

A boost up the ladder

by the St. Louis Post-Dispatch

In America, you can start poor, work hard and end up rich. But winding up rich is easier if you're born to wealthy parents.

That's the unsurprising conclusion drawn from new studies of income mobility in America. This still is a country in which people can climb the economic ladder to a better life. But how far they get depends considerably on the head start they get from mom and dad.

The Treasury Department recently studied tax returns for adults in 1996 and the same people in 2005. It found lots ladder-climbing.

The study divided people into five groups by income. It found that 45 percent of people in the poorest group managed to work their way out of it over the decade. Ten percent of them managed to make it to the middle class, and the incomes of 3.6 percent of them were among the highest 20 percent in the country. Rags-to-riches stories still happen in America.

But it's notable that more than half the people who started out poor still were poor nine years later. Of those who started in the middle-income group, about a third stayed there. The rest were split pretty evenly between those who climbed higher and those who slipped down. By contrast, the well-off tend to stay that way. More than 85 percent of those who started out in America's the richest quintile were still there a decade later.

The American Dream is based on the concept that America is a meritocracy that rewards hard work with success. But economic status at the time of a person's birth still makes a big difference.

Economist Tom Hertz of American University's Center for American Progress studied mobility between generations. He found that of children who begin life in the poorest quarter of the population, only one in 100 grows up to earn a paycheck in the top 5 percent of earners. Among children who are born to wealthy families, 22 percent later reach the top earnings tier themselves.

In fact, the link between parents' income and that of their grown children is stronger in the United States than in Canada, Germany, Scandinavia and France. Today's would-be Horatio Algiers might be advised to move to France.

Despite the strong parent-child income connection, conservative economist J.T. Young, writing in the

financial publication Barron's, still argues against a progressive tax system, claiming that it's possible for anyone to become rich in America.

But his argument all but ignores the effect of a lucky birth. If America truly wants to truly improve the odds of achieving the American Dream, it would work to counter the effects of poverty on children. A larger earned-income tax credit for low-income parents would help. We also should improve school systems and make public colleges and universities more affordable by expanding scholarships and holding down tuition.

That takes money, and that means taxes - but levied under a fair and progressive system. Given that the top one percent of the nation's taxpayers earned a whopping 21 percent of the nation's income in 2005, there surely are ways to give more Americans a chance to fulfill their dreams, too.

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