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Approaches to Measuring Economic Mobility

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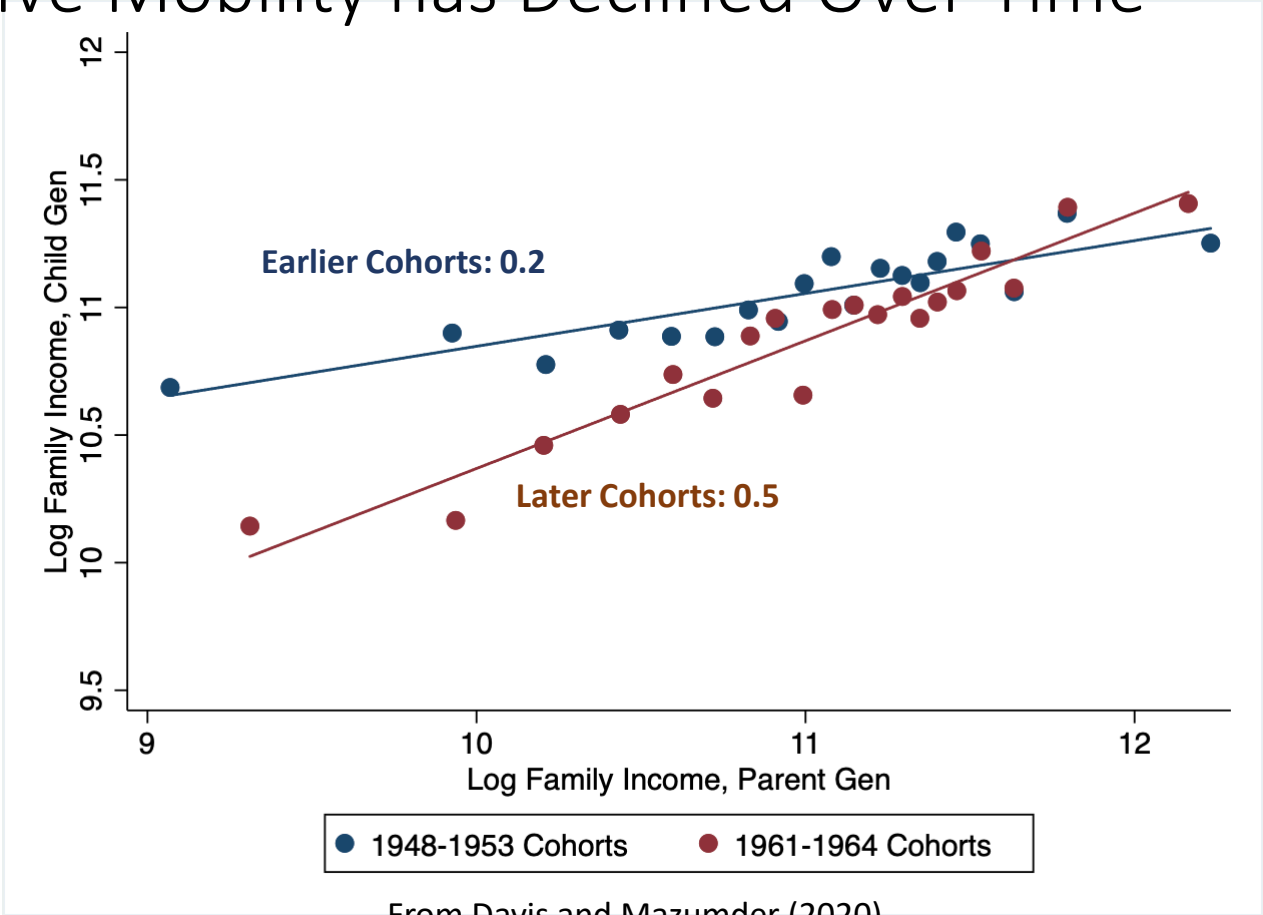
Overview

- Researchers have used many approaches to study economic mobility:
 - Intergenerational relative mobility
 - income elasticity
 - rank-based measures:
 - Intergenerational absolute mobility
 - *Intra*-generational mobility
- I'll walk through these different measures and discuss estimates for the US and what they tell us about income mobility

Intergenerational Relative Mobility

- Intergenerational Elasticity (IGE)
 - Measures association between child and parent “lifetime” income
 - IGE captures persistence *inclusive* of inequality, 1-IGE measures mobility
 - Using data with very long time averages, I have found the IGE in the US to be about 0.6 and that it has risen since 1980
 - This implies that it takes many generations on average, for those living in poverty to get to the mean level of income

Relative Mobility has Declined Over Time

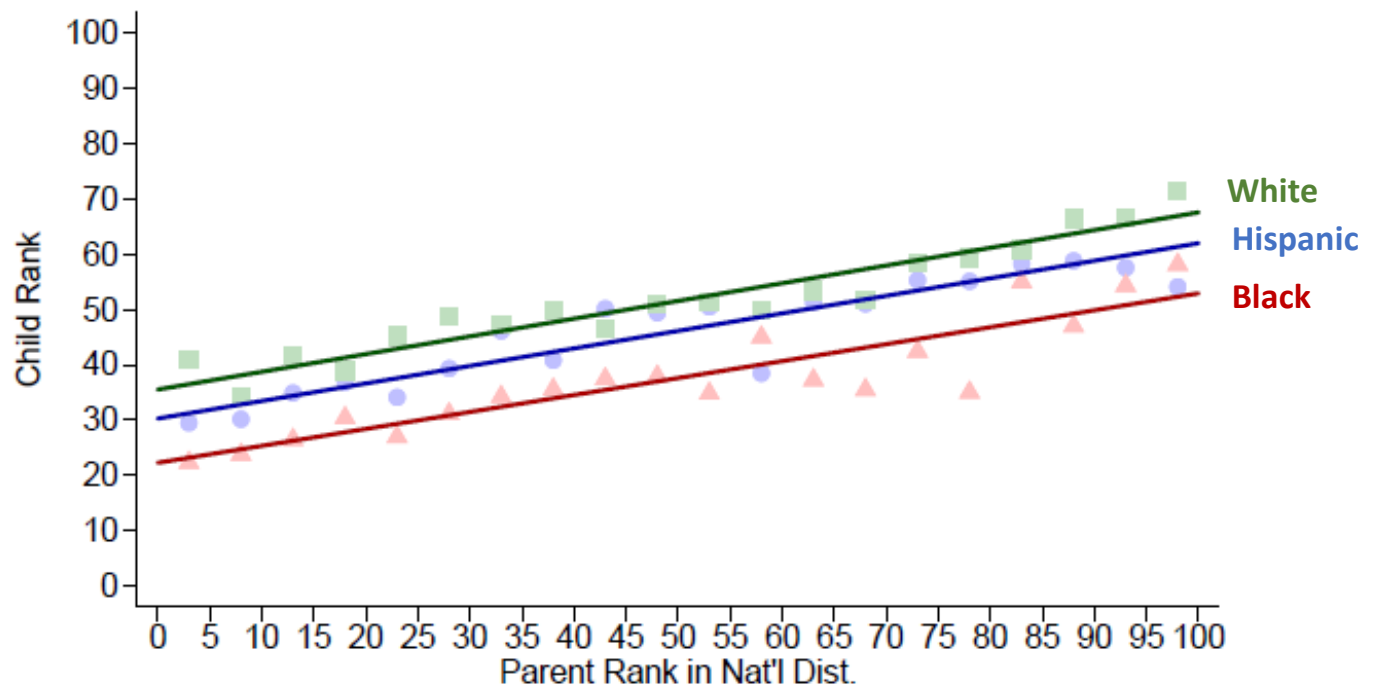


From Davis and Mazumder (2020)

Intergenerational Relative Mobility

- Rank-rank plots
 - Association between Child Income Rank and Parent Income Rank
 - Captures *positional* persistence, *exclusive* of inequality
 - Also look at specific points, like parents at 25th percentile
 - Can use it to look at population subgroups (race or region)
 - Can use shorter panels and don't need as large an age range

Figure 2: Conditional Expectation of Child Rank by Race

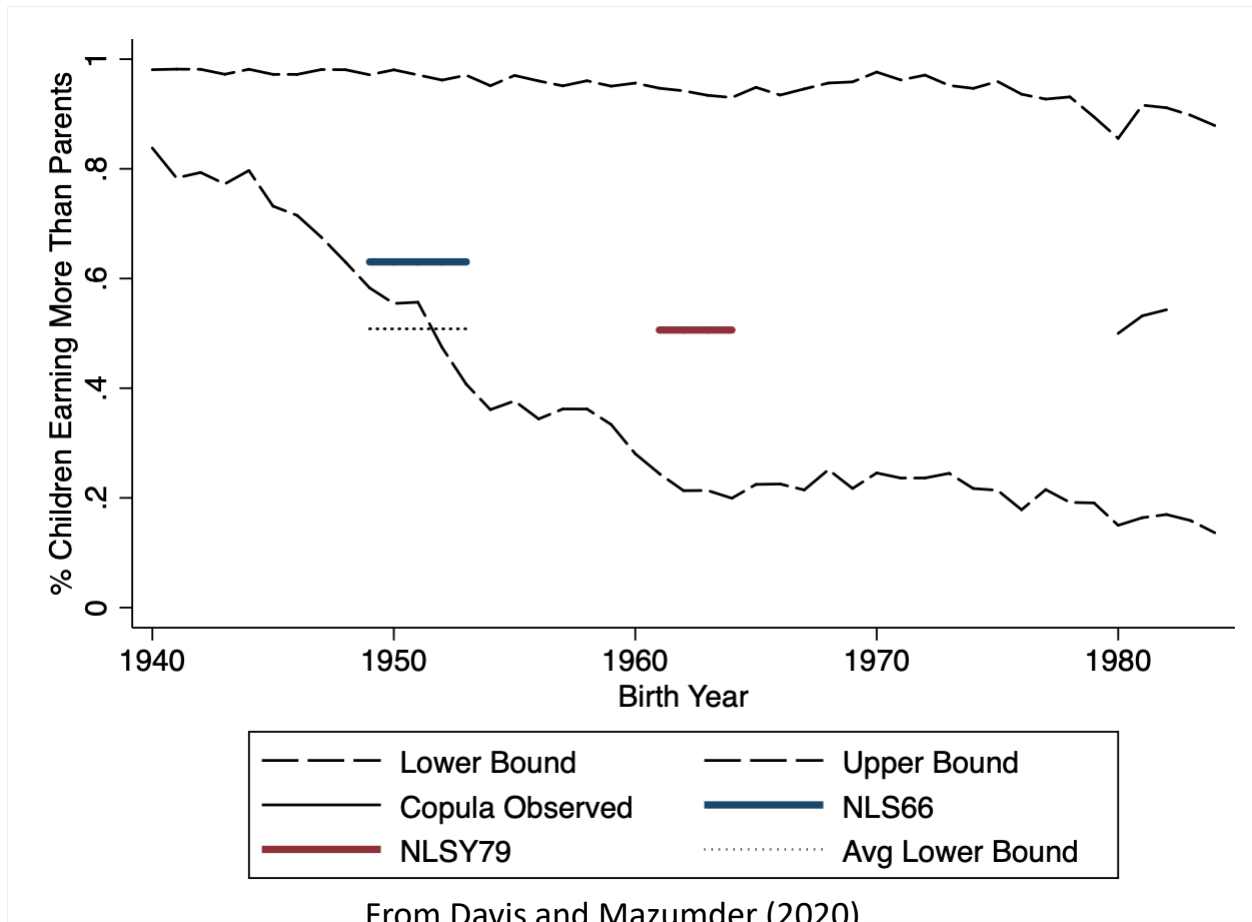


From Davis and Mazumder (2018)

Intergenerational Absolute Mobility

- Probability that Child Income Exceeds Parent Income
 - Might be most understandable by the general public
 - In era of stable inequality this really just reflects economic growth
 - First examined by Isaacs, Sawhill and Haskins (Pew Report, 2008)
 - Chetty et al (2017): show a major cross-cohort decline
 - Davis and Mazumder (2020): smaller decline using intergenerational data

Absolute Mobility has Declined Over Time



Intra-generational Mobility

- How does one's income grow over the lifecycle
 - Ability to move upward within your own lifetime
 - Much more to do with current economic conditions, e.g. labor markets than childhood “opportunity”
 - Can look at wage growth from your 30s to your 40s
 - Analyzed differences across states

Measuring State Economic Mobility

Embed



PEW CENTER ON THE STATES INTERACTIVE

This study measures economic mobility over a 10-year period using three measures: absolute, relative upward, and relative downward. **Absolute mobility** measures residents' average earnings growth over time. **Relative mobility** captures residents' rank on the earnings ladder relative to their peers, as well as **upward** or **downward** movement along that ladder. "Peer groups" are defined using the *national earnings distribution*, which includes all people in the nation (*National tab*), and the *regional earnings distribution*, which includes only people in the same region (*Regional tab*).

Key Findings

National

Regional

The key findings use the national earnings distribution and aggregate results from all three mobility measures to identify those states where economic mobility is most distinct from the national average.

Better Mobility

Eight states, primarily in the Mideast and New England regions, have consistently higher upward and lower downward mobility compared to the national average:

MD, NJ, NY: Better mobility on all 3 measures

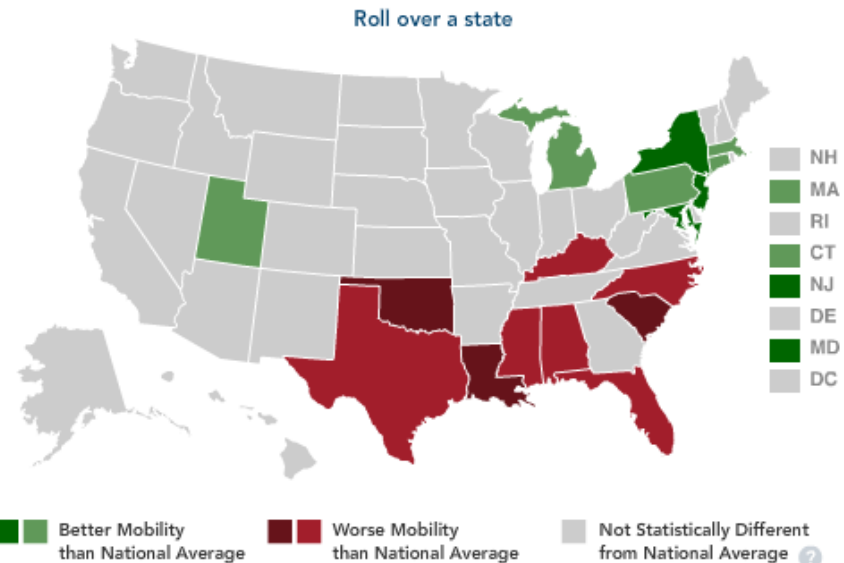
CT, MA, PA, MI, UT: Better mobility on 2 of 3 measures

Worse Mobility

Nine states, all in the South, have consistently lower upward and higher downward mobility compared to the national average:

LA, OK, SC: Worse mobility on all 3 measures

AL, FL, KY, MS, NC, TX: Worse mobility on 2 of 3 measures



* Due to small sample sizes, nine states were combined into three groupings: (1) Maine and Vermont; (2) Iowa, North Dakota, and South Dakota; (3) Alaska, Idaho, Montana, and Wyoming.

[Summary](#) [Data Table](#) [FAQ](#) [Methodology](#)

See: <https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2012/economic-mobility-of-the-states>

Concluding Comments

- Many different measures can be used to assess mobility
- The appropriate measure depends on the question of interest
- Key Findings
 - Relative Mobility low in US
 - Stark racial gaps in mobility in the US
 - Absolute and relative mobility has declined in US
 - Differences across states in absolute mobility