

Social Mobility

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Measuring social mobility in a society serves at least three different purposes: as an equity measure reflecting equality of opportunity, measuring the persistence of inequality across generations, and informing us regarding the role of the family in the formation of a society's income distribution. In addition, recent research based on experimental evidence suggests that people's perception of social mobility is key for the formation of preferences regarding income redistribution.¹ Hence, determining the degree of social mobility in a society is crucial for the functioning of democracy.

In this essay, we describe the evolution of research in economics on social mobility. We have divided the literature into three generations. The first-generation studies consist of the pioneering texts published in the 1970s and 1980s using a Galtonian regression model and simply correlating the labor income of fathers and sons. We also discuss the results from the first-generation studies – that there was a high degree of intergenerational mobility in developed countries.² However, later studies question these results.

Gary Solon's seminal study from 1992 marks the beginning of second-generation studies. Solon shows the importance of measuring the independent variable, labor income in the parental generation, and the role of earnings mobility throughout the life-cycle in this context. The third-generation studies extend this analysis further by treating the social position in the parental generation as a latent (not directly observed) variable.³ The third-generation studies also include studies using data on more than two generations, sibling correlations, decompositions of pre- and post-birth components using data on adoptees, genetic components using data on twins, as well as causal effects studies using exogenous variations in parental socio-economic status.

Finally, we summarize our recently published research article on intergenerational mobility and dynastic human capital.⁴ We estimate long-run intergenerational persistence in human capital using information on outcomes for the extended family – the dynasty. A data set including the entire Swedish population and linking four generations allows us to identify parents' siblings and cousins, their spouses, and spouses' siblings. Using various human capital measures, we show that traditional parent-child estimates underestimate long-run intergenerational persistence by at least one third. By adding outcomes for more distant ancestors, we show that almost the entire per-

sistence is captured by the parental generation. Data on adoptees show that at least one-third of long-term persistence is attributed to environmental factors.

Our results confirm the results obtained from other third-generation studies on intergenerational mobility (i.e., that previous studies suggested a misleadingly high degree of intergenerational mobility). In fact, our estimates indicate that a lower bound for the persistence when taking the extended family into account is 43 percent larger than what is obtained in traditional child-parent regressions.

References

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1. See Stancheva (2018).

2. See, for instance, Gary Becker's AEA speech 1988.

3. See, for instance, Clark (2014).

4. Adermon, Lindahl and Palme (2021).