

THE ECONOMIC MOBILITY PROJECT RELEASES COMPREHENSIVE EXAMINATION OF THE STATUS OF THE AMERICAN DREAM, INCLUDING DATA AND ANALYSIS ON EDUCATION, WEALTH, INTERNATIONAL COMPARISONS AND TRENDS OVER TIME

A college degree enhances mobility but family background plays an equal, if not larger role

Washington, D.C. – A major new look at the trends and issues impacting economic opportunity for Americans was released today by the Economic Mobility Project, an initiative of The Pew Charitable Trusts. “Getting Ahead or Losing Ground: Economic Mobility in America,” is authored by three Brookings Institution scholars, Julia B. Isaacs, Isabel V. Sawhill and Ron Haskins and includes new chapters on education, wealth, international comparisons and trends over time. These, combined with previously released chapters on gender, race, immigration and families, comprise the entire volume.

“As income growth has slowed for the typical family and income inequality has increased since the 1970s, many middle class Americans are anxious about their own and their children’s economic prospects,” said Sawhill. “These insecurities need to be assessed against the backdrop of whether the opportunity to improve one’s lot remains strong.”

“This volume provides a vital fact-base that allows us to further expand the public discussion of economic mobility and opportunity in this country,” said John E. Morton, Pew’s Managing Director of Economic Policy and Director of the Economic Mobility Project. “It comes at a critical time. With economic anxiety mounting among many American families, now is the time for candidates and policy makers to be speaking directly to the challenge of how to ensure that the American Dream remains a reality for all.”

“While much of the focus in this election year has been on the fact that the economy is slowing and gaps between the rich and the poor are wide, the idea that everyone has a fair shot at the American Dream has kept hope alive for many families. The question is whether this hope is consistent with reality,” Sawhill added.

Education and Mobility

Across every income group, Americans are more likely to surpass their parents’ income in absolute terms if they earn a college degree, reinforcing the conventional wisdom that higher education provides a means for opportunity. The report, authored by Ron Haskins and using data from the Panel Study of Income Dynamics, finds that 84 percent of Americans born into the bottom quintile who earn a college degree move up at least one rung on the economic ladder—and 19 percent make it to the top. This compares to only 5 percent of those born into the bottom that make it to the top without a college degree.

Yet, family background plays an equally, if not more important, role than education. Of Americans born into the top quintile who earn a college degree, 54 percent remain there as adults; nearly triple the percentage of college graduates born to parents at the bottom that make it to the top of the income distribution. Perhaps more strikingly, 23 percent of those born into the top quintile that do not get a degree stay at the top as adults, a slightly higher percentage than the number of college graduates from the bottom quintile who manage to climb to the top.

“The good news is that education matters and provides a robust return to all Americans,” said Haskins. “The more sobering news is that family background still has a big impact on economic success and the nation’s educational system does not do enough to help poor children overcome their family background.”

International Comparisons

“Americans are particularly optimistic about their chances of moving up the economic ladder,” said Isaacs. “However, a growing number of studies show that when compared to other industrialized nations, the United States stands out as having less, not more, economic mobility.”

In particular, 42 percent of sons born into the bottom income quintile stay there as adults, compared to 25 percent in Denmark, 28 percent in Norway and 30 percent in the United Kingdom. Moreover, it takes an average of six generations for family economic advantages to disappear in the United States, compared to three generations for Canada, signaling higher mobility in Canada. It is important to note when making such cross-country comparisons, that Americans may have farther to climb to get to the next rung on the ladder than their European counterparts due to increasing levels of inequality in the United States.

Wealth and Mobility

Wealth, which includes investments, real estate holdings, businesses and inheritances, is a fundamental component of economic well-being and can contribute greatly to mobility. Data show that similar to income, there is “stickiness” at the ends of the wealth distribution. Thirty-six percent of children born to parents in the bottom wealth quintile remain in the bottom as adults and 36 percent of children born to parents in the top wealth quintile remain at the top as adults. Although only 7 percent of children born to parents in the bottom wealth quintile make it to the top in adulthood, more than 60 percent move out of the bottom. In addition, there is substantial mobility in the middle quintiles, as children born to parents in the middle wealth quintile have an equal likelihood of moving up or down the distribution.

Trends over Time

In the generation immediately following World War II, strong economic growth in the U.S. spurred a rise in absolute economic mobility. Over the last generation however, the combination of slowing economic growth and rising inequality has increased the importance of relative mobility, or movement between the ranks, in America. The hope that increased opportunity would offset the effects of slower growth or more unequal incomes is not supported by most of the evidence. Although the research base is limited and the studies do not all agree, taken as a whole, the current literature does not suggest that the rate of relative mobility has changed much since about 1970. If anything, relative mobility may have declined.

Comprised of a Principals’ Group of experts from The American Enterprise Institute, The Brookings Institution, The Heritage Foundation and The Urban Institute, the project seeks to investigate the status of economic mobility in America.

The full volume, as well as a comprehensive set of research and informational resources on mobility, is available at www.economicmobility.org or www.brookings.edu.

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By forging a broad and nonpartisan agreement on the facts, figures and trends related to mobility, the Economic Mobility Project hopes to focus public attention on this critically important issue and generate an active policy debate about how best to ensure that the American Dream is kept alive for generations that follow.

The Pew Charitable Trusts (www.pewtrusts.org) is driven by the power of knowledge to solve today's most challenging problems. Pew applies a rigorous, analytical approach to improve public policy, inform the public and stimulate civic life. We partner with a diverse range of donors, public and private organizations and concerned citizens who share our commitment to fact-based solutions and goal-driven investments to improve society.