Is Rising Inequality a Problem for the United States?

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though the substantial college wage premium data present substantial cause for concern. As e c o n d g a u g e o f e c o n o m i c h e a t h t h e r a...

Changes in real wage levels of full-time U.S. workers by sex and education, 1963–2012

Real weekly earnings relative to 1963 (men)  

MEN

Real weekly earnings relative to 1963 (women)  

WOMEN

Source: Autor, 2014
Steep Relationship Between Parent and Child Income Ranks in the United States

A. Mean Child Income Rank vs. Parent Income Rank in the U.S.

B. Cross-Country Comparisons

Notes: These figures present non-parametric binned scatter plots of the relationship between children's and parent's percentile income ranks. Both figures are based on the core sample (1980-82 birth cohorts) and baseline family income definitions for parents and children. Child income is the mean of 2011-2012 family income (when the child is approximately 30 years old), while parent income is mean family income from 1996-2000. Children are ranked relative to other children in their birth cohort, while parents are ranked relative to all other parents in the core sample. Panel A plots the mean child percentile rank within each parent percentile rank bin. The series in triangles in Panel B plots the analogous series for Denmark, computed by Boserup, Kopczuk, and Kreiner (2013) using a similar sample and income definitions. The series in squares plots estimates of the rank-rank series using the decile-decile transition matrix from Corak and Heisz (1999). The series in circles in Panel B reproduces the rank-rank relationship in the U.S. from Panel A as a reference. The slopes and best-fit lines are estimated using an OLS regression on the microdata for the U.S. and on the binned series (as we do not have access to the microdata) for Denmark and Canada. Standard errors are reported in parentheses.

Source: Chetty et al. 2014
Higher Education: A Key Vector for Transmission of Intergenerational Inequality

A. Children’s College Attendance Rate and Quality vs. Parent Income Rank

Coll. Quality Gradient (P75-P25) = 0.191

Coll. Attendance Slope = 0.675

B. Female Children’s Teenage Birth Rate vs. Parent Income Rank

Slope = -0.298

Notes: These figures present non-parametric binned scatter plots of the relationship between children’s college attendance rates (Panel A, circles), college quality rank (Panel A, triangles), and teenage birth rates (Panel B) vs. parents’ percentile rank. Both figures are based on the core sample (1980-82 birth cohorts). Parent rank is defined based on mean family income from 1996-2000. In Panel A, the circles plot the fraction of children ever attending college between age 18-21 within each parent-income percentile bin; the triangles plot the average college quality rank at age 20 within each parent-income percentile bin. College attendance is defined as the presence of a 1098-T form filed by a college on behalf of the student. College quality rank is defined as the percentile rank of the college that the child attends at age 20 based on the mean earnings at age 31 of children who attended the same college (children who do not attend college are included in a separate “no college” group); see Section III.B for further details. Panel B plots the fraction of female children who give birth while teenagers within each parental percentile bin. Having a teenage birth is defined as ever claiming a dependent child who was born while the mother was aged 13-19. The slopes and best-fit lines for college attendance and teenage birth are estimated using linear regressions of the outcome of interest on parent income rank in the microdata. We regress college quality rank on a quadratic in parent rank to match the non-linearity of the relationship. The college quality gradient is defined as the difference between the fitted values for children with parents at the 75th percentile and parents at the 25th percentile using this quadratic specification.

Source: Chetty et al. 2014
Gap in Years of Completed Schooling Rising Between Children From Top vs. Bottom Family Income Quintiles

Source: Duncan and Murnane, 2011
Life Expectancy Gap Between High and Low Income Adults Rose by ~5 Years Between 1990 and 2015!

In Counties that Went for Trump on Super Tuesday 2016, Middle Age Whites are Dying at a Faster Rate

Source: Jeff Guo, Washington Post, 2016
How Steep? Twice as Steep as Canada or Denmark!

B. Cross-Country Comparisons

Slope (Denmark) = 0.180 (0.006)
Slope (Canada) = 0.174 (0.005)

Source: Chetty et al. 2014
Countries with High Income Inequality Have Low Intergenerational Mobility

- **Income inequality (more inequality →)**
  - 20
  - 25
  - 30
  - 35
- **Generational Earnings Elasticity (Lower mobility)**
  - 0.1
  - 0.2
  - 0.3
  - 0.4
  - 0.5

Countries shown include:
- **Low Income Inequality (more equality ↔)**
  - United States
  - Denmark
  - Norway
  - New Zealand
  - Australia
  - Canada
  - Canada
- **High Income Inequality (more inequality →)**
  - United Kingdom
  - Italy
  - France
  - Germany
  - Sweden
  - Finland

Source: Autor 2014
Moving to Opportunity (MTO)

- Ambitious social experiment early ‘90s
- 4,600 low-income families w/ children
- Living in high-poverty public housing projects vouchers
- Randomly assigned:
  1. Some moved to lower-poverty neighborhoods
  2. Others received rent vouchers or no services—remained in public housing

We now have 20 years of outcome data...
Do Children’s Environments Actually Matter – Or Are these Just Correlations?

- **Effects on kids who were below age 13 when families moved**
  1. Improved college attendance rates
  2. Raised earnings (as of mid-20s) *substantially*
  3. Reduced likelihood of single parenthood
  4. Increased quality of neighborhoods in adulthood

- **Moving people out of projects and poverty...**
  - Reduced intergenerational persistence of poverty
  - Improved economic mobility

Authors: Katz, Kling, Liebman, Ludvig, Sambonmatsu, Chetty, Hendren,
Conclusions

1. What about inequality should worry us?
2. How do we know it’s a problem?
3. Do we have any choice about inequality—or does the market simply decide?
4. But really, does anything improve equality of opportunity?
5. What’s the ‘big tradeoff?’
   - Equality versus efficiency...
   - or Dynamism versus dynasticism...