research highlights

ECONOMICS

Declining economic mobility

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Upward mobility is integral to the American Dream — a term popularized in 1931 by historian James Truslow Adams, who defined it as “that dream of a land in which life should be better and richer and fuller for everyone,” personified in literature by F. Scott Fitzgerald’s *J. Gatsby*, and perennially promised by politicians. Income mobility is, however, difficult to measure due to a dearth of high-quality panel data linking children to parents.

In a recent study, Raj Chetty and colleagues combined data from the US Census with publicly available statistics on intergenerational mobility derived from tax records in order to estimate “absolute income mobility” — the fraction of children earning more than their parents. They find that absolute mobility rates have fallen from 90% for children born in the 1940s to 50% for those born in the 1980s, with the decline primarily affecting middle-class families. This decline can be attributed to the increasingly unequal distribution of economic growth, which has widened the gap between the rich and the rest, rather than the slowdown in GDP growth. In an analysis of counterfactual scenarios, the authors demonstrate that distributing current GDP growth according to the 1940s distribution would reverse 70% of the decline in mobility. This work suggests that inequality and decline in mobility are tightly linked. Reviving the American Dream may require not only the rhetoric of egalitarianism but also a more equal distribution of economic growth.

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