



FINDINGS SUMMARY

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. But today, while there is widespread agreement that income inequality is higher than at any time since before World War II, too little attention has been given to the more fundamental and intriguing 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 is composed of a Principals' Group from the American Enterprise Institute, the Brookings Institution, the Heritage Foundation and the Urban Institute. A board of economists and social scientists from across the country advises the Project. By forging a broad and nonpartisan agreement on the facts, figures and trends related to mobility, the 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.

Why Economic Mobility?

Recent studies suggest that there is less economic mobility in the United States than researchers originally believed. And, in sharp contrast to the view of America as the land of opportunity, we may be a less mobile society than many other nations. This suggests that the time is right for a rigorous and nonpartisan initiative to spark an informed national discussion of the state of economic mobility in America.

The best available evidence suggests 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*.)

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 number of Americans who see the U.S. as a country of "haves" and "have-nots" has increased from 26 percent in 1988 to 48 percent in 2007. In exit polls from November 2006, only 30 percent expect life for the next generation to be better than life today.

Economic Mobility Today

For most of our history, Americans have experienced rapid economic growth and therefore upward absolute mobility (i.e., growth in real incomes). Over the last generation, however, economic growth has slowed without evidence of an offsetting increase in relative mobility (i.e., movement between the ranks).

THE GOOD NEWS: 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.** Two out of three Americans have higher incomes than their parents, in absolute terms. Taking into consideration that they live in families that are smaller; where there is more often a second earner; and greater income is shared by fewer family members, American families generally have more income than their parents. (See "Economic Mobility of Families Across Generations" in *Getting Ahead or Losing Ground: Economic Mobility in America*.)

The majority (71 percent) of Americans whose parents had income below the median surpassed their parents' income and their parents' position (or income percentile) in the income distribution, but the amount of their upward movement was not large. Less than half of those whose parents were in the bottom half of the income distribution moved up more than 20 percentiles beyond their parents' rankings. (See Table 1 in "Upward Intergenerational Mobility in the United States.")

THE BAD NEWS: AMERICANS BORN TO PARENTS AT THE BOTTOM OF THE LADDER ARE HIGHLY LIKELY TO STAY THERE AS ADULTS.

Parents' income position heavily influences their children's income rank. Children born to parents with income in the bottom quintile are likely (42 percent) to also be in the bottom quintile in adulthood. By contrast, those born to parents with income in the top quintile are likely to be in the top quintile (39 percent). This is known as “stickiness at the ends.” There is similar “stickiness” at both ends of the distribution when looking at family wealth. *(See Figure 4 in “Economic Mobility of Families Across Generations” in Getting Ahead or Losing Ground: Economic Mobility in America.)*

Federal spending priorities do not seem to reflect concerns about the lack of mobility for the lowest-income Americans. Spending that reaches lower-income households accounts for less than one-third (28 percent) of all spending by the federal government that the Project defines as “mobility-enhancing.” In 2006, approximately \$540 billion was delivered through employer-related work subsidies, homeownership subsidies, and savings and investment incentives in the form of tax subsidies—which are usually unavailable to those with low incomes, as they tend to owe little or no taxes. *(See “How Much Does the Federal Government Spend to Promote Economic Mobility and For Whom?”)*

MORE ALARMING NEWS: BLACKS MORE LIKELY THAN WHITES TO FALL DOWN THE ECONOMIC LADDER

Black adults are less likely than whites to surpass their parents' family income, and are more likely to fall down the economic ladder. 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. 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. Fifty-four percent of blacks will remain in the bottom income quintile in adulthood, compared with just 31 percent of whites. *(See Figures 4 & 6 in “Economic Mobility of Black and White Families” in Getting Ahead or Losing Ground: Economic Mobility in America.)*

Of those whose parents had below median income, the amount that they climb up the economic ladder is more often higher for whites than for blacks. Only about 35 percent of blacks who start in the bottom half of the income distribution will increase their income rank by 20 percentiles compared to nearly 50 percent of whites. *(See Figure 6 in “Upward Intergenerational Economic Mobility.”)*

When comparing black and white children's mobility, academic test scores can explain the entire black-white upward mobility gap. That is, 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.”)*

EDUCATION IS KEY TO MOBILITY, BUT PARENTS' INCOME STILL MATTERS.

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 it to the top income quintile, compared with 19 percent that do have a college degree. *(See Figure 6 of “Education and Economic Mobility” in Getting Ahead or Losing Ground: Economic Mobility in America.)*

However, a child born to parents in the bottom quintile who earns a college degree is less likely to reach the top quintile, than is a child born to parents in the top quintile without a college degree. Twenty-three percent of children born to parents at the top of the income distribution 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. *(See Figure 6 of “Education and Economic Mobility” in Getting Ahead or Losing Ground: Economic Mobility in America.)*

THERE ARE GENDER DIFFERENCES IN ECONOMIC MOBILITY.

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, 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 fourth quintile, 23 percent of women fall all the way to the bottom quintile, compared with just 9 percent of men. *(See Figures 8A, 8B and 10 in “Upward Intergenerational Mobility in the United States.”)*



AMERICA. LAND OF LIBERTY AND BOUNDLESS OPPORTUNITY. A PLACE WHERE PEOPLE CAN ARRIVE WITH NOTHING MORE THAN THE CLOTHES ON THEIR BACKS AND BUILD SOLID AND SECURE LIVES FOR THEIR FAMILIES. A COUNTRY WHERE ENTREPRENEURSHIP IS THE NORM, NOT THE EXCEPTION, AND WHERE RISK-TAKING IS REWARDED. A NATION WHERE A

CHILD CAN EXPECT A MORE PROSPEROUS LIFE THAN THE GENERATION BEFORE AND WHERE THAT CHILD'S OWN ECONOMIC FATE IS NOT TIED SOLELY TO THE FINANCIAL STATUS OF HIS OR HER PARENTS.

BACKGROUND

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. But today, while there is widespread agreement that income inequality is higher than at any time since before World War II, too little attention has been given to the more fundamental and increasingly intriguing issue of economic mobility — the prospects for climbing up (or falling down) the economic ladder within and across generations.

Recent studies suggest that there is less economic mobility in the U.S. than researchers originally believed. And, in sharp contrast to the view of America as the land of opportunity, we may be a less mobile society than many other nations. This suggests that the time is right for a rigorous and nonpartisan initiative designed to spark an informed national discussion of the state of economic mobility in America.

WHY MOBILITY?

Americans have historically shown a unique tolerance to accept high levels of inequality. This springs from an embedded national belief in mobility: a conviction that hard work and honest labor deserve just reward, and a confidence that our society is and should be constructed to provide equality of opportunity, not to guarantee equality of outcomes.

But if the ladder of opportunity truly is — or is perceived to be — inaccessible to a great number of Americans, this value system is at risk of crumbling. A discussion that identifies and quantifies the drivers of and obstacles to economic mobility should be a top priority for those interested in preserving and protecting the spirit and reality of the American Dream.

THE ECONOMIC MOBILITY PROJECT

A project of THE PEW CHARITABLE TRUSTS, in collaboration with a Principals' Group of thought leaders from The American Enterprise Institute, The Brookings Institution, The Heritage Foundation and The Urban Institute. The project is supported by an Advisory Board of economists, advocates and leading scholars from across the country.

THE PROJECT SEEKS TO:

- ★ Broaden the focus of the current economic debate to include both inequality and mobility in America.
- ★ Provide the American public and policymakers with the best available facts, figures and trends related to economic mobility.
- ★ Forge a broad and nonpartisan consensus on the key drivers of mobility in America.

CONTACT

JOHN E. MORTON
Director
202-552-2144

IANNA KACHORIS
Senior Associate
202-552-2015

JEREMY RATNER
Senior Associate, Communications
202-552-2137

THE PROJECT

As part of its commitment to enrich civic life and promote democratic ideals, **THE PEW CHARITABLE TRUSTS** has launched **The Economic Mobility Project**. Working with a diverse range of respected thinkers from across the political spectrum, the project will produce information and tools that provide the nation's leaders with an objective and accurate picture of the status and health of the American Dream. Through a series of reports, white papers and public events, the project will engage and inform a national discussion of economic mobility to answer a range of critical and pressing questions.

★ **WHAT DO WE KNOW ABOUT THE STATE OF ECONOMIC MOBILITY IN AMERICA?**

For the first time, data related to economic mobility in the United States will be consolidated and presented in terms the American public and policymakers can understand, debate and discuss. How do my children's opportunities for economic advancement compare to mine, to those of my parents? Is mobility thriving in other countries while waning here in the U.S.? How much economic mobility is there for people in poverty? To what extent is mobility affected by inherited wealth? How is mobility impacted by gender, race, and level of education?

★ **WHAT FACTORS HELP OR HINDER ECONOMIC MOBILITY?** What helps people to realize the American Dream? How much does education matter? What about gender and race? Family background? Do government policies play a role? Does an individual have a better chance of moving up the economic ladder because of his education, the influences of her parents, or where he was born or lives?

By building consensus around what drives economic mobility, the project will create a useful tool for monitoring the status of mobility over time and for understanding how an existing or proposed policy might affect a future generation's ability to achieve the American Dream.

PRINCIPALS' GROUP

THE AMERICAN ENTERPRISE INSTITUTE
Marvin Kosters

THE BROOKINGS INSTITUTION
Ron Haskins
Isabel Sawhill

THE HERITAGE FOUNDATION
William Beach
Stuart Butler

THE URBAN INSTITUTE
Eugene Steuerle
Sheila Zedlewski

ADVISORY BOARD

David Ellwood
Harvard University

Ronald Mincy
Columbia University

Christopher Jencks
Harvard University

Timothy Smeeding
Syracuse University

Bhashkar Mazumder
Federal Reserve Bank of Chicago

Gary Solon
Michigan State University

Sara McLanahan
Princeton University

Eric Wanner
Russell Sage Foundation

QUICK FACTS

WHAT AMERICANS BELIEVE

- ★ 80% still believe that it is possible to start out poor in this country, work hard, and become rich... BUT
- ★ At the same time, 54% think that the American Dream has become impossible for most people to achieve.... AND
- ★ In exit polls from November, 2006, only 30% expect life for the next generation to be better than life today...

WHAT WE KNOW

- ★ Historically, the underlying strength of the American economy has enabled each successive generation to enjoy better economic prospects than the one before.
- ★ However, recent research indicates that America is a less mobile society than we once believed.
- ★ For Americans significantly above or below the average national income, it can take five generations or more for these advantages or disadvantages to work their way out of the system.
- ★ That is, it isn't until you get to the great, great, great grandchildren of a rich and a poor man that you would expect to see somewhat equal incomes.
- ★ In Canada, by contrast, those advantages or disadvantages disappear within only three generations.
- ★ Although only 13% of Americans believe it is harder to move from one social class to another in the U.S. than in European countries, recent evidence suggests that America is a less mobile society than other developed nations including Germany, France, and most Scandinavian countries.