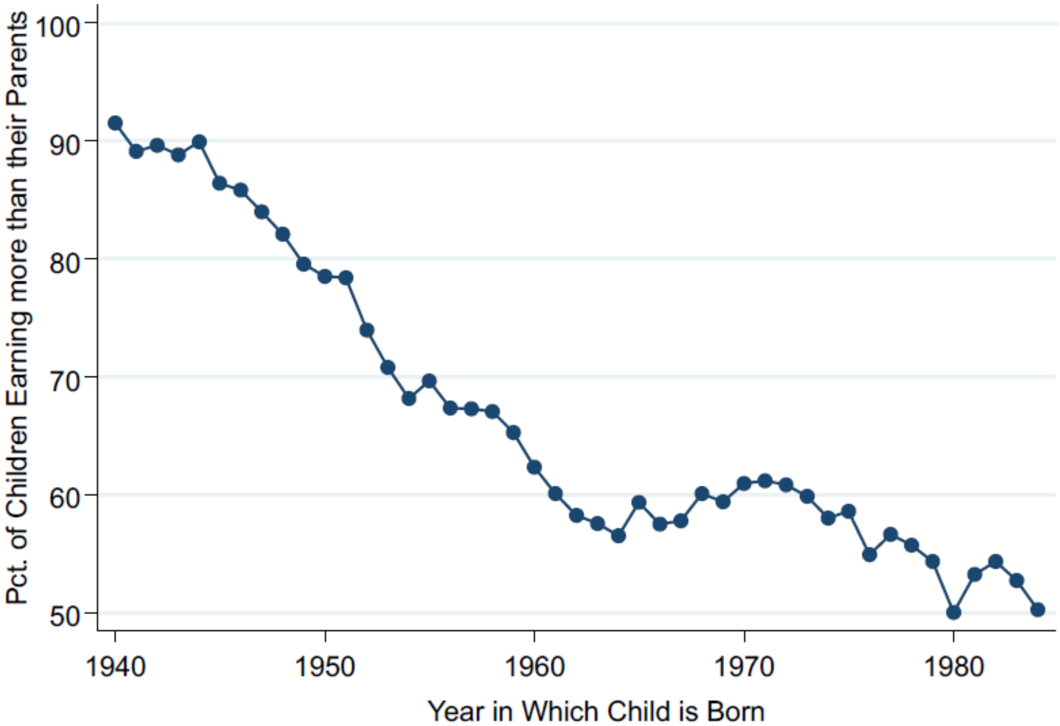
Fraction of Children Earning More than Their Parents, by Year of Birth



These findings show that higher growth rates alone are insufficient to restore absolute mobility to the levels experienced in mid-century America. Under the current distribution of GDP, we would need real GDP growth rates above 6% per year to return to rates of absolute mobility in the 1940s. Intuitively, because a large fraction of GDP goes to a small fraction of high-income households today, higher GDP growth does not substantially increase the number of children who earn more than their parents. Of course, this does not mean that GDP growth does not matter: changing the distribution of growth naturally has smaller effects on absolute mobility when there is very little growth to be distributed. The key point is that increasing absolute mobility substantially would require more broad-based economic growth.

We conclude that absolute mobility has declined sharply in America over the past half century primarily because of the growth in inequality. If one wants to revive the "American Dream" of high rates of absolute mobility, one must have an interest in growth that is shared more broadly across the income distribution.