

For more than two centuries, economic opportunity and upward mobility have formed the foundation of the American Dream and remain at the core of our nation's identity. Until recently, the national economic debate has focused on income inequality rather than the health of this Dream. Indeed, U.S. income inequality is as high as it has been since before World War II. But too little attention has been given to the more fundamental issue of economic mobility—the ability to climb up or fall down the economic ladder within a lifetime or across generations. The Economic Mobility Project continues to produce new research and findings that bring attention to this important concern and provide the American public and policymakers with the information to assess how well we, as a nation, are living up to this ideal.

WHY ECONOMIC MOBILITY?

Recent data reflect rising economic anxiety among Americans and suggests that there is less economic mobility in the United States than previously believed.

Increasingly, Americans believe that the “rich just get richer and the poor just get poorer.” More than half of Americans think the American Dream is no longer attainable for the majority of their fellow citizens.

The best available evidence indicates that the United States stands out as having less, not more, relative mobility from one generation to the next. Compared with countries like Canada, Finland, Norway and Denmark that have high mobility, the United States has low mobility, as does the United Kingdom. (See Figure 2, “Intergenerational Comparisons of Economic Mobility” in *Getting Ahead or Losing Ground: Economic Mobility in America*.)

ECONOMIC MOBILITY TODAY

THE GOOD NEWS: For most of our history, Americans have experienced rapid economic growth and therefore upward absolute mobility (i.e., growth in real incomes).

Two-thirds of Americans have higher incomes than their parents. The current generation of adults is better off than the previous one because of real income growth. (See “Economic Mobility of Families Across Generations” in *Getting Ahead or Losing Ground: Economic Mobility in America*.)

Children born into the bottom income quintile are more likely to surpass their parents’ income than children from any other income group. Eighty-two percent of children born into the bottom quintile have greater family income than their parents, compared to 43 percent of children born into the top quintile. (See Figure 2, “Economic Mobility of Families Across Generations” in *Getting Ahead or Losing Ground: Economic Mobility in America*.)

THE BAD NEWS: Over the last generation, economic growth has slowed and income inequality has widened without evidence of an offsetting increase in relative mobility (i.e., movement between the income ranks).

One’s rank on the income ladder is highly influenced by that of one’s parents’. As adults, 42 percent of children born into the bottom quintile, and 39 percent born into the top quintile end up in the same quintile as their parents. This is referred to as “stickiness at the ends.” (See Figure 4, “Economic Mobility of Families Across Generations” in *Getting Ahead or Losing Ground: Economic Mobility in America*.)

Economic growth has been unevenly distributed in the past few decades, with the most rapid growth concentrated in the top of the income distribution. Median family income in the top quintile grew by 52 percent over the last generation, compared to 18 percent in the bottom quintile. (See Figure 1, “Economic Mobility of Families Across Generations” in *Getting Ahead or Losing Ground: Economic Mobility in America*.)

Individuals in the bottom quintile are unlikely to “pull themselves up by their bootstraps.” More than 50 percent of individuals who start in the bottom income quintile remain there 10 years later, and 70 percent remain below middle-income status. Despite notable changes in the U.S. economy, this immobility at the bottom has remained unchanged since the 1980s. (See Figure 1 in “U.S. Intragenerational Mobility From 1984-2004: Trends and Implications.”)

AFRICAN AMERICANS AND WOMEN MORE OFTEN EXPERIENCE DOWNWARD MOBILITY

Black children are half as likely to surpass their parents' family income as are whites. Only 31 percent of black children born to middle-income parents make more than their parents' family income, compared with 68 percent of white children. (See Figure 4, "Economic Mobility of Black and White Families" in *Getting Ahead or Losing Ground: Economic Mobility in America*.)

Alarmingly, almost half (45 percent) of black children whose parents were solidly middle-income end up falling to the bottom of the income distribution, compared with only 16 percent of white children. And fifty-four percent of blacks will remain in the bottom income quintile in adulthood, compared with just 31 percent of whites. (See Figure 6, "Economic Mobility of Black and White Families" in *Getting Ahead or Losing Ground: Economic Mobility in America*.)

Men experience greater upward mobility and less downward mobility than women. Forty-one percent of women whose parents were in the bottom income quintile remain there as adults, while just 27 percent of men do. Only 38 percent of women who start in the bottom half of the income distribution surpass their parents by at least 20 percentiles, compared with 51 percent of men. Of those born to parents in the top quintile, 16 percent of women fall all the way to the bottom compared with just 6 percent of men. (See Figures 8A, 8B and 10 in "Upward Intergenerational Mobility in the United States.")

EDUCATION AND FAMILY BACKGROUND ARE AMONG THE MOST IMPORTANT FACTORS INFLUENCING ECONOMIC MOBILITY.

In the last 20 years, the probability that an individual would leave the bottom quintile was 30 percentage points higher for those with more than a high school diploma compared to those who never graduated. (See Figure 5 in "U.S. Intragenerational Mobility From 1984-2004: Trends and Implications.")

Adult children are more likely to surpass their parents' income and reach the top quintile if they have a college degree, regardless of their parents' income. For those born to parents in the bottom quintile, only 5 percent of those without a college degree make the "rags to riches" jump to the top income quintile, compared with 19 percent that have a college degree. (See Figure 6, "Education and Economic Mobility" in *Getting Ahead or Losing Ground: Economic Mobility in America*.)

When comparing black and white children's economic mobility, academic test scores can explain the entire black-white upward mobility gap. Both black and white children with the same test scores experience similar rates of upward mobility. Further, among those who finished four years of college, there is no racial gap in mobility, with both blacks and whites experiencing high rates of upward movement. (See Figure 13 in "Upward Intergenerational Mobility in the United States.")

However, family background still matters. Of those born to parents at the top of the income distribution, 23 percent *without* a college degree remain in the top quintile in adulthood, while 19 percent of those born into the bottom quintile who *have* a college degree reach the top quintile. Children of college graduates are much more likely (50 percent) to earn a college degree than are children of parents without education beyond high school (13 percent). (See Figure 6, "Education and Economic Mobility" in *Getting Ahead or Losing Ground: Economic Mobility in America*; and Figures 2, 7 and 10, "Economic Mobility Indicators: Human Capital" in *Pathways to Economic Mobility: Key Indicators*.)

FEDERAL SPENDING ON ECONOMIC MOBILITY IS HEAVILY WEIGHTED TOWARD MIDDLE AND UPPER INCOME FAMILIES.

In 2006, approximately \$746 billion of the federal budget was spent on programs at least partially aimed at promoting economic mobility. Spending that reaches lower-income households, and those least likely to experience upward mobility, accounts for less than one-third (28 percent) of all spending by the federal government that the Project defines as "mobility-enhancing." (See "How Much Does the Federal Government Spend to Promote Economic Mobility and For Whom?")

NOW IS THE TIME FOR NONPARTISAN SOLUTIONS

BY FORGING A BROAD AND NONPARTISAN AGREEMENT ON THE FACTS, FIGURES AND TRENDS RELATED TO MOBILITY, THE ECONOMIC MOBILITY PROJECT AIMS TO FOCUS PUBLIC ATTENTION ON THE CRITICALLY IMPORTANT ISSUE OF ECONOMIC MOBILITY, AND TO GENERATE AN ACTIVE POLICY DEBATE ABOUT HOW BEST TO ENSURE THAT THE AMERICAN DREAM IS KEPT ALIVE FOR GENERATIONS THAT FOLLOW.