

## **The Dynamic American Dream\***

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## **Abstract**

The American Dream is central to the national ethos, reflecting people's optimism that all who are willing to work hard can achieve a better life than their parents. Separate from the support for the idea of the American Dream itself is whether the public believes it is attainable. We consider the origins and dynamics of the public's belief in the achievability of the American Dream. Is the American Dream a symbolic vision, rooted in political socialization rather than contemporary politics? Or does optimism about the American Dream follow from the viability of the dream, rising with economic prosperity and falling with declining opportunity? We develop a new macro-level measure of belief in the American Dream from 1973 to 2018. We show that it moves over time, responsive to changes in social mobility, income inequality, and economic perceptions. As inequality increases, belief in the attainability of the American Dream declines.

### **Verification Materials:**

The data and materials required to verify the computational reproducibility of the results, procedures and analyses in this article are available on the American Journal of Political Science Dataverse within the Harvard Dataverse Network, at:

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America has been described as a land of opportunity. The shared support of this idea has been a defining part of the American ethos. The American Dream describes a vision where all in the United States, regardless of class or position, can achieve success and enjoy a quality of life better than their parents if they are willing to work hard. Not only is the American Dream part of what defines how people see their prospects in the country, but these ideas are also a central part of political discourse. Politicians from both political parties regularly deploy rhetoric about the promise and pursuit of the American Dream. The American Dream appears in the Congressional Record over 500 times during the 114<sup>th</sup> Congress and is named in the title of four bills introduced during the session. The American Dream appears in Nixon's acceptance of the party nomination in 1960, Johnson's addresses to Congress, Carter's inaugural address, and Reagan's primetime addresses to the nation. In nearly every presidential election since 1992, the American Dream has been in the platforms of both the Democratic Party and the Republican Party.<sup>1</sup> The power of the American Dream served as the overarching theme to Barack Obama's book *The Audacity of Hope*. Both Hillary Clinton and Donald Trump invoked the American Dream in their campaign for the presidency in 2016. In a June 2016 speech, Clinton acknowledged, "a need to write a new chapter in the American Dream." In one of his first campaign speeches in June 2015, Donald Trump vowed, "The American Dream is dead, but we will bring it back bigger and stronger and more powerfully than ever before."

Since the 1960s, discussions of the American Dream have become an increasingly prevalent part of how presidents communicate with the American public (Ghosh 2013). Some invocations are optimistic, calling on the promise of the American Dream. Others express pessimism, reflecting a need for government action to help Americans achieve the dream. But

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<sup>1</sup> It is not invoked in the 2016 Democratic Party platform.

even as people differ on the relative health of the American Dream, its desirability is rarely contested. Democrats and Republicans debate the degree to which we are meeting the ideals of the dream but neither party questions the validity or content of the American Dream. Because elites in both parties appeal to the vision, it has the potential to be a unifying message that crosses party divides.

Despite the prominence of the American Dream as a shared ideology for Americans as well as a mainstay of campaign discourse, we know surprisingly little about what drives the temporal dynamics of the public's belief in the viability of the American Dream. By this we do not mean if the American Dream is a positive value, but what proportion of the public believes the American Dream is achievable. Does the electorate think that America lives up to the Dream? Scholars have traditionally viewed the American Dream as a fixed and stable element of American political culture. As a product of political socialization, support for the American Dream is thought to vary little over time, immune to the vicissitudes of the political and economic climate. To the extent to which the public's support for the American Dream does not vary, it may well serve as a useful resource to encouraging national optimism even in challenging times. If it is a stable element of the national ethos, it means that the American Dream is more symbolic than substantive.

Even if Americans agree that they want their nation to be one in which hard work and individual effort can deliver a better life, they may not agree that the American Dream is still achievable for average Americans. We focus on the dynamics of the public's belief that America lives up to the Dream. We propose that people's belief in the attainability of the American Dream varies over time, where belief in the promise of the Dream serves as a barometer of relative optimism about the opportunities for average citizens to achieve a better future through

their own enterprise. We create a new macro measure of the public's belief in the American Dream, aggregating responses from multiple surveys to create a quarterly measure from 1973 to 2018. Rather than being static or fixed, we show that the public's collective belief in the attainability of the American Dream varies meaningfully over time. We then explore the responsiveness of belief in the American Dream to political, social, and economic conditions. We test if people profess more belief in the promise of the American Dream when conditions are favorable for achieving success, tracking with levels of social mobility, rates of homeownership, and levels of income inequality. We also consider how current conditions inform belief in the American Dream, including its responsiveness to short-term economic conditions, the policy mood of the electorate, and election campaigns.

We find that declining social mobility and rising income inequality erode public belief in the American Dream, challenging past work that has suggested that income inequality in the United States has limited influence on Americans' preferences (Bartels 2016; Hochschild 1981; Kleugel and Smith 1986; McCall 2013). As the gap between the rich and the poor increases, as young people find it harder to achieve a better standard of living than their parents, and as a smaller share of the nation owns their own home, people become more pessimistic about the promise of the American Dream. We also consider how these forces are balanced against political and economic conditions, finding that short-term economic performance bolsters optimism about the possibility of the American Dream. Finally, there is some evidence that the national spectacle of presidential elections seems to heighten the belief in the American Dream.

Our findings suggest that Americans distinguish the ideal of the American Dream from the realities of trying securing it in a time of growing inequality. We show that belief in the American Dream reflects not only citizens' collective hopes for the country and themselves, but

also their fears that upward mobility might be out of reach. The symbol of the American Dream has been thought to shape people's priorities, where optimism about upward mobility serves as a buffer against making more demands of government. To the degree to which the mythology around the American Dream both motivates people to strive for a better life and symbolizes the strengths of the nation (Hochschild 1995), the erosion of confidence in the achievability of the American Dream represents a collective loss.

### **The American Dream**

While people may individually define the American Dream in somewhat different ways, some main themes are common across definitions. In one of the earliest formal definitions of the American Dream, it is, "that dream of a land in which life should be better and richer and fuller for everyone, with opportunity for each according to ability or achievement...It is not a dream of motor cars and high wages merely, but a dream of social order in which each man and each woman shall be able to attain to the fullest stature of which they are innately capable, and be recognized by others for what they are, regardless of the fortuitous circumstances of birth or position" (Adams 1931, p. 214-215). Hochschild's (1995) definition echoes this, emphasizing the principles that all Americans can reasonably hope to achieve success in life, and that those tools for success lie within individuals and their willingness to work hard.

The American Dream offers the promise of a better life for all Americans willing to strive for it through industry and effort, and it is central to the American ethos. The origins of the American Dream trace back to Henry Clay and recur as a theme of American political culture since industrialization (Wyllie 1954). The message of the American Dream is now part of our political culture – repeated by politicians, invoked by the media, and passed down by generations within families. Hochschild (1995) casts the American Dream as akin to an ideology, a guiding

philosophy that structures other political beliefs. Its origins are thought to be socialized, acquired from our engagement in politics and exposure to elite messages in the same ways internalize core values get internalized (Feldman 1982; McClosky and Zaller 1984). The tenets of the American Dream draw wide support, with minimal differences across gender or racial lines (Hochschild 1995; Hanson 2011; Vasilogambros 2016).

Is confidence in the promise of the American Dream on the decline? While politicians and journalists often suggest it is, we do not know whether the public's belief in the American Dream is higher, lower, or similar to what it was in the past. Hanson and Zogby (2010) find while support for key principles of the American Dream remains strong, this support appears to be eroding over time. Bowman, Marsico, and Sims (2014) argue that even as citizens agree on the importance of the American Dream, most people think that the Dream is harder to achieve today than in years past. In contrast, Ghosh (2013) proposes that support for the American Dream is mostly stable over time.

Assessing whether the viability of the American Dream is on the decline is challenging because it is not easily measured by any single indicator. Moreover, survey firms do not always ask exactly the same question wording over time, making temporal comparisons more challenging. Our approach is to consider the pool of all survey questions that have been asked about components of the American Dream. Using Stimson's (1999, 2018) dyad ratios algorithm, we develop a single series of the public's belief in the American Dream over time, built on the shared variance that exists between multiple measures across surveys. Just as Stimson (1999) crafts a measure of public policy mood using the shared changes across multiple policy measures, we develop a measure based on the common dynamics to items assessing components of the American Dream, including optimism that the next generation will enjoy a better life and

belief in the prospects of achieving a higher standard of living through hard work. In doing so, we focus our attention not on how individuals define the Dream or why some people are more optimistic about the American Dream than others. Instead, we focus on the public's collective belief in the achievability of the American Dream, mapping why the public is more optimistic about its prospects in some time periods than in others. This collective expression of belief in its viability is most important to understanding whether belief in the American Dream is truly on the decline.

### **What drives belief in the American Dream?**

In looking at the challenges that working-class families face in trying to move up the economic ladder, Putnam (2015) concludes that the American Dream is in crisis. Social mobility, the degree to which young people can hope to earn higher incomes than their parents did, has declined for Americans of all income levels, but particularly so for middle-class families (Chetty et al. 2017). Since the 1970s, incomes for the working-class have been relatively stagnant, while incomes continue to climb among those in the top-quintile. The benefits of economic growth are unevenly dispersed in society, where economic challenges are felt disproportionately among working-class and middle-class Americans. Income inequality, as assessed through the Gini coefficient, is climbing (Piketty and Saez 2014). Wealth, reflecting not just household income but also net worth and assets, is increasingly concentrated in the hands of the few rather than the many (Piketty and Saez 2003, 2014). Political power has potentially shifted as well, with elected officials paying more attention to the preferences of the elite (Gilens and Page 2014).

To what degree is the public's belief in the viability of the American Dream responsive to objective changes in its attainability? We propose that the collective electorate's evaluation of

the achievability of the American Dream is responsive to changes in income inequality, social mobility, and homeownership. We first consider the effects of income inequality. We expect that as the gap between the rich and the poor widens, the public's optimism about the achievability of the American Dream will decline. Second, we test the effects of changes in social mobility on people's belief in the promise of the American Dream. Opportunities to get ahead and improve one's fortune compared to past generations are central to how people understand the viability of the American Dream despite declining levels of social mobility (Chetty et al. 2017). We test whether people's likelihood of enjoying a better standard of living than their parents fuels public optimism about the attainability of the American Dream. Third, we consider the effects of changes in rates in homeownership. Homeownership is often described as owning a piece of the American Dream (McCabe 2016). Owning one's home symbolizes upward mobility and can offer economic security, contributing to household and intergenerational wealth. We consider whether people's belief in the American Dream declines with greater levels of income inequality, and increases with surges in social mobility and the share of Americans who own their own home. If the public's belief in the promise of the American Dream is informed by its relative achievability, it will be consistent with past macropolitics work that shows the public responding reasonably to objective political reality (e.g. Erikson, MacKuen and Stimson 2002; Page and Shapiro 1995).

We also consider whether the dynamics of belief in the American Dream instead follow from contemporaneous political and economic conditions, reflecting people's general moods about the direction of the country. When the electorate feels optimistic about how things are going in the United States, they may be more likely to believe in the viability of the American Dream. We test for this possibility by considering the imprint of the health of the national

economy on people's belief in the American Dream. When economic optimism is high, people may be more likely to feel confident about their ability to achieve success in America. During tough economic times, we might expect greater pessimism about the promise of having a better quality of life than the generation before us. If economic optimism informs belief in the American Dream, it will confirm past studies that highlight the importance of short-term economic fortunes in shaping how people think about government and why they approve of the president and Congress (Stimson 2015).

Finally, we also consider whether the origins of people's optimism about the American Dream are not just economic, but political. One of the core components of the American Dream is that all people can achieve success if they are willing to work hard. Yet the vision of the American Dream may more than just an economic ideal. To the degree to which it embodies ideas about how our country should work, it may be more than just something we want for ourselves, instead connected to what we believe the country can provide. We consider two possible political drivers of belief in the American Dream. First, belief in the American Dream may be responsive to the policy moods of the electorate. We note that the American Dream seems to cut across the standard divisions in American politics, where politicians on both the left and the right espouse support for the concept of the American Dream. But to the degree to which core values of individual responsibility and equality of opportunity are intertwined with how people view the promise of the American Dream, belief in the dream may have an ideological pulse, rising and falling as the country becomes more liberal or conservative.

Second, the rhetoric and spectacle of election campaigns may influence belief in the promise of the American Dream. To the degree to which belief in the American Dream is the product of messages received through political socialization, campaign rhetoric may promote

collective optimism about its achievability. One of the rhetorical features of presidential election campaigns is that they serve to renew the country's view of America. Presidential candidates regularly invoke themes of the American Dream in their campaign speeches and advertising. Hart (2000) shows how the rhetorical regularity of presidential campaigns serve to remind voters about the potential of America. They ask voters to reflect on the nature of our country; on what it is and what it potentially could be. When reminded of the promise of creating a better future for the next generation, these campaign appeals may inspire greater optimism about the American Dream.

### **What these explanations can tell us about the dynamics of the American Dream**

What can we learn from trying to explain the dynamics of the public's belief in the viability of the American Dream? These tests speak to both how we think about growing income inequality as well as the character of macro opinion. First, these tests inform the public's responsiveness to changes in inequality. While the government could intervene to promote greater equality through more progressive taxation, a stronger social safety net, and stricter financial regulations (Kelly 2009), we rarely find evidence that rising inequality fuels public demand for these redistributive politics. While Americans seem aware of rising income inequality, they do not seem any more likely to call on the government to take steps to limit income inequality, increase taxes on the rich, or implement redistributive policy changes (Shaw and Gaffey 2012; McCall 2013). While some have found that income inequality informs people's demands for redistributive policy, others have failed to confirm this (Kelly and Enns 2010; Franko 2016; Grant and Lebo 2016; Johnston and Newman 2016; Luttig 2013; Wright 2018).

In trying to understand why Americans' demands of government often seem insulated from changes in income inequality, some have argued Americans believe that individuals bear the greatest responsibility to address economic challenges, not the government (McCall 2013; Page and Jacobs 2009). If the viability of the American Dream is unresponsive to changes in inequality and social mobility, then it would help explain why the public seems to not demand more redistributive policy. People may not demand government intervention on income inequality because they believe that Americans are able to achieve a better life through their own efforts. If this is true, then public belief in the American Dream may serve as a buffer between inequality and the policy demands of the electorate. However, if instead income inequality informs people's belief in the attainability of the American Dream, it will cast doubt on narratives that have suggested that people's optimism is a reason for tolerance for inequality. It will also demonstrate that Americans are responsive to income inequality in how they think about the national ethos, even if its connection to policy demands remains less certain. It would show that even though income inequality may not always fuel demand for redistribution, it is consequential for how people think about their nation.<sup>2</sup>

In addition to what this study can tell us about public opinion in a time of increasing inequality, this research also helps us better understand the nature of macro public opinion. If belief in the American Dream follows from factors such as social mobility and economic inequality, it suggests that belief in the American Dream is not just part of the national ethos, but connected to how well the country provides opportunities to succeed. This would fit with the general notion of the Rational Public (Page and Shapiro 1995), where the collective views of the

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<sup>2</sup> There are other possible effects of inequality on public opinion. Johnston and Newman (2016) argue that the public responds to the local instead of national level of inequality with increasing demands for redistribution.

public respond to current circumstances. If belief in the American Dream follows primarily from contemporaneous circumstances and short-term economic sentiments, then this means that the electorate sees this broad sense of opportunity as something that is merely the result of the quality of the immediate economy and divorced from the actual viability of the Dream itself. Public belief in the American Dream's viability would be an example of a myopic public (Achen and Bartels 2016), where the electorate merely responds to the short-term economic and political reality in front of it.

If belief in the American Dream is stable and unaffected by social and political dynamics, then the American Dream could be a foundational and fixed political value in the American ethos. Rather than respond to external forces, it is ingrained in American culture. This could be normatively good, in that it suggests that Americans will be motivated to work hard and pursue success even when conditions are stacked against this. More negatively, it would suggest that even when people may be struggling to achieve a better life than their parents, it does not register in their collective preferences or the signals sent to political elites. In this way, belief in the American Dream might be only symbolic, where politicians prime these symbols without fears of public retribution in times when the American Dream is harder to achieve.

### **Measuring belief in the American Dream**

To create a time series measure of the public's belief in the American Dream, we rely on Stimson's (1999, 2018) dyad ratios algorithm. As inputs, we collected survey marginals about people's belief in the American Dream from various published surveys. The dyad ratios algorithm is then used to identify shared variance among these differently worded but substantively related question wordings. Similar to factor analysis, the algorithm identifies the commonalities in a set of overlapping time series. This information is used to construct a single

series capturing the dynamics of the underlying concept of people's belief in the American Dream. We construct our time series using Stimson's Wcalc software with a set of 77 different questions administered 533 times between 1973 and 2018. We report the question wordings, the number of times each question was asked, the main survey sponsor for the item, the date range spanned by those items, and the correspondence between the question wording and the overall series on pages 6-12 of the supplemental appendix.<sup>3</sup>

Our approach resembles that used to construct policy mood, in that we look at the shared over time commonalities among multiple kinds of survey questions that reflect different components of the American Dream. While these items sometimes capture different parts of the American Dream rather than the entirety of the concept, it is the shared dimension across all of these items that informs the composition of our American Dream series. Our definition of the American Dream centers on the idea that people can succeed in life and enjoy a quality of life better than their parents if they are willing to work hard. The component items in our series draw on that definition and reflect several main themes. Many questions assess people's stated belief in the American Dream, including items like, "Do you agree or disagree: The American

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<sup>3</sup> We find that 59% of the item variance can be explained by the common dimension of the American Dream series, which is below what is seen in macro measures of trust in government (Keele 2007) but greater than what is seen with measures of policy mood (Stimson 2018). About three-quarters of the items have high loadings to the series (greater than 0.5). We explored whether low loadings indicated similar items that are poorly connected to the overall series. Since we do not find evidence of much shared content among those items with low loadings, we opt to retain them in the series. We discuss this choice further in pages 3-5 of the supplemental appendix.

dream has become impossible for most people to achieve.” Another set of items ask people about their expectations that the next generation of Americans will enjoy a better life than the current generation, including items such as, “Do you feel very confident, only fairly confident, or not at all confident that life for our children will be better than it has been for us?” Several items ask people about whether they see America as a land of opportunity, such as the item asking, “From the time this country was settled, the United States has been called the Land of Opportunity. Do you think there are more opportunities for Americans today than in the past, or fewer opportunities today, or about the same today as in the past?” Finally, we include items that reflect people’s belief in hard work as a way to achieve success in America, as reflected in items such as, “Do you think it is still possible to start out poor in this country, work hard, and become rich?”

While not everyone defines the American Dream in precisely the same way, we believe that these dimensions are consistent with most people’s sense of the American Dream. We validate our choice of component survey items in a few ways. First, these components follow from those mentioned in traditional definitions of the American Dream, as described in the second section of the paper – emphasizing themes of achieving success and prosperity through hard work. Second, our included items are in line with what citizens see as central components of the American Dream. In a 2009 Pew survey, respondents were asked to assess how well a set of statements represented what they considered the American Dream to be.<sup>4</sup> Of the twelve statements, the five most likely to be seen as descriptive of the American Dream were, “Being free to accomplish almost anything you want with hard work,” “being able to succeed regardless

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<sup>4</sup> The survey was conducted by telephone from January 27 - February 8, 2009 with 2119 respondents as part of the Pew Economic Mobility Project.

of the economic circumstances in which you were born,” “your children being better off financially than you,” “being financially secure,” and “being free to say or do what you want.” Other goals like becoming rich, owning a business, getting married, and having kids were much less likely to be seen as descriptive of the American Dream. Our included items mirror those that Americans see as particularly central to their definition of the American Dream.<sup>5</sup> Third, the component items in our series correspond with the kinds of survey questions that others have used as indicators of popular support for the American Dream (Bowman, Marsico, and Sims 2014; Hanson and Zogby 2010).<sup>6</sup> We also conducted several robustness checks on the construct validity of our measures, and report details of these in the supplemental appendix on pages 3-5.

The quarterly series is shown in Figure 1.<sup>7</sup> We find that public belief in the attainability of the American Dream is not perfectly stable and constant, but varies over time. This suggests that the public’s belief in the American Dream is not singularly rooted in political socialization –

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<sup>5</sup> How people define the American Dream is thought to be consistent over this time period (Bowman, Marsico, and Sims 2014).

<sup>6</sup> Our goal was to collect survey items that reflect people's beliefs in the core principles of the American Dream. To that end, we excluded items that were specific to evaluations of one's own fortunes, such as questions asking whether the respondent felt he or she has achieved the American Dream or enjoys a quality of life that is superior to their own parents. We also excluded questions that reflected core values of individualism or limited government, such as whether people should work hard rather than rely on the assistance of government. On page 4 of the supplemental appendix, we describe empirical evidence in support of this decision.

<sup>7</sup> We focus on a single dimension solution, finding little evidence in favor of a meaningful second dimension. We discuss this choice further on page 4 of the supplemental appendix.

collective belief in the American Dream varies more than such a narrative would suggest. The lowest levels of belief in the American Dream are in the third quarter of 1974, coincident with Nixon's resignation from office, as well as in 2013. The highest levels of public belief in the American Dream are seen in the fourth quarter of 1984, coincident with Reagan's reelection campaign and optimistic "Morning in America" campaign themes.

[Figure 1 here]

There is not a prevailing trend over the length of the series. Over the last twenty years, the series has been generally on the decline, but we also see some reversion toward greater optimism over the past five years or so. In considering whether the series is stationary or integrated, the results of the tests are mixed, which is common given the weak power of these tests (Webb, Linn and Lebo 2019). The results from augmented Dickey-Fuller tests, Phillips-Perron tests, and variance ratio tests reject the null hypothesis of a unit root, suggesting the series is stationary and mean-reverting. Other tests, including DF-GLS tests for unit roots and KPSS tests of stationarity, provide mixed findings depending on the number of lags considered, indicative of either a stationary or integrated series. In a simple bivariate regression of using just the lagged value of the dependent variable as a predictor, the coefficient is 0.82, indicating that shocks to the series decay relatively slowly, with a half-life of about a year. While likely to be stationary, our measure of collective belief in the American Dream is slow to return to its equilibrium. Even as politicians and journalists may lament the demise of the American Dream, the public is not necessarily as pessimistic about the prospects of the American Dream. The public's belief in the American Dream has seen both surges and declines over time, and so far has demonstrated a tendency to revert to an equilibrium level of support. Even when belief in

the American Dream is low, there is reason to believe it can rally again to the levels seen in decades past.

## **Measures**

To capture the effects of the broad changes in American society and rising income inequality on people's belief in the American Dream, we consider three different measures. First, we include the U.S. Census's measure of the Gini coefficient, a standard measure of income inequality that is scored 0 when household income is perfectly evenly distributed and approaches 1 as income becomes increasingly concentrated in the hands of the few. Over our time period, it varies from a low point in 1974 (0.395) to high points in 2013 and 2018 (0.482). Second, we include a measure of absolute income mobility, as a way to capture that part of the American Dream that speaks to our ability to enjoy a quality of life that exceeds that of our parents. To capture this social mobility, we rely on a measure created by Chetty et al. (2017) that reflects the share of 30-year-olds that have a household income that exceeds that of their parents' at age 30 (adjusted for inflation). For adults born in the 1940s, this was a near certainty. By the time the children of the 1980s reach their thirtieth birthday, however, this was essentially a coin flip.<sup>8</sup> Given the high negative correlation between this measure of social mobility and our indicator of income inequality, we include each in separate specifications. To both

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<sup>8</sup> Both of these measures are measured annually, so we create quarterly measures by interpolating the intervening quarters as a linear trend between the annual data points. It is an imperfect approach, but arguably a defensible one in that both series tend to be slow to change and highly long-memoried. We also have no reason to expect meaningful quarterly seasonality associated with either series.

specifications, we add a quarterly measure of homeownership rates, draw from Census reports. Since at least the 1950s, owning one's home has been seen as a realization of achieving the American Dream. Our measure ranges from a high of 69% in 2004 to a low of around 63% in the second quarter of 2016.

Our measures of the short-term political and economic status of America are more familiar. We assess the effects of short-term economic optimism using the Index of Consumer Sentiment, a measure common to other studies of macro-level public opinion dynamics (e.g. Durr, Gilmour, and Wolbrecht 1997; Erikson, MacKuen and Stimson 2002; Keele 2007). High values in this series are associated with greater optimism about future economic conditions. We include policy mood as an indicator of the liberal preferences of the electorate (Stimson 1999). Finally, we include two measures to capture the effects of campaign rhetoric. One measure is an indicator of the quarter of a midterm election. Our second measure is a counter to approximates the effects of the presidential campaign, coded 1 for the first quarter of a presidential election year through 4 by the last quarter of the presidential election year, and coded 0 in all other periods.<sup>9</sup>

## **Methods**

To explore what drives belief in the attainability of the American Dream, we rely on a generalized error correction model (GECM) approach. While error correction models are often used to model cointegrated time series, the approach can be applied to explore dynamic

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<sup>9</sup> In testing the directionality of the relationship between variables, we do not find evidence that suggests belief in the American Dream is a Granger cause of any of our explanatory variables.

relationships between both stationary and non-stationary time series (Bannerjee et al. 1993; DeBoef and Keele 2008). The standard equation for the GECM is:

$$\Delta y_t = \alpha_0 + \alpha_1 y_{t-1} + \beta_0 \Delta x_t + \beta_1 x_{t-1} + \varepsilon_t$$

Where  $\Delta y_t$  is the change in the dependent variable at time  $t$ ,  $\alpha_1$  is the error correction rate, and  $\beta_0$  and  $\beta_1$  capture the effects of a change in the value of the independent variable and the lagged level of the independent variable respectively. Mathematically equivalent to the auto-distributed lag model (ADL), the error correction model allows researchers to separate the immediate and short term effects of changes in  $x_t$  on  $y_t$  and the long run effects of the level of  $x_t$ . To capture the cumulative changes in the dependent variable created by movement in levels of the independent variable, we look to the long run multiplier (LRM), calculated as  $LRM_x = -\frac{\beta_1}{\alpha_1}$ . Given the long-run relationship between  $x_t$  and  $y_t$ , the LRM from an error correction model (or ADL) is seen as the best way to capture the substance of the relationship between the two variables (De Boef and Keele 2008).

As Grant and Lebo (2016) demonstrate, hypothesis tests and the interpretation of these models depend on our assumptions about integration and cointegration in the model. When model assumptions are not met, the use of standard hypothesis tests will produce unreliable results. Moreover, these challenges are not unique to error correction models, as the appropriateness of an ADL or a partial adjustment model will also depend on getting the specification of the stationarity of the series correct. To address this, scholars may choose to run a series of specification tests to determine if the series are stationary or integrated. This is made difficult by the challenges of conclusively diagnosing the presence of unit roots in the kinds of short, bounded time series common to political science. Existing tests like the augmented Dickey-Fuller test are low-powered, leaving researchers uncertain about whether a series is truly

stationary or instead near-integrated or integrated. If the researcher is not confident in the results of the specification tests, the standard GECM approach may provide unreliable results.<sup>10</sup>

Standard techniques for testing the significance of the long-run multiplier are not accurate unless researchers are confident about the stationarity of their series (Lebo and Kraft 2017).<sup>11</sup>

Given this uncertainty around diagnosing unit roots, Webb, Linn, and Lebo (2019) propose an alternative approach that does not depend on the results of the specification tests for stationarity, such that it can be used even when researchers are uncertain about whether their series have a unit root. Their framework centers on the hypothesis test of the long run multiplier from a GECM or an ADL. The virtue of focusing on the long-run multiplier is that it provides a test of the long-run relationship for each variable and the cumulative effects of  $x_t$  on  $y_t$  over future time periods. Inferences about the LRM test statistic do not depend on whether series are stationary, integrated, or fractionally integrated. To interpret the significance of the long run multiplier, Webb, Linn, and Lebo (2019) suggest using bounds testing. Using a set of dynamic simulations, they identify the bounds for significance tests for combinations of the length of the time series and the number of regressors in the model. If the t-statistic for the LRM is less than the lower bound, the researcher should conclude there is no long-run relationship between  $x$  and  $y$ . If the t-statistic is greater than the upper bound, it provides evidence of a significant long-

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<sup>10</sup> On page 13 of the supplemental appendix, we report the results of stationarity and unit root tests for our dependent and independent variables.

<sup>11</sup> The distribution of the test statistic associated with  $\alpha_1$  depends on the stationarity of the series, the sample size, and the number of predictors (Grant and Lebo 2016).

run relationship between  $x$  and  $y$ . If the  $t$ -statistic for the LRM falls between these bounds, the results are indeterminate.

We follow the approach described by Webb, Linn, and Lebo (2019). We will use the GECM, estimate the long-run multiplier, its standard error via the delta method, and its  $t$ -statistic for each of our independent variables. When the  $t$ -statistic exceeds the absolute value of 3.56, we will conclude that there is a significant long-run relationship.<sup>12</sup> If it is below, we will conclude that there is no significant long-run relationship between the explanation and belief in the American Dream.<sup>13</sup>

## Results

We present the results of our error correction models in Table 1.<sup>14</sup> Because our measures of income inequality and social mobility are highly correlated, we include each in separate

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<sup>12</sup> The critical values of the bounds test depends on the number of independent variables in the model and the length of the series. We use the bounds for  $k=5$  and  $n=150$  as reported in Table 2 of Webb, Linn, and Lebo (forthcoming), where the lower bound is 1.02 and the upper bound is 3.56. Generally, these values are similar regardless of the number of independent variables included. If we instead use the maximum upper bound for a sample this size (3.66, for  $k=2$  and  $n=150$ ), we would draw the same conclusions from our results.

<sup>13</sup> The bounds method does include a lower bound and an indeterminate range, but we are taking the recommended course and concluding that there is no evidence of a long run relationship if the  $t$ -statistic for the LRM is in the indeterminate range.

<sup>14</sup> Following the recommendation of Webb, Linn, and Lebo (2019), we first ran the model including a trend variable, which was then dropped given that it was not a significant predictor.

models.<sup>15</sup> The top section of the table reports the coefficients and standard errors from the GECM. The \*'s that indicate significance in this section are based on the usual t-test of a regression coefficient. For the terms, the variables that capture the effect of elections campaigns, and the constant, they can be interpreted as with any other regression model. We do report the coefficients, standard errors, and the p-value from their t-tests for the lagged independent variables as well, but we only do so for transparency and completeness. As we explain in the methods section, these terms do not accurately capture the LRR between the independent variables and belief in the American Dream. The hypothesis tests about these variables are presented in the second section of the Table 1. This section includes the LRM and its standard error calculated via the delta method. The significance tests in this section of the table are based on the critical values reported in WLL (2019).

[Table 1 here]

We find first that increasing income inequality is associated with diminished belief in the American Dream. The t-value associated with the long-run multiplier exceeds the cutoff of 3.56, indicating the presence of a significant long-run relationship between levels of income inequality and people's belief in the American Dream. Increases in income inequality predict declines in people's optimism about the American Dream. As the gap between the rich and the poor widens, people are less likely to report that they believe that the American Dream is within the grasp of most Americans.

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<sup>15</sup> The two series correlate at -0.93. Other than with these two variables, we find no evidence of serious multicollinearity in our model. The highest variance inflation factor across the models in the Table 1 is the lag of homeownership in the model including the Gini coefficient (2.31). All other variance inflation factors are below 2.0.

To contextualize the magnitude of the effects summarized by the LRM, a one standard deviation increase in the Gini coefficient leads to a predicted decline of 3.1 points in the American Dream series – an effect that represents about a half standard deviation change based on the scale of the dependent variable. Or put in different terms, if we take the greatest quarterly increase in income inequality, we would expect a total effect of a 0.57 point drop in belief in the American Dream. In Figure 2, we provide a plot of lag distributions, which indicate the amount of change in belief in the American Dream for each quarter following a shift in the predictor.<sup>16</sup> In the case of income inequality, we find that a change in the Gini coefficient has largely contemporaneous effects on changes in people’s belief in the achievability of the American Dream, with a correction back to equilibrium in the quarters that follow.<sup>17</sup>

We confirm a similar pattern associated with our measure of social mobility, assessed as the percentage of 30-year-olds that have a household income that exceeds their parents’ income at age 30. Again, we find a significant long-run relationship between belief in the American Dream and people’s ability to achieve a better economic future than their parents. When people’s chances of moving up the socioeconomic ladder fall, so does collective confidence in the attainability of the promise of the American Dream. Consider a standard deviation decrease in absolute income mobility, or a drop of 0.11 points in the share of 30-year-olds who earn more than their parents did at the same age. Such a drop would lead to a cumulative 2.9 point decline in people’s collective belief in the American Dream. As the odds of having a better economic fate than one’s parents increase, people are more likely to profess faith in the ideal of the

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<sup>16</sup> Given the scaling of the items, we consider a 0.01 shift in the Gini coefficient and social mobility measures and a one point shift in homeownership and economic optimism.

<sup>17</sup> Median lag length is zero quarters.

American Dream. As with the Gini coefficient results, the effects are mostly immediate with a median lag length of zero quarters.

[Figure 2 here]

The test statistic of the LRM test for the homeownership variable also exceeds the upper bound of 3.56, indicating that there is a long-run relationship between the percentage of the public that owns their own home and the belief in the attainability of the American dream. Ownership of one's home has been long thought to be one of the ways people are achieving the promise of the American Dream, and we confirm this connection in the aggregate. As the share of Americans who own their home increases, belief in the American Dream also climbs. Based on the model in the first column of Table 1, a one percent increase in the level of homeownership will have a cumulative effect of increasing belief in the American Dream by 2.4 points, or about a third a standard deviation in our measure. As shown in Figure 2, the effects are more slowly realized than in the case of changes in inequality or social mobility, where about a third of the effect is contemporaneous, and over half the total effect realized by the next quarter. These results suggest that when the government acts in ways that enable more Americans to own their own homes, it can encourage public optimism about the attainability of the American Dream. To the degree to which younger generations are encountering greater barriers to owning their homes (McCabe 2016), this may well contribute to the erosion of belief in the American Dream in coming years.

To what degree does belief in the American Dream follow from the health of the national economy? We find that short-term economic conditions fuel belief in the American Dream, though the effects are not contemporaneous. As shown in Table 1, the index of consumer sentiment has a significant long-run relationship with belief in the American Dream with a test-

statistic that exceeds the upper bound threshold of 3.56. When the economy is strong, the electorate becomes more confident in the possibility of the American dream. A standard deviation increase in economic optimism has a total effect of increasing belief in the American Dream by 3.16 points cumulatively. The effects are not contemporaneous but emerge in the next quarter, with just over half the effect accrued by the following quarter (median lag length of two quarters). Others have shown that a healthy economy encourages people to express more satisfaction with government, increasing presidential approval and feelings of trust in government (Erikson, MacKuen, and Stimson 2002; Keele 2007). We show that a strong economy not only boosts positivity toward government, it also fuels optimism about the American Dream. While increasing social mobility or declining income inequality can bolster belief in the promise of the American Dream, so can short-term economic performance.

We find less support for the potential political origins of belief in the American Dream. We are unable to confirm a significant long-run relationship between the policy mood of the public and their belief in the American Dream. The LRM test falls in the indeterminate range. The relative liberalism or conservatism of the public's policy preferences do not seem to drive people's belief in the American Dream. This suggests that the American Dream is not unique to the left or right, but instead a shared value that crosses divides within the electorate.

Finally, we find inconclusive evidence that belief in the American Dream shifts during campaign seasons. In the first specification, we find a significant effect associated with presidential campaigns, suggesting that presidential campaign rhetoric may have the potential to inspire people to believe in the American Dream. In the first quarter of a presidential election year, belief in the American Dream is a little more than one half a percent higher than would otherwise be expected. By the second quarter, belief in the American Dream is predicted to be

1.4 points higher, and then 2.5 points higher in the following quarter around the nominating conventions. The effect peaks during the quarter of the actual election, where belief in the American Dream is a predicted 3.7 points higher than usual. These effects then decay in the year after the election. However, we fail to confirm this effect in the second model specification, and we find no effect associated with midterm elections. These mixed results suggest that the rhetoric of presidential campaigns may encourage optimism about the American Dream, but we cannot say so conclusively.

## **Conclusions**

The gap between the rich and the poor is widening, while wealth is increasingly concentrated in the hands of the few. Young people have reason to worry that their futures will not be as prosperous as those of their parents. Scholars have wondered whether these trends are contributing to the anxieties of the electorate. Across several studies, climbing income inequality often seems disconnected from people's demands of government (Bartels 2016; Luttig 2013; McCall 2013; Wright 2018). Our results, however, demonstrate that the public is responsive to changes in income inequality and social mobility. In this way, the electorate appears to recognize the increasing challenges of reaching a better life in America. When levels of income inequality increase and when it becomes harder for people to enjoy a better standard of living than their parents, Americans are less likely to see their country as a land of opportunity.

If the American Dream was only a set of ideals and goals, we might expect it to be untethered to economic and political realities. People may be drawn to this dream even when contemporary circumstances suggest the promise of the American Dream is out of reach for many. Our results show that people do not think about the American Dream as simply a

symbolic, shared mythology. Even if the ideas within the American Dream are common to a national ethos, collective confidence in the American Dream changes over time in response to the relative attainability of the promise of the dream. Citizens' belief in the viability of the American Dream is not unwavering. Over time, Americans vary in their belief that they can achieve a better future for themselves through their own enterprise. When the deck is stacked against people's ability to attain the promise of the American Dream, people are less optimistic that this generation will enjoy a more prosperous future than their parents.

In this, our findings are consistent with past scholarship on macropolitics, in showing that people's belief in the American Dream is responsive to real-world conditions (Page and Shapiro 1995). People are more optimistic about their ability to achieve a better future when income inequality is lower and when prospects for social mobility are higher. Yet even as citizens react to shifts in inequality and opportunity, they are also responsive to short-term economic performance. Economic optimism contributes to greater collective confidence in the prospects of achieving the American Dream. In finding an economic pulse to people's belief in the American Dream, our results echo the findings of other macro studies, where general economic performance also helps explain trust in government and approval of elected officials (Stimson 2015).

What does this mean for the future of the public's belief in the American Dream? While relative levels of income inequality vary from year to year, the trend over the longer term has been one of escalating inequality. To that end, some turn in the tide of growing income inequality may be needed for the public's belief in the American Dream to fully rebound. Over the time period considered here, we find that the corrosive effects of declining social mobility on belief in the American Dream may be undercut in part by contemporaneous economic

conditions. Economic optimism encourages belief in the American Dream, as do higher rates of homeownership. This suggests that policy actions to improve the economy and make homeownership more accessible can potentially also serve to reinvigorate belief in the American Dream – even in the absence of addressing broader trends toward income inequality.

Should we collectively invest in restoring the American Dream? Many scholars have suggested that the American Dream is an important part of the country's successes over the years. The promise of the Dream has been thought to motivate the electorate to strive for a better life even in the face of challenges and obstacles (Hochschild 1995; Scholzman 1976). When the idea of the American Dream is first popularized under that label in the 1930s, the country is in the midst of the Great Depression – and this promise of success through industriousness was thought to provide a sense of collective optimism to help weather challenging times (Adams 1931; Hanson and White 2011).

Americans' shared support of these ideals – of giving all the opportunity to succeed through hard work – has been invoked to explain the limits of self-interested politics in economic issues, public opposition to affirmative action, and the limits of class-consciousness among Americans (Hochschild 1995; Kinder and Sanders 1996; Scholzman and Verba 1979; Scholzman, Verba, and Brady 2012). When collective belief in the American Dream ebbs, it may lead people to think about these policy domains in different ways, potentially shaping the relative influence of self-interest on citizens' policy preferences. The dynamics of the American Dream may have other social and political consequences as well. To the degree to which Americans are accepting of inequalities in participation due to their belief in ideas with the American Dream (Scholzman, Verba, and Brady 2012), then the erosion of confidence in the attainability of the American Dream may affect Americans' tolerance of political inequalities in

participation. These consequences may extend to people's views of the political system as well, given that people's confidence in their ability to secure a better life for themselves and their families informs their satisfaction with democracy (Nadeau, Arel-Bundock, and Daoust 2019).

The American Dream is fundamental to American political culture; one with the potential to be a unifying force. The American Dream is a powerful idea shared by most Americans, and one varies little across gender or racial lines (Hochschild 1995; Hanson 2011; Vasilogambros 2016). The American Dream is thought to suppress class divides in American society through its shared values (Schlozman and Verba 1979). It is a vision that is widely endorsed by Democrats and Republicans alike. Its dynamics are independent of the policy moods of the electorate. To that end, both sides have incentives to seeing the dream grow and thrive. In a time of deep ideological divisions and partisan animosities, belief in the promise of the American Dream represents shared ground, a collective belief with the potential to bring diverse groups together.

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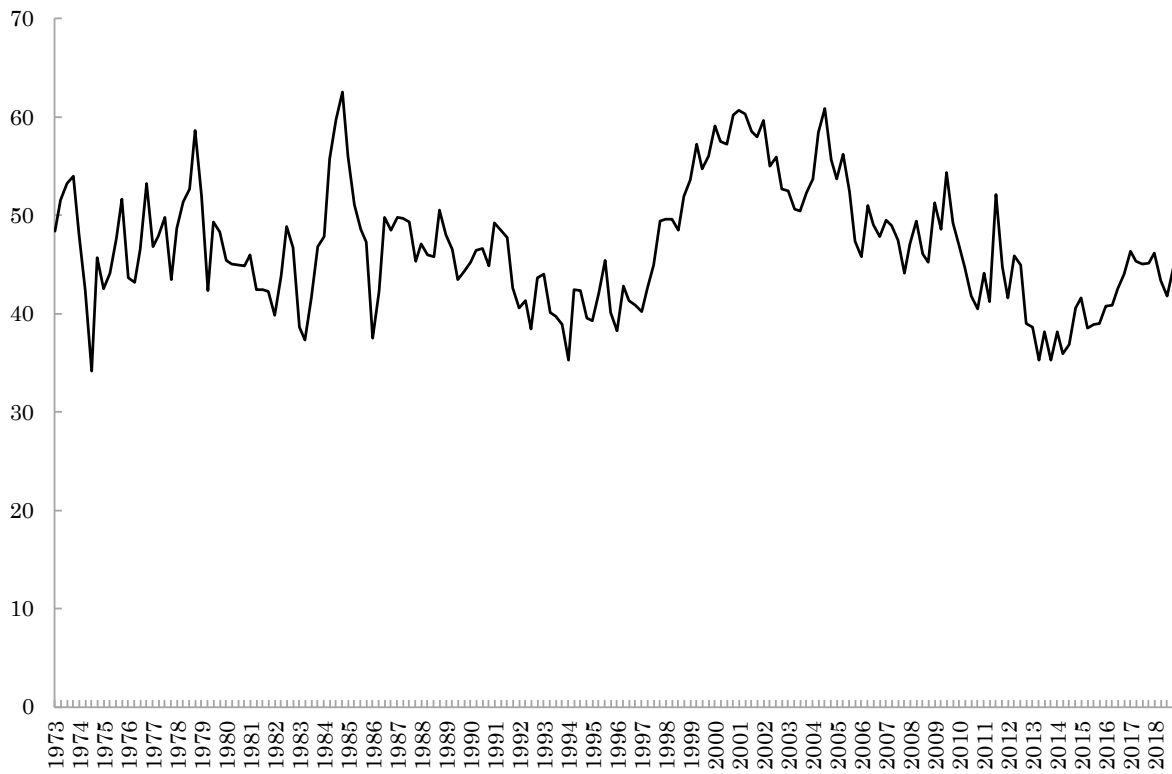
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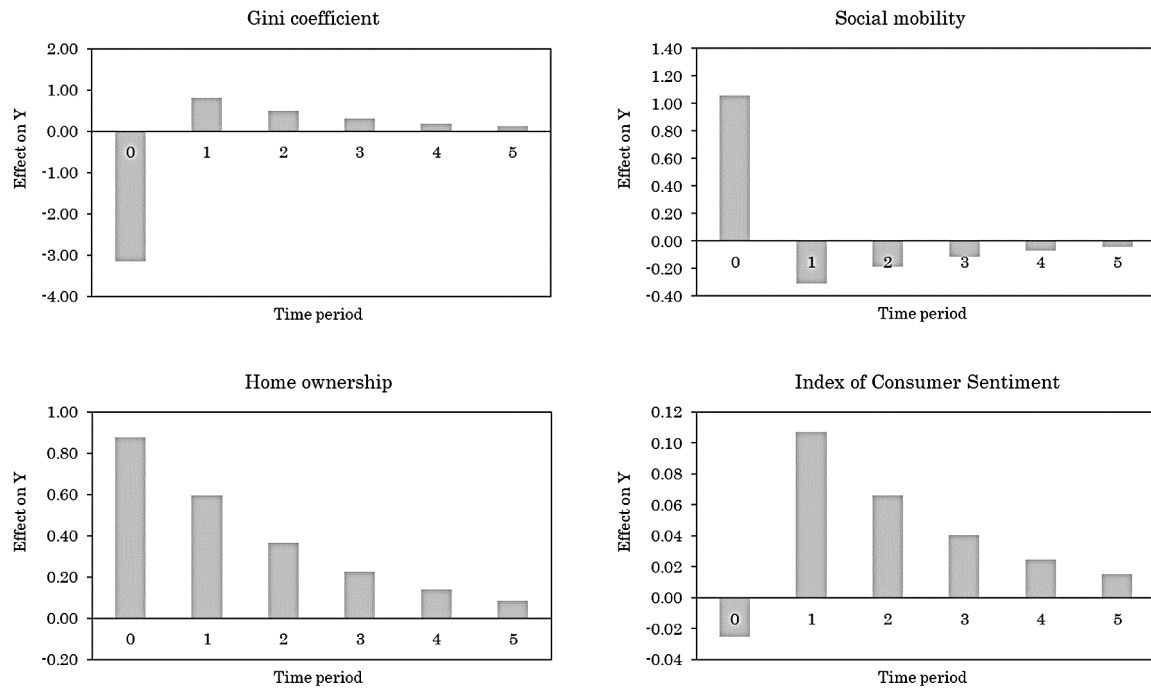
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**Figure 1: The Dynamics of Public Belief in the American Dream**



**Figure 2: Estimated Lag Distributions for Belief in the American Dream**



**Table 1: Explaining Belief in the American Dream**

	$\Delta$ Belief in the American Dream	
	Model 1	Model 2
Belief in the American Dream <sub>t-1</sub>	-0.386* (0.057)	-0.388* (0.058)
$\Delta$ Gini coefficient	-315.981 (251.617)	---
Gini coefficient <sub>t-1</sub>	-41.727* (11.932)	---
$\Delta$ Social mobility	---	105.564 (61.247)
Social mobility <sub>t-1</sub>	---	10.237* (3.019)
$\Delta$ Homeownership	0.877 (0.865)	0.827 (0.916)
Homeownership <sub>t-1</sub>	0.932* (0.230)	0.788* (0.219)
$\Delta$ Policy mood	-0.146 (0.143)	-0.116 (0.152)
Policy mood <sub>t-1</sub>	0.092 (0.069)	0.121 (0.071)
$\Delta$ Index of consumer sentiment	-0.025 (0.050)	-0.032 (0.051)
Index of consumer sentiment <sub>t-1</sub>	0.097* (0.024)	0.088* (0.025)
Midterm election	1.203 (1.043)	1.204 (1.066)
Presidential campaign	0.535* (0.221)	0.382 (0.221)
Constant	-38.657* (12.240)	-54.838* (15.443)
<i>Long run multipliers</i>		
LRM, Gini coefficient	-108.152* (26.957)	---
standard error		
t-value	-4.01	
LRM, Social mobility	---	26.358* (6.923)
standard error		
t-value		3.81
LRM, Home ownership	2.416* (0.456)	2.030* (0.457)
standard error		
t-value	5.30	4.44
LRM, Policy mood	0.239 (0.175)	0.311 (0.179)
standard error		
t-value	1.37	1.74
LRM, Index of consumer sentiment	0.253* (0.058)	0.226* (0.060)
standard error		
t-value	4.37	3.76
R <sup>2</sup>	0.27	0.27
N	175	167
Box-Ljung Q Test	44.72	37.51
p-value	0.28	0.58

Standard errors in parentheses. \*p<0.05. The p-values for the coefficients are based on their t-statistics. For the LRMs, the p-values are based on the simulation results reported in Webb, Linn and Lebo (2019).

