American Dreaming: On Economic and Geographic Mobility in the United States' Rust Belt

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The United States of America, the Land of Opportunity. The narrative is well-known; through a strong work ethic and steadfast hope, one can ascend the economic ladder, regardless of background or upbringing. A central element of The American Dream is the idea that anyone has a fair shot at moving into a higher income bracket than that of their parents. The underlying assumption of this is that the United States has an economic framework that facilitates this mobility.

Although this may hold true in some cases, the question arises: what percentage of Americans actually go on to earn more than their parents, and how has this fraction changed over time? While this seems to be a simple question, empirical economic research requires several choices and assumptions to be made. One must account for inflation or the fact that an average American's basket of goods now includes products of different quality and nature than it did half a century ago. A longitudinal study conducted by Chetty et. al (2017) looks at data regarding consumer price indices (CPI) and household incomes from the middle of the twentieth century compared to the current generation. They find that, while 90% of Americans born in the 40s and 50s earned more than their parents did, the fraction drops to a saddening 50% for the current generation. In other words, half of Americans today are doing *worse* than their parents. The American Dream is exactly that - a dream. Reality appears much bleaker.

Where did things go wrong?

There is no one diagnosis when it comes to declining income mobility in the U.S; there are a litany of causal relations and contributors to socioeconomic inequality. One can stipulate that it is the framework of the labor market, or the educational system, or increasing polarization that is to blame. In reality it is a combination of many factors, so for the purpose of this article, I will focus on the phenomena I think to be highly salient and overlooked. Namely, geographic mobility facilitates economic mobility. One may hastily assume that the geographic barriers to opportunity are obsolete, given widely accessible transportation systems and the interconnectedness and common culture among the states. But I would argue that geographic inhibitors are as inhibiting as ever, particularly in the region of the United States that is suffering most dramatically from poverty traps: the Rust Belt. This is the area from New York through the midwest which was once a hotspot for industrial and manufacturing jobs, but has undergone substantial decline since the midcentury, when manufacturing started shifting towards outside the U.S. Though manufacturing and production no longer triumph, the region still should. So how did this region become stripped of economic opportunity?

Plenty of people have moved out of these places. Take Detroit, for example, which had a population of over 1.8 million in 1950, and this severely declined to just over six hundred thousand in 2021. Small and medium sized towns such as Flint, Michigan have also been abandoned. Masses have migrated towards larger and richer labor markets, but many have also been left behind without access to functioning labor markets. A functioning labor market will be defined as one in which an individual has a selection of jobs and the ability to change jobs as they please; if an employee does not have the option to find a job more suited to their preferences, this is not a functioning labor market. This malfunction is precisely what is being witnessed in the Rust Belt. Workers who have lost their manufacturing jobs are primarily without college degrees and pushed into the service industry or structural unemployment. One cannot expect innovation to emerge when individuals are limited in options and job security. Innovation is bred by risk-taking, and this spirit is only fostered in labor markets that are dense and dynamic and equip workers with a safety net.

Looking Forward

To summarize thus far: there has been a tragic drop in generational income mobility in the United States. This has evidently coincided with the steady decline of the once booming, industrial hubs of the Rust Belt. I see two options from here; namely, the state steps in or the individual actors step out; the government can ramp up efforts to bring opportunity back to these regions, or the individuals can take matters into their own hands and move towards opportunity-rich areas.

Learning from Ruhr

Let us unfold the first option by looking at a historical precedent: Germany's Ruhr region. Comparable to the American Rust Best, the Ruhr region was characterized by a booming coal industry which sharply declined in the 1950s. In contrast to its American counterpart, though, today the Ruhr region is home to an innovative and green economy. At the onset of the crisis, workers, labor unions, and policymakers denied the need for a fundamental economic reorientation and hoped the crisis was cyclical rather than structural. This lock-in persisted until the 1980s, when it finally became clear that instead of trying to modernize coal, it was time to turn to new ideas and economic possibilities. Unions pushed for subsidies and support schemes while coal companies and the regional and federal government cooperated to ease the energy transition. Measures were taken to minimize layoffs, facilitate career changes and training, and allow for early retirement. The interplay between these policies and Germany's historically favorable attitudes towards labor unions and social dialogue paved the way for a smooth energy transition. There is certainly still room for progress, but purely for the purpose of comparison, it seems the United States can learn from the approach of organizing a trinity of the government, labor unions, and private companies to revitalize the regional economy. One limitation, however, is that the United States has substantially different attitudes regarding the role of the state and labor unions yield relatively little influence. Further, such a drastic transformation of an economy cannot happen overnight. State efforts to revitalize are undoubtedly necessary, but there are people stuck in poverty traps *now*, and these individuals and their children deserve a chance at mobility.

Moving to Opportunity

This brings us to the second approach: instead of waiting for a large-scale, miraculous transformation, perhaps it is the individuals who can learn how to become mobile - both geographically and economically. An economist may be perplexed as to why so many haven't moved already; rational actors behaving in a self-interested way would move their families out of these dead-end towns. But moving is *hard* - logistically, financially, and emotionally. It requires stuffing your life into suitcases and finding affordable housing and a decent school for your children. It is not everyone's first priority to move into a higher income bracket, especially when you're living paycheck to paycheck and can only afford to focus on the short-term. Other people are - understandably - attached to their hometowns; there is something intangible and incredibly powerful about the place where you're from. It is strong enough to keep people there, even when they know that they're in a poverty trap. It is likely also strong enough to cultivate overly optimistic attitudes regarding the state's efforts in order to rationalize staying immobile.

But from an outsider's perspective, it is clear that these regions are devoid of opportunity and it is deeply saddening. A team of researchers and policy analysts at Harvard University set out to determine if immobility is caused by barriers to moving or feelings of attachment to one's town by pioneering a project called Creating Moves to Opportunity (CMTO). They provided personalized tools to housing voucher recipients in Seattle and King County to reduce difficulties moving to areas with higher chances of income mobility. These services included educating parents on the benefits of moving, assistance with rental applications, and emotional support. Their support increased the percentage of families moving towards opportunity from 15% in the control group to 53% in the treatment group. The assistance was not only effective, it was *incredibly* effective. This indicates that immobile families are not immobile due to emotional or financial ties to their town, but simply because they lack the tools necessary to relocate. Successful projects like CMTO will hopefully direct further research to better understand which tools are most effective in relocating families to better neighborhoods and labor markets.

Despite the distressing truth that half of Americans are earning less than their parents did, there are two ways to revive the American Dream in the Rust Belt: large-scale revitalization, largely by the state, or individual moves towards communities with richer labor markets. These are not two mutually exclusive efforts; rather, programs like CMTO show great promise for the short-term, to relocate people while their neighborhoods are poverty-trapping. Meanwhile, policies like those implemented in the Ruhr region have a longer time horizon but work towards an ideal future without regional poverty traps to begin with. Thus, a balance of both efforts are needed if the United States intends on reclaiming its title as the Land of Opportunity.

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