

[Transcript] The Prof G Pod with Scott Galloway / Conversation with Raj Chetty – Driving Upward Economic Mobility

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Episode 268.

268 is the country code belonging to Swaziland.

In 1968, Roy Jacuzzi invented the first self-contained, world full bath, now known as the Jacuzzi, and NASA's Apollo 8 became the first manned spacecraft to orbit the moon.

Please remember, you're living.

You have mass.

You occupy space.

Do you know what that means?

You matter.

I like that.

Go, go, go!

Welcome to the 268th episode of the PropG pod.

In today's episode, we speak with Raj Chetty, the William A. Ackman Professor of Economics at Harvard University, and the Director of Opportunity Insights.

We discussed with Raj his research around higher education, specifically how elite universities shape who succeeds in the U.S.

We also hear about broader trends regarding economic mobility and the role a child's environment

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plays in creating opportunities for growth.

I am a huge fan of Professor Chetty.

I'm constantly, I feel as if I should probably send him a royalties check.

I quote his data or cited data so much.

Anyways, what's happening?

Strike.

Strike summer.

Strike Scalore.

Strike a Palooza.

The United Auto Workers Union has been striking against a choice of big three automakers, four General Motors, and Stellantis.

Who came up with that name?

Stellantis.

No one called me and said, should we change Chrysler or Jeep Chrysler to Stellantis?

The UAW represents nearly 150,000 American auto workers, though fewer than 10% of them are on strike of this latest reporting.

This is the first time the UAW has struck against these three automakers simultaneously.

Simply put, the UAW is being smart about this.

They manage to coordinate a multi-firm strike and also they are attacking certain leverage points only picking a few of them to go on strike so they can maintain their strike fund.

I guess they have a fund that builds up where they can pay people go on strike such that they can hold strong, but they're doing it strategically at key leverage points around the supply chain such that they don't have to or they won't diminish or deplete that strike fund as quickly.

I think they're being very strategic and very smart.

What are they asking for?

The auto workers are asking for a 40% pay increase over the next four years, a 32-hour work week expansion of pension plans and an end to the tiered wage system.

The three automakers have met them or they've countered with a 20% wage increase, but they haven't budged on the 40-hour work week.

Sean Fain, unfortunate name, Sean Fain.

The president of the UAW isn't pleased with that offer.

On Face the Nation, he said, what a shocker.

He's not accepting the first offer.

We've asked for 40% pay increases and the reason we asked for 40% pay increases is because in the last four years alone, the CEO pay went up 40%.

Fain also told members that their strike strategy will keep the company's guessing and give the union maximum leverage at the negotiating table.

The UAW, I think they're being very strategic, very smart here, the one they have leverage and two, I think their demands are reasonable and that is in 2008, the average starting pay was 19 bucks an hour for auto workers and then it got negotiated down to 18 after the auto industry went into a tailspin, bankruptcies, et cetera, and it hasn't changed.

If it just tracked inflation and productivity, it'd be back at like 28 or 29 bucks.

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The bid is 20%, the ask is 40%.

Let's call it, I bet they end up somewhere around 27 or 28%.

They haven't made these ridiculous demands that they paused technology.

They haven't said stop automation or AI.

They realize that's never going to happen.

They haven't said we want a certain number of workers at every station.

That was never going to happen.

Unions at the end of the day are right, but not effective.

They need more help.

We need minimum wage raised to \$25 an hour.

The auto industry is ground zero for the problem.

What's the problem?

The elephant in the room here is Tesla, which is worth more than almost every automobile manufacturer combined.

When Tesla announced their Dojo supercomputer, which is supposedly going to help figure out autonomous driving, they added the value of BMW.

So you have one company that is worth more than the rest of the industry and has the cheap capital to innovate, do more interesting things, trial sorts of fun stuff, and will pull away, and they are paying their workers on average, fully loaded, about 45 bucks an hour.

Whereas the domestic auto manufacturers that have unions to deal with are paying \$65 an hour, and the result is one set of auto manufacturers is going to pull away from the other, specifically

the foreign auto manufacturers who have factories here in the US, Toyota, Honda, Hyundai, and then the new guys.

The Rivians and the Teslas of the world, and they are going to pull away since here's the problem.

Unless you were to mandate unions across all companies in a specific sector, the ones that aren't unionized are slowly but surely going to suffocate their competitors and pull away from their competitors.

And that's the problem.

So what do we need?

We need a mandated, multilateral, encompassing union, and it should be called the federal government.

And all salaries should be raised, minimum wage should be raised to \$25 an hour.

Does that sound like a lot?

That's a lot from 7.25 that hasn't changed since 2009, I believe.

By the way, the NASDAQ's up five-fold, CO compensation is tripled, and then minimum wage is exploded

from 7.25 to 7.25.

But if minimum wage had just kept pace with productivity and inflation, it would be somewhere between \$23 and \$29 an hour.

So let's call it a 25.

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And you'd have certain exceptions, say under the age of 21 or in rural areas where the cost of living is in the lower quartile of the nation, it might be 15 bucks an hour.

And folks, the wealthiest nation in the world, there's just no reason why anybody who works for 40-hour a week should be living below the poverty line or shouldn't have some dignity of work, right?

That is kind of, if you look at where America was sort of at its strongest or its populace had felt best about America, it was when people without college degrees could get a decent job, and if they worked hard, they could dream big and maybe someday have a house, maybe have a car, maybe who knows, maybe even send their kids to college, maybe even take their kids to a universal Hollywood, which I did with my boys, which was lovely, which was lovely, went on the Mario Kart ride, and I was kind of underwhelmed by that.

I really enjoyed the Jurassic Park ride.

That was good.

I love the water rides.

Daddy loves the water ride.

The dog loves the water ride.

That probably means I've got some Labrador in me.

Anyways, anyways, back to the unions.

We need a \$25 an hour mandated federal minimum wage, and the incumbents and corporations will scream that this would just ruin jobs and ruin companies, and that is total bullshit.

Studies out at the University of California Riverside and the University of California Berkeley have both examined states that raised their minimum wage dramatically, such as Washington

State, California, New York, and they found that not only did it not destroy jobs, it created jobs.

Not only did it not hurt the economy, it helped the economy and boosted growth.

Why?

Why?

When you put more money in the pockets of middle and lower income households, they do this wonderful thing.

They spend it, and the multiplier effect keeps going, but that would be expensive, right?

That would cost a ton of money.

The child tax credit cost \$45 billion, which by the way is totally worth it, and what do you know is stripped out of the infrastructure bill?

Why?

So we could give Nana and pop up a 9% cost of living adjustment and social security.

Yeah.

Yeah, but we're not fucking young people.

Anyways, this would be quite frankly a transfer of wealth from shareholders to labor who have been kicking the shit out of labor for the last 40 years.

Equity and wages used to look like snakes intertwined when productivity went up, wages went up.

That is until about the 1970s, where CEO and board compensation became increasingly equity

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based such that the people making all the decisions around a company decided the most important thing are the price of the shares, and so slowly but surely they started focusing on reducing all labor costs who they just saw as a cost or inputs who were to be played and where they would use every trick in the book to try and keep their compensation lower. And it was very effective.

The markets have ripped, a lot of capital appreciation, and there's some very wonderful things about that.

But in the meantime, the bottom 90% of America gets about \$1 on 100 of incremental wealth creation.

In some, there are periods where capital is too powerful, and there are other periods where labor is too powerful.

In the 70s, it made sense to have activists.

These companies weren't profitable, they weren't being run well, and a lot of shareholders came in and said, enough is enough, and we want you to operate more efficiently, and we want you to, my father was a victim of this or a symbol of it.

My father immigrated from Scotland, was very talented, Scottish accent charming, handsome, which spells sales.

And I love this story.

He went in to interview at a candle company, and he met the head of HR, and the head of HR said, we don't have a job, but I just have to introduce you to the guy who runs the California division of this candle maker, and he brought him in, and he said, let's assume his name was John.

He said, John, you've just got to meet this guy.

He's only been in America for two weeks, and already knows the language.

I love that story.

I love that story.

Anyways, but in the 70s and 80s, basically this new paradigm took over, and that was re-engineering, which is Latin for cost cutting, and they basically came in, and anyone who had a VP or an SVP title, they fired, and they found out that they didn't miss them.

It was sort of the original year of efficiencies, except it was a decade of efficiency, and my dad began this kind of downward spiral professionally.

Anyway, since then, since the 70s, something strange has happened, and that the lines have disarticulated, and while productivity is up into the right, wages have gone flat.

It's time for a serious reversion to the mean here.

Companies can absolutely afford it.

By the way, what do we have in America?

Record corporate profits, but we have the lowest on record percentage of GDP that are represented by wages.

Workers making the least they've ever made is measured as a percentage of GDP, and corporate profits is at an all-time high, so a federally mandated across the board \$25 an hour.

What would this do?

Would it do away with unions?

No.

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They then need to go in and see where they can get more.

Good for them.

Everyone agrees that unions' intentions are in the right place, but here's the bottom line.

They're totally uncoordinated.

Bill Maher asked the right question when it was on Ari Melber last week, and that is, why do you get to do a show every day?

So are your writers not in a unit, or are they in a different union?

There's no clarity here.

There's no unity.

There's no consistency.

Also, let's be blunt.

Unions are corrupt.

The two previous presidents of the UAW are.

Where are they?

Oh, they're in prison.

If we really want to be the country we're supposed to be, we need to move to one union, and the head of that union is a guy named Joseph Biden, and he needs to raise federal minimum wage to \$25 an hour.

Enough of this posturing and virtue signaling that he supports unions.

Well, if you support the ... Okay, great, but if you support the other 90% of the American working class, then you need to raise minimum wage from \$7.25 to something that represents the productivity and progress and prosperity America's had, and that is, you need to raise it to \$25 an hour.

What do we have in America over the last 40 years?

We have incredible prosperity, but we have a lack of progress.

We'll be right back for our conversation with Raj Chetty.

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All investments can lead to loss.

Welcome back.

Here's our conversation with Raj Chetty, the William A. Ackman Professor of Economics at Harvard University and the Director of Opportunity Insights.

Professor, where does this podcast find you?

In Cambridge, Massachusetts here at Harvard University.

Good.

Back for school.

Yes, semester just started last week.

And did you do anything interesting over the summer?

I was visiting Europe, visiting Oxford for a few weeks, giving some lectures and putting out a new research paper on college admissions.

Well, let's start there just because I'm fascinated with higher education and its externalities and the wonderful things, but also how it's morphed a bit.

What would you put forward to some of the more interesting findings from your study?

Yeah, so what we did in the study is linked data from a bunch of different sources, college admissions records from many different colleges to tax records to SAT and ACT data.

And basically we asked two questions.

First, who gets into the most selective private colleges in America, the Ivy League institutions, for example?

And second, what are the consequences of attending those colleges?

Does it change your life if you attend one of these colleges?

And basically the answers are, one, kids from higher income families seem to get into these colleges at much higher rates than kids from middle class families with comparable credentials.

And second, it does make a big difference if you attend these colleges in terms of your chances of reaching the upper tail of society, becoming a CEO, becoming a leader defined in various ways.

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And so the punchline, Scott, I think is at the moment, these colleges might be perhaps inadvertently amplifying the persistence of privilege at the top in society by admitting kids from particularly optimum backgrounds at higher rates and channeling them to positions at the top in the next generation.

Couldn't you argue that it's sort of the modern day enforcer of a caste system?

That we have a caste system here.

It's called higher education.

And the data I've read is that you're something like 77 times more likely to get into an elite school if you come from a top 1% income earning household.

And two, whereas 50 years ago, the gap between black and white was twice as big as rich and poor.

Now hasn't it flipped in the gap in academic achievement between rich and poor is twice that what it is between black and white that now we have it's more income based as opposed to race based?

Yeah.

So two questions there.

Let me start with the first one on the 77 stat, which you're quoting that actually comes from one of our earlier papers.

And that is right.

That statistic is you're about 77 times more likely to attend than I feel like I'm 77 times.

You can wrap your head around that.

If you come from the top 1% relative to family on the bottom 20% of the income distribution, for example.

But Scott, I would say that does not in and of itself mean it's all sort of the fault of the higher education system because the way I look at it, there's a pipeline starting at birth or maybe even before, you know, thinking about prenatal factors all the way to college application to college attendance.

There's a pipeline of disparities that kids from different backgrounds face.

And so that 77 factor is kind of the end result of a system where kids from lower income families are growing up in different neighborhoods, going to often less well resourced schools, exposed to different types of role models, there are lots of different factors we can unpack there.

And then finally, what we're saying in this most recent study is even if you take two kids with the exact same SAT scores, so they're kind of in the same place at the end of high school, even then, perhaps surprisingly, you're like twice or two and a half times more likely to be attending an Ivy League college if you're from a top 1% family relative to a middle class family.

So the point is, all of these different factors compound to get to that 77.

I don't know if I would, you know, point the finger solely at the higher education system.

I think it is a contributor, but there are many other things that also contribute to these vast disparities.

You also asked about race and class.

And I think that's right, that class is becoming more and more important in America.

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We're seeing a wider and wider divergence in outcomes between kids from low and high income families.

And I think that's again, through a confluence of different factors, some of which might be related to higher education, some which are related to growing segregation, perhaps changes in social capital and so on.

So and let's move to, or begin at least, spitballing around solutions.

My sense is that if you were to look at ground zero of what one of the things that really ails America, it's that for the first time, and you've written eloquently about this first time in our nation's history, a 30 year old man or woman isn't doing as well as his or her parents were at 30.

And distinct of all the articles and tick talks about how you don't need college, it still shows that it's a fantastic on ramp into a middle or upper income household.

And we'd like to say it doesn't matter if you go to Yale, but your research is shown actually you're better off going on a risk adjusted basis to an elite university.

There's a real benefit there.

And at the same time, it feels like, okay, we, this giant conversation and argument we have over who gets in is a bit of a misdirect because shouldn't it just be around more?

And that is if you're, and I don't mean to pick on Harvard, but if you're Harvard and you're sitting on a 50 plus billion dollar endowment, and you let in 1500 kids with 55,000 applications, having the two of us and our colleagues kind of become drunk on this rejectionist exclusivity luxury positioning that is just really damaging, and we could solve a lot of these problems if we took a fraction of these resources and just expanded freshman seats at least as fast as population, if not faster.

So I think I broadly agree with that.

I mean, I think everything you said is right.

The American dream is fading.

Only 50% of kids are doing better than their parents did in terms of their earnings today.

If you look the middle of the last century, that number was like 90%.

Many things have changed.

I think there are many potential solutions one can think of.

In the context of higher education, I think giving more kids access to college and high quality colleges in particular, absolutely does make a difference.

I think contrary to some prevailing narratives, there's pretty clear evidence that if you attend college and particularly if you attend a good college, it can be transformative in terms of your trajectory.

And so that basically raises the question of why don't we expand the number of seats in high quality higher education?

One way to do that may be to take the existing colleges that seem to produce good outcomes and expand them.

I'm not running a college, so I can't speak to all the trade-offs, but I think people at these universities would argue, despite that endowment, they face financial pressures in terms of supporting research, supporting other things.

I certainly agree from a social point of view, finding a way to expand these institutions

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could be quite valuable.

But going beyond your suggestions, kind of expanding Harvard, another way to look at it is why don't we have twice as many Harvard's or Yale's or Princeton's?

It doesn't just have to be the fixed existing set of institutions, right?

And so I think whatever approach we take, be it through expanding great state institutions like the University of California, Berkeley, or University of Michigan versus some of these selective private colleges, I think that certainly is part of the solution.

How much of it is sort of cultural in that we suffer from this, or parents do, that if the kid doesn't end up at Dartmouth and then at Google, all of us have failed, and I even think about high school.

What happened to woodshop, auto shop, metal shop?

We all knew, I'm older than you, we all knew that guy who had no interest in college, quite frankly no interest in school, but was just incredibly handy and had skills.

And it used to be more paths to whether it was apprenticeships or union or trade jobs, more paths to a pretty solid life.

And it appears that we've opted for kind of this hunger games that there's one path, and if you don't make that path, you should all be embarrassed and ashamed.

Have you thought about the role of vocational schools or just some sort of societal norms where we don't think that being a barista is better than being a welder?

Yeah.

So I think two reactions to that point Scott, first, certainly I think there's a role for more vocational programs or targeted job training programs, not kind of a traditional four-year liberal arts type of education, but the targeted program that meets you where you are gives you the skills needed to get a great job and be happy, as you say, at the end of the day.

That seems like the goal, not just making more money than your parents did.

And so to give you one concrete data point on that, we have recently been studying a program called Year Up, which is a sectoral job training program, one of a few very exciting new job training programs that are showing very positive results in randomized trials where they basically take kids from disadvantaged backgrounds who didn't go down the traditional college pathway that you just described that many aspire to.

And what they do is take these kids and pair them with a firm, could be a firm like Bank of America or another big finance or tech firm that's looking to hire folks.

And they have a one-year apprenticeship training mentoring program where they give these kids the skills needed to get those jobs and also give them some additional social skills, social support, mentoring, need to kind of succeed in that kind of work environment.

And what they show is in randomized trials, these programs increase earnings by 30 or 40 percent in a sustained way, showing that there is a great role and a great need for this sort of training, totally independent of the higher education system.

I would also note that while in certain circles, I think our sort of bubble, the people living in affluent cities, certainly the culture is focused on things like getting into Dartmouth, as you said, and getting a job at Google.

But there are many other circles where, you know, for better or worse, that is, I think, not what is in the air.

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There are unfortunately neighborhoods where that's not even remotely an aspiration. You don't know anyone who's gone to Dartmouth, much less anyone who's gone to perhaps even any four-year college.

And so I think for those kids, the issue is, again, perhaps a cultural one or one related to social capital, to use the term, where if you're not connected to anyone who is on that sort of track that can lead to success, be it through college or be it through other means, you just don't even think about doing that yourself.

And that then leads to very different choices.

You know, kids who are dropping out of high school maybe don't have to sort of support me to get any sort of job, sometimes high rates of incarceration.

So I do think there's a whole other set of issues, independent from kind of the ambition wheel that you're describing, which lead to a different equilibrium that also needs to be addressed.

I feel as if every podcaster should probably send, you know, a modest payment to Joe Rogan every time we do a podcast, because I think he totally kind of blew up in the medium for all of us.

And I feel as if I should be sending you a licensing fees, because other than Richard Reeves, I think I quote your data more than any academic in the world.

And I felt as if my two yotas were meeting when he wrote up findings on your study on friendship.

And it feels like friendship or the study of friendship, specifically the lack of friendship or the correlations between economic success and mobility that you pointed out in friendship are really having a moment.

Can you talk a little bit about your, the findings on your study on friendship?

So what we did here is another big data sort of study, trying to understand the levers that influence economic mobility and opportunity.

And the big data here came from Facebook.

So we set up a collaboration with the Facebook core data science team to analyze how your friendships and who you're connected to might be related to your opportunities for upward mobility.

And in a nutshell, the simple finding from that paper is if I were to show you a map of economic mobility in the United States, where kids have the best chances of rising up in the income distribution condition on growing up in a low income family.

And then I were to show you a map from Facebook data, a different map of where low income and high income people are friends with each other.

Those two maps look practically identical.

That is, if you grow up in a place where low and high income people are interacting more, you are much more likely to rise up in the income distribution yourself and achieve the American dream.

So why is that?

We don't know exactly why, but I think there are many plausible mechanisms, some of which we have some evidence for.

One goes back to what I was saying earlier about what shapes your aspirations and what

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sort of the culture of a community is shaped by who people are interacting with and other structural factors.

So in particular, a lot of your friends had parents who were scientists or, you know, were successful entrepreneurs or went to college.

You might think about those kinds of possibilities yourself and might go down that path.

If you've never met anyone who did that, that just may not be something you consider.

In some other work, we've looked at who becomes an inventor in America by linking the universe of patent records to tax data and following people over time.

And the fact you get out of that, Scott, is if kids grow up in an area where there's a lot of innovation happening, they're more likely to become inventors themselves.

But it's actually even much more specific than that.

If a girl grows up in an area with a lot of female inventors in a given field, say like in semiconductors, she is much more likely to have a patent in semiconductors herself when she's an adult 25 years later.

But if she grows up in an area with more men who are inventors in that same field, it has no impact at all on her probability of becoming an inventor.

And so those kinds of results where we see these very specific impacts by gender, by race, by class related to this Facebook data on friendships, you know, really makes us think that who you're interacting with, the social capital you have, is a key driver of upward mobility and opportunity.

Isn't it just that kind of old adage that you're the sum of your five closest friends?

And if that is true, how do you create more exposure?

And by the way, I think, and I would trust your research shows us too.

I think wealthy kids develop more empathy and life skills when they're exposed to kids who aren't wealthy.

So there's benefits on both sides.

What can we do to increase this mixing?

So I think you hit the nail on that Scott.

I mean, sometimes social science research at the end of the day, we find the data something that's very intuitive and we might have guessed from introspection.

And I think this is a case like that.

I think the question, as you say, is exactly how do you create more of this cross-class interaction?

So we actually think about that in a second of this pair of studies we released in the journal Nature last year, where we ask, what are the determinants of this cross-class connectedness?

And I break it into two different things.

One is just exposure.

Who is coming in the doors of a given institution where people make friends?

You know, it could be high schools, could be colleges, could be churches, could be many different places where people meet.

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Just how integrated are these places by class?

If you are living in a completely segregated environment where high and low income people, rich and poor people go to different churches, go to different schools, then obviously you're not going to have a lot of cross-class connection.

And so you can think about tools like changing school district boundaries, possibly providing housing vouchers, you know, many different things that would lead people to mix more physically.

But what we show in this work is that's actually not enough.

There's a second phenomenon that we termed friending bias, which is that even if two kids are in the same school, they still might not be friends with each other, right?

You still might have cliques where people are separated along class lines, along racial lines and so forth.

And so that raises a second set of potential solutions, which is how do we reduce this friending bias and create more cross-class interaction, even when people are in a given building.

And that could be about thinking about things like tracking in classrooms. It could be about architectural design.

Are we having cafeterias and other common places where people have different backgrounds or meeting?

It could be about recreational activities.

So one of the interesting patterns we find, Scott, is people are much more likely to make friends that cut across class lines in recreational groups, like in the context of sports and in the context of religious groups in churches and synagogues and so on, where, you know, maybe one explanation is if you feel like you have something in common with someone else, a team that you're rooting for or playing on a shared faith, that allows you to bridge the divide in a way that doesn't occur in other settings.

And so I think it's very important to think about that latter aspect of friending bias, we've spent a lot of policy attention on just exposure and reducing segregation, but much less on the latter.

And I think that's equally important.

We'll be right back.

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Yeah.

Have you looked at, I've spent a lot of time or we spent a lot of time thinking and writing about what we believe is a cohort that has probably fallen further faster than any other cohort in America.

And that is young men.

Have you done any studies that kind of look at divide or segment and look at correlations based on gender?

Yeah, absolutely.

And you know, Richard Reeves, of course, who you mentioned earlier has been very focused on these issues and drawing on some of the data we've put out on how upward mobility varies by gender and by race.

So one pattern you find, Scott, that I think speaks to this is there are big differences in economic mobility between black and white Americans, but it turns out they interact very shortly with gender.

So if you take a black boy and a white boy who are starting out in a family at the exact same income level, let's say family making 30 or \$40,000 a year,

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the white boy is much more likely on average to rise up in the income distribution to the middle class or beyond than black boys at the exact same income level.

Or if you look at black girls and white girls in the exact same comparison, you actually find very similar outcomes for black women and white women in terms of their rates of upward mobility.

So there's something very specific in terms of the challenges black men are facing that is limiting upward mobility, perhaps for black Americans more, more generally.

So that's one example where gender seems to matter profoundly.

And then more generally we find in other settings that for all groups, boys tend to do better in neighborhoods where men are employed at higher rates or they're more fathers present in the neighborhood.

And this matters much less for girls.

And that's consistent with the growing body of evidence that the presence of male role models is really critical, particularly for young boys.

And so if you think about how the U.S.

economy has evolved over the past 50 years, white men and men more generally who might have held high-paying manufacturing jobs now have much lower employment rates in many places than they did previously.

And if you think about what the intergenerational impacts of that are going to be in the next generation, if you think about who boys look up to or what kind of career aspirations they're thinking about, I think there's some real concerns there, which are the kinds of issues that Richard Greaves and others have been hitting on.

Yeah.

When I read your data, the things that really popped out of me.

And it's good news because you can start to think about at least brainstorm around solutions was one that it strikes me that while boys are physically stronger, they're emotionally and mentally weaker, that the outcomes of a single parent household are somewhat similar versus dual parent households for girls, but they're dramatically different for boys.

And then you go to the next observation and reference this and then we should talk about solutions, but, and that is the single point of failure or when things, when boys come off the tracks is when they lose a male role model.

You know, 70% of incarcerated, of the incarcerated didn't have a male role model.

And you talk about an absence and Richard talks about this, an absence of men in our elementary and secondary school system and how many men in certain neighborhoods have been incarcerated.

You have entire cohorts of men in communities that are never exposed to a male role model.

It strikes me that that is literally the single point of failure or the most identifiable.

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One is it is dramatic is, is it looks at the data as, or is it as simple as that. And two, moving to solutions, is it giving people more money because economic stress results in, in divorce?

Like what, I think people look at your data and it just strikes their gut as interesting, but not intuitive, but you feel like that just makes so much sense when you read it.

And then the question would be, okay, professor, given that we have the largest economy in the world, given that we have, you know, solved a lot of problems with government investment and intervention or, or changing incentives. How do we create a society where not nearly as many boys are, are losing some sort of male role model?

Yeah.

So Scott, let me take that in two steps.

So first, I think it's not literally about just role models in your own family. One thing I want to emphasize is what you find is highly predictive is what's going on in your community and not just your own parents' marital status. And so it'll give you one, a fact that I think captures that well.

Suppose you take two kids, both of whom have, say single parents and one of the kids is growing up in a community with more, two parent families, more fathers present, basically, than another, uh, you find that the kid who's growing up in a community where there are more fathers present, perhaps because there are lower rates of incarceration or other factors that have led to higher employment rates there for men, that kid has much better outcomes on average, even though the marital status of their own parents is the same in that comparison of those two kids.

So it's the community level factors that are highly predictive here.

It's not just about literally having a role model in your own family.

And so given that, the way we're thinking about solutions in our research group is kind of in three tracks.

One, if I know that there's a neighborhood a couple of miles down the road in any city, uh, where you see better outcomes for kids.

And this is actually data that we've put out publicly in something called the opportunity atlas where you can look up neighborhood by neighborhood, how well kids have done historically, kids growing up in low income families, uh, different races and ethnicities and so forth.

And what you find is often you will, you will find a place just two miles down the street where you have much better outcomes for kids of comparable backgrounds.

And so one solution you might think of is, well, if a lot of kids are growing up in these very disadvantaged neighborhoods where they lack role models, they may also like other things like high quality schooling, access to higher education, so forth.

What if we just help them move to these neighborhoods, perhaps through housing voucher programs or other methods that could give them access to these better

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opportunities?

So that's one way to look at it.

We've done some work in that space and at least some limited scale, you know, we spend billions of dollars on affordable housing programs in the US.

I feel like at some scale that, that can be part of the solution.

A second approach is to try to take these places that currently have very limited opportunities, very low rates of employment, very concentrated poverty, and try to transform those places by making strategic place-based investments.

And then finally, what we touched upon earlier is access to higher education.

After EDG team, the key touch point for most kids is not the neighborhood in which they're growing up, but rather the institution of higher education that they might attend.

And I think as we talked about the beginning of this conversation, there various things we might do in that space.

So my own view is, yes, this role model social capital phenomenon is critical, but the way we address that, I think involves addressing a bunch of structural factors that may ultimately lead to greater social capital and greater availability of role models and change the course of kids' lives.

I think anytime you move to solutions, you need role models or benchmarks.

And one finding in your study that I found especially interesting, it reminded me of the song, the Sinatra song.

If you can make it here, you can make it anywhere.

And he was talking about New York.

Wasn't he really talking about Toronto?

You highlight that Canada has more mobility, income mobility than the US.

Are they a role model for types of solutions?

And what are they doing differently that's working?

So it is true that other countries, Canada to some extent, especially some Scandinavian countries, if you look at relative rates of mobility or chances of rising from the bottom 20% to say the middle class or beyond, are higher in a number of those countries.

However, first of all, I think, you know, there are big differences across these countries in terms of their demographics, in terms of their institutions, I actually think the more interesting role models in that context, the more interesting point of comparison is that there are many places within America, and in fact, within New York, where you have higher rates of economic mobility than you do in Canada or in Scandinavia.

You don't need to look to those other countries.

In fact, you know, if you're growing up in Iowa, for example, as a low-income kid, your odds of rising from the bottom to the middle class or to the top 20% of the income distribution look better than in any other country in the world and much of rural Iowa.

Look at certain parts of New York City and Queens, for example, many parts of Queens.

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Your odds of upward mobility look terrific, but at the same time, if you look at other parts of Brooklyn, they look worse than any country for which we currently have data.

So it's a much more local phenomenon, Scott, than asking, you know, what's going on in this country versus that country.

And to me, it comes back to these factors like, who are you connected to?

What is the quality of schools in your particular area?

What's the degree of segregation?

Some of these other countries that have more centralized systems do better on average, but we don't need to look outside the United States actually to find role models.

You can look two miles down the road.

You write a lot about income, mobility.

What about, do you spend any time thinking about just mobility in general?

It strikes me that over the last 10 years, there's been an explosion in stories where cities become competitors.

We're fascinated by this league or this race of San Francisco is doing poorly.

Austin's doing incredibly well.

Everyone's moving to Texas and they're leaving New York and California.

Have you looked at some of the, you know, the competition between regions and gleaned any observations around actual mobility?

You mean geographic mobility, basically?

Yeah, but other than, other than sunshine and low taxes, why are people moving?

Well, so the first fact there, which emerges from other scholars research is that actually rates of mobility contrary to maybe some of those stories at the high end of the income distribution, levels of mobility for lower income Americans in particular have fallen substantially in recent decades.

And I think that might actually be part of the source of some of the stagnation that we're seeing where people are not basically moving to opportunity in the way that they were before.

Now, when you hear about some of these cities succeeding, what I think is striking in our data is that doesn't always mean that the people who are living in those places are benefiting.

So let me give you an example.

Take Charlotte, North Carolina.

Charlotte is kind of the engine of jobs in the Southeast in the United States.

It's one of the most rapidly growing cities in America over the past 20, 30 years.

If you just drive around the city, it would be totally obvious that it's much richer today than it was 30 years ago.

But here's a surprising fact that would be less obvious to you, I think, which is if you look at rates of upward mobility for kids growing up in low and middle income families in Charlotte itself, Charlotte actually ranks 50th out of the 50 largest American cities in terms of rates of upward mobility for

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the kids who grow up there.

So again, how is that possible?

Arithmetically, how could Charlotte be getting so much richer?

It seems like the place you want to be.

Yet if you grow up in Charlotte, it's actually not the place you want to be.

So, you know, the way that adds up is Charlotte basically is importing talent.

Lots of people move to Charlotte to get those high paying jobs at firms like Bank of America, which is headquartered in Charlotte.

But what we're seeing in our longitudinal data, where we're following millions of kids over time using anonymized tax records, is that that doesn't directly translate to benefits for the kids who grow up there because those kids are cut off from these opportunities.

They're not getting those jobs.

Because of all the factors that we've been talking about, they're not living in the neighborhoods that have the right networks, schools, access to higher education and so on.

And so what that shows you, Scott, is we hear a lot in the media, this discussion of this city is doing well, that city is doing well, you should move here and there, but it's totally disconnected in many times from the experience of people who are actually growing up in these places.

And we need to take a deliberate approach to cultivating the human capital of people growing up in these vibrant cities to really harness the talent there.

What advice, when you look at your data, if you could maybe give a 25-year-old decent certification, went to some college or graduated from college and is trying to position themselves well in terms of prosperity and happiness, what pieces of advice bubble up that you would have for young men and young women?

I think you want to surround yourself with people who are going to create opportunities for you and think hard about who you're connecting with.

And I think especially in an era with rapid technological change, you want to acquire a set of skills that are going to be versatile and have value, no matter exactly what happens with AI, what happens with robots and so forth.

It's something where you're able to think and use creativity to complement machines rather than repeat something that could be done by a machine and likely will be done by a machine going forward.

And I think ultimately while focusing on some of these economic factors that we've been focused on, which I think correlates strongly with things like health and happiness, I think focusing, if you're out that luxury, on those goals directly, on health and happiness above and beyond income itself, in my view, by finding something that you're passionate about working on so that it feels less like a job to you and something you're truly interested in doing, I think that's one of the recipes for success and happiness in the long run.

Raj Chetty is the William A. Ackman Professor of Economics at Harvard University and the Director of Opportunity Insights, which uses big

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data to study the science of economic opportunity.

Professor Chetty's work has been widely cited in academia, media outlets and policy discussions in the United States and beyond.

He joins us from Cambridge Harvard University.

Among many of his accolades, Professor Chetty was one of the youngest tenured professors in Harvard's history, awards including and fellowships, including a MacArthur Genius Fellowship.

And Professor Chetty, I not only appreciate the work you do, but I appreciate the way you frame it such that it gets so much attention.

We literally parrot your work almost every week here at PropG, your real source of inspiration, and you've had an enormous influence on our work, which we'd like to think is having an influence.

So thank you for your good work.

Thank you so much, Scott, for doing this mutual, and I appreciate it very much.

Osir of Happiness, leaning into the 90, I struggle with anger and depression, and one of the manifestations of that, the way I would describe it, is that I tend to see the world as half full.

I tend to look at things through kind of gray or cloudy colored glasses, and it really impacts my relationships, and I have to modulate for it.

And what do I mean by that?

In any relationship, there's sort of a give and take.

And in any relationship, you get the full person, whether you want to or not, and you get their positives and their negatives, and also you get the positive and negatives as it relates to your relationship, how you guys mix.

I have had relationships with people that are good people, but we just, you know, one plus one equaled one and a half.

We just, for whatever reason, brought out the worst in each other.

And then other people, I thought, wow, we really do bring out the best in each other.

And as I've gotten older, what I've realized is that if you want to create an upward spiral in your relationship with a spouse, a girlfriend, whoever it is, you want to really try and, I think, or what's been helpful to me, is I want to celebrate and lean into the things that are working and are wonderful, right?

Oh my gosh, we've raised kids together and they're healthy, and they seem to be like pretty good kids, and you've done so much work to figure this out and to not only to think that and acknowledge it, but to articulate it.

And, you know, have you built some economic security together?

Have both of you advanced professionally because of the partnership?

Find all the places in that relationship where one plus one has equaled three.

There's going to be places where one plus one equals one and a half, where you guys don't mix for whatever reason and everyone has their flaws.

But I find that at least if you struggle like me with anger and depression, you have a tendency to focus on the 10% that isn't right, as opposed to really leaning in to the 90 that is right.

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Whatever it might be, but really lean into the partnership.

Start that upward virtuous cycle.

Try to see the glasses half full.

Focus on the 90% that works.

Create that upward virtuous cycle.

This episode is produced by Caroline Shager and Jennifer Sanchez is our associate producer and Drew Burroughs is our technical director.

Thank you for listening to the Prop G Pod and the Vox Media Podcast Network.

We will catch you on Saturday for No Mercy, No Malice as read by George Tron and on Monday with our weekly market show.

My tea and cookies.

All right, hold on.

Tea.

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