Is the Playing Field Becoming Less Level?

Mary Corcoran, 2013
Organization

- International comparisons of intergenerational economic inequality.
- How have economic, policy, and family changes since the 1980’s changed the distribution of childhood advantages?
- Parental income has become a better predictor of children’s education attainments since the 1980’s.
- Will these changes reduce intergenerational economic mobility?
- What next?
Table 1: Father-Son Intergenerational Income Elasticity Estimates

<table>
<thead>
<tr>
<th>Country</th>
<th>Elasticity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>.25</td>
</tr>
<tr>
<td>Canada</td>
<td>.27</td>
</tr>
<tr>
<td>Denmark</td>
<td>.12</td>
</tr>
<tr>
<td>Finland</td>
<td>.28</td>
</tr>
<tr>
<td>France</td>
<td>.42</td>
</tr>
<tr>
<td>Germany</td>
<td>.25</td>
</tr>
<tr>
<td>Italy</td>
<td>.44</td>
</tr>
<tr>
<td>Norway</td>
<td>.25</td>
</tr>
<tr>
<td>Sweden</td>
<td>.24</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>.24</td>
</tr>
<tr>
<td>United States</td>
<td>.45</td>
</tr>
</tbody>
</table>

Source: Jantii, 2009
Table 2. Earnings Quintile Distributions for Sons of Low and Sons of High Earner Fathers

<table>
<thead>
<tr>
<th>Father's Earnings</th>
<th>Low Earner (Bottom Quintile)</th>
<th>Middle Earners (Middle 3 Quintiles)</th>
<th>High Earners (Top Quintile)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>United States</td>
<td>United Kingdom</td>
<td>Denmark</td>
</tr>
<tr>
<td>Low Earner (Bottom Quintile)</td>
<td>42%</td>
<td>50%</td>
<td>8%</td>
</tr>
<tr>
<td></td>
<td>United Kingdom</td>
<td>30%</td>
<td>58%</td>
</tr>
<tr>
<td></td>
<td>Denmark</td>
<td>25%</td>
<td>61%</td>
</tr>
<tr>
<td></td>
<td>Finland</td>
<td>28%</td>
<td>61%</td>
</tr>
<tr>
<td></td>
<td>Norway</td>
<td>28%</td>
<td>60%</td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
<td>26%</td>
<td>63%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>High Earner (Top Quintile)</th>
<th>United States</th>
<th>United Kingdom</th>
<th>Denmark</th>
<th>Finland</th>
<th>Norway</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>10%</td>
<td>54%</td>
<td>36%</td>
<td>36%</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>11%</td>
<td>59%</td>
<td>30%</td>
<td>36%</td>
<td>35%</td>
<td>37%</td>
</tr>
<tr>
<td>Denmark</td>
<td>15%</td>
<td>49%</td>
<td>36%</td>
<td>35%</td>
<td>35%</td>
<td>37%</td>
</tr>
<tr>
<td>Finland</td>
<td>15%</td>
<td>60%</td>
<td>35%</td>
<td>35%</td>
<td>35%</td>
<td>37%</td>
</tr>
<tr>
<td>Norway</td>
<td>5%</td>
<td>50%</td>
<td>35%</td>
<td>35%</td>
<td>35%</td>
<td>37%</td>
</tr>
<tr>
<td>Sweden</td>
<td>16%</td>
<td>47%</td>
<td>37%</td>
<td>37%</td>
<td>37%</td>
<td>37%</td>
</tr>
</tbody>
</table>

Sources: Jantii et al (2006), Table 12, page 37.
Figure A: Percent of Sons of Low Earner Fathers Who Are Low Earners as Adults
Figure B: Percent of Sons of Low Earner Fathers Who Are High Earners As Adults
Figure C: Percent of Sons of High Earners Who Are High Earners as Adults
Figure D: Percent of Sons of High Earners Who Are Low Earners as Adults

Riches to Rags

- U.S.: 10%
- U.K.: 11%
- Denmark: 15%
- Finland: 15%
- Norway: 5%
- Sweden: 16%
Economic, Family, and Policy Changes Since 1980

- The increase in the top income share.
- Growth in the college wage premium and in college tuition.
- Decoupling of marriage and fertility among women without a BA.
- Mass incarceration.
- Tax rate reductions.
Figure 1: Trends in Family-Income Inequality Among School-Age Children, 1967 to 2008 (Weighted by Number of School-Age Children)

Source: Reardon (2011)

Source: Author’s calculations, based on U.S. Bureau of the Census (King et al. 2010). Note: Each line shows the trends in the ratio of household incomes at two percentiles of the income distribution. All trends are divided by their value in 1967 in order to put the trends on a common scale.
Figure 2: Trend in Correlation Between Paternal Education and Family Income (1943 to 2001 Cohorts)

Source: Reardon (2011)
Figure 3: Percentage of Births Occurring Outside of Marriage (to Women 18 and Older) by Women’s Education in 2009

Source: Stanford Center for the Study of Inequality Slides (2012)
Figure 4: Divorce and Educational Attainment

Figure 5: Income and Family Type

Source: Stanford Center for Inequality Slides (2012)

Source: graph generated using data from the graphing utility at www.recessiontrends.org updated with 2010 data from the U.S. Census Historical Income Tables.
Figure 6: Men’s Cumulative Risk of Incarceration by Ages 30-34 Years by Birth Cohort

![Graph showing the cumulative risk of incarceration for men by age and birth cohort, comparing Whites and African-Americans. The graph indicates higher risk for African-Americans, especially for those who are high school dropouts.](image)

Source: Western and Pettit (2010)
Figure 7: Cumulative Risk of Paternal Incarceration by Age 5 for African-American and White Children by Paternal Education and Birth Cohort

Note: Non-college men include college dropouts and high school dropouts

Source: Analyses by Wildeman (2009: 275, Table 6) Using NLSY79 and NLSY97 datasets.
Figure 8: Incarceration in the United States and Western Europe

Parental Attainments and Children’s Schooling

- Spending on enrichment activities.
- College attendance.
- College graduation.
- College selectivity.
Figure 9: Enrichment Expenditures on Children, 1972-2006 (in 2008 dollars)

Figure 10: Trend in 90/10 Income Achievement Gap in Reading, by Birth Cohort (1943 to 2001 Cohorts)

Source: Reardon (2011)
Figure 11: Trend in 90/50 and 50/10 Income Achievement Gap, Reading, by Birth Year (1943 to 2001 Cohorts)

Source: Reardon (2011)
Figure 12: Fraction of Students Entering College, by Income Quartile and Birth Year

Source: Bailey and Dynarski (2011)

Figure 13: Fraction of Students Completing College, by Income Quartile and Year of Birth

Source: Bailey and Dynarski (2011)

Model of Intergenerational Inequality

Note: The correlation between parent’s income and children’s incomes equals \( ab + c \), where \( ab \) is the indirect effect of parental income on child income via child education and \( c \) is the effect of parental income on child income that is independent of child education.
What Next?

- Prison sentencing reforms and prisoners reentry programs.
- Public pre-school
- Tax reform
- Increasing college graduation rates of low-income and middle-income students.
Potential Additions to This Paper

1. International comparisons on trends in years spent in single-mother homes by maternal education.
2. Information on trends in the distribution of wealth in the U.S.
3. Information on trends in residential income segregation in the U.S.
4. Family income increases child income by affecting the amount of education a child gets (ab) and indirectly via education. This paper makes the case that intergenerational income correlation should go up become the effect of family income on child education has gone up “a” and because the effect of child education on child income has gone up “b”, so ab will go up. How might the rise in the relative spending power of rich versus poor and the increased bundling of family advantages effect “c”, the extent to which parental incomes affects child income over and its effect on child education?
5. Is anyone (Jantii or Solon) estimating parent-child income correlations for children raised in the 1980’s and 1990’s?
6. Are the associations between parental income and children’s education lower in Western Europe than in the U.S.? Is the college wage premium rising as quickly in Western Europe as it is in the U.S.?