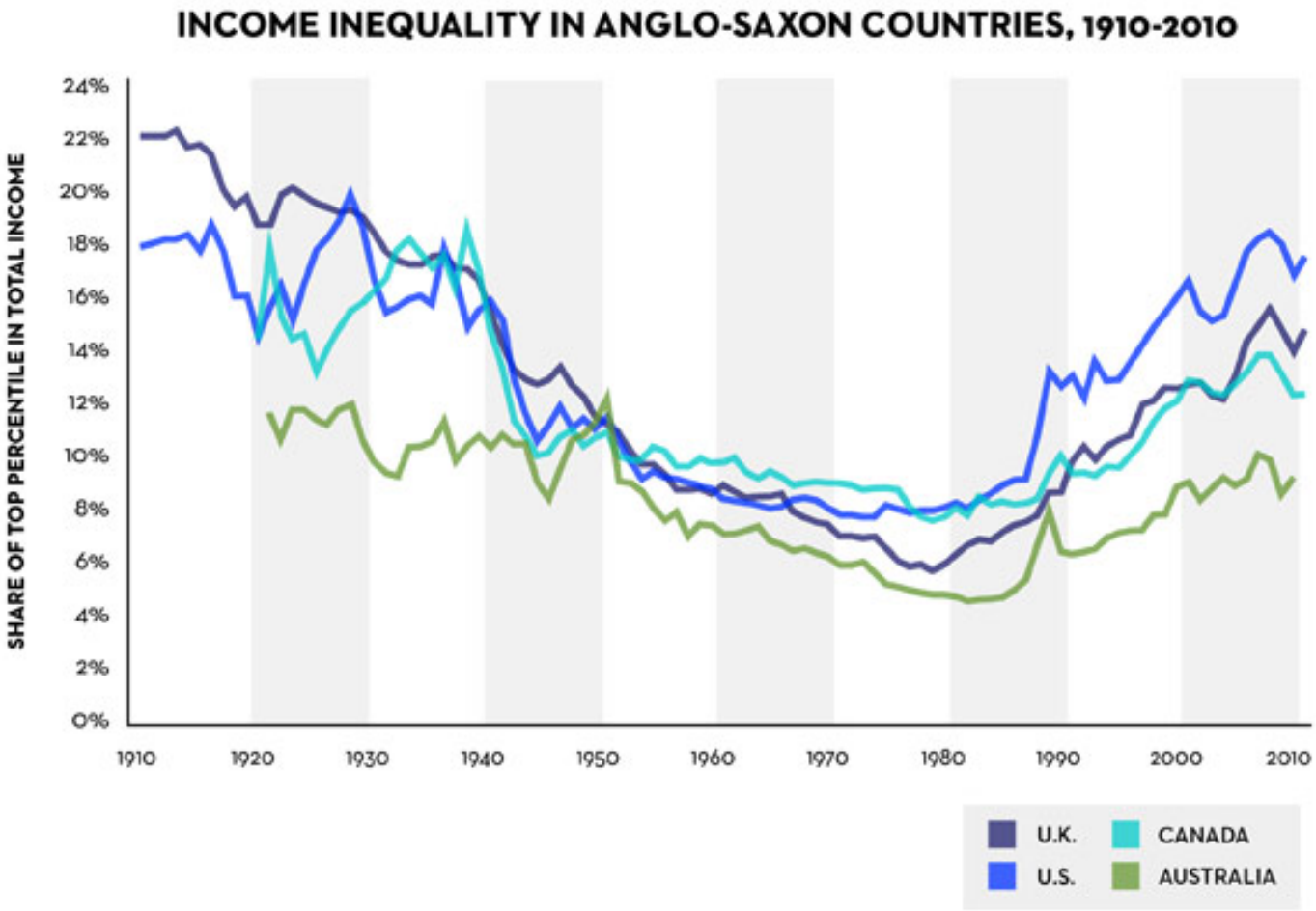
Inequality and Mobility



Historical Intergenerational Mobility

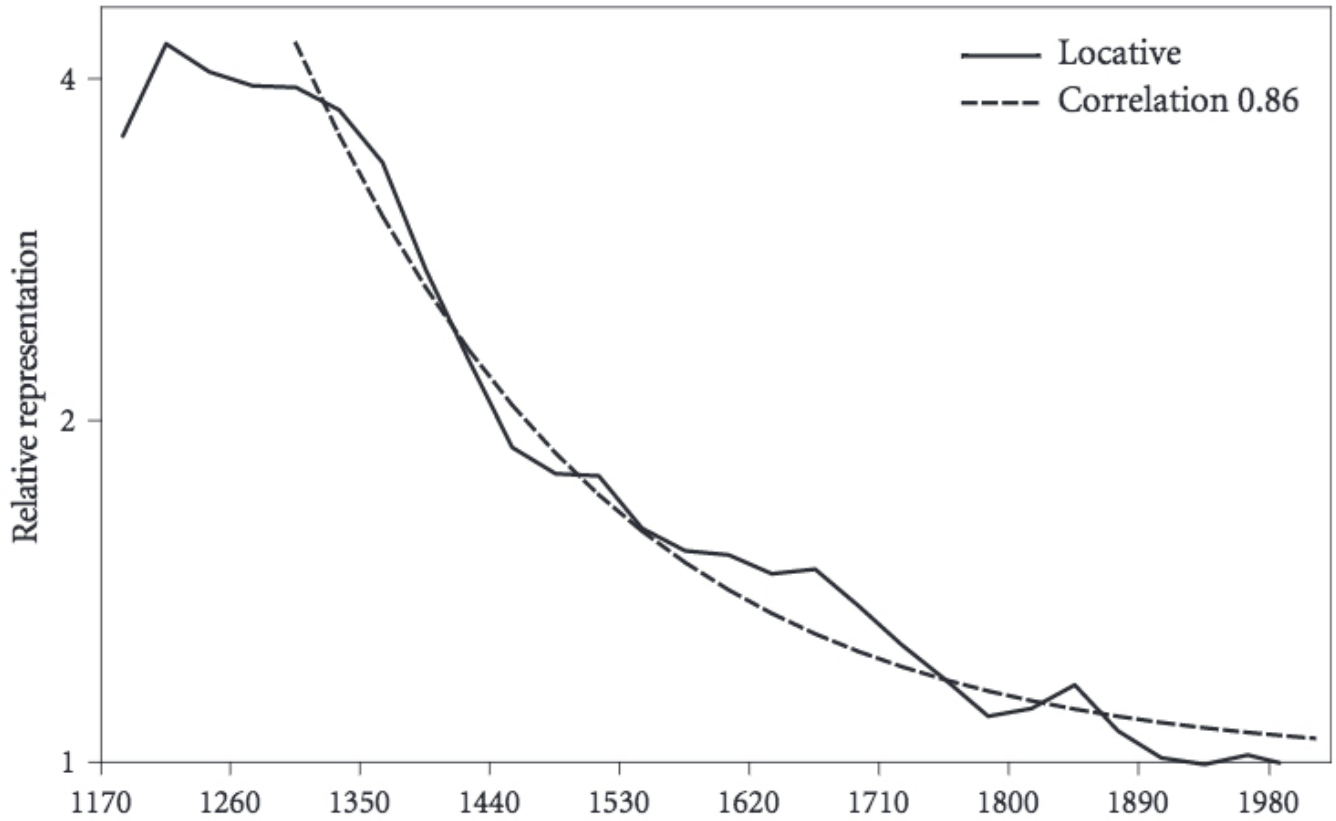


FIGURE 4.4. Locative surnames at Oxford and Cambridge, 1170–2012.

Examples: Mandeville, Montgomery, Baskerville, Percy, Neville, Beaumont

Historical Intergenerational Mobility

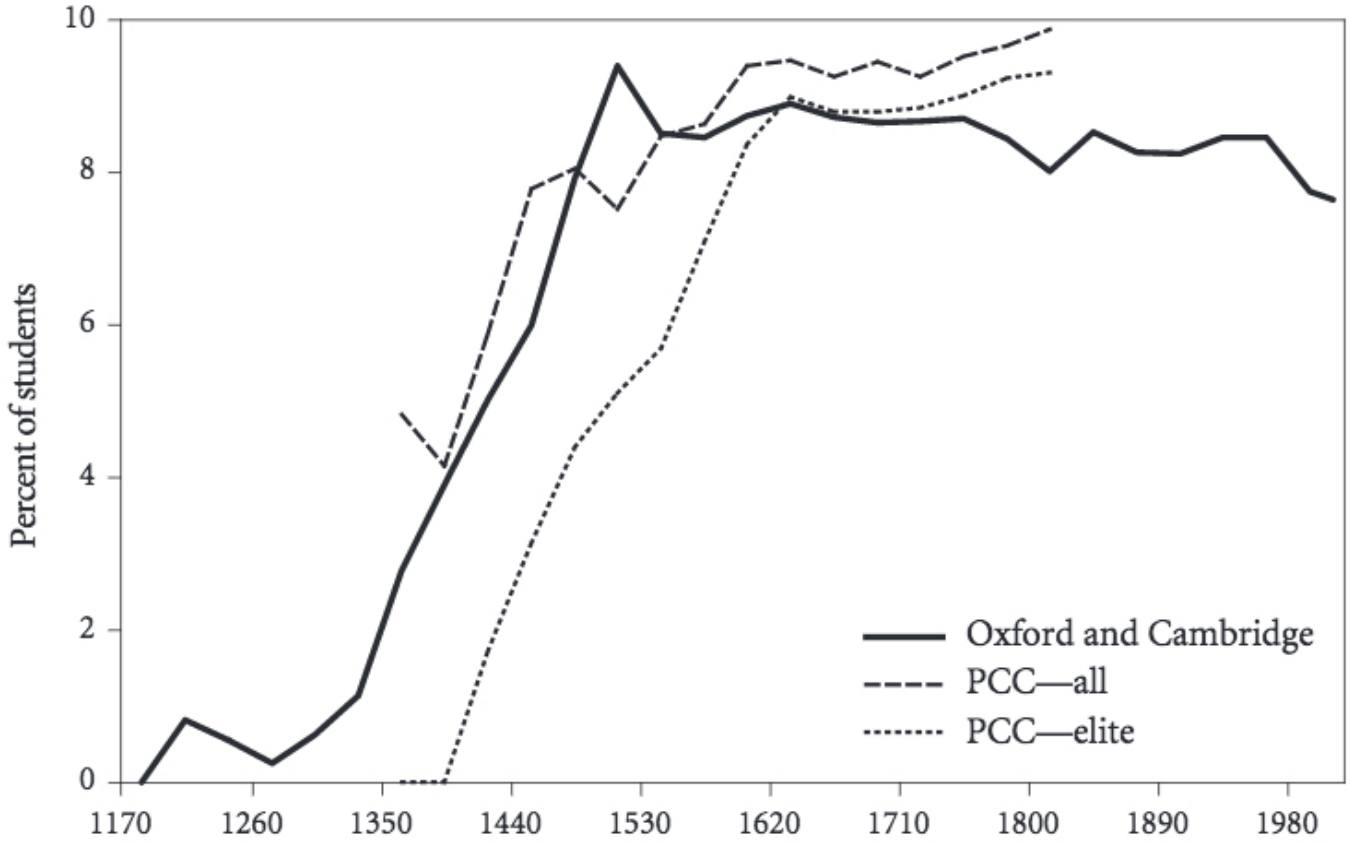


FIGURE 4.1. Percentage of artisan surnames among English elites, 1170–2012.

Examples: Smith, Baker, Cook, Carter, Wright, Shepherd, Butler

Changes in Intergenerational Mobility Over Time

- Elites and non-elites rose and fell in socioeconomic status at rates comparable to modern times
- Consider our two living super-rich Americans
- Bill Gates' grandfather was a national bank president and his father was a prominent lawyer
- Warren Buffet's father was a four-term congressman
- We may not have hereditary titles or a landed elite, but we do have status passed from one generation to the next today
- Why might that be the case in what we like to think of our society as a meritocracy?

Changes in Intergenerational Mobility Over Time

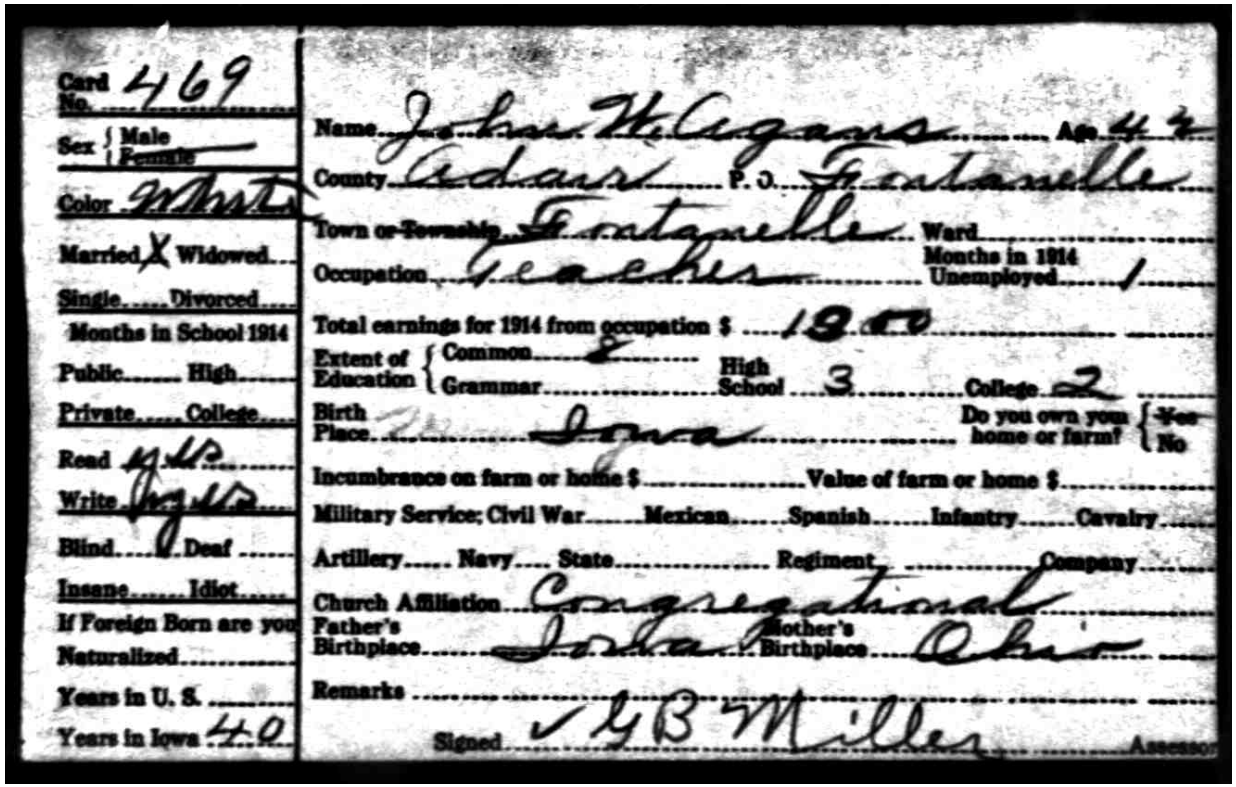
- In many ways, a meritocracy places strong value on human capital
- We have all sorts of ways that parents with means can invest in their children's human capital
- Think about private schools, tutors, college tuition, books, etc.
- This will tend to decrease mobility
- Working in the opposite direction are the effects of public education
- To see the complex relationship between mobility and human capital, let's take a look at what happened when public high schools were introduced in the US

Changes in Intergenerational Mobility Over Time

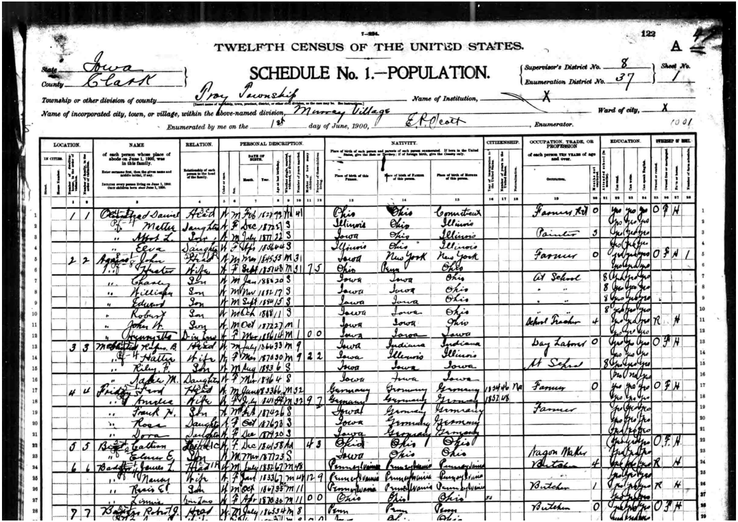
- The High School Movement occurred during the early 20th century
- Common schools were replaced with graded schools, high schools were built letting students expand their studies past the traditional 8 years
- High school became an option for everyone, not just those planning to go a traditional college route
- Overall, access to school and the quality of schools rose tremendously
- What did this do to mobility?

Changes in Intergenerational Mobility Over Time

Changes in Intergenerational Mobility Over Time



Changes in Intergenerational Mobility Over Time



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A

TWELFTH CENSUS OF THE UNITED STATES.

SCHEDULE No. 1.—POPULATION.

State: Iowa

County: Clark

Supervisor's District No. 8

Enumeration District No. 37

Sheet No. 1

Township or other division of county: Troy Township

Name of Institution: X

Name of incorporated city, town, or village, within the above-named division: Murray Village

Ward of city: X

Enumerated by me on the 1st day of June, 1900, E. F. Olcott, Enumerator.

LOCATION. | NAME | RELATION. | PERSONAL DESCRIPTION. | NATIVITY. | CITIZENSHIP. | OCCUPATION, TRADE, OR PROFESSION | EDUCATION. | OWNERSHIP OF HOME.

Changes in Intergenerational Mobility Over Time

Annual Report of Appanoose County for 1900

DISTRICTS: Names of School Townships and Independent Districts	SCHOOLS: Number subdistricts	Number ungraded	Number rooms in the graded schools	Average number of months taught	TEACHERS AND PUPILS: Number employed: Males	Number employed: Females	Average compensation per month: Males	Average compensation per month: Females	No. of persons between the ages of 5 and 21 years: Male	No. of persons between the ages of 5 and 21 years: Female	No. enrolled in each district	Total average attendance in the whole district	Average cost of tuition per month for each pupil	Number of schoolhouses	GENERAL: Value of schoolhouses	Value of apparatus	Number of volumes in the libraries	No. of trees in thrifty condition on the schoolhouse sites	No. schoolrooms in which effects of stimulants and narcotics are taught
Bellair. (School Tps.)	5	5		71	5	5	3095	2640	66	65	146	100	162	5	1550			27	8
Caldwell.	9	9		6	5	8	2453	2323	191	194	280	180	112	9	3600			58	9
Chariton.	6	6		61	4	8	30	2323	61	81	145	87	198	6	1800	30		53	6
Franklin	9	9		64	4	13	2635	2680	139	96	234	133	193	9	4350	510			9
Pleasant.	8	8		64		12		2450	127	113	242	144	140	8	3900		15	55	8
Sharon.	7	6		65	3	6	2758	2363	86	71	141	82	217	7	1550	300			6
Taylor.	6	6		6	4	3	26	26	69	66	152	92	158	6	1400	420	22	56	8
Udell.	5	5		6	2	5	2916	2541	111	104	184	122	131	5	2375	45		226	8
Union.	6	7		66	8	9	2816	2495	100	128	239	126	137	6	1900				7
Vermilion.	7	7		81	1	10	2875	2783	155	145	215	114	182	7	2500	175	37	33	7
Walnut.	8	9		72	4	15	2915	2352	198	156	269	175	160	9	2900				9
Washington.	9	9		54	5	7	2968	2796	168	179	321	205	127	9	4500				9
Wells.	10	10		77	6	13	2735	2439	197	210	286	176	147	10	1375	257		69	9
Brazil.		1	2	7		5		30	136	121	177	108	83	2	900	20		10	3
Centerville			25	9	3	28	4875	4312	1051	1038	1467	1129	124	3	83375	600	418	63	24
Cincinnati			6	9	1	5	80	30	241	217	350	233	99	1	6700	100	200	48	6
Exline.			2	8	1	2	3333	25	44	35	54	41	104	1	1200	150		6	2
Jerome.			2	7		3		2875	57	67	123	67	59	1	1800			20	2
Moravia (Town Ind. Dist.)			4	8	1	3	60	30	119 123	104 08	188	126	20	1	3000	35	60	25	4
Moulton. Town.			6	8	2	5	80	38	203	215	383	280	125	1	20000	1100	875	300	6
Mystic.			9	8	1	9	75	30	304	261	481	281	115	3	7000	65	125	40	9
Numa.			2	7	1	2	3028	2350	48	57	66	56	98	1	800	200		12	2
Rathbun			2	6	2	3	042		64	68	112	59	103	1	900	15		4	2
Unionville.			3	7	1	2	50	30	63	72	120	90	122	1	3200	25	134	100	3
Dayton Rural Ind. Douglas Tp. No. 1		2		5	1	2	2680	1960	31	30	79	40	58	1	500	25		15	1
Pleasant Grove " " No. 2		1		7	1	1	35	20	29	30	57	27	114	1	600	150		6	
Salem. " " No. 3		1		6		2		30	37	32	58	29	103	1	800			6	1
Morris. " " No. 4		1		6		1		25	18	14	29	17	147	1	300			12	1
Pleasant Hill. Independence Tp. No. 1		1		6		2		2666	19	17	35	25	106	1	700	20			1
North Chariton " " No. 2		1		6		1		2267	6	8	5	45	94	1	400	50			1
Union " " No. 3.		1		7	1	1	2657	2657	13	11	18	11	242	1	775	100	40	22	1
Independence " " No. 4.		1		8	1	1	31	20	26	22	40	25	102	1	600	200		12	1
North Bend. " " No. 5.		1		78	2	1	40	20	16	18	34	23	143	1	300	50	20	2	
Jackson. " " No. 6		1		7		2		2214	12	16	19	15	147	1	200			15	1
South Chariton " " No. 7		1		7		2		2321	18	10	26	12	194	1	200	100		2	1
Concord. Johns Tp. No. 1.		1		7		2		2429	11	8	19	11	220	1	200	15			1
Jones. " " No. 2.		1		7	1	2	3350	20	15	16	33	22	123	1	200	5	30		
Teachers. " " No. 3.		2		7		4		3214	41	33	71	26	123	2	700				2
Union. " " No. 4.		1		7		3		2750	22	21	30	19	109	1	300			14	1
Walnut Creek " " No. 5.		1		7	1	1	28	20	22	16	37	25	98	1	500	50		7	1
Galesburg. " " No. 6.		1		7	2	1	20	20	14	14	21	201		1	300				1
Johnstown. " " No. 7		1		7		2		2571	13	11	20	14	185	1	500				1
Union Lincoln Tp. No. 1		1		5		2		2480	22	13	23	15	165	1	200			40	1
Washington " " No. 3.		1		7		2		2428	5	5	12	7	347	1	300	25			1
New Salem " " No. 4		1		7	1	2	30	22	18	8	23	17	107	1	500	50		10	1
Jefferson. " " No. 5.		1		7	1	1	30	20	9	12	20	18	143	1	300			12	1
Farmers. " " No. 6		1		8		2		2563	29	29	39	24	106	1	400	50		14	1

Changes in Intergenerational Mobility Over Time

Table 3: Intergenerational Income Elasticities, 1915 and 2001

Sample	Elasticity
Iowa, full sample	0.109
	(0.030)
PSID, 20-35	0.289
	(0.037)
PSID, 25-40	0.312
	(0.034)

Standard errors given in parentheses.

Changes in Intergenerational Mobility Over Time

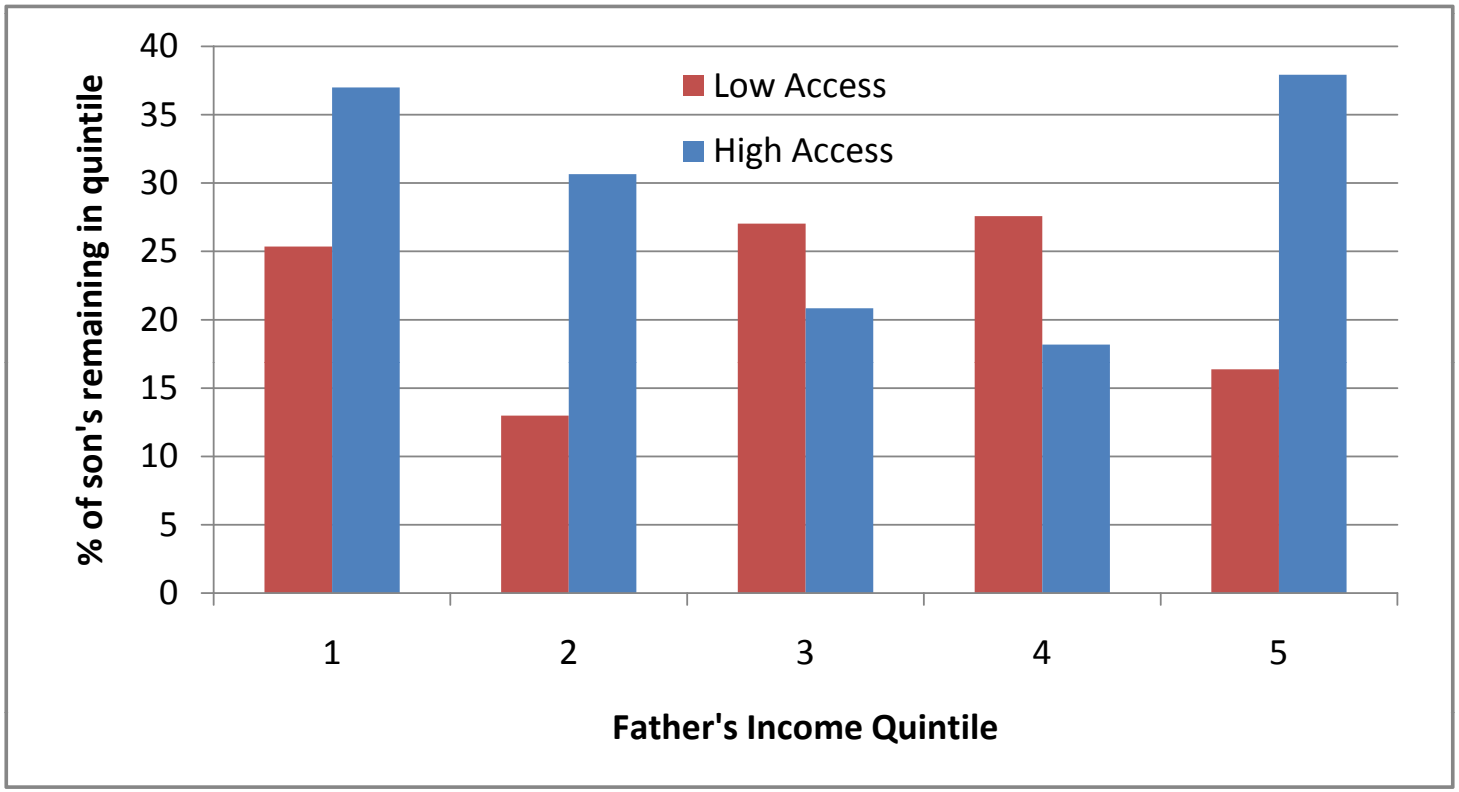
Table 6: Coefficients for school quality/access interaction terms

	Earnings x Schooling Measure Coefficient	
School Measure	Urban Districts	Rural Districts
graded schools dummy	--	-.044
	--	(.059)
spending per student	0.024	.012
	(.068)	(.008)
classrooms per sq. mile	-.033	.230
	(.009)	(.128)
graded classrooms	-.027	.275
per sq. mile	(.008)	(.111)
student-teacher ratio	-.000	-.004
	(.000)	(.001)
subsidy per student	.000	.017
	(.011)	(.004)

Standard errors in parentheses

Changes in Intergenerational Mobility Over Time

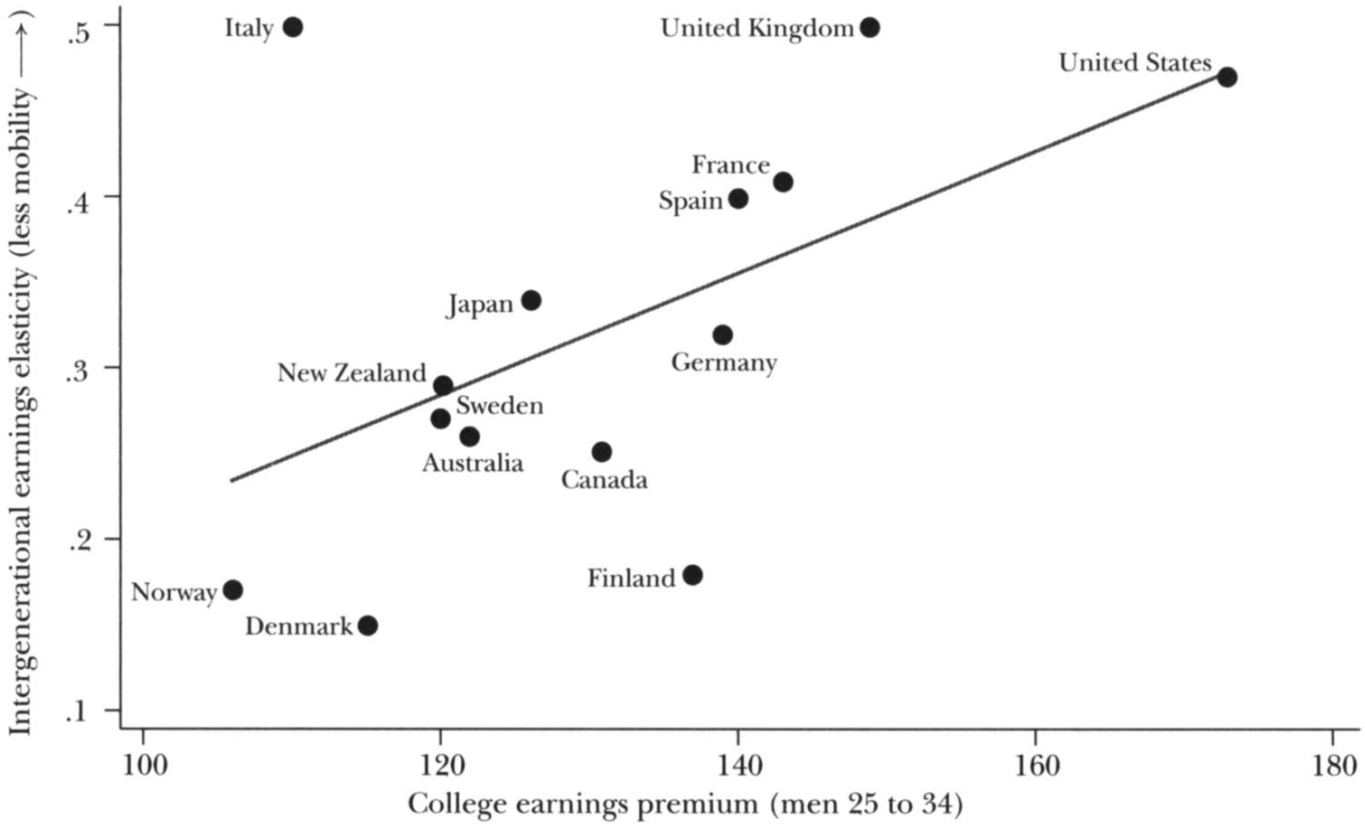
Figure 6: Percentage of sons remaining in their father's income quintile.



Inequality and Mobility

Figure 4

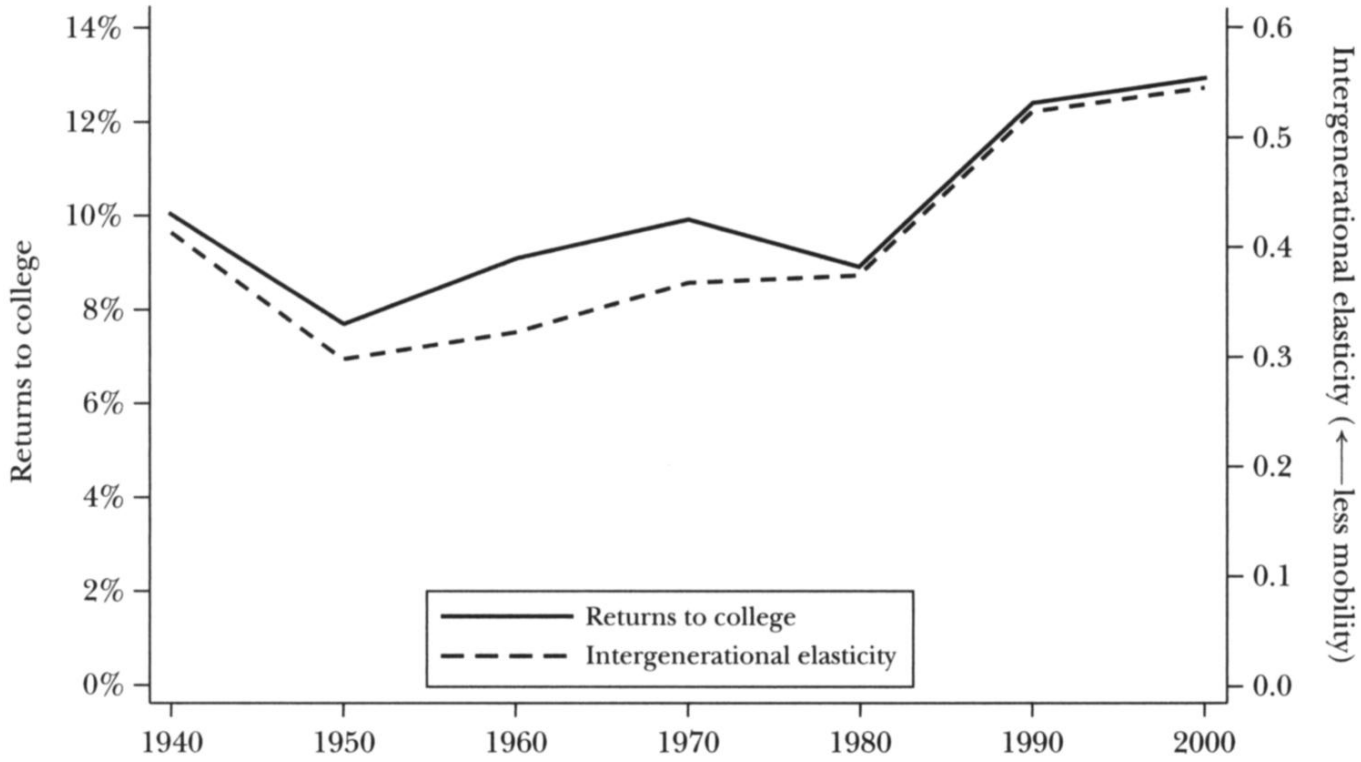
Higher Returns to Schooling are Associated with Lower Intergenerational Earnings Mobility



Inequality and Mobility

Figure 5

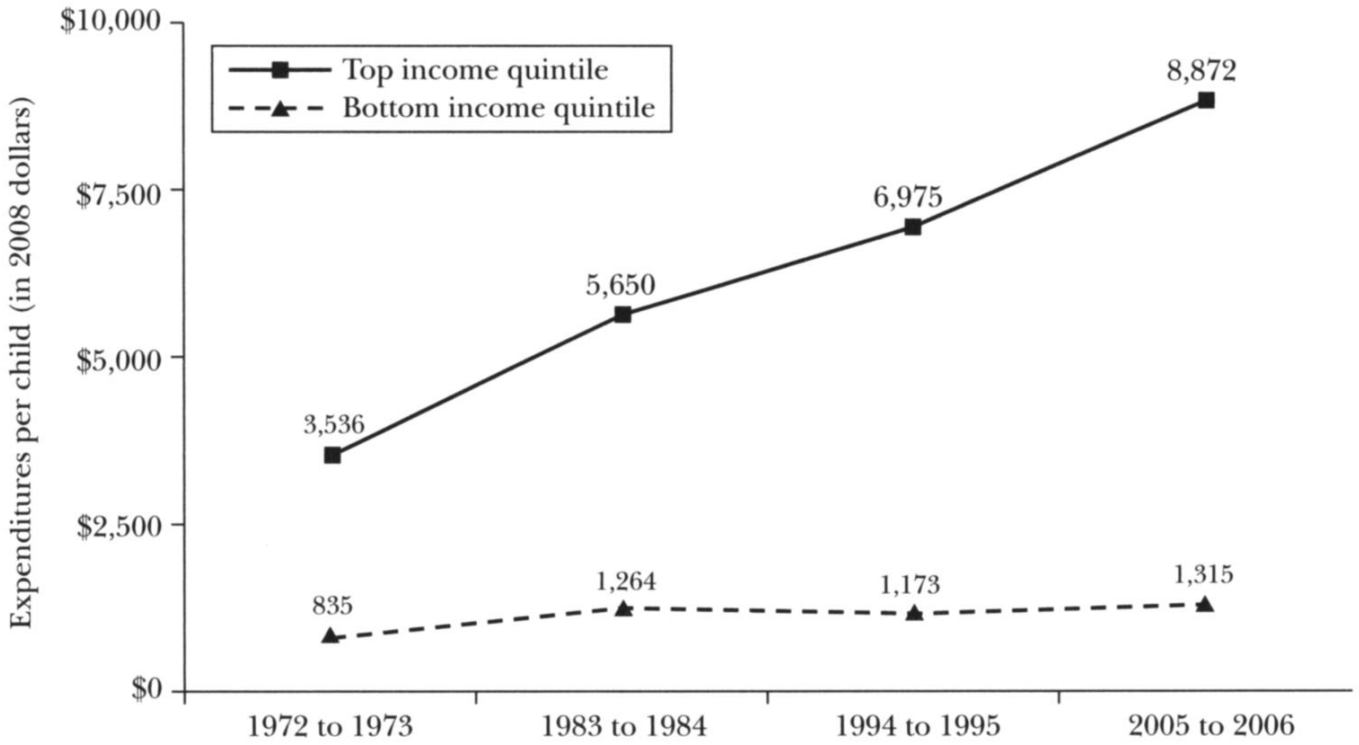
The Higher the Return to College, the Lower the Degree of Intergenerational Mobility: United States, 1940 to 2000



Inequality and Mobility

Figure 6

Money Matters: Higher-Income Families in the United States Have Higher Enrichment Expenditures on Their Children

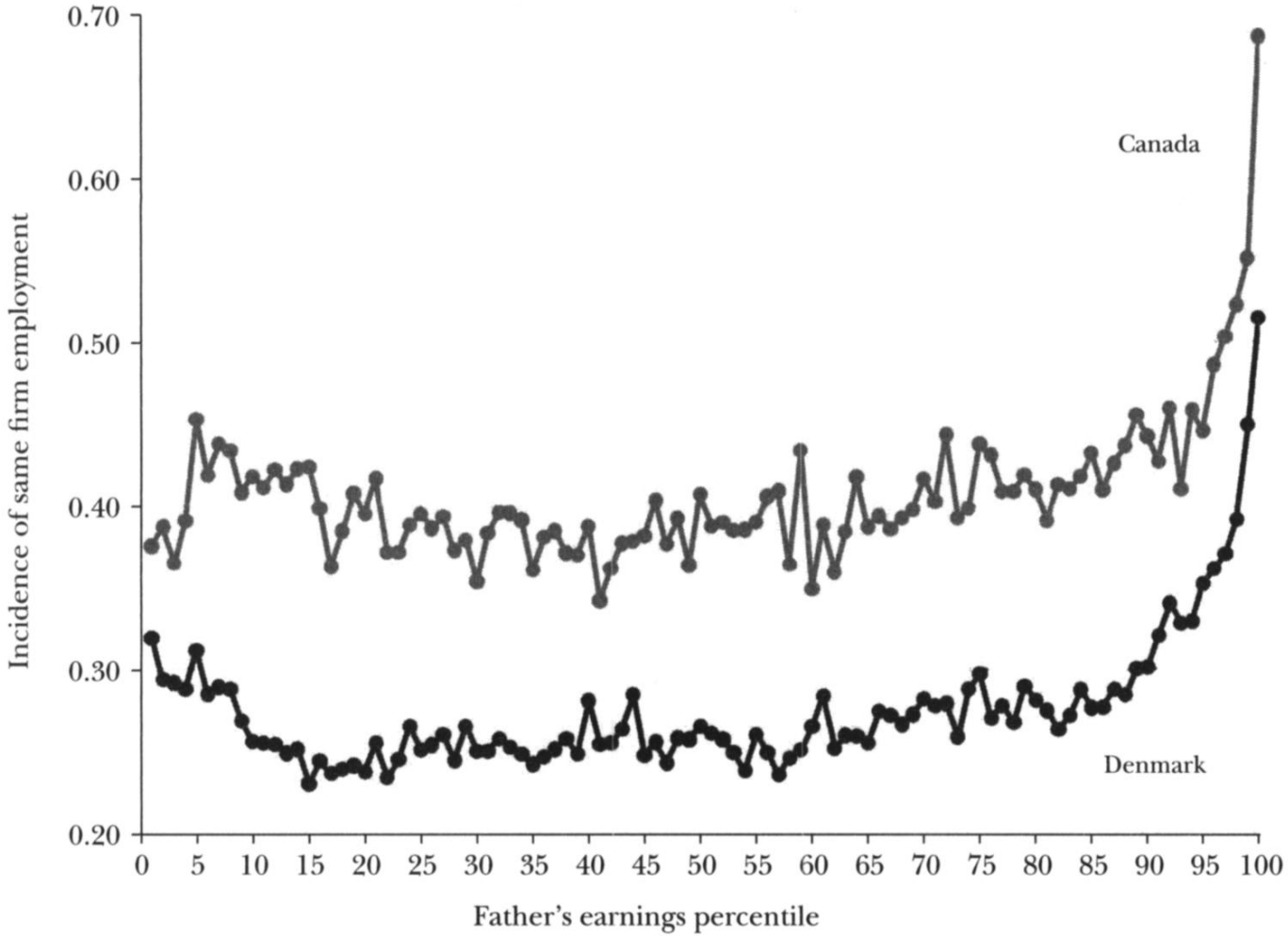


Inequality and Mobility

Figure 7

Proportion of Sons Currently Employed or Employed at Some Point with an Employer their Father had Worked for in the Past: Canada and Denmark

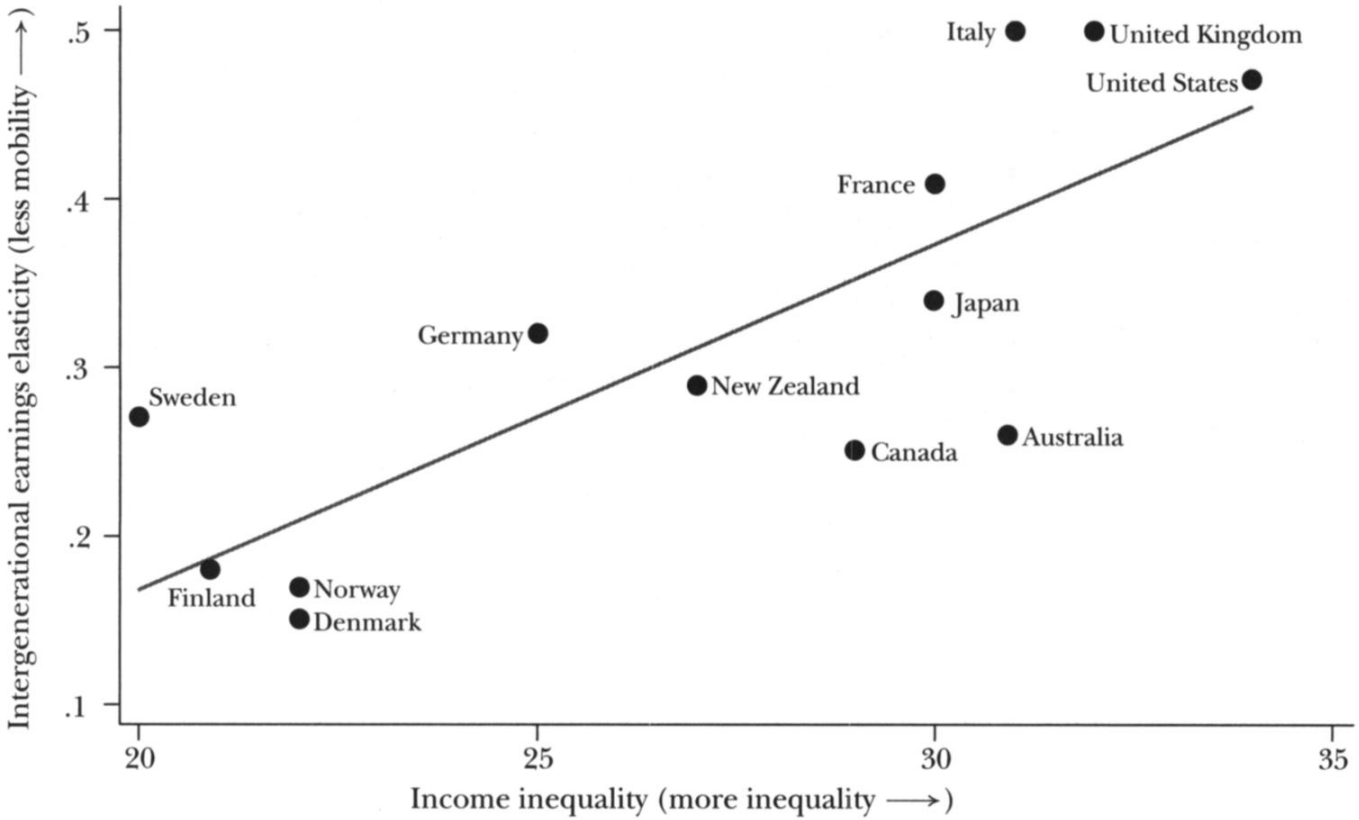
(by father's earnings percentile)



Inequality and Mobility

Figure 1

The Great Gatsby Curve: More Inequality is Associated with Less Mobility across the Generations



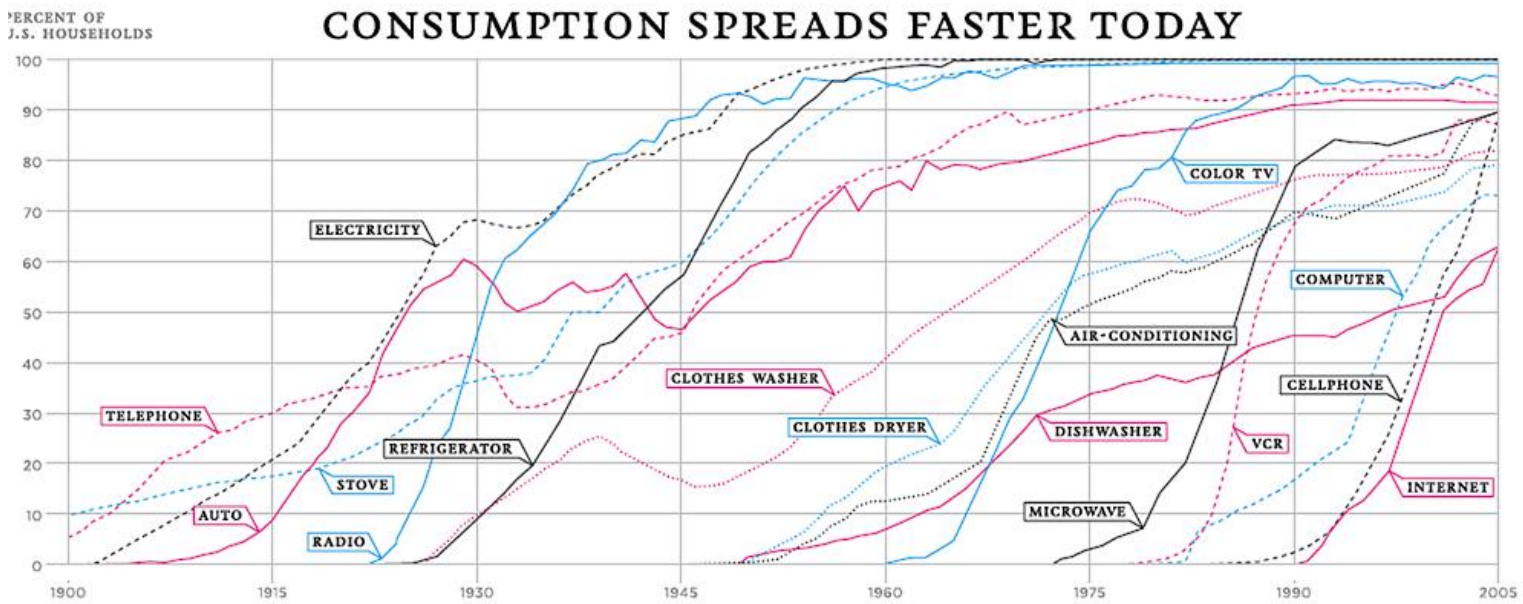
Inequality and Mobility

In 1972 a storm of protest from blue-collar workers greeted Senator McGovern's proposal for confiscatory estate taxes. They apparently wanted some big prizes maintained in the game. The silent majority did not want the yacht clubs closed forever to their children and grandchildren while those who had already become members kept sailing along. – Arthur Okun, 1975

An Empirical Test of the Increases in the Standard of Living

- Let's now take a slightly different approach to assessing how much industrialization has improved the standard of living
- We'll forgo any more fancy analysis and instead take a much simpler approach
- It boils down to the following question: would you rather live in this era or some other era?
- To do this, we'll do two comparisons
  - Living today at the mean income or living in a previous decade in the US at the 90th income percentile
  - Living today at the poverty line or living in a previous century in Britain at the 99th income percentile

An Empirical Test of the Increases in the Standard of Living



An Empirical Test of the Increases in the Standard of Living

- The relevant era-specific incomes are given in parentheses
- All of the incomes are in 2010 US dollars
- To the poll...

Set your browser to PollEv.com/jmparman or text JMPARMAN to 37607 to join the poll.