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Sliding down the Great Gatsby curve in search of the Scandinavian dream

*The new UK government has separate missions to break down the barriers to opportunity and to boost growth – together, the “Scandinavian dream”. The problem, write **Steve Machin** and **Lee Elliot Major**, is Britain’s high level of income inequality, since less equal societies tend to be less socially mobile. Given this, how should policymakers look to realise the “British dream”?*

“It Takes Two”, sing Rob Base and DJ E-Z Rock in their 1988 **hip-hop masterpiece**. “One can have a dream, baby,” go the lyrics, but “two can make a dream so real.” It’s a message the Labour government needs to hear as it develops its **mission** to dismantle Britain’s barriers to opportunity and its **aim** to stimulate greater opportunities overall.

In our Pelican book, **Social Mobility and Its Enemies**, we used the metaphor of a caravan of people traversing through a desert to explain two distinct ways in which social mobility can be measured. One measure can be used to assess the extent of equality of opportunity in society; the other gauges whether life prospects have improved overall compared with our parents.

An increase in *absolute mobility* would see everyone in the caravan picking up speed. No matter where they started, each traveller reaches a better place than their predecessors. They all advance, but their relative positions—who is ahead and who is behind—remain unchanged. An increase in *relative mobility* on the other hand would see the fittest travellers at the back overtaking those in front. If some move up, others must move down. This kind of mobility is a zero-sum game: one person’s gain is another’s loss.

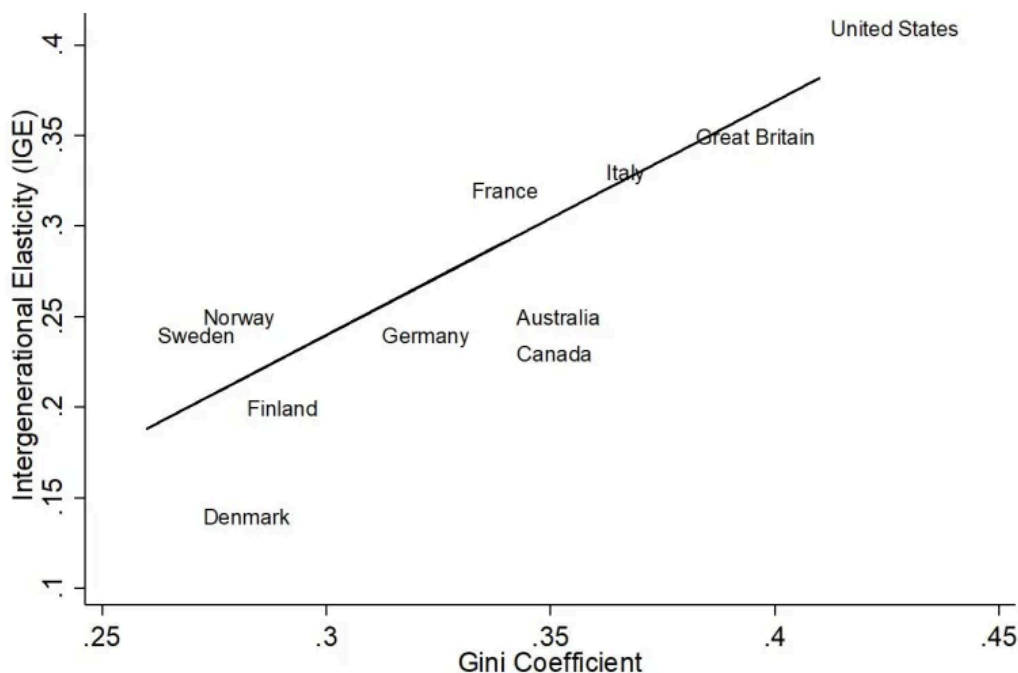
The problem for Britain is that both of the dials, relative and absolute, are pointing in the wrong direction. On average, we are slowing down compared with previous generations. Meanwhile, as wealthy elites are speeding ahead into the distance, the gap between the start and end of the caravan is widening.

Relative mobility: pursuing the Scandinavian dream

The government has chosen intergenerational income persistence, a measure of relative mobility, to assess progress in its **opportunity mission**. The aim is to “turn the tide on income persistence, and then take us to Scandinavian levels over time”. Consider the **Great Gatsby Curve** below, to understand how momentous this change would be for British society.

On the horizontal axis is the **Gini coefficient** for 11 countries, a measure of income inequality at a given time: the higher the coefficient, the bigger the gap between the richest and poorest in society. On the vertical axis is the intergenerational earnings elasticity (IGE) for each country. Just like income persistence, IGE assesses the strength of the link between the economic status of parents and their children. The higher this number, the lower the relative earnings mobility across generations.

Figure 1: The Great Gatsby Curve



Source: Numbers taken from *Blanden (2011)*

The key take-away is that more equal societies tend to be more socially mobile. When the incomes of those at the top and the bottom are closer together – when the rungs of the income ladder are narrower – the chances of climbing (or falling down) the ladder are higher. On the flipside, when the gaps between rich and poor are especially large, moving up or down the ladder is much less likely – contrary to idea of the American dream. Indeed, this is where the graph gets its name: F. Scott Fitzgerald’s *Great Gatsby* is a story about the excessive inequalities of the 1920s. The implication is that modern day divides could prove equally catastrophic.



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In terms of what this means for the UK today, two important observations can be made. First, it would take a gigantic leap for Britain (and likewise for the United States) to slide down the Great Gatsby Curve to reach Scandinavian levels of income mobility. IGEs may be small numbers but they hardly ever change. One of the few documented changes during recent decades related to the sweeping education reforms in Finland during the 1970s that raised the age of academic streaming – dividing students into groups based on perceived academic abilities – from 10 to 16. Decades later, [Pekkarinen et al \(2009\)](#) estimated a 20 per cent increase in the country's income mobility levels (the IGE falling from 0.3 to 0.23). In our own work we have considered how the UK's IGE could rise by between 4.8 per cent 11.9 per cent due to the steep socioeconomic gradient in lost learning hours during the Covid pandemic. On this measure, the UK could be heading up the Great Gatsby Curve, in the wrong direction.

The second key upshot relates to *how* a shift to Scandinavian levels of mobility could be expected to take place. When we interviewed the late [Alan Krueger](#) for [Social Mobility and Its Enemies](#), he was convinced that the graph he had christened charted a causal relationship: that greater inequality of incomes today leads to greater inequality of opportunity in the future (in turn leading to widening gaps between the rich and poor).

The implication of the Great Gatsby Curve, then, is that narrowing income (and wealth) inequalities is essential for any mission aiming to break down barriers to opportunity. This would justify Education Secretary Bridget Phillipson's framing of Labour's opportunity mission in terms of "social justice", since this speaks to addressing broader structural inequalities, a move away from policies concerned exclusively with catapulting a few individuals from lowly positions into the society's top echelons.

Absolute comparisons: the current difficulty of "lifting all boats"

But the Great Gatsby Curve only tells half of the story. In more recent years, economists have charted trends in absolute mobility rates. These indicate how much better or worse off one generation is compared with another. According to [Manduca et al \(2024\)](#), the unsettling trend for countries like the UK and US is that a once golden era of expanding opportunities has given way to

a world of declining rates of upward mobility. Just over 70% of British children born in the mid-1960's had family income at age 30 as high as that of their parents at the same age; for those born in 1990, the figure is even lower, at 65%.

In the post-war years, society's stragglers at the rear of our caravan could at least comfort themselves that life had gotten better compared with previous generations. Improving their relative position did not matter as much. Recent generations, however, face the prospect of not only being less likely to leapfrog ahead of others, but also of moving more slowly than their forebears.



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This is a crucial lesson for politicians today. In the 1950's, the then British Prime Minister, Harold Macmillan claimed that "people have never had it so good". Convinced that a "rising economic tide" would "lift all boats", President John F Kennedy argued that the booming American economy would bring increasing prosperity and higher living standards to all sections of society.

In the 2020's, however, more and more Brits and Americans have never had it so bad. They can only look on enviously at the Scandinavian dream. The IGEs in Sweden, Denmark and Norway are low, pointing to higher relative rates of mobility, while absolute levels have remained unchanged, at least up until recently. It appears that creating more mobile societies comes down to improving opportunities overall in an economy *while also* enabling people to realise their talents wherever they happen to come from.

Improving relative social mobility is much more realistic in a world of increasing upward mobility, where more opportunities are available. Universities can diversify their student intakes when their student enrolments expand overall. Middle class opportunity hoarders guard their position with far greater ferocity when they have more to lose. At the same time, sustained economic growth and greater productivity are only likely to occur if this is genuinely inclusive economic growth – tapping into a country's widest talent pool. Countries that improve the skills of their young people tend to be those with stronger economies.

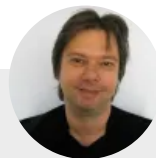
In the UK, the Labour government is rightly focusing on economic growth as its main priority. But the big danger in setting up separate missions for growth and opportunity is that the essential connection between them is lost. So often educational and economic policies fail because they have been divorced from each other. To realise the British dream, we must assess ourselves against both relative and absolute social mobility measures and improve both to create a fairer, more productive society. As Rob Base and DJ E-Z Rock tell us, it will take two to make the dream come true.

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