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*Escalator Ride*

# As Rich-Poor Gap Widens in the U.S., Class Mobility Stalls

**Those in Bottom Rung Enjoy  
Better Odds in Europe;  
How Parents Confer an Edge**


**Immigrants See Fast Advance**

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The notion that the U.S is a special place where any child can grow up to be president, a meritocracy where smarts and ambition matter more than parenthood and class, dates to Benjamin Franklin. The 15th child of a candle-and-soap maker, Franklin started out as a penniless printer's apprentice and rose to wealth so great that he retired to a life of politics and diplomacy at age 42.

The promise that a child born in poverty isn't trapped there remains a staple of America's self-portrait. President Bush, though a riches-to-riches story himself, revels in the humble origins of some in his cabinet. He says his attorney general "grew up in a two-bedroom house," the son of "migrant workers who never finished elementary school." He notes that his Cuban-born commerce secretary's first job for Kellogg Corp. was driving a truck; his last was chief executive.

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But the reality of mobility in America is more complicated than the myth. As the gap between rich and poor has widened since 1970, the odds that a child born in poverty will climb to wealth -- or a rich child will fall into the middle class -- remain stuck. Despite the spread of affirmative action, the expansion of community colleges and the other social change designed to give people of all classes a shot at success, Americans are no more or less likely to rise above, or fall below, their parents' economic class than they were 35 years ago.

Although Americans still think of their land as a place of exceptional opportunity -- in contrast to class-bound Europe -- the evidence suggests otherwise. And scholars have, over the past decade, come to see America as a less mobile society than they once believed.

As recently as the late 1980s, economists argued that not much advantage passed from parent to child, perhaps as little as 20%. By that measure, a rich man's grandchild would have barely any edge over a poor man's grandchild.

"Almost all the earnings advantages or disadvantages of ancestors are wiped out in three generations," wrote Gary Becker, the University of Chicago economist and Nobel laureate, in 1986. "Poverty would not seem to be a 'culture' that persists for several generations."

But over the last 10 years, better data and more number-crunching have led economists and sociologists to a new consensus: The escalators of mobility move much more slowly. A substantial body of research finds that at least 45% of parents' advantage in income is passed along to their children, and perhaps as much as 60%. With the higher estimate, it's not only how much money your parents have that matters -- even your great-great grandfather's wealth might give you a noticeable edge today.

Many Americans believe their country remains a land of unbounded opportunity. That perception explains why Americans, much more than Europeans, have tolerated the widening inequality in recent years. It is OK to have ever-greater differences between rich and poor, they seem to believe, as long as their children have a good chance of grasping the brass ring.

This continuing belief shapes American politics and economic policy. Technology, globalization and unfettered markets tend to erode wages at the bottom and lift wages at the top. But Americans have elected politicians who oppose using the muscle of government to restrain the forces of widening inequality. These politicians argue that lifting the minimum wage or requiring employers to offer health insurance would do unacceptably large damage to economic growth.



Despite the widespread belief that the U.S. remains a more mobile society than Europe, economists and sociologists say that in recent decades the typical child starting out in poverty in continental Europe (or in Canada) has had a better chance at prosperity. Miles Corak, an economist for Canada's national statistical agency who edited a recent Cambridge University Press book on mobility in Europe and North America, tweaked dozens of studies of the U.S., Canada and European countries to make them comparable. "The U.S. and Britain appear to stand out as the least mobile societies among the rich countries studied," he finds. France and Germany are somewhat more mobile than the U.S.; Canada and the Nordic countries are much more so.

Even the University of Chicago's Prof. Becker is changing his mind, reluctantly. "I do believe that it's still true if you come from a modest background it's easier to move ahead in the U.S. than elsewhere," he says, "but the more data we get that doesn't show that, the more we have to accept the conclusions."

Still, the escalators of social mobility continue to move. Nearly a third of the freshmen at four-year colleges last fall said their parents hadn't gone beyond high school. And thanks to a growing economy that lifts everyone's living standards, the typical American is living with more than his or her parents did. People today enjoy services -- cellphones, cancer treatment, the Internet -- that their parents and grandparents never had.

Measuring precisely how much the prosperity of Americans depends on advantages conferred by their parents is difficult, since it requires linking income data across many decades. U.S. research relies almost entirely on a couple of long-running surveys. One began in 1968 at the University of Michigan and now tracks more than 7,000 families with more than 65,000 individuals; the other was started by the Labor Department in 1966.

One drawback of the surveys is that they don't capture the experiences of recent immigrants or their children, many of whom have seen extraordinary upward mobility. The University of California at Berkeley, for instance, says 52% of last year's undergraduates had two parents who weren't born in the U.S., and that's not counting the relatively few students whose families live abroad.

Nonetheless, those two surveys offer the best way to measure the degree to which Americans' economic success or failure depends on their parents. University of Michigan economist Gary Solon, an authority in the field, says one conclusion is clear: "Intergenerational mobility in the U.S. has not changed dramatically over the last two decades."

Bhashkar Mazumder, a Federal Reserve Bank of Chicago economist, recently combined the government survey with Social Security records for thousands of men born between 1963 and 1968 to see what they were earning when they reached their late 20s or 30s. Only 14% of the men born to fathers on the bottom 10% of the wage ladder made it to the top 30%. Only 17% of the men born to fathers on the top 10% fell to the

bottom 30%.

## **Land of the Self-Made Man**

Benjamin Franklin best exemplified and first publicized America as the land of the mobile society. "He is the prototype of the self-made man, and his life is the classic American success story -- the story of a man rising from the most obscure of origins to wealth and international preeminence," one of his many biographers, Gordon S. Wood, wrote in 2004.

In 1828, a 14-year-old Irish immigrant named Thomas Mellon read Franklin's popular "Autobiography" and later described it as a turning point in his life. "Here was Franklin, poorer than myself, who by industry, thrift and frugality had become learned and wise, and elevated to wealth and fame," Mellon wrote in a memoir. The young Mellon left the family farm, became a successful lawyer and judge and later founded what became Pittsburgh's Mellon Bank. In front, he erected a statute of Franklin.

Even Karl Marx accepted the image of America as a land of boundless opportunity, citing this as an explanation for the lack of class consciousness in the U.S. "The position of wage laborer," he wrote in 1865, "is for a very large part of the American people but a probational state, which they are sure to leave within a longer or shorter term."

Self-made industrialist Andrew Carnegie, writing in the New York Tribune in 1890, catalogued the "captains of industry" who started as clerks and apprentices and were "trained in that sternest but most efficient of all schools -- poverty."

The historical record suggests this widely shared belief about 19th-century America was more than myth. "You didn't need to be told. You lived it. And if you didn't, your neighbors did," says Joseph Ferrie, an economic historian at Northwestern University, who has combed through the U.S. and British census records that give the occupations of thousands of native-born father-and-son pairs who lived between 1850 and 1920. In all, more than 80% of the sons of unskilled men moved to higher-paying, higher-status occupations in the late 1800s in the U.S., but less than 60% in Britain did so.

The biggest factor, Mr. Ferrie says, is that young Americans could do something most British couldn't: climb the economic ladder quickly by moving from farm towns to thriving metropolises. In 1850, for instance, James Roberts was a 14-year-old son of a day laborer living in the western New York hamlet of Catharine. Handwritten census records reveal that 30 years later, Mr. Roberts was a bookkeeper -- a much higher rung -- and living in New York City at 2257 Third Ave. with his wife and four children.

As education became more important in the 20th century -- first high school, later college -- leaping up the ladder began to require something that only better-off parents could afford: allowing their children to stay in school instead of working. "Something quite fundamental changed in the U.S. economy in the years after 1910 and before the Great Depression," says Prof. Ferrie.

One reason that the once-sharp differences between social mobility in the U.S. and Britain narrowed in the 20th century, he argues, is that the regional economies of the U.S. grew more and more similar. It became much harder to leap several rungs of the economic ladder simply by moving.

The paucity of data makes it hard to say how mobility changed for much of the 20th century. Individual

census records -- the kind that Prof. Ferrie examines -- are still under seal for most of the 20th century. Data from the two national surveys didn't start rolling in until the 1970s.

Whatever the facts, the Franklin-inspired notion of America as an exceptionally mobile society persisted through most of the 20th century, as living standards improved after World War II and the children and grandchildren of immigrants prospered. Jeremiads in the 1960s and 1970s warned of an intractable culture of poverty that trapped people at the bottom for generations, and African-Americans didn't enjoy the same progress as whites. But among large numbers of Americans, there was little doubt that their children would ride the escalator.

### **Old Wisdom Shatters**

In 1992, though, Mr. Solon, the Michigan economist, shattered the conventional academic wisdom, arguing in the *American Economic Review* that earlier studies relied on "error-ridden data, unrepresentative samples, or both" and misleadingly compared snapshots of a single year in the life of parent and child rather than looking over longer periods. There is "dramatically less mobility than suggested by earlier research," he said. Subsequent research work confirmed that.

As Mr. Mazumder, the Chicago Fed economist, put it in the title of a recent book chapter: "The apple falls even closer to the tree than we thought."

Why aren't the escalators working better? Figuring out how parents pass along economic status, apart from the obvious but limited factor of financial bequests, is tough. But education appears to play an important role. In contrast to the 1970s, a college diploma is increasingly valuable in today's job market. The tendency of college grads to marry other college grads and send their children to better elementary and high schools and on to college gives their children a lasting edge.

The notion that the offspring of smart, successful people are also smart and successful is appealing, and there is a link between parent and child IQ scores. But most research finds IQ isn't a very big factor in predicting economic success.

In the U.S., race appears to be a significant reason that children's economic success resembles their parents'. From 32 years of data on 6,273 families recorded by the University of Michigan's long-running survey, American University economist Tom Hertz calculates that 17% of whites born to the bottom 10% of families ranked by income remained there as adults, but 42% of the blacks did. Perhaps as a consequence, public-opinion surveys find African-Americans more likely to favor government redistribution programs than whites.

The tendency of well-off parents to have healthier children, or children more likely to get treated for health problems, may also play a role. "There is very powerful evidence that low-income kids suffer from more health problems, and childhood health does predict adult health and adult health does predict performance," observes Christopher Jencks, a noted Harvard sociologist.

Passing along personality traits to one's children may be a factor, too. Economist Melissa Osborne Groves of Maryland's Towson University looked at results of a psychological test for 195 father-son pairs in the government's long-running National Longitudinal Survey. She found similarities in attitudes about life accounted for 11% of the link between the income of a father and his son.

Nonetheless, Americans continue to cherish their self-image as a unique land where past and parentage puts no limits on opportunity, as they have for centuries. In his "Autobiography," Franklin wrote simply that he had "emerged from the poverty and obscurity in which I was born and bred to a state of affluence." But in a version that became the standard 19th-century text, his grandson, Temple, altered the words to underscore the enduring message: "I have raised myself to a state of affluence..."

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