Osher Lifelong Learning Institute, Fall 2026

Contemporary Economic Policy

University of Hawaii, Manoa

Host: Jon Haveman, Phd
Executive Director
National Economic Education Delegation

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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

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Course Schedule

Contemporary Economic Policy

- Week 1 (10/23): Economic Update, Geoffrey Woglom, Amherst College
- **Week 3 (10/30): Economic Mobility, Joseph Carolan, Oakland University**
- Week 2 (11/6): The Economics of Tariffs, Tibor Besedes, Georgia Institute of Technology
- Week 4 (11/13): The New, New Inequality, Geoffrey Woglom, Amherst College
- Week 5 (11/20): Health Care Economics, Robert Rebelein, Vassar College

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Submitting Questions

- **I encourage questions. Please put questions in the chat or raise your hand. Discussion is helpful & necessary today**
- **Slides are available from the NEED website https://needecon.org/delivered_presentations.php.**

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Economic mobility

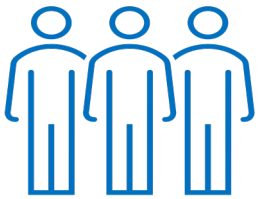


Joe Carolan, Ph.D.
Oakland University
Sept. 23, 2026

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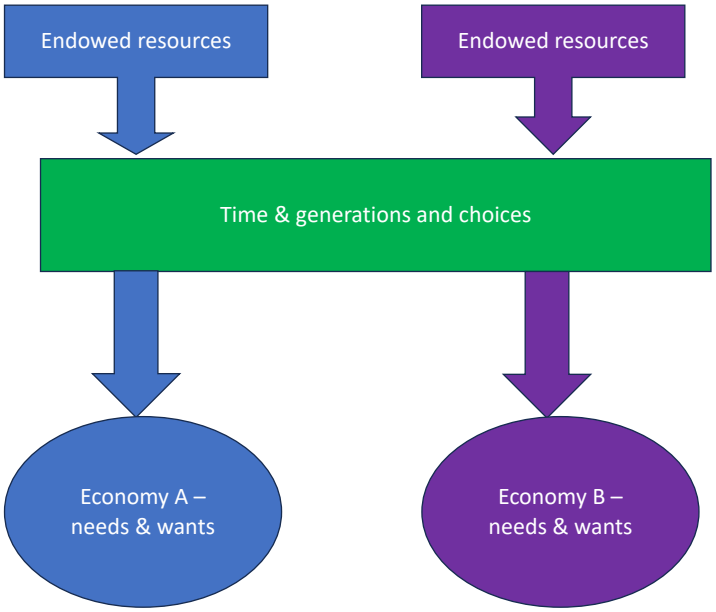
Endowed with resources



Communities use resources to satisfy people's needs & wants

Decisions community makes over time impacts ability to do this

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Let's do an exercise



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After Men in Black wipe your memory, you awake and get to pick which economy you want to live in

Choice: Two economies (A or B)

- Economies STARTED @ same time with identical resources
- You only know economies' CURRENT STATE.
- Each has 2 subsets of community members (top & rest)
- You don't pick which subset - ONLY A or B. You will be placed into subset based on probability (i.e. %)
- ASSUME: basic needs = 20

NAME OF ECONOMY (A or B)	% in top	rest	AVG	Total
% in category	##%	##%		
# PPL in category	value	value		
N/W satisfied	VALUE	VALUE	TOTAL / POPULATION	TOTAL

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Scenario 1

ECONOMY A	% in top	rest	AVG	Total
% in category	50%	50%		
# in category	175	175		
N/W satisfied	20	15	17.5	6125

ECONOMY B	% in top	other	AVG	Total
% in category	50%	50%		
# in category	175	175		
N/W satisfied	25	20	22.5	7875

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Scenario 2

ECONOMY A	% in top	rest	AVG	Total
% in category	50%	50%		
# in category	175	175		
N/W satisfied	31	15	23	8050

ECONOMY B	% in top	other	AVG	Total
% in category	50%	50%		
# in category	175	175		
N/W satisfied	25	20	22.5	7875

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Scenario 3

ECONOMY A	% in top	rest	AVG	Total
% in category	25%	75%		
# in category	87.5	262.5		
N/W satisfied	55	15	25	8750

ECONOMY B	% in top	other	AVG	Total
% in category	50%	50%		
# in category	175	175		
N/W satisfied	25	20	22.5	7875

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Scenario 4

ECONOMY A	% in top	rest	AVG	Total
% in category	10%	90%		
# in category	35	315		
N/W satisfied	100	26	33.4	11690

ECONOMY B	% in top	other	AVG	Total
% in category	10%	90%		
# in category	35	315		
N/W satisfied	225	21	41.4	14490

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add time dimension

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Scenario 1-t

NOW

ECONOMY A	% in top	rest	AVG	Total
% in category	50%	50%		
# in category	175	175		
N/W satisfied	20	15	17.5	6125

ECONOMY B	% in top	other	AVG	Total
% in category	50%	50%		
# in category	175	175		
N/W satisfied	25	20	22.5	7875

FUTURE

ECONOMY A	% in top	rest	AVG	Total
% in category	50%	50%		
# in category	200	200		
N/W satisfied	35	25	30	12000

ECONOMY B	% in top	other	AVG	Total
% in category	50%	50%		
# in category	200	200		
N/W satisfied	26	21	23.5	9400

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Scenario 2-t

NOW

ECONOMY A	% in top	rest	AVG	Total
% in category	50%	50%		
# in category	175	175		
N/W satisfied	20	15	17.5	6125

ECONOMY B	% in top	other	AVG	Total
% in category	50%	50%		
# in category	175	175		
N/W satisfied	25	20	22.5	7875

FUTURE

ECONOMY A	% in top	rest	AVG	Total
% in category	50%	50%		
# in category	200	200		
N/W satisfied	35	25	30	12000

ECONOMY B	% in top	other	AVG	Total
% in category	25%	75%		
# in category	100	300		
N/W satisfied	65	19	30.5	12200

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Economic mobility

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I. What do we mean by economic mobility?

Absolute and Relative (Income) 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.



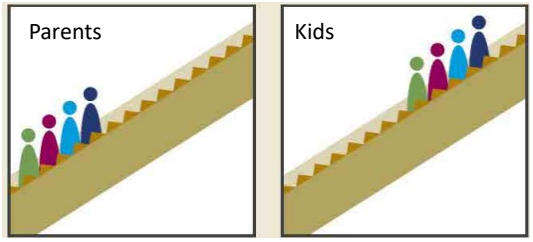
- ***Relative* mobility**: the <u>change in income rank</u> from one's parent.
  - You have fewer people above you on the escalator than your parents did.
  - Increased relative mobility requires both upward and downward movement.

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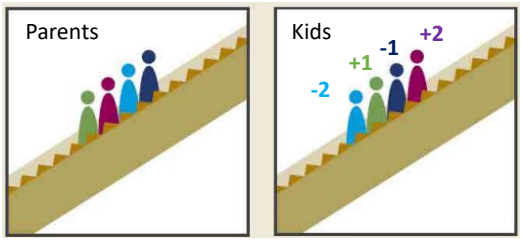
I. What do we mean by economic mobility?

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.



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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

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I. What do we mean by economic mobility?

Definition and motivation

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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.*

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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.

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II. Empirical patterns of Economic Mobility

What are the facts?

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II. Empirical Patterns of Economic Mobility

Mobility – Big Picture for Absolute Mobility

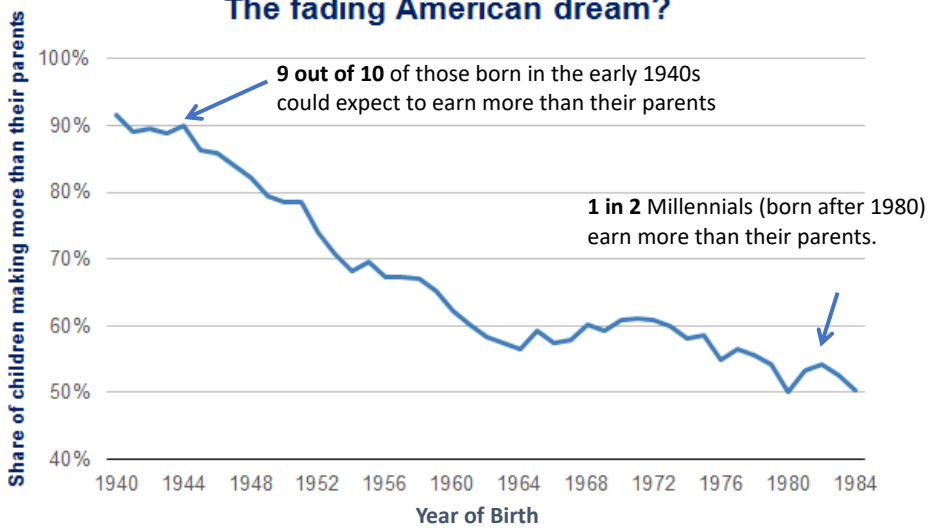
Decline in *absolute* mobility in the United States:

- 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.

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II. Empirical Patterns of Economic Mobility

The fading American dream?



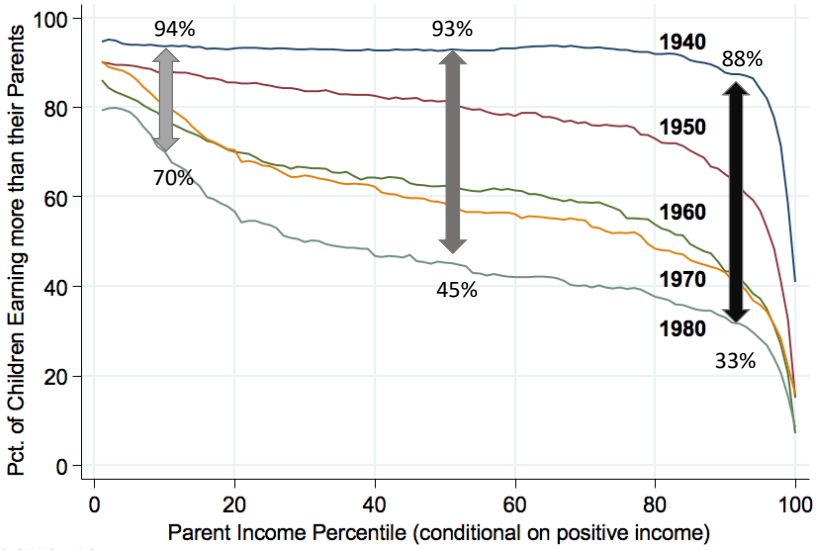
Source: Chetty et al., "The fading American dream: Trends in absolute income mobility since 1940"

BROOKINGS

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II. Empirical Patterns of Economic Mobility

Absolute Mobility by Birth Cohort



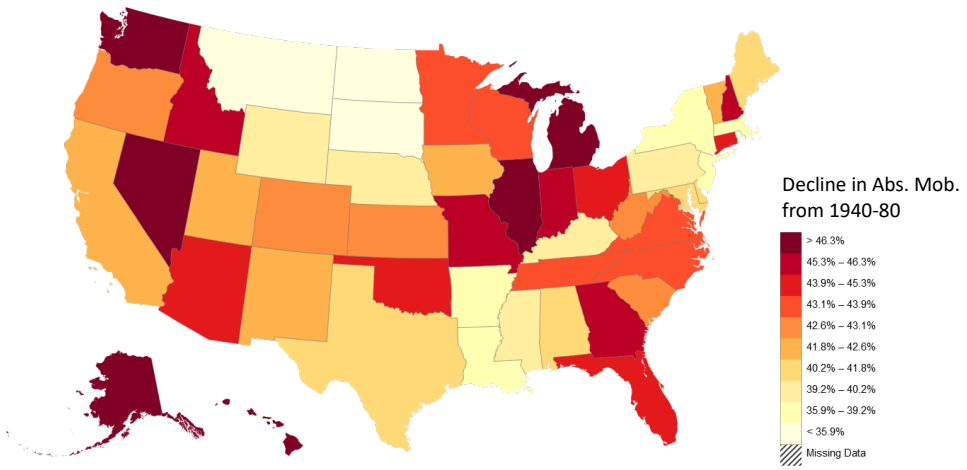
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II. Empirical Patterns of Economic Mobility

American Dream: Geography Matters

Trends in Absolute Mobility by State: Change from 1940-1980



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

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II. Empirical Patterns of Economic Mobility

Measuring Relative Mobility

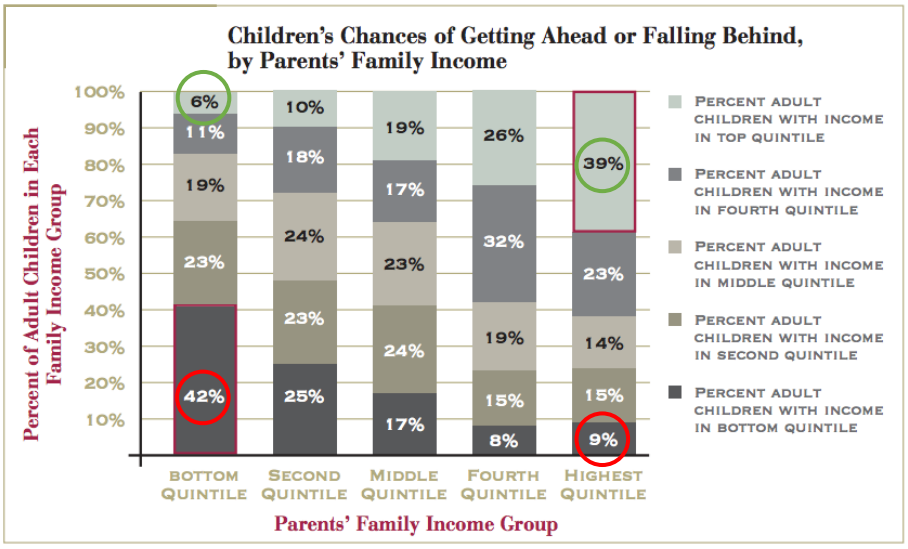
- ***Reminder:*** *Relative* mobility is the change in income rank from one's parent.
- **Transition Probabilities:** Likelihood that an individual ends up in a different income quintile than their parents.

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.

II. Empirical Patterns of Economic Mobility

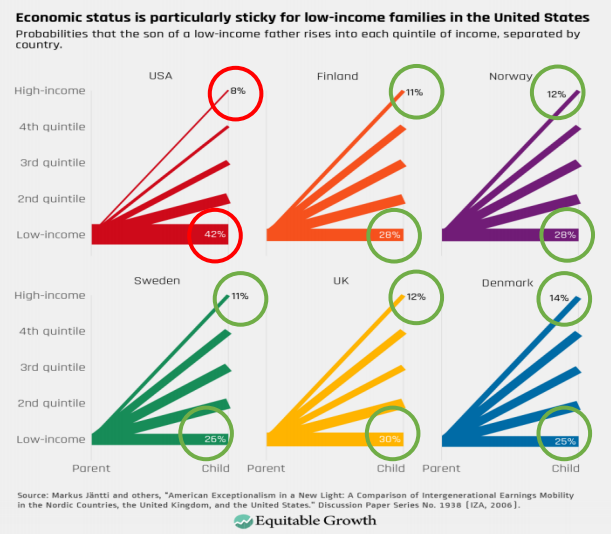
Transition Probabilities in the United States



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

II. Empirical Patterns of Economic Mobility

Transitions: International Comparisons

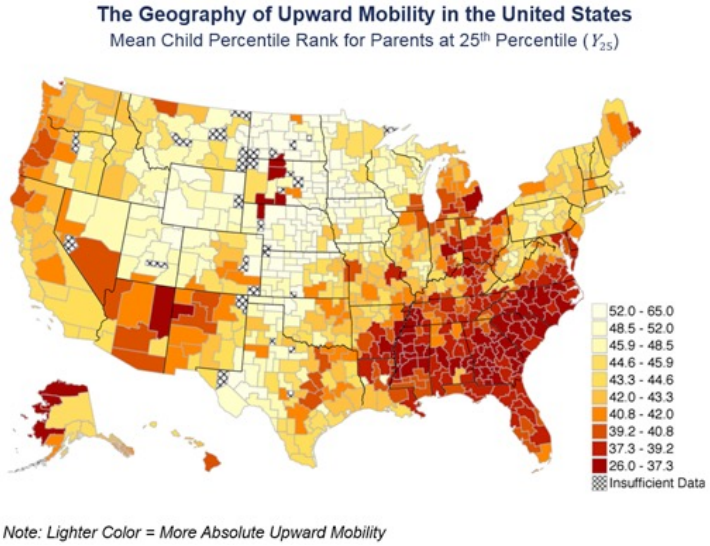


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Source: : https://equitablegrowth.org/research-paper/are-todays-inequalities-limiting-tomorrows-opportunities

II. Empirical Patterns of Economic Mobility

American Dream: Geography Matters



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.

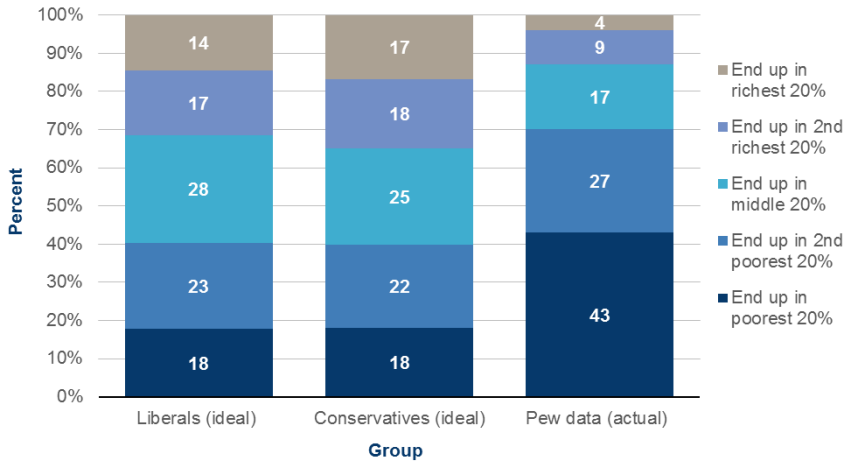
Is current relative mobility too low (or too high)?

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

'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.

BROOKINGS

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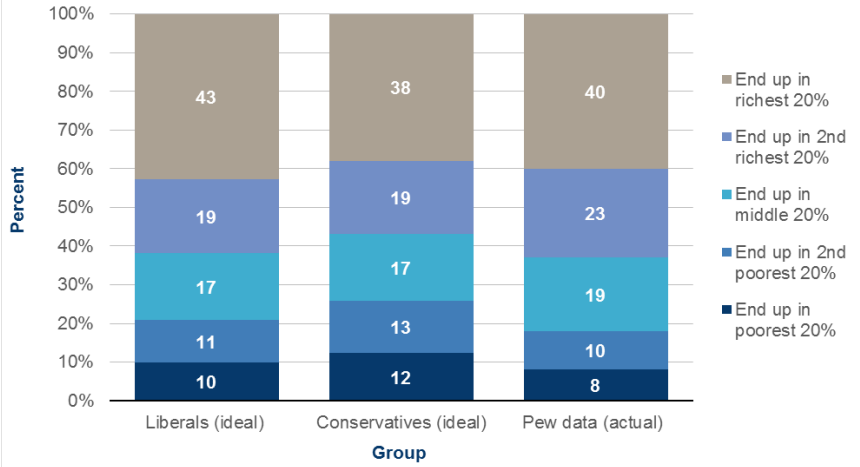
https://www.brookings.edu/blog/social-mobility-memos/2016/01/12/how-much-social-mobility-do-people-really-want/

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III. What is the Desirable Level of Economic Mobility

Survey Says on Downward Mobility from the TOP

'Ideal' rates of 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.

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

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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?

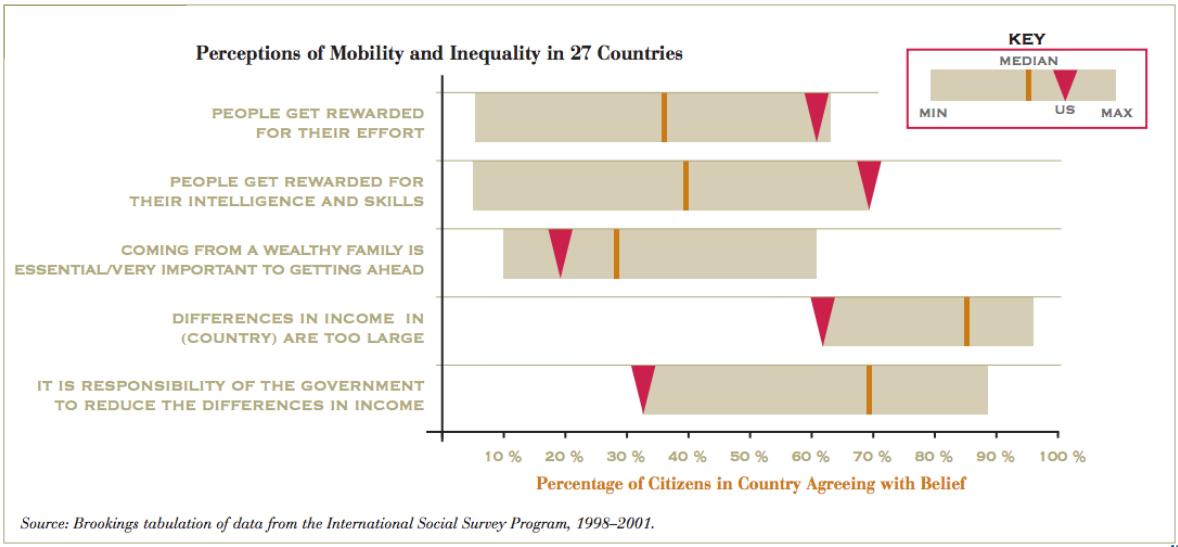
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III. What is the Desirable Level of Economic Mobility

The "American Dream" Shapes Perceptions



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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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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

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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

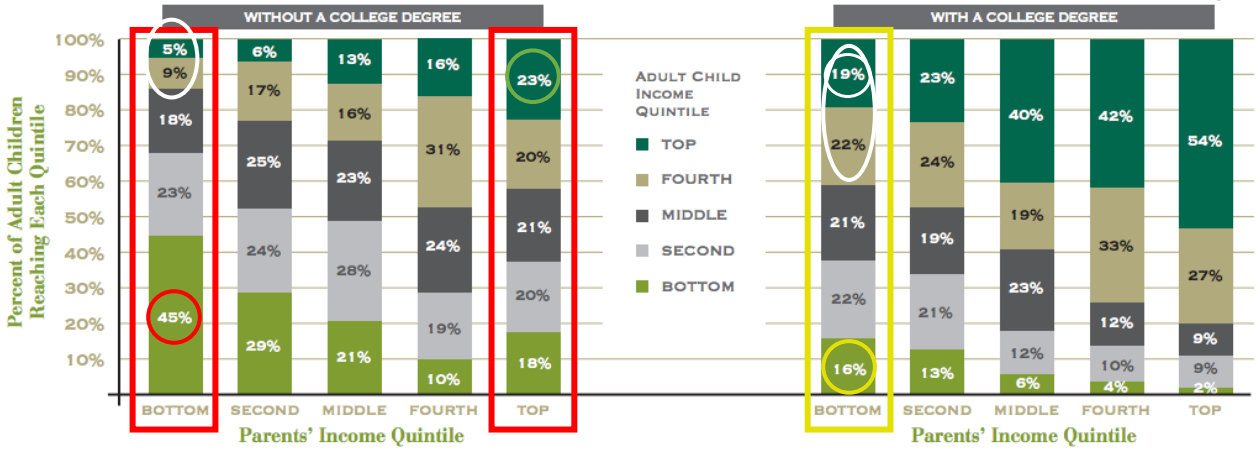
IV. Exploring Channels/Barriers to Upward Mobility and Policy Options

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**

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

Education: an Avenue and Barrier to Mobility



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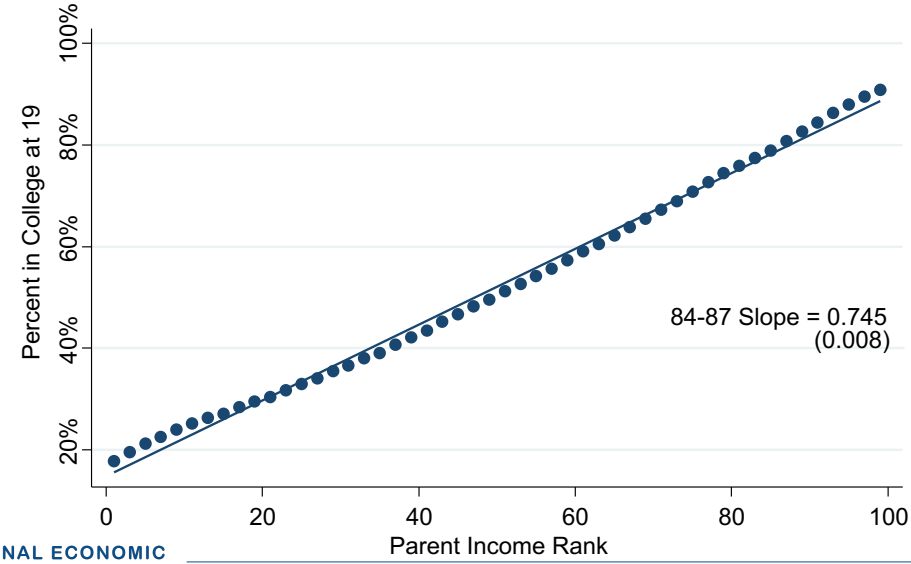
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https://www.brookings.edu/wp-content/uploads/2016/06/02_economic_mobility_sawhill.pdf

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

College Attendance Rates – by Parent's Income



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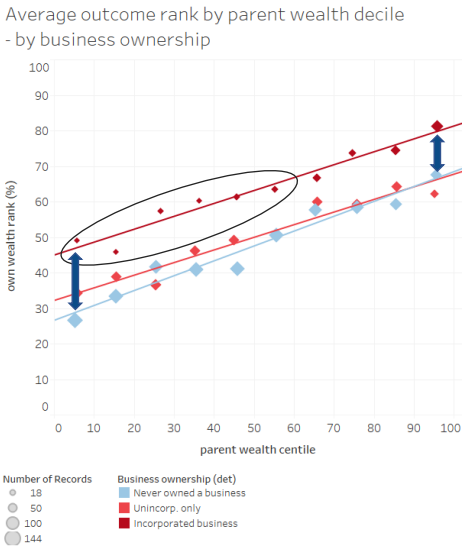
https://opportunityinsights.org/paper/recentintergenerationalmobility/

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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.

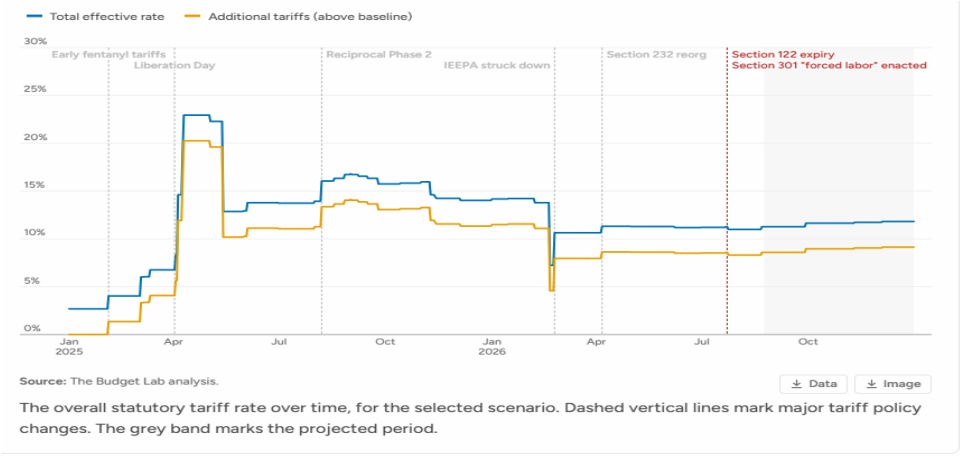
IV. Exploring channels/barriers to upward mobility and policy options

- 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.

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).

Next Week: Economics of Tariffs



Source: The Budget Lab analysis. Data Image

The overall statutory tariff rate over time, for the selected scenario. Dashed vertical lines mark major tariff policy changes. The grey band marks the projected period.

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Thank you!

Any Questions?

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