



*Osher Lifelong Learning Institute, Winter 2025*

## Contemporary Economic Policy

Bradley University

Host: Jon Haveman, Ph.D.  
National Economic Education Delegation



## National Economic Education Delegation

- **Vision**

- One day, the public discussion of policy issues will be grounded in an accurate perception of the underlying economic principles and data.

- **Mission**

- NEED unites the skills and knowledge of a vast network of professional economists to promote understanding of the economics of policy issues in the United States.

- **NEED Presentations**

- Are nonpartisan and intended to reflect the consensus of the economics profession.

## Who Are We?

### • Honorary Board: 54 members

- 2 Fed Chairs: Janet Yellen, Ben Bernanke
- 6 Chairs Council of Economic Advisers
  - o Furman (D), Rosen (R), Bernanke (R), Yellen (D), Tyson (D), Goolsbee (D)
- 3 Nobel Prize Winners
  - o Akerlof, Smith, Maskin

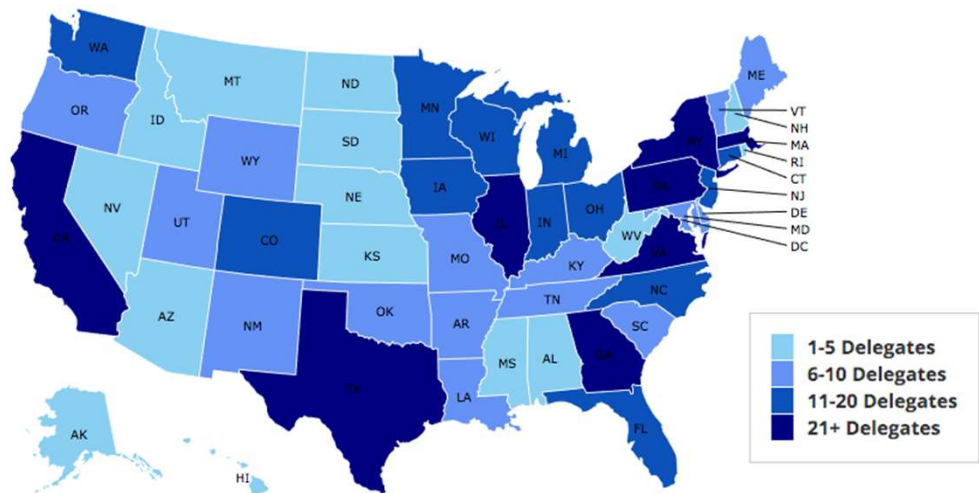
### • Delegates: 652+ members

- At all levels of academia and some in government service
- All have a Ph.D. in economics
- Crowdsource slide decks
- Give presentations

### • Global Partners: 48 Ph.D. Economists

- Aid in slide deck development

## Where Are We?



## Available NEED Topics Include:

- US Economy
- Healthcare Economics
- Climate Change
- Economic Inequality
- Economic Mobility
- Trade and Globalization
- Minimum Wages
- Immigration Economics
- Housing Policy
- Federal Budgets
- Federal Debt
- Black-White Wealth Gap
- Autonomous Vehicles
- US Social Policy

## Course Outline

- **Contemporary Economic Policy**
  - Week 1 (2/5): Economic Update (Jon Haveman, NEED)
  - **Week 2 (2/12): Economic Mobility (Kathryn Wilson, Kent State University)**
  - Week 3 (2/19): Federal Debt and Deficits (Geoffrey Woglom, Amherst College)
  - Week 4 (2/26): Tariffs and Their Effects (Alan Deardorff UMichigan)

# Submitting Questions

- **Submit questions in the chat or by raising your digital hand.**
  - I will try to handle them as they come up.
- **We will do a verbal Q&A once the material has been presented.**
- **Slides will be available from the NEED website tomorrow ([https://needecon.org/delivered\\_presentations.php](https://needecon.org/delivered_presentations.php)).**



## Economic mobility

Kathryn Wilson, Ph.D.  
Kent State University  
Feb. 12, 2025

## Credits and Disclaimer

- **This slide deck was authored by:**

- Oana Tocoian, UCSD
- Kathryn Wilson, Kent State University
- Jon Haveman, NEED

- **Disclaimer**

- NEED presentations are designed to be nonpartisan.
- It is, however, inevitable that the presenter will be asked for and will provide their own views.
- Such views are those of the presenter and not necessarily those of the National Economic Education Delegation (NEED).

## Outline

**I. What do we mean by economic mobility?**

**II. Empirical patterns of economic mobility**

**III. What is the desirable level of economic mobility?**

**IV. Exploring channels/barriers to upward mobility and policy options**

# I. What do we mean by economic mobility?

Definition and motivation

## I. What do we mean by economic mobility?

### **Economic Mobility – Defined**

- **Economic Mobility – Our working definition:**

- Ability to advance beyond the status of your parents.

- **Variety of measures:**

- Income
- Wealth
- Education level
- Occupation
- Home ownership

**More Broadly:**

The ability to improve your socioeconomic class.

We will consider *intergenerational mobility in INCOME*.

I. What do we mean by economic mobility?

# Absolute and Relative Mobility

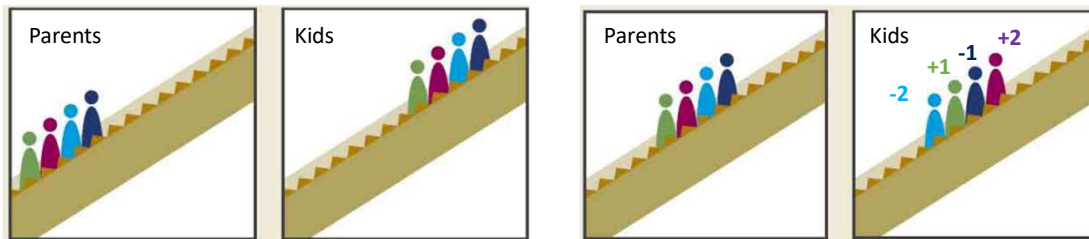
- **Absolute mobility:** the difference in income from one's parent.
  - You're higher on the escalator than your parents were at that same age.
  - It is possible for *everyone* to experience upward absolute mobility, especially if the escalator is going up.
  
- **Relative mobility:** the change in income rank from one's parent.
  - You have fewer people above you on the escalator than your parents did.
  - Increased relative mobility requires both upward and downward movement.



I. What do we mean by economic mobility?

# More on Absolute vs Relative Mobility

- **Can there be absolute mobility with NO relative mobility?**
  - Yes: if everybody experiences the same increase in income, there will be no relative mobility.
  
- **Can there be relative mobility with NO absolute mobility?**
  - Yes: There can be a dramatic reshuffling of the distribution even if there is no increase in average income.



## II. Empirical patterns of Economic Mobility

What are the facts?



## II. Empirical Patterns of Economic Mobility

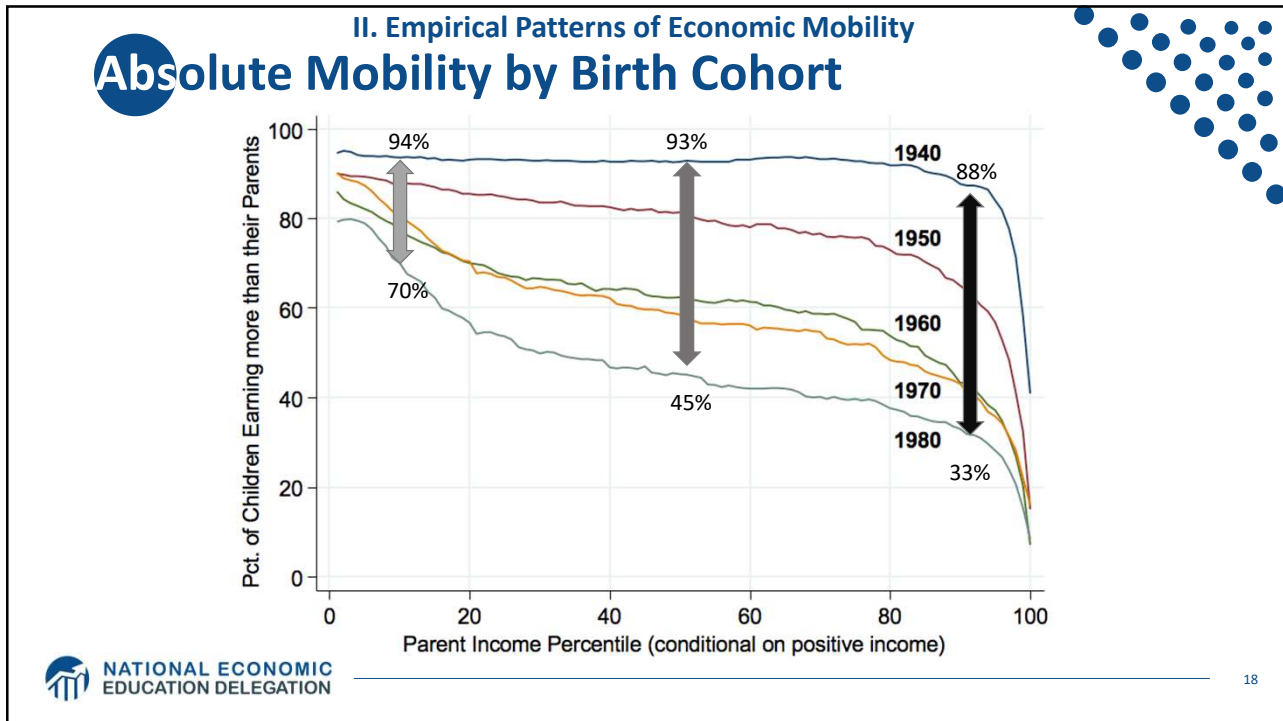
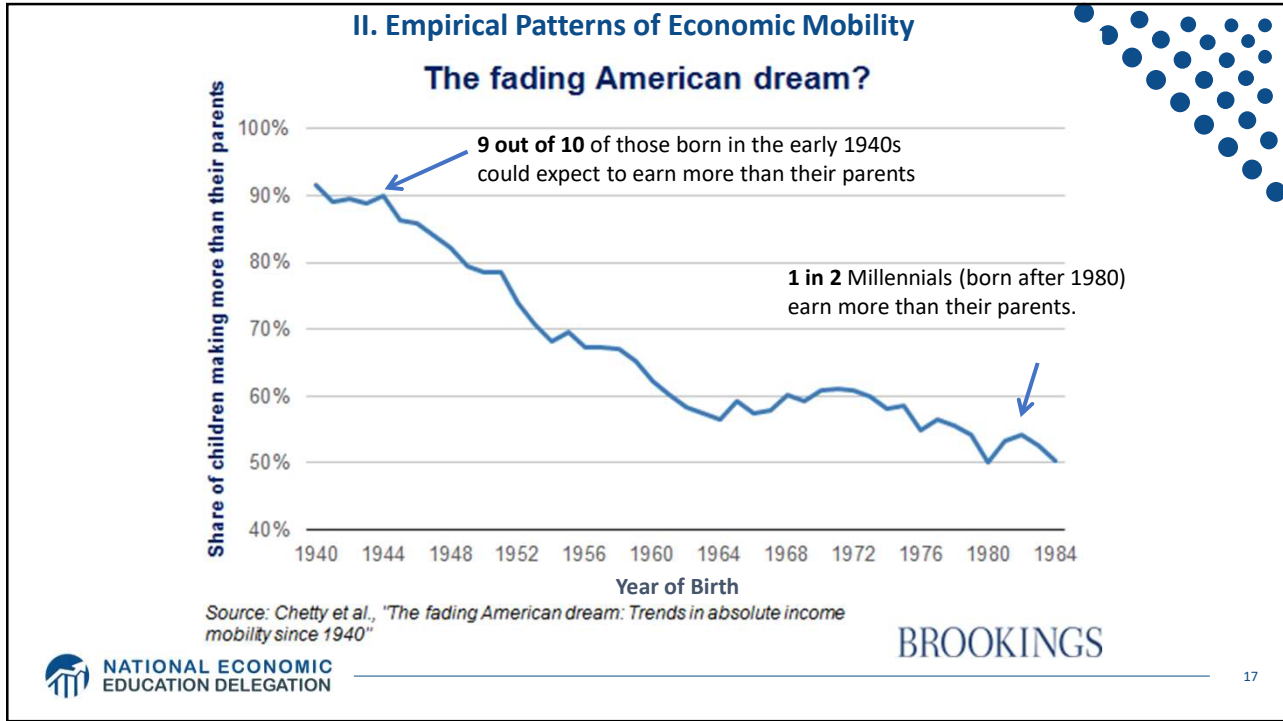
### Mobility – Big Picture for Absolute Mobility

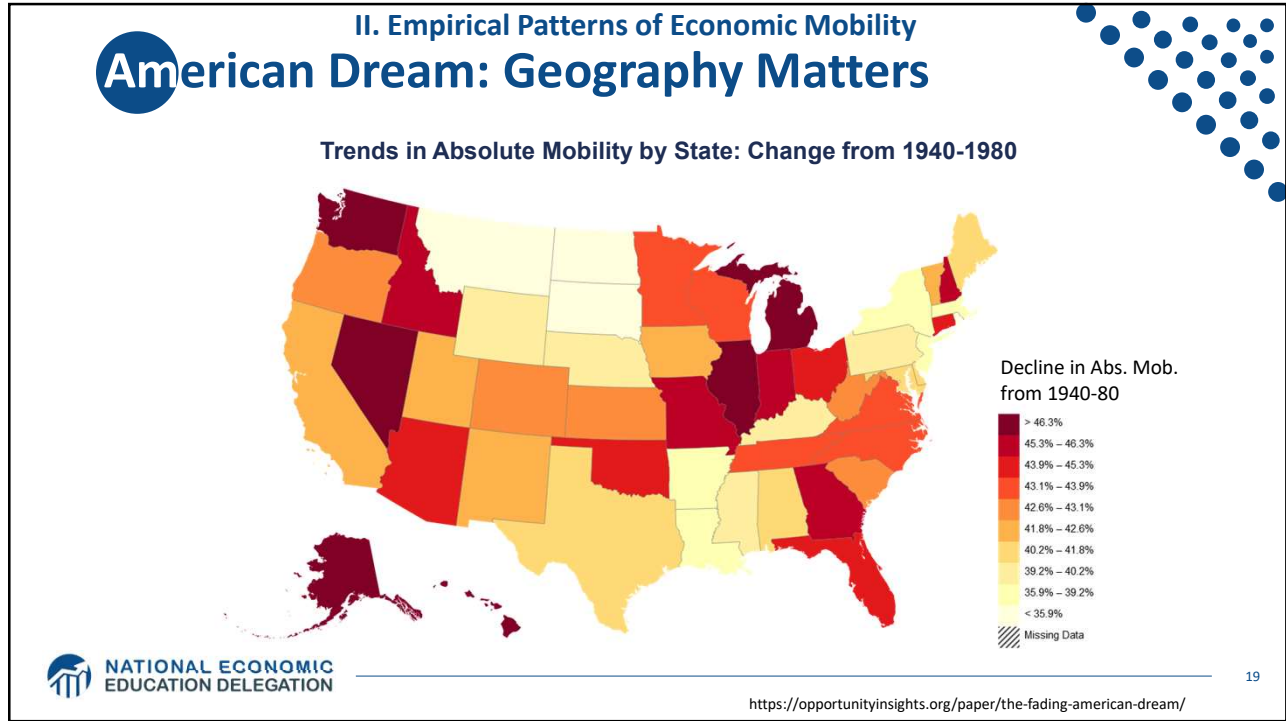
#### Decline in *absolute* mobility in the United States:

- 90% of those born in the early 1940s could expect to earn more than their parents in real terms. For millennials, the fraction is closer to 50%
- Below-median earnings have not increased in real terms since the 1970s.









## II. Empirical Patterns of Economic Mobility

# Measuring Relative Mobility

- **Reminder:** *Relative mobility* is the change in income rank from one's parent.
- **Transition Probabilities:** Likelihood that an individual ends up in a different income quintile than their parents.

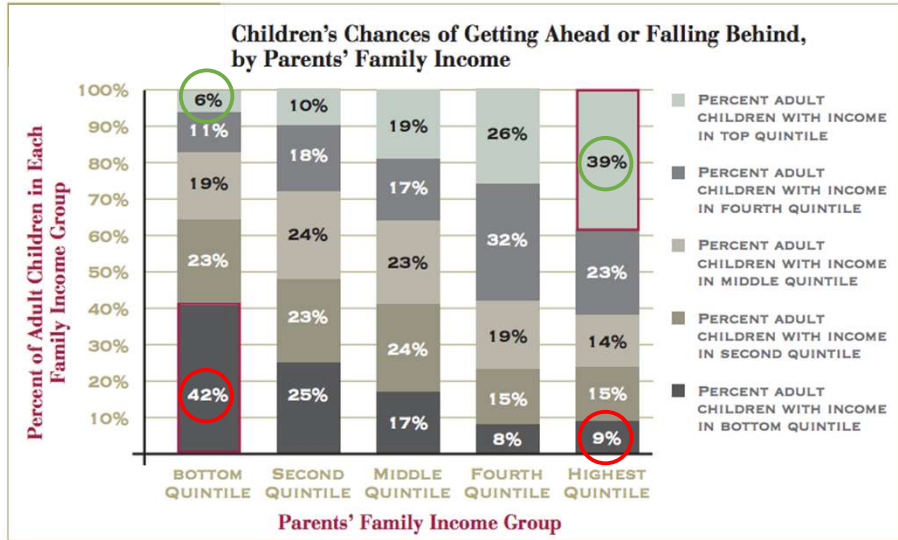
Quintile	Bottom (below 20%)	Lower (20% to 40%)	Middle (40% to 60%)	Upper (60%-80%)	Top (above 80%)
Income	Below \$27,000	\$27,000- \$52,000	\$52,000- \$85,000	\$85,000- \$141,000	Above \$141,000

- **Perfect Mobility:** For each of the parental income quintiles, 20% of their offspring end up in each income quintile as adults.

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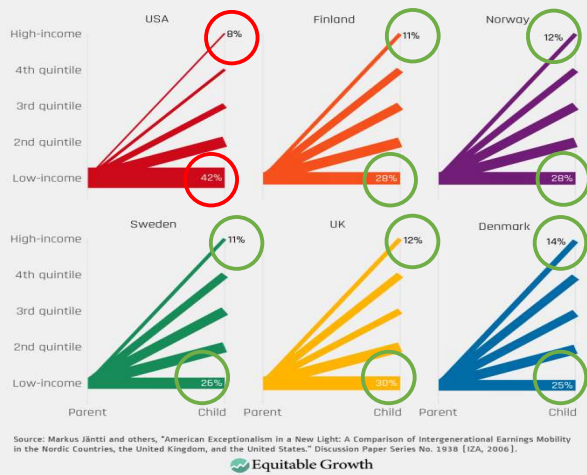
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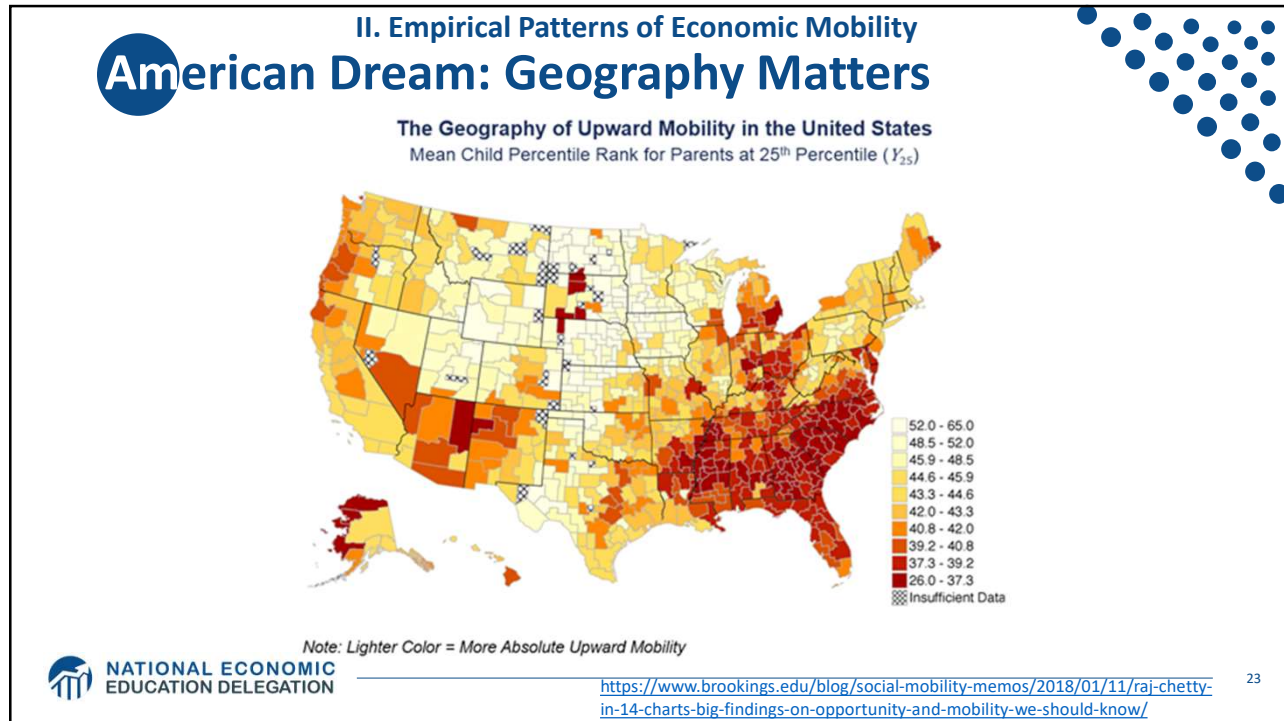
## II. Empirical Patterns of Economic Mobility Transition Probabilities in the United States



## II. Empirical Patterns of Economic Mobility Transitions: International Comparisons

**Economic status is particularly sticky for low-income families in the United States**  
Probabilities that the son of a low-income father rises into each quintile of income, separated by country.





**II. Empirical Patterns of Economic Mobility**

## Summary of Empirical Patterns

- Absolute economic mobility in the United States has been in decline since the 1940s
  - Half of people born in the mid-1980s have not outperformed their parents in terms of income
- Relative mobility is lower in the United States than many developed countries
  - Income is especially “sticky” at the bottom and the top of the income distribution
- Geography matters – there is tremendous variation in mobility within the United States

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## III. What is the desirable level of economic mobility?

Economically what is optimal? What do people think is optimal?  
Mobility and Inequality



### III. What is the Desirable Level of Economic Mobility

## Absolute or Relative Mobility?

- Upward *absolute* mobility of the whole population is unambiguously desirable (it's hard to defend *not* wanting everyone to be better off!)  
The fact that half the population is trading water should worry us.
- But, *relative* mobility is a *zero-sum game*: for some people to rank higher than their parents did, others have to rank *lower*.



### III. What is the Desirable Level of Economic Mobility

## The “Right” Level of Relative Mobility

- **Efficiency**

- Want to provide incentives in order to get economic growth

- **Equity**

- Want a system that is “fair”

### What is the *optimal* level of relative mobility?

This is a hard question, one which we may not be able to answer or agree on.

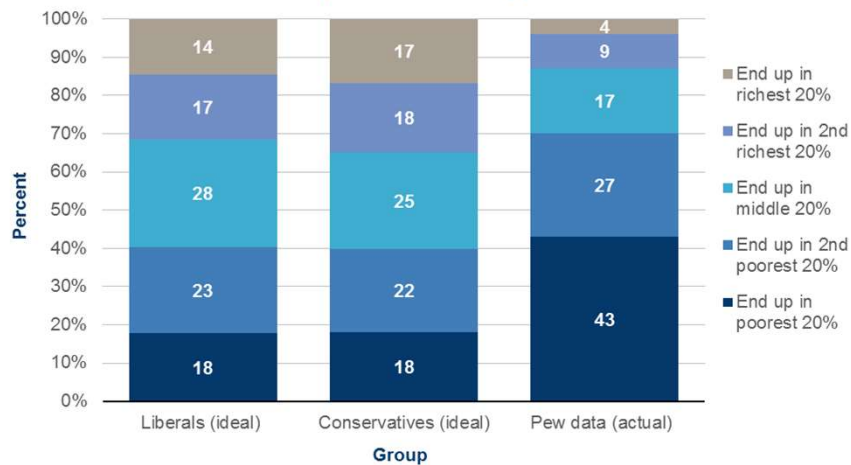
### Is current relative mobility too low (or too high)?

The answer would suggest the best incremental steps to take towards a better outcome, and policy changes are best done in incremental steps in any case.

### III. What is the Desirable Level of Economic Mobility

## Survey Says on Upward Mobility from the BOTTOM

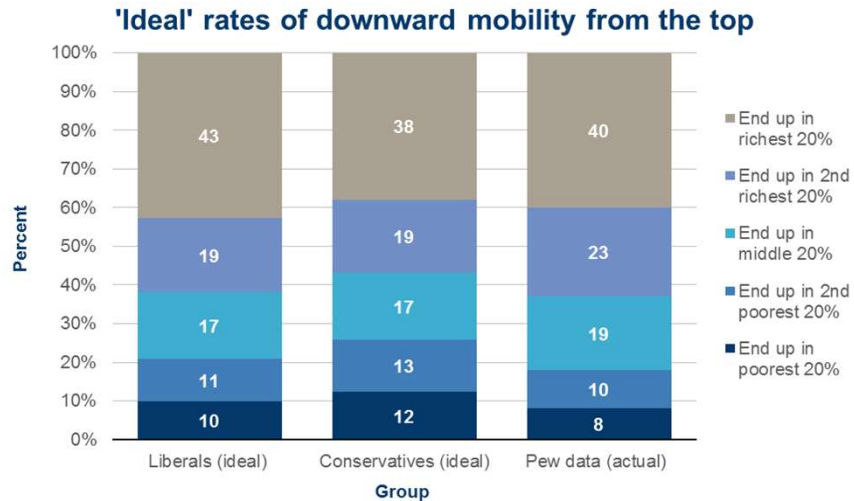
'Ideal' rates of upward mobility from the bottom



Source: Davidai, S., & Gilovich, T. (2015). Building a more mobile America—One income quintile at a time. *Perspectives on Psychological Science*, 10, 60–71.

### III. What is the Desirable Level of Economic Mobility

## Survey Says on Downward Mobility from the TOP



Source: Davidai, S., & Gilovich, T. (2015). *Building a more mobile America—One income quintile at a time. Perspectives on Psychological Science, 10*, 60–71.



BROOKINGS

<https://www.brookings.edu/blog/social-mobility-memos/2016/01/12/how-much-social-mobility-do-people-really-want/>

### III. What is the Desirable Level of Economic Mobility

## Preferences hit Awkward Truth: Math

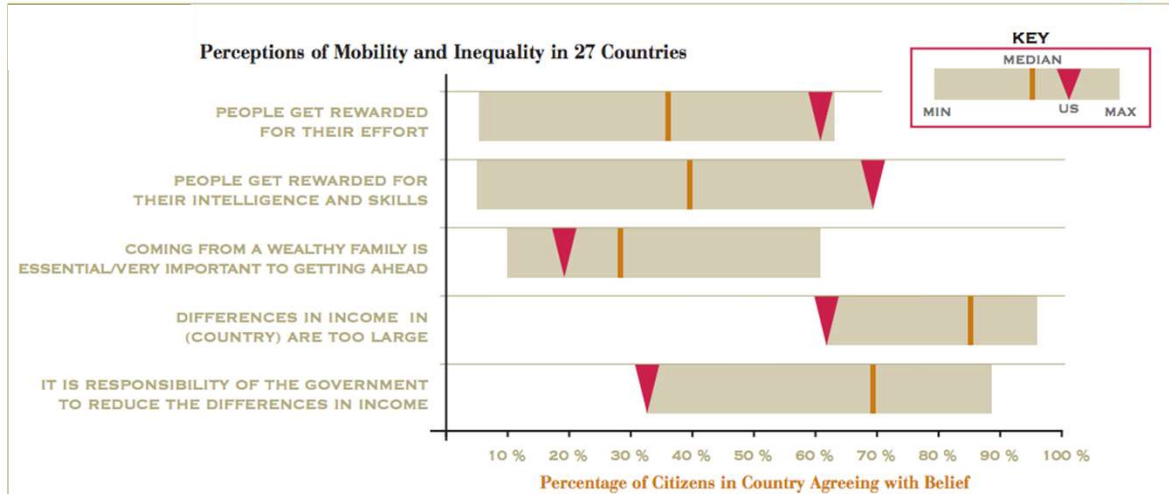
- **Again: relative mobility is a zero-sum game**
  - There are only so many spots in the top quintile (only 20% of population can be there)
    - Preferences want:
      - 43% of them for kids born into the top
      - 16% for those born into the bottom
      - Leaves about 14% for each of the other 3 quintiles
    - Preferences are inconsistent
      - Greater upward mobility for the bottom than the middle?
- **Results are intuitive:**
  - Stickiness at the top
  - Mobility from the bottom
- **...but inconsistent:**
  - What about the middle?





### III. What is the Desirable Level of Economic Mobility

## The “American Dream” Shapes Perceptions



Source: Brookings tabulation of data from the International Social Survey Program, 1998–2001.



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[https://www.brookings.edu/wp-content/uploads/2016/06/02\\_economic\\_mobility\\_sawhill.pdf](https://www.brookings.edu/wp-content/uploads/2016/06/02_economic_mobility_sawhill.pdf)

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## IV. Exploring channels/barriers to upward mobility and policy options

Focus on Education and Career Opportunities



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## IV. Exploring Channels/Barriers to Upward Mobility and Policy Options

# Barriers to Upward Mobility

- **Key Question:**

What are the factors that might prevent someone born in a low-income household from doing as well as their richer counterpart?

- **Answers:**

- Birth Lottery
- Structural barriers



## IV. Exploring Channels/Barriers to Upward Mobility and Policy Options

# Barriers to Upward Mobility – Birth Lottery

- **Early advantages**

- *Innate (genetic) advantages:*
  - Inherited ability, medical conditions, psychological traits
- *Environmental factors:*
  - **In utero:** pre-natal care, mother's nutrition, exposure to abuse or stress.
  - **Home environment** which promotes healthy development, transmission of values
  - Availability of **role models**, mentors, neighborhood effects.
  - Availability of **good educators**, facilities, peers



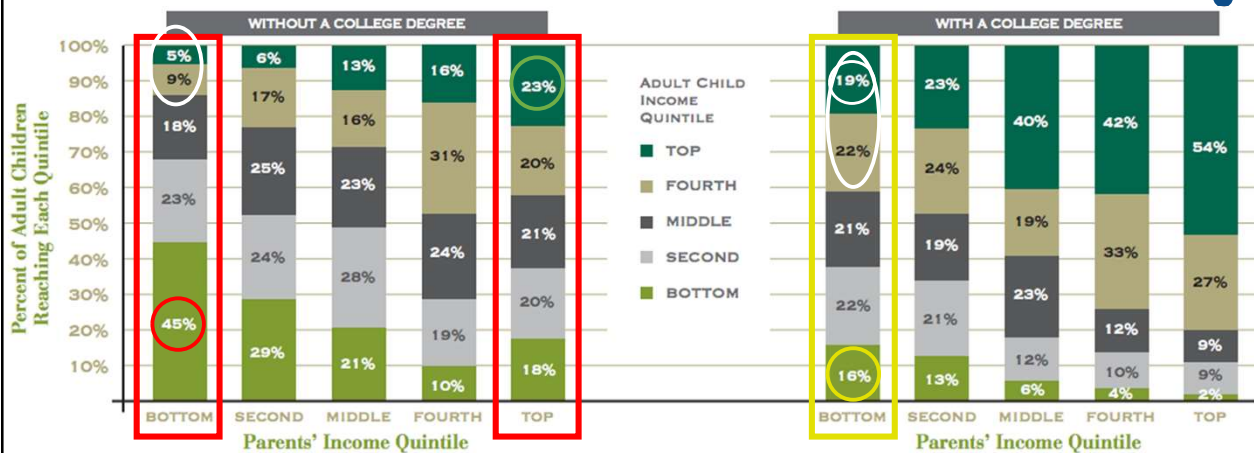
## IV. Exploring Channels/Barriers to Upward Mobility and Policy Options

### Barriers to Upward Mobility – Structural

- **Selective access to quality higher education**
  - Preferential admission for legacy and donor families.
  - Expectation of extra-curricular activities, AP classes, etc.
- **Access to lucrative employment**
  - Reliance on personal connections, homophily, racism, sexism...
- **Access to entrepreneurship and invention**
  - initial capital and insurance against negative shocks, social networks.
- **Direct transmission of income-earning assets**

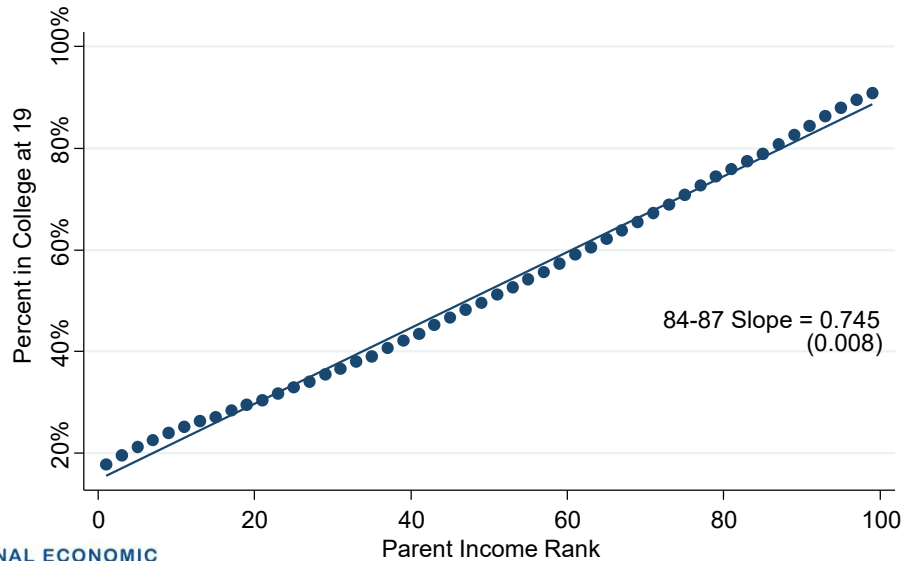
## IV. Exploring Channels/Barriers to Upward Mobility and Policy Options

### Education: an Avenue and Barrier to Mobility



## IV. Exploring Channels/Barriers to Upward Mobility and Policy Options

### College Attendance Rates – by Parent's Income



## IV. Exploring Channels/Barriers to Upward Mobility and Policy Options

### Policy Options

- **Investments in education**
  - Make preparedness for college more universally available.
- **Entrepreneurship**
  - Introduce children to it at an early age and seek to reduce barriers to starting a business.
- **Housing vouchers, public housing, zoning laws**
  - Help underprivileged children grow up in neighborhoods conducive to mobility.
- **Implement policies to reduce inequality.**

# Summary: Economic Mobility

## I. What do we mean by economic mobility?

- Absolute vs Relative Mobility

## II. Empirical patterns of economic mobility

- Absolute mobility is in decline
- Relative mobility is much lower in the U.S. than elsewhere.
  - o Brings into question the notion of the “American dream”.

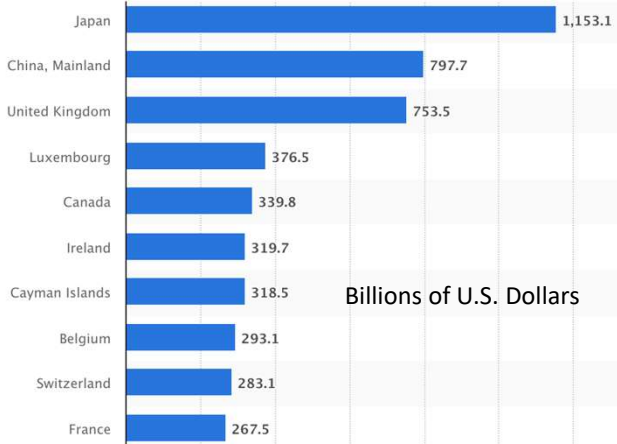
## III. What is the desirable level of economic mobility?

- Absolute: concern that 50% of kids are treading water or falling behind.
- Relative: not as much as people seem to think there is.

## IV. Exploring channels/barriers to upward mobility and policy options

- Often what is an avenue to mobility at the individual level may be a barrier at the societal level due to structural factors (i.e., Education and Career Opportunities)
- There are plenty of levers to pull to increase mobility.

# Next Week Who Holds Debt to Foreigners, Jan. 2024



Foreign ownership is relatively recent  
 – in 1990 foreign ownership was less than 20%  
 – peaked at 40+%  
 – now is 29.4%

**Thank you!**

## Any Questions?

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