Stanford Economist: Move to Canada to Find American Dream

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U.S. residents may want to consider moving to Canada to give their kids a better chance at the "American Dream" of rising from rags to riches, a study says.

Raj Chetty, a Stanford University economist who has studied income and wealth trends, looked at how likely a child born in the bottom 20 percent of the income scale is able to move to the top 20 percent. He found that children born in Canada, the United Kingdom and Denmark have a better chance at this kind of social mobility than American kids.

"These differences across countries have been the focus of much policy discussion," Chetty says in the report published by the Federal Reserve Bank of St. Louis. "But what should also be given attention is that upward mobility actually varies substantially even within the United States."

U.S. children have a 7.5 percent chance of achieving the American Dream, compared with 13.5 percent in Canada, 11.7 percent in Denmark and 9 percent in the U.K.

Within the U.S., a child born in wealthy Silicon Valley areas like San Jose, Calif., has a 12.9 percent chance of moving from bottom to top. Meanwhile, Charlotte, N.C. has a 4.4 percent chance and Baltimore, Md., has 3.5 percent.

"More mixed-income communities tend to produce better outcomes for kids from disadvantaged backgrounds," Chetty says. "Areas with less income inequality tend to have higher rates of upward mobility."

Strong families improve the likelihood a child will move up the economic ladder, according to the report, which doesn't mention the racial implications of the income data.

"We find that areas with more stable family structures—in particular, areas with fewer single parents—have substantially higher rates of upward mobility," Chetty says. "Areas that are more socially cohesive, with large amounts of social capital, also have much higher rates of social mobility. Finally, as you might expect, areas with better public schools tend to have much higher rates of upward mobility."

The Cato Institute derided Retty's analysis, saying the economist ignored the idea that incomes were very low in 1940, after a decade of a depressed economy, and it was easy to make a better living 30 years later.

"Doing better than your parents is not defined by your income at age 30, but by income and wealth accumulated over a lifetime (including retirement)," Alan Reynolds writes for Cato. "A rising percentage of young people remain in grad school at age 30, so their current income is lower than that of their parents at that age but their future income is likely to be much higher."