

Improving Opportunities for Economic Mobility

New Evidence and Policy Lessons

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Photo Credit: Florida Atlantic University

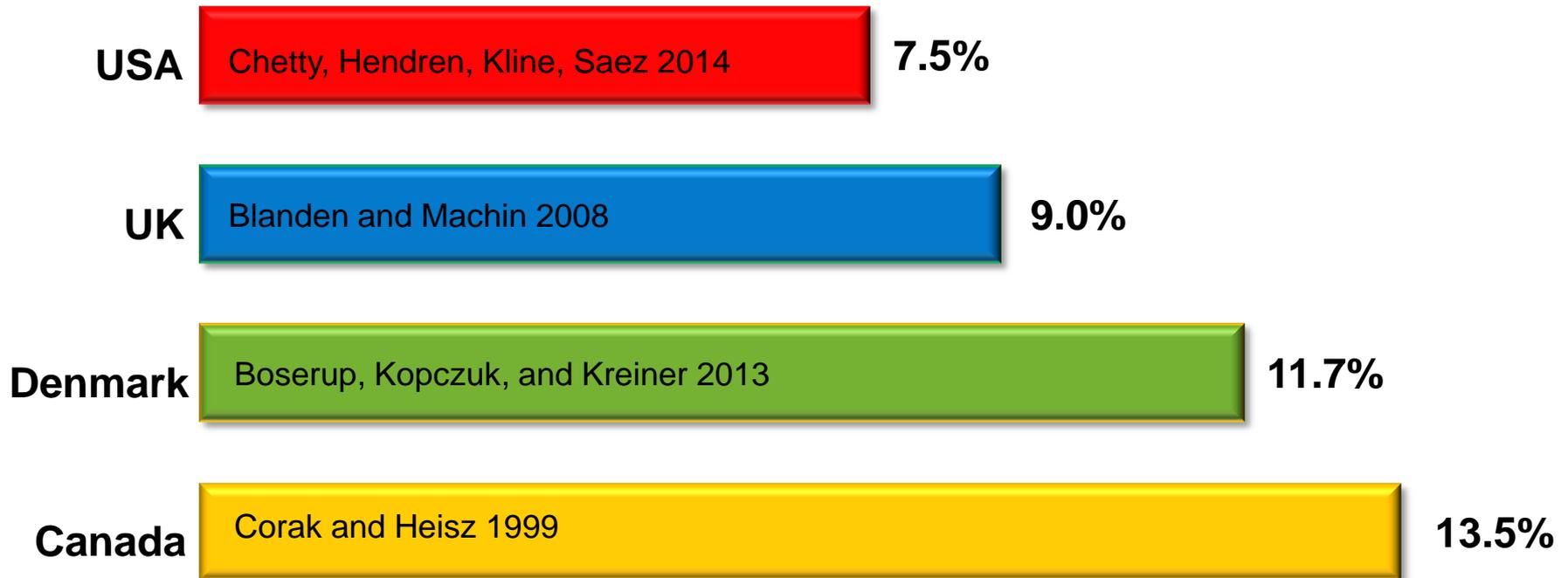


The American Dream?

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

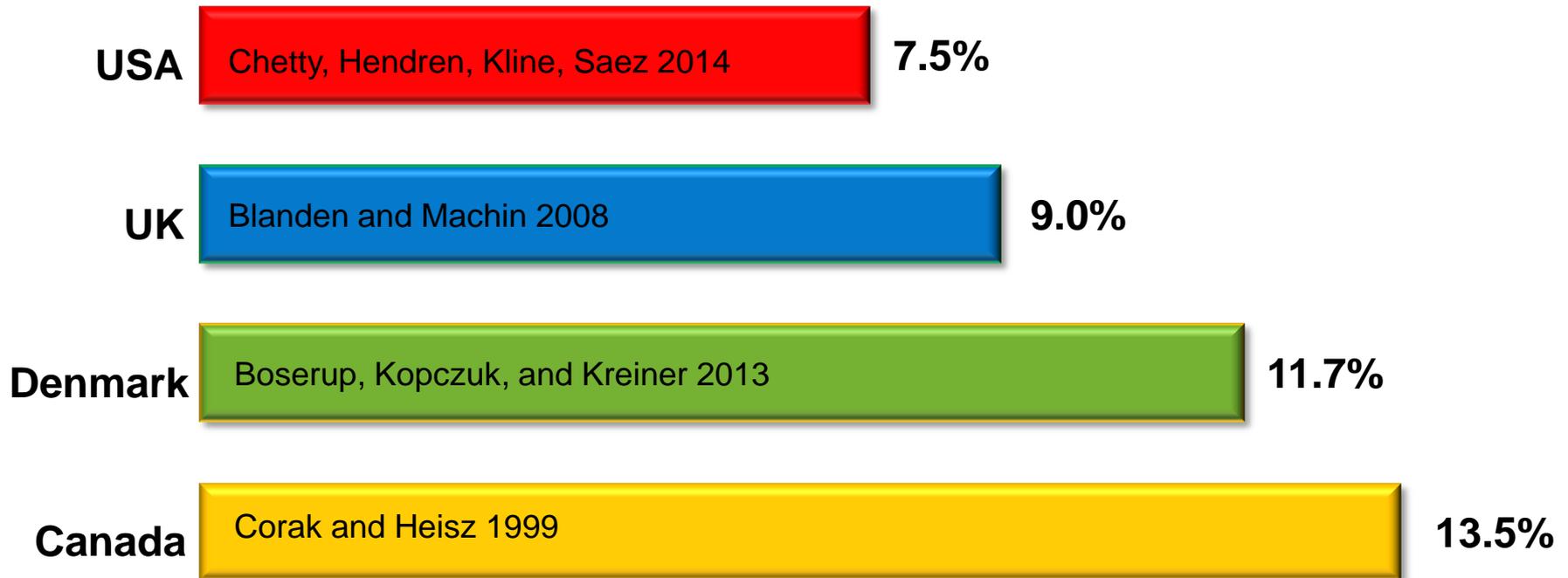
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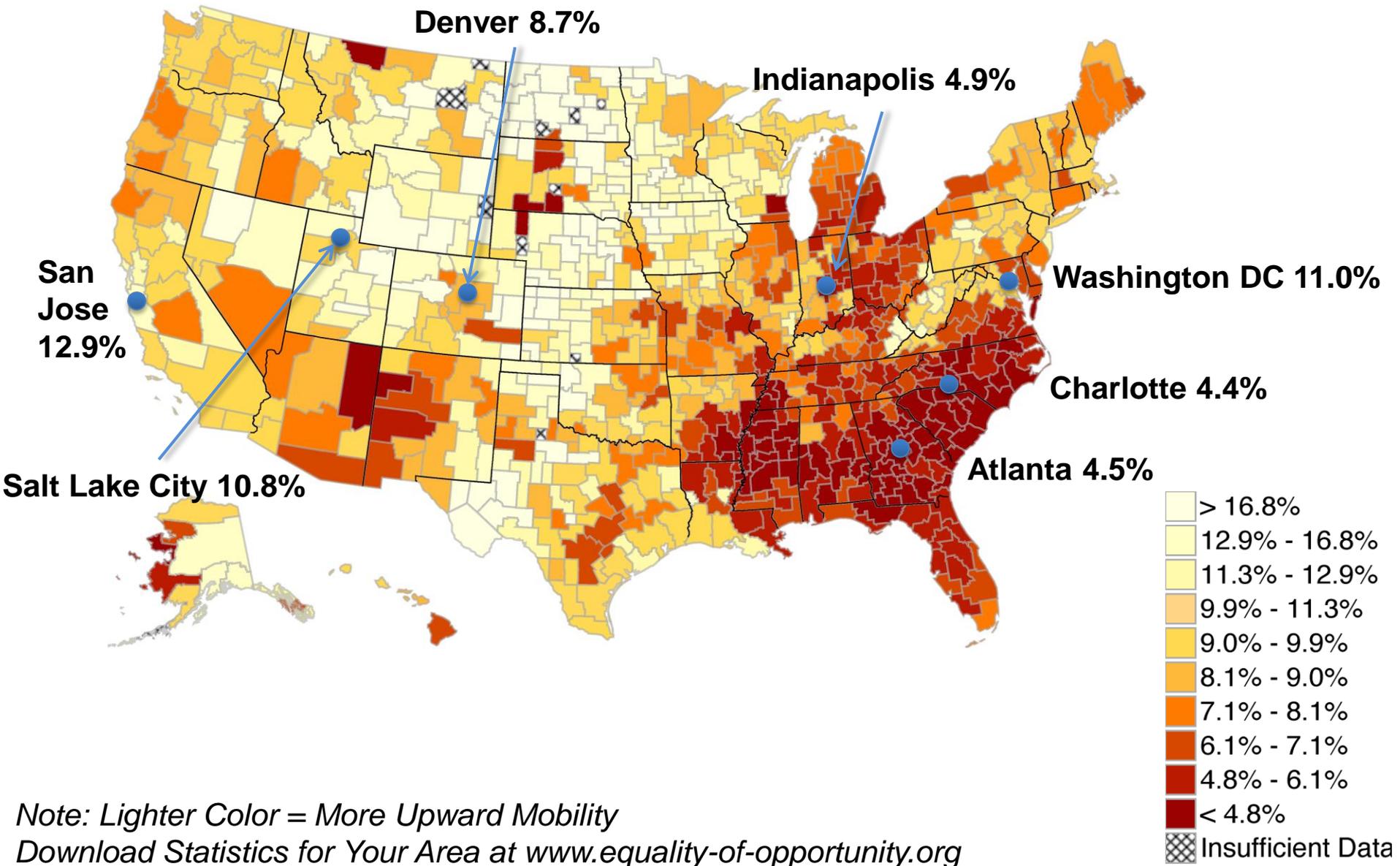
→ Chances of achieving the “American Dream” are almost two times higher in Canada than in the U.S.

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 40 million children and their parents

The Geography of Upward Mobility in the United States

Odds of Reaching the Top Fifth Starting from the Bottom Fifth



Why Does Upward Mobility Differ Across Areas?

- First clues: spatial variation emerges at early ages
- In high-mobility areas like Salt Lake City, children from low income families are
 - More likely to attend college
 - Less likely to have a teen pregnancy
- Points to factors that affect children *before* they start working

Why Does Upward Mobility Differ Across Areas?

- Further evidence for importance of childhood environment comes from families who move across areas
 - Childhood exposure effects: moving to an area with high upward mobility at a younger age increases earnings in adulthood [Chetty and Hendren forthcoming 2015]
 - Moving to Opportunity experiment: moving to low-poverty census tract at young age (<13) increases earnings in adulthood by 30% [Chetty, Hendren, and Katz forthcoming 2015]

Five Strongest Correlates of Upward Mobility

1. Segregation
2. Income Inequality
3. Family Structure
4. Social Capital
5. School Quality

Policy Lessons

1. Tackle social mobility at a local, not just national level
 - Focus on specific cities such as Atlanta or Baltimore and neighborhoods within such cities

Policy Lessons

1. Tackle social mobility at a local, not just national level
2. Improve childhood environment: neighborhoods and schools
 - Jobs matter, but ladders to opportunity start before children begin to work
 - Environment matters at all ages, not just earliest years

Policy Lessons

1. Tackle social mobility at a local, not just national level
2. Improve childhood environment: neighborhoods and schools
3. Harness big data to evaluate other policies scientifically and measure local progress and performance
 - Identify which areas are in greatest need of improvement and which policies work

An Opportunity and a Challenge

Metro Area	Odds of Rising from Bottom to Top Fifth
Dubuque, IA	17.9%
San Jose, CA	12.9%
Minneapolis, MN	8.5%
<i>US Average</i>	7.5%
Indianapolis, IN	4.9%
Atlanta, GA	4.5%

