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From Subgroups to Bottlenecks: New Directions for the Empirical Study of Intergenerational Mobility—A Comment on Timothy Smeeding, “Multiple Barriers to Economic Opportunity in the United States”

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This excellent paper² deftly synthesizes an enormous body of empirical work in multiple disciplines. There is a lot to learn here and a lot to discuss. In this comment, I will begin with a general observation about the state of the field, and then ask a series of questions.

Here is the general observation. One thing I think is clear from this paper, the work cited in it, and also the Reeves-Sawhill paper from this same conference,³ is that we are beginning to arrive at a new stage in the empirical study of intergenerational mobility.

We can think of the first stage⁴ of the study of intergenerational mobility as one that viewed the topic exclusively through the most macro lens: The focus was the overall level of mobility in a whole society. The research questions asked what factors might increase overall mobility or decrease it. The methodologies were to look for correlations between mobility and other variables either cross-nationally or longitudinally. This approach has generated important results. But this approach tells us nothing about subgroups. And if it generates policy recommendations, they are of the most general kind.

The second stage is the one that provides the ostensible jumping-off point for this paper: divide the population into sub-groups, for instance by race or gender or their intersections, and study mobility within the sub-groups. This helps us see important phenomena that the overall macro picture misses.

¹ Assistant Professor of Law, University of Texas, Austin. These comments are a lightly edited version of remarks I gave about Smeeding’s paper at the excellent conference at the Federal Reserve Bank of Boston in October 2014 (“58th Economic Conference: Inequality of Economic Opportunity”).

² Timothy Smeeding, “Multiple Barriers to Economic Opportunity in the United States,” forthcoming

³ Richard V. Reeves and Isabel V. Sawhill, “Measuring (In)Equality of Opportunity: Definitions and Trends” forthcoming

⁴ The “stages” outlined here are not purely chronological; they have overlapped, and will continue to overlap.

But much of the real action in this paper, it seems to me, is actually part of a third stage that is just beginning to gain traction. In this third stage, instead of starting with overall mobility, either for the whole population or for subgroups, we try to pry open the black box. We ask, how exactly does it happen that some people's trajectories end up so different from other people's? Instead of looking from the top down and asking what are the different components that add up to the mobility or lack of mobility we observe, this emerging third set of approaches begins from the opposite end, from the bottom up. We ask about particular hoops that people have to jump through—such as obtaining a high school or college degree, avoiding teen parenthood, or getting to age 30 without a criminal record. We ask: what are the key drivers of whether or not a person is going to get through these critical bottlenecks?

This methodological starting point is at the heart of the Social Genome Project and the Life Cycle Model; it's central to this paper and to some of Smeeding's other work; and it's central to my own work. By focusing on particular bottlenecks that are especially consequential, rather than always starting with the macro-level outcomes and then working backwards to disentangle their causes, we are much more likely to wind up with research that leads to useful and specific policy recommendations.

Part of why the bottlenecks approach is useful is that it turns out that there is no one magic moment for policy intervention, no single ideal target for policymakers who want to improve mobility. This is one of the main points to take away from Smeeding's paper. Parents invest in children at many different junctures in the life cycle—at what Smeeding calls "strategic transfer points." Even if there were very dramatic interventions at one stage, there are many other, subsequent strategic transfer points through which families transmit advantage and disadvantage.

On one level this seems like a profoundly depressing observation: even if we could do the impossible, and make everything equal at age 3, prospects overall would remain extremely unequal. But I think there is another way to look at it, which is this. There are many different sites where intervention is useful, from before conception through adulthood. Because people fall through many *different* cracks at different junctures, there are many opportunities for both policymakers and private actors to usefully intervene. The game is not over at age 3 or age 18 or ever.

Now of course, some interventions will be more useful or more feasible than others. One of the more surprising suggestions in the paper is that the closest thing to a perfect intervention we do have might be offering young people good access to long-term contraception. If true, this is a very striking conclusion. It suggests, among other things, that the Affordable Care Act might have an unanticipated positive effect on mobility.

In my remaining time I'll ask a series of questions that this paper raises.

(i)

The first is about how we ought to think about parents' finances in relation to their children's opportunities.

This paper does a better job than most of discussing the fact that income is not the only financial variable that matters here. In particular, wealth matters too. But even though this paper does a better job with this issue than most, I think it's fair to say the paper still primarily emphasizes income. The rundown of vulnerable groups begins with "low income." The child's future income is the central dependent variable around which the paper is framed.

The focus on income reflects the research that Smeeding is citing and assessing. That, in turn, reflects the stubborn fact that income data is just much better than wealth data, both in the United States and basically everywhere.⁵

So the question is: what should scholars do in the face of this large gap in data, with income data being so much better than wealth data? I would urge all of us to avoid the temptation to overemphasize income over wealth—for several reasons. First, focusing on income leads us to understate both the absolute magnitude of inequality and the recent increase (since wealth is more unequal than income). Second, focusing primarily on income really interferes with our ability to analyze race and social mobility, because of the large racial gaps in wealth, among households with the same income.

⁵ The Fed's Survey of Consumer Finances (SCF) is a rare exception to the general dearth of good wealth data. Its value to those of us who work on this subject is difficult to overestimate. But like every data source, it has limitations. Too many countries have no usable data about wealth at all.

And finally, income and wealth really are different. They have different effects at different points in the life cycle. Smeeding very usefully invokes the *insurance function* of wealth, what he and Richard Reeves call the “glass floor.” Particularly in a society with somewhat limited social insurance against unemployment and other income shocks, family wealth is often the backstop that determines just how disruptive various kinds of disruptions will be. Wealth is also a safety net for young adults, enabling them to take risks. Smeeding mentions unpaid internships. I would add that if you look at a risky Silicon Valley startup that’s paying in stock that might turn out to be worthless, you don’t see a lot of people working there without a backstop of wealth, family or otherwise.

(ii)

My second question is one Smeeding largely avoids in this paper. Which components of mobility ought to matter to us—the bottom, the middle, or the top? “For equality of opportunity,” he writes, “we likely care most about bringing the bottom up, rather than the top down[,] as a matter of policy.”

As a descriptive matter that’s certainly true. For some, the whole study of mobility is a study of the question: how much of a trap is it to be born at the bottom? What are your chances of escape? I think if we were talking about mobility fifty years ago, at the start of the War on Poverty, that would be our entire question. The middle class at that time seemed large and healthy; the question was how to include those who had been excluded from it.

Today is a very different moment. All is not well with the middle class. As a result it is not clear today that reaching the middle quintile is such a great outcome. I’m not sure that Americans who are making 300% of poverty, \$54,000 for a family of three, would agree with Smeeding that they are living anything that can fairly be labeled the “American dream.” With wages so stagnant, a lot of people may be wondering: what are my children’s chances of ending up a little more comfortable than the middle quintile? This suggests we ought to be concerned with mobility in the middle, not just at the bottom.

I would like to suggest, even more provocatively, that we also ought to focus on mobility at the top.

From the anti-aristocratic ideals of the founding generation through the Progressive era and the New Deal, American policymakers were once highly attuned to what we might call the problem of oligarchy: the problem of a permanent elite. This concern was sometimes framed in constitutional terms: we are a Republic, but we won't be for long if one group of Americans and their descendants has a durable grip on economic power.⁶ Part of the reason, which Smeeding alludes to somewhat obliquely in this paper, is that with economic power comes the political power to further entrench and enrich yourself and your group. If there is little enough mobility at the top, then at some point, you have an aristocracy rather than a republic. This is why Thomas Jefferson and others tried to outlaw primogeniture and break up large estates; it's part of why we later got antitrust law—and the federal income tax.

Analyzing mobility at the top is a very different project than the social genome project—but also a worthy one. There is room for research about how large fortunes are brought back to earth or dispersed over multiple generations. The idea is to try to understand how to keep the elite dynamic and avoid aristocracy.

(iii)

So that's the top. But if we're also focused on the middle, and on those struggling to reach the middle, then perhaps the most interesting question Smeeding's paper raises in my view is this: *what is driving* the increasingly large investments that parents with more advantages are making in their children? These are investments of both money and time, at multiple stages; Smeeding shows that these investments seem to be increasing, and begins to show how they enable those children to pull further ahead.

Smeeding hints at a possibility that one driver of these changes is rising absolute levels of inequality. This makes sense in incentive terms: parents have a more powerful incentive to use their resources to make sure their children don't fall behind. Aside from the incentive story we could tell a cultural story about within-group norms ratcheting upward.

⁶ See Joseph Fishkin & William Forbath, *The Anti-Oligarchy Constitution*, 94 Boston University Law Review 669 (2014).

Either of these stories would suggest a powerful argument that if we care about intergenerational mobility, we ought also to care about absolute inequality. But let me formulate this as a question: what could public policy do to reduce the magnitude of this effect? How could we lower the stakes, or the perceived stakes, in this arms race?

(iv)

That question leads me, finally, to a more fundamental question about the study of intergenerational mobility. When I was working on a book about equal opportunity that was published this year⁷, I read many of the sort of studies that Smeeding uses in this paper. I read American and European researchers in various disciplines and one thing that jumped out at me was this. Economists—especially American economists—tend to model class purely as income. But sociologists—especially European sociologists—tend to use class schema that are not a linear scale, but instead, a series of different groups or classifications based on the type of work a person does, from agriculture to blue collar, various kinds of white collar—and “mobility” means moving among these groups, not necessarily moving up or down a scale.

These differences of perspective are partly due to real differences in the meaning of class in different societies; in the U.S., class *means* income and wealth, more than it does in Europe. But is income, or even income and wealth, really the only dependent variable that should matter when we study intergenerational mobility?

Smeeding’s paper contains some hints of a different approach, which would use education as the lodestar instead—perhaps mainly when describing a person’s parents and class origins. Why not use it at the other end too? Many of us live and work in academia, which is a world full of people who are earning less than they probably could have earned if they had put their skills to the most lucrative use. I think we ought to be concerned about access to particular educational experiences and career paths (such as those involving advanced degrees) whether or not they are the most lucrative in terms of income.

⁷ JOSEPH FISHKIN, *BOTTLENECKS: A NEW THEORY OF EQUAL OPPORTUNITY* (2014)

I think this ought to be part of what we conceptualize as intergenerational mobility. Perhaps what I am imagining is a potential fourth stage in the study of intergenerational mobility—one that hasn't emerged yet, and is only hinted at in this excellent paper. In this fourth stage, our focus would go beyond future income. It would be about how people can achieve outcomes in life that one would not have predicted by looking at where they came from or their demographic characteristics.

This might be particularly helpful for the analysis of gender and mobility. Smeeding paints a picture of gender and mobility that emphasizes women who are the primary earners in their household. But if we really wanted to know whether people were pursuing paths that their demographics did not predict, we would want to know more than household income. Suppose someone is a stay-at-home mother and so was her mother, and her grandmother. Whether household income has gone up or down, there's a sense in which this really doesn't look a lot like intergenerational *mobility*.