Reports expose myth of upward social mobility in US

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The truth is very different. A study by economist Tom Hertz of American University, "Understanding Mobility in America" (http://www.americanprogress.org/site/pp.asp?c=biJRJ8OVF&b=1579981), finds that a child born into a poor family, defined as the bottom 20 percent of the income distribution, has an infinitesimal one-in-a-hundred chance of making it into the top five percent income level.

Hertz's report, issued by the liberal think tank the Center for American Progress (CAP), studied both "intergenerational mobility" and "short-term mobility." Intergenerational mobility, comparing an individual's economic status with that of his or her parents, is taken as a measure of equality of opportunity, since economic success independent of the status of one's family would seem to indicate that merit and work are the principal sources of material rewards.

As far as intergenerational mobility is concerned, it is not only the children of the poor in the US who have little chance of becoming wealthy. Children born in the middle quintile (the 40-60th percentile of incomes in the country, $42,000 to $54,300) also have only a 1.8 percent chance of reaching the top five percent, a likelihood not much higher than in poor families. These findings were based on a study of over 4,000 children whose parents' income was determined in 1968 and whose own income was then reviewed as adults in 1995, 1996, 1997 and 1999.

Breaking the data down by race showed that, within the framework of increasing pressure on the working class as a whole, black families continue to face higher burdens. While 47 percent of poor families remain poor in subsequent generations, this figure is 32 percent for whites and 63 percent for blacks. Only 3 percent of African-Americans jump from the bottom quarter of the income distribution to the top 25 percent, while for whites this number, still small, is 14 percent.

The second feature of the study focuses on short-term mobility, which is a measure of annual income volatility. Large changes in annual income correlate with economic instability and insecurity.

On the subject of income volatility, the report's findings also contradict the claim of equal opportunity and rewards for hard work. Those in the middle income levels—the majority of whom consist of both industrial and service sector workers who are commonly lumped together and labeled "middle class" based on their income level—experienced increased "insecurity of income" between 1997 and 2004, compared to 1990. Downward short-term mobility—an annual income decline of $20,000 or more—rose from 13.0 percent of the population in 1990 to 14.8 percent in 1997-98 and 16.6 percent in 2003-04.

This downward mobility was concentrated among those earning between $34,500 and $89,300 a year, while those in the top 10 percent of income earners ($122,880 or more) saw less negative shocks during this same period. Moreover, the middle income household was no more upwardly mobile in 2003-04 than it was in 1990-91, although the early nineties was a period of recession and the more recent years were ones of officially strong economic growth.

Hertz's findings parallel those contained in a number of similar recent studies. A report prepared by Ian Dew-Becker and Robert Gordon for the National Bureau of Economic Research in December 2005 shows that those in the top 10 percent income bracket received 49 percent of the growth in wages and salaries in the period between 1997 and 2001, while the bottom 50 percent received less than 13 percent.

Dew-Becker and Gordon explain that whereas in the past there was some modest improvement in real wages for the lower-paid as a result of productivity gains, that is no longer the case. While there was either decline or virtually no gain for the vast majority of working people, between 1996 and 2001 the earnings at the 90th percentile (10 percent from the top) increased 58 percent, those at the 99th percentile by 121 percent, the top tenth of one percentile by 236 percent, and the top one-hundredth of one percentile by 617 percent.

These statistics reflect the reality of a new gilded age, more extreme in terms of social inequality and concentration of wealth than that of a century ago.

Another paper published by the NBER in January 2006 shows that the polarization between the super-rich and the poor is returning to early 20th century levels. In the mid-20th century, partly in response to the explosive growth of trade unionism during the Great Depression as well as the threat of socialism embodied in the example of the Russian Revolution, reformist policies led to a rapid fall in the share of the top 0.01 percent of US earners of total income—from 4.5 percent in 1916 to "only" 0.5 percent in 1971. This latter figure was still 50 times what it would have been under conditions of complete income equality.

In the last three decades, however, this trend has been sharply reversed again. By 1998 the share of the top 0.01 percent had risen in little more than a quarter century as rapidly as it had fallen in the previous 50 years, reaching 3 percent of total income. A major component of this is compensation for top corporate executives. The ratio of the pay of CEOs to average wages rose from 27 in 1973 to 300 in 2000, and it has continued to climb since.

"Understanding Mobility in America" contains a number of other significant findings. It presents comparisons between US intergenerational mobility and existing trends in other advanced capitalist economies, especially in Europe. It finds that mobility is lower in the US than in France, Germany, Sweden, Canada, Finland, Norway and Denmark. Among the major wealthy countries, only Britain has a lower rate of mobility than the US.

This is particularly noteworthy, given the incessant claims—repeated most recently in comments by various media pundits on the mass struggle of French students and youth against the government's plans to attack the rights of young workers—that European workers and youth, by fighting to defend past social gains, are foolishly forfeiting the chance to strike it rich, a chance which is allegedly greater in the United States.

Even as American society has become more unequal and social mobility has declined, the myth of mobility maintains its strength. A recent survey in the *New York Times* showed that 80 percent of Americans polled believe it is possible for anyone to move from poverty to great wealth. The same question posed in 1983 produced an affirmative answer from less than 60 percent.

The extent of these illusions is no doubt overstated in polls that tend to register the most immediate impressions of individuals who repeat what they have heard endlessly on radio, television and the rest of the media. Moreover the ideological role of individualism in America, along with the influence of advertising and the media, is not new. Even so, the apparent disconnect between these conceptions of social mobility and a reality that moving in the opposite direction is significant.

The last few decades have seen the collapse of all varieties of national reformism, and in the absence of any genuine political alternative, many workers have become increasingly susceptible to this kind of outlook.

The gulf between the actual conditions of life and these illusions cannot continue to grow indefinitely, however, without producing a social explosion and creating the conditions for a new period of working class political struggle.