



2018

### Upward Intergenerational Mobility of College Students: Does the Type of Institution Matter?

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#### **Recommended Citation**

Monsen, Caroline Z. (2018) "Upward Intergenerational Mobility of College Students: Does the Type of Institution Matter?," *The Park Place Economist*: Vol. 26  
Available at: <https://digitalcommons.iwu.edu/parkplace/vol26/iss1/17>

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## Upward Intergenerational Mobility of College Students: Does the Type of Institution Matter?

### Abstract

For many, the dream is to become well educated, achieve a better job, and earn more money; this describes a typical “rags to riches” story. Nowadays, the way to get a high paying job is to go to a credible college. Each diploma acts as a “golden ticket” which can access the American dream. However, all colleges are unique and offer different resources that can affect an individual’s life path. These resources range widely from classroom size to personal connections.

This research attempts to answer the following question: Which type of institution promotes the greatest upward mobility for the most people? This question is relevant to college students and prospective college students when deciding which institution to attend. Many want to find an institution that will benefit them in the long run by advancing their economic position. Results gathered from this research will help college institutions to identify aspects of their school that will result in higher upward mobility for their student population. These results can also be used by institutions as advertisements that target prospective students, by showing them that upward mobility is likely at that college.

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# Upward Intergenerational Mobility of College Students:

## Does the Type of Institution Matter?

Caroline Monsen

### I. Introduction

For many, the dream is to become well educated, achieve a better job, and earn more money; this describes a typical “rags to riches” story. Nowadays, the way to get a high paying job is to go to a credible college. Each diploma acts as a “golden ticket” which can access the American dream. However, all colleges are unique and offer different resources that can affect an individual’s life path. These resources range widely from classroom size to personal connections.

This research attempts to answer the following question: Which type of institution promotes the greatest upward mobility for the most people? This question is relevant to college students and prospective college students when deciding which institution to attend. Many want to find an institution that will benefit them in the long run by advancing their economic position. Results gathered from this research will help college institutions to identify aspects of their school that will result in higher upward mobility for their student population. These results can also be used by institutions as advertisements that target prospective students, by showing them that upward mobility is likely at that college.

The rest of this paper is organized in the following manner: Section II surveys the previous literature in this field of study. Section III covers the relevant theory on which this research is based and develops my research hypothesis. Section IV is a description of the database used for this research. Section V presents the empirical model that I have developed to test my hypothesis. Section VI discusses the descriptive statistics that were analyzed from the data. Section VII looks at the results from my empirical model and Section VIII makes conclusions based on the results.

### II. Literature Review

Intergenerational mobility became a topic of interest starting from the late 1900s. It has since become a goal for individuals, as it indicates opportunity for children to move beyond their social origins and obtain a status not dictated by that of their parents (Fox, Torche, & Waldfogel, 2016). Many researchers interested in understanding intergenerational mobility typically theorize their analyses with Becker and Tomes’s (1979) human capital model; this model focuses on the influence of investments, such as education and work experience, on an individual’s future

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outcomes.

A common measure of intergenerational mobility looks at the association between parents' socioeconomic status with the children's adulthood socioeconomic status (e.g. social class, earnings, family income, occupation). The economic data and analyses in earlier research on mobility focused primarily on father-son relationships and individual earnings. However, newer studies over the last two decades, including mothers and daughters as a variable, have expanded research to predict total family income (Torche, 2014). By focusing on the total family income rather than individual wages and salaries, it is possible to capture the economic position of those not in the labor force and include occupational and non-wage and salary sources of income.

"Classically, intergenerational economic mobility is measured by estimating the elasticity of children's earnings (or income) with respect to the same measure for their parents, by regressing the log of children's earnings on the log of parent's earnings" (Fox, Torche, & Waldfogel, 2016). Ongoing research and the development of new methods continue to challenge previous findings. Early research (Blau & Duncan, 1967) found noticeable mobility between generations, however these studies did not have access to nationally representative longitudinal surveys. Instead, they had to rely on unique samples that did not span over long time periods. Researchers, such as Solon (1992),

found that single year estimates of income were poor predictors of permanent income status. Around 2000, new research methodologies for measuring intergenerational mobility expanded and subsequent research was performed by using nationally representative samples. A major contributor for intergenerational mobility literature is Raj Chetty, an author of multiple studies that focus on the role of colleges in intergenerational income mobility (Chetty, Friedman, Saez, Turner, & Yagan, 2017) (Chetty R. G., 2017). Studies based on the research of Chetty et al. have found that "children from low- and high-income families have similar earning outcomes depending on where they go to college. But access to the colleges turning out the top earners is limited for lower-income students" (Dovey, 2017). This low attendance can be the result of policies at these institutions; this primarily includes access to the institution through funding for low-income students (Chetty, Friedman, Saez, Turner, & Yagan, 2017). Much of my work will follow the example of the research and guidance set forth by Chetty and his projects.

### III. Theory

The underlying theory in this research will focus primarily on the development of human capital as a method to obtain increased upward intergenerational mobility. Human capital, a term popularized by Gary Becker, "refers to the knowledge and acquired skills a person has that increases his or her ability to

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conduct the activities with economic value” (Milgrom, 1992). Investments in human capital show returns in both private life, through additional income, and in the general society, through greater productivity provided by the educated. The assumption is that as individuals increase their knowledge and experience, their human capital increases. Thus, they can contribute to society through their increased economic value and, in return, they receive higher paying jobs and therefore more intergenerational mobility. Previous research that measures intergenerational mobility would use test scores to measure students’ achievements. However, effectiveness of test scores as a measure of performance is controversial because of the low correlations that are commonly found between test results and subsequent labor-market outcomes (Betts, 1995). Current research suggests that human capital is the main cause of intergenerational mobility and suggest that once we understand education outcomes, we will largely understand intergenerational mobility (Ziesemer, 2017).

This research tests two research hypotheses. The first hypothesis predicts that the most selective institutions have a greater probability of upward intergenerational mobility. The most selective schools, such as Ivy League institutions, have prestige reputations that are of interest to successful companies. The most selective institutions also admit students who show more advanced qualities (e.g. high-grade point average, leadership experience, etc.), thus creating a

selectivity bias.

The second hypothesis proposes that private institutions will achieve higher intergenerational mobility than public institutions, when looking at the same tier of selectivity. Looking at institutions of the same selectivity eliminates selectivity bias (i.e. this allows comparisons with institutions that require similar merits for attendance). I predict that private colleges have a higher probability of intergenerational mobility due to the different resources that are provided that can add to an individual’s human capital. Private institutions typically provide their student population with more opportunities to talk one-on-one with professors, tutors and professionals, giving them easier and more personalized access to the education that they are paying for (National Center for Educational Statistics, 1997).

With the access to this education and knowledge from private selective colleges, students are able to gain more human capital that will help propel them further in life in terms of higher potential job offerings, and therefore higher earnings. Highly selective private institutions also provide more opportunities to be a leader in multiple organizations, giving students the resources and leadership experience that can also add to their human capital. I believe that these are resources connected with private colleges that can attribute to higher human capital, productivity and experience. Consequently, this will result in higher

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intergenerational income mobility.

#### IV. Data

The data for this research comes from the Equality of Opportunity project that was conducted by Raj Chetty, John Friedan, Nathaniel Hendren, Emmanuel Saez, and Danny Yagan in 2017. This data consists of 2200 colleges and universities in the United States. More than 30 million college students and their parents are the bases of data used to show earning quintiles of the students' families and the earnings quintiles of the students after they graduate (Chetty, Friedman, Saez, Turner, & Yagan, 2017). Chetty et al. created "mobility report cards" to reflect how U.S. colleges contribute to economic mobility. This data set characterizes intergenerational income mobility for each institution through various statistics, measured in percentages.

The data set includes statistics about the student population at each institution, such as the ethnic diversity percentage, average percentage of various major types, and more. More statistics in this data set describe factors about the actual institution, including region, state, and county. These variables are important to look at because they describe features of each institution that can relate to intergenerational mobility. For example, the variables describing various fields of study are important to include because certain majors are more likely to lead to higher paying jobs than others. An institution with a majority of students studying

a certain major can either raise or lower the average probability of transitioning from their parent's family income quintile to their own family income quintile after they graduate.

To describe intergenerational mobility through earnings, this data set includes the average earnings for the students' parents for each institution, as well as the average earning of the students from each institution when they reach their early 30s. These variables are important because they describe the income quintile that the average student at each institution grew up within, and they describe the income quintile that the average student at each institution ends up in, once they are established in the work force with a stable wage. Thus, we are exploring the role of colleges in the process of intergenerational mobility.

This data also presents the specific transition probability per institution of a student moving from one quintile to another. The transition probability is the likelihood of an individual transitioning from one income quintile, according to their parents' income, to another income quintile, according to their adulthood income. For example, college X might have 10 percent of students who grow up in the lowest quintile according to their parents' income succeed in reaching the highest quintile after they graduate. College Y, on the other hand, may have a much higher 35 percent of its students who as children were in the lowest quintile manage to move up to the highest quintile as adults.

I will mainly focus on the “rags to riches” story by looking at the probability of an institution transitioning its students from the first (lowest) quintile to the fifth (highest) quintile.

## V. Empirical Model

From this data, I created a transition table (Table 2) where I compared the transition probability statistics across various types of institutions. Of particular interests are comparisons of transition probability statistics between highly selective private schools vs. highly selective public schools. The first column in Table 2 shows the probability of transitioning from the lowest quintile (quintile 1) to the highest quintile (quintile 5). When looking at the aggregate of all highly selective private schools, the transition table shows that an average of 10% of students that go to highly selective private schools come from the bottom income quintile and there is a 39.3% probability of these students transitioning from the first quintile to the fifth quintile. On the other hand, when looking at the aggregate of all highly selective public schools, the transition table tells me that 8.9% of its students come from the bottom income quintile and 44.9% of its students have a probability of transitioning from the first quintile to the fifth. These descriptive statistics add to each institution’s story. For example, a highly selective public school may have a high transition probability from the lowest income quintile to the highest income quintile, however that same school may only

have a small percentage of students coming from the first income quintile. Thus, we could conclude that this school does a good job helping low income students to transition to the top earning quintile. However, only a small percentage of its student body comes from low income families.

In all, the transition table provides key statistics can be used to study the intergenerational mobility of college students. I will be using multiple Ordinary Least Squares (OLS) regression models to determine the probability from moving from the first quintile to the fifth quintile. Each regression will add on to the previous regression equation. In each regression, the dependent variable is the probability of transitioning from the first income quintile to the fifth income quintile in each college. The independent variables will include a large number of characteristics measured for each college and university. Variable definitions are given in Table 1.

Table 1: Variable Definitions

Variable Name	Description	Expected Sign
<b>Dependent Variable</b>		
P(1 to 5)	The probability of transitioning from the lowest income quintile to the highest income quintile	
<b>Independent Variable</b>		
HS Private	1=Highly selective private college 0=Not highly selective private college	Positive
HS Public	1=Highly selective public college 0=Not highly selective public college	Positive
Ivy	1=Ivy league college 0=Not ivy league college	Positive
Other Elite	1=Other elite college 0=Not other elite college	Positive
S Private	1=Selective private college 0=Not selective private college	Positive
S Public	1=Selective public college 0=Not selective public college	Positive
NS Private	1=Nonselective private college 0=Not nonselective private college	Positive
NS Public	1=Nonselective public college 0=Not nonselective public college	Positive
FYFP	1=Four-year for-profit college 0=Not four-year for-profit college	Negative
Arts&Hum	Percentage of Arts and Humanities majors	Positive
Business	Percentage of Business majors	Positive
Health	Percentage of Health and Medicine majors	Positive
Multidiscipline	Percentage of Multi/Interdisciplinary Studies majors	Positive
Pub&Soc	Percentage of Public and Social Services majors	Positive
STEM	Percentage of Science, Technology, Engineering, and Math (STEM) majors	Positive
SocialSci	Percentage of Social Sciences majors	Positive
Trade	Percentage of Trade and Personal Services majors	Positive
Asian	Percentage of Asian population	Positive
Black	Percentage of Black population	Negative
Hispanic	Percentage of Hispanic population	Positive
International	Percentage of International population	Positive
Northeast	1=College is in the Northeast 0=College is not in the Northeast	Positive
Midwest	1=College is in the Midwest 0=college is not in the Midwest	Positive
West	1=College is in the West 0=college is not in the West	Positive



The first regression, Model 1, will look solely at highly selective private and highly selective public institutions. Assumedly, highly selective college institutions create a selectivity bias in their pool of students by choosing those that have a record of higher grade point averages, leadership experience, and adequate writing skills. I can eliminate this selectivity bias by looking at schools of the same selectivity tier, and thus comparing students with similar human capital levels. When running this regression, the data will only include institutions that are categorized as highly selective private and highly selective public. The baseline regression equation is:  $P(1 \text{ to } 5) = \alpha_0 + \beta_1(HS \text{ Private})$  where,  $P(1 \text{ to } 5)$  is the probability that a university's students who are from the lowest income quintile transition to the highest income quintile and  $HS \text{ Private}$  is a dummy variable that assumes a value of 1 if the institution is a highly selective private institution.

The second regression equation, Model 2, includes both highly selective colleges and universities and less selective institutions. Selectivity categories are determined from Barron's Profiles of American Colleges (2009). This regression is using two-year for-profit institutions as its comparison group. The equation is as follows:

$$P(1 \text{ to } 5) = \alpha_0 + \beta_1(HS \text{ Private}) + \beta_2(HS \text{ Public}) + \beta_3(Other \text{ Elite}) + \beta_4(Ivy) + \beta_5(S \text{ Private}) + \beta_6(S \text{ Public}) + \beta_7(NS \text{ Public}) + \beta_8(NS \text{ Private}) + \beta_9(FYFP)$$

where, the independent variables for Model 2 can be

seen in Table 1.

The third regression equation, Model 3, includes other characteristics of the institution, in addition to the type of institution. These characteristics include percentage of ethnicities in the student population, percentage of major types, and the regional location of the institutions. These characteristics add aspects of human capital that institutions transfer to their students. The equation is as follows:

$$P(1 \text{ to } 5) = \alpha_0 + \beta_1(HS \text{ Private}) + \beta_2(HS \text{ Public}) + \beta_3(Ivy) + \beta_4(Other \text{ Elite}) + \beta_5(S \text{ Private}) + \beta_6(S \text{ Public}) + \beta_7(NS \text{ Public}) + \beta_8(NS \text{ Private}) + \beta_9(FYFP) + \beta_{10}(Arts\&Hum) + \beta_{11}(Business) + \beta_{12}(Health) + \beta_{13}(Multidiscipline) + \beta_{14}(Pub\&Soc) + \beta_{15}(STEM) + \beta_{16}(SocialSci) + \beta_{17}(Trade) + \beta_{18}(Asian) + \beta_{19}(Black) + \beta_{20}(Hispanic) + \beta_{21}(International) + \beta_{22}(Northeast) + \beta_{23}(Midwest) + \beta_{24}(West)$$

Where, the independent variables from Model 3 can be described in Table 1.

Once the coefficients are found, I can see which characteristics of institutions can lead to higher upward intergenerational mobility. These characteristics of institutions can affect the probability of income quintile transition through the positive or negative signs of the coefficients, demonstrating whether the characteristic is beneficial or detrimental. The dependent variable will be bounded by 0 and 1, indicating that a person can move no lower than the first quintile and can move no higher than the fifth quintile.

## VI. Descriptive Statistics Results

Below, Table 2 lists descriptive statistics for select independent variables in the models. The type of institutions chosen for the descriptive statistics were based upon different selectivity tiers and private



and public affiliation; these two categories describe both factors from my two-part hypothesis. The other independent variables were chosen to describe characteristics of colleges and universities.

Table 2: Summary Statistics for Transitions from the 1<sup>st</sup> to the 5<sup>th</sup> Quintile

	P(1 to 5)	Percent- age of students from Q1	Median Par- ent Income	Median Child Income as an Adult
Ivy	57.25%	8.41%	\$175,341.67	\$80,925
Highly Selec- tive Private	39.34%	10.03%	\$126,630.99	\$54,021
Highly Selec- tive Public	44.92%	8.94%	\$109,753.85	\$58,807.69
Selective Private	24.69%	10.62%	\$86,854.63	\$42,517.12
Selective Public	23.17%	10.67%	\$79,935.20	\$41,127.47
Non-Selec- tive Private	18.58%	15.45%	\$80,268.35	\$33,773.42
Non-Selec- tive Public	14.23%	14.91%	\$64,643.24	\$30,790.54
Four-Year for Profit	11.24%	15.23%	\$61,666.67	\$29007.69

The probability of transitioning from the lowest income quintile to the highest income quintile increases as the selectivity of the institution increases. Surprisingly, when looking at private versus public institutions of a higher selectivity, public institutions show a higher probability of transitioning from the lowest to highest income quintile. However, when selectivity becomes lower, the private institutions show a higher average transition probability.

Although these higher selective institutions generate higher probability of intergenerational mobility, the percentage of students from the first income quintile show an inverse relation to the selectivity of institution. The higher the selectivity of institution, the lower the percentage of students that come from the lowest income quintile. This supports the claim that although highly selective institutions may be good at transitioning students from the first to the fifth quintile, they may not be enrolling very many students from the poorer community.

When looking at the median parent income for each type of institution, it comes as no surprise that the selectivity of the college and income have a direct relationship. Those who attend higher selective schools tend to come from families that make more money to pay for these high credit institutions. The relationship between the student's income as an adult with the selectivity of the institution is also direct. A higher income for students from highly selective institutions can be explained by the assumed quality of education that is provided at these colleges and universities.

## VII. Regression Results

The results from the three ordinary least squares regression models are stated in Table 3 below. This table includes the independent variables for all three regression equations. For each regression, Table 3 presents the coefficients and t-statistics, with stars to indicate their significance. Again, all three models use

the probability of transitioning from the lowest income quintile to the highest income quintile (i.e. P(1 to 5)) as the dependent variable.

Table 3: Regression Results

Variable	Model 1	Model 2	Model 3
Constant	0.449*** (18.176)	0.106*** (31.112)	0.091 (2.522)
Highly Selective Private	-0.056* (-1.932)	0.287*** (23.618)	0.251*** (19.912)
Highly Selective Public		0.343*** (17.507)	0.249*** (13.296)
Ivy League		0.467*** (16.298)	0.329*** (12.262)
Other Elite		0.387*** (30.329)	0.306*** (22.237)
Selective Public		0.125*** (20.502)	0.123*** (16.060)
Selective Private		0.141*** (26.543)	0.147*** (19.891)
Non-Selective Public		0.036** (3.045)	0.046*** (4.265)
Non-Selective Private		0.080*** (6.888)	0.077*** (6.830)
Four-Year for Profit		0.006 (0.556)	-0.014 (-1.199)
Asian			0.555*** (13.527)
Black			-0.104*** (-8.496)
Hispanic			0.022 (1.302)
International			0.090 (1.434)
Arts & Humanities Major			-0.023 (-0.596)
Business Major			-0.033 (-0.878)
Health Major			0.003 (0.081)
Multidiscipline Major			-0.013 (-0.360)
Public and Social Works Major			-0.108* (-2.606)
STEM Major			0.125*** (3.291)
Social Science Major			-0.035 (-0.875)
Trades and Personal Services Major			0.011 (0.291)
North-East Region			0.049*** (9.444)
Mid-West Region			0.003 (0.628)
West Region			0.006 (0.973)
Adjusted R <sup>2</sup>	0.038	0.501	0.625
F-statistic	3.732*	244.339***	150.213***

\*Significant at the 10% level \*\*Significant at the 5% level \*\*\*Significant at the 1% level

### A. Model 1

Model 1 looks at highly selective private institutions compared with highly selective public institutions. By only looking at institutions within the same selectivity tier, selectivity bias is reduced. Based on the regression results for model 1, private institutions have a beta coefficient of -0.056. This means that, in relation to highly selective public institutions, highly selective private institutions decrease the probability of transitioning from the first to fifth quintile by 5.6%. This coefficient proves to be significant at the 10 percent

level with a p-value of 0.056.

Although these results move against my original hypothesis that private institutions promote more intergenerational mobility than public institutions, it can be noted that the coefficient for the highly selective private institutions dummy variable is not very large. Additionally, an important statistic from this test is the R-squared; this statistic shows a low value of 0.038. This means that 3.8% of the variability in the dependent variable can be explained by the independent variables.

### B. Model 2

Model 2 has incorporated all categories of institutions that were in my regression; this includes private vs. public, as well as selectivity of the institution. This regression was run to determine if selectivity is important in intergenerational mobility of college students. The coefficients to the independent variables were all in reference to two-year for-profit institutions as the omitted variable. The results of this regression indicate that selectivity of institution greatly determines the probability of transitioning from the first to the fifth income quintile. Ivy League schools, being the highest form of selectivity for colleges, have a beta coefficient of 0.467 and a p-value at the 1 percent level. This means that by attending an Ivy League institution, the probability of transition increases by 46.7%. The next tier of selectivity includes other elite institutions, which have a significant beta coefficient

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of 0.387. While this independent variable greatly increases the probability of transition by 38.7%, these institutions lessen the probability of transition by 8% when compared to Ivy League Schools.

In all, as selectivity decreases, the probability of transitioning from the lowest income quintile to the highest income quintile decreases by 4%-22%. The greatest decline in probability occurs between highly selective public schools and selective public school. The only institution that shows to be insignificant, measured against two-year for-profit schools, is a four-year for-profit institution which has a p-value of 0.578. The R-squared statistic for Model 2 is 0.501, meaning that 50.1% of the variability of the dependent variable can be explained by the regression.

#### *A. Model 3*

The third model includes all independent variables from the second model, but it also includes characteristics of the institutions such as percentage of students from various races, percentage of students studying certain majors, and location of the institution by United States region. This model was used to help answer the research question: which type of institution promotes the greatest upward intergenerational mobility? By using characteristics of each institution, these independent variables can help explain why some institutions are better at promoting intergenerational mobility than others.

From this regression, all types of institutions

appear to be positive, as well as significant, with the exception of four-year for-profit institutions which have a negative coefficient of -0.014 and an insignificant p-value of 0.231. Similar to model 2, the coefficient of each institution increases as the selectivity of the institution increases. Ivy League institutions increase the probability of transitioning by 32.9% while non-selective institutions increase the probability of transitioning by single-digit percentages.

Of the four races used in this regression equation, only two independent variables tested significant. Both Black and Asian races were significant at the 1 percent level, however their beta coefficients were drastically different. Asian had a coefficient of 0.555 while Black had a coefficient of -0.104. These mean a 10% increase in the Asian student population will increase the probability of transitioning by 5.55%, while a 10% increase in the Black student population will decrease the probability of transitioning by 1.04%. These statistics may reflect certain attitudes and stereotypes of individuals in the working force.

The last two groupings of institutions, academic majors and region, generally tested insignificant, with some exceptions in each. Of all major fields of study, the only majors that proved to be significant were STEM (science, technology, engineering, and math) majors and Public and Social majors, being significant at the 1 percent level and the 10 percent level, respectively. These two major fields of study

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showed very different coefficients. A 10% increase in STEM majors increases the probability of transitioning from the lowest income quintile to the highest income quintile by 1.25% while a 10% increase in Public and Social majors decreases the probability of transitioning by 1.08%. These major categories link to the types of jobs that students will typically receive; STEM majors usually have the knowledge and experiences for higher paying jobs while Public and Social majors have the knowledge and experiences for lower paying jobs. As for region location, the only region that tested significant was the Northeast region of the United States. The Northeast increases the probability of transitioning from the first to the fifth income quintile by 4.9% with a significance at the 1% level. This statistic is most likely due to higher wages from jobs as a result of the high cost of living in larger cities such as New York, Boston, and Philadelphia. As earlier determined, Ivy League institutions generate the highest probability of transitioning from the first to the fifth income quintile.

With the inclusion of multiple characteristics of institutions, Model 3 calculates an R-squared of 62.5%. This means that 62.5% of the variability of the dependent variable can be explained by independent variables. This high R-squared supports the significance of adding additional characteristics to determine the probability of transitioning.

## VIII. Conclusions

This study of intergenerational mobility of college students explored which types of institutions of higher education promote higher transition probabilities for students who grew up in lower income families. With respect to my original two-part hypothesis, I have found that highly selective colleges and universities and public universities have a higher probability of transitioning. Although the higher transition probabilities of public institutions do not support my hypothesis, it can be noted that the difference in transition probability between public and private institutions is small. In addition, according to the descriptive statistics, private institutions also admit more students from the first income quintile to their institutions. Therefore, a student looking to increase their chances of transitioning out of the lowest income quintile into the highest income quintile should try to graduate from a selective school, whether that be public or private. But if that student is unable to attend a selective school, he or she should have a better chance of getting into less selective school. Unfortunately, this will considerably lower the chances of transitioning to the top quintile.

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