Steven: Hello, and welcome to the Inequality Podcast. I'm Steven Durlauf. It is the beginning of a new academic year here at the University of Chicago, and so it is the beginning of a new year of our podcast. I'm thrilled to be joined by Miles Corak. Why do we choose Miles as the introductory episode for this year? It is simply because of the fundamental work he has done on inequality, a topic and a subject matter which is at the heart of many of the debates in this political season. This will be one of many fascinating interviews over the coming academic year. You'll find those here in your podcast feed every other Monday. And now here is my conversation with Miles Corak. I'm truly delighted to introduce Miles Corak as today's guest. Miles is somebody whose research has deeply affected me, and that's demonstrable in the sense that it's the routine citation in so many things that I do. Miles is currently a professor of economics at the Graduate Center of the City University of New York, as well as a senior scholar at the Stone Center on Socioeconomic Inequality. Miles is one of the world's leading scholars in cross-country comparisons of inequality. He's done foundational work looking at labor markets, social policies, and intergenerational mobility. Miles, it's wonderful to have you here. Thanks for coming.

Miles: It's such an honor to be here. Thank you for that generous introduction.

Steven: It's inevitable to have to start with the Great Gatsby Curve. One of the most important regularities that has been examined within economics is the relationship between intergenerational mobility and cross-sectional measures of inequality. The audience should know that the phrase "the Great Gatsby Curve" was coined by Alan Krueger in the Obama administration, based on a figure that you developed. I thought it would be useful to start by just giving your view of the overall facts on cross-country inequality and mobility relationships.

Miles: Why don't I talk you through that? The Great Gatsby Curve, which Alan Krueger coined when he was a member of the Obama administration, is a graph that ranks countries in two dimensions. One is inequality at a point in time, measured about a generation ago; the workhorse statistic used is the Gini coefficient, a solid measure of inequality. Countries are ranked from high to low inequality of outcomes. And then countries are ranked according to the degree to which that inequality is passed on to the next generation. In the version of the Great Gatsby Curve that I put together, that measure of social mobility was what we call, as economists, the intergenerational income or earnings elasticity, and I chose that because it was theoretically motivated; it came out of the Becker-Tomes papers on intergenerational mobility. So we have this picture of countries lined up according to the level of inequality in family incomes about a generation ago, and then a measure of the degree to which that inequality is passed on to their children. The intergenerational elasticity in the rich countries is generally found to vary from above

0.1 to as high as 0.6 or so. What that means is: let's say we lived in a country that had an intergenerational elasticity of 0.5. If your father made twice as much as my father, 100% more than my father, on average, we could expect that you, as an adult, are making 50% more than me. If we lived in another country where that elasticity is about 0.1 or 0.2, that 100% difference in the inequality between our fathers' incomes shrinks to just a fifth in our generation. The original versions focused on the rich countries because, as you know better than I and many of your listeners do, economists go where the data is. My original literature survey relied a lot on the OECD countries. The most equal countries are the most mobile: Nordic countries like Denmark, Finland, and Norway. And the most unequal countries are the least mobile: Mexico, Great Britain, and the United States. I chose that 0.5 figure particularly because that's roughly where we think the United States is; the 0.1 or 0.2 figure is roughly the other extreme of the Great Gatsby Curve. I've heard you say that for a long time, Americans have understood that their society is more unequal. But the stories they tell themselves, the metaphors they use, are that this degree of inequality is also paired with more mobility: it's almost an incentive. I might not be that well-to-do, not well-placed in the income distribution, but I can certainly hope in my lifetime to move up, and I can certainly hope for my children to move up. This is why I think the Great Gatsby Curve had such resonance in policy circles, because it fundamentally questions that belief with pretty solid data that have held up. I should say I'm a particular fan of a recent book published by the World Bank called Fair Progress, which has asked versions of the Great Gatsby Curve question based on over 75 countries now. So it stands up across the world. It starts a conversation: a conversation for better data, a conversation for better theory, and a conversation for more thoughtful public policy.

Steven: And I think those are all absolutely correct. I very much appreciate you raising that. So what made the Gatsby Curve salient was not just the scientific implication, which is that it called into question many of the models that we work with, but it also came at the right time. As increasing inequality in the United States, in particular, was less easily justified because of all the opportunities that were supposedly being associated with it, I think the finding really did crystallize that there was something new to think about.

Miles: That's absolutely right. Timing is so important in public policy discussion, and we don't control that. I think our job as researchers is to find a basic fundamental question that is of interest to people and keep picking at it bit by bit to get better answers. And sometimes our time will come, and sometimes it won't. I think also really important in public policy are these policy entrepreneurs: Alan Krueger really had that ability to walk across the line that divides academia from practice. We need those kinds of translators that move the discussion. I actually have a little blog post on my website on how the Great Gatsby Curve got its name, if you're curious about that.

Steven: Well, I'm curious. Why don't you tell us?

Miles: I've been taken to task, not by you but by others, when I've given presentations, that oh, this has nothing to do with the novel. And it's usually by people who haven't read the novel, because I think it has a lot to do with the novel. Alan was chairman of the Council of Economic Advisers, and this was towards the end of the first Obama term. There were a couple of speeches about inequality being the defining issue of our time. I emailed him on some issue with a question and just attached this graph. Then I didn't hear anything from him. I was interviewed by the New York Times over the New Year's Eve holiday; actually, on New Year's Day, I spent a long time talking with Jason DeParle, and he wrote a front-page article. Alan had been given the opportunity to give a speech, and he said it was very rare for a member of the White House staff to be able to speak publicly so close to the State of the Union. He took this graph, gave it to his staff, they went into their meeting room and sat around the table, and they came up with "the Great Gatsby Curve." It was at the time the movie was coming out. Alan used that phrase when he gave his speech at the Center for American Progress. Sometimes people think I named the curve, but I didn't; the first time I heard it was when he gave that speech. But it's a lesson for us as researchers on the importance of having a communication strategy. My version of the curve had something like "intergenerational elasticity, Gini coefficient 1990 to 2020." That's not a public policy conversation. Communication matters.

Steven: I very much appreciate you raising that, because the name mattered in terms of it becoming salient in public policy discussions. And to say that such things don't matter is to be naive and assume human beings are robots.

Miles: It's true. But we specialize, and we look at our trees, and we're so focused, we sometimes, as researchers, don't see the forest. If I were to call that curve anything, I'd call it the Gini-Galton curve. I'd be so close to the science and so far from the public communication of it, and that would have made me a household name in about 25 households.

Steven: I thought maybe we'd talk a bit about the mechanisms underlying the Gatsby Curve and what your thinking is on particularly salient ones.

Miles: I think that's the question. The curve is just a description; we can argue about data and vet it, but then it asks us to think why. The curve really asks three questions: what kind of inequality matters, what measure of social mobility do we care about, and which cross-country comparisons can we learn from? So much of our public policy discussion about inequality immediately goes to the top end.

And that's important. But then you have to ask yourself, how does top-end inequality impact social mobility? I don't think what happens in the 1% can change a statistic based on the actual population, particularly one that's estimated from least squares under the assumption of linearity. But there are important implications of top-end inequality for social mobility, and that I think has to do with looking at our tax transfer system, particularly the intergenerational transfer of financial resources. Meritocracy is a metaphor that we use to justify inequality; what do inheritance taxes have to do with meritocracy? That opens up a whole policy discussion about the favorable treatment of capital income, the discussions in public economics about incentives to save, and all of that. But families do more than just transfer financial resources to their children. They also invest in their children, and that's the whole conversation about the development of human capital: how does inequality, maybe middle-income inequality, influence the development of the capacities, the talents, the motivation of children? That has clearly a monetary dimension and a non-monetary dimension. Unpacking the importance of the family in forming the life prospects of children is really important. But families interface with labor markets and with government, community, and the state. So those mechanisms also have to do with the inequalities embedded in labor markets and networks associated with getting a foothold in labor markets. And they also have to do with the structure of our education system, our healthcare system, and how we invest in the human capital of children. Families are absolutely crucial here, but the context matters as well.

Steven: Absolutely. And something you've emphasized is that the social safety net interacts with the family: is insurance from shocks derivative from families and family networks, or does society provide the broader indemnification?

Miles: Exactly. And the third type of inequality we care about is inequality at the bottom, and the resilience and the strength of families to bounce back from the shocks that hit them, either marital shocks or labor market shocks. So we also have to be concerned about income transfers and income support to the bottom. So we're talking about mechanisms, and that takes us into the whole design of social supports and social insurance. Maybe we put a lot of emphasis on that in economics, and we get sidetracked by incentive issues too often, I think, but it is terribly important for sustainable design. I think the United States, for example, has just missed a terribly important opportunity in the aftermath of the pandemic in the design of income transfers to families. Unconditional support is not part of the package: take the earned income tax credit; the fact that there is no unconditional support in that makes the United States very different from other countries. And so that's where you can make judicious comparisons. I don't think we have to compare the United States to the social welfare system in Denmark or Norway, but there is a lot of policy learning that always goes on between, say, Great Britain, Australia, and the US.

Steven: And the type of Gatsby Curve that is temporal, in other words, looking within a country at whether increasing inequality in turn slows down mobility: what's your sense of the empirics there?

Miles: I have to say I don't find that whole discussion terribly insightful, and actually interestingly enough, if you really go back to that original speech by Alan, he had that notion: hey, if we're going to become a society of more inequality, we're going to keep sliding up this curve and be less intergenerationally mobile in the next generation. Time here is measured not in weeks, months, or years; this is time measured in decades, generationally. A lot happens in generations. There could be a lot of forces pushing the United States toward more mobility: a substantial drop in high school dropout rates, that's fantastic; significant growth in wages and income, at least recently. But there could be a lot of forces pushing the other way. So I don't know how to unpack that in a causal framework over generations. The second thing that really makes me wonder is a lovely paper by Martin Nybom and Jan Stuhler. They pick up on some of the work that James Heckman and his co-authors have done, extending the Becker-Tomes model by recognizing that there are multiple skills and different phases in the life cycle in which investments matter. The other thing they do that most theories don't is they move away from steady-state. Your question is about time and path, and we live in a real economy that moves through real time, not through a series of steady-state equilibria. They're able to show in their model with simulations that if you had an equality-of-opportunity-enhancing reform, like getting rid of nepotism in the labor market, the new steady state is going to be one of more mobility, but the path to it is going to be long, at least three generations, and it's going to be non-monotonic; you're going to undershoot and then overshoot. The practical example I keep in my mind to illustrate that is the GI Bill. After the war, we opened up post-secondary education, and a group of people who otherwise wouldn't have had as high a level of schooling got it. And they raised their children with a higher level of human capital. What are their children going to go on to do? They're going to be much more likely to go on to post-secondary education and maintain the family status. If you look at the relatively short term, it would look like the United States is going from high mobility to low mobility. But really, you've got to go back to the reform in the 1940s, still working itself out. With the kind of data that we live with, I don't know what the mix of temporal changes is.

Steven: I think these are very important points.

Miles: What do you believe?

Steven: There are reasons to believe that there's a relationship; that's one thing. Second, the question of what we can get out of the data. You brought up the issue of transitions versus steady-state. A different example would be: you see with the Civil Rights Act a substantial narrowing of Black-white differences, and then the narrowing stops. One interpretation is that when you remove a horrendous barrier to economic success of African Americans, of course, you see some convergence toward the other group. There was no guarantee that the removal of that barrier actually led to full convergence. So I think you have to distinguish the transition dynamics from this extraordinarily important event from the steady-state dynamics.

Miles: So I'm not totally off-base there.

Steven: No, quite the opposite. I will tip the horn to sociologists to say that I think the sociology literature has been much stronger on that, because they have a distinction between structural mobility and exchange mobility. They're focused, which has been occupational, on understanding things such as how the composition of the economy induces mobility: the diminution of agriculture. We call it transition versus steady-state. I think there are a lot of ideas there that are valuable to us.

Miles: That's fair. Recently, people have done a lot of work to push back the time series in the United States. Census records have been historically linked by name, in good work that recognizes that the economy is continually changing structurally, which the sociologists were sensitive to. After all, some occupations don't exist anymore. The recognition of the transition from an agrarian to an industrial to a service economy is really interesting when you're spanning a century or more. But when I made those comments just a few minutes ago, what I had in mind is just more research, looking at a few cohorts of 30-year-olds.

Steven: The point is very well taken. The time horizon over which children are influenced, up to the sake of argument about 20 years, means that having a few cross-sectional measures isn't really going to tell you what's happening in terms of the dynamics of the trajectories.

Miles: To be fair, you could say the same thing about cross-country comparisons: these are countries on different development paths, and we shouldn't think the Great Gatsby Curve is an iron-clad law that governs everyone's movements. I see that curve, that descriptive statistic, as starting a conversation.

Steven: Absolutely. So you, as a Canadian by origin and as an inequality scholar, you've done quite a bit of work about Canadian inequality. I was wondering if you could do some contrasting or describe the basic facts with respect to Canada, and of course, I have to ask for comparisons with the United States, because these are two societies that have so much in common, and the commonalities as well as the differences are very interesting.

Miles: I started my career at Canada's statistical agency, Statistics Canada. When I was doing my PhD, I never went on the academic job market; as an employee of Statistics Canada, I was very close to data, a lot of really interesting data, in the 1980s and 1990s. Actually, I don't think I've ever told you: I'm not responsible for the Great Gatsby Curve, but you, Steven, are responsible for starting me off in this area of intergenerational mobility.

Steven: And that may be my greatest achievement. I am inexpressibly pleased.

Miles: So one of the great things about being at Statistics Canada was not just being close to data as a labor economist. In those days, data was scarce. And for intergenerational scholars, the only game in town, not just the only game in town but the only game in the world, was the PSID. I got a great deal of pleasure interacting with the public policy community, because it was part of the government. I found myself going to the American Statistical Association meeting in the early-to-mid 1990s. I remember it because it was in San Francisco. Being at a conference of statisticians was like going to a conference for dentists: there was no controversy; it was right or wrong. But the most interesting paper I saw was you giving a paper on poverty traps. You had this little tree model, a proto-machine-learning type of thing. It wasn't only well done, but it meshed with the up-and-coming public policy agenda. The Convention on the Rights of the Child had just been ratified; Canada was going to have a national children's agenda. What was motivating policy discussion around child poverty was: we have to keep little Johnny out of poverty now because it'll keep him from becoming an unengaged adult. But nobody had longitudinal data. And the other thing reading your paper pointed me to was the work of Gary Solon, which had just come out. That was fundamental: Gary Solon is in some measure like the grandfather of the Great Gatsby Curve, if you want. The question was where do you get the data. When I was at the statistical agency, I had access to income tax files, and the great advantage of that was that you don't have to wait 30 years for a 30-year panel. The PSID was just maturing enough to do good intergenerational studies; that's what Gary's paper proved. It was an impetus for data development in Europe and Australia: Germany started the German Socio-Economic Panel, Australia started HILDA, and Canada flirted with the longitudinal survey. I put together the administrative data that offered me a tool to do intergenerational research, but always looking to American developments. I'm a Canadian, but Canadians are always watching the Americans. We do what Americans do with a lag. So I did the Gary Solon paper with a lag, but Gary had about 300 observations, and I had hundreds of thousands. That got me started. The other watershed was Raj Chetty and Nathaniel Hendren putting out a working paper about a decade ago using administrative data. That brought the United States back to the forefront of research on this and opened up all kinds of opportunities. It was also important for me because now we had the capacity to compare Canada and the United States not as countries but as regions. My co-authors and I wrote a paper that appeared in the Journal of Labor Economics that looked at over a thousand regions in Canada and the United States. It's hard to discern a national border.

Steven: Fascinating

Miles: There are places where there is a national border, and I could attribute it to Great Gatsby-type mechanisms. The most populous parts of Canada, the Toronto-Montreal corridor, are also the most unequal, and the most populous part of the United States is the Northeastern seaboard, also very unequal. But the level of inequality on the island of Manhattan is an order of magnitude different from that in the city of Toronto. So there's a national border there. Where there isn't a border is in the regions of both countries that are the least advantaged, where there are strong intergenerational cycles of poverty. For Canada, that is associated with some parts of the indigenous population in outlying areas; they are about 3% of the population, so that tail doesn't move the average statistic. In the United States, if you look at the Chetty original graph for our paper, big clumps in parts of the South are associated with the legacy of slavery: that tail is 15% or more of the US population, and it does move the average statistic. So there are two things going on in the differences between the countries: how labor markets work and how people fit into labor markets, which is associated with the whole human capital agenda; and then the legacy of disenfranchisement in these two countries. Canada is still dealing with that legacy, but the United States is dealing with it in a whole order of magnitude differently. That's not to say that public policy isn't different between the countries, and there are good things in the United States and not-so-good things in Canada. But there are small differences in design that are really important in income transfers. Certainly, health care, although the United States has made tremendous progress in access.

Steven: I wanted to highlight something you brought up, which is the decomposition of the United States by region and by ethnicity. Something you've emphasized before is that if you look at the United States versus other countries and only focus on whites, you have a very different vision of mobility in the United States than if you account for the fact that there's a heterogeneous population. That again suggests how the basic statistics you calculate tell you something deep about what mechanisms to look for.

Miles: We knew that; that was part of Gary Solon's original critique of the existing literature. A sample of twins, white twins in Wisconsin who had a military background, is probably not representative of the overall intergenerational elasticity. But that was the data you had at the time. So we've learned a lot since then. Certainly, Raj Chetty is doing wonderful work in instituting the linking of administrative data to census files, where you can bring in ethnicity, but you need those large samples to be able to tell the story.

Steven: In terms of policies, there's national health insurance, which would be one. Could you say a little bit more about the transfer system differences?

Miles: I'd love to. I had the opportunity to spend a year or a year and a half working in the Canadian government on what was called the Poverty Reduction Strategy, which led to legislation that gave the country its first official measure of poverty and set targets for reduction. Interestingly enough, the minister who spearheaded this project, Jean-Yves Duclos, is a well-regarded labor economist. It was such an honor and pleasure to work with him and his staff in drafting the poverty reduction strategy: a set of high-level goals that recognizes targets for a headline measure, but also that poverty is multidimensional. We have a series of indicators associated with the dignity of meeting basic needs, a series of indicators for opportunity, and a series of indicators for resilience. Think of opportunity as the probability of moving out of poverty; resilience, the probability of falling back in. Prime Minister Trudeau's first government, for which I was an adviser when he was in the opposition, had its headline piece of legislation as the Canada Child Benefit, which served us tremendously well during COVID, during periods of higher immigration, and has lowered the poverty rate tremendously. It's got a negative income tax design based upon family incomes, but importantly we have substantial payments to families that have low or minimal income, and then slowly tapering out in the usual way. During COVID, we had a temporary version of that in the United States, and the Biden administration tried to enshrine those unconditional payments into family support. But it didn't go anywhere, and circles were really arguing about what are the work incentive impacts. That's silly because work, and not that incentives are not important, we want to design sustainable programs, and incentives and reactions are central. But our notion of work is also important: who's doing the household work, who's raising the kids? If single mothers have to go to work, that burden falls to somebody else, sometimes an older sibling, sometimes kids fall through the cracks. So what does work mean? I think the United States lost an important opportunity there. The other thing is the Earned Income Tax Credit: there's a version of that in Canada that's been beefed up significantly. I've advocated that it should also have a non-conditional component to it; we worry about those in poverty, not just children in poverty. But that's where support for low-income families and individuals differs in the unconditional support Canadians give. Then we also have to factor in the institutions that help form human capital. We don't have the kind of student loan crisis you went through here; we've got a version of income-contingent student loans that has slowly evolved. That's really important. But at a local level, and this is changing in the US too, the financing of primary and secondary schooling is done at a statewide or province-wide basis rather than at a local level. That can't help but be an important aspect of how human capital is developed and how the education system is less progressive possibly in the United States than it is in Canada. That said, we have to be careful. There's a remarkable amount of mobility in both countries in the broad middle, and I think the policy agenda for the broad middle is one of insurance and of resilience. Shocks are going to hit me as a person trying to raise my family, but I have to be confident that my family can weather those shocks. Inequality is part of the stress there: if I fall 10, 15, 20 steps on the income ladder, what really worries me is if those are very wide steps or very narrow steps. The level of inequality is an aspect of insurance: knowing that there's a strong safety net and that you're not going to fall so far is important. And good design of unemployment insurance: both countries need to think about unemployment insurance reform, and we saw that in COVID.

Steven: You brought up a very important issue in terms of thinking about insurance, which is: we often think of mobility as unpredictability, in other words, the information about the parents doesn't tell you anything about the prospects of the children. But the example you gave suggests maybe we would like it to. In other words, if the parents do well, we would like the children to do well. I bring this up because I think one of the increasingly salient facts about Black-white inequality in America is higher rates of downward mobility for successful African Americans. The way I teach this is: we'd like a society in which if the parents are doing well, they can, to some extent, lock that in for their kids, but if they're not doing well, the kids still have a substantial chance of upward mobility. That asymmetry seems to be missing in much of the statistics literature. And when you put it that way and ask what it is about some families that have achieved in white-collar jobs that makes it less likely their kids will maintain that, it begins to speak to the distinction between income and wealth.

Miles: That's a very good point. Implicitly in this conversation, we're defaulting to income, and there are other metrics that matter. Wealth is what it's all about, really. It does bring, from a practical point of view, the importance of growth. A lot of this conversation really hit its stride in the aftermath of the financial crisis: families were doing everything they could right, and their life savings were swept from them just like that. Then, zero-sum thinking: growth has to be inclusive. As a parent, obviously, I want my children to do well, and I want to lock that in, because equality of opportunity somehow is sort of a threat to that. But I think it's important to think about what that locking-in means and its implications. Here's a story I often tell. There's no greater force on earth than some of the mothers in the primary school playground. My wife and I raised our kids in a relatively affluent neighborhood, but I could relax a little bit about what was going on in our school because I knew somebody else was watching. Now they weren't watching because they cared about my kids; they cared about their own kids. But there were these spillovers that affect everybody. If we could structure incentives and structure community so that those activities of the most motivated, most capable, most talented along one metric spill over to reinforce the community and support others, that's the trick. The other thing is, maybe as a society, we should really just be changing metrics. Instead of everything becoming a competition about income or wealth status, maybe there are other metrics: being cultured, being educated, enhancing the beauty of my community. Let's battle over that as a status game and have relatively equal incomes. I think that's what's happening in some European countries that we could learn from.

Steven: Might we turn to some of your work on child immigrants or the children of immigrants? That is, in both our countries, a very important policy question. What have you found in your research?

Miles: Immigration is at the top of the agenda for us in the rich countries. Migration is an aspect of human capital: the best way to increase your life chances is to move from a poor country to a rich country. And yet it really strains and tests us. Maybe this is the Canadian in me coming out, but I see it just as strongly in the United States: I think we have to take a deep breath and just let things play out. I think the real test of whether a society is able to welcome, integrate, and foster newcomers is in the second generation. You've got a real problem, society, if the native-born children of immigrants are not making it. That's happening in some European countries. We did some work on learning disadvantages for immigrant children: children who came to Canada with their parents at a very young age, before they started primary school. When they come to primary school, these children are particularly disadvantaged in age-appropriate test scores, particularly in vocabulary. By the end of primary school, that disadvantage has entirely disappeared, particularly in mathematics as well. If a child comes somewhat older, say during high school years, that is a much more challenging experience. High school dropout rates are much higher for children who come to the new country from non-English-speaking countries when they arrive around age 10 to 13, as opposed to those who come as newborns to five-year-olds. I think if we've got everything else right, the education system and an open labor market, immigration will work its way through. The other thing that distinguishes Canadian and US immigration is “illegal immigration.” Canadians sometimes pat themselves on the back for having such a successful immigration system, but three of the four borders of the country are frigid ocean waters. Clearly, an issue here is focusing on “low-skill labor” and not giving those people status in the labor market; that's a system that does benefit some, and that's why it persists, but there are better pathways to design migration, and some aspects of the Canadian example suggest ways.

Steven: You had a really lovely Canadian Public Policy lecture called "Inequality: The Root of Social Evil," or maybe that's not quite right. I would urge everybody to go read it, but I'm hoping you could give us a precis.

Miles: Thank you for reading that. I'm really proud of that article, actually. Maybe I can give you a little bit of a run-up to it. For me, as a researcher, I spend a lot of years just focusing on a very narrow issue, on a data issue, getting the estimates right, producing a paper. And I find, without design, that I then step back and do a bigger synthesis of what I'm doing; what does the forest look like? I did that with my Journal of Economic Perspectives paper on the Great Gatsby Curve, and then I did a Canadian version of that in "Inequality: The Root of Social Evil," which is a quote from a famous tweet of Pope Francis. This was before the first Trudeau government was elected, so I was taking stock of the policy agenda on labor markets. I was, first of all, noting that it's remarkable, but not so long ago it wasn't legitimate to talk about inequality; newspapers wouldn't cover it. I was engaged in the aftermath of Occupy Wall Street. If I was an occupier, what would I need to know about public policy? So the article was meant to put inequality on the agenda. I showed that inequality in Canada hadn't actually increased that much during the 2000s. What was remarkable was there was a high level of market inequality in Canada, almost at the level in the United States. But the tax-transfer system really brought that down significantly. But that increase in inequality was really sharp beginning in the 1980s and 1990s: we could talk in the early 1990s about globalization, technical change, fostering an open economy, liberalization, but we didn't talk about distribution. We changed the regime, inequality ratcheted up, and now we still can't talk about inequality. So it was meant to legitimize that. It was also meant to bring an intergenerational focus: why does this matter? My answer is because it forms, erodes, and threatens social mobility. So it was meant to bring that intergenerational dimension in and translate the Gatsby Curve to a wider audience. The third part of the paper was to talk about the policy agenda. One aspect was immigration. Another was differences between men and women; there's at least one nice book out that's getting a lot of attention on men, and you can see this in long-run change: intergenerational cycles of poverty are higher among men. Part of that has to do with the way the marriage market works, but there are a whole lot of things going on. The other policy agenda I talked about, which I was pleased to see get some legs, was rethinking our approach to poverty. If I had one thing to say to a policymaker at that time, it was still: don't let inequality in the bottom half of the income distribution get out of hand. I'm pleased to see that since that article was written, there have been very significant changes in

Canada on poverty reduction.

Steven: So I thought maybe the final question I'd like to hear your thoughts on concerns what advice you would give to young inequality scholars: what do you see as the frontiers, where is the potential gold?

Miles: Maybe I can take a running start. A successful research program sits on three pillars, or maybe think of it as a dance with three partners. Sometimes one partner leads, and the others follow; sometimes the partners are uncoordinated and step on each other's feet, but the three partners are theory, data, and policy. A research program for me has to be grounded in economic theory. I'm not a theorist, but to have that grounding from good theoretical work is really important. The second pillar is data and statistical analysis. Sometimes it's theory that feeds it, but sometimes new data present themselves, and you go with the data. The third is framing it in an important question that citizens and their representatives care about. What are they talking about? What's on the front pages of the New York Times? We spend a lot of time as graduate students on a reading list that is very deep but whose banks are very narrow, and you need to get a life as well. If you are a theorist, here's one thing I'm thinking a lot about. A lot of focus now is on rank-rank measures of mobility. Do you see that in the utility function? I don't see many papers in economics in which position is something that motivates parents in intergenerational models. And how can we best think about the importance of rank? This is what I've admired about your career, Steven: looking at what sociologists and others are doing, thinking about that, and bringing it into economics. I think there are really important insights in behavioral economics that could be brought into theories of intergenerational mobility. Rank matters, probably matters tremendously at the top because of framing, anchoring, and loss aversion. But I'm seeing some papers, but not many on theory, so I think it's time for theory to come back strong. The other thing that's important is, of course, data. When I was a grad student, data was scarce, particularly if you weren't in the United States. That's what motivated my career, that's how I got my thesis. But now I have students who need to think constructively and imaginatively about all the different possibilities with administrative and other data sources available to them. Data is constantly being delivered to your door. And the other final pillar, where you can get good questions, is what the policy community is struggling with? Ultimately, we do our research to inform our science in a way that's beneficial to our co-citizens. I think there's a lot of interesting work going on around top incomes, wealth taxation, and inheritance taxation that could be studied a lot more from an intergenerational perspective. But just take any standard public policy issue and take the first derivative: look at it from the eyes of the child, and that helps you to get your research agenda.

Steven: Well Miles, I feel like I could keep you here for the next two hours, but this is an appropriate time to say thank you so much for an absolutely fascinating conversation.

Miles: Thank you, and I want to wish you and the rest of the Stone Center the best of luck; I'm sure everyone is in good hands, Steven.

Steven: The Inequality Podcast is a production of the Stone Center for Research on Wealth Inequality and Mobility here at the University of Chicago. I'm the director of the Center, Steven Durlauf. Let me conclude this first episode by thanking the people that really made it happen. First, there's our producer and engineer Shane McKeon. Second, there's our assistant director Gerardo Espinal Franco, who does the production oversight and much, much more. And finally, I want to thank the executive director Grace Kolavo for the overseeing of the center as a whole. You can get in touch with us at stonecenter@uchicago.edu. Thanks so much for listening.

This transcript has been prepared with the assistance of AI.