Abstract: Despite the enormous literature on black-white inequality and its historical trends, few studies have analyzed black-white differences in intergenerational mobility. Understanding the rate of convergence in economic status for blacks and whites over generations is of particular significance given the historical legacy of slavery and the fact that state sanctioned racial segregation existed even as recently as two generations ago. A question of obvious interest is whether or not blacks and whites in more recent generations enjoy the same opportunities for economic success despite differences in family background. Understanding the causes behind racial differences in intergenerational mobility might also shed light on the more general question of the underlying mechanisms behind the high degree of intergenerational persistence in the US.

Surprisingly, only a handful of studies in the literature have sought to examine black-white differences in intergenerational mobility. The main reason is that a key measure of intergenerational income mobility, the intergenerational elasticity (IGE) is not well suited for comparing black-white differences in mobility with respect to the entire income distribution (comprising of both blacks and whites). This is because the IGE for any particular subgroup only estimates the rate of regression to the mean for that particular subgroup and not for the overall distribution. Second, most intergenerational samples of black families are relatively small making it hard to make meaningful inferences about group differences.¹

This study uses two alternative types of measures for characterizing intergenerational mobility for blacks and whites that overcome the first difficulty. The first type of measure is the transition probability of moving across specific quantile intervals of the income distribution over generations. Although transition probabilities are not new, they have been relatively underutilized and have received less emphasis in more recent work by economists. Two important limitations of transition probabilities have been 1) difficulty in estimating standard errors and 2) how to control for covariates in the estimation. Recent work by Bhattacharya and Mazumder (2008) has addressed these difficulties by developing the distributional theory for estimating transition probabilities with continuous covariates using nonparametric regression.

The second type of measure is designed to measure mobility by simply comparing the relative positions of parents and children in the income distribution of each generation. For example, if the child’s rank in the distribution is higher than the parents’ then this could be classified as upward mobility. Simple statistics that calculate the percent of individuals who experience upward or downward mobility for each racial group can then be easily calculated. The distribution theory for this estimator of “directional mobility” and the extension to the case of continuous covariates using nonparametric regression is also developed in Bhattacharya and Mazumder.

¹ For example, Solon (1992) using the representative portion of the PSID, reports that only 6% of his multiple sons sample of 428 individuals is black. This yields only 26 black father-son pairs. There are also concerns about the use of the oversample of poorer families in the PSID due to a technical problem in the collection of the initial list of households used for the sampling frame (Lee and Solon, 2008). In addition about two-thirds of the oversample was dropped starting in 1997 due to budget cutbacks (Isaacs, 2008).
These measures are estimated separately for blacks and whites using two data sources that contain large intergenerational samples of blacks and a rich set of covariates. This enables me to overcome the second difficulty faced by previous studies, namely having intergenerational samples of blacks that are too small to estimate differences that are statistically significant.

The first dataset I use is the National Longitudinal Survey of Youth (NLSY79) and the second is the 1984 and the 1990-93 Survey of Income and Program Participation (SIPP) matched to administrative earnings data from the Social Security Administration. Applying the new measures of mobility on these data sources reveals a number of new findings concerning intergenerational mobility differences between blacks and whites. Including covariates of either the parents (e.g. wealth, education), or the kids (test scores, non-cognitive measures), also provides some suggestive evidence of which factors may be critical in explaining the mobility differences between blacks and whites.