

**NYU  
Furman  
Center**



# **Economic Mobility: Communities**

Ingrid Gould Ellen  
**Federal Reserve Community  
Development Research Conference**

April 2, 2015



## ECONOMIC MOBILITY: COMMUNITIES

# Key Strengths of Papers

- Rich, longitudinal data that follows individuals over time and identifies their neighborhoods.
- Long-run perspective.
- Methodological sophistication. Reliance on exogenous change in school resources.
- Important new evidence that neighborhoods and schools matter to upward economic mobility.

## ECONOMIC MOBILITY: COMMUNITIES

# Rob Sampson: Major Findings

- Neighborhood income status is persistent over time, at least at the extremes.
- Individuals rarely move from low-income to high-income neighborhoods or vice versa.
  - But moves to neighborhoods with slightly different incomes more common
- Stark and troubling racial inequality in neighborhood environments – which widened during the 2000s, at least in Chicago.



# Rucker Johnson: Major Findings

- Increases in school resources available to students during their K-12 years lead to increases in economic mobility.
- African-Americans who grew up after introduction of school desegregation were more likely to experience upward economic mobility than prior birth cohorts.
- Well-designed school finance reforms can increase spending in lower-income districts, and this increased spending can boost long-run economic success.

## ECONOMIC MOBILITY: COMMUNITIES

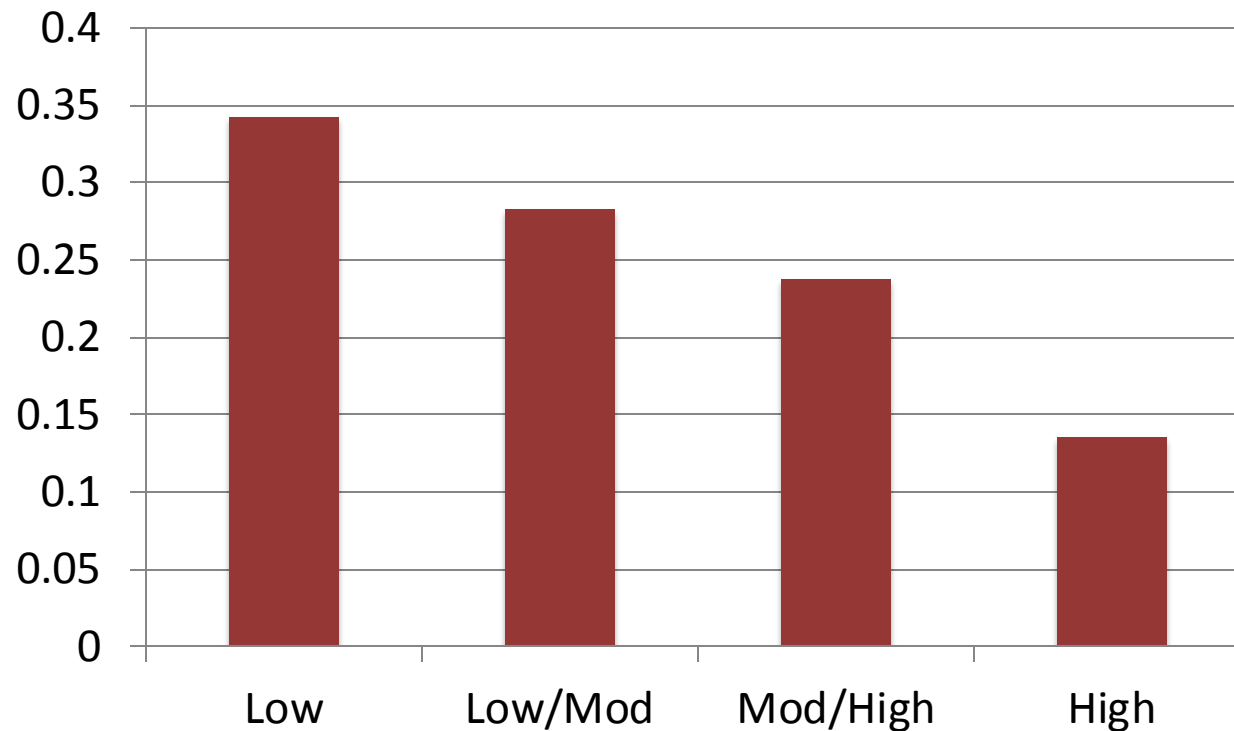
# Five Outstanding Questions for Policy

- How should policies respond to the low-income neighborhoods that see large increases in income?
- How do neighborhoods and schools shape the intergenerational mobility of Latinos?
- Why do neighborhoods matter? What improvements are most critical?
- Why do schools matter? What improvements are critical?
- How can housing policies foster economic and racial integration?



## ECONOMIC MOBILITY: COMMUNITIES

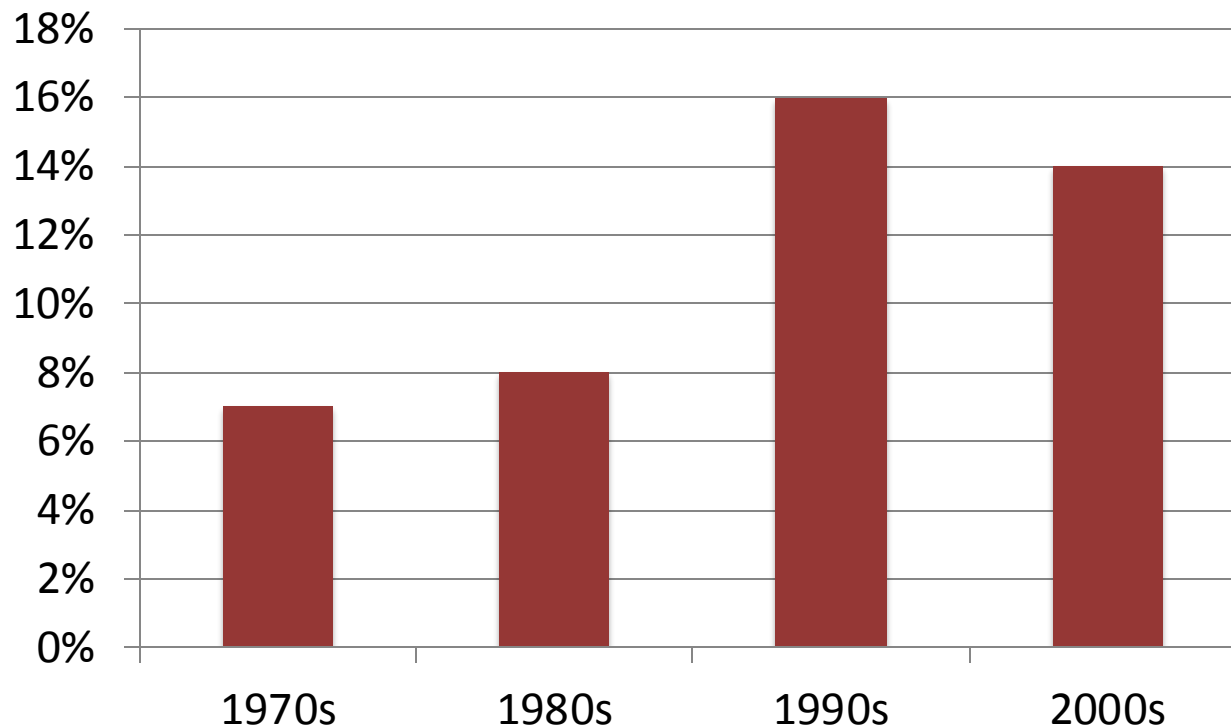
# Most Neighborhoods That Were Low-Income in 1950 Were in Higher Income Category in 2000



Source: Stuart Rosenthal, Old Homes, externalities, and poor neighborhoods  
*Journal of Urban Economics* 63(3): 2008

## ECONOMIC MOBILITY: COMMUNITIES

# Reversal of Fortunes: More Low-Income Tracts Are Now Experiencing Large Gains in Income



## ECONOMIC MOBILITY: COMMUNITIES

# Large City Variation: % of Low-Income Tracts Seeing Large Income Gains, 2000-2010





## ECONOMIC MOBILITY: COMMUNITIES

# Latino Families Live in Disadvantaged Neighborhood Environments

- Compared to white residents of MSAs, Latino residents live in neighborhoods with
  - Higher poverty
  - Fewer college-educated adults
  - Lower-performing schools
  - More violent crime



## ECONOMIC MOBILITY: COMMUNITIES

# New Research: Segregation Appears to Undercut Education/Labor Market Outcomes of Latinos

- Relative to whites, young Latino adults in more segregated metropolitan areas
  - Are less likely to graduate from high school
  - Are less likely to graduate from college
  - Are more likely to be idle
  - Enjoy significantly lower earnings



## **Why Do Neighborhoods/Schools Matter?**

- How can we best use resources to improve neighborhoods?
- Growing evidence that reducing violence may be the most critical improvement.
  - Quasi-experimental evidence from NYC and Chicago shows that children exposed to violent crime on their blocks score significantly lower on tests and effects persist and grow with additional exposure.
- How can we best use resources to improve teachers and schools?



# How Can Housing Policies Foster Integration?

- Regional collaboration among housing agencies.
- Voucher program reforms:
  - Introduce zip-code level fair market rents
  - Provide broader lists of voucher-friendly landlords
  - Provide families with more information about schools
  - Make moves to new jurisdictions easier
- Strategic use of place-based housing investments and affirmative marketing to encourage integration.



# **Dream Revisited**



**DISCUSSION 10**

## **Balancing Investments in People & Place**

The tenth discussion in the Dream Revisited debates the appropriate balance between investments to help low-income households move to neighborhoods that offer greater access to opportunity, and investments to improve the quality of life in low-income neighborhoods.

