

# Inequality and Mobility using Income, Consumption, and Wealth for the Same Individuals

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# President Obama, December 6, 2011

*Remarks by the President on the Economy in Osawatomie, Kansas*

“This kind of **gaping inequality** gives lie to the promise that’s at the very heart of America: that this is a place where you can make it if you try. We tell people -- we tell our kids -- that **in this country, even if you’re born with nothing, work hard and you can get into the middle class**. We tell them that your children will have a chance to do even better than you do. That’s why immigrants from around the world historically have flocked to our shores.”

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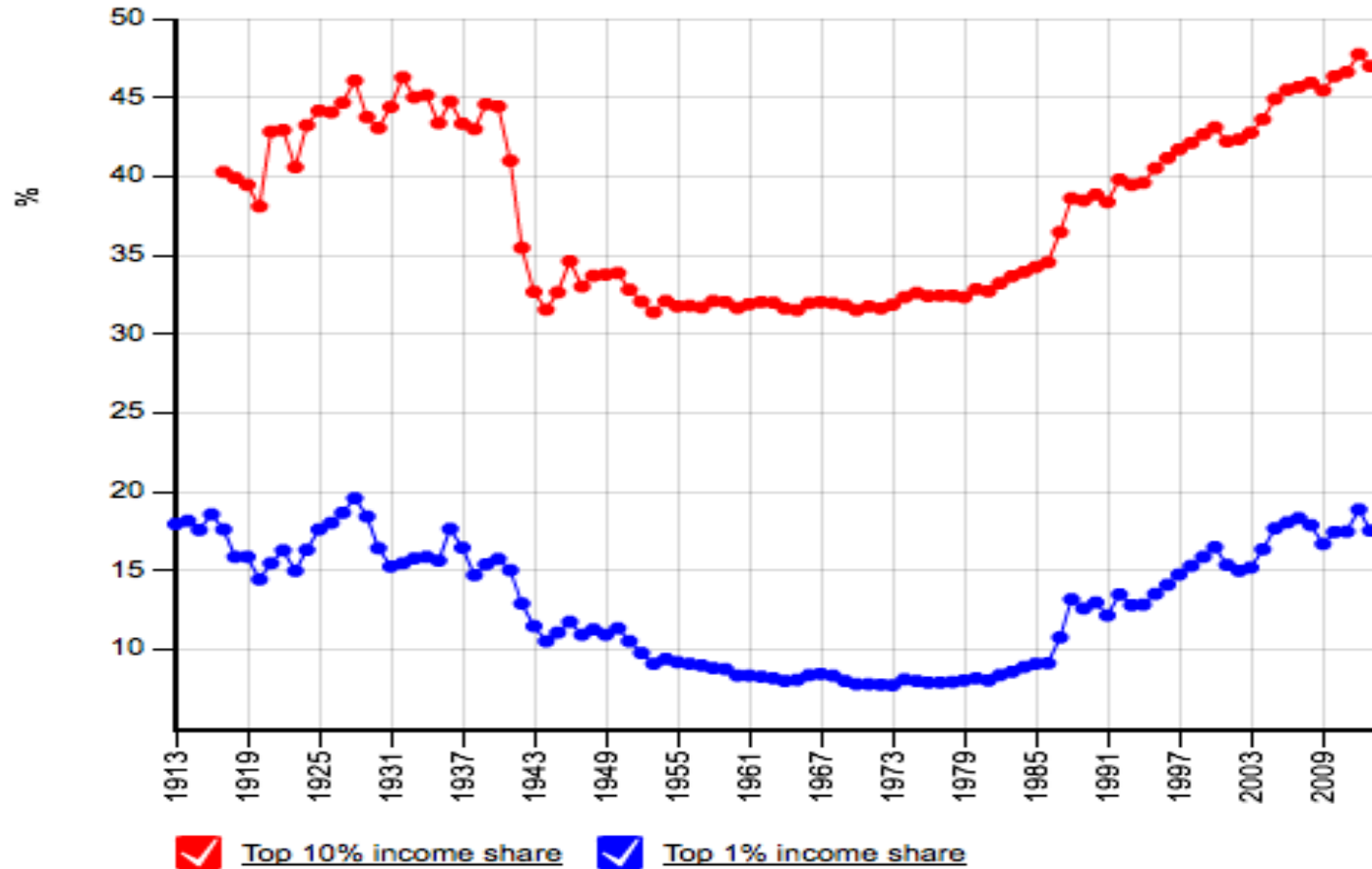
# Inequality in one, two, and three dimensions

Fisher, Johnson, Smeeding,  
and Thompson (2016)  
“Inequality in 3-D”



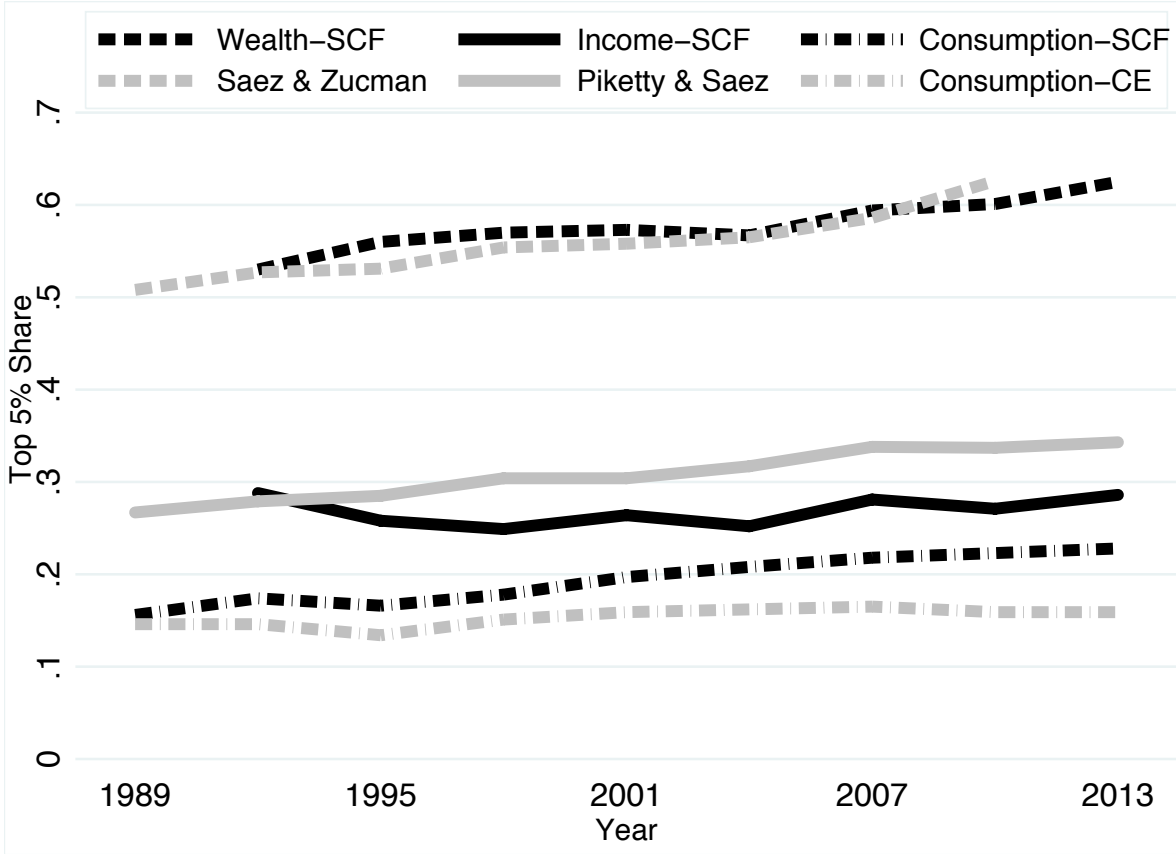
### Top income shares. United States. 1913-2013

Sources: The World Top Incomes Database. <http://topincomes.g-mond.parisschoolofeconomics.eu/>  
Piketty & Saez (2007)

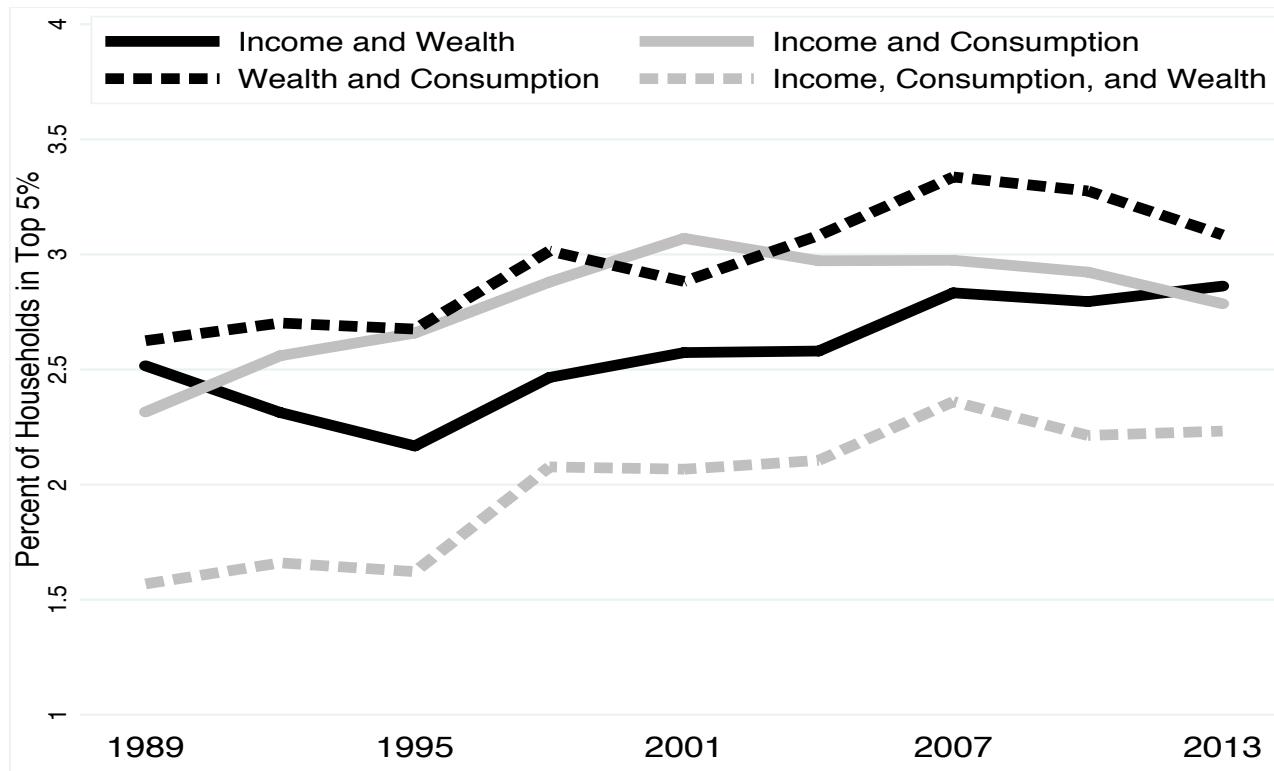


city

# Top 5% Shares in Survey of Consumer Finances and Comparable Source



## Percent of Households in Top 5% of Two or Three Measures (1989-2013)



## Takeaways

- There is **more inequality** in two and three dimensions than in one dimension.
- Inequality in two and three dimensions is **growing faster** than inequality in one dimension.
- Wealth may be the single most important measure of resources.

## What's next?

- Now we turn to how wealth affects intragenerational mobility to address the question: what is the role of wealth in creating mobility?

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# Intragenerational mobility between 1999 and 2013

Fisher, Johnson, Latner,  
Smeeding, and Thompson  
(2016)



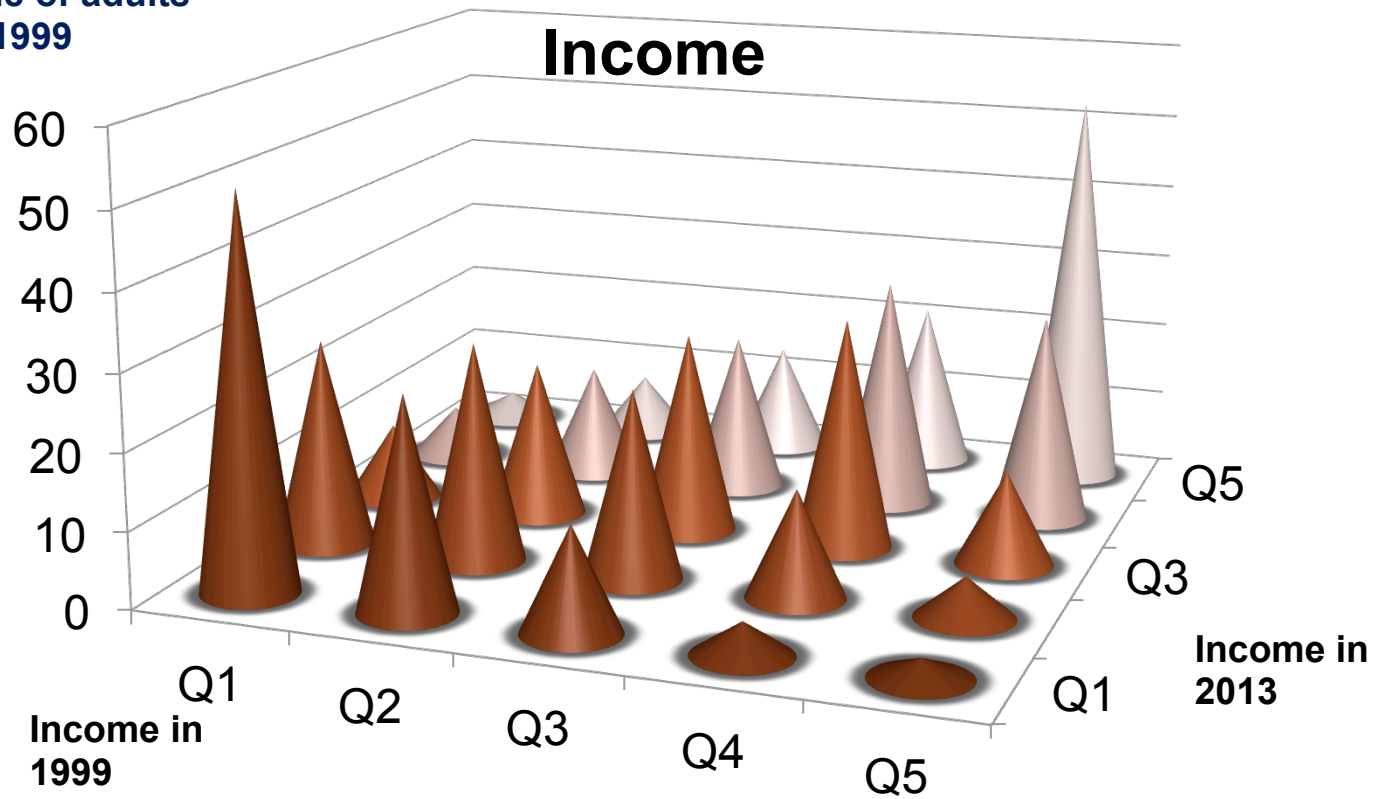


## Data: Panel Study of Income Dynamics

- Nationally representative data collection beginning in 1968
- Consistent (and biennial) wealth and consumption from 1999 to 2013
- Consistent sample over the entire 14 year period
- Equalize all 3 measures using square root of family size
- Use longitudinal weights for all measures

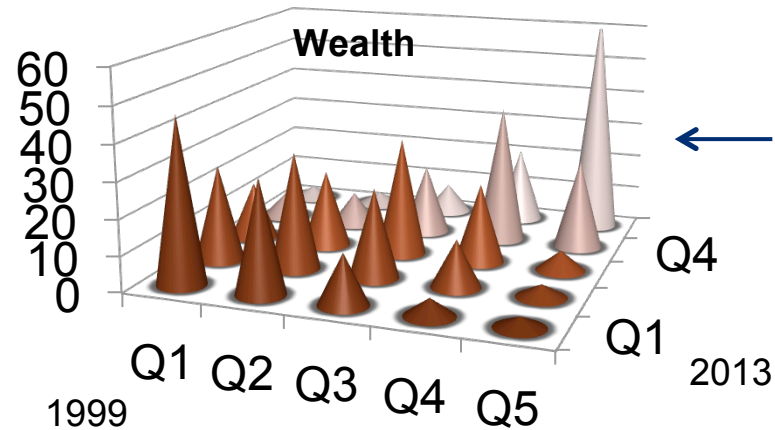
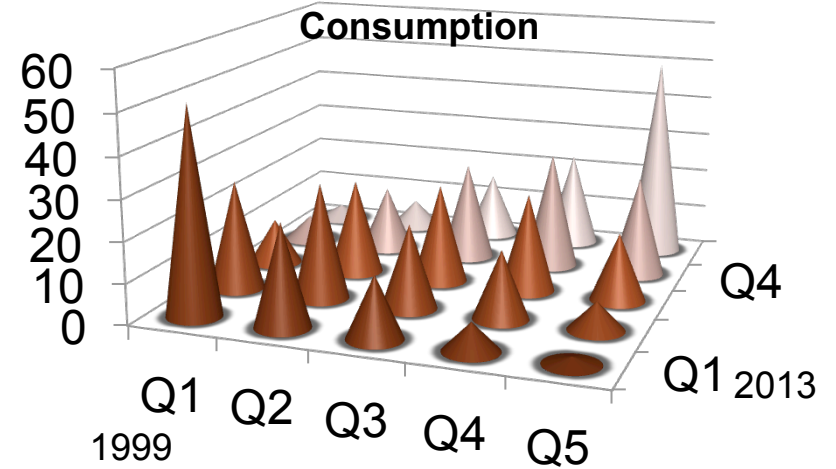
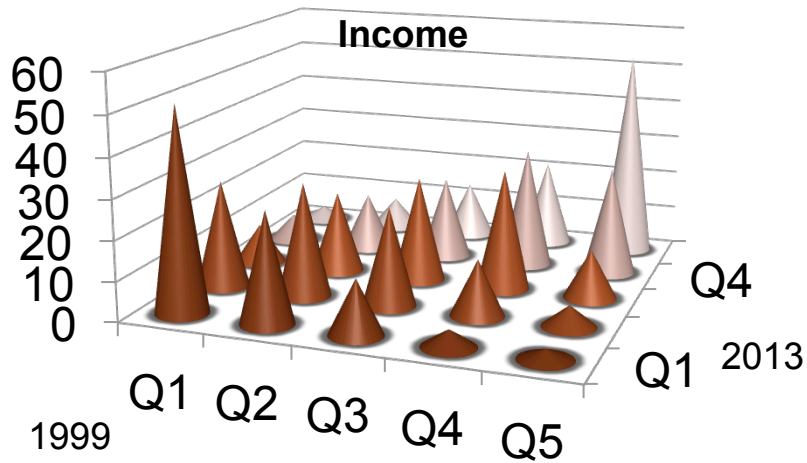
# Univariate Transition Matrices between 1999 and 2013

NOTE: sample of adults  
Age 25-50 in 1999



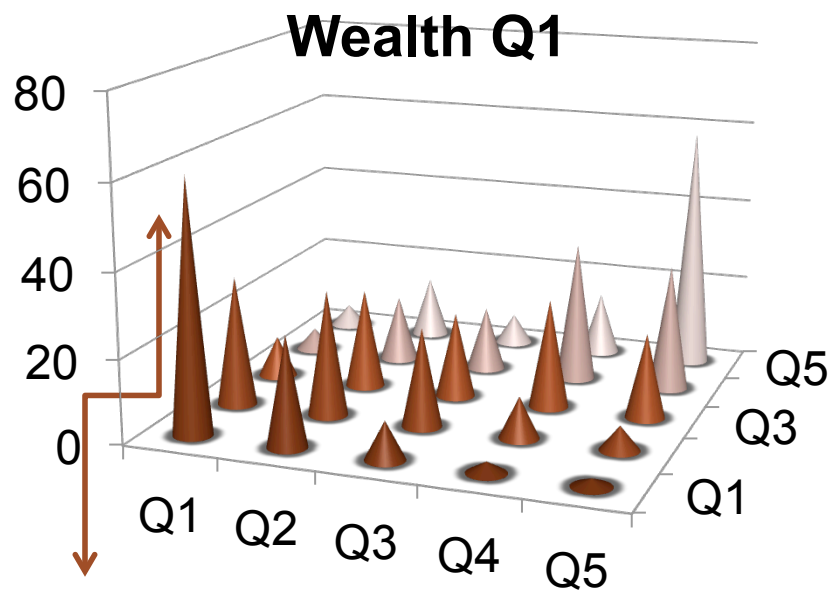
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# Univariate Transition Matrices between 1999 and 2013

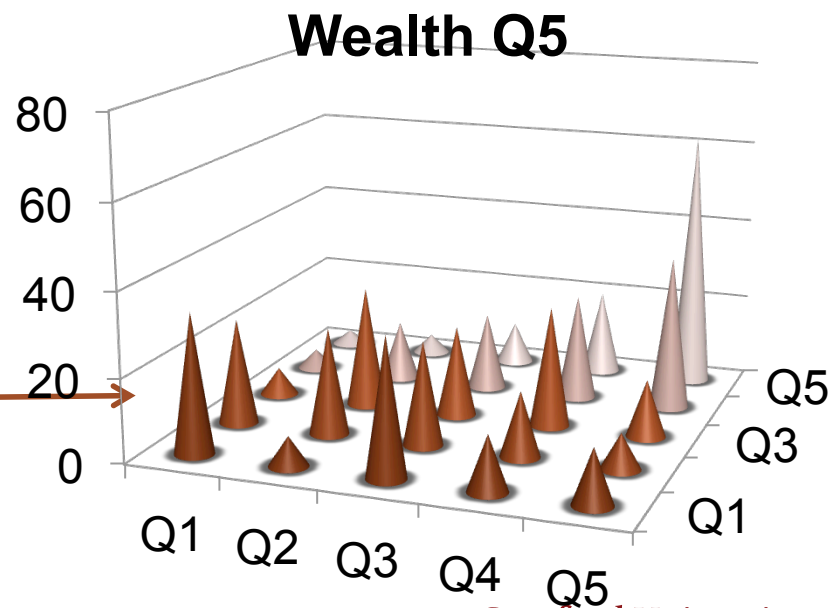


← **Wealth is stickiest at the top**

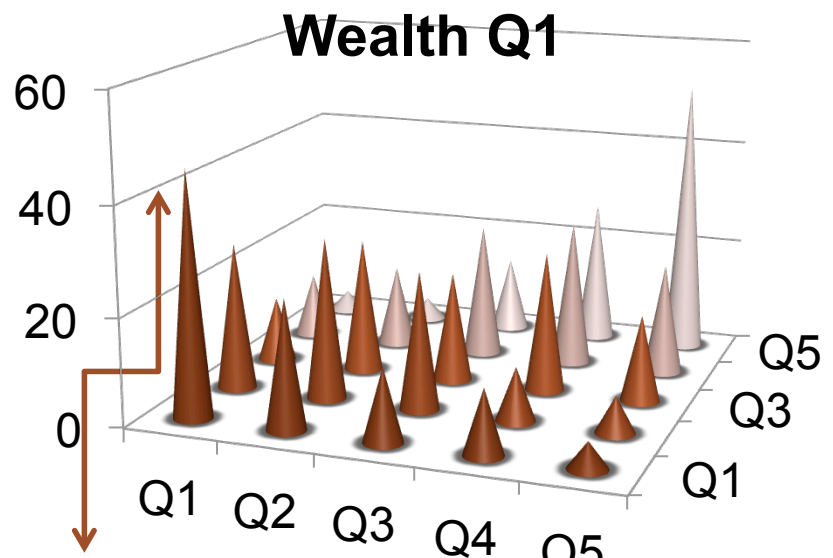
# Low-wealth households are less likely to escape bottom of income distribution



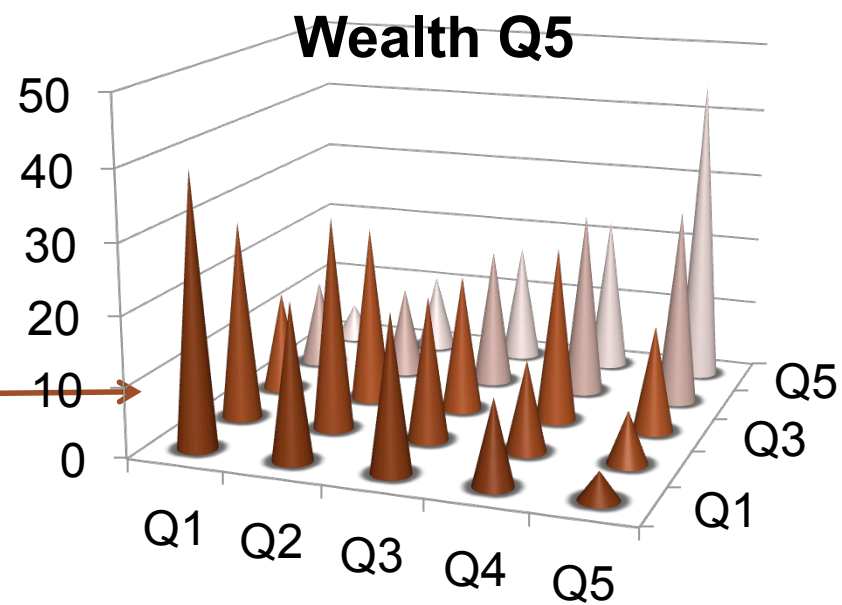
**More stickiness at bottom of wealth distribution**



# Low-wealth households are less likely to escape bottom of consumption distribution



**More stickiness at bottom of wealth distribution**



## Takeaways - inequality

- There is more inequality in two and three dimensions than in one dimension.
- Inequality in two and three dimensions is growing faster than inequality in one dimension.
- Wealth may be the single most important measure of resources.

## Takeaways - mobility

- Mobility is similar across measures; a disproportionate fraction of people at the top remain there.
- **High wealth helps income and consumption mobility.**
- **Low wealth hinders income and consumption mobility.**



## Conclusions and future work

*“What is the role of wealth in creating mobility?”*

- Wealth provides one an ever-increasing cushion against economic misfortune and a dynastic advantage to maintaining one’s social position over time.
- This advantage can also extend across generations providing the ability to save, purchase durables, borrow more cheaply, and the ability to do more for inter-vivos transfers.
- Accumulated wealth clearly leads to benefits for the children of high wealth households over other children, and thus may compromise equality of opportunity and diminish intergenerational mobility.