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

<table>
<thead>
<tr>
<th>Offspring high</th>
<th>Offspring low</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent high</td>
<td>50</td>
<td>0</td>
</tr>
<tr>
<td>Parent low</td>
<td>0</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>50</td>
</tr>
</tbody>
</table>

- 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

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

- 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
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.