

The United States is not alone on this front. The single biggest cause of an apparent decline in intergenerational social mobility in the United Kingdom was “the expansion of higher education,” according to a careful study by Paul Gregg and colleagues.⁴⁵ Yes, you read that right: the *expansion* of higher education. Why? Because a disproportionate number of the new college places were taken by people from affluent backgrounds, further increasing their own chances of ending up as affluent adults.

CONCLUSION

So far I have described the separation of the upper middle class from the rest of society, and of upper middle-class children from ordinary American kids. These inequalities are not fleeting. They endure, and so harden, especially when they reach across generations. Membership of America’s upper middle class is in fact being passed down from one generation to the next, more than in other nations and almost certainly more than in the past. The problem we face is not simply class separation but class perpetuation. For Americans, this should set alarm bells ringing.

Chapter 4 from Richard Reeves, “Dream Hoarders,” 2018.

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INHERITING CLASS

IN HIS SECOND INAUGURAL ADDRESS, Barack Obama declared: “We are true to our creed when a little girl born into the bleakest poverty knows that she has the same chance to succeed as anybody else, because she is an American; she is free, and she is equal, not just in the eyes of God but also in our own.”¹

Utopian, of course. A girl born into bleak poverty will never have the same chance to succeed as one born into affluence. But this is useful utopianism. It shows the direction we want to head in—toward a world in which the circumstances of our birth do not determine our likely place in society.

Many countries like the sound of meritocracy. But only in America is equality of opportunity a virtual national religion, reconciling individual liberty—the freedom to get ahead and “make something of yourself”—with societal equality. Note that the president implicitly accepted that children will be born into bleak poverty. The question is whether or not they get stuck

there. Americans are more tolerant of income inequality than the citizens of other countries, in part because of this faith that in each generation the poor run a fair race against the rich, and the brightest succeed. Americans have always loved winners. But historically they have wanted them to win fair and square.

My former home country is widely seen to be the world leader when it comes to class distinctions and hereditary status. No bill becomes law without Royal Assent, which means the monarch's signature. The upper chamber, the House of Lords, still has hereditary legislators. (My party did try to eliminate these when we were in government, but that's another story.)

The idea of inherited status, whether political, social, or economic, flies in the face of America's self-image as an open society with a healthy circulation of elites. Here, if you do well, you get a medal, not a title. Nobody gets to be somebody just because they were born to the right parents. I've noticed that Americans love the Royal Family and princesses and princes, but that's because they are not ruled by them. Foreign kings and queens are like Disney characters: fun to watch and entirely harmless.

This is not to say that Americans don't want leaders. But they are supposed to be drawn from what Thomas Jefferson called the "natural aristocracy among men."² Here's the problem: The United States now has a more rigid class structure than many European nations, including the United Kingdom.

In this chapter, I summarize research on intergenerational mobility, with a particular attention to "stickiness at the top" (that is, the durability of upper middle-class status in the United States), including some comparisons with previous generations and other nations.

Lastly, I make the argument that has ruined a few dinner parties: we need more downward mobility from the top. To say

that downward mobility is not popular is an understatement. We would likely be more relaxed if society were more equal, since the fall would not be so great. Likewise, if everyone was getting generally better off, slipping a quintile or two might not seem like the end of the world. But whatever we do, an inconvenient truth will remain. If more kids from lower-income quintiles are to move up, more of those from higher up must fall. So, how about that dinner?

INTERGENERATIONAL MOBILITY: AMERICA'S STICKY TOP

Social mobility is an area where it really pays to be clear about definitions. My main interest here is in *relative* intergenerational mobility, which is not to be confused with *absolute* intergenerational mobility.

Absolute mobility is a measure of whether you are economically better off than your parents were at the same age. Most people can typically expect to be upwardly mobile in this absolute sense—for the simple reason that the economy usually grows quite a lot over the course of a generation. Recent studies suggest that rates of absolute mobility have stagnated in the United States, with only half of those born in 1980 being better off than their parents, according to a 2016 paper by Raj Chetty and colleagues.³ This is a much lower estimate than in previous studies, and reflects both rising income inequality and slower growth.⁴

Relative mobility is a measure of which rung of the ladder you stand on in your generation, compared to the rung your parents stood on in their own generation. An example may help to illustrate the distinction. Say you're thirty-five years old and earn \$50,000 a year. Say this places you six-tenths of the way up the earnings distribution within your generation (that is, at the sixtieth percentile). But your parents earned \$40,000 a year

when they were thirty-five (adjusting for inflation), and that placed them at the seventieth percentile of their generation's earnings distribution. In absolute terms, you've been upwardly mobile, earning ten thousand more inflation-adjusted dollars per year; but in relative terms, you've been downwardly mobile, having slipped down a rung in terms of the whole distribution.

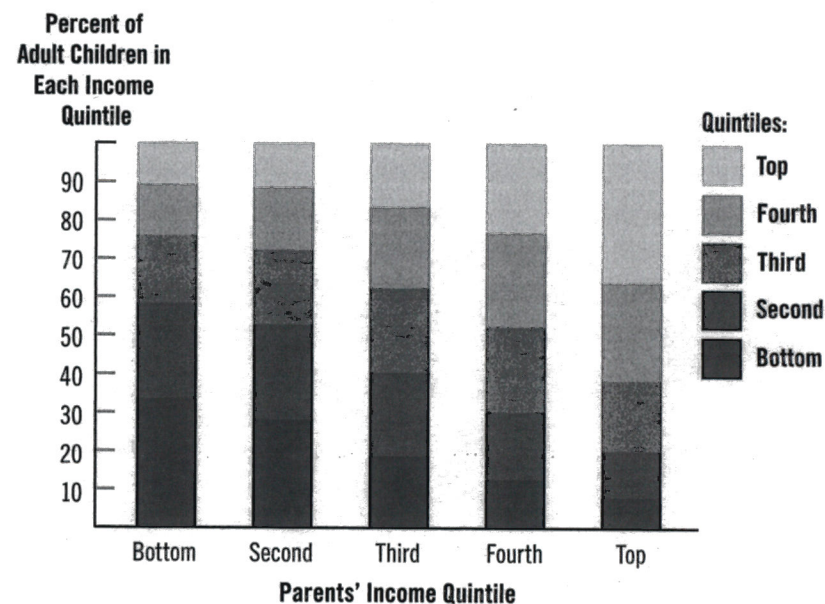
Both kinds of mobility matter. One definition of the American dream is of growing prosperity for the overwhelming majority, compared to the raw incomes or well-being of past generations. That is captured quite well by absolute mobility rates. But another version of the American dream is about circulation and movement, that those born at the bottom can rise to the top. Relative mobility rates capture that idea.

Postwar America was an engine of absolute mobility, fueled by strong and broadly shared economic growth, at least among whites. Increased opportunities for Americans of humble origins, through policies like the GI bill and school desegregation, promoted upward absolute mobility—sons of truck drivers could open profitable businesses. Nine in ten of those born in 1940 surpassed their parents' income, Chetty finds. Memories of this Golden Age still shape the worldview of many of our nation's leaders, even though it was the exception rather than the rule, if we take a long view of history. It hardly needs adding that for black Americans, it was very far from golden.

Even during this period of healthy absolute mobility, however, *relative* mobility rates remained flat. Americans were likely to be better off than their parents but no more likely to move up or down the rungs of the income ladder.

Politically, there is a critical difference between the two kinds of mobility. There is no limit to the number of people who can be absolutely upwardly mobile; everybody could, in theory, enjoy a higher standard of living than his or her parents. But

FIGURE 4-1 The Inheritance of Income Status



Source: R. Chetty, N. Hendren, K. Kline, and others, "Where Is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States." *Quarterly Journal of Economics* 129 (2014): 1553–623.

relative mobility is by definition a zero-sum game—one reason it is more controversial.

There are lots of ways to measure and illustrate relative mobility rates, including elasticity of income or earnings, rank-rank slopes, conditional transition probabilities, and rank directional mobility. A good overall picture can be seen in what us researchers lovingly refer to as an "intergenerational income quintile transition matrix." (Our days just fly by, you know.) Figure 4-1 is a matrix using data from administrative tax records analyzed by Chetty and his colleagues in an earlier study.

In a "perfectly" mobile society, the income rank of parents would have no bearing on the income rank of their children

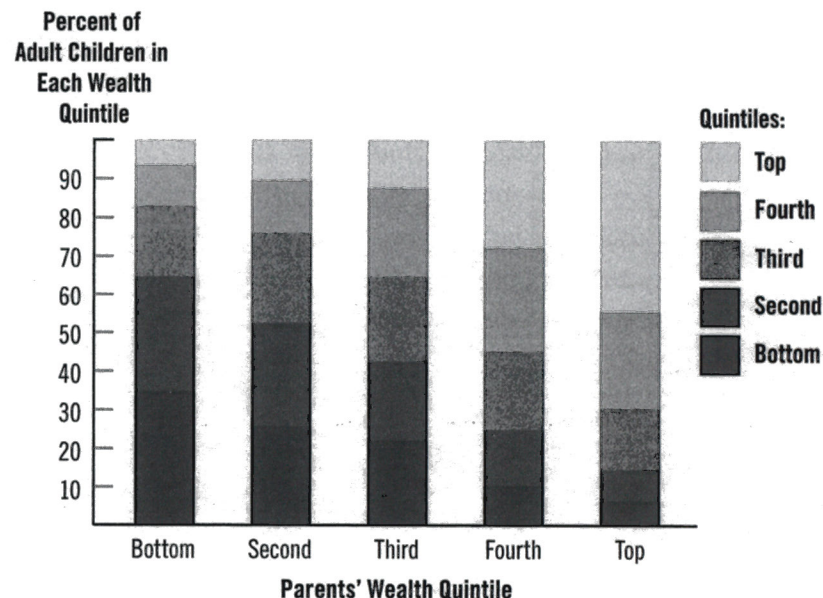
once they become adults: every value on the chart would be 20 percent. In practice, as you can see, there is a fair amount of stickiness across generations, with most people likely to end up in an income quintile similar to that of their parents.

It is the bottom left-hand corner of the chart, which shows the persistence of low relative income, that tends to get most of the attention. Scholars and policymakers are rightly worried about the inheritance of poverty (the twentieth percentile cutoff is close to the official federal poverty line). At least a third of the children raised in the bottom income quintile remain there as adults. They are “stuck” at the bottom of the income ladder. Six in ten stay in one of the bottom two quintiles. Fewer than one in ten make it into the top quintile. The instinctive reaction of most observers is that something is going wrong here. Talented poor children are being held back, and down, by a lack of opportunity, education, family support, and so on. Pretty much everybody wants to see more upward mobility from the bottom.

But now look at the top-right corner of the chart: 37 percent of those raised in the top quintile as children remain there as adults. They are just as “stuck” at the top of the income ladder as the poor kids are at the bottom. Chetty’s data is not unusual: every scholar working in this field with any dataset finds that there is at least as much stickiness at the top as at the bottom of the distribution, and many find that there is more.

NYU’s Florencia Torche found stronger intergenerational income persistence at the top than at the bottom. “Children of wealthy parents,” she says, “are more homogeneously wealthy than children of poor parents are homogeneously poor.”⁵ Stanford’s Pablo Mitnik and David Grusky used another measure of mobility—intergenerational elasticity (IGE)—and also found more stickiness at the top than at the bottom.⁶ Whatever measure is chosen, the pattern is the same. The inheritance of high-

FIGURE 4-2 The Inheritance of Wealth Status



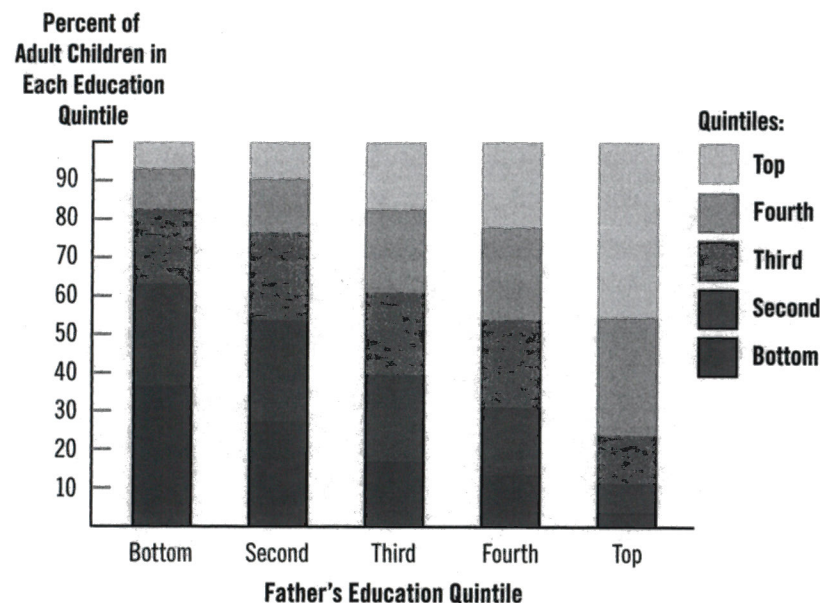
Source: Fabian T. Pfeffer and Alexandra Achen Killewald, “How Rigid Is the Wealth Structure and Why? Inter- and Multigenerational Associations in Family Wealth,” PSC Research Report No. 15-845 (September 2015). Net worth quintiles within ages 45–64 (N=1,975); quintile cutpoints in 2013 dollars.

income status is at least as great, and almost certainly greater, than the inheritance of poverty.

If wealth is used instead of income as a measure of economic status, overall rates of mobility are even lower—and again, especially at the top of the distribution. Almost half (44 percent) of those born into the wealthiest (top quintile) families will occupy the same status as adults, as figure 4-2 shows.⁷

What about education? We might expect to see similar patterns, since more education typically means higher earnings. On the other hand, education is meant to be, in the words of

FIGURE 4-3 The Inheritance of Educational Status



Source: Author's tabulations of PSID data. For more elaboration on methodology, see "The Inheritance of Education" (www.brookings.edu/blog/social-mobility-memos/2014/10/27/the-inheritance-of-education/).

Horace Mann, "the great equalizer . . . the balance-wheel of the social machinery," in which case we might hope for greater movement across generations.

A quintile transition matrix for intergenerational mobility in educational attainment is shown in figure 4-3.

As with wealth, almost half the children of top-quintile parents (46 percent) ended up in the top education quintile themselves, and three in four (76 percent) stayed in one of the top two quintiles. High-education status, then, is even "stickier" than high-income status. (Note: Just as incomes rise between generations, so too does educational attainment. To make it into the top quintile, the children in this sample, born between 1950

and 1968, needed to have at least a bachelor's degree; the previous generation, born between 1920 and 1940, needed only an associate degree.)

The more valuable education becomes, the more useful it is as a tool for class reproduction. "Educational attainment is highly persistent within families," writes MIT economist David Autor. "Hence, when the return to education is high, children of better-educated parents are doubly advantaged—by their parents' higher education and higher earnings—in attaining greater education while young, and greater earnings in adulthood."⁸ And so the wheel turns. Similarly, the children and grandchildren of wealthy people end up wealthy themselves, but largely by getting a better education than through direct inheritance: because of BAs rather than bequests.⁹

By now I hope to have persuaded you that intergenerational mobility rates of income, wealth, and education are lower than they ought to be, at least in a nation so proud of its meritocracy, and that the problem is not just at the bottom of the distribution. But you might quite reasonably be more interested in whether things are getting worse or better over time. Political rhetoric leans toward trend analysis, with calls to "make America great again" or to "restore" the American dream.

There is a general sense across the political spectrum that things have gotten worse. President Obama warned that "a dangerous and growing inequality and lack of upward mobility . . . has jeopardized middle-class America's basic bargain—that if you work hard, you have a chance to get ahead."¹⁰ A few weeks later, Rep. Paul Ryan said, "America's engines of upward mobility aren't working the way they should."¹¹

But the data is less clear. Scholars are divided on the question of whether relative mobility rates have worsened. Raj Chetty's team, working with the highest quality data, concluded

that “[relative] social mobility has remained stable over the second half of the twentieth century in the United States.”¹²

On the other side of the argument, scholars like Bhashkar Mazumder, an economist at the Chicago Fed, are busy producing evidence that relative mobility rates began to decline at some point in the 1970s, at around the same time inequality started to rise.¹³

The idea that rising income inequality will mean lower rates of intergenerational mobility is intuitively persuasive. As Sawhill puts it: “When the rungs of the income ladder get too far apart, it is harder to climb.”¹⁴

In a 2012 speech, the economist Alan Krueger coined a vivid phrase for this relationship between the gap between rich and poor and the lack of mobility: “The Great Gatsby Curve.”¹⁵ Krueger cited work from economist Miles Corak showing that nations with higher income inequality seemed to have lower rates of intergenerational mobility.¹⁶

A lot of ink has been spilled and a lot of regressions have been run by economists attempting to prove or disprove this hypothesis.¹⁷ On balance, the thesis has to be described as not proven, but not *not* proven either. For what it’s worth, I’m not sure how much it matters anyway: the combination of inequality and low social mobility is toxic regardless of any statistical link between them.

But let me add just a little more ink to the debate. If there is a connection between inequality and mobility, it is not likely to show up in general measures of inequality or whole-population measures of mobility. Rather, it should be visible at the point in the distribution where the widening is taking place: that is, at the top. I have already shown that income inequality is rising as a result of the separation of the top 20 percent. So, has the widening income gap been accompanied by greater class rigidity at the top?

It looks like it. Scott Winship, one of the most careful and empirically conservative researchers in this field, has analyzed

intergenerational mobility for boys born in the early 1950s, 1970s, and 1980s (in case you’re wondering, there’s no good data for the 1960s). The level of “top stickiness” (that is, the chances of remaining in the top quintile) increases from 33 percent for those born in the 1950s to 40 percent and 38 percent for those born in the 1970s and 1980s, respectively. This is consistent with the idea that rising income inequality toward the top in recent decades has led to greater reproduction of upper middle-class status across generations.

Similar trends can be seen in the inheritance of occupational status, especially of professional and managerial jobs. Mitnik, Cumberworth, and Grusky compare the chances that adults between the ages of twenty-five and forty follow one or both of their parents into a professional or managerial job in successive decades from the 1970s to the 2000s. The “professional reproduction” measure drops between the 1970s and 1980s cohorts, levels off during the 1980s and 1990s, and then rises again in the 2000s. This is consistent with widening wage gaps and especially the “take off” of earnings toward the top of the occupational ladder, which “allowed the professional-managerial class to more reliably realize its strong interest in reproduction.”¹⁸

The problem with research on intergenerational mobility is that a generation is a pretty long time. Since it takes three to four decades to know where kids are going to end up in relation to their parents, any worsening in the trend can’t be confirmed until it is too late to do anything about it. We should therefore adopt the precautionary principle and act now.

Many of the gaps in income, family formation, and education are more acute in the United States but are certainly not unique. Most industrialized nations are facing an inequality challenge.¹⁹ But in terms of intergenerational mobility, the United States is a rather poor performer overall.

An important point often overlooked in mobility debates is that there seems to be more international variation in rates of *downward* mobility from the top than in rates of *upward* mobility from the bottom. Perhaps the most careful study to date is from an international group of researchers, led by Markus Jäntti, examining mobility rates for the United States, the United Kingdom, and the Nordic countries.²⁰ For scholarly reasons, I am most interested in the top-income quintile. For personal ones, I wanted to see any differences between my old and new countries. The data assembled by Jäntti's team shows that class (at least as measured by income) is more persistent in the United States than in the United Kingdom. Of children born into the top quintile, 36 percent remain there as adults in the United States, compared to 30 percent in the United Kingdom.

Miles Corak compares mobility rates in the United States and Canada using the earnings rank of fathers and sons, and again, the United States stands out for persistence at the top of the distribution.²¹ And in a United States versus Germany matchup, Espen Bratberg and his collaborators find that the lower rates of overall mobility in the United States are largely explained by greater stickiness at the top.²²

Americans born at the top are more likely to stay at the top than in other nations, including the United Kingdom. If they do fall, they do not fall as far. So much for the Old Country being the one that is class bound!

THE CASE FOR DOWNWARD MOBILITY: YES, THAT MIGHT MEAN YOU

While upward mobility is wildly popular, the prospect of more downward mobility is much less appealing—and not just to the folks at the top. In a neat experiment, psychologists Shai

Davidai and Thomas Gilovich asked people what rates of upward and downward relative mobility they considered ideal.²³ What they found was that most Americans want people born at the bottom to swarm up the income ladder. In fact, they would like to see a world in which fewer than 20 percent of kids born in the bottom quintile are left behind there as adults.

On the other hand, they do not want to see too much downward mobility from the top: ideally, four out of ten top-quintile kids should stay there as adults (which is, if anything, slightly higher than the real number). The only way this could work, just as a matter of math, is to have close to “perfect” mobility for the bottom 80 percent, with the poor and middle class trading places each generation, along with a pretty stable top 20 percent. Maybe that is in fact what Americans want. But I doubt it. The point is rather that downward mobility is not an attractive idea for Americans in general, let alone among those who stand to lose the most from it.

Dear upper middle-class reader (if that is indeed you),

I've been putting this moment off for a few chapters.

If you really want a fairer and more socially mobile society, there is no avoiding an uncomfortable, attendant fact. More of our own kids will have to be downwardly mobile. This is not a moral claim but a simple mathematical fact. The top fifth of the income distribution can accommodate only 20 percent of the population. So, if we want more people climbing up the ladder into this top quintile, we need more to be sliding down the chutes.

As well as being mathematically necessary for upward mobility, downward mobility is in fact a good gauge of social movement and opportunity toward the top of society, of what one

scholar (the reference is sadly lost to me) called "the circulation of our elites." In 1969, S. M. (Mike) Miller, an American sociologist, wrote:

The concern with upward mobility has obscured the importance and amount of downward mobility . . . [but] it may well be that downward mobility is a better indicator of fluidity in a society than is upward mobility. . . . A society which is dropping sons born in advantaged strata has more openness than one which brings up the talented manual sons but safeguards the privileges of the already advantaged.²⁴

Miller's point (substituting "sons and daughters" for "sons," of course) holds even more strongly today, given the trends in mobility over the intervening half century.

This is simply about fairness. Ensuring that the upper middle class, the people who manage, analyze, write for, broadcast to, and govern society, is made up of the most talented people from all backgrounds is not just a moral *desideratum* but a contribution to efficiency.

To take just one narrow example, fund managers from poor backgrounds perform better than those from more affluent families, controlling for a range of institutional factors, according to a study by Oleg Chuprinin and Denis Sosyura.²⁵ It seems likely that this is because they have to be smarter in the first place in order to make it into financial services. The managers from more affluent families, as Chuprinin and Sosyura politely put it, "show a much higher dispersion in their performance than managers of modest descent." I'll be more blunt: more of the posh ones are useless.

There's a narrow lesson here: when you are hiring a professional, go for the one with a rough upbringing rather than the

one with the smooth manners. But the broader implication is that there is a link between social mobility and economic performance. Increasing the number of smart, poor kids making it to the top of the labor market is likely to mean an improvement in quality and therefore productivity.

The market efficiency, open competition argument for downward mobility might find some favor among conservatives, but it is unlikely to impress those of a more progressive persuasion. In fact, many of those on the political left fear that a focus on social mobility is a distraction from the more important task of reducing economic inequalities—perhaps even an excuse for avoiding that task altogether.

But this is a false distinction. For one thing, there is no reason why we can't aim at both greater mobility and more equality, so long as we aren't foolish enough to confuse the two.

More importantly, low rates of downward mobility may undermine support for redistributive policies. If affluent parents are reasonably certain their children will stay up in the higher reaches of the income distribution, they have less reason to support institutions and policies that favor the less fortunate. After all, their children won't need them.²⁶

In his famous thought experiment, the philosopher John Rawls suggested that a just society would be the one that was agreed upon by people unaware of which rung they would occupy, from behind what he called a "veil of ignorance." Behind this veil, "no one knows his place in society, his class position or social status; nor does he know his fortune in the distribution of natural assets and abilities, his intelligence and strength, and the like."²⁷

Rawls's elegant, contract-based approach to social justice was arguably the biggest philosophical advance of the twentieth century and prepared the ground for a flowering of egalitarian

thought. But his thought experiment is a very long way from the real world in which preferences and opinions are formed. Those of us reading Rawls are not ignorant. We have a pretty good sense of where we stand.

A greater degree of uncertainty applies when it comes to our children. We might reframe Rawls's description of the original position, in which we create the just society, like this: "No one knows his *children's* place in society, *their* class position or social status; nor does he know *their* fortune in the distribution of natural assets and abilities, intelligence and strength, and the like."

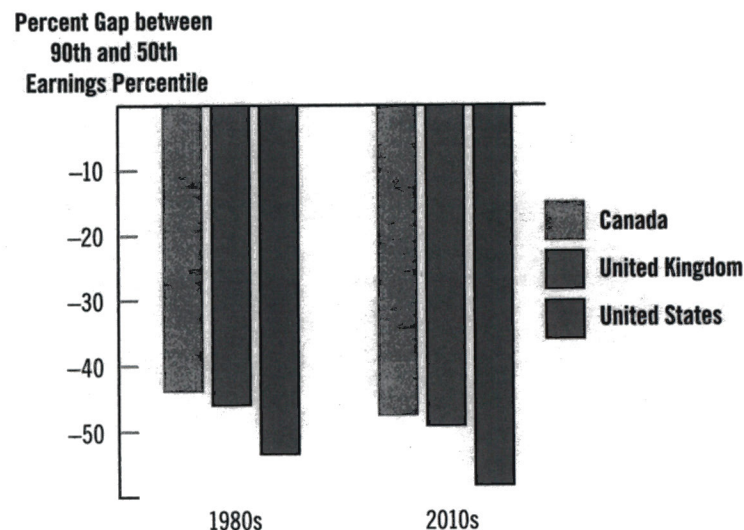
My intuition is that upper middle-class adults would be more supportive of redistributive policies and institutions if they were less certain where their own children—and by extension, grandchildren—were going to end up. If those at the top believe their children are at real risk of downward social mobility, maybe they will be more open to policies that ensure a softer landing for those who do fall.²⁸

Right now, the fall out of the upper middle class looks quite precipitous because of the widening gaps described in the previous two chapters. In terms of wages alone, the implications of tumbling down a rung or two are serious.²⁹ The earnings gap between the top and the middle is bigger in the United States than in other nations, and has been widening over time, as figure 4-4 shows.

As the consequences of falling out of the upper middle class have worsened, so the incentives of the upper middle class to keep themselves, and their children, up at the top have strengthened. American upper middle-class parents are therefore particularly strongly incentivized to secure their children a high position on the earnings ladder.

In September 2013, I wrote an article for the *New York Times* headlined "The Glass Floor Problem."³⁰ Previewing some of

FIGURE 4-4 A Long Way Down



Source: Organization for Economic Cooperation and Development, "Decile Ratios of Gross Earnings" (http://stats.oecd.org/Index.aspx?DataSetCode=DEC_I).

the points made in this book, I argued that upward relative mobility requires relative downward mobility and worried out loud about legacy admissions, internships, and other opportunity-hoarding mechanisms. The piece generated plenty of comments. One in particular, from "JB" in Oak Park, Illinois, stuck with me:

Parents' desperation to keep their children in the top 20% . . . is at least partly driven by their fear of what happens in the 21st century to young people who are in the middle or lower: job insecurity, contingent and contract employment, no health insurance, outsourcing, and the rest.

A vicious cycle has been created. Rising inequality means that those who fall out of the upper middle class have a longer

drop. Parents, then, have both the resources and motivation to put a glass floor underneath our children, doing whatever we can, including hoarding opportunities, to reduce their risk of being downwardly mobile. If we succeed, there will be more class persistence at the top. And as we become more confident of success, we will feel less inclined to pay for redistributive measures. This means, in turn, an increase in inequality.

Breaking this cycle will not be easy. I am sure it requires intervention at each and every point. But I am equally sure that it cannot be done without confronting the political implications of class separation, and especially class perpetuation, at the top of society.

"The end is not combatting inequality as such," writes Yuval Levin, the leading intellectual of reform conservatism, "but combatting immobility."³¹ Agreed. But Levin goes on: "Wealth is not a social problem, but poverty is . . . the wealth of some does not appear to cause the poverty of others."

If wealth can be converted into greater opportunities for the children of the wealthy, the likely result is less downward mobility and therefore, mathematically, less upward mobility. Wealth may not cause poverty; but it can cause immobility, which, as Levin says, is the main problem.

We know that the American upper middle class is reproducing itself quite successfully across generations. The next task is to understand how, especially in a society that has a decent claim to being a meritocracy.

AMERICA HAS A MERITOCRATIC MARKET but an unfair society. The labor market does a good job of rewarding the kind of "merit" that adds economic value—skills, knowledge, intelligence. The unfairness lies not in the competition itself but in the chances to prepare for it.

Take J. D. Vance, author of the 2016 bestseller *Hillbilly Elegy: A Memoir of a Family and Culture in Crisis*. Vance had what a politically incorrect person would call a "white trash" childhood. But by the age of thirty he was a San Francisco investment banker and bestselling author. He vividly describes his adjustment, often painful, to upper middle-class norms and behavior. But no serious obstacles were placed in his path once he was able to show his skills. The labor market is not a snob.

"I know perfectly well that men in a race run at unequal rates of speed," said Teddy Roosevelt in 1910. "I don't want the