Equitable Growth *Insights*

Synthesizing Economic Mobility Research

Hello,

Welcome to Equitable Growth's second Insights newsletter on economic mobility. Each quarter, we review new literature from economics, sociology, psychology, social work, and other fields to distill new research and policy insights from recent academic inquiry.

Let's get into it!

In Conversation with Miles Corak and new evidence on inequality and mobility

Equitable Growth Senior Fellow Austin Clemens interviewed City University of New York economics professor Miles Corak for our In Conversation series. They discussed Corak's work developing the Great Gatsby Curve, or the data visualization that shows a correlation between higher economic inequality and lower social mobility in member nations of the Organisation for Economic Co-operation and Development, as well as policy implications in the United States and around the world.

A new article by Pablo Mitnik and co-authors provides fresh evidence on this link between inequality and mobility. The authors use a dataset that provides estimates of intergenerational income and earnings elasticities using administrative tax data on children born in the early 1970s. Their estimates are higher than much of what the existing literature finds, suggesting that about 50 percent of inequality among parents is passed onto children.

Mitnik and his co-authors look at four factors that limit mobility and are linked to inequality: returns to human capital, investment in low-income children, socioeconomic segregation, and the progressivity of the tax and transfer system. They find that the United States is an outlier in each. They conclude that increasing economic mobility in the United States will require sustained action in all four policy areas.

Finally, in my April column on recommendations from a National Academy of Sciences panel on income, wealth, and consumption inequality, I give an overview of a 2023 working paper by former Equitable Growth interim chief economist and Research Advisor Jonathan Fisher (now at the U.S. Census Bureau) and the National Academies' senior program officer David Johnson, which shows that children's upward mobility is a function of wealth, as well as income. Children whose parents have high levels of wealth are more upwardly mobile than those with parents with low levels of wealth, controlling for income. This result suggests that research based solely on income may be understating the degree to which inequality is passed down in the United States.

Migration, mobility, and place-based policy

The geographic mobility of U.S. households is a frequent theme in economic mobility because economic prosperity is heterogeneous across the country. When low-income households move to more prosperous areas, they can increase their own incomes and the economic prospects of their children.

Yet rates of migration within the United States are relatively low. What prevents people from moving? A trio of new papers seek to answer this question.

First, an Opportunity Insights paper looks at an intervention in Washington state that provided low-income households with financial and logistical assistance to move. Personal administrative support from nonprofit housing guides proved to be especially useful in helping low-income households overcome the burdens of housing searches. More than three times as many families chose to move to areas with more opportunity when provided with the full bundle of services (at a cost of around $2,700 per family), suggesting that low-income households are willing to move but face significant search costs. The intervention, which Opportunity Insights first wrote about in 2019, has already spawned imitators in other cities.

A working paper from the University of Nebraska-Lincoln's Yifan Gong and co-authors provides contrary evidence, suggesting that proximity to home is an important reason people choose not to migrate. The authors survey low-income college students in Appalachia and find they value staying close to home at about $6,400 annually. The authors hypothesize that attachments to home may be especially strong in Appalachia, which could explain discrepancies from the Opportunity Insights paper. Alternately, it might be easy to induce moves across neighborhoods in a city but difficult to induce moves from rural to urban areas or across state lines.

Finally, in the American Sociological Review, Peng Huang and Carter Butts, both of the University of California, Irvine, coin the term "segmented immobility" to describe the phenomenon where people prefer to migrate to counties with a similar political context, level of urbanization, and racial composition. Their analysis of the American Community Survey indicates that this dynamic reduces migration and could lead to cycles of increased political polarization and neighborhood segregation.

More research across a broader range of cultural and geographic contexts is necessary to reconcile these findings. If it is easy to stimulate good moves, as the Opportunity Insights paper finds, then the affordable interventions they provide could be a low-cost way to increase physical and economic mobility—although, as the authors note, the benefits may not hold at scale.

If it is not easy to incentivize people to move, then that could be evidence in favor of place-based policies. Equitable Growth grantee Andrew Garin at Carnegie Mellon University and Jonathan L. Rothbaum at the U.S. Census Bureau have a new working paper that evaluates place-based industrial policies during World War II, looking at what they call "a random 'helicopter drop' of large factories." They find that manufacturing plants built outside of urban areas led to significantly higher wages for U.S. adults in those areas. Similarly, UC Berkeley's Nathan Seltzer, writing in Social Forces, finds that the availability of local manufacturing jobs was a key driver of upward intergenerational mobility for birth cohorts in the 1980s.

In an urban context, place-based policy could take the form of improving existing neighborhoods. Opportunity Insights' Matthew Staiger has a new co-authored working paper that evaluates HOPE VI, a revitalization program that encouraged cities to demolish public housing and construct new mixed-income housing. Staiger and his co-authors find that the intervention was successful in reducing neighborhood poverty. Subsidized renters in cities that took advantage of the program benefitted generally, with potentially significant mobility benefits for affected children.

Initial conditions and race disparities in the United States

Princeton University's Ellora Derenoncourt and her co-authors [create a historical dataset of the Black-White household wealth gap from 1860 to 2020] and consider three forces that shape the disparities in wealth: initial conditions, capital gains, and savings behavior. Racial differences in capital gains have been the most important factor contributing to today's high ratio of Black-to-White household wealth of about 6-to-1. Yet if the latter two factors had been equal for Black and White households after the Civil War, the ratio would be about 3.1-to-1 today, demonstrating how powerful the initial wealth gap also was in determining this outcome.

This focus on initial conditions is echoed in a new paper from Equitable Growth grantees Fenaba Addo of the University of North Carolina at Chapel Hill, Duke University's William A. "Sandy" Darity, and Samuel Myers at the University of Minnesota. They push back on the idea that equalizing earnings in the U.S. labor market will close the Black-White wealth gap, arguing that [existing inequality in wealth makes this unlikely].

Together, these papers suggest that the wealth gap won't be closed without more direct targeting of wealth, via policies such as reparations or wealth taxation.

A new working paper from the University of Chicago's Steven Durlauf and co-authors looks at a similar phenomenon in the U.S. labor market. The paper examines how [occupations shape differences in intergenerational mobility among White and Black men]. The authors find that increasing mobility for Black men born between 1940 and 1950 is driven in large part by increased attainment of high-skill occupations. After 1950, however, the occupational structure for Black men becomes more rigid and occupational segregation declines slowly. This lock-in of initial conditions limits upward mobility for Black men and suggests more needs to be done to equalize opportunity.

Economic Mobility Roundup from Equitable Growth grantees

Equitable Growth has a network of more than 400 academic grantees from previous rounds of our annual grants process. Here are some recent articles by grantees, exploring topics in economic mobility:

- Dartmouth College sociologist Kristin Smith and co-authors look at longitudinal data on low-wage care workers and find that low-wage care workers are more attached to the care sector and have longer job tenure than other low-wage occupations, yet turnover is high and harms the quality of care. Care workers are more upwardly mobile than some low-wage workers but less upwardly mobile than office and sales workers.
- Elizabeth Palley, professor of social work at Adelphi University, writes in the Albany Times Union that New York policymakers need to find ways to raise the wages of child care workers, both to increase supply of these workers and to capture the benefits of high-quality child care.
- In an Equitable Growth working paper, Howard University's Andria Smythe and her co-authors use a rich dataset that allows them to compare similar students who consider attending Historically Black Colleges or Universities to look at causal effects of HBCU attendance. Those attendees are more likely to receive a degree and have higher incomes at age 30, although they also tend to carry more student debt.
- Washington University in St. Louis sociologist Jake Rosenfeld and his co-authors field a survey of more than 4,000 workers to see if state laws that prohibit workplace pay secrecy rules are effective. They find that almost as many workers in states with such laws (45 percent) are prohibited from discussing their pay as in states with no such law (53 percent). Workplaces adopt more informal rules to counter these laws, which may suppress pay, especially for marginalized populations.

Updated data on income volatility

The U.S. Census Bureau issued an update to its somewhat new Mobility, Opportunity, and Volatility Statistics dataset, complete with a new data visualization. This panel dataset tracks the same people over time, starting in 2005. At present, it is primarily useful for thinking about short-term intragenerational mobility.

For those of you interested in the many intersections between mobility and tax policy, and how next year's congressional debate on extending certain Trump tax cuts offer an opportunity for evidence-backed reform, we're hosting an event on Monday that you're not going to want to miss! "The Promise of Equitable and Pro-Growth Tax Reform" will feature keynote remarks from **Sen. Elizabeth Warren (D-MA**) and National Economic Council deputy director **Daniel Hornung**, and commentary from other tax policy experts, including a number of former government officials and world-class academic researchers. Join us in person in Washington D.C. from 12:30-3:30pm ET at the National Union Building (918 F St. NW), or watch the livestream (starting at 1pm ET) on Equitable Growth's YouTube channel. Either way, be sure to register here.

That's it for this quarter! Keep an eye out for our next newsletter in Q3, and if you enjoyed this edition, please encourage others to subscribe!

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