

# Improving Economic Opportunity in America

## New Evidence and Policy Lessons

Raj Chetty

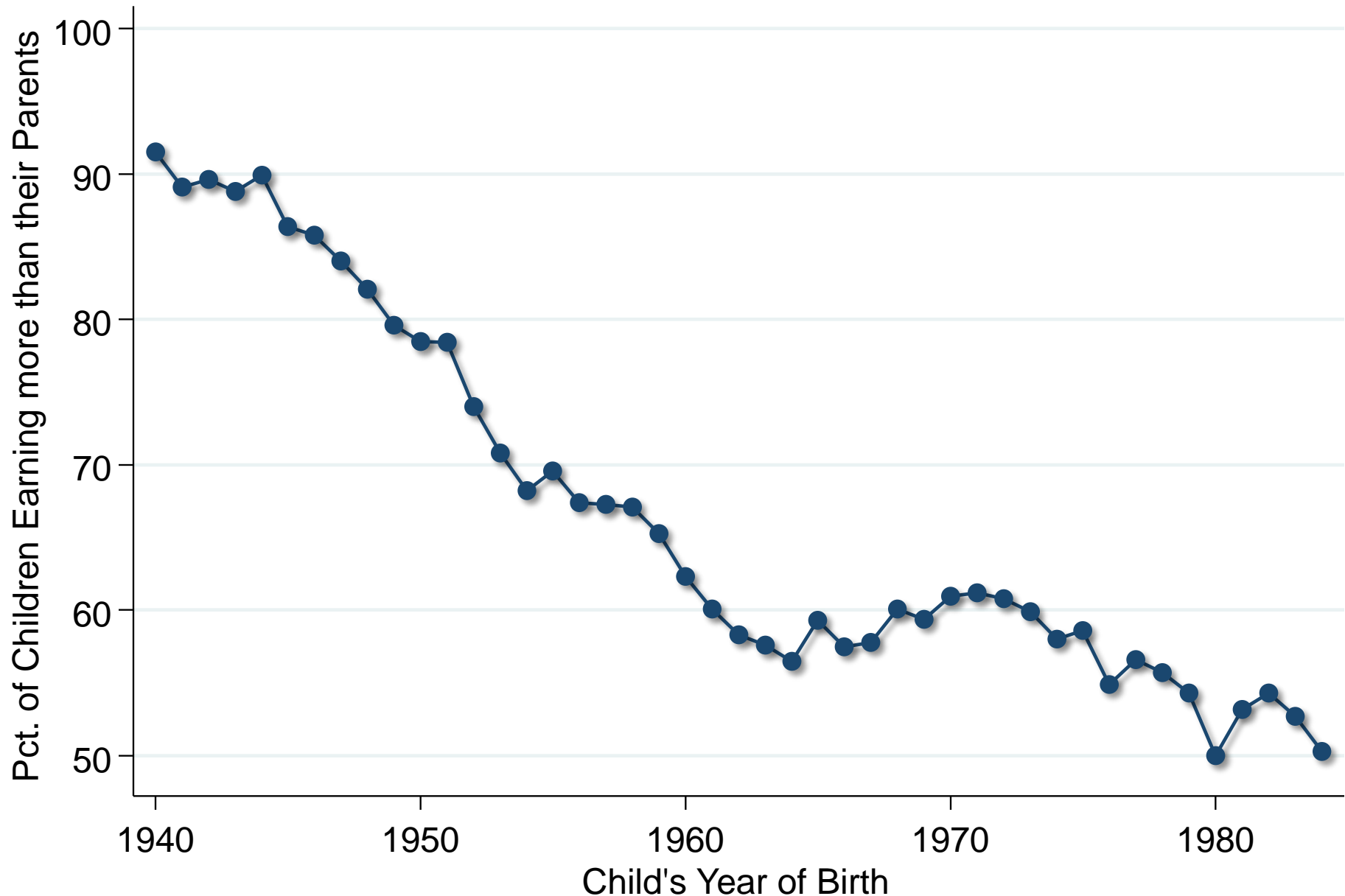
Stanford University

Photo Credit: Florida Atlantic University



# The Fading American Dream

Percent of Children Earning More than Their Parents, by Year of Birth



Source: Chetty, Grusky, Hell, Hendren, Manduca, Narang (Science, 2017)

# How Can We Revive The American Dream?

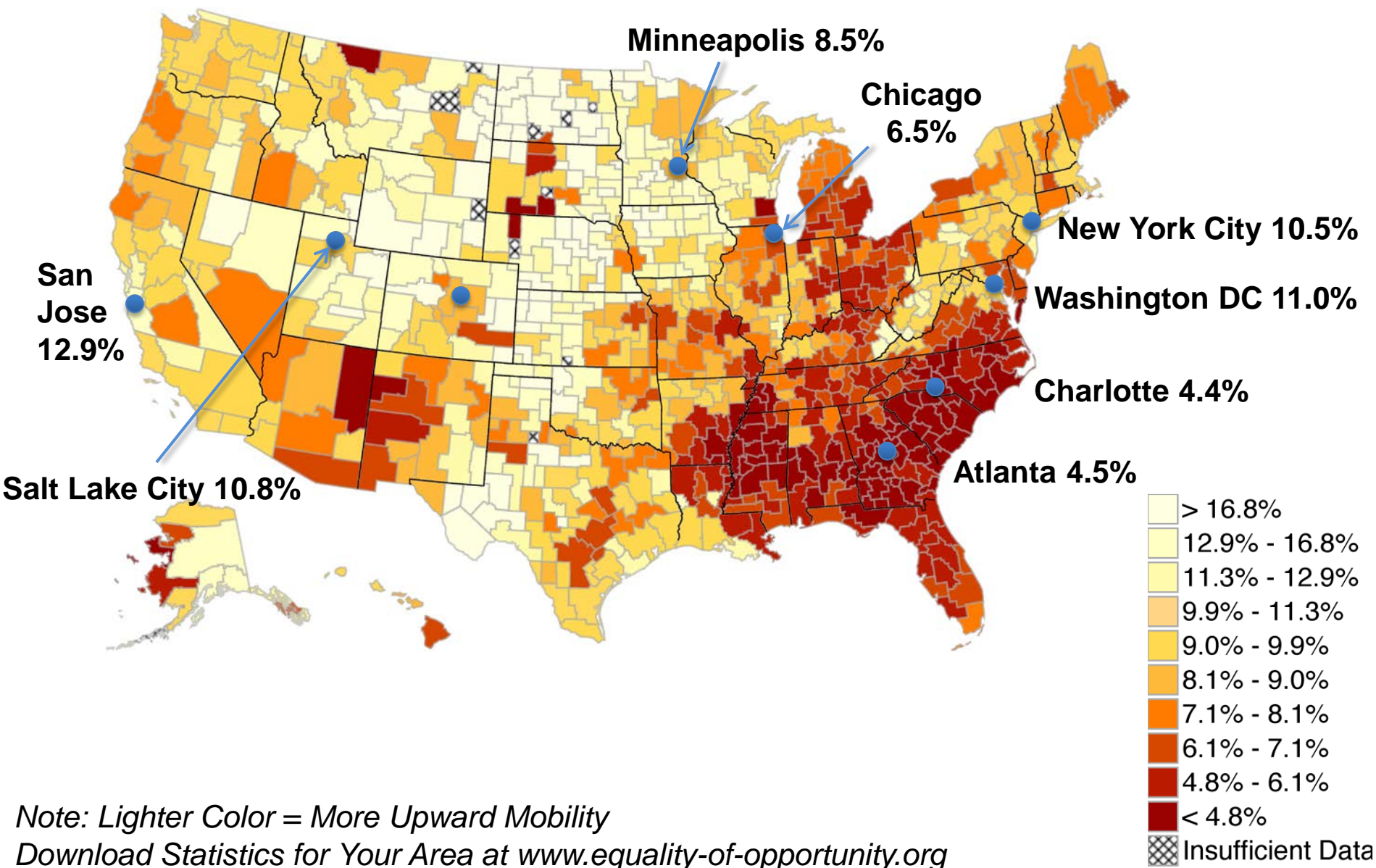
- Reviving American Dream will require more *broad-based* economic growth, not just higher GDP growth rates
  - Restoring GDP growth rates to levels experienced between 1940-70 would reverse less than one-third of decline in mobility
  - But distributing *current* GDP growth in the same way as in 1970 would reverse **70%** of the decline in mobility

# How Can We Revive The American Dream? Learning from Geographical Variation

- We study what policies can help revive the American Dream using a geographical lens
  - Children's prospects for upward income mobility vary greatly across areas within the U.S.
  - What can we learn from the experiences of places that offer good prospects for upward mobility?
- First step: calculate rates of upward mobility for every metro and rural area using data on all children born from 1980-82

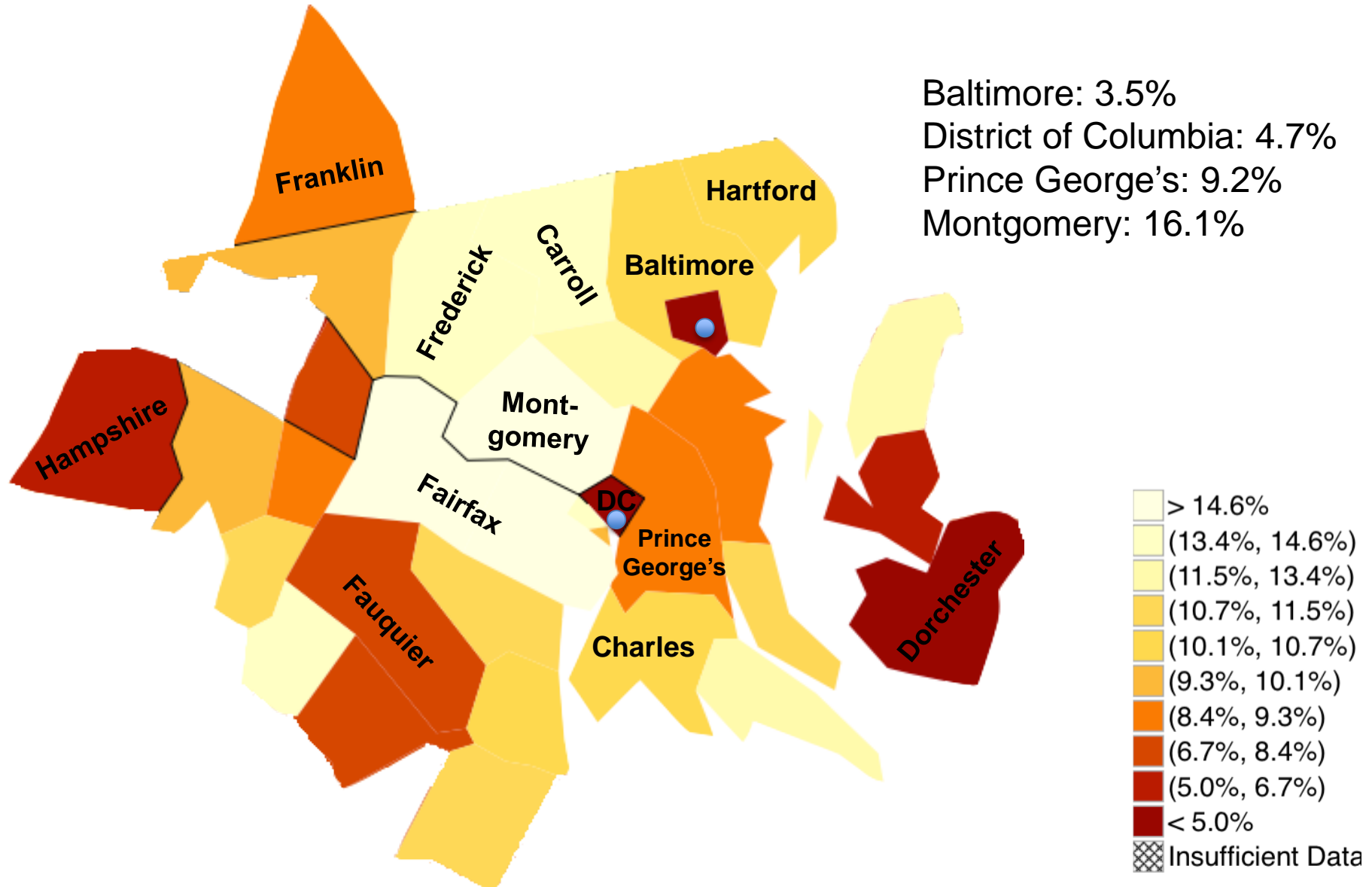
# The Geography of Upward Mobility in the United States

Chances of Reaching the Top Fifth Starting from the Bottom Fifth by Metro Area



# The Geography of Upward Mobility in the Washington Metro Area

Chances of Reaching the Top Fifth Starting from the Bottom Fifth by County

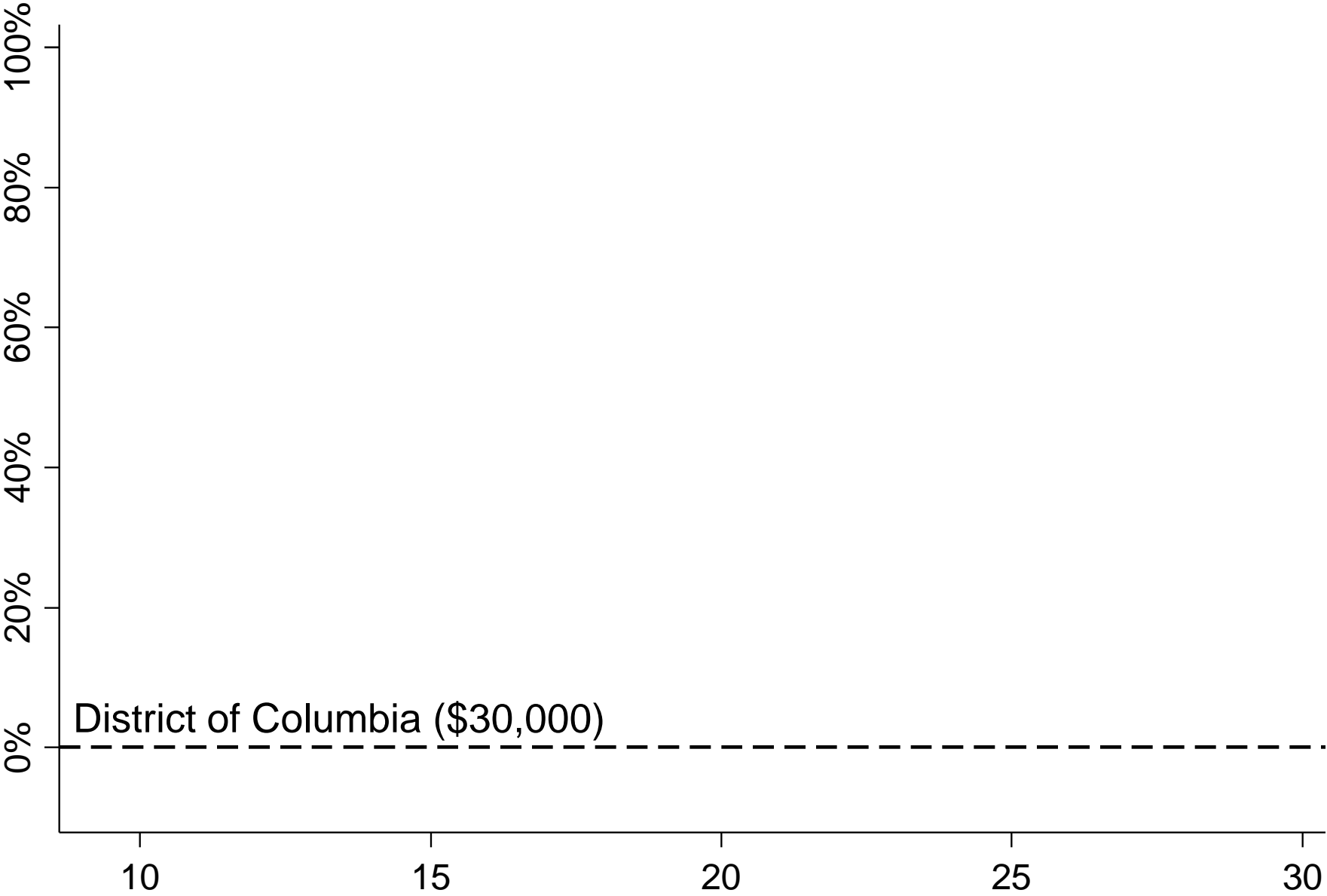


# Why Does Upward Mobility Differ Across Areas?

## The Importance of Childhood Environment

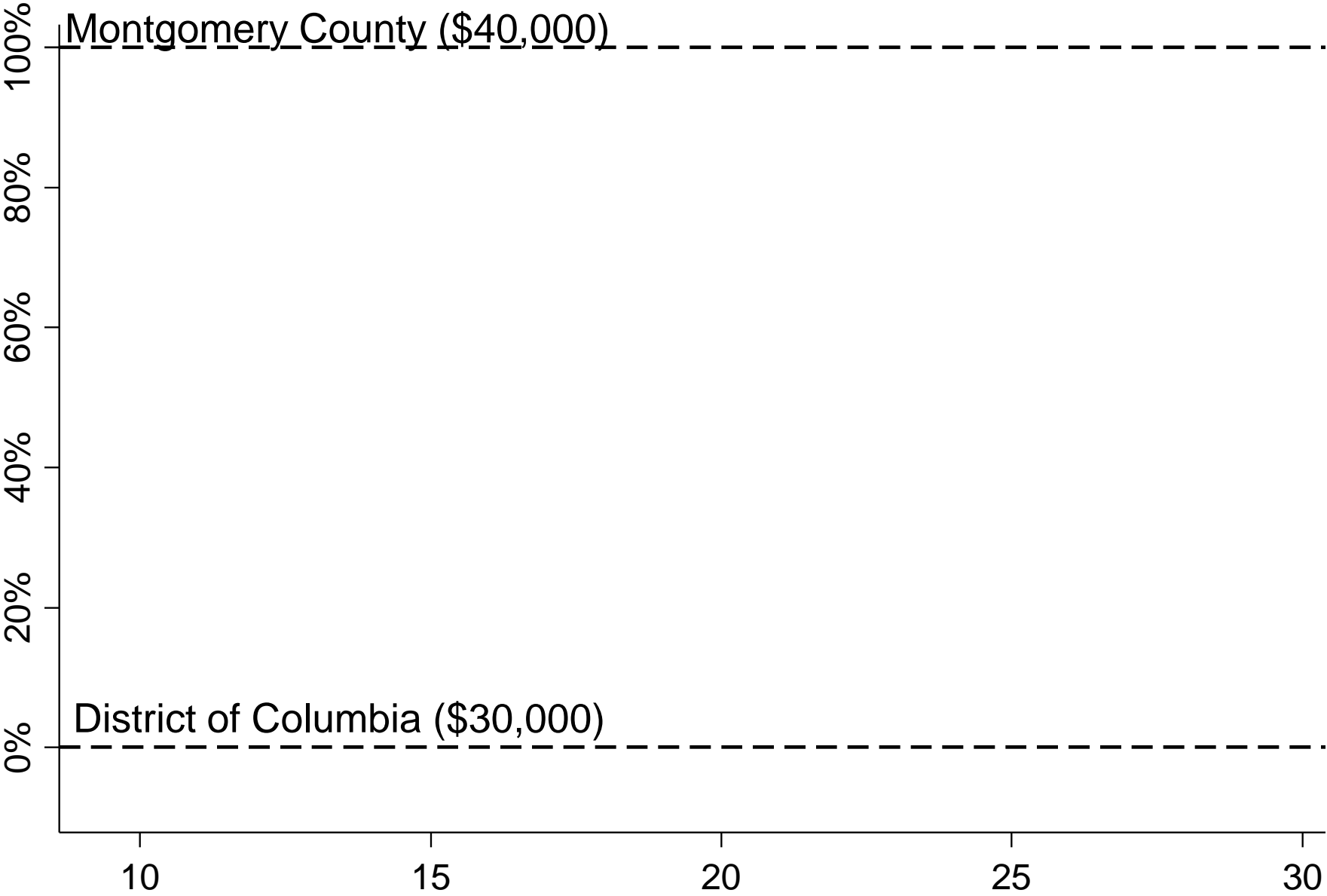
- Most of the variation in upward mobility across areas is caused by differences in *childhood* environment
- Demonstrate this by studying 7 million families that move between areas in the U.S.

# Earnings Gain from Moving to a Better Neighborhood

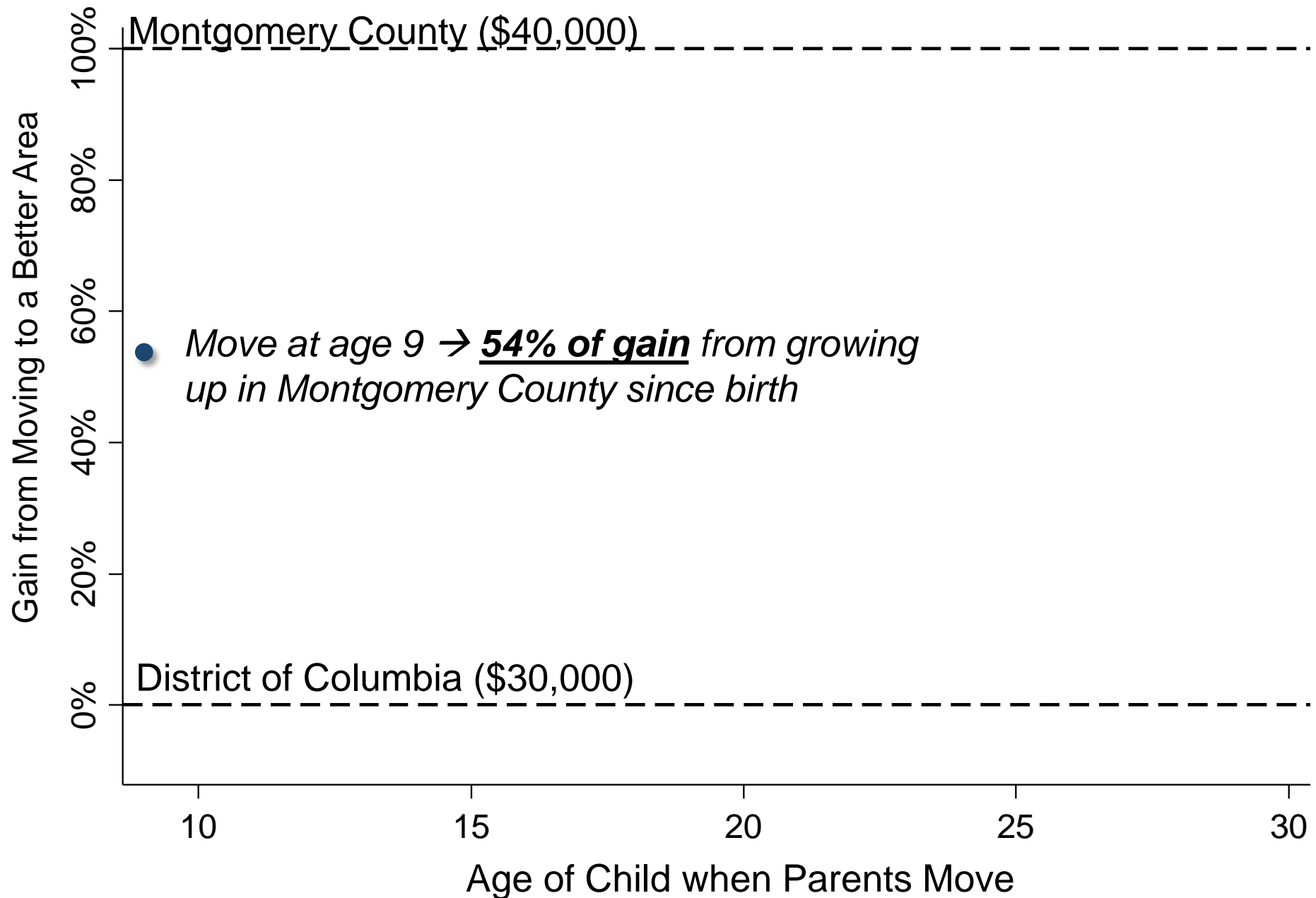




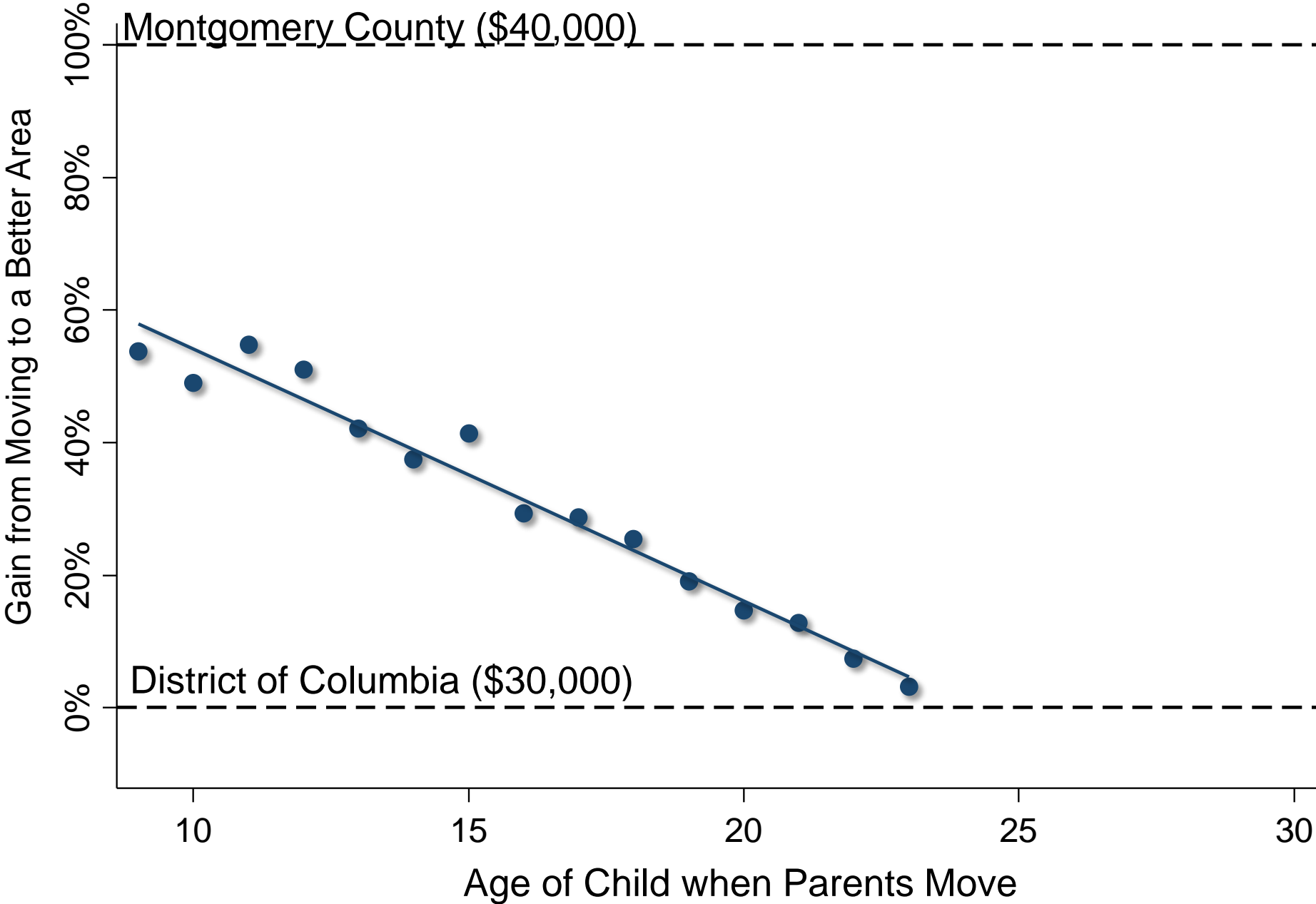
# Earnings Gain from Moving to a Better Neighborhood



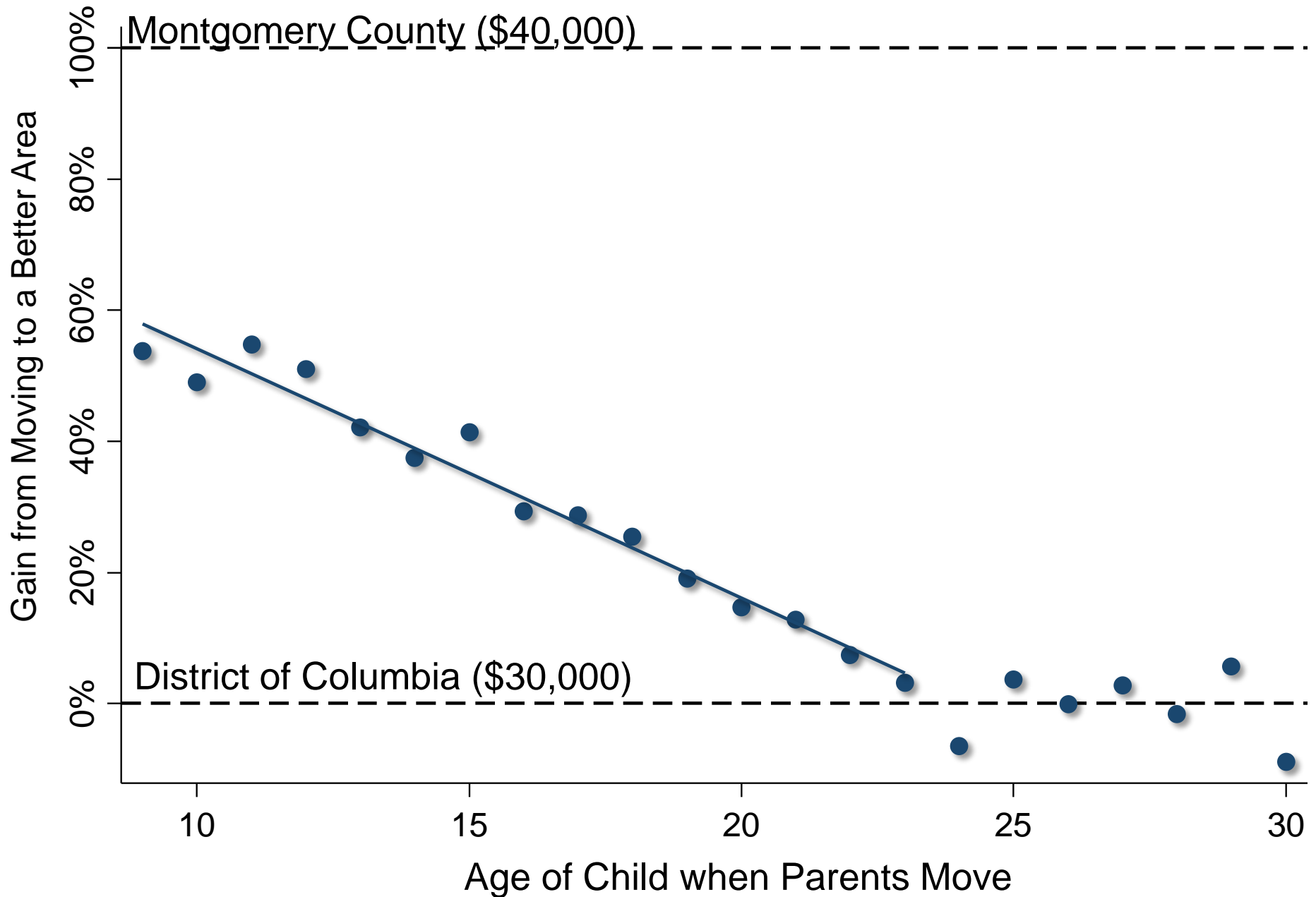
# Earnings Gain from Moving to a Better Neighborhood



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# Earnings Gain from Moving to a Better Neighborhood



# **What are the Characteristics of High-Mobility Areas?**

## **Five Strongest Correlates of Upward Mobility**

### **1. Segregation**

- Racial and income segregation associated with less mobility

# Racial Segregation in Atlanta

Whites (blue), Blacks (green), Asians (red), Hispanics (orange)

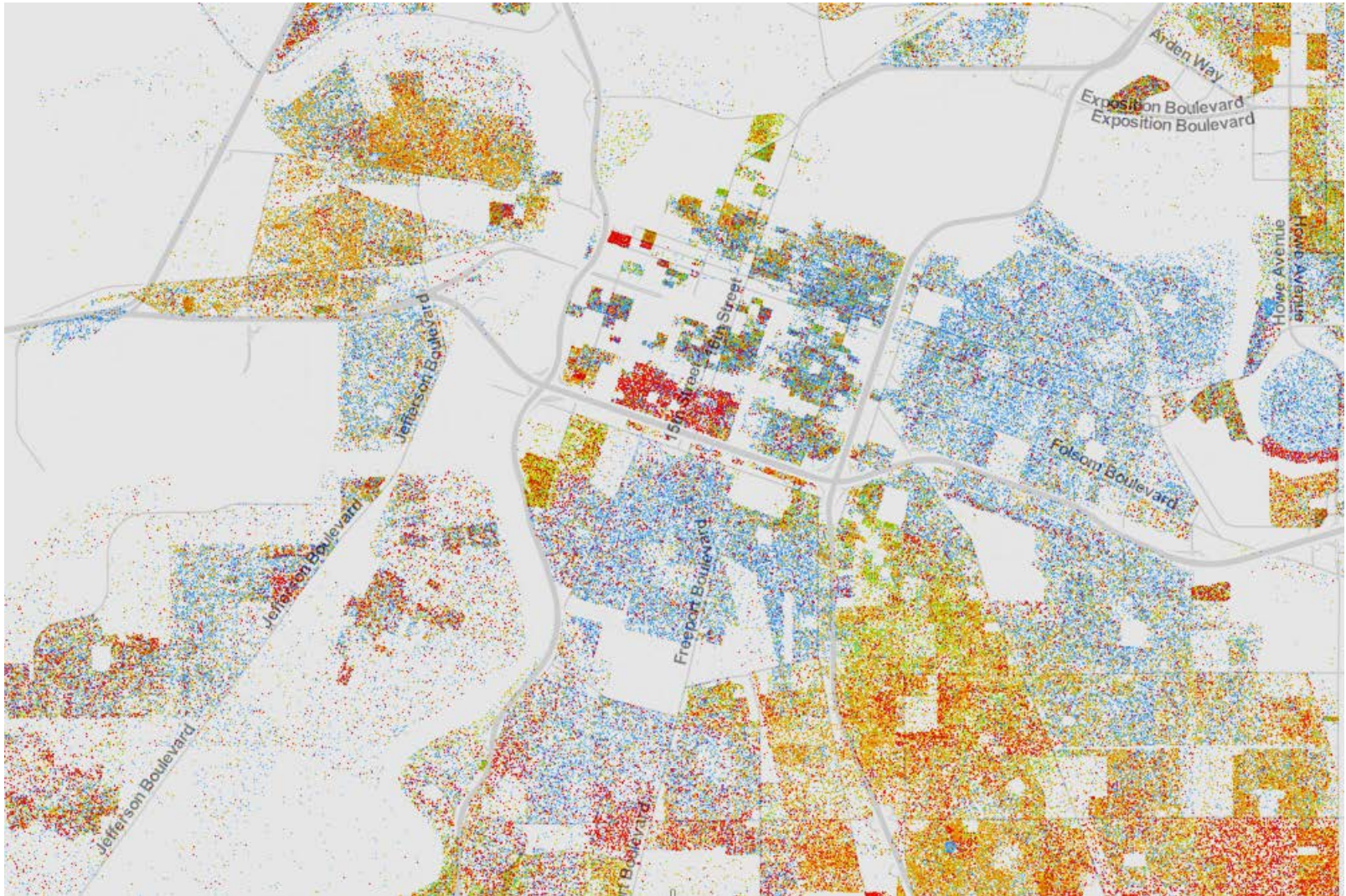


Source: Cable (2013) based on Census 2010 data



# Racial Segregation in Sacramento

Whites (blue), Blacks (green), Asians (red), Hispanics (orange)



Source: Cable (2013) based on Census 2010 data

# **What are the Characteristics of High-Mobility Areas?**

## **Five Strongest Correlates of Upward Mobility**

1. Segregation
2. Income Inequality
  - Places with smaller middle class have less mobility



# What are the Characteristics of High-Mobility Areas?

## Five Strongest Correlates of Upward Mobility

1. Segregation
2. Income Inequality
3. Family Structure
  - Areas with more single parents have much lower mobility
  - Strong correlation even for kids whose *own* parents are married
  - Movers analysis shows that 40% of correlation is due to differences in types of people living in high-single-parent areas

# **What are the Characteristics of High-Mobility Areas?**

## **Five Strongest Correlates of Upward Mobility**

1. Segregation
2. Income Inequality
3. Family Structure
4. Social Capital
  - “It takes a village to raise a child”
  - Putnam (1995): “Bowling Alone”

# **What are the Characteristics of High-Mobility Areas?**

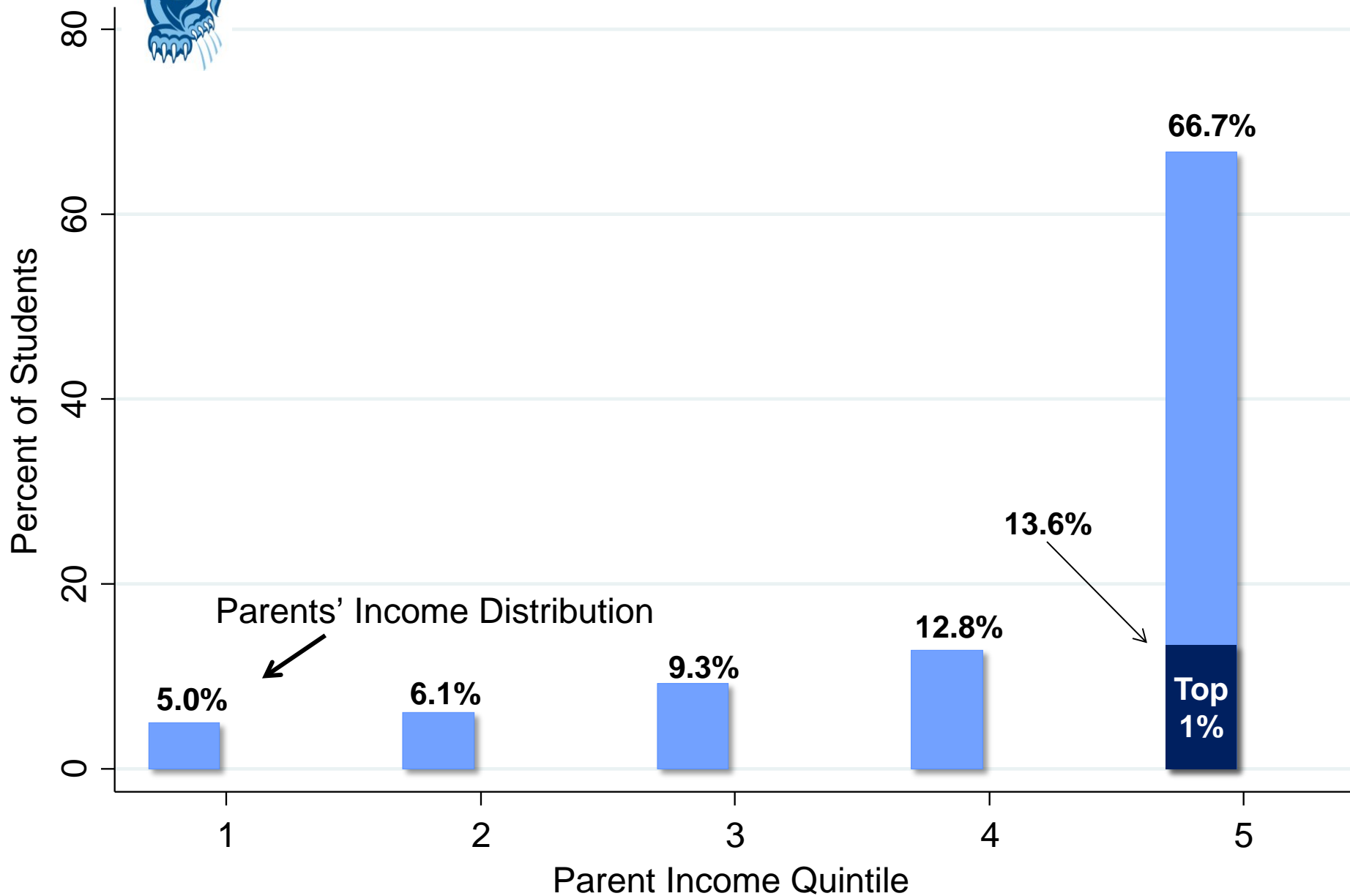
## **Five Strongest Correlates of Upward Mobility**

1. Segregation
2. Income Inequality
3. Family Structure
4. Social Capital
5. Quality of Education
  - K-12 schools (teachers, certain charters)
  - Access to quality higher education



# Mobility Report Cards

## Columbia University

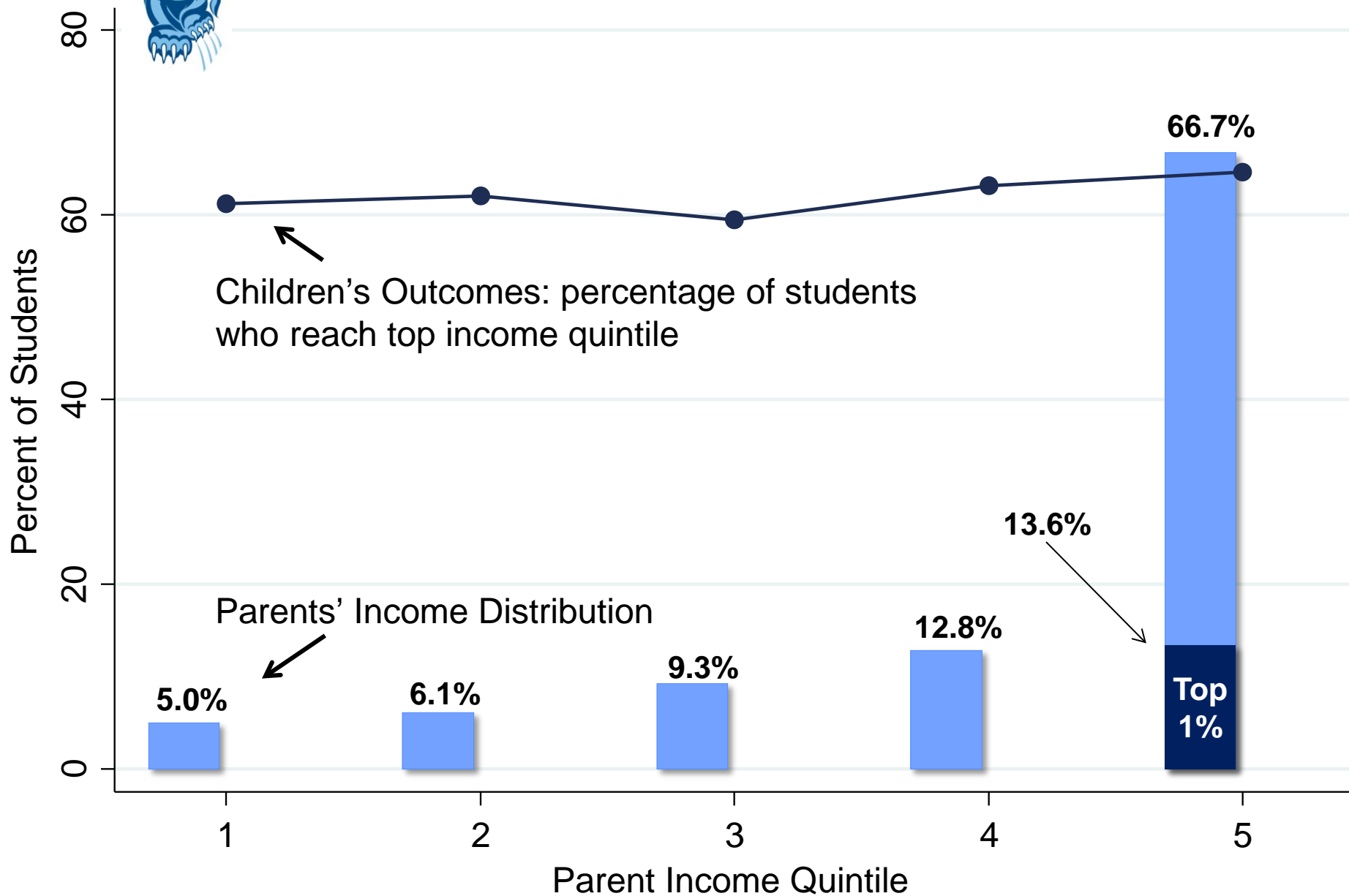


Source: Chetty, Friedman, Saez, Turner, Yagan 2017



# Mobility Report Cards

## Columbia University

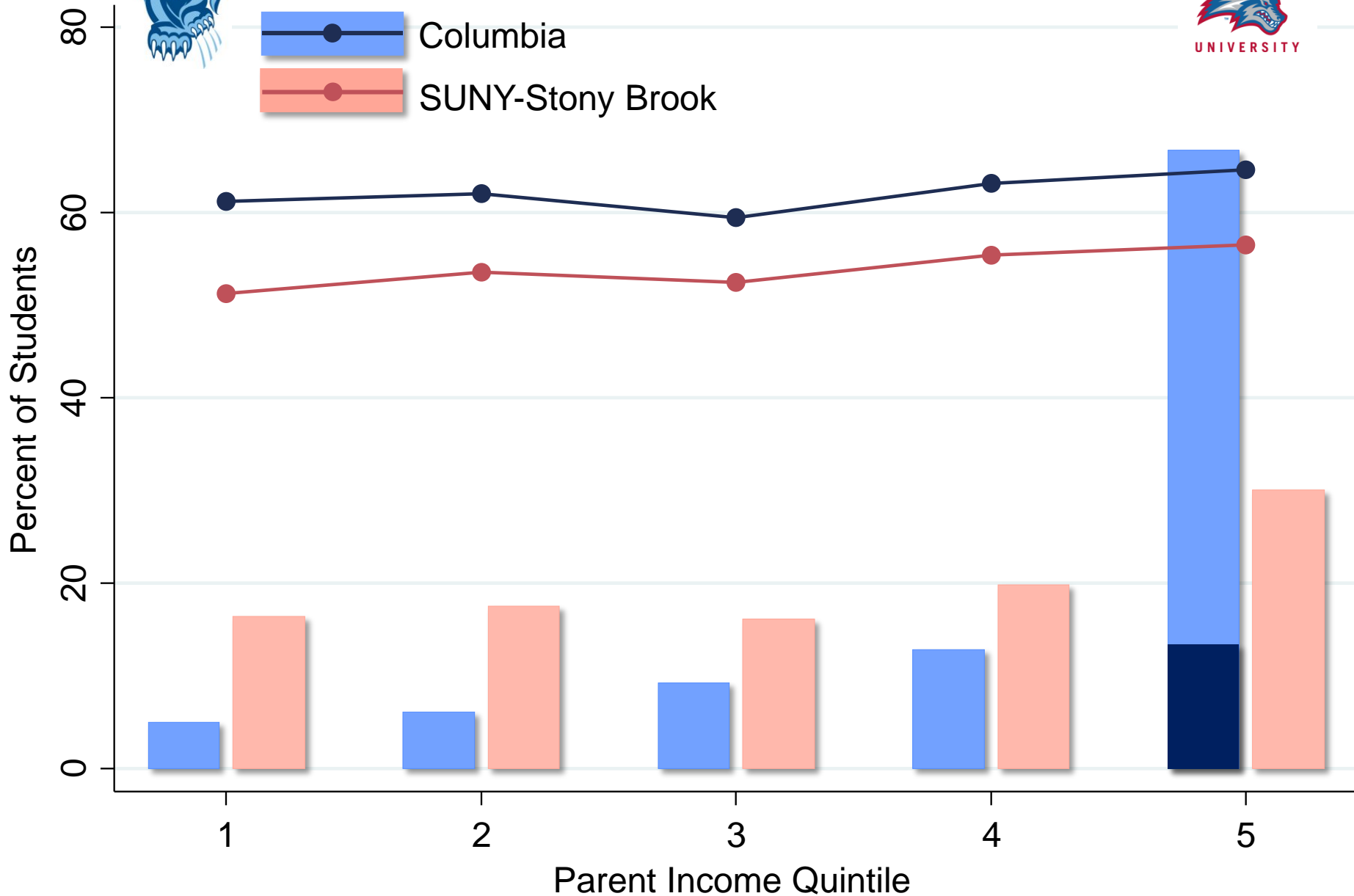


Source: Chetty, Friedman, Saez, Turner, Yagan (2017)



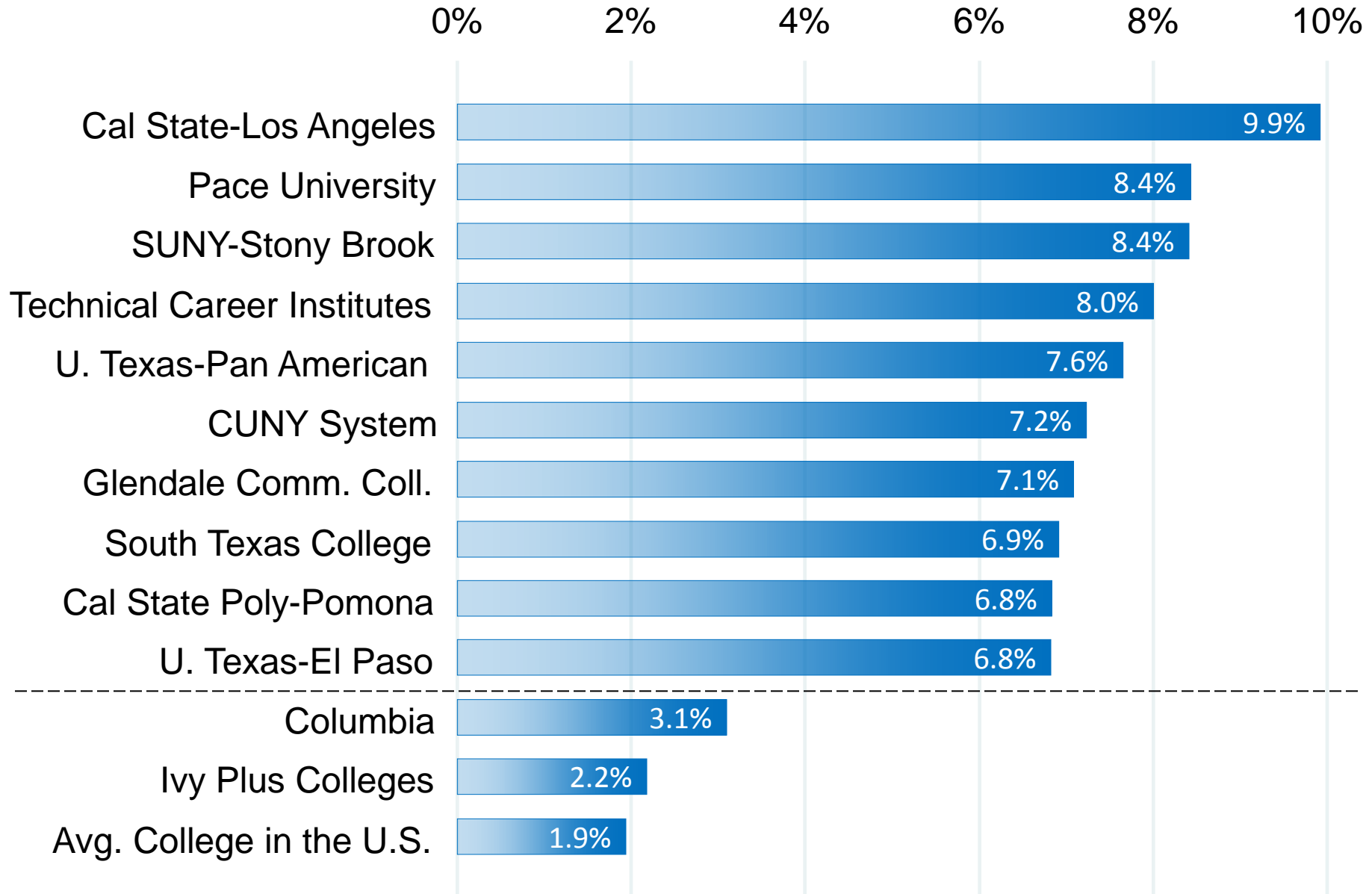
# Mobility Report Cards

## Columbia vs. SUNY-Stony Brook

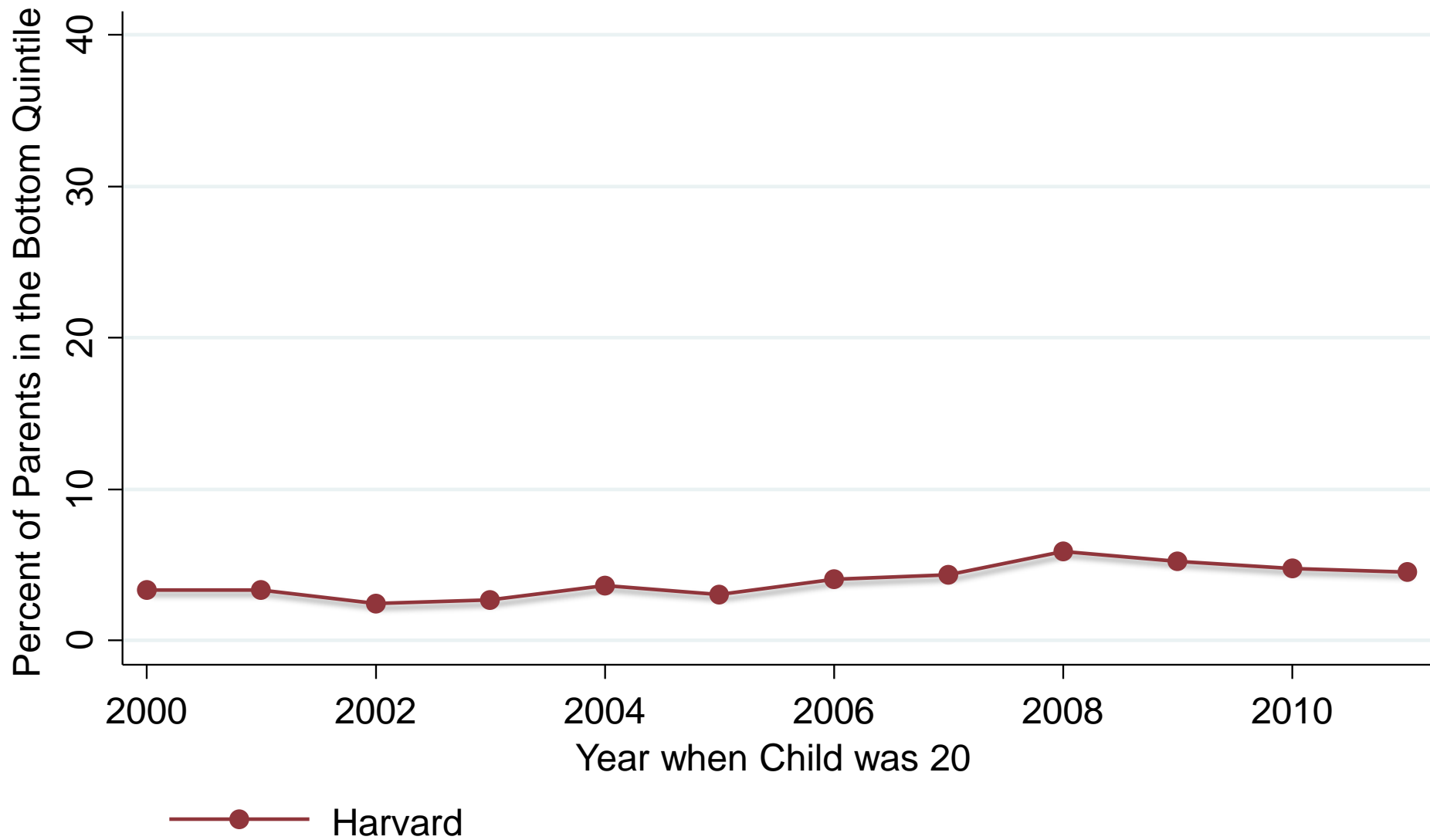


# Top 10 Colleges in America By Bottom-to-Top Quintile Mobility Rate

Fraction of Students who come from Bottom Fifth and End up in Top Fifth

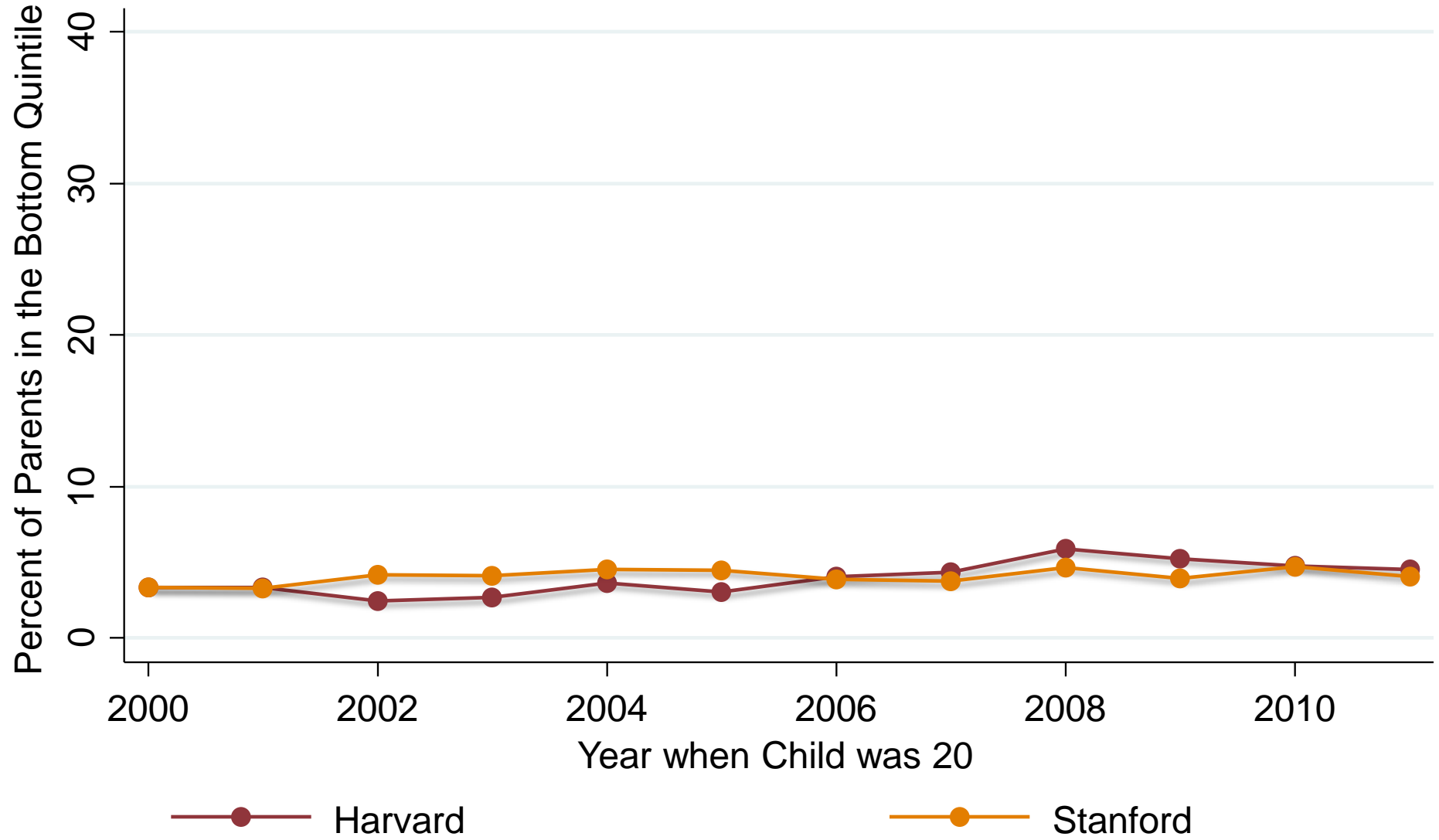


## Trends in Low-Income Access from 2000-2011 at Selected Colleges

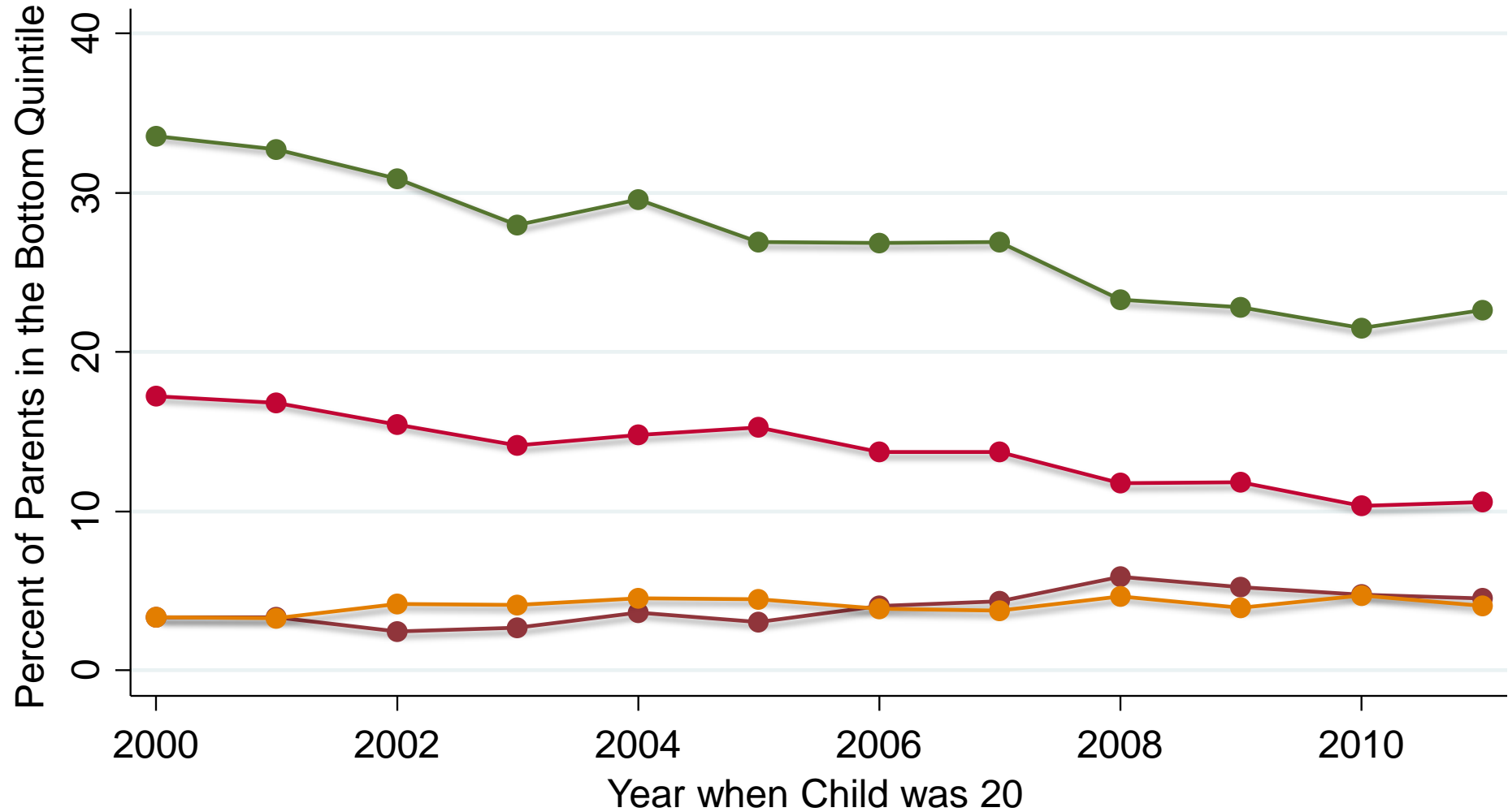




## Trends in Low-Income Access from 2000-2011 at Selected Colleges



## Trends in Low-Income Access from 2000-2011 at Selected Colleges



—●— Harvard      —●— Stanford  
—●— Glendale Community College      —●— SUNY-Stony Brook

# Policy Lessons

1. Work on improving opportunities at a local level
  - Use housing vouchers to help low-income families with young children move to higher-opportunity areas
  - Invest in improving opportunity in areas that currently offer less upward mobility
  - Ongoing research: constructing estimates of opportunity by Census tract to facilitate this work

# Policy Lessons

1. Work on improving opportunities at a local level
2. Improve childhood environment
  - Focus specifically on expanding schools and colleges that deliver the best outcomes

# Policy Lessons

1. Work on improving opportunities at a local level
2. Improve childhood environment
3. Focus on social capital and norms
  - How can we create more connected communities?
  - Ongoing research: studying how networks affect aspirations and mobility using Facebook data

# Policy Lessons

1. Work on improving opportunities at a local level
2. Improve childhood environment
3. Focus on social capital and norms
4. Disseminate data to monitor progress and develop better policy solutions
  - All area- and college-level statistics are publicly available at [www.equality-of-opportunity.org](http://www.equality-of-opportunity.org)

# The Fading American Dream

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