For too many, the ladder of mobility is missing the bottom step up.

Does *Relative*

Surprisingly, the United States

In our Spring 2012 *JustSouth Quarterly*, Part One of this article—"Growing Economic Inequality Matters!"—discussed the fact that economic inequality (both in income and wealth) is real and worsening in the United States, that it has multiple causes, and that it matters, especially to people of faith concerned about distributive justice. At the conclusion, the article raised the question whether "relative income mobility" cures inequality. In other words, does the fact that some people do move between income levels mean that inequality does not matter, that economic freedom trumps economic justice?

Relative Mobility Plays a Role

People or households often shift between income groups with individual and global economic changes, life cycle progress, good and bad luck, family resources, illness, marriage or divorce, retirement, and hard work. Over time there can be different people in the income "quintiles"; this is called *relative mobility*, that people can move relative to those in their income group at any time. Because there is relative mobility, some argue, it is not fair or accurate to talk about inequality or income or wealth gains or losses at the top or the bottom since the population of different groups is different at different times.

They would add that increased U.S. inequality is offset by that *relative mobility*—the change of position relative to others, no matter what happens in the larger economy. In other words, I can "pull myself up by my bootstraps" and get to any higher income level, and so inequality is not really a problem. Inequality can even be an incentive to work harder and do better. In a recent op-ed, Andrew Kohut of the Pew Research Center wrote, "Americans are still confident that their society provides opportunities for economic mobility. In one recent Pew poll, 58 percent of respondents said they believed that people who wanted to get ahead could make it if they were willing to work hard."[1]

Measuring *relative mobility* is extremely difficult because it requires following the same individuals over a long period of time. Comparing studies of mobility is further complicated by differing measures of income (some use tax data, others census data, others the Congressional Budget Office data, etc.), the pool against which mobility is compared (those in the original time period or all households, including new entrants into the workforce), age limits (some studies eliminate the elderly or the younger workers to focus on prime working years), elimination of non-tax payers (usually those at the bottom), and changing methodologies. As a result, measures of *relative mobility* differ in different studies.

Mobility "Cure" Inequality?

lags in income mobility

By Fred Kammer, S.J.

Factors Affecting Relative Mobility

There also are indicators about who tends to move up or down in terms of relative mobility. One study finds that whites, men, those with more education, and those who own homes are more likely to move up out of the bottom income quintile than others; and the factors associated with increased downward mobility are being non-white and having a disability.[2] In a comprehensive overview, the Pew Economic Mobility Project named what it called "pathways" to economic mobility that are strong determinants of mobility.[3] They are divided into: *social capital indicators* such as family structure, parenting skills and education, parental similarity, school-based relationships, community influences, and work-related networks; *human capital indicators* such as a child's educational attainment, parents' educational level, health status, health insurance, obesity, and low birth-weight; and *financial capital indicators* including wealth transfers, homeownership, retirement savings, and entrepreneurship.

How Much Relative Mobility Is There?

Conservatives often cite a 2009 study from Treasury Department,[4] based solely on income tax returns, which affirmed "considerable income mobility of individuals" during the 1996 to 2005 period and earlier. However, the same study disclosed that only "about half of those in the bottom quintile move to a higher quintile." Also, in comparing changes over two time periods (1987–96 and 1996–2005), the study indicated that, while 62 percent of those in the top quintile remained there at the end of the first ten-year period, 69 percent remained in the top quintile over the next 10-year period, which would seem to indicate growing consolidation of those at the top. Some studies maintain that relative mobility has remained fairly constant since about 1970, although they concede that there are some indicators that it has declined in recent years.[5]

In terms of what is called *intergenerational relative mobility* (whether children track their parents' income levels), there is greater relative mobility for those born into middle income families, moving up or down the income groups. **However, roughly 40 percent of those in rich or poor families will remain in the same quintiles when they become adults.** This reflects a growing awareness that the most important factors for a child's future seem to be their parents' income, education, and marital status. This powerful family environment predictor also is reflected in the growing correlation over time between the adult earnings of brothers.

Yes, there is some relative mobility in U.S. society, but in the face of the well-documented and rapidly escalating inequality of income and wealth discussed in our last issue, relative mobility would have to increase to offset the long-term effects of rising single year or "snapshot" inequality.[6] Instead, *"no study has found an increase in mobility that might have compensated for the increase in inequality."*[7]

The United States Lags Behind in Relative Mobility

Another way to assess U.S. relative mobility is to compare ourselves with other developed nations. There actually are studies that indicate that, despite the popular faith in the "American dream" of mobility, the United States has less *intergenerational* relative mobility, measuring the relationship between parents' and children's income, than a number of countries, including Denmark, Norway, Finland, Canada, Sweden, Germany, and France. Only the United Kingdom seems on a lower mobility par with the U.S.[8] Put another way by Council of Economic Advisors Chairman Alan B. Krueger, "Countries that have a high degree of inequality also tend to have less economic mobility across generations."[9] He went on to comment, "It is hard to look at these figures and not be concerned that rising inequality is jeopardizing our tradition of equality of opportunity."[10] The risk then is that we "enter a vicious cycle in which inequality breeds less mobility, and less mobility produces greater stratification—a hardening of the class lines."[11]

Another way of looking at these figures is that there is "economic freedom" for some, generally those "blessed" or "privileged" with greater gifts in terms of income, education, and family structure and the benefits they bring. For those born into families without these gifts, the economic freedom which they have is more or less constrained for most, except the exceptional person.

What can we do about this? Americans probably will be more persuaded by a focus on mobility and opportunity than poverty and inequality. This means greater public investments in "home visiting, education, health, and other opportunity-enhancing programs,"[12] which is a tough sell in a political climate primed to slash public spending on human investments rather than reduce bloated defense spending or increase revenues needed to improve opportunity.

For too many, the ladder of mobility is missing the bottom step up.

—See footnotes on page 7

1 Andrew Kohut, President, Pew Research Center, *Don't Mind the Gap*, *New York Times*, January 27, 2012, p. A21.

2 Gregory Acs and Seth Zimmerman, *U.S. Intragenerational Economic Mobility from 1984 to 2004: Trends and Implications*, Pew Mobility Project, November 1, 2008, p. 12

3 Economic Mobility Project, *Pathways to Economic Mobiity: Key Indicators Fact Sheet*, pp. 1-2, at www.economicmobility.org/assets/pdfs/Pathways_to_Economic_Mobility_Fact_Sheet.pdf (accessed February 1, 2012).

4 Auten, Gerald and Gee, Geoffrey, "Income Mobility in the United States: New Evidence from Income Tax Data, *National Tax Journal*, June 2009, 62/2, pp. 301-28.

5 Isabel V. Sawhill, *Trends in Intergenerational Mobility*, Economic Mobility Project, 2010, p. 1, at http://www.economicmobility.org/assets/pdfs/EMP_TrendsinEconomicMobility_ChapterII.pdf (accessed February 1, 2012).

6 Gregory Acs and Seth Zimmerman, *U.S. Intragenerational Economic Mobility from 1984 to 2004:Trends and Implications*, Economic Mobility Project, 2008, p. 13, at http://www.economicmobility.org/assets/pdfs/PEW_EMP_1984_TO_2004.pdf (accessed February 1, 2012).

7 Isabel Sawhill, *Are We Headed Toward a Permanently Divided Society?*, Center on Children and Families at Brookings Institution, CCF Brief No. 48, March, 2012, p. 4 (emphasis added).

8 Isabel V. Sawhill and John E. Morton, *Economic Mobility: Is the American Dream Alive and Well?* Economic Mobility Project, may 29, 2007, p. 9; Sawhill, Ibid., p. 7.

9 Alan B. Krueger, *The Rise and Consequences of Inequality in the United States*, address to the Center for American Progress, January 12, 2012, p. 4.

10 Ibid.

11 Sawhill, op. cit., p. 5.

12 Ibid., p. 8.