

Social Mobility

- **Social Inequality vs. Social Mobility**
 - Outcomes vs. opportunities
 - High inequality makes the consequences of social mobility greater
 - If there were perfect equality no one would care about social mobility
- **Forms of Social Mobility**
 - Occupational mobility
 - Educational mobility
 - Income (wage or family income) mobility
 - Wealth mobility
- **Starting point → Destination**
 - *Intergenerational* mobility parents → current
 - *Intragenerational* mobility first job/income etc → current

Two sources of mobility: Growth and Openness

	Offspring high	Offspring low	Total
Parent high	50	0	50
Parent low	0	50	50
Total	50	50	100

	Offspring high	Offspring low	Total
Parent high	0	50	50
Parent low	50	0	50
Total	50	50	100

	Offspring high	Offspring low	Total
Parent high	50	0	50
Parent low	30	20	50
Total	80	20	100

	Offspring high	Offspring low	Total
Parent high	40	10	50
Parent low	30	20	50
Total	70	20	100

- ← No mobility
 - and no growth & no openness
- ← Perfect mobility
 - and no growth & full openness
- ← Mobility
 - and growth & no openness
(notice no one moved down)
- ← Mobility
 - and growth & openness

Occupational mobility

- Prestige scale

– Fortune Teller	13
– Dishwasher	17
– Used Car Salesman	25
– Waiter in Restaurant	27
– Bellhops	27
– Cooks	30
– Truck Drivers	30
– Aerobics Instructor	34
– Travel Agent	41
– House Carpenter	43
– Real Estate Agent	48
– Interior Decorator	48
– Fireman	53
– Actor/Actress	58
– Policeman	60
– Sociologist	61
– Business Entrepreneur	62
– Banker	63
– High School Teacher	66
– School Principal	69
– Architect	73
– Mining Engineer	73
– Legislator	74
– College Professor	74
– Lawyer	75
– Professor of Mathematics	78
– Astronaut	80
– College or University President	81
– Physician	86

- Occupational groups:

- Upper professional
- Lower Professional
- Self-Employed
- Technical and Skilled
- Farm Sector
- Unskilled and Service

Intergenerational persistence (elasticity)

- Occupational persistence:
 - 40%
 - Historical comparison:
 - *declining* due to growth in college attendance and jobs requiring college degrees
 - But for the younger cohorts of men there is a small increase
 - International comparison:
 - Middle position
 - » Countries better: Sweden, Canada, Norway
 - » Countries worse: Ireland, Portugal, Italy, Great Britain, France

Intergenerational persistence (elasticity)

- Wealth persistence:
 - 50%
- Income persistence:
 - 54-60%
 - Historical comparison:
 - *No significant change in the last century.*
 - Stable until 1960s then a drop until 1980 and back to previous levels since then
 - Big immobility on the top and on the bottom, more movement in the middle
 - Women entered the work force and that increased income mobility overall
 - Since the 1980s, however there has been a *large increase in social inequalities*
 - International comparison:
 - Low position
 - » Countries better: Sweden, Canada, Norway, Finland and possibly, Germany and Great Britain
 - Worrisome signs for the future:
 - Increasing returns to higher education and increasing college tuition

Trading Places

(The perfect example of
openness)

How Valentine's and Winthorpe's revenge works

- Futures trading
 - Rule: buy low sell high
 - You buy something and wait for it to go up in price
 - But how can you make money on a price going down?
 - Frozen OJ prices will fall on news that fresh OJ is plentiful. How can you make money on this?
 - You cannot buy frozen OJ
 - You cannot buy fresh OJ

Futures Trading

- You can agree with a person that you WILL sell to him frozen OJ in the future, say a year from now, at \$100.
- Now OJ stands at \$105.
 - Your buyer thinks he will make \$5 on the transaction.
- You DON'T have frozen OJ today and you will not have it until the last minute.
- Suppose a year from now the price of frozen OJ goes down to \$50
- You buy it for \$50 and sell it for \$100.
 - You made \$50
 - The lower the price goes the more you make!

In the movie

- Winthorpe and Valentine first *sell* FCOJ futures at \$1.42 per pound, a price inflated by the Dukes themselves.
- Then prices fall and Winthorpe and Valentine *buy* futures for prices between \$0.46 and \$0.29 per pound
- Thus, for every futures contract they had previously sold at about \$1.42, they buy another back (for resale to those who bought the expensive contracts from them previously) for only \$0.46 to \$0.29, resulting in a profit of \$0.96 to \$1.13 per pound.