Osher Lifelong Learning Institute, Fall 2025

The Economics of Public Policy Issues

George Mason University

Host: Geoffrey Woglom, Director
National Economic Education Delegation

Course Schedule

The Economics of Public Policy Issues

- Week 1 (9/23): Economic Update & Central Bank Independence Geoffrey Woglom, Amherst College
- Week 2 (9/30): Climate Change Economics Sarah Jacobson, Williams College
- Week 3 (10/7) AI and Inequality Geoffrey Woglom, Amherst College
- **Week 4 (10/14): Economic Mobility Kathryn Wilson, Kent State University**
- Week 5 (10/21): Saving Social Security Jon Haveman, Exec Director, NEED
- Week 6 (10/28): Federal Debt and Deficits Dmitriy Stolyarov, U of Michigan

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Economic mobility

Kathryn Wilson, Ph.D.
Kent State University
Oct. 14, 2025

Submitting Questions

- Submit questions in the chat. I will try to address questions as they come up (but I may wait until a good transition point in the material to address them).
- We will do a verbal Q&A once the material has been presented.
- Slides will be available from the NEED website tonight or tomorrow https://needecon.org/delivered_presentations.php.

Credits and Disclaimer

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

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

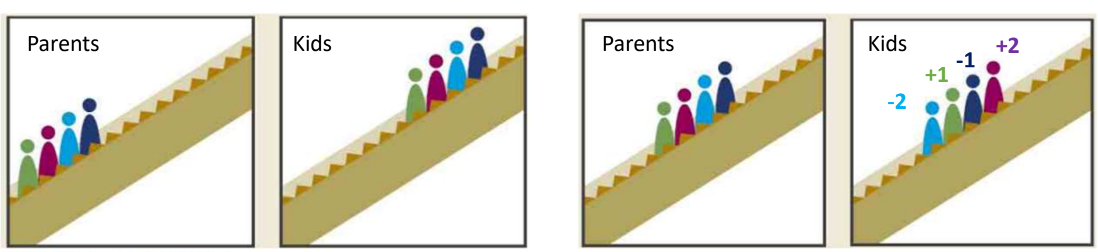
- ***Absolute* mobility**: the <u>difference in income</u> from one's parent.
  - You're higher on the escalator than your parents were at that same age.
  - It is possible for *everyone* to experience upward absolute mobility, especially if the escalator is going up.

- ***Relative* mobility**: the <u>change in income rank</u> 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.



I. What do we mean by economic mobility?

Economic Growth and Mobility

- **Economic growth should drive absolute mobility**
  - It has the potential to raise all incomes.
  - But the extent of mobility that results depends on how income is distributed.
- **Economic growth and relative mobility are unrelated**
  - Growth does not have implications whether kids are more or less likely to rise above their parent’s position in the income distribution.

II. Empirical patterns of Economic Mobility

What are the facts?

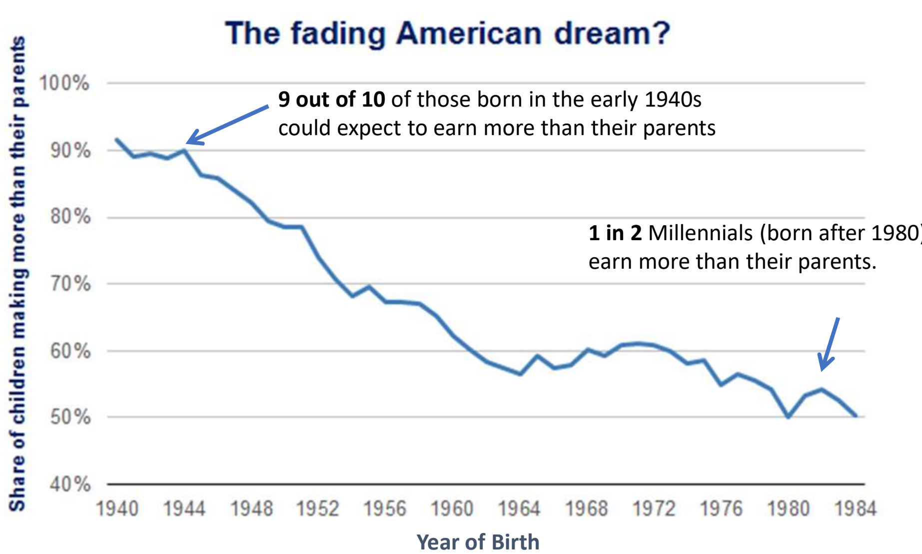
II. Empirical Patterns of Economic Mobility

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

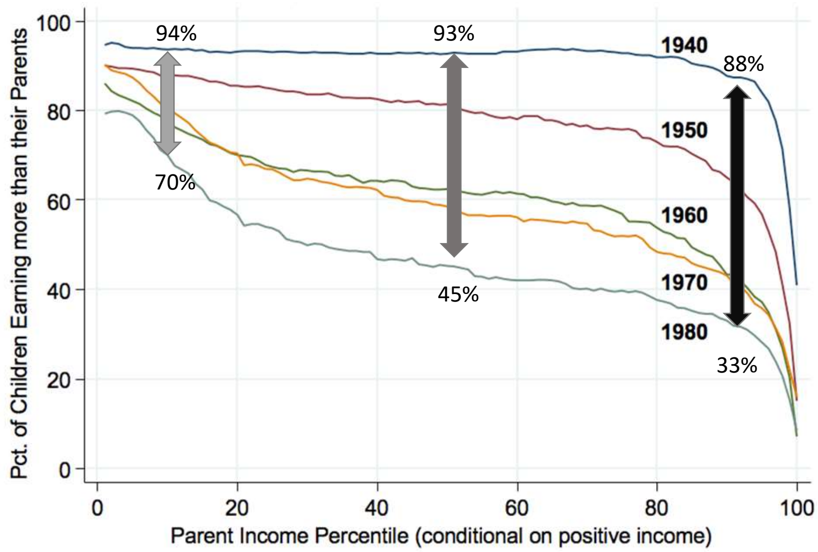


Source: Chetty et al., "The fading American dream: Trends in absolute income mobility since 1940"

BROOKINGS

II. Empirical Patterns of Economic Mobility

Absolute Mobility by Birth Cohort



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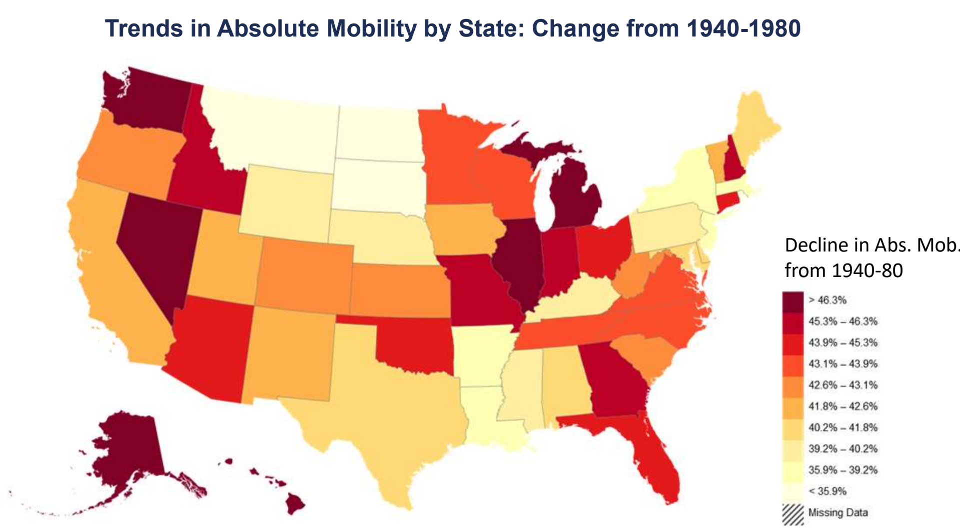
II. Empirical Patterns of Economic Mobility

American Dream: Geography Matters



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https://opportunityinsights.org/paper/the-fading-american-dream/

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 $30,000	$30,000-$58,000	$58,000-$94,000	$94,000-$153,000	Above $153,000

- **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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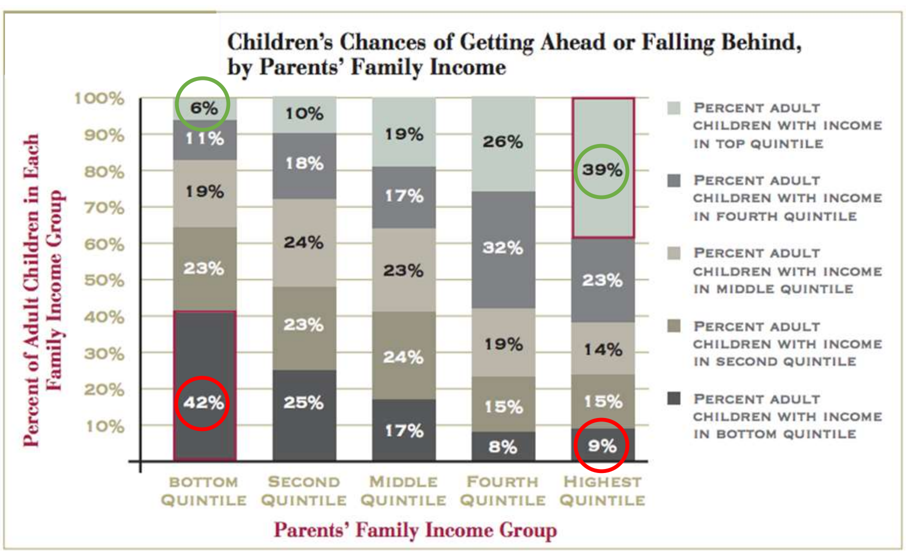
II. Empirical Patterns of Economic Mobility

Transition Probabilities in the United States



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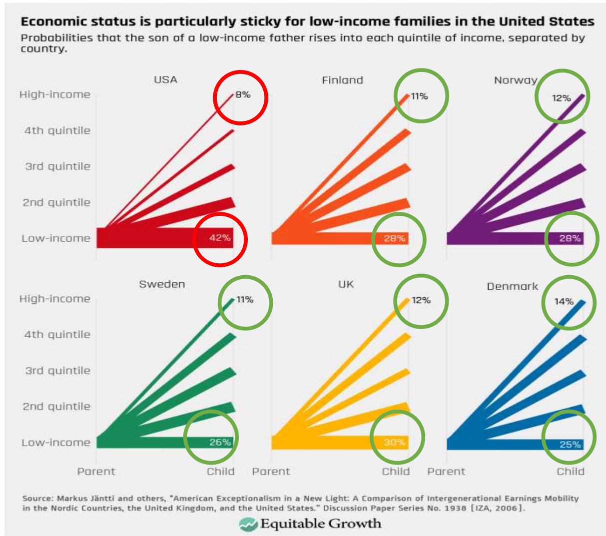
https://www.brookings.edu/wp-content/uploads/2016/06/11_generations_isaacs.pdf

II. Empirical Patterns of Economic Mobility

Transitions: International Comparisons



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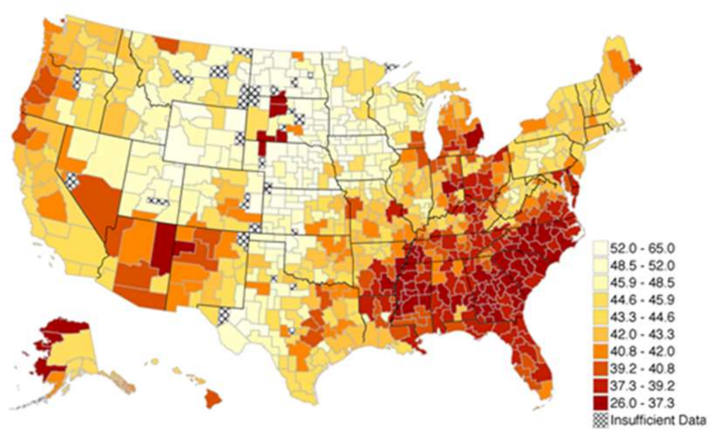
Source: : https://equitablegrowth.org/research-paper/are-todays-inequalities-limiting-tomorrows-opportunities

II. Empirical Patterns of Economic Mobility

American Dream: Geography Matters

The Geography of Upward Mobility in the United States

Mean Child Percentile Rank for Parents at 25th Percentile (Y_{25})



Note: Lighter Color = More Absolute Upward Mobility

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https://www.brookings.edu/blog/social-mobility-memos/2018/01/11/raj-chetty-in-14-charts-big-findings-on-opportunity-and-mobility-we-should-know/

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

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 treading 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?

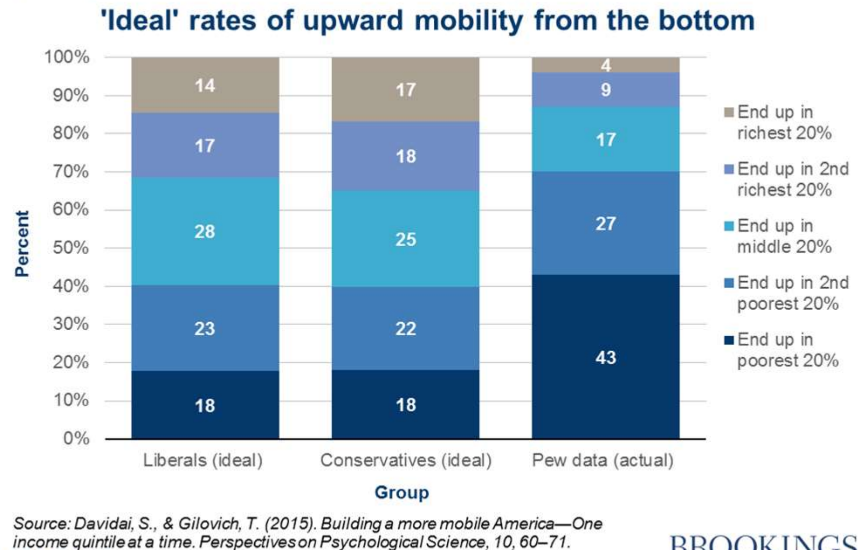
This is a hard question, one which we may not be able to answer or agree on.

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



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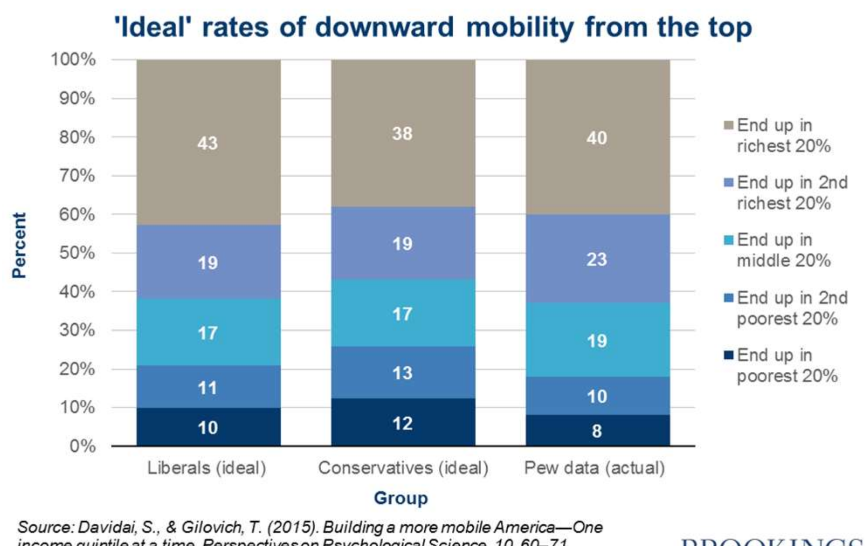
https://www.brookings.edu/blog/social-mobility-memos/2016/01/12/how-much-social-mobility-do-people-really-want/

III. What is the Desirable Level of Economic Mobility

Survey Says on Downward Mobility from the TOP



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

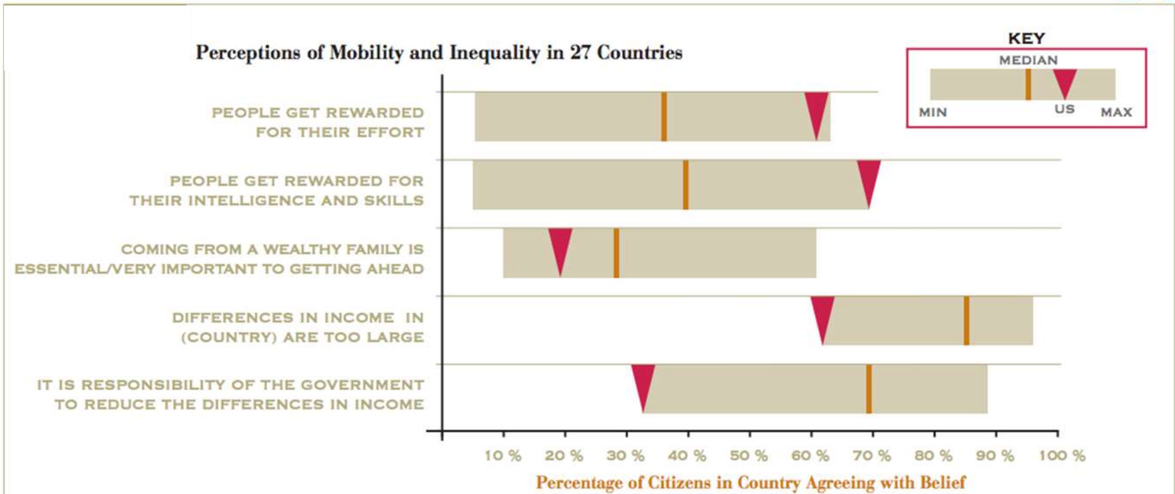
III. What is the Desirable Level of Economic Mobility

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.

https://www.brookings.edu/wp-content/uploads/2016/06/02_economic_mobility_sawhill.pdf

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

Focus on Education and Career Opportunities

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 family values
    - Availability of **role models**, mentors, neighborhood effects.
    - Availability of **good educators**, facilities, peers

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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.
- **Effective access to family planning (sex ed, contraceptives, abortion)**
  - Teen births reduce outcomes for both mother and child.
- **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**

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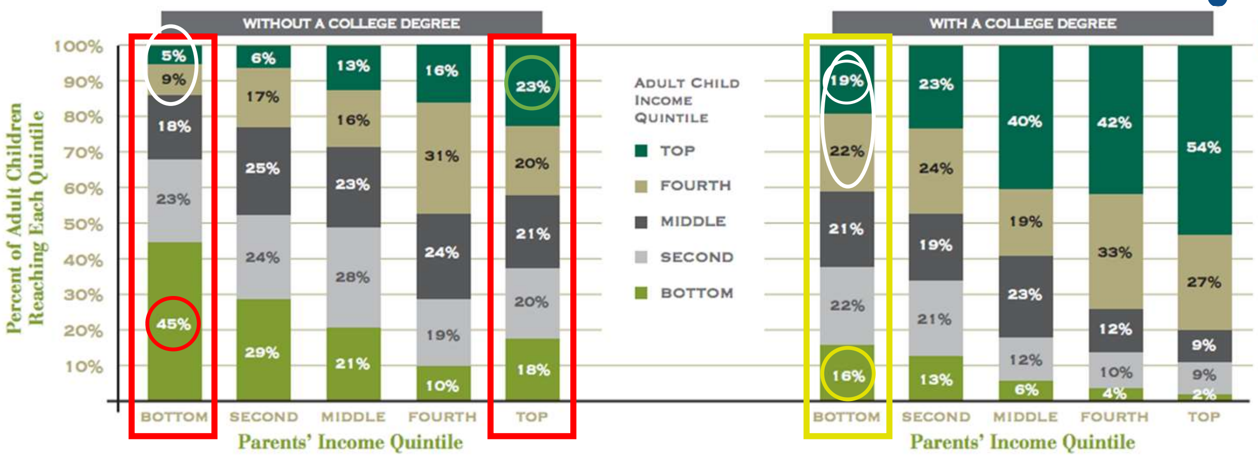
IV. Exploring Channels/Barriers to Upward Mobility and Policy Options

Education: an Avenue and Barrier to Mobility



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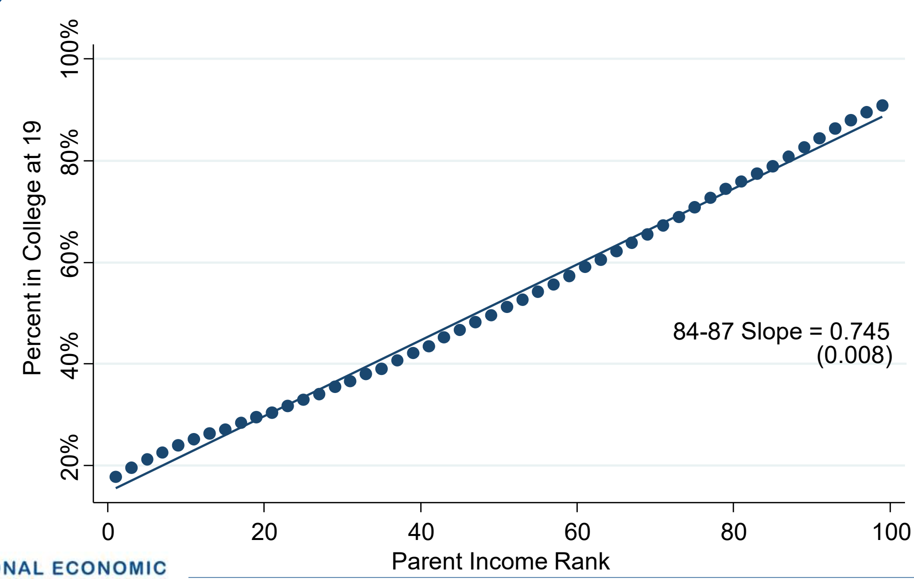
https://www.brookings.edu/wp-content/uploads/2016/06/02_economic_mobility_sawhill.pdf

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

College Attendance Rates – by Parent's Income



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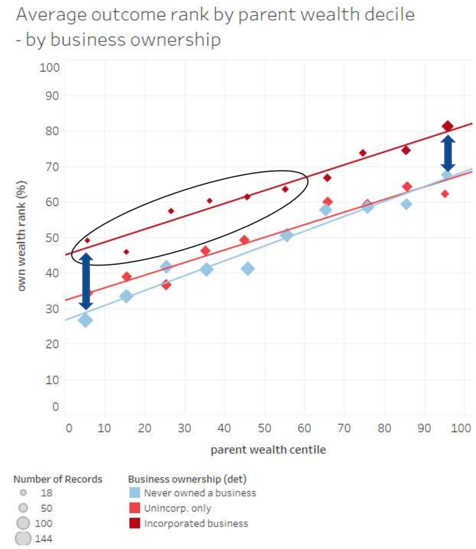
https://opportunityinsights.org/paper/recentintergenerationalmobility/

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

Career Opportunities– an Avenue and Barrier to Mobility

- Ownership of a business is a big indicator of wealth accumulation
- Children from a wealthy family are more likely to incorporate a business



Graph from Sarada and Tocoian (2018)

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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.**

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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.
  - Brings into question the notion of the “American dream”.

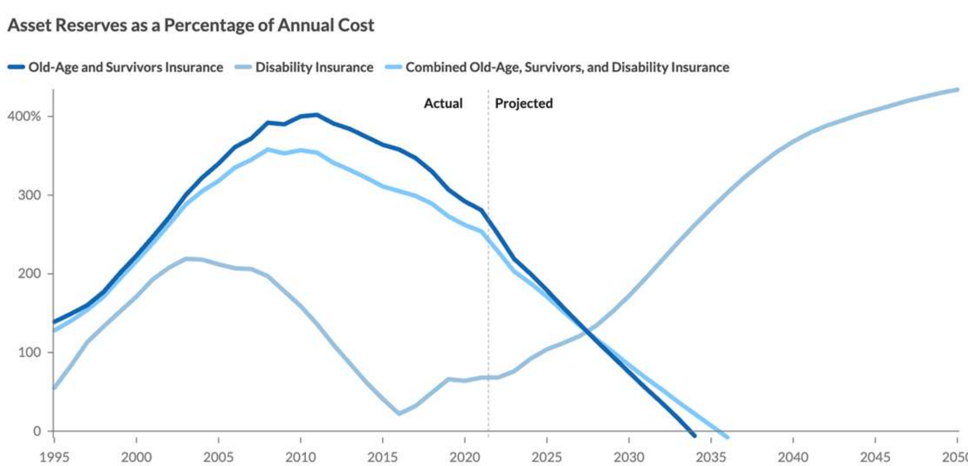
III. What is the desirable level of economic mobility?

- 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: Trust Funds Are Running Out



Source: Social Security Administration • Get the data • Embed • Download image

Note: Under law, a trust fund cannot incur a negative balance. The OASI Trust Fund will be depleted in 2033 while the DI Trust Fund will not be depleted within the 75-year long-range projection period. Combined, the trust funds would be depleted in 2035.

PETER G. PETERSON FOUNDATION

Source: https://www.pgpf.org/article/social-security-faces-serious-financial-shortfalls-and-other-takeaways-from-the-trustees-report/

Thank you!

Any Questions?

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