a greater degree than they are pleased by income gains, so all else equal, a steady income stream generates more welfare than a volatile income stream with the same average income over time because you don't gain as much from the ups as you do suffer from the downs. If that is a correct representation of the social psychology, then it suggests that volatility is not to be celebrated in its own right.

And I'm suggesting that these findings may shed some light on the impression among many in the middle class that recent economic growth has not generated the expected benefits that we are used to in periods of high GDP growth in the past.

Thank you for your attention and I'd be happy to take some questions after some comments from our other panelists.

MR. MALLABY: Great, and we're going to Bhashkar next.

MR. BHASHKAR MAZUMDER: Okay, first I'd like to thank the Center for inviting me. I would say that Tom's done a very exhaustive bit of research here. I know firsthand working with this data – this kind of data is very difficult, especially if you want to do it correctly. And in previous interactions with Tom I know Tom takes great care with the data, so I think that was an excellent piece of work.

What I want to follow up with is to maybe three things. First maybe expand a little bit about the measures of intergenerational mobility and kind of talk about what it tells us and really what it doesn't tell us. And then I'd like to spend most of my time, since this is largely a policy-oriented crowd, thinking about how we might start to think about how intergenerational mobility translates into policy, and I'll provide a bunch of different perspectives of how we might begin to look at this and maybe try to inform you about some of the other research in other areas of economics that are actually quite related to this. And then finally, if I have time, I'll talk a little bit about Tom's analysis of the short-run mobility and volatility insecurity measures.

Okay, so why is it useful to think about intergenerational mobility? I'm going to repeat Tom a little bit here. One is it gives us this notion of fairness or equality of opportunity. One way you could think about it is one of the measures, the intergenerational correlation, which is that .431 that Tom proceeded to break down, is basically a measure that runs from zero to one. And if you had a measure of one at one extreme, that would imply that basically everybody's position in the income distribution exactly replicated where their parents were. And zero would tell you it's essentially random where you end up relative to where your parents were, and so this provides us with something of a gauge of where we are. And these cross-country comparisons give us some sense of were we are relative to other countries in terms of that barometer.

A second useful way to think about intergenerational mobility that Tom also alluded to is related to this intergenerational elasticity concept, and I think that's especially useful for thinking about how income gaps evolve over time. It's sort of like the "difference in what your grandparents made" example that Tom gave.

One of the things that actually motivated me to start this line of research was thinking about affirmative action, so in a much noted comment by Sandra Day O'Connor in the *Grutter v. Bollinger* case she conjectured that in 25 years we wouldn't need affirmative action basically. And I think this measure of intergenerational elasticity is exactly the kind of thing that helps answer this question quantitatively. And basically based on the research I've done that's been applied by some Princeton economists to look at what do we expect the black/white test-score gap to look like, it doesn't look like 25 years is going to be enough, but my main point is to just say – you know, provide another way in which this tool can be useful.

So this is a very useful measure for describing our society the same way measures of cross-sectional inequality are a good way of describing the society, but how does this relate to policy? And I think this is where a lot more work needs to be done. I think it's useful to step back a bit and think about why intergenerational mobility suddenly has received a lot of attention, and I think one reason is our sudden shift in our views about the level of mobility in the U.S. So in 1988, Gary Becker, a Nobel Prize-winning economist at the University of Chicago, gave a lecture at the American Economics Association where he surveyed the empirical evidence up until that point in time and basically argued that it looked like levels of intergenerational mobility across a bunch of industrialized countries was very high, and so he basically argued that most income gaps would be wiped out in two or three generations.

Subsequent to that, in the '90s and beyond, a number of studies using much better data – some of the data that Tom used today, and using better statistical methods basically overturn that result and argue that when you looked at longer time periods and representative samples that it looked like the U.S. actually was lower on the mobility scale. And for whatever reason, it was about a year ago last May that both the *New York Times* and *Wall Street Journal* picked up on this undercurrent that there'd been a reversal of thinking, among economists at least, about the level of mobility in the U.S. and that prompted all this media attention.

And I think the point – one major point I would like to make is that the level of media attention given to intergenerational mobility is not really commensurate with our understanding of the transmission mechanisms and the kinds of policies we really need to address that. That's not to say that we shouldn't start; we certainly should, but I want to give you a sense that we really don't know at this point a lot more than saying that the sort of myth of equal opportunity is not right, but beyond that there is a lot more work to be done.

Okay, so what does this mean for policy? And I think Tom takes a stab at looking at this by doing his decomposition. I think that's useful and it's the kind of exercise I've done myself, but I think it has some other problems that kind of don't lead to a good translation between, say, noting that education is important and what do we do about education? That void is an important piece that we need to start to address. So, for example, if we have the data where you did that decomposition where you also had test scores, you also knew something about the quality of schools kids attended might lead to very different answers about what do we now need to do about education.

What I think is useful is to think about a few other perspectives on the transmission mechanisms issue. One is to think about economic theory, so a natural impulse for most economists is to be guided by economic theory. Personally, I think I'm missing that gene for theory, but still I think it ought to be explored. And I think it actually ties in very well with the kind of program Derek talked about the Center looking at in terms of looking at household debt, higher education, and housing in that a big part of how economic theory would look at mobility would be to look at the human capital model and the importance of borrowing constraints. So basically the simple story would be that in a perfect market parents and kids would invest optimally in their own education knowing their own skills, knowing the payoffs and costs associated with education. But once you introduce this idea that there are market frictions and you just can't borrow from your future earnings stream that introduces this problem where now no longer may parents or kids invest optimally in their own education.

And to take this seriously in one of my papers where I had data on the parents' wealth, I actually divided the sample by quartiles of the wealth distribution and did find striking evidence that it was the low end of the wealth distribution – and again, this is – although it's highly correlated with earnings, there are differences – where the lack of mobility was most apparent at the low end of the wealth distribution, which kind of is suggestive evidence tying into this story and kind of fits this idea that maybe we ought to be looking at policies related to promoting wealth, to perhaps dealing with raising opportunity for parents where investment in their kids is important both – so one obvious thing is college, but I want to emphasize that we shouldn't be thinking about intergenerational mobility purely in terms of college; that this is really something that affects kids probably through the whole lifecycle and so the lack of ability for parents to invest in their kids may be thought of as investing in buying a house into the neighborhood where you can get better quality schooling. So I'll put that out there as one important perspective that I think we ought to think about, which is this borrowing constraints issue.

A second thing – perspective, I think, is to not think about let's gather some data where we can measure two generations and then try to think about each of the pieces within that framework, but to look at various issues specifically on their own, so for example a number of studies, especially in the last couple of years, have tried to get at how much of this intergenerational connection is actually causal by trying to come up with very credible research designs that try to sort of approximate the gold standard in scientific research, where you have sort of a treatment group and a control group and you assign the treatment group a particular policy or effect and then look at what are the effects on the second generation.

So one example was a study done in Canada where they looked at the effects of job loss, where a parent lost a job due to a plant closing, and then found large effects on the future earnings of kids. I think a series of studies like that, which are starting to emerge looking at things like what have been the effects of the G.I. Bill on kids' future outcomes or the effects of compulsory schooling laws that made parents go to school longer, what were the effects on those parents' kids in the next generation?

And in terms of the health angle Tom talked about, I think there is a lot of new, exciting research that maybe is – somewhat contradicts Tom's point that the birth weight and prenatal angle may not be a source of mobility. A lot of studies have been showing, for example, that the 1918 influenza epidemic that affected moms who had the virus ended up affecting their children's future educational attainment, their future earnings. And there's a lot of studies like that in the medical literature that are starting to show these intergenerational effects in health.

So my main point, I think, to conclude is that I think Tom's study and some of the other studies that have gotten a lot of attention kind of debunks the myth of America as the land of opportunity, but it doesn't yet tell us what we need to do to fix it. And the way to get at that may not be some overarching view, but a series of tightly focused studies that are done very well that are more informative to policymakers about particular kinds of interventions that are needed that might foster mobility going forward.

MR. MALLABY. Great. Thanks.

Isabel?

MS. ISABEL SAWHILL: Thank you. I also want tot hank the Center and Derek for the opportunity to be here. This topic is a very long and deep interest of mine. I wrote a book on it in 1998, which got zero attention, which just shows you that journalists have more power than you think because in my view it wasn't until the *New York Times* and the *Wall Street Journal*, and increasingly even the *Washington Post*, took up this issue that it began to be given the attention to which it deserves.

I think this is a terrific paper, Tom; just chock full of interesting data – covers an enormous amount of ground. I'm not going to have time to go into everything I'd like to say. I like the intergenerational stuff better than the short-term mobility stuff. I have some real questions about the and how to interpret it on the short-term that I don't think you would necessarily disagree with, but if we have time we could get into that.

Let me try to stand back a little bit and tell you how I would put this in a little bigger frame – policy frame. We know there's been a big increase in income inequality over the last three or four decades. I'm talking about income inequality measured at a point in time, so if you looked at all the families in the United States in, say, 1980, and you looked at the distribution of income, it would have been much more equal than it is in 2004.

That, I think, is very well established in the data and I will just assume that everybody agrees with that. But that data is based on these cross-sectional snapshots. The people who were in, let's say, the bottom or the top of the income distribution in 1980, let's say, are not the same people who were in the top or the bottom of the income distribution in 2000, so the argument has been made that maybe that greater inequality that we see at any point in time has been offset by the fact that we have more opportunity than we used to, either of the intergenerational variety or of the shorter-term, over-the-life-cycle variety.

And that what still matters in the United States – this is an argument I hear particularly from the more conservative side of the fence – is that it's still your own talent, skill, and hard work that matter. But, you know, another view is that maybe the process really isn't fair after all. Maybe all you need to do is to pick your parents well, and of course you can't pick your parents, so this is something that nobody can control. The circumstances of your birth are not a matter of your own effort, and if that's what's driving where people end up, then, as the paper says and as others have argued, perhaps family background matters more than it should and the process is not all that fair and we're not the land of opportunity that we thought we were.

One of the reasons, by the way, that I think we have been considered the land of opportunity historically is because we had so much economic growth. When we were a newer nation with a frontier and lots of entrepreneurship, we did have a rapid rate of growth, so every generation could be absolutely better off than the previous one, and that to some extend hid, if you will, what was going on within the distribution.

The other thing I want to emphasize here is that the degree of intergenerational mobility matters more than ever now because the stakes are higher. They're higher because income and earnings are more unequally distributed. Think of it as being like a ladder and we're talking about where your parents were on the ladder and then where you are on the ladder, but if the rungs on the ladder are farther and farther apart, which they are, then this process that puts you on one rung rather than another and ties that to where your parents began becomes a much more salient question. If everybody's income was almost the same in any generation, then we wouldn't really care about what the process of intergenerational mobility looked like because the stakes would not be so high.

Now, it seems to me there're sort of – with that as background that there are three possible responses to the fact that we see a lot of inequality out there in America right now. One is to redistribute income after the fact; in other words, to make the prizes a little more equal. This would be done through the tax system, through income benefit programs of various kinds, and that seems to be a view that is quite justified in some people's minds. I think this is what Sandy Jenks (ph) would argue, for example. I know that he certainly used to argue this and I don't believe he's changed his view on that entirely, and his argument about that, or the people who make this argument, would say because there is such a large unexplained variance here and it doesn't look like even education is as big as the unexplained part, that suggests maybe we really can't change this process very much – only around the edges – and therefore we better get used to it and we better redistribute income after the fact. That's a perfectly legitimate point of view.

The second thing we can do is try to understand this process of opportunity better and that's what this paper really focuses on. I'm going to come back to that – making the process fairer. And the third thing we can do, which I want to mention because it's so prevalent in our public debate, is increase the rate of economic growth.

And that, to some extent, is where I think we are right now and it's interesting that it doesn't make too much difference whether you're on the right or the left side of the political spectrum: everybody's in favor of more economic growth and I want to come back to how that relates to this issue as well.

Now, since the paper speaks to strategy, too, making the process fairer, and begins the process of trying to address these transmission channels, I want to come back to that for a minute. I think that there are mechanisms or transmission channels that we wouldn't want to do anything about, and Tom mentioned this in his paper and in his remarks a little bit. You don't want to take, for example, children away from their families at birth. You know, you can think about –

MR.   : Can we agree on that? (Laughter.)

MS. SAWHILL: Well, I mean, I don't think most people in our society want to. (Laughter.) I mean, the Israelis experimented with this and you could – and there are programs that go halfway there by putting children from disadvantaged families in out-of-home care at an early age, but we're only willing probably to go so far on that and we accept the fact that families have the right to transmit their values and other advantages that they have to their children up to a point

Then there are some things we can't do anything about even if we wanted to. Parents and children share the same genes, for example. Unless biology has been eliminated, that has to be faced.

But then finally there are some things that are amenable to being affected by public policy, such as access to a good education and can be changed and furthermore can be changed enough to help to compensate for poor home environments or for the fact that some people have less favorable genetic endowments than others, whether it's health or IQ or motivation or what have you.

Now, this paper points to education as an important place to intervene. Tom says one-third of the reason for the effects of class or parents' background on children's eventual status is due to education. I think that's exactly the right place to put the emphasis, but what does this mean more specifically?

I agree with the previous comments that says we need to push further on that and I can't do much in my remaining three minutes or whatever it is – one minute. (Laughter.) In a volume that I am co-editing right now that will be released in September, we try to address this question of what can we do specifically and in particular we break out education into pre-K or early childhood education, K through 12, and higher education. And if you asked me after having read three of the best people I know on each of those topics that are going to be in this volume and everything else that I've seen what would be the best investment you could make, I would say it would be in the preschool programs.

This is an argument that Jim Heckman, a Nobel Prize-winning economist, makes: the rate of return on these early investments is much higher; the leverage you get is much higher than investing in either K through 12 or higher education. I'm not saying that they should necessarily be excluded, I'm just saying if you told me I had a limited number of dollars, where would I put it, that's where I would put it. Developmental psychologists and neuroscientists have, as well as economists, tell us that's where the greatest plasticity is and where we have the greatest opportunity to shape both cognitive and noncognitive skills in a way that are going to increase upward mobility.

Now, I may be out of time here. I wanted just to say a word about economic growth. I think that quite apart from the fact that right now I think we're on the wrong track in terms of our efforts to increase economic growth, because we're not investing enough in education and other forms of human capital, and because we're not saving anything and in fact the government is dissaving because it's running large deficits, but even if we were on the right track – and we should have a pro-growth policy, of course – I wouldn't put as much emphasis on economic growth as the way to help people move up the ladder between generations as I would on this opportunity process.

Why not? And my answer about why not is because my reading of the research on happiness or well-being, if you will, is that it depends a lot more on your sense of efficacy in achieving your goals, including your economic goals, and it depends much more on your relative status compared to other people in your society than it does on your absolute level of income. So except for where people are extremely deprived, which is in general not the U.S. case, I think relative income is much more important than absolute income and I think the ability of people to make it on their own as opposed to being given a break through government transfers or taxes, is also the right way to go. So I think for both of those reasons this topic is critical and I love the paper and I agree with almost everything that the last two people said.

MR. MALLABY: Great. Well, we are going to open it up for questions from (you all?) in a minute. I want to take the prerogative of the chair to raise a couple of issues. One is that I'm glad, Isabel, you mentioned Jim Heckman because if you hadn't, I was going to, because it seems to me that his finding or his contention that the returns to investment in Head Start and other early programs are much bigger than when you try and invest in training programs for youths. He finds basically, I think, no effect pretty much in terms of gains in future income if you invest a lot of money in training programs for 19-year-olds, but he finds a big effect at Head Start. And the reason he gives for this is that once you reach the point of 19 and you're habits and approach to work and so forth are pretty much set, it's difficult for a short training program to really change that.

Now, I want to put a question to Tom on this because it seems to me that this – perhaps his intention with what you were saying about testing for whether sort of cultural habits, the culture of poverty, explains the lack of mobility and you were saying that your sense of the research on this point is that it doesn't – that this turned out to be a sort of research blind alley that it was not possible to explain immobility – social immobility by these cultural theses. Isn't there a tension between that and what Heckman is saying?

MR. HERTZ: There may be. I should be clear about what I'm claiming and what I'm not claiming. And first of all, almost all of the contemporary discussion of this issue is about people who are in their teens today, and the people in my study were in their teens 30 years ago, so that's a big caveat. The world may well have changed and the dynamics of all this may well have changed and this is one of the limitations of the – you know, the intergenerational story is evocative and important, but imposes the significant data problem that you have to wait until people grow up to see how they do as adults if you really want to generate these statistics.

But as Bhashkar was saying, the interventions and the policies that we need to understand we can't evaluate in real time. We can understand whether training programs are helping 19-year-olds in the next year. We may not have a good sense of the overall intergenerational correlation until they are 30, but we can at least understand the intervention sooner, so just by way of saying that to understand the actual programmatic interventions we can adopt a more real-time timeframe, but to understand the overall statistic we need these longer studies.

What I did was look at a host of background variables trying to see if I could explain away this black/white mobility gap, and I couldn't, even though in the early years of the PSID they did collect a lot of them. Now, this doesn't mean that the background variables don't matter; it just means that they didn't have all that much correlation with race and as a result they didn't eliminate the race effect.

MR. MALLABY: Bhashkar, you said you came into the subject partly because of an interest in affirmative action. Do you want to weigh in on this?

MR. MAZUMDER: Yeah, I think I agree with elements of the Heckman contention that the early investments are very critical, but I think that – you know, having read his full body of work, I know of some things, though, that I would disagree perhaps or disagree with some of the interpretations, so some of his work and work by Derek Neil (sp) at Chicago have, for example, utilized the NOSY, which is a survey of youth that started in '79 where all of these individuals were tested using the Armed Forces Qualifying Test, and basically what a series of studies have shown – say, if you try to predict college enrollment with Heckman and a co-author found is after you control for this AFQT score most of the black/white college enrollment gap disappears. And similarly, Derek Neil found the earnings gap disappears.

Now, they certainly don't interpret this test in the bell curve context, but they take it as a measure of sort of accumulated family background from childhood and sort of, say, controlling for that largely – you know, that's where all of the action is. And I think that may not be quite right. Some work I'm doing with some co-authors has sort of looked at important cohort effects in taking the AFQT test, so basically there is a lot of reversal of health inequality for prenatal care and hospital access between blacks and whites around the mid-'60s, and if you look carefully at the data you could see a big narrowing of the gap in AFQT test scores between blacks and whites by these birth cohorts, and I think – you know, one –

MR. MALLABY: Sorry, so a period when you narrowed the gap in qualitative healthcare and education, you could see that in the test results of the AFQT?

MR. MAZUMDER: Yeah, and these are for very young – this is basically maternal healthcare, access to hospitals in – and you could do these – there's a paper that does a very interesting comparison between Mississippi and Alabama where in Mississippi the timing of the desegregation of hospital facilities was different. They found striking matches between the timing of the desegregation of hospitals and the narrowing of the black/white infant mortality gap. And these kinds of things follow-up research is starting to try to look at the effects on test scores and on earnings, and so I think – you know, I'm wading into some more technical arguments on this, but so I guess I would say I do agree that the early interventions are probably important, but might obscure a lot of interesting channels that are going on; for example, where health may be a big part of what's going on.

MR. MALLABY: Isabel, I liked your typology of three ways of going at this: growth on the one hand, redistribution through the tax system was your first one, and then the middle one was sort of things in between – the process by which people get ahead. And you talked about health and education, I think. Would you add affirmative action or other race-linked policies as a good way to change the process?

MS. SAWHILL: I think one of most striking findings in Tom's paper and also in an earlier paper that he did are these racial differences in the mobility process, and nobody can look at that and not be concerned. I don't know whether affirmative action is the best mechanism – policy mechanism for dealing with that. You may be interested to know that when we did a working conference at Princeton University on this topic of mobility and I did an informal survey of a group of people about the size of the group here today and I asked them to raise their hands on if they had an opportunity to choose just one of the circumstances of their birth; in other words, just one attribute, and it could either be the race of their parents, the income class of or socioeconomic status of their parents, or the ethnic background of their parents. Only one of those three. Which of – oh, and then I also let them pick their own gender. That was a fourth choice. And I asked them to vote – and, you know, we could ask this group here the same thing – and the results were interesting. I don't know if you want to do it or if you want me to just tell you the results I got at Princeton.

MR. MALLABY: Sure. Why don't you (unintelligible).

MS. SAWHILL: All right, so does everybody understand the experiment here or the question? You get to choose either your own – you're about to be born into American society, not some other society – American society – right now. Not 50 years ago; right now. You can pick your own gender. You can pick your own race, which is probably the race of your parents by definition. You can pick your socioeconomic class, by which we'll say that means you could be in, let's say, the top 20 percent. Or you can pick your ethnicity – the ethnicity or country of origin of your parents.

How many people want to pick their gender?

MR. MALLABY: I can see one.

MS. SAWHILL: Okay. How many people want to pick their ethnicity?

MR. MALLABY: Two.

MS. SAWHILL: How many people want to pick their race?

MR. MALLABY: One, two, three.

MR. : I think we have a lot of abstentions here.

MS. SAWHILL: How many people want to pick their socioeconomic status of their parents? There you go. (Laughter.)

MR. MALLABY: Okay.

MS. SAWHILL: Exactly the same results in Princeton. I mean, I only do this to try to make us think harder about whether race-specific policies are what we need at this point in our history, or whether we need policies that may disproportionately benefit African-Americans, but aren't aimed just at them.

MR. MALLABY: Okay, let's go to the floor. There are microphones coming. Can you please state your name and where you come from, and we want to ask – I am told to be biased in favor of my profession. If there are any journalists who want to ask a question, they get to go first. Journalists? Okay. This wasn't my idea, by the way.

Q: Kevin Finneran with *Issues in Science and Technology*. These are two questions. You can answer either one I guess. One is about (Isabel?) talked about the importance of the space between the rungs, and certainly the countries that have the greatest mobility, it seems to me also have the smallest space between the rungs so that if there's less of a difference, if $5,000 increase in income brings you up two rungs and if $10,000 brings you up three rungs, then it doesn't seem to be such a big deal to have mobility. So I wonder how important do you think that is in measuring mobility.

And the other is that the measures you use are household income and the social conservatives would say, well, the best way to move up is to get married, so to what extent does marriage play a role in the way people are placed and their ability to move across the rungs?

MR. MALLABY: Okay, so was there another journalistic question, too, or not? No, okay. Let's take this one then.

MR. HERTZ: Okay, the second question first. You're absolutely right that if you want to study family incomes, then you have to fold into the process the way that families are formed, so that patterns by which people marry people from similar backgrounds are part of what's going on here.

Q: Or don't marry at all.

MR. HERTZ: Or don't marry at all, right. I do in the paper run most of the analysis looking at family income per household member, just adjusting for size so that the most – you know, the first level of household size issues are controlled for. And you don't see much difference when you do it that way, though the black/white mobility gap is smaller. So you're right to point to that as part of the issue.

On the issue of whether intergenerational mobility is necessarily lowest when inequality is highest, I think there is a fair amount of evidence in that regard. Certainly, the processes that generate a high level of inequality in society are also processes that tend to perpetuate inequality across generations, so for instance if there is a high premium for higher education, that will tend to widen the wage distribution and that will also tend to be transmitted from parent to child because higher education is expensive.

So I don't think it's a mechanical connection in the sense that the two have to be the same, but I think that the processes that generate one also generate the other. But I know Bhashkar has thought a fair amount about this and I'm going to take a gamble on passing the torch to him on the rest of that question.

MR. MAZUMDER: Yeah, so one thing I didn't get to mention is I've done some recent work on looking at changes in mobility in the U.S. over time and I don't think this is really a settled question, but some research I've done looking over a long period of time going back to 1940 using census data and sort of linking – I won't get into the methodology, but the bottom line is what we find is that we find a statistically significant decline in mobility from around 1980 to 1990, and that corresponds to the big – to the period in which cross-sectional inequality rose quite a bit in the U.S. and the period in which the returns to schooling and returns to skill more generally grew.

And there's a chart in one of my papers that charts the return to college over time with changes in my measure – with estimates of my measure of the intergenerational elasticity and they follow strikingly well, so I think – a subtle point is I think the intergenerational elasticity is somewhat mechanically determined by changes in inequality, but the correlation is not necessarily and in my paper I find the intergenerational correlation also follows this pattern of a big rise from '80 to '90 that isn't necessarily mechanically related, but would fit Tom's point that maybe the same underlying forces that are moving the rungs also make movement across the distribution more difficult.

MR. MALLABY: So the more unequal a society, the more you need mobility to offset that to make it seem fair nonetheless, but the less likely you are to have it.

Do you want to add something, Isabel?

MS. SAWHILL: I think it can become actually a vicious circle or cycle that as you – you have more inequality; the inequality itself makes the mobility process more difficult because if you start at the bottom bottom instead of just a little bit of a bottom, it's a lot harder to move up. And if you're way at the top, you've got so many assets and so many advantages it becomes stickier. It's harder to move down. And then that leads to more inequality in the next generation and so you get this vicious circle.

But on the marriage question, by the way, in addition to marriage being something that needs to be looked at in all of these studies, bear in mind that more marriage is contributing right now to income inequality, and the simple reason is because more advantaged, better educated people marry each other. There's a high degree of correlation between the socioeconomic status or education level of people who marry each other and that leads to much more inequality than we used to have when there was only one earner in the family and when there was less similarity than there is now in the educational or socioeconomic backgrounds of the two marriage partners.

MR. MALLABY: I'm conscious the clock is ticking, so let's take two or three questions and then ask everybody – why don't you go to this – there's a gentleman and a lady next to him. They both wanted to ask questions. Okay, here first and then we'll go.

Q: Greg Woodhead, AFL-CIO. One of the explanations for increased mobility in past years was a simple government program – the GI Bill – that afforded these opportunities for education across all socioeconomic statuses, and the question in addition to that – well, that's enough.

MR. MALLABY: Okay, let's go to the gentleman in the blue shirt behind you, two rows back.

Q: Bernard Wasow, the Century Foundation. Although apparently you've done work over the change in mobility over the last 20 years, I wonder how you respond to the comment I always get when I talk about these issues. People say, "Well, when my ancestors came here in 1906 or 1850, there was a lot more mobility." Is there any evidence yet on that issue?

MR. MALLABY: And the lady in the green shirt.

Q: I'm Muriel Morisey. I teach on the law faculty at Temple University. One of the things that came through to me, if I understood what the panelists were saying, was that in terms of your socioeconomic class helping you, it really only helped – I may have misunderstood what was said – it really only helps in a reliable way to be rich and to start out at the top, and there's a great deal of instability where the possibility of upward mobility is very limited below that. As I say, I may have misunderstood.

My question or observation really is in light of the outcome (of the?) question that was asked at Princeton and here, it would seem to me a lot of research would support the proposition that you need to be very rich to sort of protect your status, and no matter where you start out if you're black, you're in a very precarious situation. Am I misunderstanding, or is that a fair way of raising a question in my mind about why so many people would pick to change their socioeconomic status if they could.

MR. MALLABY: Okay, well, we're getting towards the point where we're out of time, so what I'd like to do is ask each of you, starting with Isabel, to respond to any of those questions you feel provoked by, and then we'll wrap it up.

MS. SAWHILL: Well, I think I can pass because several of these questions really had to do with the research itself, so to save time I'll –

MR. MALLABY: All right. Thank you.

Bhashkar?

MR. MAZUMDER: I'll comment on the historical question about the 1850s and 1880s because there actually is some work that's been done by Joe Ferry (sp) at Northwestern and a student of his in England where they look at measures of occupational mobility with very large data sets from the census that's now disclosed and they find striking differences where they find the U.S. was, in fact, much more mobile by looking at movements across occupations and that they sort of argue that that's the basis for this view of American exceptionalism that perhaps is the reason we have this sense of high mobility even today.

MR. HERTZ: And I also – to that we have to add that none of these surveys of long-term family (panels?) look at immigrants because their parents weren't in this country in 1968 when the survey started, so it's silly to point out – to argue that there aren't a lot of – there are a lot of people around the world who are dying for a chance to get to America because there are jobs and opportunities and I don't think that anything that I've said today about the correlation across generations for people who were born in this country 30 years ago – or 40 or 50 years ago – that doesn't contradict the evidence about the fact that conditions are much, much worse in many other countries, so this isn't – my research is not about the immigration opportunity issue, which is one of the ways that the question is quite often framed and conceptualized. That's an important distinction to make.

As for the issue of race and socioeconomic background, I think you're interpreting the numbers right. It says that class matters. I mean, the whole point of mobility research is that your socioeconomic background matters; but even within that, race matters. And that the prospects for middle-class Africa-American children are different than the prospects for middle-class white children, and I think that's a separate issue for why everybody raised their hand and said class not race when they were asked in public in an audience to pick the factor that they would choose to identify as the one that's going to set their life chances, but I think that only makes Isabel's point about the political viability and acceptability of different remedies.

MR. MALLABY: Well, thank you very much. I think there is lots to chew on here. I'd suggest there are two or three things to walk out of the room with. One is that contrary to myth, this country is less mobile, not more mobile, than the other European comparators in Tom's data set. Second of all, that the idea of this country as a mobile land of opportunity was true historically, but not true now. And third of all, the idea that inequality, which has grown because of globalization, technology, and so forth, is somehow legitimized and made okay by mobility is not merely false, but actually the opposite of the truth because the growth in inequality appears to be correlated with a fall in mobility.

So thank all for coming. Thank you to the Center for hosting this.

(Applause.)

(END)