Intergenerational Mobility

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The Fading American Dream





Source: The Fading American Dream: Chetty et al. (2017).

The Fading American Dream

Children used to earn more than their parents - not any more. Why?

- 1. Slowing income growth productivity slowdown.
- 2. Rising income inequality the poor saw no income growth since the 1960s.
- Falling mobility only 7% of those in the bottom quintile have children in the top quintile. Canada: 13%

Intergenerational Mobility



Source: The Opportunity Atlas: Chetty et al. (2018); opportunityinsights.org/wp-content/uploads/2018/10/atlas_slides.pdf

Massive Geographic Heterogeneity



Source: The Opportunity Atlas: Chetty et al. (2018).

By Race: Men

FIGURE 4

Two Americas: The Geography of Upward Mobility for Black Versus White Men: Average Household Income for Men with Parents Earning \$27,000 (25th percentile)



Note: Blue = More Upward Mobility, Red = Less Upward Mobility

Source: Race and Economic Opportunity: Chetty et al. forthcoming.

Upward mobility for white men, but not for black men.

By Race: Women

THE Geography of Upward Mobility for Black Versus White *Women*: Average Household Income for Women with Parents Earning \$27,000 (25th percentile)



Note: Blue = More Upward Mobility, Red = Less Upward Mobility

Source: Race and Economic Opportunity: Chetty et al. forthcoming.

Racial differences are much stronger for men than for women.

Very Narrow Geographic Areas Matter

Incarceration Rates for Black Men, Watts and Compton: 2010 Census



Source: The Opportunity Atlas: Chetty et al. (2018).

One census track (about 4,000 persons).

Compton vs. Watts:

very close geographically, but very different outcomes

FIGURE 6

Correlates of upward mobility

Characteristics of households in the census tract:

average income, education

Availability of nearby jobs seems not to matter.

These effects are extemely local

- your census tract matters
- what neighboring tracts look like matters little
- what matters lies within about a half-mile radius

Moving to Opportunity

RCT that gives rent subsidies to randomly chosen families who move to different neighborhoods.

- treatment group: must move to higher income neighborhoods
- control group: can move anywhere

Outcome: Children's earnings later as adults.

Establishes the causal effect of neighborhoods on adult outcomes. Result: the effects are massive.

MTO for young children

FIGURE 17

Movers' Income Ranks Versus Mean Ranks of Children in Destination for Children Who Move at





Source: The Opportunity Atlas: Chetty et al. (2018); https://opportunityinsights.org/wp-content/uploads/2018/10/atlas_ slides.pdf

 ${\sf x}$ axis: difference in neighborhood income rank (due to move) y axis: child earnings (as adult)

The point: the children get 80% of the benefits of those born in richer neighborhoods.

Older children benefit less.

Identify inexpensive places that generate upward mobility. Encourage families to move.





Chetty, R. (2021): "Improving Equality of Opportunity: New Insights from Big Data," *Contemporary Economic Policy*, 39, 7–41, __eprint: https://onlinelibrary.wiley.com/doi/pdf/10.1111/coep.12478.