

Improving Equality of Opportunity in America

New Evidence and Policy Lessons

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Photo Credit: Florida Atlantic University

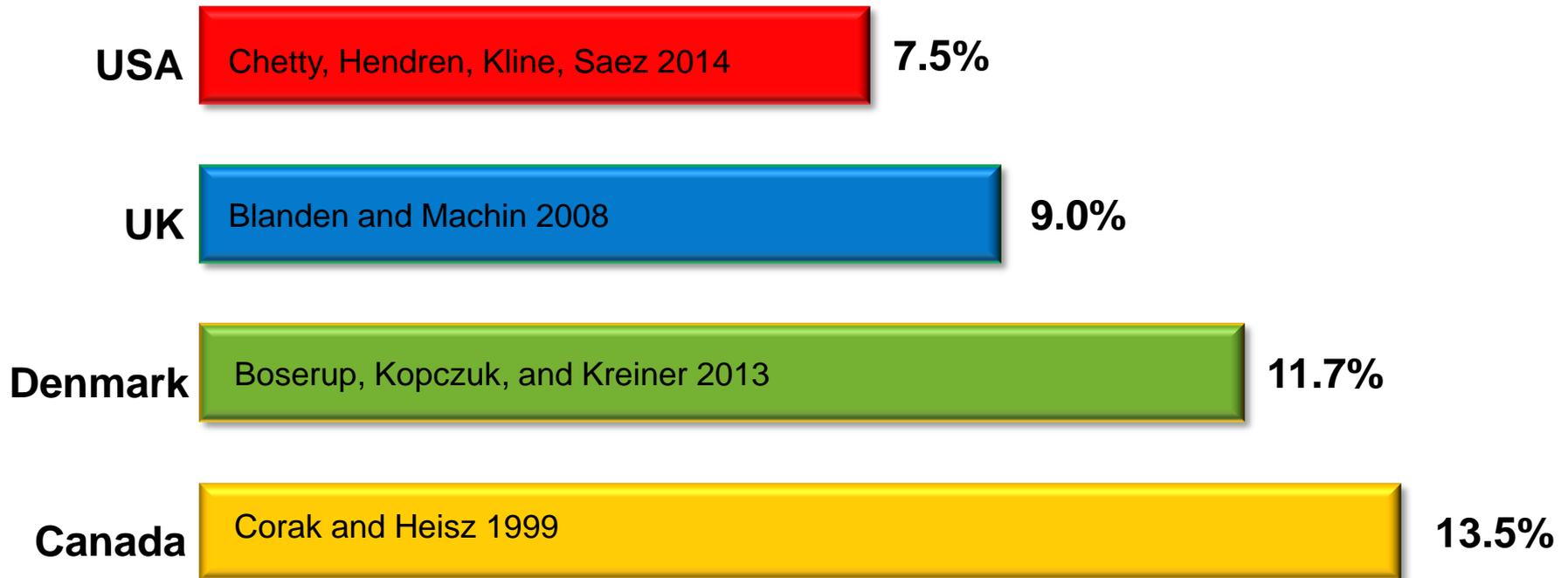


The American Dream?

- Odds that a child born to parents in the bottom fifth of the income distribution reaches the top fifth:

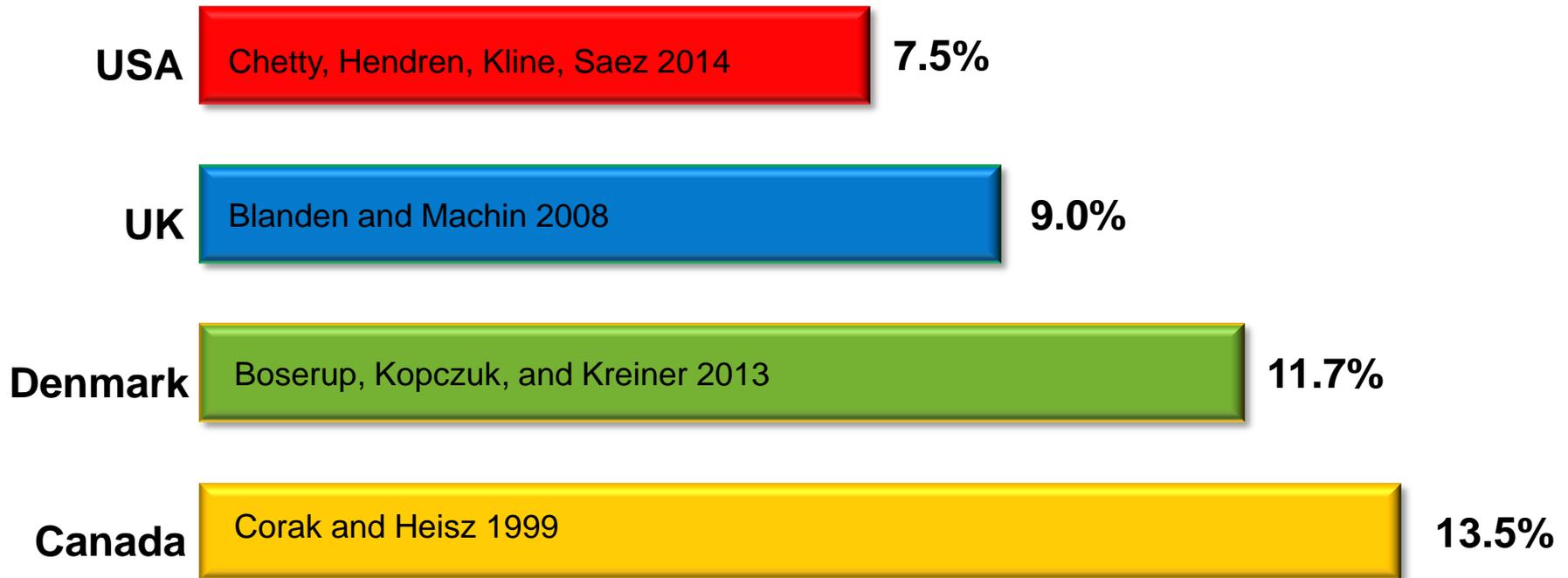
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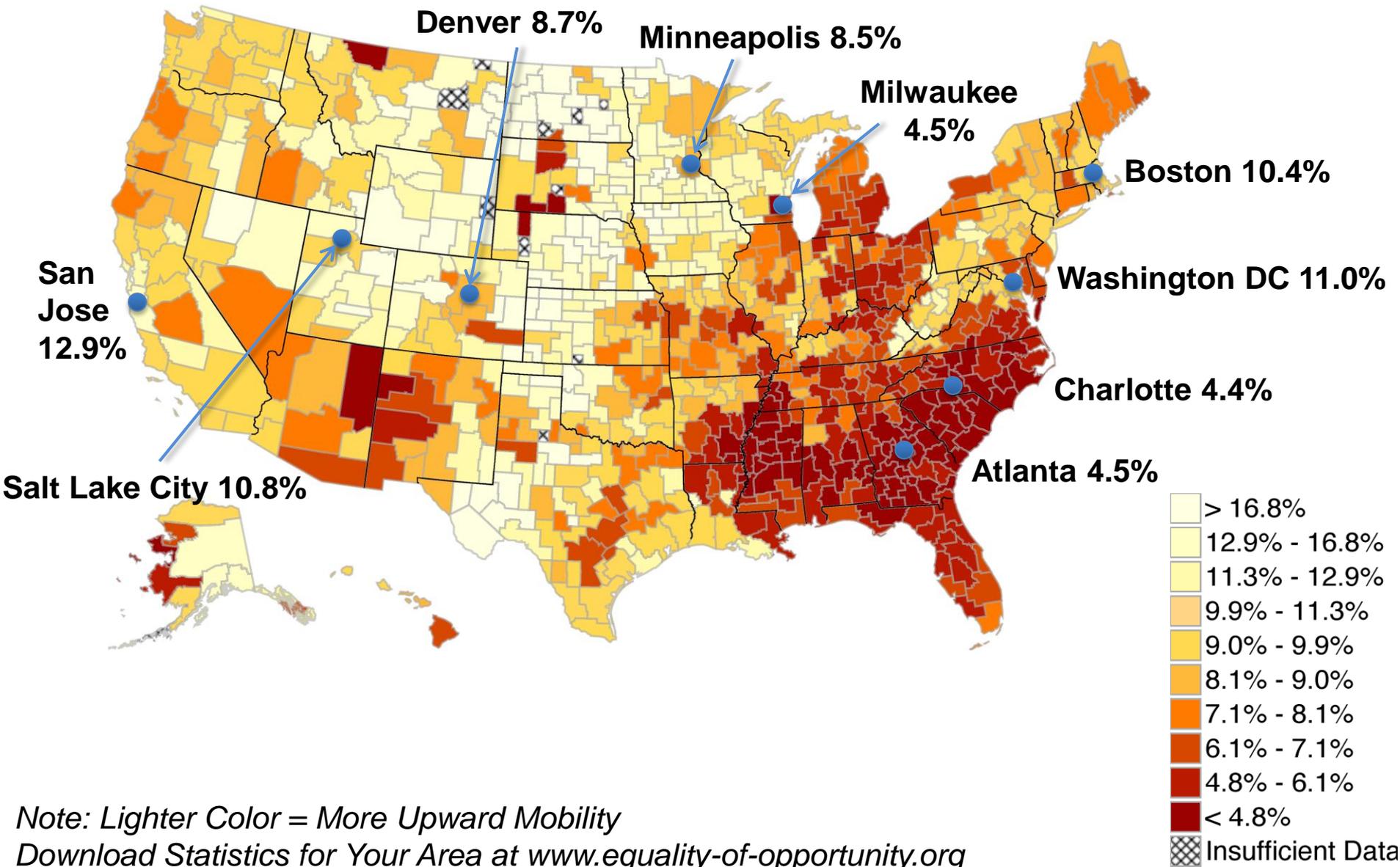
→ Chances of achieving the “American Dream” are almost two times higher in Canada than in the U.S.

Differences in Opportunity Within the U.S.

- Differences across countries have been the focus of policy discussion
- But upward mobility varies even more *within* the U.S.
- We calculate upward mobility for every metro and rural area in the U.S.
 - Use anonymous earnings records on 10 million children born between 1980-1982

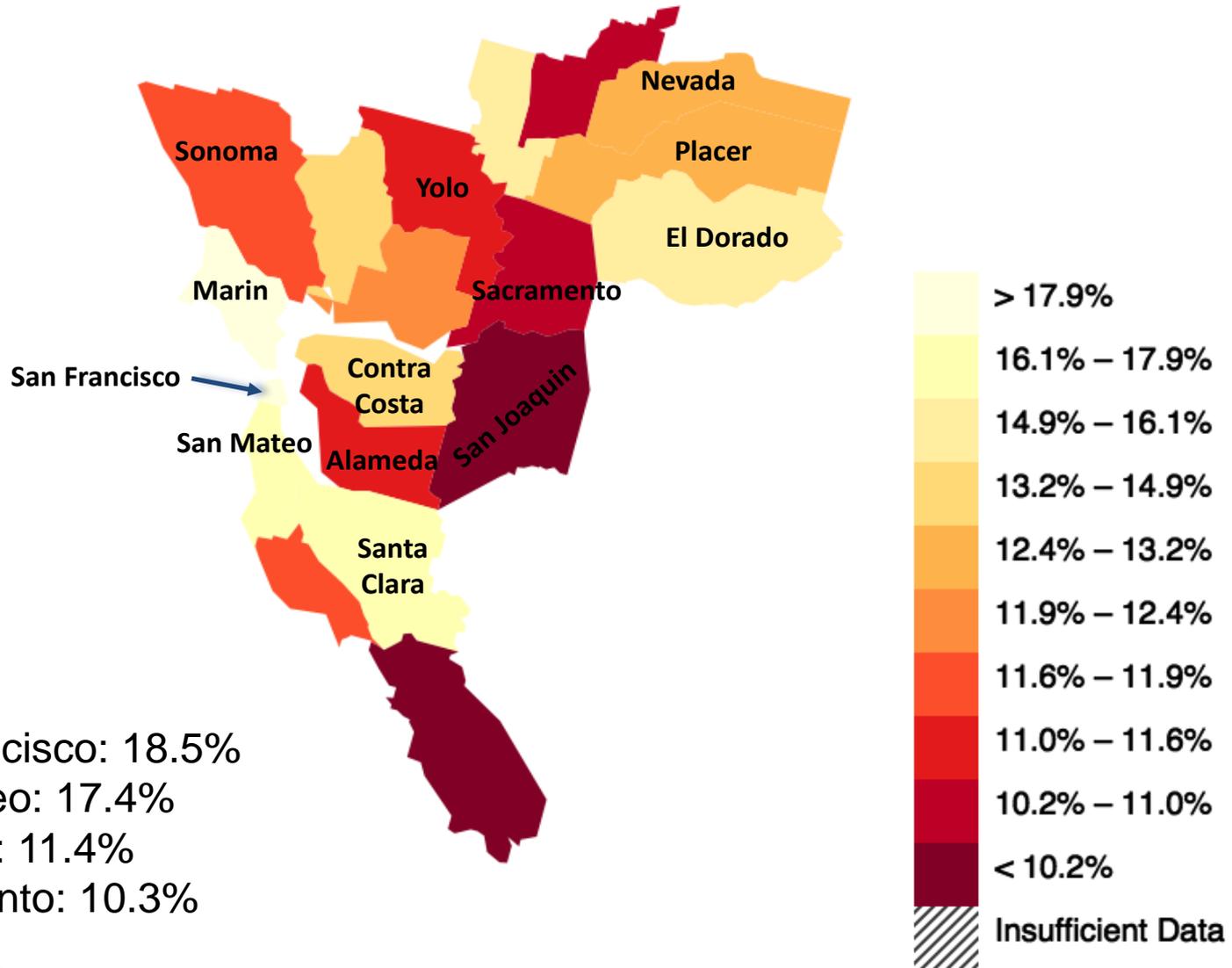
The Geography of Upward Mobility in the United States

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



The Geography of Upward Mobility in the Sacramento/San Francisco Areas

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



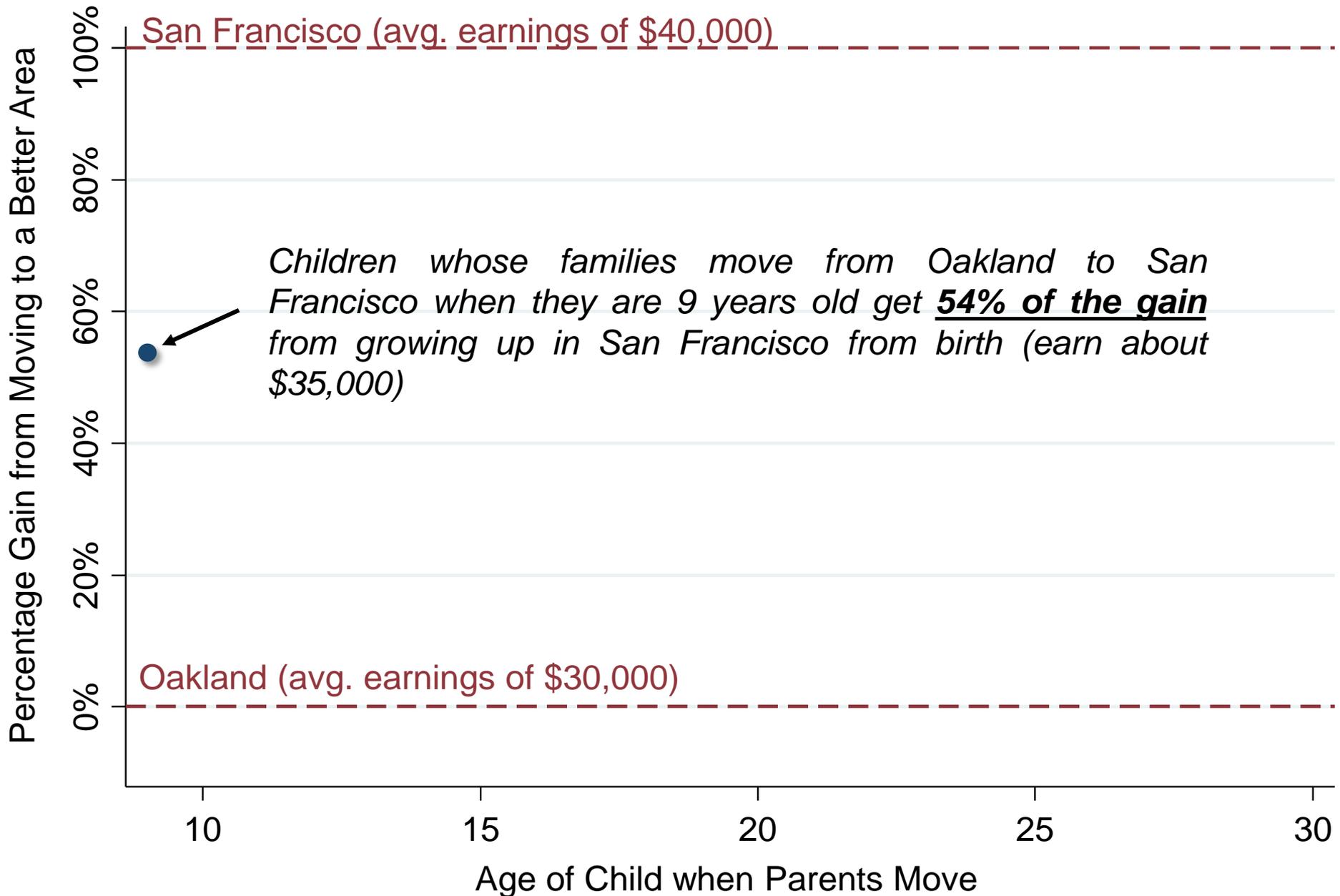
Note: Lighter Color = More Upward Mobility

Download Statistics for Your Area at www.equality-of-opportunity.org

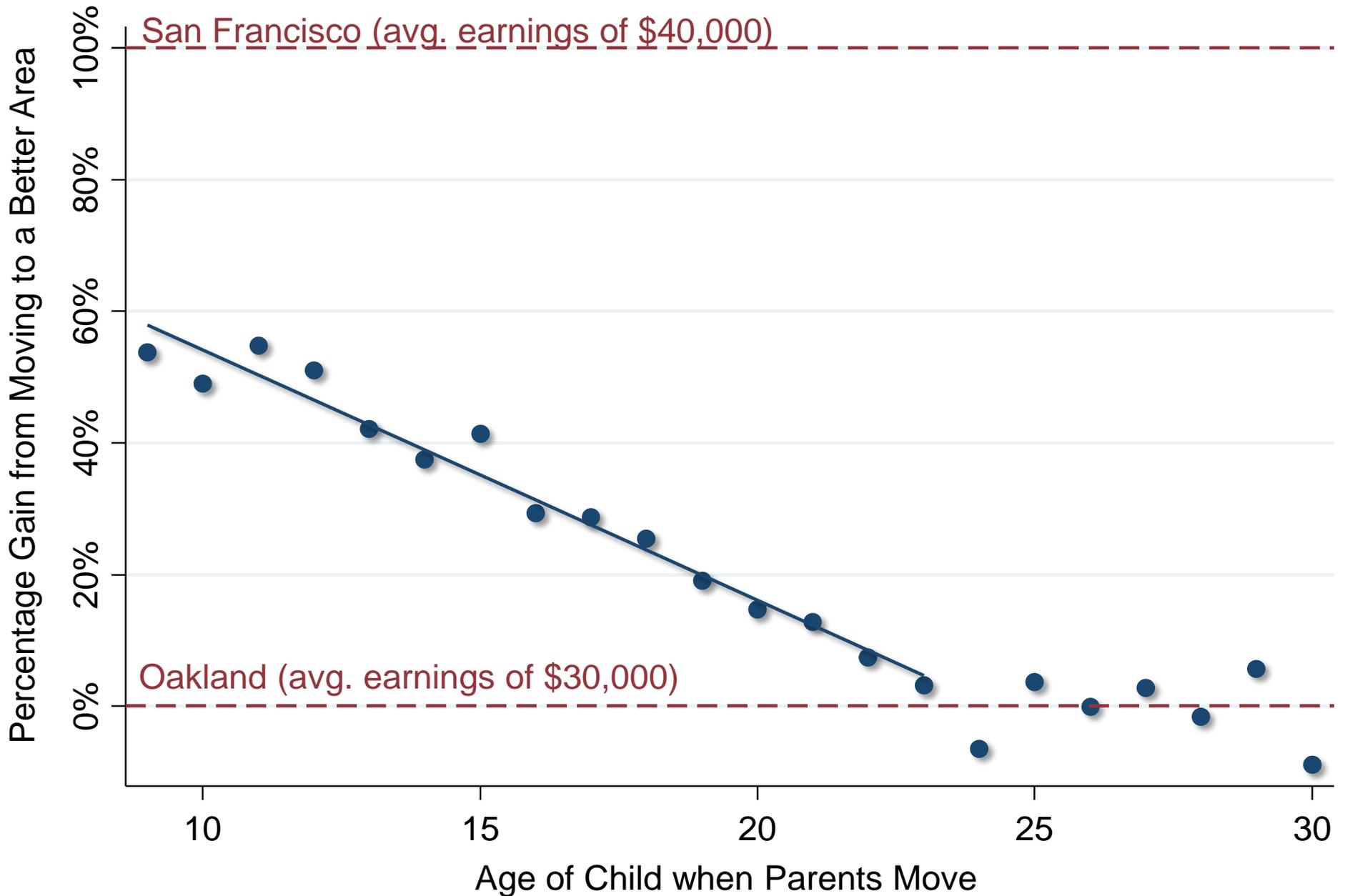
Why Does Upward Mobility Differ Across Areas? The Importance of Childhood Environments

- Most of the variation in upward mobility across areas is caused by differences in childhood environment
- Demonstrate this by studying 5 million families that move between areas in the U.S.

Effects of Moving to a Different Neighborhood on a Child's Income in Adulthood by Age at Move



Effects of Moving to a Different Neighborhood on a Child's Income in Adulthood by Age at Move



Two Policy Approaches to Improving Upward Mobility

- Importance of place for mobility motivates two types of policies:
 1. Help people move to better areas
 - U.S. already spends \$45 billion per year on affordable housing, \$20 billion of which goes to Section 8 housing vouchers
 2. Invest in places with low levels of opportunity to replicate successes of areas with high upward mobility

Policy Approach 1: Moving to Opportunity

- HUD Moving to Opportunity Experiment: gave families vouchers to move to lower-poverty neighborhoods using a randomized lottery
 - 4,600 families in Boston, New York, LA, Chicago, and Baltimore in mid 1990's

Moving to Opportunity Experiment

- Children who moved to low-poverty areas when young (e.g., below age 13) do much better as adults:
 - 30% higher earnings
 - 27% more likely to attend college
 - 30% less likely to become single parents
- But moving had little effect on the outcomes of children who were already teenagers
- Moving also had no effect on parents' earnings
- Reinforces conclusion that *childhood exposure* is a key determinant of upward mobility

Policy Approach 2: Improving Neighborhoods

- Limits to scalability of policies that move people
 - Also need policies that improve existing neighborhoods
- Challenging to identify “recipe” for success
 - But we can characterize the typical features of areas that generate good outcomes

What are the Characteristics of High-Mobility Areas? Five Strongest Correlates of Upward Mobility

1. Segregation

- Racial and income segregation associated with less mobility
- Long commute times (sprawl) associated with less mobility

Racial Segregation in Atlanta

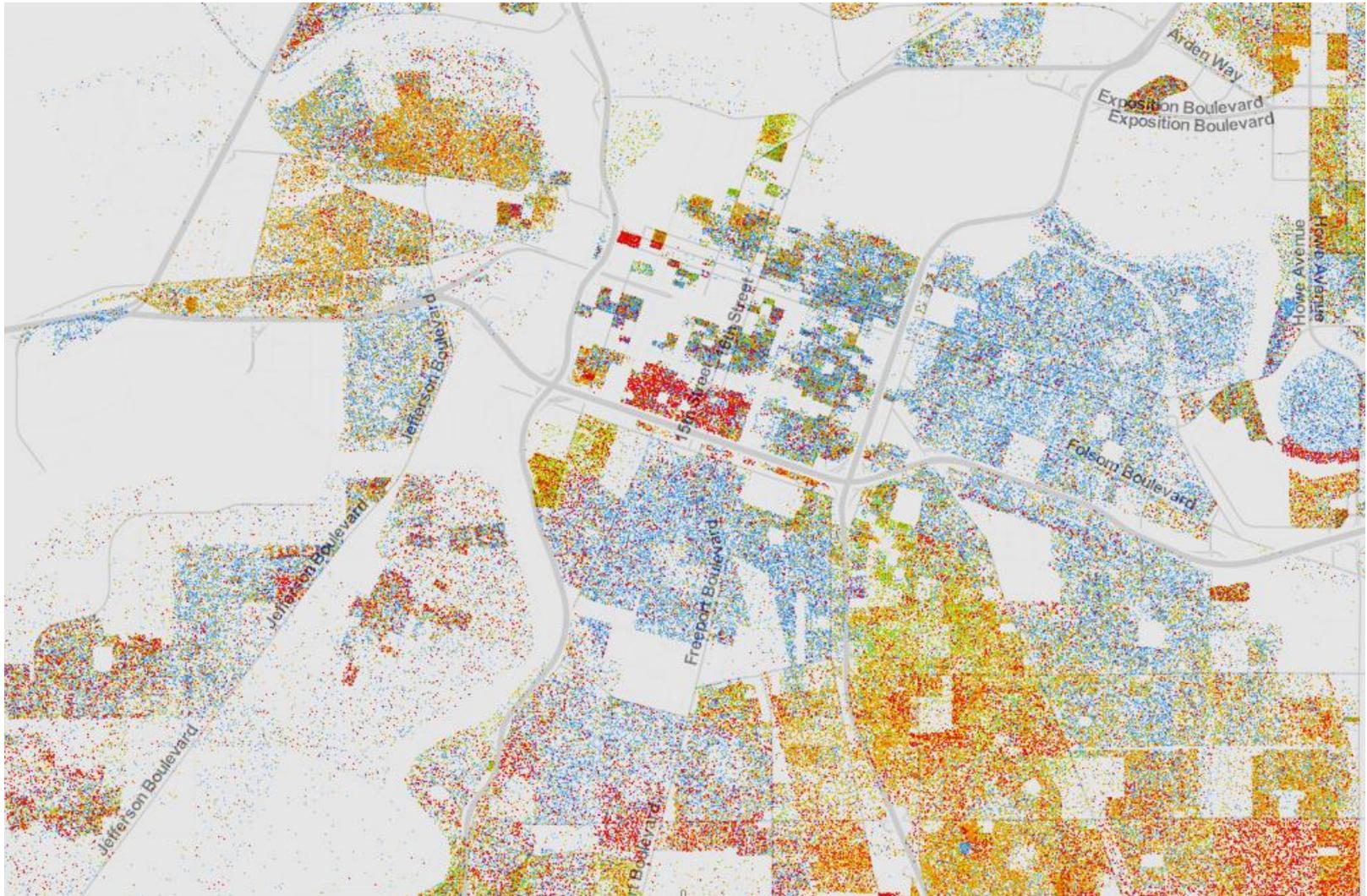
Whites (blue), Blacks (green), Asians (red), Hispanics (orange)



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 much 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

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. School Quality
 - Greater expenditure, smaller classes, higher test scores correlated with more mobility
 - Clear evidence of *causal* effects from other studies

An aerial photograph of a suburban neighborhood in San Jose, California. The houses have brown tiled roofs and are arranged in a grid-like pattern. In the foreground, a construction worker wearing a white shirt and a dark cap is working on a wooden roof structure. The background shows rolling hills and a clear blue sky.

The Atlantic

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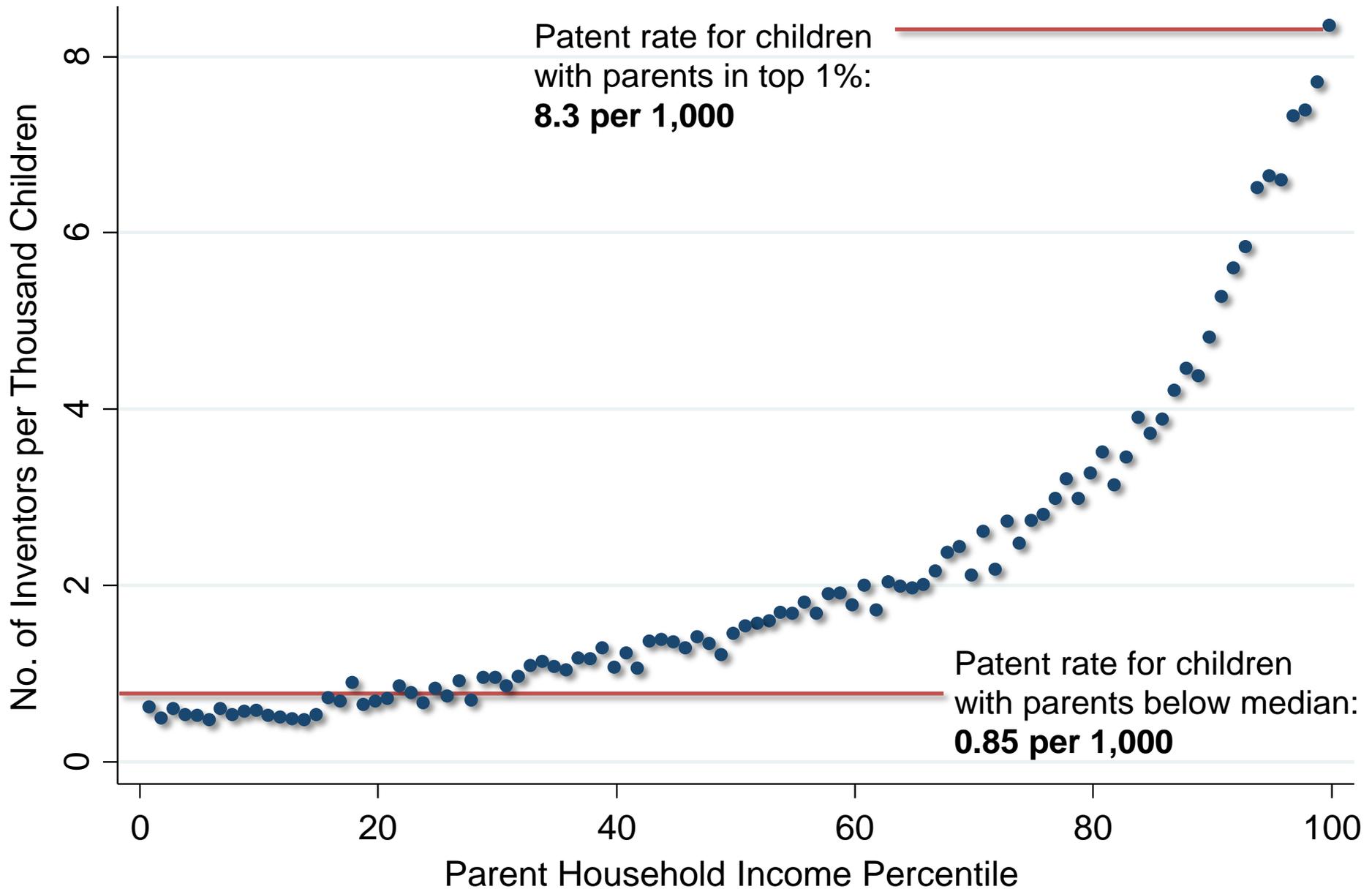
The Place Where the Poor Once Thrived

San Jose, in the heart of Silicon Valley, used to be the best place in the country for kids to experience a Horatio Alger, rags-to-riches life. Is it still?

Equality of Opportunity and Economic Growth

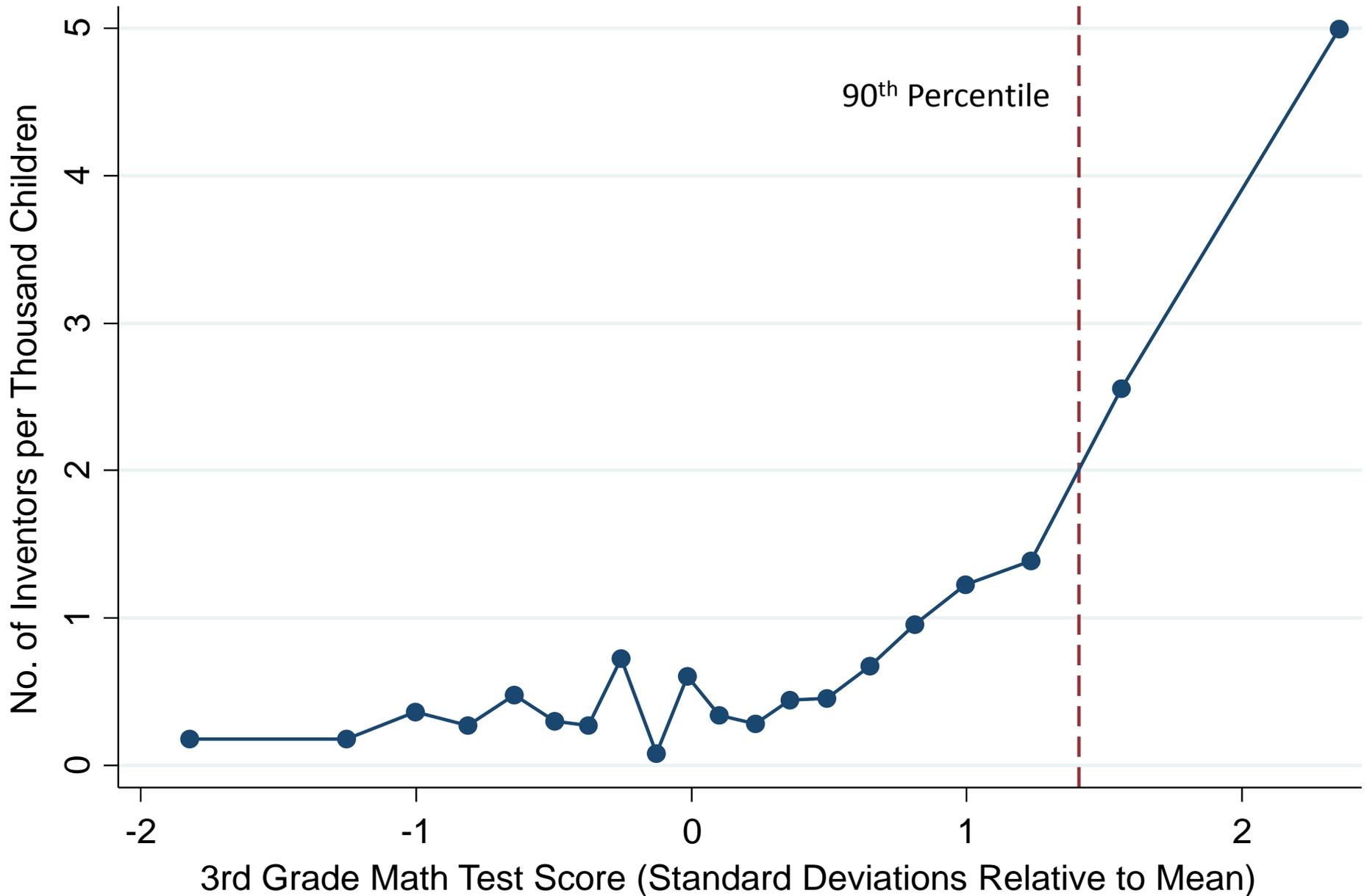
- Traditional argument for greater social mobility is based on principles of justice
- But improving opportunities for upward mobility can also increase size of the economic pie
- To illustrate, focus on innovation
 - Study the lives of 750,000 patent holders in the U.S.

Patent Rates vs. Parent Income Percentile

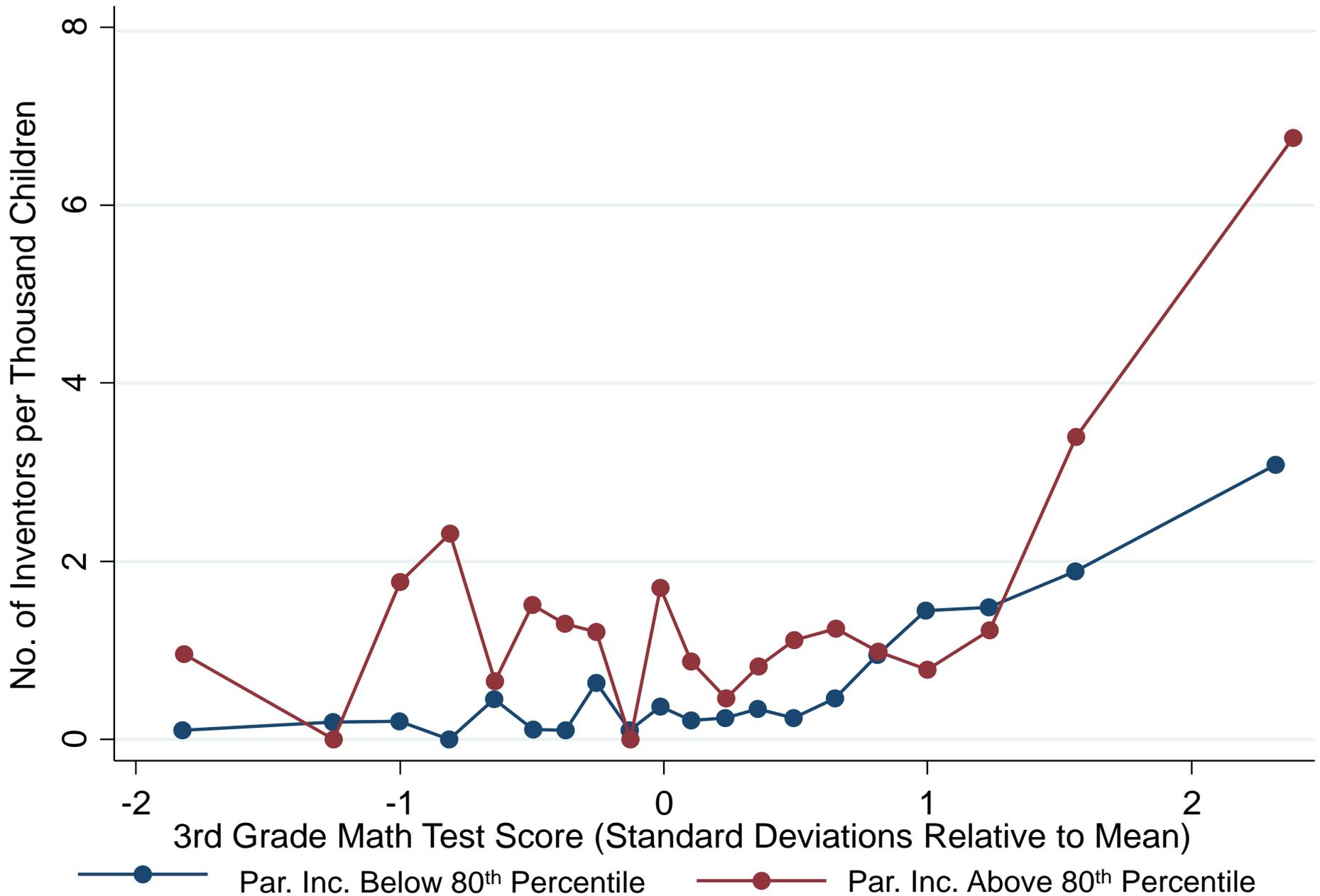


Notes: Sample of children is 1980-82 birth cohorts. Parent Income is mean from 1996-2000.

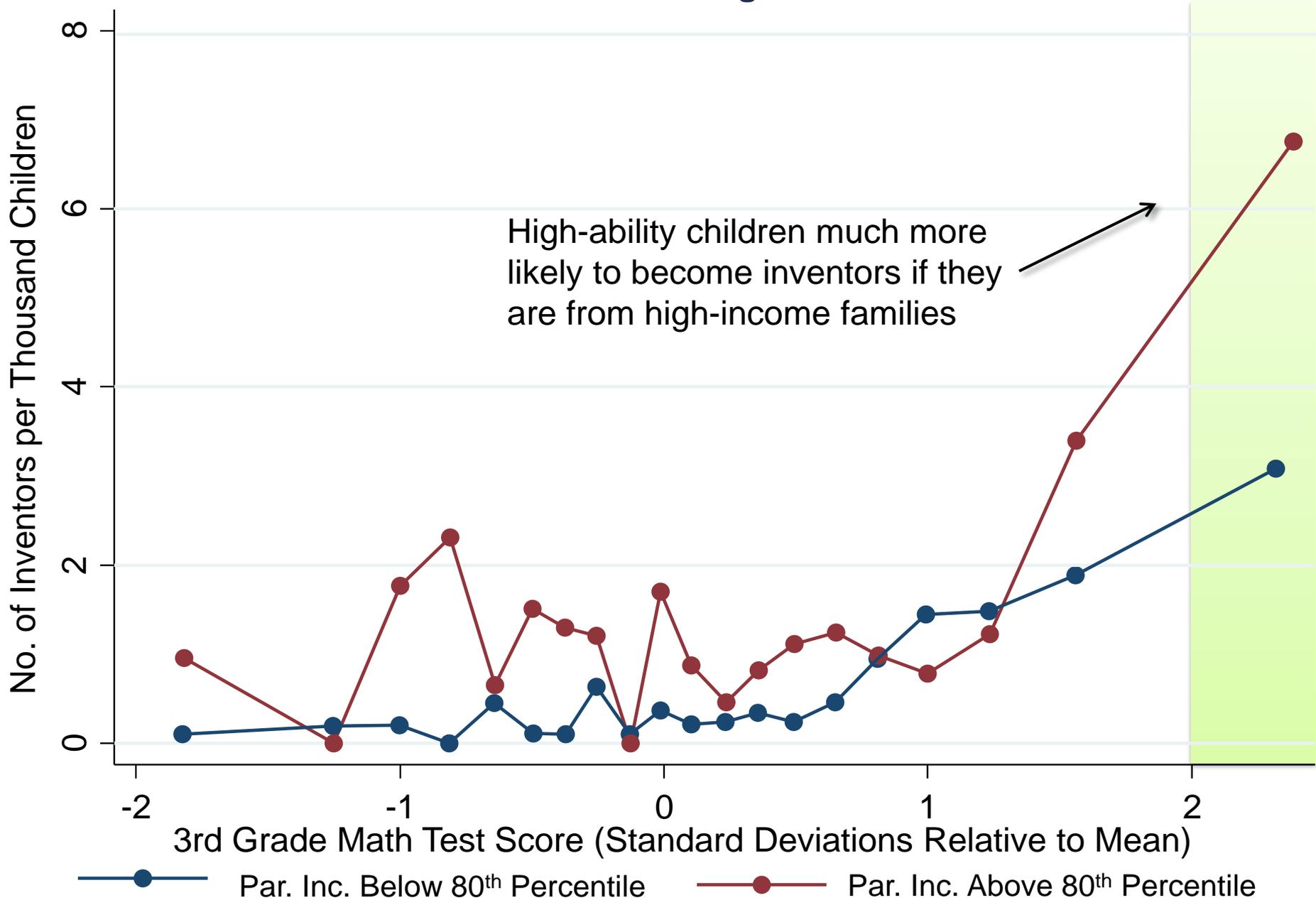
Patent Rates vs. 3rd Grade Math Test Scores



Patent Rates vs. 3rd Grade Math Test Scores for Children with Low vs. High Income Parents



Patent Rates vs. 3rd Grade Math Test Scores for Children with Low vs. High Income Parents



Policy Lessons

1. Improve childhood environments and primary education
 - Not just spending more money: US already spends more than other developed countries with better outcomes
 - Instead, focus on key inputs such as attracting and retaining talented teachers (e.g., Finland)
 - May be essential to combine efforts in schools with neighborhood-level improvements in other dimensions
 - Childhood environment matters at all ages, not just the earliest years

Policy Lessons

1. Improve childhood environments and primary education
2. Tackle upward mobility at a local, not just national level
 - Target subsidized housing vouchers to families with young children to help them move to better neighborhoods
 - Focus on improving cities such as Baltimore and Chicago, and on specific neighborhoods within those cities

Policy Lessons

1. Improve childhood environments and primary education
2. Tackle upward mobility at a local, not just national level
3. Harness “big data” to develop a scientific evidence base for economic and social policy
 - Identify which neighborhoods are in greatest need of improvement and which policies work
 - County-level data on mobility publicly available at www.equality-of-opportunity.org

An Opportunity and a Challenge

Metro Area	Odds of Rising from Bottom to Top Fifth
Dubuque, IA	17.9%
San Jose, CA	12.9%
Washington DC	10.5%
<i>U.S. Average</i>	7.5%
Chicago, IL	6.5%
Memphis, TN	2.6%



Patent Rates vs. 3rd Grade Math Test Scores by Race

