Extract from "Income Inequality, Equality of Opportunity, and Intergenerational Mobility"

by Miles Corak

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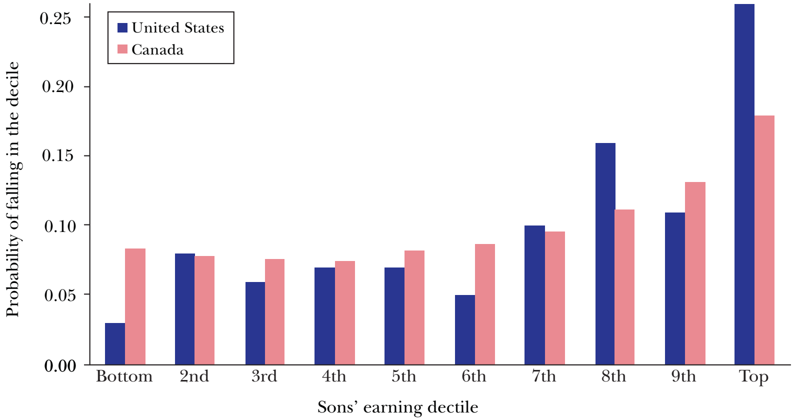
Figure 1: The Great Gatsby Curve: More Inequality is Associated with Less Mobility across the Generations

Source: Corak (2013) and OECD.

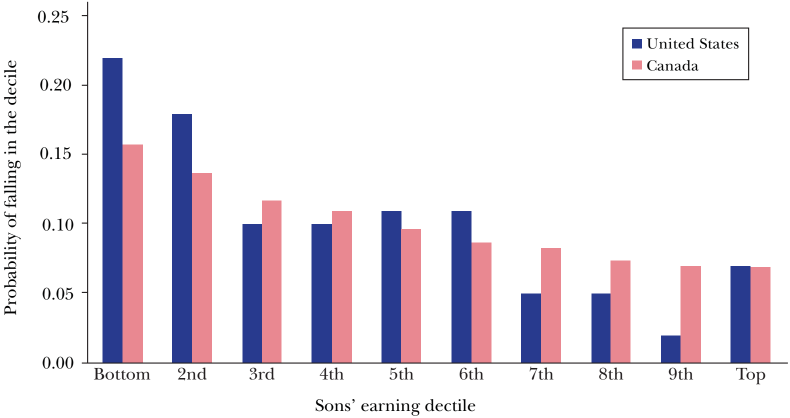
Notes: Income inequality is measured as the Gini coefficient, using disposable household income for about 1985 as provided by the OECD. Intergenerational economic mobility is measured as the elasticity between paternal earnings and a sons adult earnings, using data on a cohort of children born, roughly speaking, during the early to mid 1960s and measuring their adult outcomes in the mid to late 1990s. The estimates of the intergenerational earnings elasticity are derived from published studies, adjusted for methodological comparability in a way that I describe in the appendix to Corak (2006), updated with a more recent literature review reported in Corak (2013), where I also offer estimates for a total of 22 countries. I only use estimates derived from data that are nationally representative of the population and which are rich enough to make comparisons across generations within the same family. In addition, I only use studies that correct for the type of measurement errors described by Atkinson, Maynard, and Trinder (1983), Solon (1992), and Zimmerman (1992), which means deriving permanent earnings by either averaging annual data over several years or by using instrumental variables.

Figure 2: Earnings Deciles of Sons Born to Top Decile Fathers: United States and Canada



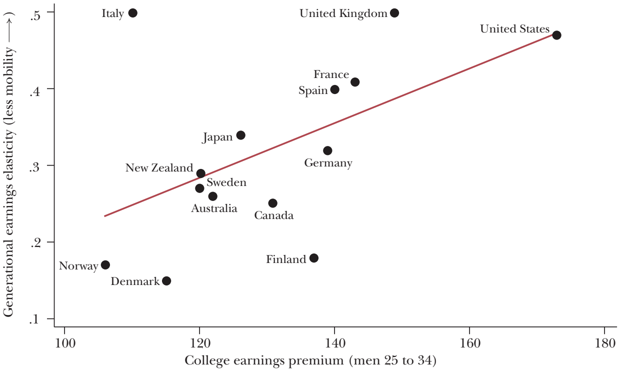
Source: Corak and Heisz (1999, table 6); Mazumder (2005, table 2.2).

Figure 3: Earnings Deciles of Sons Born to Bottom Decile Fathers: United States and Canada



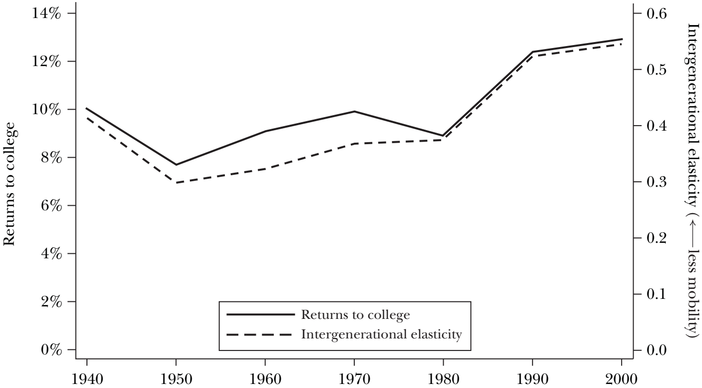
Source: Corak and Heisz (1999, table 6); Mazumder (2005, table 2.2).

Figure 4: Higher Returns to Schooling are Associated with Lower Intergenerational Earnings Mobility



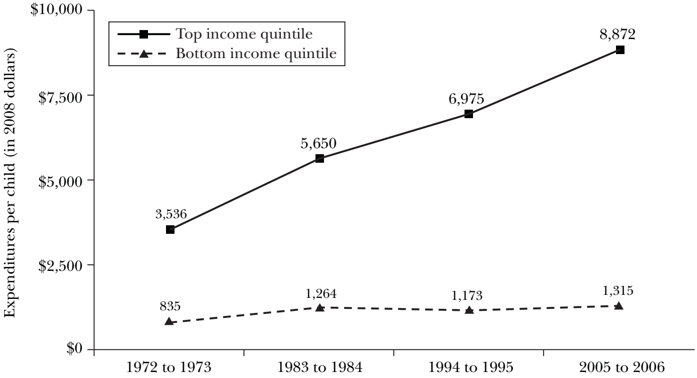
Source: Author using data from OECD (2011b, table A8.1), and Corak (2013).
Notes: The earnings premium refers to the ratio of average earnings of men 25 to 34 years of age with a college degree to the average earnings of those with a high school diploma. This is measured as the average employment income in 2009 of men 25 to 34 years of age with a college degree relative to the average income of their counterparts with a high school diploma (OECD 2011b, table A8.1). Intergenerational economic mobility is measured as the elasticity between paternal earnings and a sons adult earnings, using data on a cohort of children born, roughly speaking, during the early to mid 1960s and measuring adult outcomes in the mid to late 1990s (see notes to Figure 1).

Figure 5: The Higher the Return to College, the Lower the Degree of Intergenerational Mobility: United States, 1940 to 2000



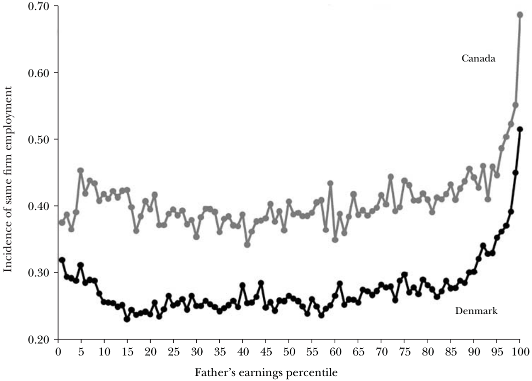
Source: Adapted by the author from Mazumder (2012, Figure 1).
Notes: Information on the returns to college and the intergenerational earnings elasticity were provided to the author by Bhashkar Mazumder. As reported in Mazumder (2012), these are respectively from Goldin and Katz (1999) and Aaronson and Mazumder (2008, table 1 column 2). The 1940 estimate of the elasticity is a projection using Aaronson and Mazumder (2008, table 2 column 2).

Figure 6: Money Matters: Higher-Income Families in the United States Have Higher Enrichment Expenditures on Their Children



Source: Duncan, Greg J. and Richard J. Murnane. Figure 1.6 "Enrichment Expenditures on Children, 19722006." In Whither Opportunity, edited by Greg J. Duncan and Richard J. Murnane, 2011 Russell Sage Foundation, 112 East 64th Street, New York, NY 10065. Reprinted with permission.
Notes: "Enrichment expenditures" refers to the amount of money families spend per child on books, computers, high-quality child care, summer camps, private schooling, and other things that promote the capabilities of their children.

Figure 7: Proportion of Sons Currently Employed or Employed at Some Point with an Employer their Father had Worked for in the Past: Canada and Denmark *(by fathers earnings percentile)*



Source: Bingley, Paul, Miles Corak, and Niels Westergard-Nielson. Figure 18.2 "Sons Employed at Some Point with Employer Fathers Worked for, by Fathers Earnings." In From Parents to Children: The Intergenerational Transmission of Advantage, edited by John Ermisch, Markus Jantti, and Timothy Smeeding, 2012 Russell Sage Foundation, 112 East 64th Street, New York, NY 10065. Reprinted with permission.