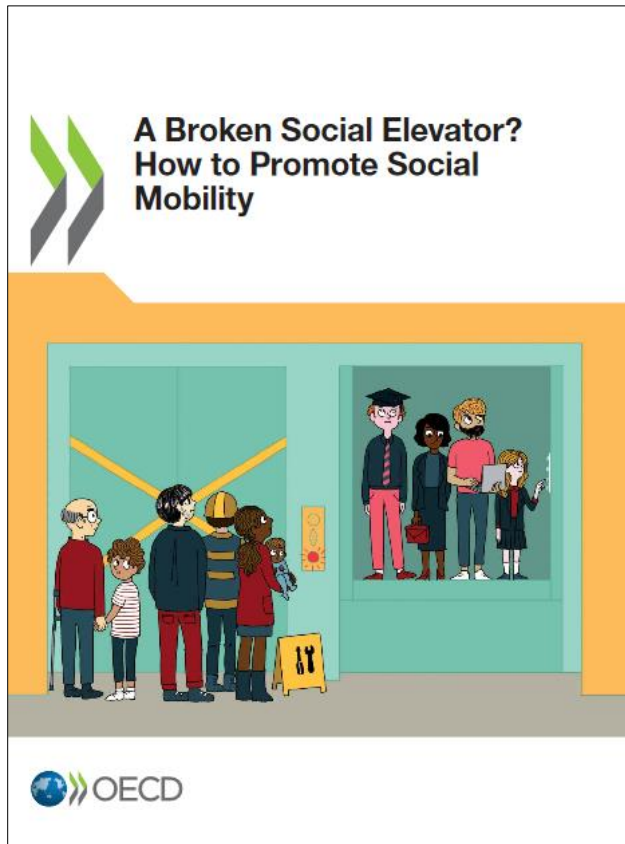


Social Mobility

Economic and Fiscal Policy

Why care?



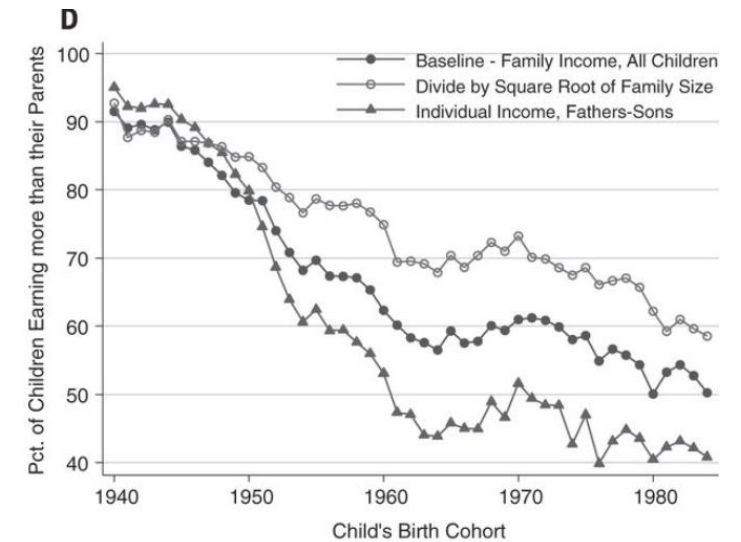
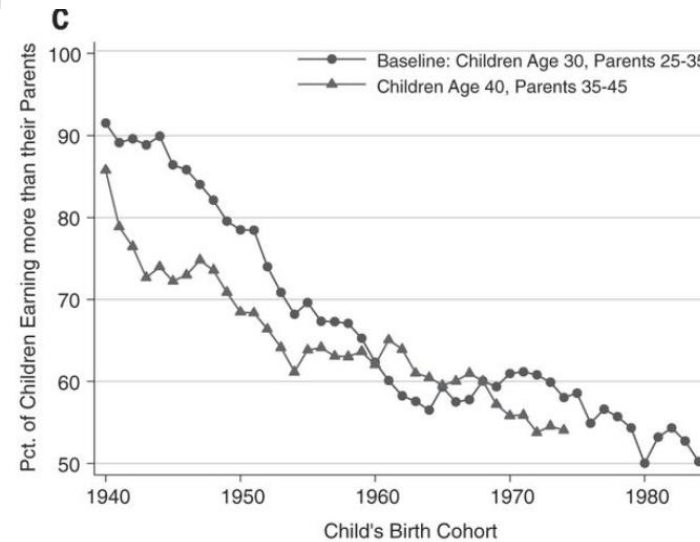
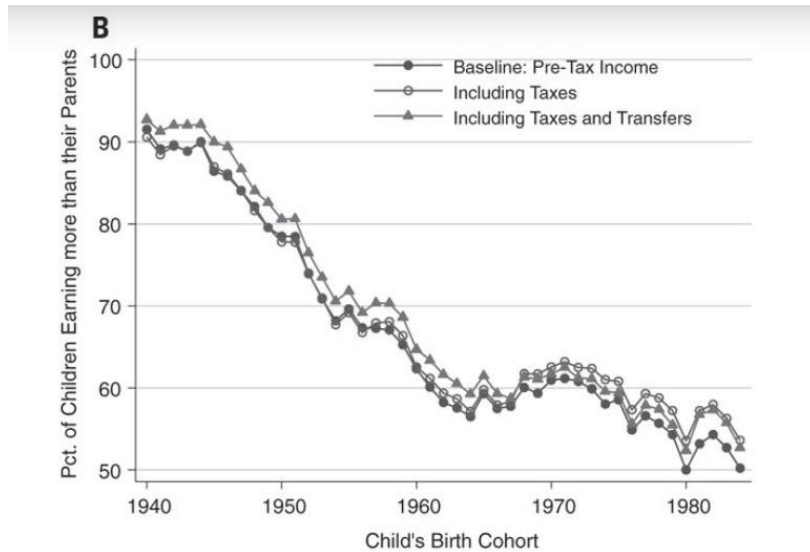
- Efficiency cost from opportunity hoarding and under-developed talent
- Life-satisfaction and well-being (asymmetric)
- Social and political impact – Democratic participation
- Assumptions? Other views?

Overview

- Social mobility: Concepts/measurement
- Mechanisms and policy (for more exhaustive review, see: Piketty, Thomas. „Chapter 8 Theories of Persistent Inequality and Intergenerational Mobility“. In *Handbook of Income Distribution*, 1:429–76. Elsevier, 2000. [https://doi.org/10.1016/S1574-0056\(00\)80011-1](https://doi.org/10.1016/S1574-0056(00)80011-1).)
 - Inherited wealth
 - Family transmission of ability
 - Neighbourhoods
- Debate: Education policy

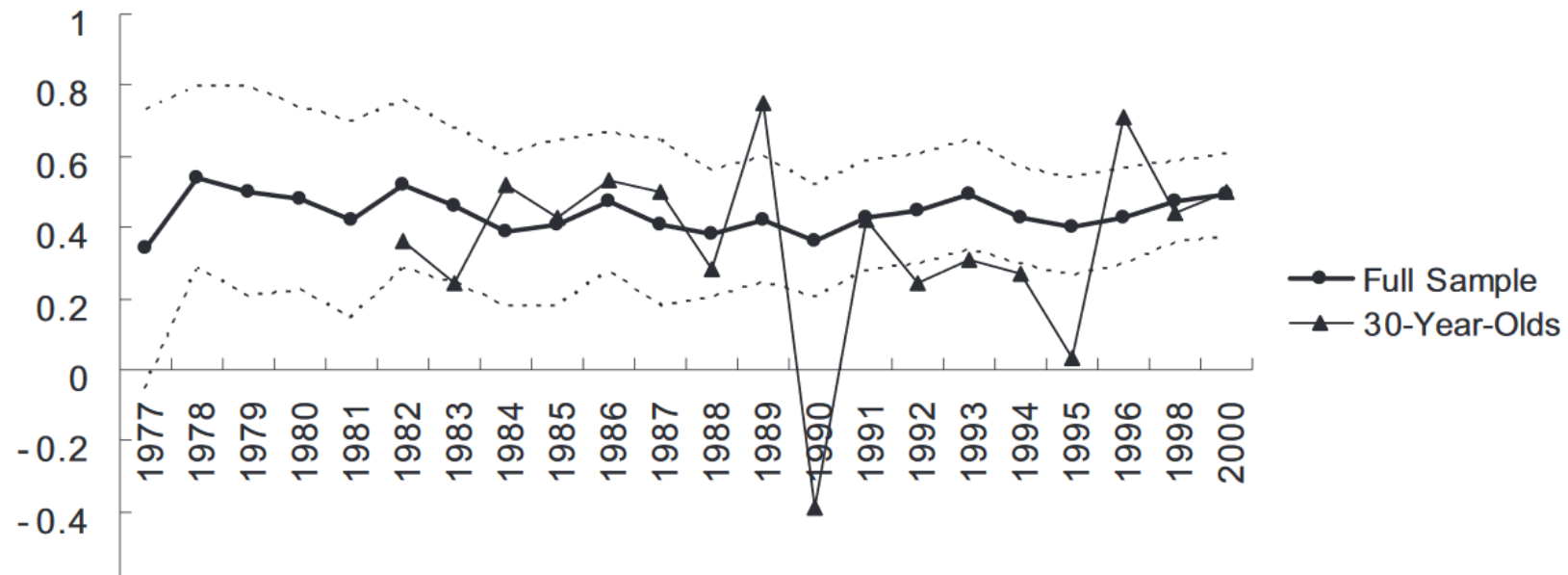
Measures

Source: Chetty, Raj, Nathaniel Hendren, Patrick Kline, und Emmanuel Saez. „Where is the land of Opportunity? The Geography of Intergenerational Mobility in the United States *“. The Quarterly Journal of Economics 129, Nr. 4 (1. November 2014): 1553–1623. <https://doi.org/10.1093/qje/qju022>.



Measures

FIGURE 1.—ESTIMATED INTERGENERATIONAL INCOME ELASTICITIES FOR SONS, 1977–2000



Source: Lee, Chul-In, and Gary Solon. „Trends in Intergenerational Income Mobility“. The Review of Economics and Statistics, 2009, 7.

Measures

- Distinguish intergenerational persistence from mobility of income within a working life as is done here:

Source: Kopczuk, Wojciech, Emmanuel Saez, und Jae Song. „Earnings Inequality and Mobility in the United States: Evidence from Social Security Data since 1937“. Quarterly Journal of Economics 125, Nr. 1 (Februar 2010): 91–128.
<https://doi.org/10.1162/qjec.2010.125.1.91>.

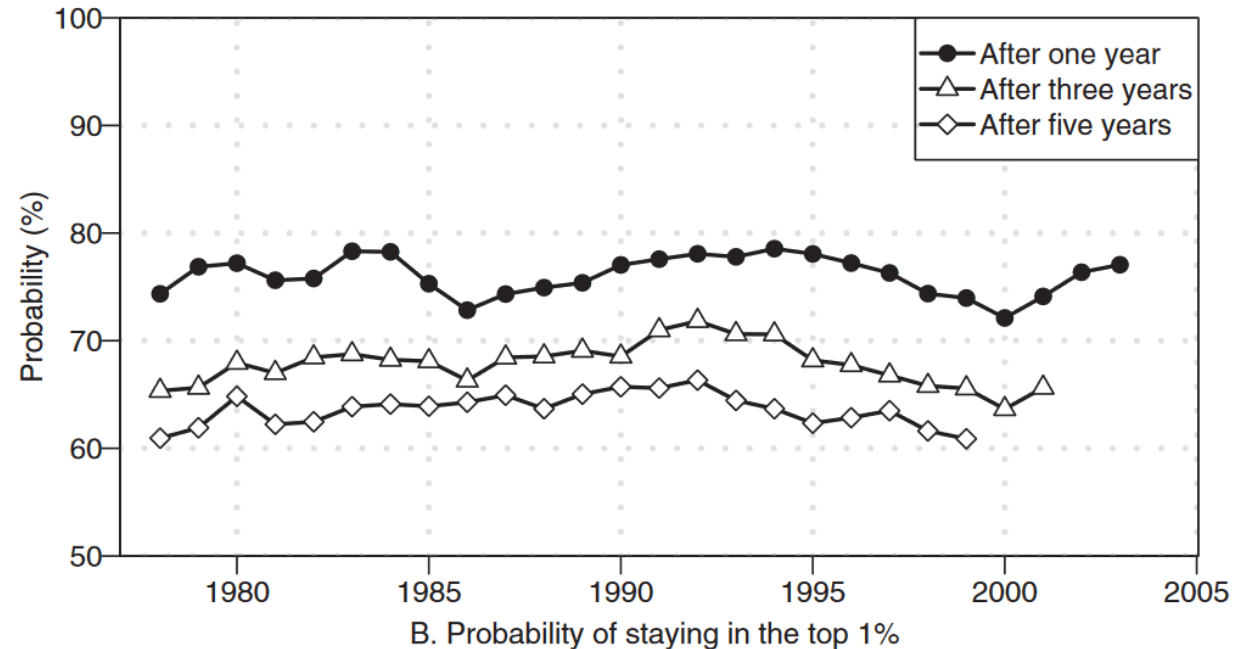


FIGURE VI
Top Percentile Earnings Share and Mobility

Measures

- Even over longer time horizons, mobility can be measured
- For example: Barone and Mocetti (2021)
 - Matching of pseudo-decedents of Florence population in 1427
 - Long run earnings elasticity ~ 0.04
 - Stronger associations for wealth
 - Evidence for occupational persistence (elite occupations: lawyers, bankers, medical doctors and pharmacists,...)

Wealth inheritance

Wealth transmission

- See last session on inheritance (-taxation)
- Landmark study: Intergenerational Wealth Mobility and the Role of Inheritance: Evidence from Multiple Generations (Adermon et al. 2018)
 - Swedish data set on wealth and bequests
 - parent-child rank correlations of 0.3–0.4 and grandparent–grandchild rank correlations of 0.1–0.2
 - Inheritances account for at least half of the parent–child wealth correlation while earnings and education can account for only a quarter

Wealth inheritance

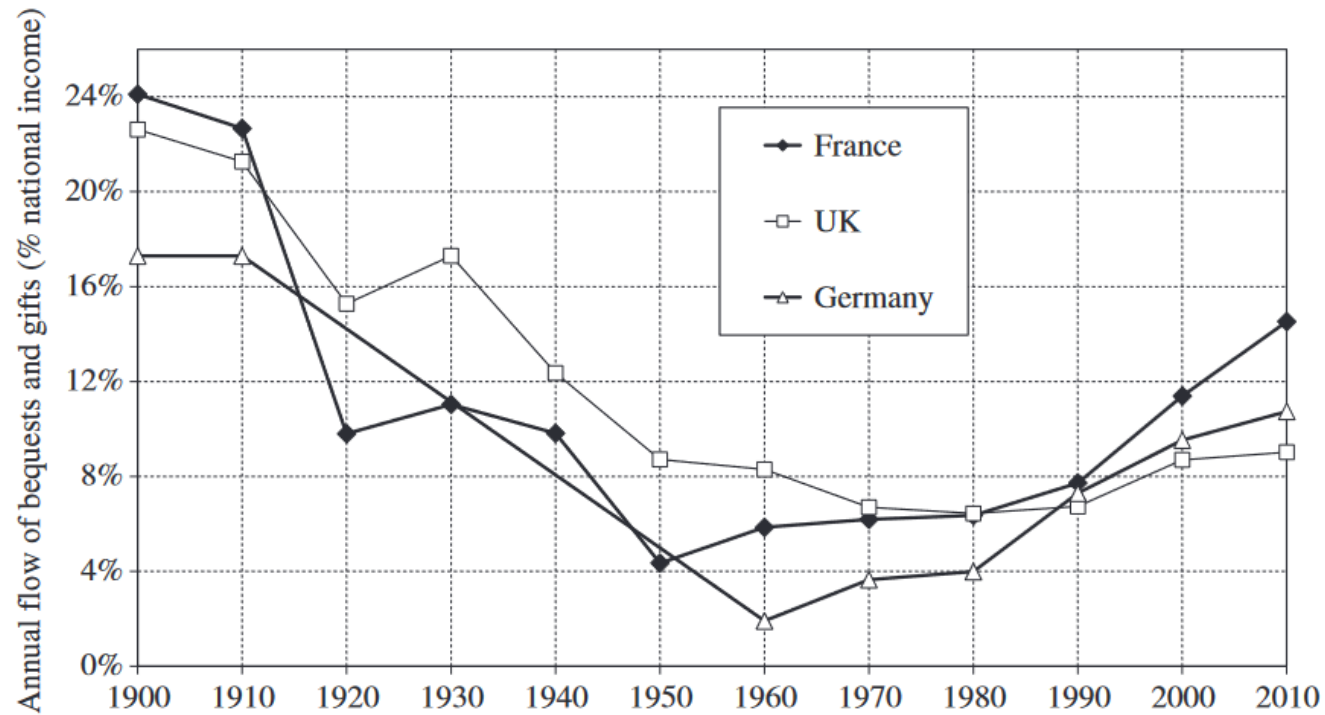


FIGURE 4. Inheritance flow in Europe 1900–2010 .

Notes: The inheritance flow follows a U-shaped in curve in France as well as in the UK and Germany. It is possible that gifts are underestimated in the UK at the end of the period.

Source: Alvaredo, Facundo, Bertrand Garbinti, und Thomas Piketty. „On the Share of Inheritance in Aggregate Wealth: Europe and the USA, 1900–2010“. *Economica* 84, Nr. 334 (2017): 239–60.
<https://doi.org/10.1111/ecca.12233>.

Wealth inheritance

TABLE 1
EVIDENCE OF UNDERREPORTING OF INHERITED WEALTH IN HOUSEHOLD SURVEYS

		Self-reported flow of inheritance and gift receipts (% of benchmark estimates of total economic flow of inheritance and gift)
France (INSEE Wealth Survey)	2003	29%
	2009	21%
USA (Survey of Consumer Finances)	1989	44%
	1992	31%
	1995	58%
	1998	26%
	2001	20%
	2004	27%
	2007	20%
	2010	22%
	2013	25%

Notes

In 2003, the self-reported flow of inheritance and gift receipts in the French household wealth survey equals 29% of the total estimated economic flow.

The self-reported flow was computed as the average receipts reported for the 6 years before survey year (the results are similar if we take a 3-year or 1-year window). The benchmark economic flow was computed using macroeconomic data on aggregate wealth, mortality rates and age-wealth profiles (see text).

Source: Alvaredo, Facundo, Bertrand Garbinti, and Thomas Piketty. „On the Share of Inheritance in Aggregate Wealth: Europe and the USA, 1900–2010“. *Economica* 84, Nr. 334 (2017): 239–60.

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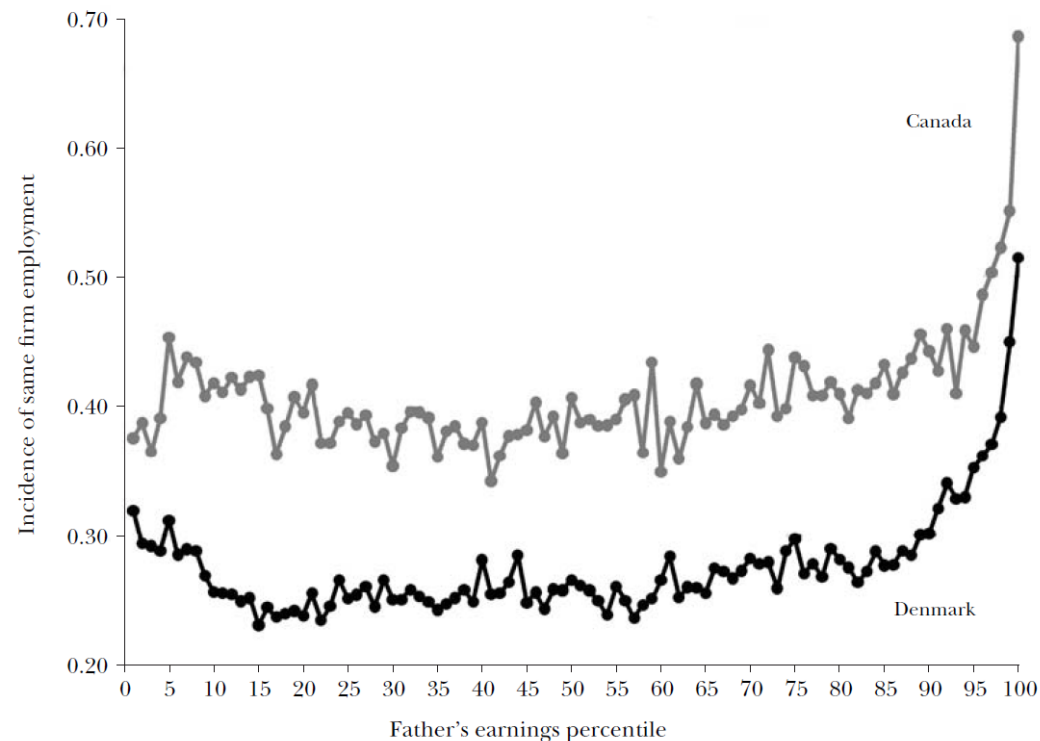
Ability

Genetics

- Landmark study: The Origins of Intergenerational Associations: Lessons from Swedish Adoption Data (Björklund et al. 2006)
 - Nature vs. nurture: Characteristics of parents (full effect) and adoptive parents (postnatal characteristics)
 - Find that pre-and postbirth factors contribute to intergenerational transmission, prebirth factors more important for mother's education and postbirth factors more important for father's income
- Higher earnings similarities between twins than between other siblings, higher similarities between identical than fraternal twins
- Would a high share of genetic transmission mean that there is no role for policy?

Ability

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)



Post-birth family environment

- Training
- Cognitive/non cognitive stimulation

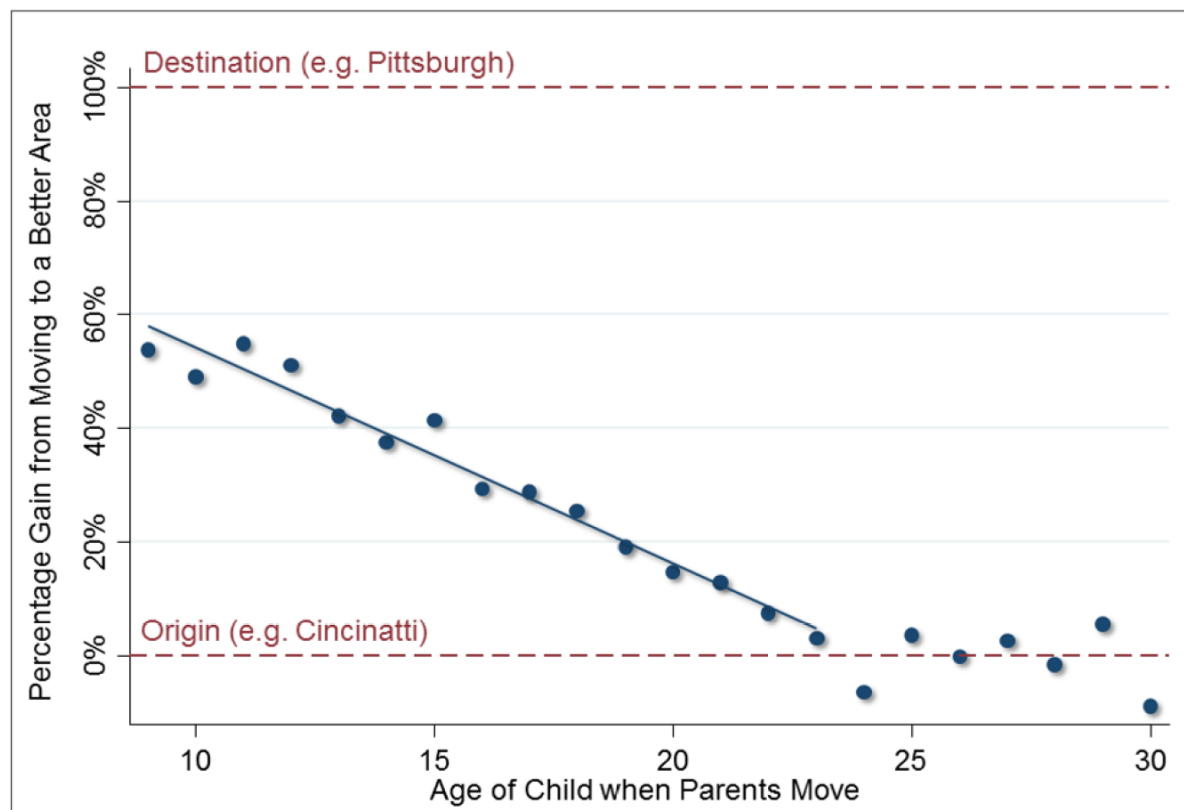
Source: Corak, Miles. „Income Inequality, Equality of Opportunity, and Intergenerational Mobility“. *Journal of Economic Perspectives* 27, Nr. 3 (1. August 2013): 79–102. <https://doi.org/10.1257/jep.27.3.79>.

Neighbourhoods

<https://www.opportunityatlas.org/>

Neighbourhoods

FIGURE 1: Effects of Moving to a Different Neighborhood on a Child's Income in Adulthood



Source: Chetty, Raj and Hendren, Nathanael. The Impacts of Neighborhoods on Intergenerational Mobility: Childhood Exposure Effects and County-Level Estimates, 2015

Education

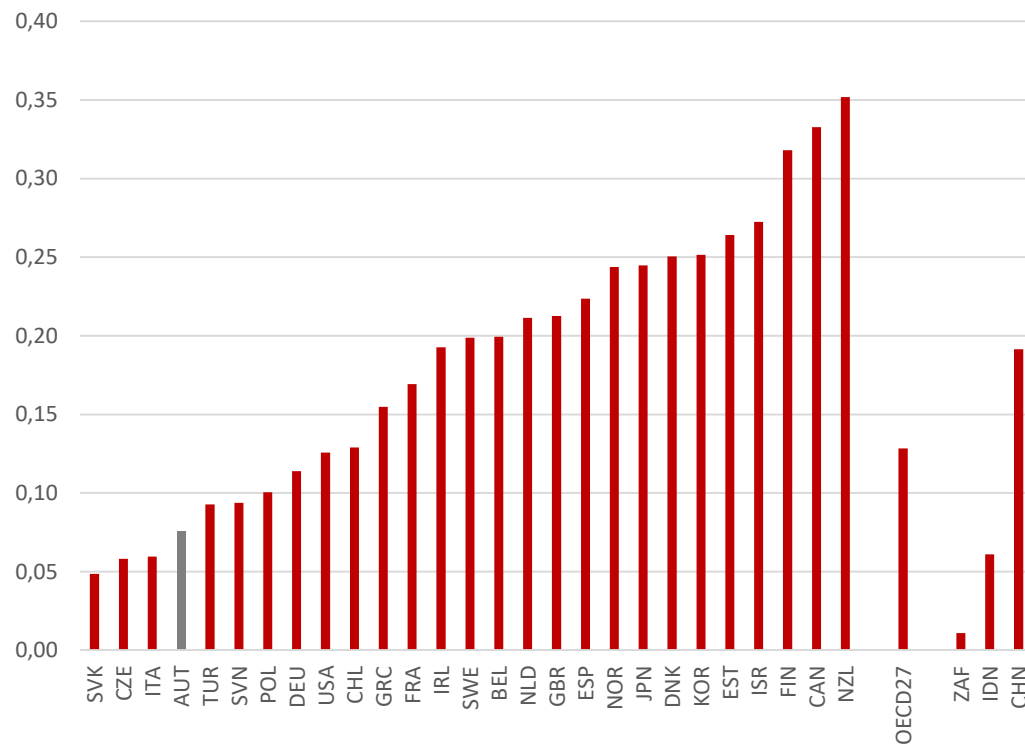
- What policies does Heckman propose to improve outcomes for disadvantaged children?
- What is the intuition behind Fig. 2?
- What are the implications of Heckman's paper for school reform?

Higher education

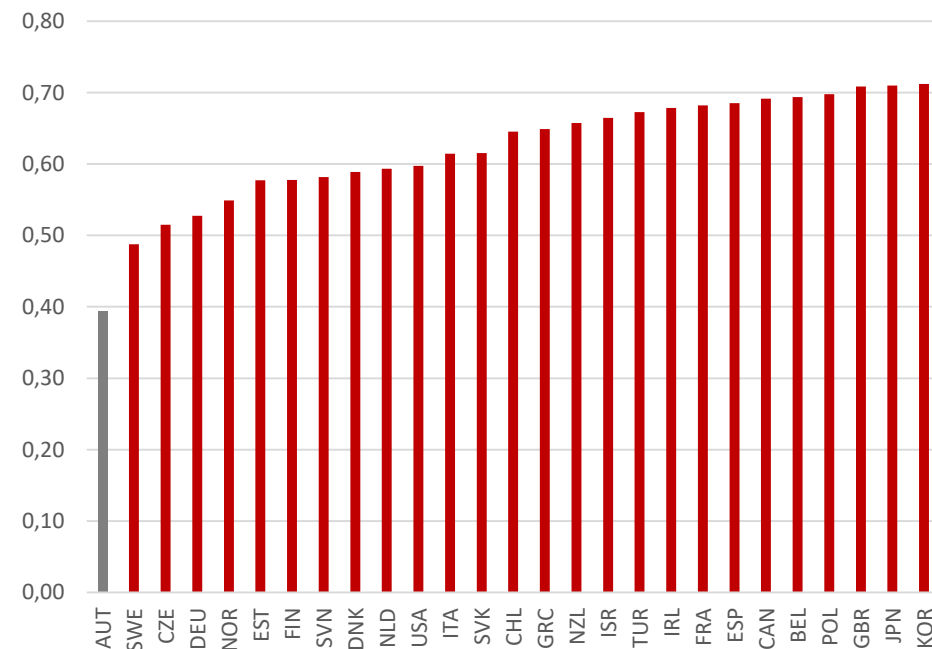
- For selective universities: recruited athletes, legacies, those on the dean's interest list, and children of faculty and staff
- SFFA v. Harvard case data
- estimate the admission advantages ALDC applicants receive relative to typical applicants - how these advantages impact the racial composition
- LDC applicants are stronger on average. But:
 - the average LDC admit is weaker than the average typical admit
 - suggesting admissions advantage for LDC applicants.
- Arcidiacono, Peter, Josh Kinsler, and Tyler Ransom. „Legacy and Athlete Preferences at Harvard“. *Journal of Labor Economics* 40, No. 1 (January 2022): 133–56. <https://doi.org/10.1086/713744>.

Higher education

Likelihood of tert education if neither parent has attained upper secondary education



Likelihood of tert education if at least one parent has attained tertiary education

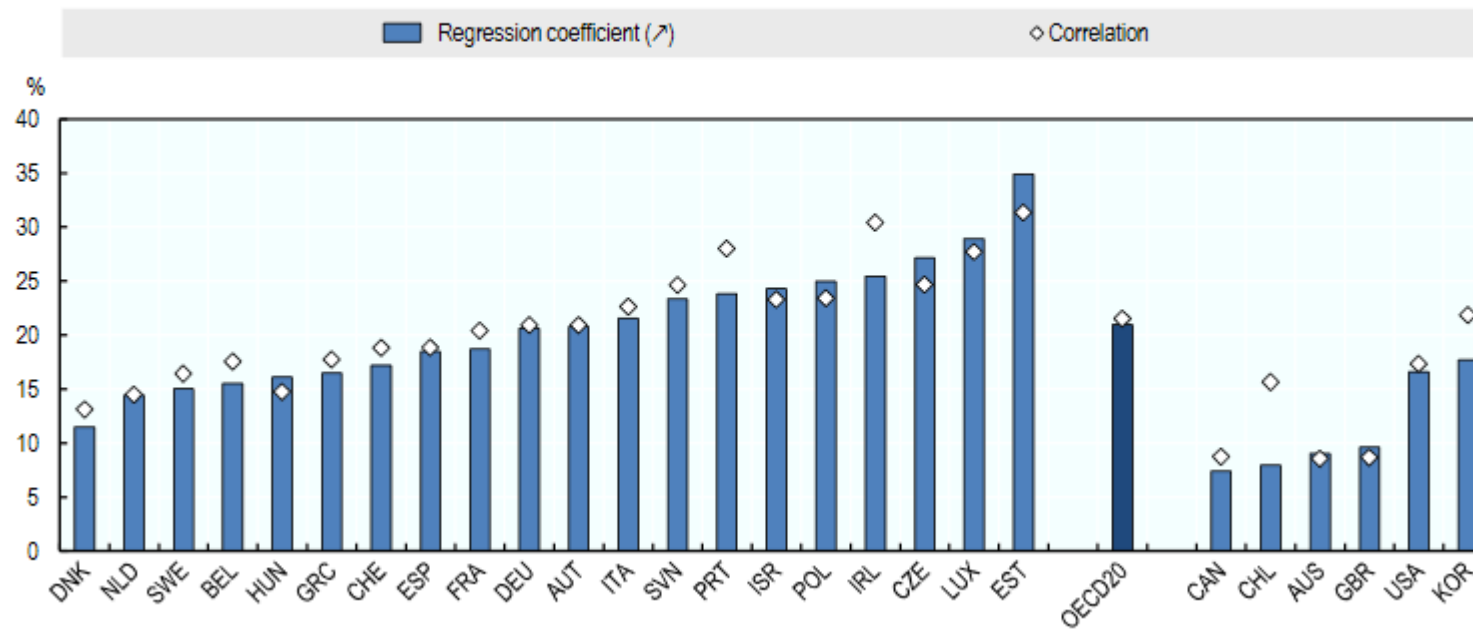


Source: OECD. *A Broken Social Elevator? How to Promote Social Mobility*. OECD, 2018. <https://doi.org/10.1787/9789264301085-en>.

Health

Health:

Figure 5.2. Relation between parental and children's self-assessed health



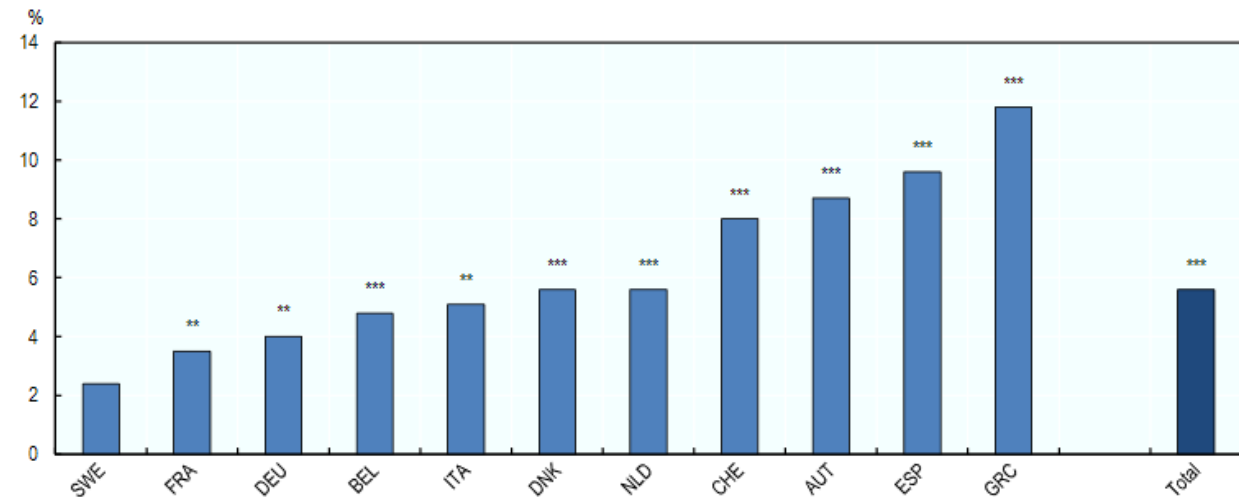
Source: OECD. *A Broken Social Elevator? How to Promote Social Mobility*. OECD, 2018.

<https://doi.org/10.1787/9789264301085-en>.

Health

- Health transmission
 - Fetal programming (birthweight, chronic illness, ...)
 - Living situation: Harmful environments, mental health, nutrition...
 - Unhealthy behaviour
- Long-lasting effects

Figure 5.1. The impact of early childhood health on poor adult self-assessed health status



Source: OECD. *A Broken Social Elevator? How to Promote Social Mobility*. OECD, 2018. <https://doi.org/10.1787/9789264301085-en>.