



Center for
**HOUSEHOLD
FINANCIAL
STABILITY**[®]

Researching Family Balance Sheets to Strengthen
Families and the Economy | stlouisfed.org/hfs

Building Wealth & Economic Mobility

Key Research Findings and Ideas for San Antonio

Federal Reserve Bank of Dallas

October 27, 2017

Ray Boshara*

Senior Advisor; Director, Center for Household Financial Stability

Federal Reserve Bank of St. Louis | www.stlouisfed.org/hfs

**These are my own views, and not necessarily the views of the Federal Reserve Bank of St. Louis, Federal Reserve System, or the Board of Governors*



Overview of Remarks

Context & Key Message

- I. What We've Learned About Wealth
- II. What We've Learned About Economic Mobility
- III. What Moves the Needle/Ideas for Moving Forward

Wealth Matters in Unique Ways, But Wealth-Building Policies Have Not Been Inclusive

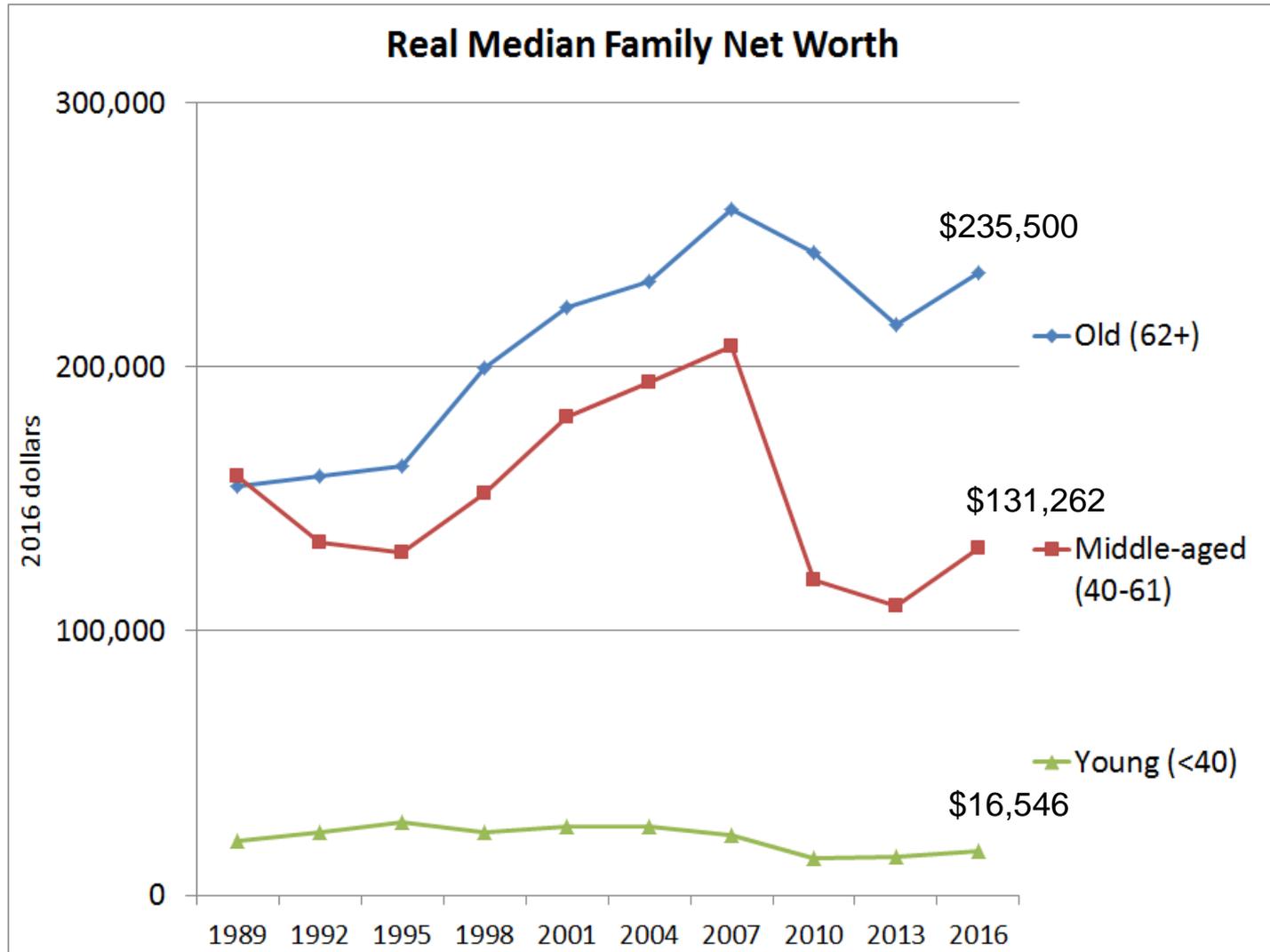


- Assets matter for economic security and upward economic mobility in ways income does not.
- Holding assets is associated with distinct social, psychological, emotional, child well-being, health, and civic outcomes.
- The U.S. has a long history of promoting property ownership, but many families have been and remain excluded from these policies, contributing to wealth inequality.



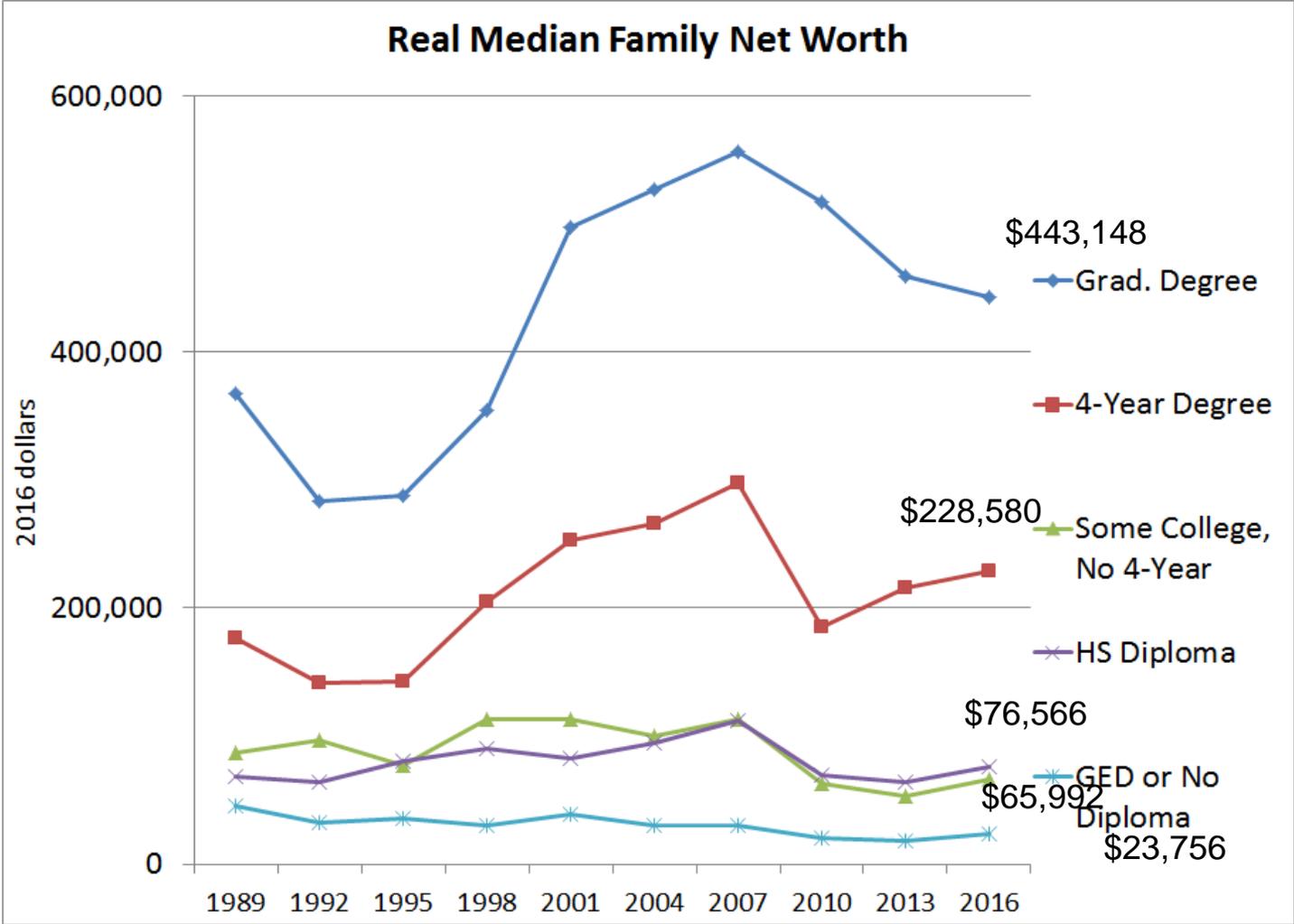
Age / Birth Year

Source: Emmons and Ricketts analysis of 2016 Survey of Consumer Finances of the Federal Reserve Board



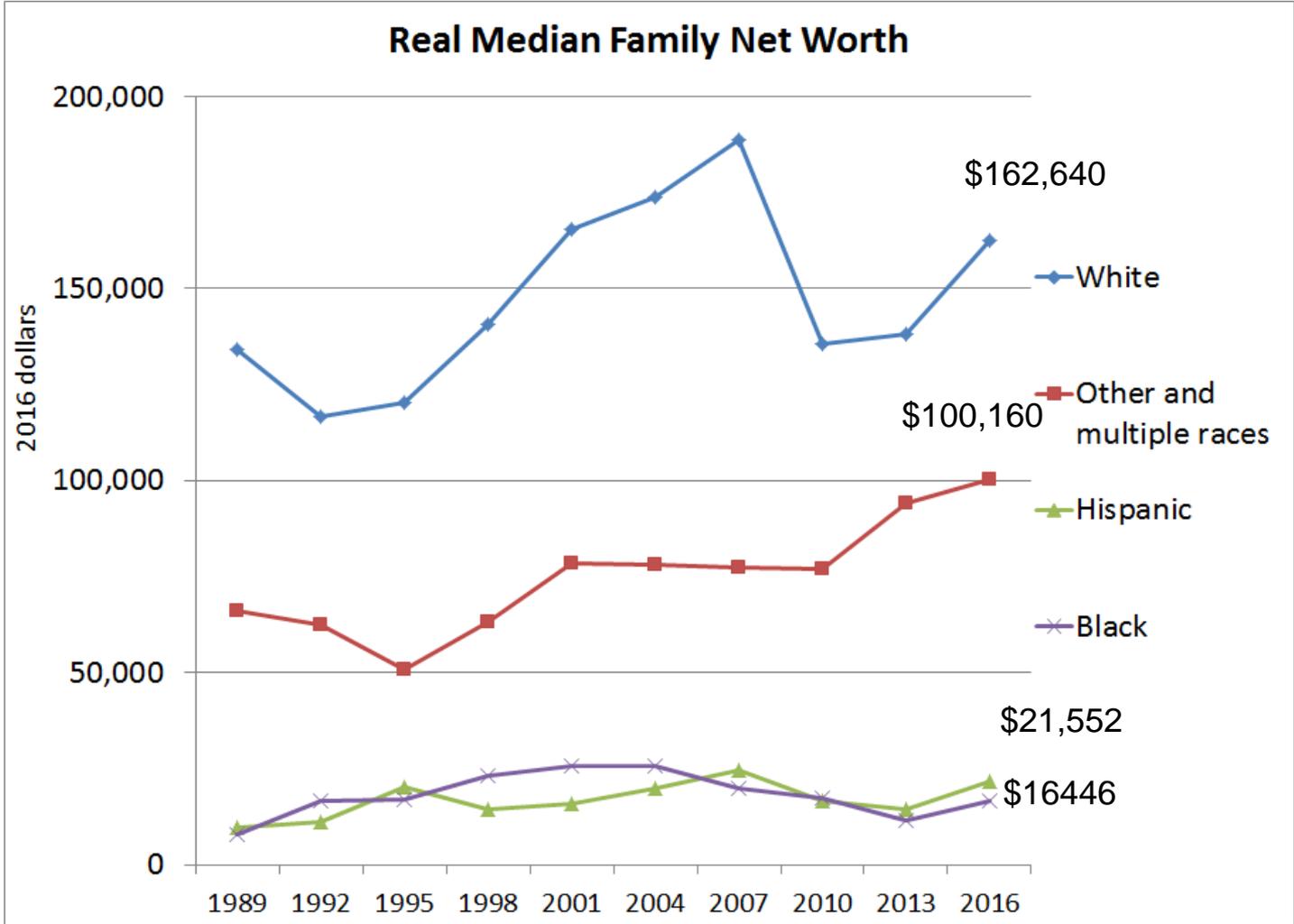
Education

Source: Emmons and Ricketts analysis of 2016 Survey of Consumer Finances of the Federal Reserve Board



Race & Ethnicity

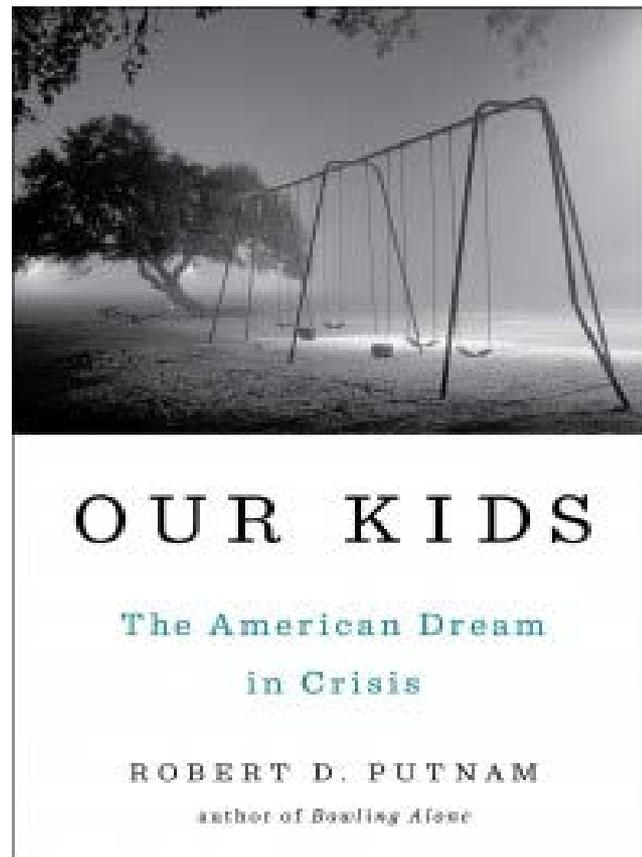
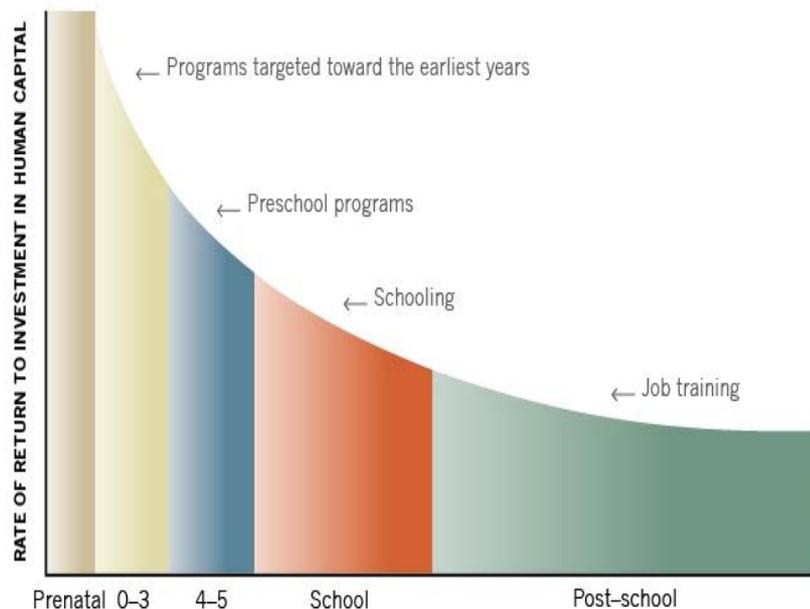
Source: Emmons and Ricketts analysis of 2016 Survey of Consumer Finances of the Federal Reserve Board



Early Investments Matter

Returns on Human Capital Investments (James Heckman)

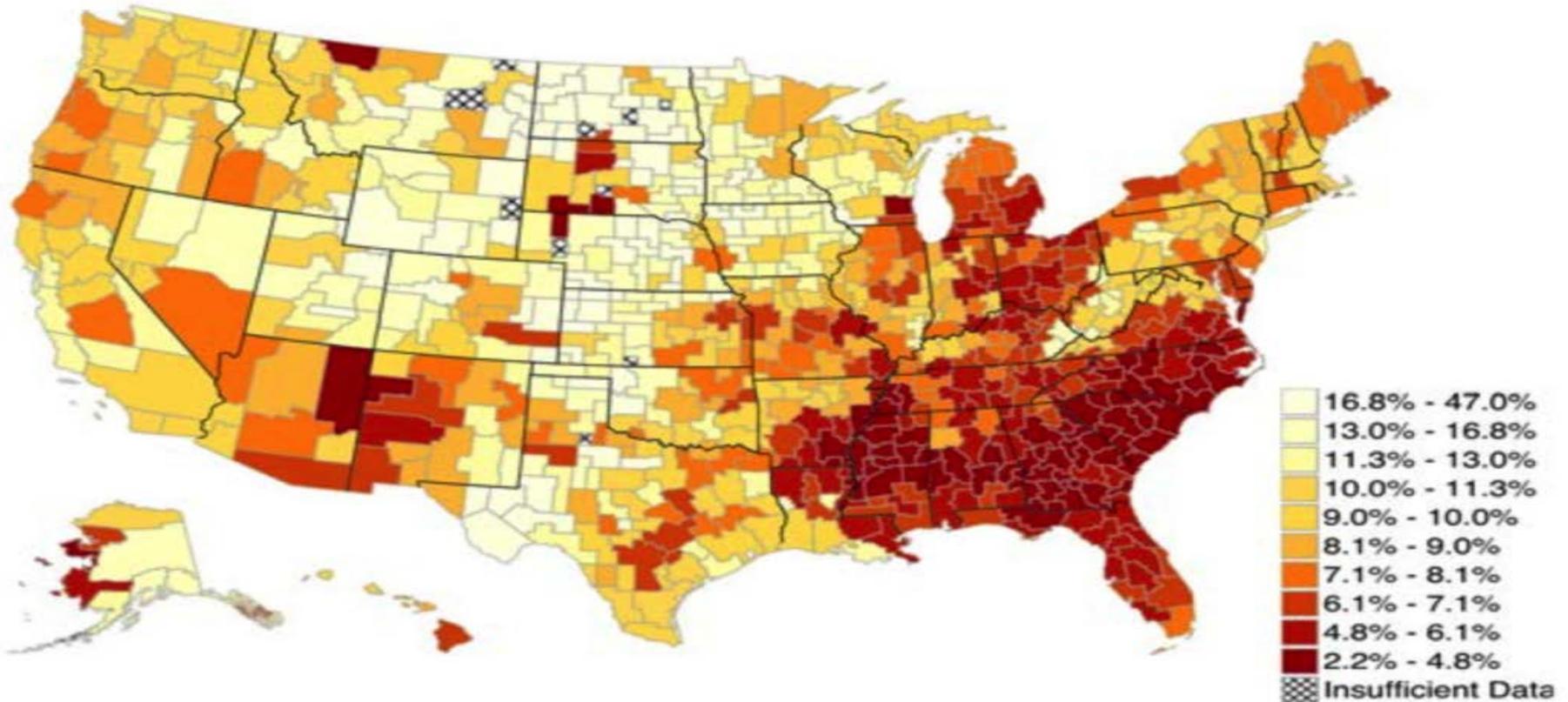
Returns to a Unit Dollar Invested



Place Matters

Probability of Reaching Top Quintile from Bottom Quintile

Raj Chetty et al., Equality of Opportunity Project, Harvard



Corr. with baseline $\bar{r}_{25} = 0.91$ (unweighted), 0.92 (pop-weighted)

Immediate: Build Financial Stability

“It takes very little to upset stability. One blown out tire, one sick kid. Do I have to miss work? Will I lose my job? People live on the knife edge.”

– Councilwoman Patti Radle, as quoted by Melissa Fletcher Stoeltje, San Antonio Express News, January 6, 2017

“For my clients, every day is a rainy day.”

– SueZanne Bishop
Kansas Legal Services,
February 2017

- The balance sheets of struggling families share three characteristics:
 1. Too much wealth in homeownership
 2. Too much debt
 3. Too little savings/liquidity
- Having liquid assets, even if less than \$2,000, is associated with lower incidence of various financial hardships, such as missed payments, foregone medical care, and food insecurity. And families with nonretirement savings of between \$250 and \$749 are less likely to be evicted, miss a housing or utility payment, or receive public benefits when income disruptions occur (Urban Institute, 2011, 2016)
- Of all the factors examined, disparities in financial well-being are greatest between subgroups that have different levels of liquid savings (CFPB, 2017)

Intermediate: Invest in Teachers & Schools

“Among the factors correlated with mobility discussed above, improvements in the quality of education have the clearest causal effects on upward mobility. For example, in a study that tracked more than 1 million children from childhood to early adulthood, we find that better teachers – as measured by test-score based value-added metrics – substantially increase students’ earnings and college attendance rates. We estimate that an excellent teacher generates more than \$1.4 million of earnings gains for a single classroom of students over their lives.”

— Chetty, Friedman, & Rockoff,
2014

“Schools—and policies that influence their optimal functioning—are transformative agents that either provide or deprive children of the opportunity to reach their full potential. These equal educational opportunity policies were instrumental in the making of a growing black middle class. The evidence shows that the footprints of paths toward upward mobility are preceded by access to high quality schools beginning in early childhood through 12th grade. These school reforms expanded on-ramps to poor and minority children to get on that path. Evidence on the long-term productivity of education spending demonstrates that equal education policy initiatives can play a pivotal role in reducing the intergenerational transmission of poverty.”

— Rucker Johnson, 2017

Longer-term: Make Early Childhood Investments

Early Environments

Roland Fryer finds that:

- Black-white test score gaps were non-existent between ages 0-1, but black children fall quickly behind after that.
- By age 2, substantial gaps exist, largely due to the cumulative effect of different early age environments.

Fryer, James Heckman, Robert Putnam, Raj Chetty, Michael Sherraden, Isabelle Sawhill and others find that the earlier in life a child...

- is read to
- receives good nutrition
- faces less toxic stress
- attends an early-education program
- is exposed to a good neighborhood
- attends a high-performing school
- is raised by two parents, and
- has assets in the home

...the better that child will turn out as an adult.

Early Assets

- Can address age, race, and education disparities, and promote financial inclusion
- Typically established at birth or when a child enters kindergarten
- Universal (for all kids) and progressive (more for the poor)
- Over 40 programs/policies in the U.S., some state- and city-wide
- Research shows positive impacts on child development, maternal health, future orientation, college outcomes, etc.