

Mobility: Facts, Perceptions, and Policy

Stefanie Stantcheva
Harvard

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S O C I A L
E C O N O M I C S
L A B

Persistence of Spatial Inequality in the US: New Facts

Perceptions of Mobility

Mobility perceptions and Policy Views

Mobility Experiences and Zero-Sum Thinking

Outline

Persistence of Spatial Inequality in the US: New Facts

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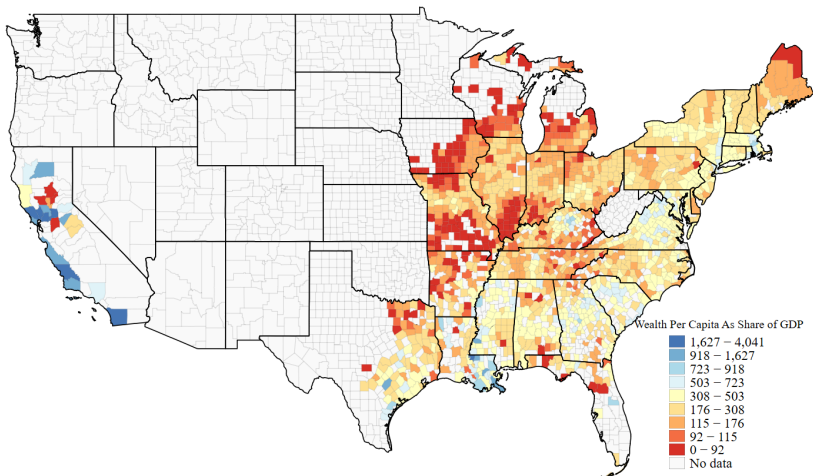
Mobility Experiences and Zero-Sum Thinking

New Wealth Data

- **The US General Property Tax: A US innovation at the turn of the 19th Century:**
 - Comprehensive tax on all property, not just on real estate
 - For over a century, US relied heavily on local taxation of all forms of property.
 - Tax administration left detailed paper trails.
- **New source of historical data on US property & wealth:**
 - We constructed wealth measures for the US, all US states, counties, and 300 largest cities from early 1800s to 1935 (depending on aggregation level). Based on many historical records.
 - While there are existing national wealth estimates, GPT offers coherent, high-frequency, long-run source.
 - No existing consistent & coherent subnational measures.

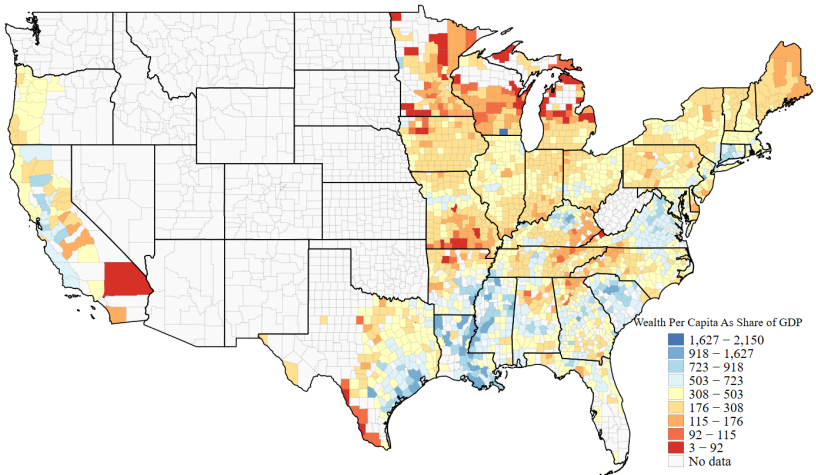
Spatial Inequality in the US

Property Per Capita As Fraction of US GDP Per Capita By County 1850



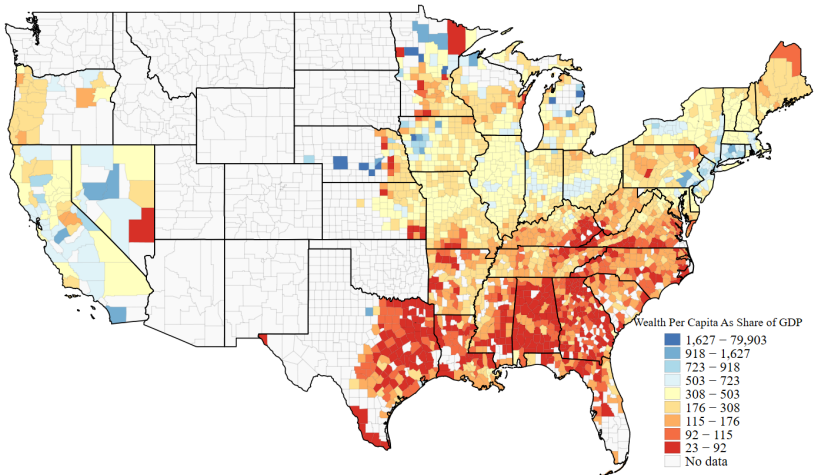
Spatial Inequality in the US

Property Per Capita As Fraction of US GDP Per Capita By County 1860



Spatial Inequality in the US

Property Per Capita As Fraction of US GDP Per Capita By County 1870

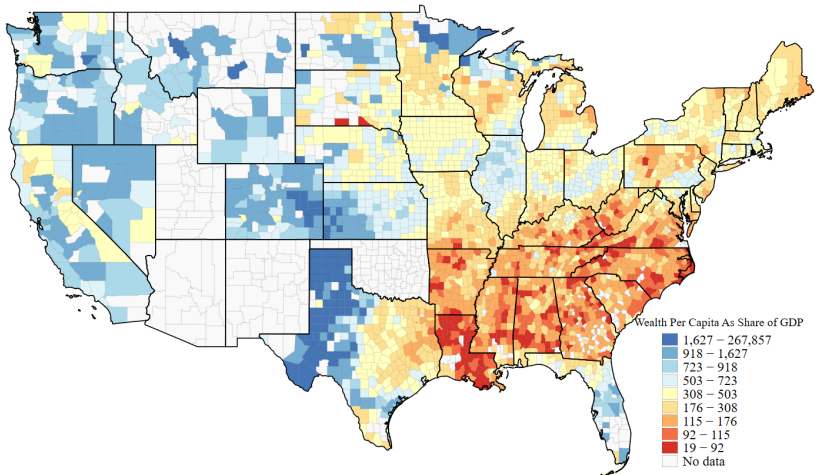


Property Per Capita As Fraction of US GDP Per Capita By County 1880



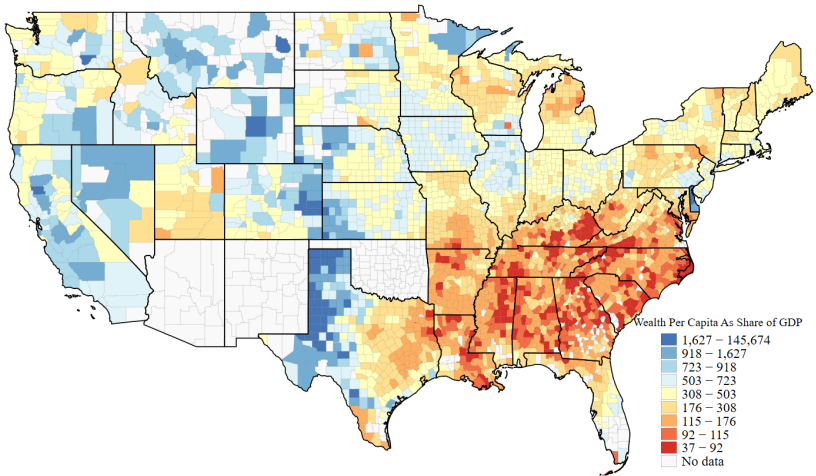
Spatial Inequality in the US

Property Per Capita As Fraction of US GDP Per Capita By County 1890



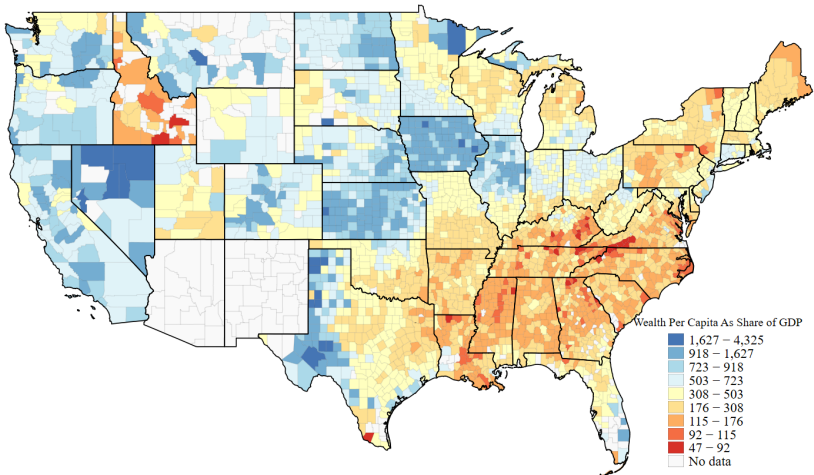
Spatial Inequality in the US

Property Per Capita As Fraction of US GDP Per Capita By County 1900



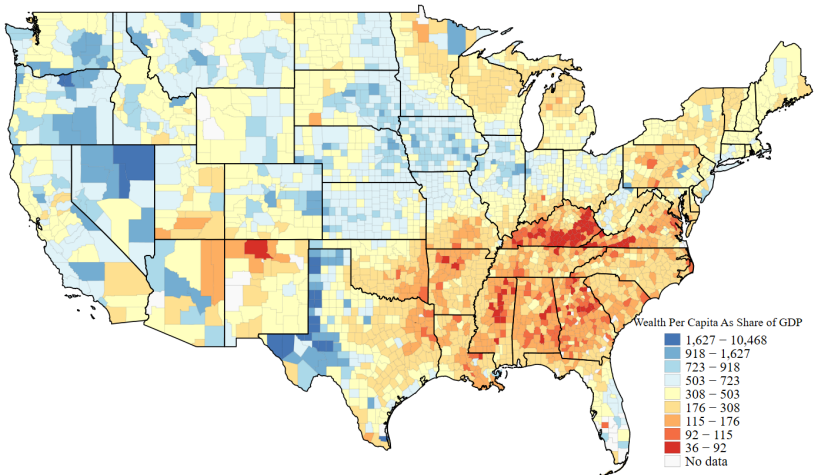
Spatial Inequality in the US

Property Per Capita As Fraction of US GDP Per Capita By County 1910



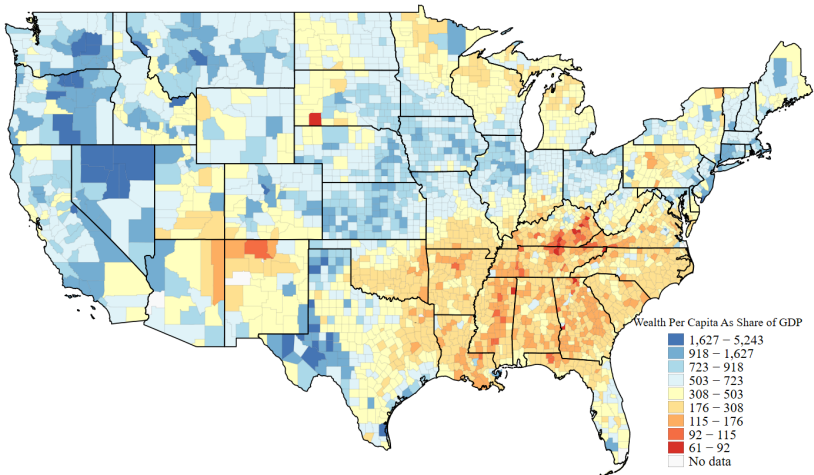
Spatial Inequality in the US

Property Per Capita As Fraction of US GDP Per Capita By County 1920

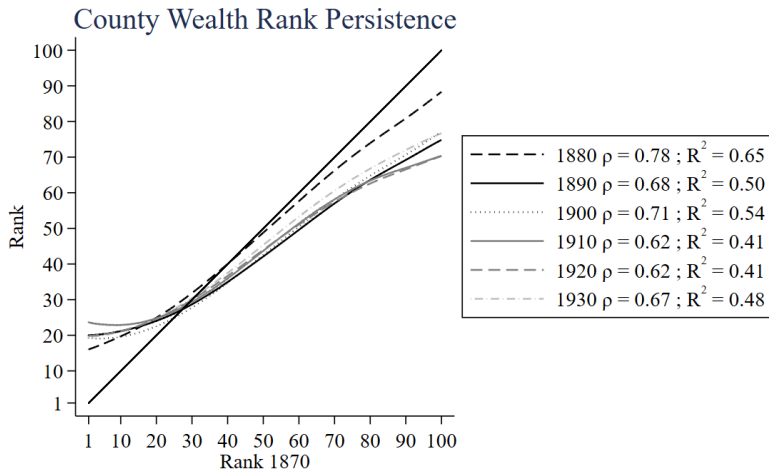


Spatial Inequality in the US

Property Per Capita As Fraction of US GDP Per Capita By County 1930

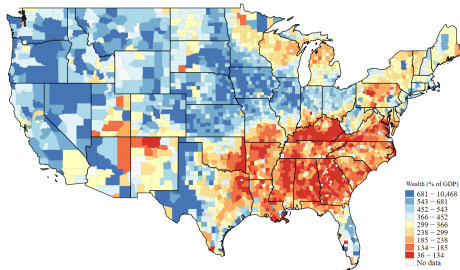


Spatial Inequality Is Very Persistent after Civil War



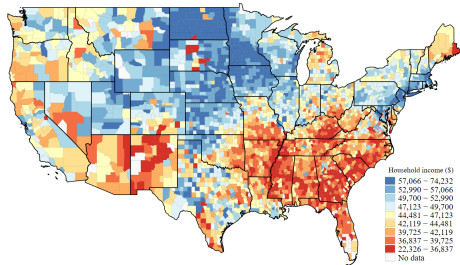
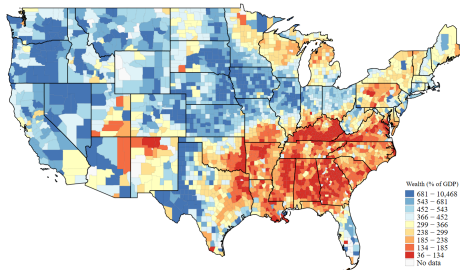
... and until today

Property in 1920 vs Opportunity Atlas Income

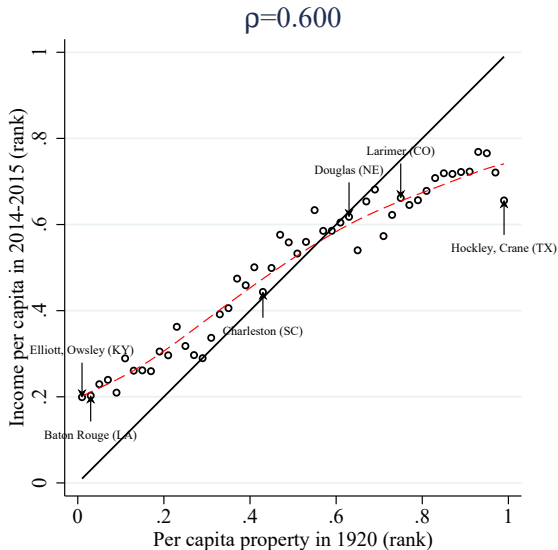


... and until today

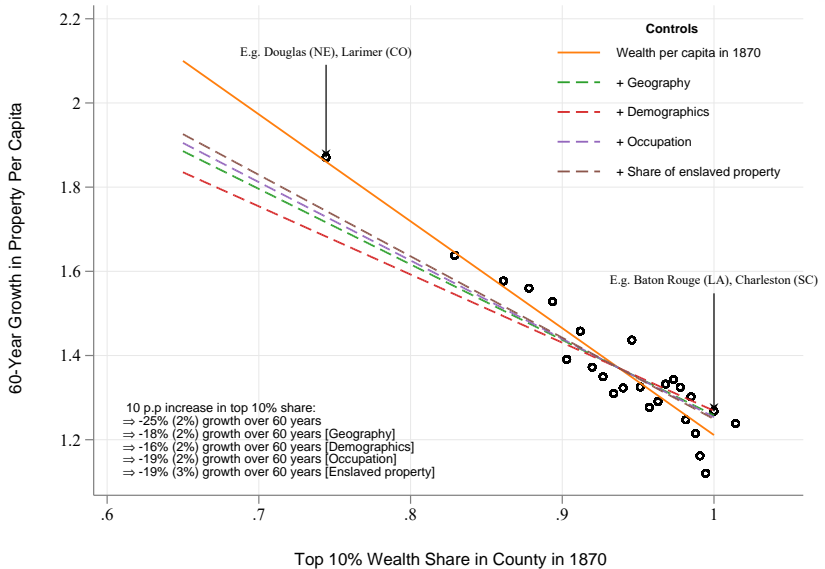
Property in 1920 vs Opportunity Atlas Income (corr = 0.6)



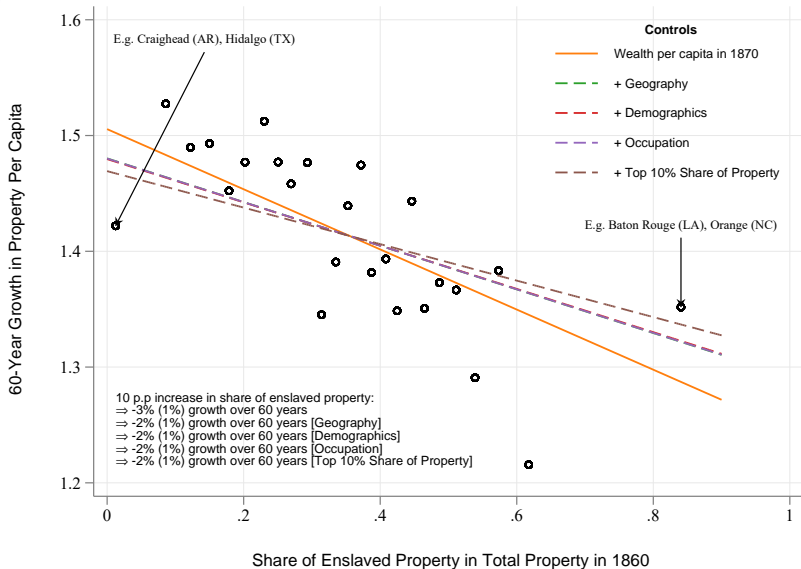
Rank-rank correlation between wealth in 1920 and income today



The Legacy of Inequality



The Legacy of Enslavement



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Social Economics Surveys and Experiments

- Surveys have been used for a long time for statistics. Some variables are now better measured in administrative high-quality data (like income, family situation, employment, etc.)
- Yet, **some things are invisible** in data other than survey data (even great data!): **perceptions, attitudes, knowledge, and views.**
- More than a tool, an approach to research **“Creating your own identifying variation and uncovering the invisible.”**
- For the results to be reliable, it is critical that these surveys are well-designed, carefully calibrated, and deployed on appropriate samples.

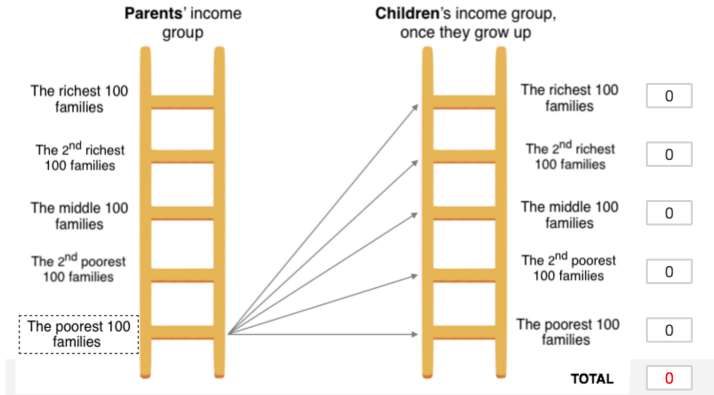
INTERGENERATIONAL MOBILITY

"Intergenerational Mobility and Preferences for Redistribution" by
Alberto Alesina, Stefanie Stantcheva, and Edoardo Teso

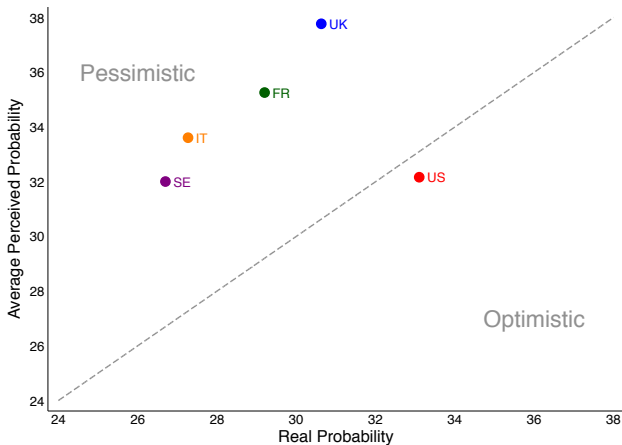


Eliciting respondent's beliefs on upward mobility

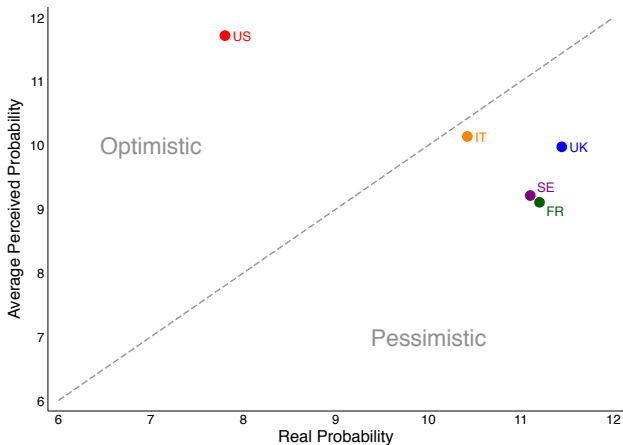
Here are **500 families** that represent the US population:



Probability of Staying in Bottom Quintile (Actual vs. Perceived)

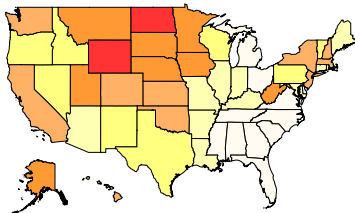


Probability of Moving to Top Quintile (Actual vs. Perceived)

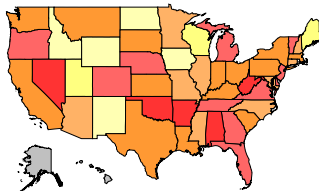


Actual and perceived probability of moving from bottom to top quintile

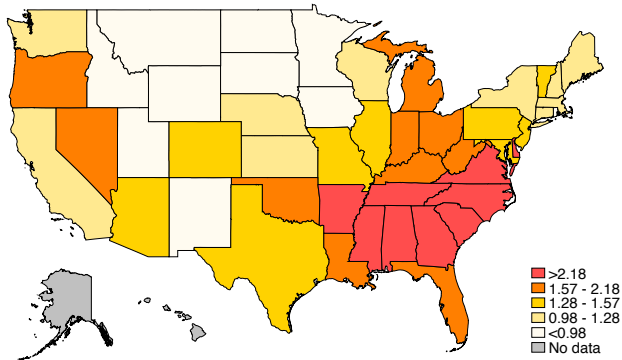
Actual



Perceived



Perceived over actual probability of moving from bottom 25% to top 25%



MOBILITY AND RACE

"Perceptions of Racial Gaps, their Causes, and Ways to Reduce Them" by Alberto Alesina, Matteo Ferroni, and Stefanie Stantcheva

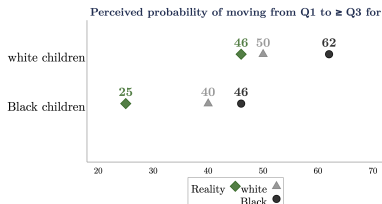


Attitudes Towards Race and Racial Inequities Shape Support for Redistribution

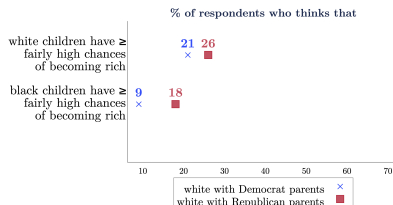
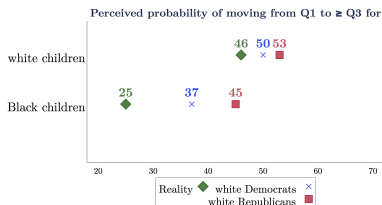
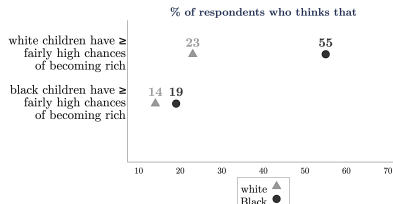
- To study this interaction, we survey non-Hispanic Black and white respondents across the US.
 - Survey both adults and teenagers aged 13 to 17.
 - Black respondents are oversampled & represent half of the sample.
- We ask respondents about:
 - their **perceptions of the economic conditions & opportunities** of both Black & white Americans;
 - their attitudes on racial issues & **views on causes of racial inequities**;
 - their degree of **support for race-targeted & general redistribution policies**.

Perceived Racial Gaps in Mobility

Adult survey



Youth survey



SOCIAL POSITION AMONG OTHERS

"Social Positions and Fairness Views on Inequality" by Kristoffer B. Hvidberg, Claus T. Kreiner and Stefanie Stantcheva



The importance of (perceived) social position among others

- Issues of mobility and inequality intrinsically linked to where we rank (or think we rank) relative to others.
- People may care about their social position in various **reference groups**:

Their cohort, those in the same city, same sector or firm, same neighborhood, with the same level of education, etc..

Social position here = income rank

- How well do people know their position relative to others in these reference groups?
- How does this shape their views on fairness and inequality?

New data: survey matched to full pop. admin data

- We design a **survey** eliciting respondents' perceptions of income distributions, position within groups, and attitudes.
- We **match respondents to their registrar data**, which contains: i) their incomes; ii) their full income history & life events; iii) the incomes and histories of everyone in their various reference groups.
- Can **compare perceptions to reality** at granular level.
- Can study how views change when position changes over the life cycle or following life events.

Eliciting the Cohort Median Income (P50)

What do you think the income for **P50** was in 2017 for individuals born in 1970?

Remember that P50 is the income, where half have an income that is the same as or lower than this income, and half have an income that is higher than this income.

Remember also that income is before tax for the whole of 2017 and consists of salary, net profit from self-employment, other business income, unemployment benefits, transfers and payments from private and public pensions.

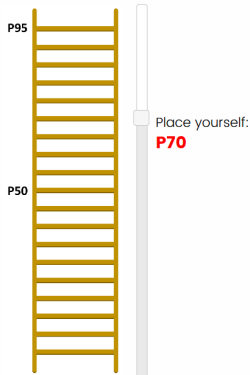
Note: Please state your answer in **entire thousand DKKs**. If you enter 1 it corresponds to 1,000 DKK.

 thousand DKK

Eliciting Perceived Own Position

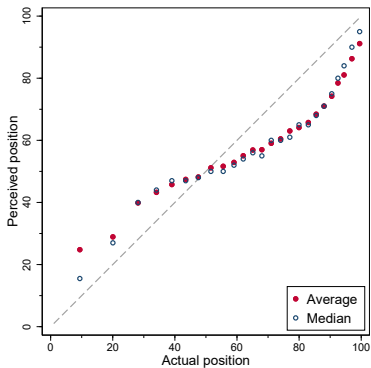
Rank among all people **born in 1970**

You previously reported that you had a yearly income in 2017 of 400000 DKK before tax. We will now ask you to report where you think this income placed you on the income ladder in 2017 for people who were born in 1970. Use the slider to select your position. Later, we will inform you about your true position.



Systematic Misperception of Own Position: “Center Bias”

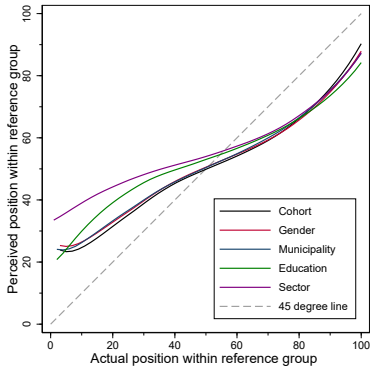
Average / Median Perceptions



Systematic Misperception of Own Position Across Reference Groups

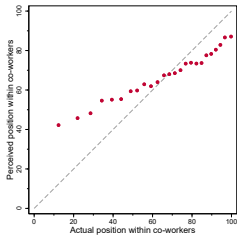
... of varying magnitudes. Largest misperceptions: education and sector groups.

By reference group position

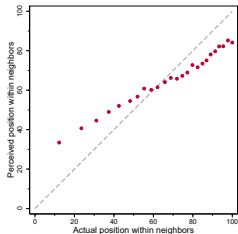


Perceived Position in Small Reference Groups

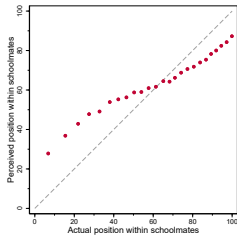
Co-workers



Neighbors



Schoolmates



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Lack of mobility is a problem.. but preferred
solutions differ

Lack of mobility is considered to be a problem.. but preferred solutions differ

- Most people are worried about **lack of social mobility and inequality of opportunity**, but favored solutions **varies across partisan lines**.

Left-wing respondents who are more pessimistic about mobility want more redistribution.

- More social insurance, more progressive taxes, and especially more “equality of opportunity” type policies, such as spending on education and health.

Right-wing respondents view government “as part of the problem, rather than the solution.”

- Believe better way to improve equality of opportunity is less government intervention.

Can be mapped to different attitudes about government.

- Experimentally reducing trust in the government, by making people think about things they dislike about it (campaign financing, Wall Street bailout, etc.), decreases support for redistribution (Kuziemko, Norton, Saez, and Stantcheva, 2015).

Perceived **causes** of lack of mobility matter
substantially for policy views... and we
disagree on them

Disagreements on What Causes Racial Inequities

- Across race groups and political affiliations, people perceive the economic conditions & opportunities of Black & white Americans differently..

... but by far the biggest disagreements between people lie in their perceived causes of racial inequities

and, consequently, in what should be done to remedy them.

- People's support for general redistribution (or race-targeted policies) does not depend on their perceptions of the magnitudes of racial gaps, it depends on **why they think those gaps exist.**

Large Partisan Gaps in Perceived Causes of Racial Gaps & Policy Views

Black & white Democratic respondents:

- attribute persistent racial gaps to past slavery, long-standing discrimination, & racism.
- support income-targeted redistribution & race-targeted policies.
- **Strikingly, these racial & partisan gaps are already prevalent among teenagers.**

White Republican respondents:

- tend to view racial inequities primarily as the result of lack of effort and individual decisions
- less inclined to support redistribution and race-targeted policies to reduce them.

Teens' views imply substantial partisan gaps in line with their parents' political affiliation (sometimes even more polarized!)

Changing Policy Views

- **Experiment:**

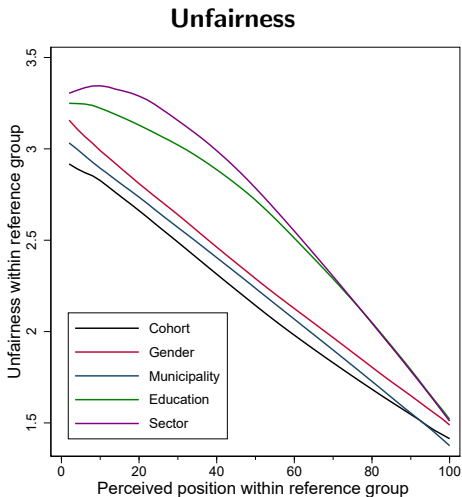
Showing people information on gaps in earnings & opportunities between Black & white people does not move policy views.

Explaining some of the causes & consequences of systemic racism does.

- Interpretation: Simply showing **how** unequal circumstances & opportunities are does not move people's beliefs on **why** they are unequal, does not change the narrative that respondents believe in.
- Although there are clearly large racial gaps along many econ & social dimensions, and although many people are (at least to some extent) aware of them, they disagree on their causes and, hence, on the way or even need to resolve them.

Perceived ranking among others shapes
fairness and policy views

Higher position within references groups correlated with lower perceived unfairness



How Does Social Position Shape Views on Inequality?

- **People who are ranked higher in each group think that income inequality within that group is fairer.**
- They also think that income differences in that group are due to differences in effort, rather than in “luck” (different circumstances), believe that their own hard work has paid off, and that high income earners deserve their income.
- They are also more likely to vote for right-of-center parties and support less redistribution.
- **Experimental** evidence: telling people where they truly rank moves their fairness views.
- **Quasi-experimental:** negative life events (unemployment, disability, hospitalization) increases perceived unfairness of inequality; positive events (promotion at work) decreases it.

Which Type of Inequality is Considered to be Most Unfair?

- Inequalities between **co-workers (in firm or sector) & people with same education** are considered most unfair ... and are much bigger than people think!
- People are more accepting of inequalities conditional on factors considered less relevant for income (municipality, age, gender) than of inequalities conditional on factors that they think are crucial for shaping income (education, sector, firm).

Outline

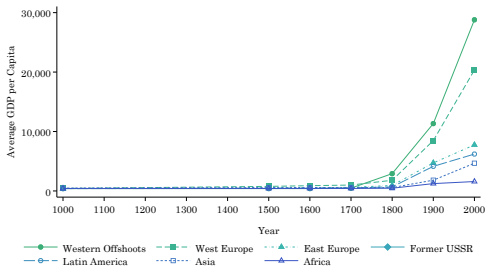
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Is mobility zero-sum?



- Throughout much of human history the world was zero-sum.
- In a world where aggregate resources are not growing, it is not possible for everyone to be better off.
 - For some to be better off, others need to be worse off.
- **In the world today, how much of our success comes at the expense of others?**

Zero-sum and policy



- If the wealth/success of the rich comes at the expense of the poor, then there is too much effort in equilibrium.
- In a zero-sum world, there a role for government to tax from the wealthy and redistribute to the poor (Piketty, Saez, and Stantcheva, 2014).

Survey

Chinoy, Nunn, Sequeira, and Stantcheva (2022)

“Zero-Sum Thinking and the Roots of US Political Divides”

- Completed online
- n=14,500 people
- Oct 2020-May 2022
- 5 waves
- 20-30 minutes

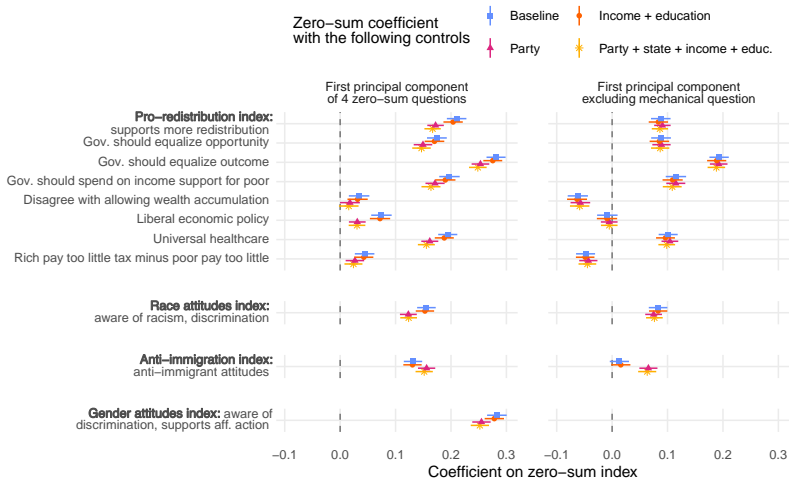
Background of Respondent			
Demographics Gender, age, household income, race, family situation, immigration history, employment, education		Political Views Party affiliation, voting record	
↓			
Ancestry			
Demographics of parents and grandparents Age, education, occupation, number of children	Own, parents', and grandparents' residence and migration history Place of birth; place of residence while growing up; place of residence during 20s, 30s, and 40s; current place of residence	Ancestors' history of enslavement Enslavement episodes incl. enslavement of African descendants, Holocaust, indentured servitude, Native American enslavement, war imprisonment	Own, parents', and grandparents' relative income Current income compared to others; relative income compared to others while growing up
↓			
Policy Views			
Perceptions of fairness and mobility Factors contributing to economic status, mobility opportunities of children, attitudes toward wealth accumulation, role of effort	Views about redistribution Desired levels of government intervention for income inequality and equality of opportunity for children, fairness of taxes by income status, level of support for expansion of government programs, attitudes toward QAnon and Capitol riots	Views about government and political issues Trustworthiness of government, of others, views on race, migration, gender, gun ownership, universal health care, patriotism, abortion, universalism	
Zero-Sum Mindset			
Views on whether one group's gains imply another group's losses			
➤ Ethnic: "If one ethnic group becomes richer, this comes at the expense of other groups."			
➤ Trade: "If one country makes more money, then another country makes less money."			
➤ Citizenship: "If non-U.S. citizens do better economically, this comes at the expense of U.S. citizens."			
➤ Income: "If one income group becomes wealthier, this comes at the expense of other groups."			

Measuring zero-sum thinking

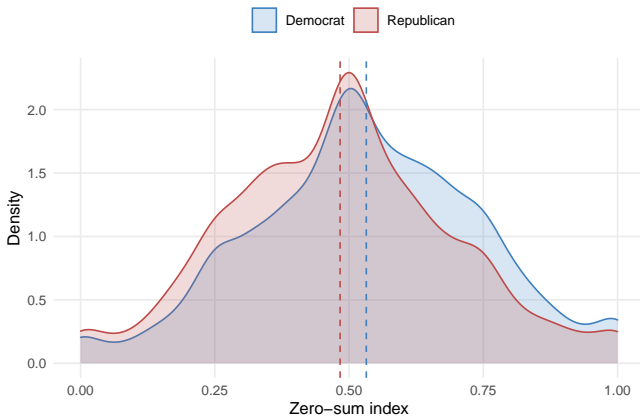
Create (principal components) index based on four questions:

1. "In the United States, there are many different **ethnic groups** (Blacks, Whites, Asians, Hispanics, etc). If one ethnic group becomes richer, this generally comes at the expense of other groups in the country."
2. "In the United States, there are those with **American citizenship** and those without. If those without American citizenship do better economically, this will generally come at the expense of American citizens."
3. "In **international trade**, if one country makes more money, then it is generally the case that the other country makes less money."
4. "In the United States, there are many different **income classes**. If one group becomes wealthier, it is usually the case that this comes at the expense of other groups."

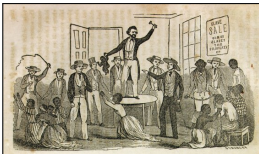
Zero-sum views strongly correlated w. policy views



Zero-sum thinking and political preferences



Determinants of zero-sum thinking in the U.S.



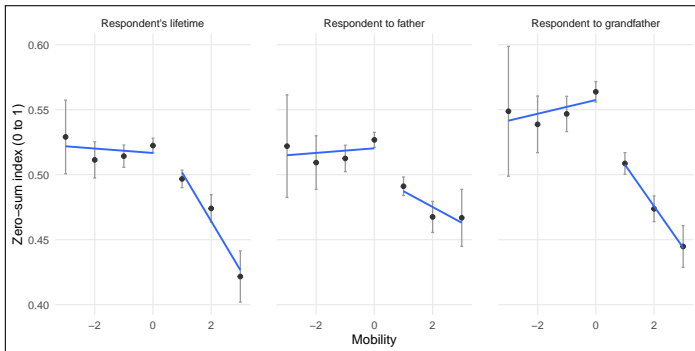
1. Economic mobility
2. Immigration
3. Race & enslavement

Direct and indirect effects of immigration and enslavement

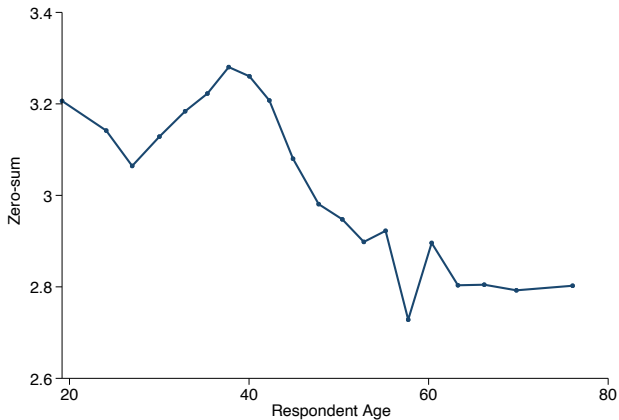
Experiences: direct experience through self or ancestry (vertical) or through environmental exposure (horizontal or oblique)

Economic mobility and zero-sum thinking

Positive mobility experiences significantly correlated with less ZS



Zero-sum thinking across generations



(Residualized on race, gender, current state, HH income)

Mismatch between beliefs and the environment

- When the world changes, our values adjust, but only slowly.
- Even for a population with the same environment (historically and today), there is still disagreement.
- In these cases, the values aren't perfectly matched to the current environment.
- They are influenced by past environments.
- **Younger generations** should exhibit **less mismatch**.
- **History of U.S. economic mobility suggests U.S. used to be less ZS.**
 - In the mid-1800s, the U.S. was characterized by exceptionally high rates of economic mobility (Long & Ferrie, AER, 2013).
 - Since this time, U.S. mobility has been in decline (Chetty et al., 2017; Feigenbaum, EJ, 2018, Song et al., PNAS, 2020).

Pre-tax income growth for the bottom 50% of the U.S. population

What was economic growth when the cohorts in our sample were born?

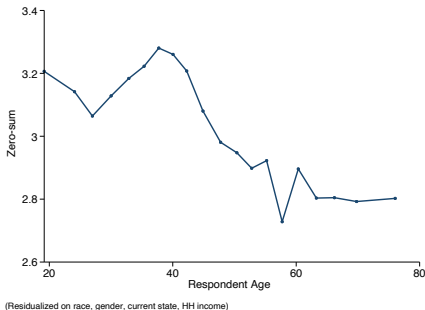
- 1930-40 [80-90yrs]: 12%
- 1940-50 [70-80yrs]: 88%
- 1950-60 [60-70yrs]: 30%
- 1960-70 [50-60yrs]: 53%

- 1970-80 [40-50yrs]: 3%
- 1980-90 [30-40yrs]: -1%
- 1990-00 [20-30yrs]: 14%
- 2000-10 [10-20yrs]: -5%

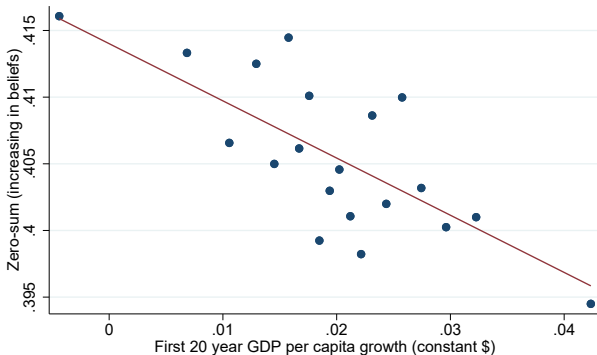
Pre-tax income growth for the bottom 50% of the U.S. population

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- 1980-90 [30-40yrs]: -1%
- 1990-00 [20-30yrs]: 14%
- 2000-10 [10-20yrs]: -5%



Beyond the US: Economic stagnation and zero-sum thinking



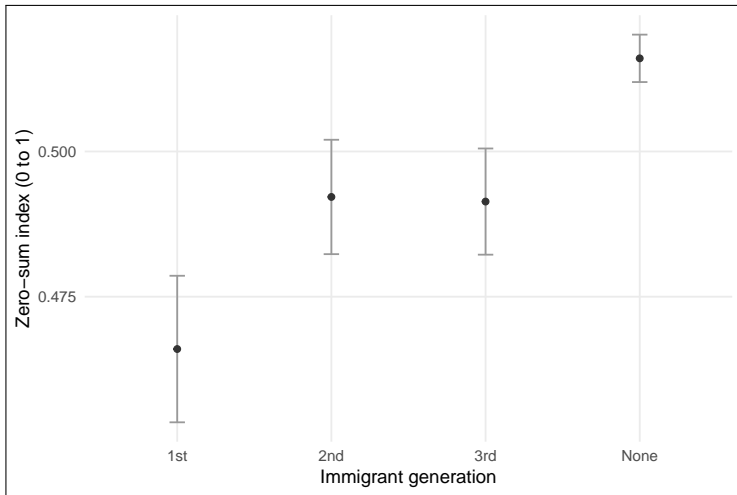
- **X-axis:** Real per capita GDP growth in country in first 20 years of life
- **Y-axis:** “People can only get rich at the expense of others” vs. “Wealth can grow so that there is enough for everyone”

Immigration and zero-sum thinking

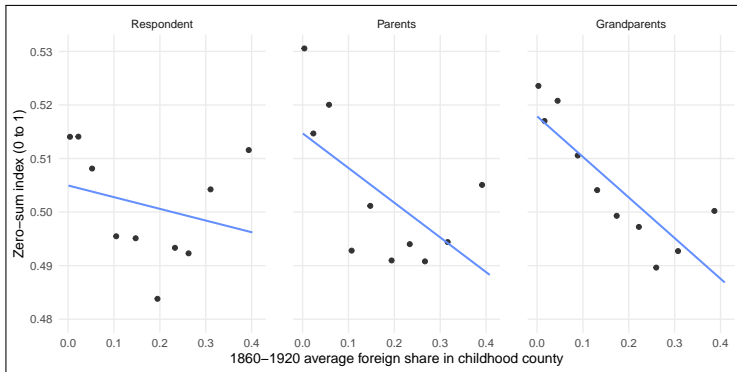


- Immigrants witnessed an improved quality of life (mobility), particularly for their children.
- This generally did not come at the expense of others.
- In fact, evidence indicates that immigrants made those around them economically better off (Sequeira, Nunn, and Qian, ReStud, 2020).

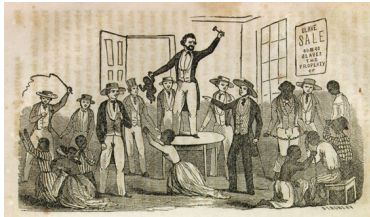
Immigrant ancestry



Living near immigrants (horizontal & oblique effects)

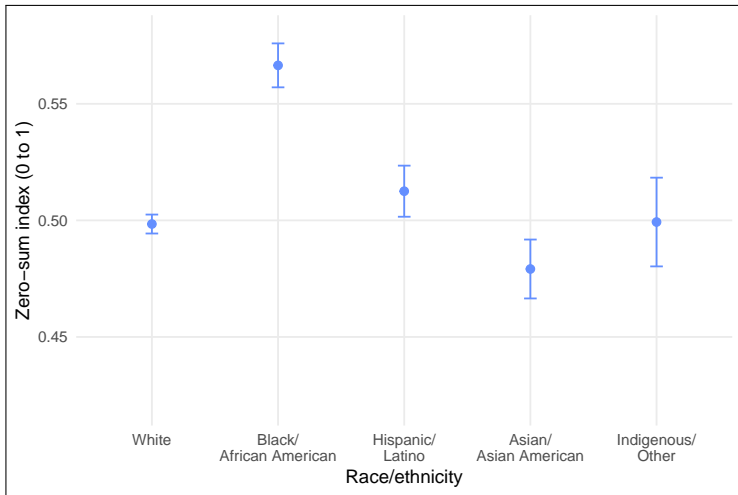


Coercion and zero-sum thinking

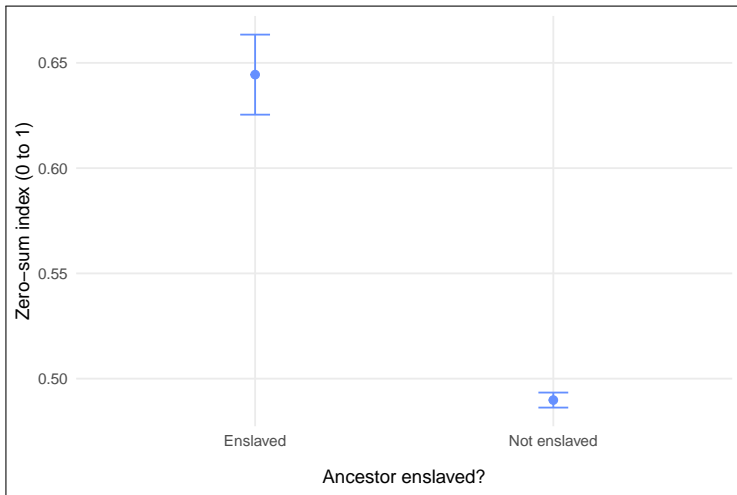


- Plantation enslavement was an extremely zero-sum form of production.
- After abolition, forms of coercion persisted in places that had enslavement.

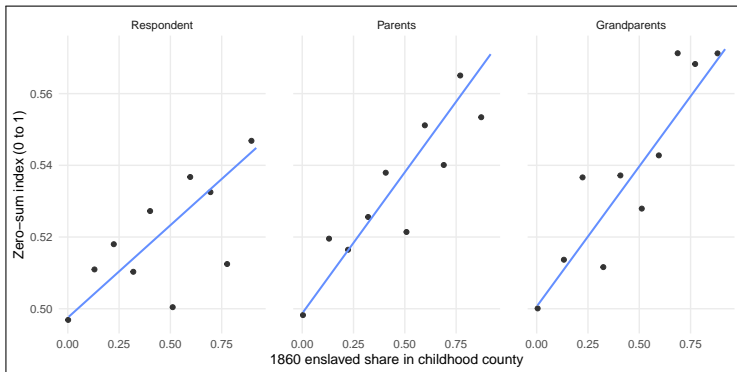
Zero-sum and race (vertical)



Zero-sum and other forms of enslavement among non-Black individuals (vertical)



History of enslavement (horizontal & oblique effects)



Conclusions

- **Spatial inequality** has been highly persistent in the US.
- Perceptions of mobility in the US are **overoptimistic**; especially regarding mobility of Black children.
- **Systematic “center bias”**: poorer respondents overestimate their position because they believe everyone else is poorer (vice-versa for richer respondents).
- **Perceptions of mobility matter for policy** views, especially on redistribution.

The more we believe there is equality of opportunity the more we tolerate inequality of outcomes.

- **Zero-sum mindset**: shaped by experiences of and exposure to mobility, immigration, and enslavement and is strong predictor of policy views.