OVERVIEW

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For more than two centuries, economic opportunity and the prospect of upward mobility have formed the bedrock upon which the American story has been anchored. Indeed, a desire to escape from the constraints of more class-based societies was the driving force luring many of our ancestors to this New World, and millions of immigrants continue to flood our borders in search of the American Dream. Americans continue to believe that all one needs to get ahead is individual effort, intelligence, and skills: coming from a wealthy family is far from a necessity to achieve success in America.

Many Americans are even unconcerned about the historically high degree of economic inequality that exists in the United States today, because they believe that big gaps between the rich and the poor and, increasingly, between the rich and the middle class, are offset by a high degree of economic mobility. Economic inequality, in this view, is a fact of life and not all that disturbing as long as there is constant movement out of the bottom and a fair shot at making it to the top. In short, much of what the public believes about the fairness of the American economy is dependent on the generally accepted notion that there is a high degree of mobility in our society.

Are those beliefs justified? Is there actually a high degree of mobility in the United States? Is America still the land of opportunity? With new data and analysis, this volume addresses these questions by measuring how much economic mobility actually exists in America today.

In sum, the research reviewed in this volume leads us to the view that the glass is half empty and half full. The American Dream is alive if somewhat frayed. Most people are better off than their parents, but slower and less broadly shared economic growth has made the economy more of a zero-sum game than it used to be, with very high stakes for the winners. Some subgroups, such as immigrants, are doing especially well. Others, such as African Americans, are losing ground.

Americans have generally been tolerant of unequal outcomes in the past, even as gaps between the rich and the poor have risen, since most believe that opportunities to get ahead are abundant and that hard work and skill are well rewarded. We find considerable fluidity in American society. One's family background as a child, measured in terms of either income or wealth, has a relatively modest effect on one's subsequent success as an adult, especially if one grew up in middle-class circumstances. Those at the top or bottom of the ladder are somewhat less mobile. In addition, there is no evidence that opportunity has increased in a way that might offset the slower and less broadly shared growth of income and wealth that families have experienced. Nor is there evidence that the United States is in any way exceptional when compared to other advanced countries. Indeed, a number of advanced countries provide more opportunity to their citizens than does the United States.

UNDERSTANDING ECONOMIC MOBILITY

Broadly defined, economic mobility describes the ability of people to move up or down the economic ladder within a lifetime or from one generation to the next. Most of the chapters in this volume measure mobility in the United States in terms of family income; however, wealth also plays an important role in the story, a topic examined in Chapter IV.

Mobility also has a time dimension. One can talk about mobility over a lifetime, between generations, or over a short period such as a year or two. Unlike analyses that investigate shorter-term fluctuations or volatility in incomes, this volume focuses mainly on intergenerational mobility—the extent to which children move up or down the income ladder relative to their parents. This intergenerational focus is intended to capture the spirit of the American Dream, in which each generation is expected to do better than the one that came before.

We also need to distinguish between changes in income across a generation that are the result of absolute and relative mobility and differentiate both of these from changes in income that are due to rising or falling inequality. Imagine the economy as a ladder upon which we are all perched at some level. This ladder may be getting taller, boosting everyone's incomes, as the result of economic growth. In this volume, we refer to this as *absolute mobility*. At the same time, the rungs on the ladder may be getting closer together or further apart as incomes become more or less equally distributed. We call this a change in the degree of income inequality. Finally, the ability of people to move from one rung to another may be changing as well, depending on the extent of opportunity. We call this a change in *relative mobility*.

Much prior research and public discourse has focused on the rate of economic growth or on the fact that income inequality has been increasing in recent decades. Much less has been written about relative mobility since it requires following what happens to specific individuals' incomes over their life course or over several generations. But knowing more about the degree of relative mobility in the United States is essential to judging the fairness of our society.

To illustrate the importance of relative mobility, consider three hypothetical societies with *identical* distributions of wealthy, poor, and middle-class citizens.[2]

- **The Meritocratic Society:** In this society those who work the hardest and have the greatest talent, regardless of class, gender, race, or other less-germane characteristics, have the highest income.

- **The Fortune Cookie Society:** In this society, where one ends up bears no relation to talent or energy, and is purely a matter of luck.

- **The Class-Stratified Society:** In this society, family background is all-important—children end up in the same relative position as their parents. Mobility between classes is small to nonexistent.

Given a choice between the three, most people would choose to live in a meritocracy, which is, by its nature, fairer and more just. In a meritocracy, success is dependent on individual action whereas in a class-stratified or fortune cookie society, they are buffeted by forces beyond people's control. Even if the level of income inequality were identical in each of these societies, most people would judge them quite differently. In fact, most individuals might well prefer to live in a meritocracy with more income inequality than in a class-stratified or fortune cookie society with a more equal income distribution. It is worth noting, however, that even in a meritocracy people are born with different genetic endowments and are raised in different family environments over which they have no control, raising fundamental questions about the fairness of even a perfectly functioning meritocracy. These circumstances of birth may be the ultimate inequalities in any society. That said, a meritocracy with a high degree of relative mobility is clearly better than the alternatives.

In what follows we give special emphasis to relative mobility, but since changes in an individual family's fortunes also reflect what is happening to economic growth (absolute mobility) and how broadly that growth is shared (changes in income inequality), we first examine all three sources of change and then return to how, in combination, they have affected the economic well-being of individual Americans.

Economic Growth

A growing economy ensures that each generation is better off than the previous one. Economic growth is an important source of upward mobility. A middle-class family in 2008 has access to many goods and services that were either not available in the past (computers, cell phones, microwaves) or were considered luxuries (air travel, air conditioning, television).

But economic growth and the upward absolute mobility it brings families has slowed. From 1947 to 1973, the rate of growth of the typical family's income was unusually rapid, roughly doubling in a generation's time. However, since 1973 the increase over a generation's time has been much smaller, about 20 percent, as noted in Chapter II. In other words, the tide lifting all boats has weakened with the result that improvements for the youngest generation have not kept pace with what their parents and grandparents experienced.

Underlying this trend have been changes in the earnings of both men and women. Especially surprising is the finding that men in their 30s today are earning less than did the men of their father's generation (men who were in their 30s in the 1970s). As documented in Chapter V, in 2004 the inflation-adjusted incomes of men in their 30s were 12 percent less, on average, than the incomes of men in their father's generation at the same age. Clearly this group of younger men has not benefited from the economic "up-escalator" that has historically ensured that each generation would do better than the last.

And yet in spite of declining incomes for young men, family incomes have continued to rise over the past several decades, albeit slowly. Families are better off because more women have gone to work, and the rise in women's earnings has outpaced the decline for men. No longer can the typical family depend on a single earner to move them up the economic ladder.

However, a number of factors complicate the interpretation of these and other data on family incomes. The first is the declining size of the American family which means that the average family has fewer people to support and thus is financially better off for this reason alone. The second is the time squeeze and extra costs for child care or other work-related expenses associated with the loss of a full-time homemaker within the family. The third is the growing importance of non-cash benefits, such as health insurance provided by employers or the government. The fourth is our focus on what is happening to the *typical* family, whose fortunes may improve little in a period when most of the gains from growth are going to people who are concentrated at the top of the distribution. Finally, there has been a substantial decline in marriage rates over the past generation. If having two earners is critical to the economic success of many of today's families, then this decline, by depriving many families of a second earner, has reduced economic mobility. Thus, family size and structure both play a critical role in the mobility story, with the growth of the two-earner family being the primary factor that has saved the typical family from downward mobility.

All of these complexities should be kept in mind as one reads this volume, but none of them should, in our view, overturn the basic conclusion that family income growth has slowed. In the process, income inequality and relative mobility have become increasingly important sources of the changing fortunes of individual families.

Inequality

As suggested above, one reason the average family has not fared better in recent decades is economic growth has not been broadly shared. Inequality of both income and wealth has been increasing, as documented in Chapters II and IV. Inequality of family incomes fell until the late 1960s but has risen steadily ever since. Wealth is even more unevenly distributed than income, and the concentration of assets at the top of the income distribution has been growing at least since 1989.

Relative Mobility

These facts about inequality tell us nothing about who is rich or poor. Today's rich may become tomorrow's poor or vice versa. So the more important question may be how much opportunity exists for individuals to move up and down the economic ladder. That is, how much relative mobility do we have in the United States? Do the advantages of birth persist into a second generation or do they dissipate as each generation makes its own way in the world? Does the child born in Newark have anything like the life prospects of a child born in Beverly Hills? Just how much opportunity do children from families with varying amounts of income and wealth have to get ahead? If all or most children have a decent shot at the American Dream, then the fact that the dream may produce very large fortunes for some and very small fortunes for others may not cause much concern. Indeed, large prizes for success may simply stir the kind of ambition and striving necessary to a dynamic economy.

These questions about relative mobility are especially relevant during a period in which inequalities of income and wealth are on the rise. If there were little or no economic inequality and all incomes across society were similar, discussions of relative mobility would have little resonance: people could not improve their economic status significantly by changing ranks. Put differently, if the rungs on the economic ladder were closer together, then occupying one rung rather than another would have few consequences. However, in a society with a high level of economic inequality, in which the rungs on the ladder are increasingly distant from one another, where one stands on the ladder matters a great deal. As income inequality has grown and the ability of economic growth to make each generation better off than the last has weakened, the question of how much opportunity each individual has to move up or down the ladder is critical.

Americans strongly believe that hard work and talent lead to economic success. This underlying belief in the fluidity of class and economic status has differentiated Americans from citizens in the majority of other developed nations. As documented in Chapter III, compared to their global counterparts, Americans are far more optimistic about their ability to control their own economic destiny. They are far more likely to believe that people get rewarded for intelligence, skill, and effort and far less likely to believe that it's the government's responsibility to reduce differences in income. The public believes, in short, that we should have a society based on equality of opportunity, not equality of outcomes.

So what is the state of opportunity or relative mobility in the United States? Just how fluid a society do we have? In this volume, we approach this question by examining in detail, and with new data, the extent to which family background determines where one ends up in the overall distribution of income and wealth.

As shown in Chapter I, the view that America is "the land of opportunity" doesn't entirely square with the facts. Individual success is at least partly determined by the kind of family into which one is born. For example, 42 percent of children born to parents in the bottom fifth of the income distribution remain in the bottom, while 39 percent born to parents in the top fifth remain at the top. This is twice as high as would be expected by chance. On the other hand, this "stickiness" at the top and the bottom is not found for children born into middle-income families. They have roughly an equal shot at moving up or moving down and of ending up in a different income quintile than their parents.

One method that scholars use to determine how much relative mobility or fluidity exists in the United States is to estimate statistically the extent to which a parent's economic status affects the economic position of their adult children.

The most common measure, called intergenerational income elasticity, has been calculated by numerous researchers, with varying results, but most estimates of this measure find that it is in the neighborhood of 0.5. This number means that, on average, if a child's parents' income is 20 percent higher than the average family in the parents' generation, then the chances are that as an adult the child will have an income that is 10 percent higher than the average for his or her generation. In short, if this mobility measure is 0.5, about half of the advantage of growing up in a more affluent family is transmitted from parents to their children.

Two chapters in this volume, Chapters V and VI, consider whether this advantage is different for men and women or for blacks and whites. For both men and women, but especially for women, there is an additional route to upward mobility beyond earning a good income: marrying well. If a child marries someone whose income prospects are similar to the child's own parents, then marriage may help to preserve the initial advantages or disadvantages conferred by one's family background. Whatever the mechanism by which parents transmit their advantages to their children, the evidence suggests that sons and daughters have fairly similar rates of mobility across generations.

The story for black families is more disturbing. Not only are the mobility prospects for poor black children worse than the prospects for poor white children, but in addition, the majority of black children born to middle-income parents in the late 1960s have less family income than their parents did. In short, they have been downwardly mobile. Although this finding is based on a fairly small sample, this failure of middle-income black families to pass their advantages on to their children does not suggest that racial economic gaps will close any time soon.

It is not only parents' income but also their wealth in the form of financial assets such as stocks and bonds, and nonfinancial assets such as equity in a home, that can provide advantages to the next generation. Parents may use their assets to improve their children's chances of getting ahead, for example by paying for their education, or they may make direct transfers to their children either before or after death. Chapter IV, which reviews the current data on wealth and its effects on intergenerational mobility, concludes that parent-child wealth correlations are similar to parent-child income correlations but that each generation does have a reasonable shot at accumulating assets. Moreover, the author cautions against thinking that the positive advantages wealthy parents confer on their children primarily reflect the direct inheritance of wealth between generations: only about one-quarter of families actually receive inheritances. Whatever benefits wealthy parents pass on to their children, they are more subtle or indirect than simple gifts of cash or other assets.

What are we to conclude from the research on relative mobility? Does the United States have the kind of equality of opportunity so often heralded in our public discourse? After all, some association between the incomes of parents and children is to be expected since children will always inherit certain advantages from their parents, if for no other reason than because they share similar genes. Thus, we should not expect the correlation between parents' and children's income or wealth to be zero.

While there is certainly room for more research and debate in this area, the international comparisons analyzed in Chapter III reveal that there is less relative mobility in the United States than in many other rich countries. One well-regarded study finds, for example, that the United States along with the United Kingdom have a relatively low rate of relative mobility while Canada, Norway, Finland, and Denmark have high rates of intergenerational mobility. France, Germany, and Sweden fall somewhere in the middle.

Finally, most of the historical analysis, detailed in Chapter II, reveals that there has been no strong trend in relative mobility since about 1970, although a few studies suggest that relative mobility may have declined. In sum, inequalities of income and wealth have clearly increased, but the opportunity to win the larger prizes being generated by today's economy has not risen in tandem and has, if anything, declined.

THE AVERAGE FAMILY'S EXPERIENCE

What does all of this mean for the average family? How have absolute and relative mobility along with growing economic inequality affected individual families over the past three decades?

The first thing to note is that Americans have become quite pessimistic of late about economic prospects for their children. Less than one-third of voters in exit polls after the 2006 election said that they thought life would be better for the next generation.[3] But is such pessimism warranted? How does this attitude stack up against the historical evidence?

Based on new data, Chapter I finds that two out of three people have more inflation-adjusted income than do their parents. Thus, most adult children are doing better than their parents did. And yet there is a downside to this good news: one out of three Americans has a family income that is below what their parents' was a generation ago. These changes in inflation-adjusted income may understate improvements in well-being since families tend to be smaller now and because various benefits that have increased in value, such as health insurance, are not included in the income measures used for the research in this volume.

However, more of these families must rely on two earners to get ahead and pay the extra costs for child care and other work-related expenses that this entails. To some people, a finding that despite the increased work hours associated with the growth of two-earner families, one-third of American families are worse off than their parents is disturbing. They will argue that had economic growth been higher and more broadly distributed over the past 30 years, many more of today's adults would have been able to climb the economic ladder. Others will emphasize the fact that two out of three people are better off than their parents. From this second perspective, there is much to celebrate and the hand-wringing about rising inequality of income could be viewed as unwarranted.

The Special Case of Immigrants

There is one group for whom the story is especially positive: immigrants. Virtually all of the research on the fortunes of American families cited thus far is based on a sample of those who were born in this country. Immigrant families are not included in the surveys for the simple reason that if one's parents were born in another country, data on their income is not readily available. But as noted in Chapter VII, devoted specifically to the immigrant experience, for this group the American Dream is alive and well.

About 1.5 million immigrants (two-thirds of them legal and one-third illegal) come to the United States every year, hoping to improve their lives and those of their families. Because wages and standards of living are often higher in the United States than in their country of origin, most of them experience a big jump in their economic prospects. Those who come from industrialized countries earn more than their native-born counterparts while those who come from less industrialized countries, like Mexico, earn less than non-immigrants in the United States but still far more than they could have earned in their home country. And by the second generation, their children, on average, are doing even better than their parents.

To be sure, the low levels of education among recent immigrants from Mexico and similar countries means that some immigrants, although upwardly mobile relative to their parents, are still earning less than the average American. Still, it seems fair to conclude that the United States remains the land of opportunity for those born in many other parts of the world.

Looking Forward: The Role of Education

What can we as a society do to ensure that today's children have the kinds of opportunities needed to improve the fortunes of individual families over the coming generation? There is a widely held belief in America that education is the great leveler, and there is strong evidence that education contributes substantially to earnings and that it can boost the mobility of children from poor and low-income families. As noted in Chapter VIII, a college degree is increasingly the ticket to improving or maintaining one's relative position in the economy.

If it is obvious that education has great potential to boost the economic mobility of the less fortunate, it is important to ask whether the nation's schools do enough to promote economic mobility. An examination of preschool, K-12, and undergraduate and graduate education in the United States reveals that the average effect of education at all levels is to reinforce rather than compensate for the differences associated with family background and the many home-based advantages and disadvantages that children and adolescents bring with them into the classroom. There is no reason to expect change in the disappointing effect of education on economic mobility unless effective reforms are aggressively pursued at all levels. Any detailed discussion of such reforms is beyond the scope of this volume, but the issue should be front and center for those concerned about expanding opportunity.

A GUIDE TO THE REST OF THE VOLUME

The purpose of this volume is not to address these policy challenges but rather to provide as objective and comprehensive a look at the data as possible. The chapters that follow include far more information than is reflected in these introductory comments, including a great deal of new data and analysis. For this reason, the reader is encouraged to dip into the succeeding chapters, each of which is briefly summarized below.

"Economic Mobility of Families Across Generations" by Julia Isaacs

This comprehensive view of intergenerational mobility looks at how the three sources of change in an individual family's fortunes have contributed to their economic position. In examining each of these, Chapter I finds a mixed story for mobility in the United States.

The current generation of adults is better off than the previous one, but their incomes are more unevenly distributed. Median family income for adults who were children in the late 1960s and are now in their 30s or 40s increased 29 percent, from $55,600 for parents to $71,900 for their children, adjusting for inflation. The biggest gains have occurred at the top of the distribution and the smallest at the bottom.

Two out of three of today's adults have higher levels of inflation-adjusted family incomes than their own parents. Compared to their parents, they also live in families or households that are smaller and where there is often a second earner. The higher one's parents' income, the less likely one is to surpass it. If one's parents' income was high, the only way to surpass it is through economic growth. Adults whose parents were lower on the ladder can see an increase in their incomes, both because of economic growth and because they move up the ladder relative to their parents, and many do. Indeed, four out of five children whose parents were in the bottom fifth of the income distribution end up with higher incomes than their parents.

Contrary to American beliefs about equality of opportunity, a child's economic position is heavily influenced by that of his or her parents. Forty-two percent of children born to parents in the bottom fifth of the income distribution remain in the bottom, while 39 percent born to parents in the top fifth remain at the top. Children of middle-income parents have a near-equal likelihood of ending up in any other quintile, presenting equal promise and peril for those born to middle-class parents. Only 6 percent of children born to parents with family income at the very bottom move to the very top.

Finally, the chapter combines the concepts of absolute and relative mobility to create four new categories: about one-third of Americans are "upwardly mobile" and as such have surpassed their parents' income and their parents' economic rankings. About one-quarter of Americans are "riding the tide," remaining in the same relative economic position but making more than their parents in absolute terms. A small group of individuals (5 percent) are "falling despite the tide," having surpassed their parents' income yet having fallen behind their parents in economic standing. Finally, about one-third of Americans are "downwardly mobile" and as such are both earning less than their parents and have failed to rise above their parents' economic position. That the portions of the country that are upwardly mobile and downwardly mobile are about the same highlights the conclusion that the mobility story for American families is quite mixed: while the economy is working for some, many others are still being left behind.

"Trends in Intergenerational Mobility" by Isabel Sawhill

Knowing what the trends have been for mobility is useful for interpreting other developments in American society, such as rising economic inequality, and in assessing the degree to which the opportunity to get ahead may have changed in recent decades. Chapter II further details trends in the three sources of change that together determine a family's fortunes: economic growth, income inequality, and relative mobility.

The chapter finds that throughout American history families have moved up the ladder primarily as a result of economic growth. In short, absolute mobility was high for much of the nation's history. But for the most recent generations, those born after about 1970, economic growth has had less impact on the average family and absolute mobility has declined.

While absolute mobility has been declining, income inequality has been rising. Economic growth is no longer as broadly shared as it was in the 1950s and 1960s, so growing gaps between the rich and poor have been forming since the 1970s.

These growing gaps along with slower growth make it more important than ever that children have an opportunity to improve their relative status by moving up the economic ladder. Solid studies, such as those by Gary Solon and Christopher Jencks, suggest that there is little evidence that relative mobility has increased or decreased since about the 1970s. However, the research base for coming to any firm conclusions is limited and the studies do not all agree. For example, according to studies by Bhashkar Mazumder and colleagues, relative mobility has declined.

Looking forward, there is not yet sufficient data to say with any confidence what the experience of subsequent generations will be. However, it is clear that with growing economic inequality and slowing economic growth the effects of family background on one's ultimate economic success are more important than they used to be.

"International Comparisons of Economic Mobility" by Julia Isaacs

A comparison of mobility in America with mobility in other countries reveals another aspect of the opportunity to get ahead. Chapter III concludes that, for the most part, the widely held assumption of greater economic mobility in the United States is not borne out by the evidence, despite the fact that Americans have more faith in their ability to get ahead than do many people abroad.

The chapter summarizes the work of Miles Corak who, in a comparison of mobility in the United States with mobility in several developed European nations, concludes that America is a low-mobility country in which about half of parental earnings advantages are passed onto sons. The United Kingdom is also classified as a low-mobility country, while France, Germany, and Sweden are mid-range, and Canada, Norway, Finland, and Denmark are considered high-mobility countries, where less than 20 percent of income advantages are passed onto children.

The chapter also reviews research by Markus Jäntii and colleagues that delves more deeply into this question by examining how the relationship between the earnings of parents and children varies for individuals who are on different rungs of the economic ladder. They find that starting at the bottom of the earnings ladder is more of a handicap in the United States than in other countries. In other words, though there is stickiness at the top and bottom of the earnings ladder in all countries, there is a particularly high amount of stickiness at the bottom for Americans.

There is some good news, however, from this research. First, workers in the middle of the earnings distribution are fairly mobile across all countries, and occupational mobility appears to be higher in the United States than in Europe. Second, the United States seems to rank high when compared with some less developed countries in terms of intergenerational mobility. And finally, U.S. workers seem as likely as European workers to move up or down the earnings ladder in a 5- or 10-year period.

The chapter notes that the international literature focuses only on relative mobility measures and ignores the important effects of economic growth. It thus calls for future cross-country research investigating both absolute and relative mobility in order to gain a more comprehensive view of the opportunity of people in different countries to get ahead.

"Wealth and Economic Mobility" by Ron Haskins

Previous chapters have shown that there is a substantial relationship between the income of parents and the income of their adult children. Does the same relationship exist for the wealth of parents and their children? Ron Haskins examines this relationship and concludes that parent-child correlations in the amount of wealth families hold are similar to parent-child correlations in their incomes.

What have the trends in wealth been over the past few decades? Haskins shows that from 1989 to 2004, the growth of wealth in the United States was unusually strong but also very unevenly distributed. This was especially so for financial assets, with the top one percent of households controlling an average of 50 percent of all financial assets in 2004.

Indebtedness, which reduces net assets and thus wealth, has also been increasing. Since 1949, total debt as a percentage of disposable personal income has increased nearly fourfold. Haskins shows that those likely to experience trouble with excessive debt are concentrated at the bottom of the income distribution, so the lower the income, on average, the higher the rate of excessive debt.

How wealth is distributed in the current generation is important, but equally important is whether the winners in a given generation can pass their winnings on to their children or use their winnings to boost the economic prospects of their children. The intergenerational wealth elasticity, similar to the intergenerational income elasticity discussed in other chapters, expresses the percentage variation to expect in a child's wealth in connection with a percentage variation in his or her parents' wealth. Recent studies have found wealth elasticities between .32 and .50 in the United States, indicating that the wealth of children is quite strongly correlated with the wealth of their parents.

The greatest wealth similarity is between parents and offspring at the extremes of the income distribution. For example, children whose parents are in the top quintile of the wealth distribution have a 36 percent chance of also being in the top quintile and a 60 percent chance of being in one of the two top quintiles in their adult years. However, there is still considerable movement by adult children to wealth quintiles other than the one occupied by their parents. For example, 35 percent of adult children of parents in the lowest wealth quintile moved up to the top three quintiles, while over 40 percent of those born to parents in the top wealth quintile moved down to the bottom three quintiles. This suggests that there is a much greater level of intergenerational fluidity than has been suggested by recent accounts in the popular press.

Given the relatively strong relationship between parents' wealth and the wealth of their children, it is important to question why this relationship exists. There are two possible reasons: parents could help their children achieve wealth by making investments in their development or by giving them money directly. However, the majority of families do not receive substantial gifts or inheritances from their parents or others, suggesting that more indirect influences are at work. This finding combined with the data cited above indicates that the American economy continues to facilitate the production and accumulation of wealth in each new generation.

"Economic Mobility of Men and Women" by Julia Isaacs

If Chapter I provided new data on how today's families are faring relative to their parents, Chapters V, VI, and VII look beyond the story for all families to examine how mobility may have varied for men and women, for blacks and whites and for immigrants and native-born Americans.

In Chapter V, Isaacs examines how men and women have fared economically over the past few decades and whether the transmission of economic advantage from parents to children has differed for sons and daughters.

Isaacs finds that women in their 30s today have substantially higher personal income than comparably aged women in their mothers' generation but still make less than their male counterparts. Men have experienced something entirely different. Inflation-adjusted median income for men in their 30s fell by 12 percent between 1974 and 2004. These two trends together led to a slight increase in family incomes over the same time period.

Unlike personal income growth, relative income mobility for sons and daughters has been quite similar. One exception is lower mobility rates for the daughters of low-income parents as compared with the sons of low-income parents, a difference that is at least partly due to the fact that the daughters are more likely to become single parents.

Isaacs finds that the intergenerational transmission of advantages for men is primarily driven by a relatively strong relationship between the earnings of fathers and sons. For both sexes, but especially for women, intergenerational transmission is also affected by the tendency to marry those whose income prospects are similar to one's parents.

The findings highlight the importance of recognizing that economic mobility generally occurs within the context of families and is not solely a result of individuals operating as lone economic agents.

"Economic Mobility of Black and White Families" by Julia Isaacs

Throughout history blacks have had lower median incomes and higher poverty rates than whites in the United States. Some progress in closing these gaps has occurred, but the pace of change has often been slow or even moved in the wrong direction. While Isaacs shows that median family incomes have risen for both black and white families over the past 30 years, they have risen less for black families, in part because of declines in the incomes of black men combined with low marriage rates in the black population. The result was no steady progress in reducing the family income gaps between blacks and whites between 1974 and 2004. In 2004, median family income of blacks ages 30 to 39 was only 58 percent that of white families in the same age group.

The data also reveal a significant difference in the extent to which black and white parents are able to pass their economic advantages onto their children. Isaacs finds that not only are white children more likely to surpass their parents' income than black children at a similar point in the income distribution, but they are also more likely to move up the ladder, while black children are more likely to fall down. Indeed almost half of black children whose parents were solidly middle class in the late 1960s end up falling to the bottom of the income distribution, compared to 16 percent of white children. And black children from poor families have poorer prospects than white children from such families: more than half (54 percent) of black children born to parents in the bottom quintile remain there, compared to 31 percent of white children.

There is still much work to be done in this field, and Isaacs cautions that the current analysis is hindered by the small number of minority households in the longitudinal surveys used to measure intergenerational mobility. She calls for analysis of additional data sets as well as more extensive research on factors contributing to racial differences to better understand the different mobility experiences of blacks and whites.

"Immigration: Wages, Education, and Mobility" by Ron Haskins

The American engine of economic assimilation continues to be a powerful force, but the engine is incorporating a fundamentally different and larger group of immigrants than it did in earlier generations. Immigration rose during the 1960s, 1970s, and 1980s, and has remained at a high level of nearly one million legal immigrants entering the country each year throughout the 1990s. In addition to legal immigrants, it is estimated that about 500,000 illegal immigrants now arrive each year.

The effects of a much larger number of immigrants on the wages and employment prospects for native-born Americans is a hotly contested issue, and one which has not been resolved. One side, represented by George Borjas of Harvard, argues that increases in less-skilled immigrants have reduced wages and employment and increased incarceration rates for blacks. The other side, represented by David Card of Berkeley, argues that immigrants have affected the demand for goods as well as the supply of labor and that the American economy has had little difficulty absorbing immigrant labor without imposing costs on the native-born.

While the debate over the impact of immigration on native-born Americans is by no means resolved, there is little debate that these immigrants have improved their circumstances by coming to the United States and are experiencing strong upward mobility between generations. Not only is the first generation to arrive in the United States likely to be much better off than their parents in the home country, dramatically so in the case of immigrants that come from less industrialized countries, but the second generation (the children of immigrants) also experiences upward mobility on average.

The story for second generation immigrants is largely determined by the large degree of assimilation that takes place between the first and second generation. While first generation immigrants from non-industrialized nations tend to earn less than average non-immigrant workers, those from industrialized nations tend to earn more. By the second generation the wages of both groups move toward average non-immigrants wages, so second generation immigrants from non-industrialized nations generally experience upward relative mobility, while those from industrialized nations tend to move in the opposite direction. As a much larger number of today's immigrants come from less industrialized countries, in the aggregate, there is a clear trend of upward mobility amongst second generation immigrants.

At the same time, because these immigrants from less industrialized countries are becoming more numerous and have a relatively low level of educational attainment, the relative wages of first and second generation immigrants have been declining over the last 60 years compared to non-immigrants. In 1940, new immigrants were earning almost 6 percent more than non-immigrant workers; in 1970, recent arrivals were still earning 1.4 percent more than their non-immigrant counterparts; in 2000, first generation immigrants earned 20 percent less than the typical non-immigrant worker. Relative wages for second generation immigrants have declined similarly.

Although there is considerable assimilation, immigrants in the United States resemble their non-immigrant counterparts in the way in which certain advantages persist between generations. However, as recent immigrants have become more educationally disadvantaged, the challenge of assimilation for the second generation will be greater.

"Education and Economic Mobility" by Ron Haskins

In this chapter, Haskins reviews the basic facts showing the strong correlation between education and income, with every additional degree from high school through graduate or professional school improving one's income. He notes that although Americans are becoming more educated on the whole, the upward trend has slowed in recent decades, especially for men.

In addition, whites and Asians have significantly higher rates of graduation from both high school and college than do blacks and Hispanics.

Furthermore, data support the assumption that because education has such a strong influence on income, it has a strong influence on economic mobility across generations as well. Haskins shows that a greater percentage of adult children with college degrees exceeded their parents' income than those without a college degree across the entire income spectrum. Thus, whatever one's family background, education provides an important boost to one's future prospects. But education does not erase the effects of family background. Strikingly, children from low-income families with a college education are no more likely to reach the top of the income ladder than children from high-income families without a college education. In short, education is critical to success in today's economy and an important explanation of why some groups get ahead while others are left behind, but it cannot completely erase the effects of family background on one's ultimate success.

While most Americans view education as the great leveler and a key factor in increasing the mobility of individuals and their families, Haskins finds, as have others, that education in the United States is not doing as much as it could to improve the fortunes of individual Americans. Indeed, Haskins concludes that at every level from preschool, to the K-12 system, to the nation's colleges and universities, the average effect of education is to reinforce the differences associated with family background. This conclusion is based on the fact that test score gaps by race and income are large even at an early age, and despite many efforts at reform, educational achievement has changed little and the gaps between more and less advantaged students have closed only modestly.

NOTES

[1] Some of the material for this chapter is drawn from an earlier essay co-authored by Isabel Sawhill and John Morton, entitled "Economic Mobility: Is the American Dream Alive and Well?" Also see Sawhill and McLanahan, 2006.

[2] For more discussion, see Sawhill, 1999.

[3] National Election Pool Exit Poll Results, Edison Media Research, November 7, 2006. http://exit-poll.net/ or http://www.cnn.com/ELECTION?2006/pages/results/states/US/H/00/epolls.0.html

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The Economic Mobility Project is a unique nonpartisan collaborative effort of The Pew Charitable Trusts that seeks to focus attention and debate on the question of economic mobility and the health of the American Dream. It is led by Pew staff and a Principals' Group of individuals from four leading policy institutes—The American Enterprise Institute, The Brookings Institution, The Heritage Foundation and The Urban Institute. As individuals, each principal may or may not agree with potential policy solutions or prescriptions for action but all believe that economic mobility plays a central role in defining the American experience and that more attention must be paid to understanding the status of U.S. economic mobility today.

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