

## Intergenerational Social Mobility Varies by Region

A [new study](#) [8] to be published this week summarizes one of the largest efforts yet to examine the social, political, and economic factors affecting intergenerational mobility, [The New York Times reported today](#) [9]. The authors of the study—professor of economics [Raj Chetty](#) [10], assistant professor of economics [Nathaniel Hendren](#) [11], and [Patrick Kline](#) [12] and [Emmanuel Saez](#) [13] of UC, Berkeley—used millions of anonymous earnings records to show that income mobility displays strong geographical variation linked to local community structure and spending.

Children growing up in low-income households in the Northeast, Great Plains, and West tended to have higher incomes at age 30 than their counterparts in the Southeast and Midwest, according to the *Times* and the authors' [executive summary](#) [14], and these trends held mostly stable across differences in cost of living and recent economic growth. Based on a *Times* interactive graphic of the authors' findings, a child growing up in Atlanta in a household at the tenth percentile of national income (about \$16,000 a year today) would, on average, be at the thirty-first percentile (approximately \$37,000) at adulthood. In contrast, a child from a comparable household in Seattle, a city with a similar average income, would on average reach the fortieth percentile (\$48,000), an outcome similar to that in the Boston area. Overall, the *Times* notes, income mobility is less in the United States than in other wealthy nations.

The authors had set out to study whether tax expenditures like the Earned Income Tax Credit achieve the stated goal of lifting children out of poverty. Their results were mixed. As the *Times* reports, redistributive policies—tax credits for the poor and higher taxes on the wealthy—seemed to have only modest effects on improving mobility. On the other hand, higher local taxes (effective federal expenditures, as they can be deducted from federal income taxes) showed a significant correlation to income mobility.

The reason might lie in some of the authors' other findings. Higher-quality K-12 education showed a strong correlation with mobility, as did better metrics of social capital, civic engagement, and family structure. Structural and physical factors also played an important role: areas with greater economic and racial segregation, which might make job searches and commuting more difficult for residents of poor regions, also tended to have lower income mobility.

The recent work adds to a growing dialogue about how spatial and geographical factors affect community structure, and in turn economic outcomes. Since the 1987 publication of *The Truly Disadvantaged* by Geysers University Professor [William Julius Wilson](#) [15], the concept of concentrated poverty has heavily influenced how sociologists interpret the impact of economic policies (see "[The Urban Jobs Crisis](#) [16]"). Sociologists like Ford professor of the social sciences [Robert J. Sampson](#) [17] continue to study neighborhood and place-based effects (see "[The Persistence of Place](#) [18]"), and the new study reinforces the idea that dispersal of the middle class in mixed-income neighborhoods can have a strong effect on alleviating poverty. Likewise, the study's emphasis on civic engagement and social capital echoes the thesis of [Robert D. Putnam's](#) [19] famous *Bowling Alone: The Collapse and Revival of American Community* (the Malkin professor of public policy [was recently awarded the National Humanities Medal](#) [20]; see also "[American Society Unglued?](#) [21]").

The new study also reinforces Chetty's earlier work on the importance of education, which found that better teachers had lasting, measurable effects on student outcomes in metrics from teenage pregnancy and college matriculation rates to adult income (see "[Kindergarten Matters](#) [22]" and "[Raj Chetty and Colleagues Release Controversial Education Study](#) [23]"). Chetty has gained widespread recognition for his use of large, longitudinal

datasets to examine the social and economic impact of public-policy decisions and recently won a [MacArthur “genius grant,”](#) [24] in addition to being awarded the American Economic Association’s John Bates Clark Medal as the best academic economist under age 40.

Raj Chetty



## ANALYSIS

AIR DATE: July 24, 2013

# New Report Reveals Where You Live and Work Affects Your Economic Mobility

Transcript of PBS/NewsHour program in which the senior author, Raj Chetty, is interviewed about this study.

*Listen* to the audio of this interview here:

[http://www.pbs.org/newshour/rss/media/2013/07/24/20130724\\_inequality.mp3](http://www.pbs.org/newshour/rss/media/2013/07/24/20130724_inequality.mp3)

*View* the video of the interview here:

[http://www.pbs.org/newshour/bb/nation/july-dec13/inequality\\_07-24.html](http://www.pbs.org/newshour/bb/nation/july-dec13/inequality_07-24.html)

## SUMMARY

**Children of low-income families in certain communities are more likely to move up the economic ladder than others, says a new report by Harvard University and University of California, Berkeley. Jeffrey Brown talks to co-author Raj Chetty, Harvard professor of economics, for more on their portrait of American social mobility.**

**JEFFREY BROWN:** And now we pick up on a key economic theme raised by the president today and many others in recent times: increasing inequality.

Many factors are involved in determining the potential for upward mobility, but a new study has highlighted what turns out to be a hugely important one: geographical location. For instance, a child born in poverty in Atlanta or Charlotte has roughly a 4 percent chance of rising to the top fifth of income earners, while odds of a similar climb for a child born in Salt Lake City or San Francisco are over 11 percent.

It also found that geography mattered less for well-off children than for middle-class or poor ones.

One of the study's co-authors joins us now, Raj Chetty, professor of economics at Harvard University.

Well, welcome to you.

Let's begin with how you define economic mobility. What does that mean and how is it measured?

**RAJ CHETTY**, Harvard University: So, we define economic mobility as the odds that a child from a low-income family moves up in the income distribution.

So, for instance, a child growing up in a family in the bottom fifth of the income distribution, what's the chance that that child reaches the top fifth, for instance?

**JEFFREY BROWN**: And this -- so it's the American dream, so to speak, of upward mobility is what you're looking at?

**RAJ CHETTY**: That's exactly right.

The idea is to try to measure, is the American dream alive and how does it vary across areas of the U.S.?

And what we're finding, basically, is that the classic question is America the land of opportunity might not actually be the right question to ask, because there are some places in America that are well-described as lands of opportunity, where children from low-income families have a high probability of succeeding.

But there are other places that are better described as, unfortunately, lands of persistent inequality, where generation after generation, we see persistent poverty.

**JEFFREY BROWN**: Well, were you surprised by the results of what you found? And explain how geography does come to work as a factor.

**RAJ CHETTY**: Yes. I think we were quite surprised because we weren't expecting to find so much variation within the U.S.

There's been a lot of talk in the media and in academic research about how the U.S. now has lower rates of mobility than other developed countries, such as European countries Denmark and Sweden and so forth.

What we were quite surprised by is that there are places within the U.S. comparable with rates of mobility that are comparable to Denmark and Sweden, and then there are other places that have rates of upward mobility that are lower than any other rich country for which we have data today.

And so you were giving some examples. Salt Lake City, San Jose, these are places that are at the very top in terms of upward mobility. Other cities like Charlotte, Raleigh, N.C., Atlanta, all generally quite vibrant economies, actually, in the U.S., nevertheless have relatively low rates of upward mobility.

**JEFFREY BROWN**: Well, so if they're all vibrant economic locations, as you say, what are the factors that make them different?

**RAJ CHETTY**: Yes, that's a great question. So, that's something we're trying to investigate. We have a bunch of hypotheses for which we have some correlational evidence at this point.

We don't know exactly what the key causal factors are, but some of the channels that appear to potentially be important are the levels of inequality within the area, so how much difference is there between the high -- higher incomes and lower incomes within a given city, picking up on a theme the president talked about earlier today.

Also, what appeared to be fairly important is the amount of segregation in the area. So a city like Atlanta, for example, lower-income individuals are not living in neighborhoods with -- that are well-integrated with higher-income families. And that we found was a common characteristic of the cities that had lower rates of upward mobility.

We also found correlations with -- perhaps not surprisingly -- the quality of local schools and also various factors that are related to family structure, so the fraction of two-parent families in an area, and measures of civic engagement and religiosity, the cohesiveness of the community, if you would like.

**JEFFREY BROWN**: And within a given city, you do see differences in terms of upward mobility?

**RAJ CHETTY**: So we're focusing on differences in upward mobility across cities.

Our statistics don't allow us to study differences within a city. And so what we're doing is comparing 740 different regions of the U.S. We break up the U.S. into 740 subregions and we're comparing across those areas.

**JEFFREY BROWN:** I'm curious, now, how did you come to focus on geography in the first place? What were the questions that you and your colleagues were asking?

**RAJ CHETTY:** Yes.

So the way we came at this, I think, is we wanted to get a better picture of what the determinants of equality of opportunity are in America. And our view was that potentially we could learn quite a bit if there was variation across places within America.

So the idea is, if we can find out what it is that places like Salt Lake City and San Jose and Boston have that are generating these high rates of upward mobility, maybe we can figure out the key factors that are going to increase rates of upward mobility in Atlanta and in Charlotte and in other places in the U.S. that aren't at the moment having high rates of upward mobility.

**JEFFREY BROWN:** Well, that leads to the next question, is how -- do we know how locked in a city is once it's in a certain place, whether for good or ill, whether it can move up?

**RAJ CHETTY:** Yes. So, that's a fascinating question to think about going forward.

My own view is that it's unlikely that any city is totally locked in. I'm optimistic that there are things one can do to change the level of mobility. We have some hypotheses about what these are. So, for instance, if we think it's something related to school quality, we have done some prior work in our research team, which I discussed earlier on the NewsHour, showing that the quality of teachers and the quality of schools can have very important long-term impacts.

And that's an area in which we can make concrete strides to try to improve school quality in areas that don't have as good schools at the moment. And I think that's the type of thing one could do to try to increase rates of upward mobility throughout the U.S.

**JEFFREY BROWN:** And does the data tell you now or is this something you look at whether the problem is getting worse? Does it point to this country as even more of a class society than we have thought of in the past?

**RAJ CHETTY:** So our data at the moment basically provide a snapshot of children who were born in the 1980s and whom we're seeing at age 30 today.

We don't have enough data at the moment to look at changes over time. But going forward, the great thing about having statistics like this to do research is that you have the prospect of understanding how things are changing and figuring out which cities are getting better and learning more about how we can make the other cities even better going forward.

**JEFFREY BROWN:** All right, Raj Chetty of Harvard University, thank you very much.

**RAJ CHETTY:** Thank you. It's my pleasure.

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*The Atlantic* magazine

## Are the Suburbs Where the American Dream Goes to Die?

New research shows upward mobility is higher in denser cities

[Matthew O'Brien](#) Jul 23 2013, 6:42 PM E

Source:

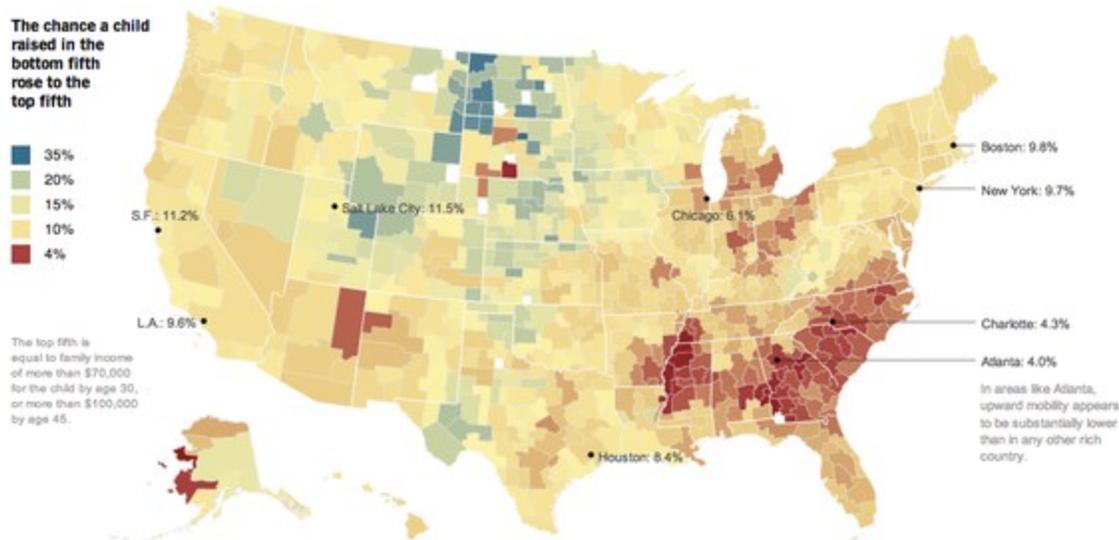
<http://www.theatlantic.com/business/archive/2013/07/are-the-suburbs-where-the-american-dream-goes-to-die/278014/>



Rumors of the [American Dream's demise](#) have been greatly exaggerated -- at least in parts of America.

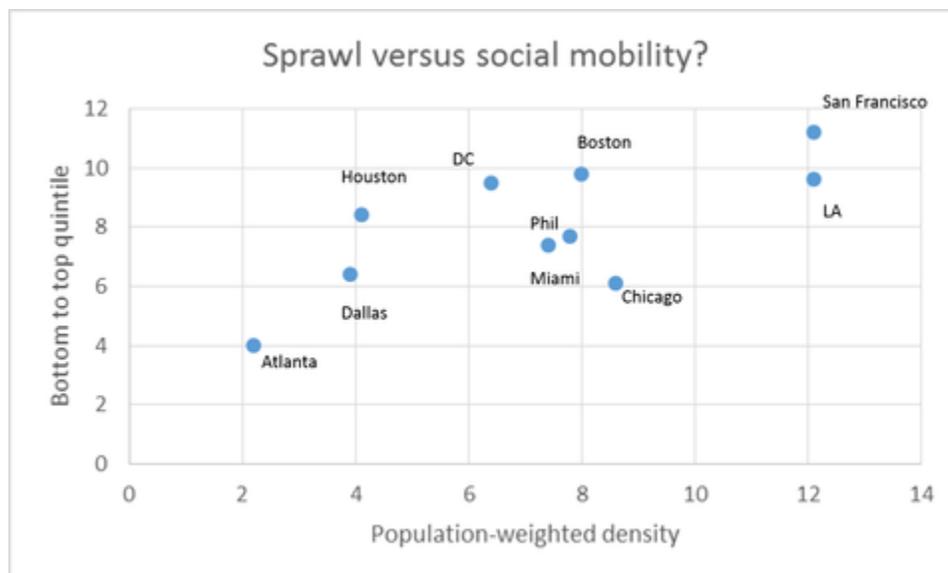
That's the message of a [new study](#) that looks at the connection between geography and social mobility in the United States. It turns out modern-day Horatio Algiers have just as much a chance in much of the country as they do anywhere else in the world today. But if you want to move up, don't move to the South. As you can see

in the chart below from [David Leonhardt's](#) write-up in the *New York Times*, the American Dream is on life support below the Mason Dixon line.



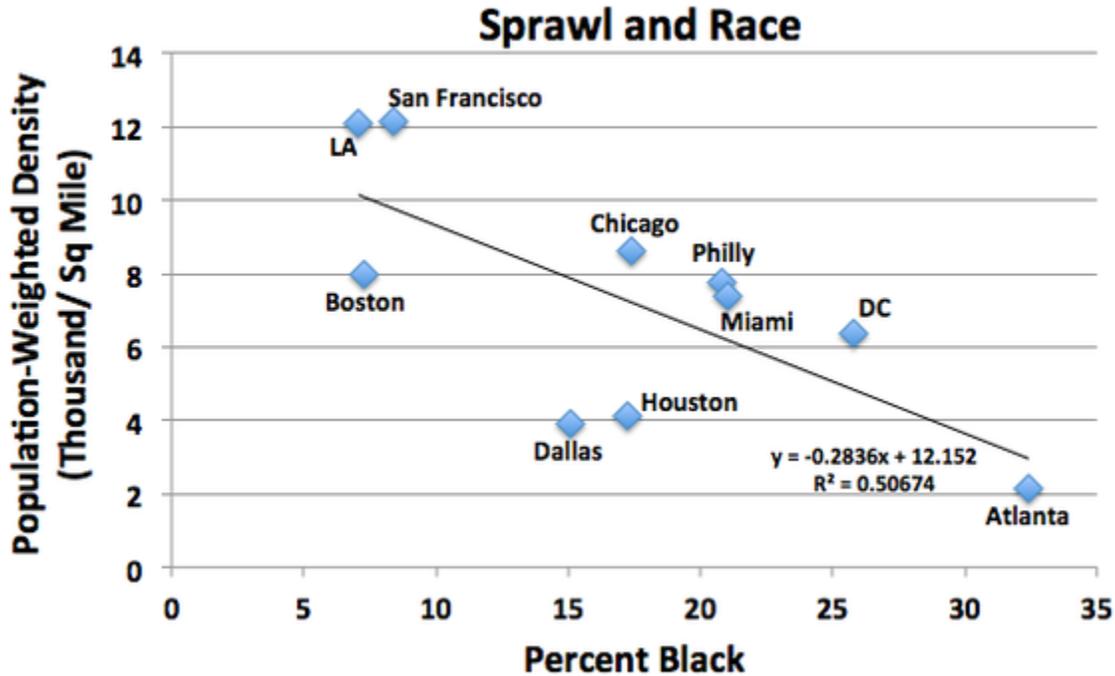
So why does a kid from the bottom fifth in the South or the Rust Belt have such a hard time making it to the top fifth? It's not how progressive local taxes are. Or the cost of college. Or how unequal a place is. At least not much. The research team of Raj Chetty and Nathaniel Hendren of Harvard and Patrick Kline and Emmanuel Saez of the University of California-Berkeley found that these factors only correlated slightly with a region's social mobility. What seems to matter more is the amount of sprawl, the number of two-parent households, the quality of elementary and high schools, and how involved people are in things like religious and community groups.

The suburbs didn't quite kill the American Dream, but a particular type did. That's the low-density and racially-polarized suburbs that have defined places like Atlanta. Indeed, as you can see in the chart below from [Paul Krugman](#), there's a noticeable relationship between a metro area's density and its social mobility.



As usual, the elephant in the room here is race. So let's address it: the researchers found that the larger the black population, the lower upward mobility. But on closer inspection, this has something to do with population density too. I went back to the [Census data](#), and looked at the same ten cities Krugman did, but this time I

compared their population-density ratios and the percent of their population that's black. There isn't nearly a perfect relationship -- look at Boston or Dallas or Houston -- but there *is* a relationship.



Now, it's not that suburbs outside the South and Rust Belt are some kind of integrated utopia -- far, *far* from it -- but rather that density changes things. Well-off whites who work in the city and live close by have an interest in paying for the kind of public goods, like mass transit, that benefit everybody. Well-off whites who live far away don't. Atlanta, of course, is the prototypical case here: [going back to the 1970s](#), it's under-invested in public transit, because car-driving suburbanites haven't wanted to pay for something they think only poor blacks would use (to come, they fear, to their lily-white cul-de-sacs). Even last year, a compromise bill that would have increased the sales tax by 1 percentage points for 10 years to pay for expanded roads and railways in the always-congested city [got voted down](#). This malign neglect of infrastructure keeps low-income people from living near or commuting to better jobs -- and that's not a race issue. Indeed, the researchers also found that whites and blacks in Atlanta both have a hard time moving up. In other words, racial polarization might spur sprawl, which makes cities less likely to invest in their infrastructure -- and underfunded infrastructure hurts low-income people of all races.

Of course, the story of mass transit isn't just a story about race. There's plenty else going on. Sprawl happens in the Sun Belt, because it can. There's more land. And coastal cities are denser, because they have to be -- though even then, they don't always build better infrastructure. Just look at Los Angeles. But for whatever the reason, upward mobility has a local flavor. And that means part of the solution will too. As [Reihan Salam](#) argues, loosening zoning restrictions and building out public transit would let cities become denser and more livable. Both, of course, die a thousand NIMBY deaths in a thousand different cities.

There's an old vision of the American Dream that is obsolete, and has been for quite awhile. That's Thomas Jefferson's idea of a nation of self-sufficient farmers -- an agrarian republic. Over time, as people left the countryside for the cities during the Industrial Revolutions, this vision morphed: it became a nostalgia for (and even snobbery of) small towns. It's a vision that Republicans still cling to. Remember when Sarah Palin talked about "[real America](#)"? Or when Republicans warned that [high-speed rail](#) and [bike lanes](#) were some kind of socialist plot? It's a vision of America at odds with the American Dream today.

It turns out the best place to pursue happiness -- and a career -- is in the city.



## WHERE IS THE LAND OF OPPORTUNITY? THE GEOGRAPHY OF INTERGENERATIONAL MOBILITY IN THE U.S.



Raj Chetty, Nathaniel Hendren, Patrick Kline, and Emmanuel Saez

The United States is often hailed as the “land of opportunity,” a society in which a child's chances of success depend little on her family background. Is this reputation warranted? We show that this question does not have a clear answer because there is substantial variation in intergenerational mobility across areas within the U.S. The U.S. is better described as a collection of societies, some of which are “lands of opportunity” with high rates of mobility across generations, and others in which few children escape poverty.

We present a new portrait of social mobility in the U.S. by compiling statistics from millions of anonymous earnings records. Our core sample consists of all children in the U.S. born between 1980-82, whose income we measure in 2011-12, when they are approximately 30 years old.

Using these income data, we calculate two measures of intergenerational mobility. The first, *relative mobility*, measures the difference in the expected economic outcomes between children from high-income and low-income families. The second, *absolute upward mobility*, measures the expected economic outcomes of children born to a family earning an income of approximately \$30,000 (the 25<sup>th</sup> percentile of the income distribution).

We construct measures of relative and absolute mobility for 741 “commuting zones” (CZs) in the United States. Commuting zones are geographical aggregations of counties that are similar to metro areas but also cover rural areas. Children are assigned to a CZ based on their location at age 16 (no matter where they live as adults), so that their location represents where they grew up. When analyzing local area variation, we rank both children and parents based on their positions in the national income distribution. Hence, our statistics measure how well children do relative to those in the nation as a whole rather than those in their own particular community.

We find substantial variation in mobility across areas. To take one example, children from families at the 25<sup>th</sup> percentile in Seattle have outcomes comparable to children from families at the median in Atlanta. Some cities – such as Salt Lake City and San Jose – have rates of mobility comparable to countries with the highest rates of relative mobility, such as Denmark. Other cities – such as Atlanta and Milwaukee – have lower rates of mobility than any developed country for which data are currently available.

Next, we analyze what drives the variation in social mobility across areas. The spatial patterns of the gradients of college attendance and teenage birth rates with respect to parent income across CZs are very similar to the pattern in intergenerational income mobility. The fact that much of the spatial variation in children's' outcomes emerges before they enter the labor market suggests that the differences in mobility are driven by factors that affect children while they are growing up.

We explore such factors by correlating the spatial variation in mobility with observable characteristics. We begin by showing that upward income mobility is significantly lower in areas with larger African-American populations. However, white individuals in areas with large African-American populations also have lower rates of upward mobility, implying that racial shares matter at the community (rather than individual) level. One mechanism for such a community-level effect of race is segregation. Areas with larger black populations tend to be more segregated by income and race, which could affect both white and black low-income individuals adversely. Indeed, we find a strong negative correlation between standard measures of racial and income segregation and upward mobility. Moreover, we also find that upward mobility is higher in cities with less sprawl, as

measured by commute times to work. These findings lead us to identify **segregation** as the first of five major factors that are strongly correlated with mobility.

The second factor we explore is **inequality**. CZs with larger Gini coefficients have less upward mobility, consistent with the “Great Gatsby curve” documented across countries (Krueger 2012, Corak 2013). In contrast, top 1% income shares are not highly correlated with intergenerational mobility both across CZs within the U.S. and across countries. Although one cannot draw definitive conclusions from such correlations, they suggest that the factors that erode the middle class hamper intergenerational mobility more than the factors that lead to income growth in the upper tail.

Third, proxies for the quality of the K-12 **school** system are also correlated with mobility. Areas with higher test scores (controlling for income levels), lower dropout rates, and smaller class sizes have higher rates of upward mobility. In addition, areas with higher local tax rates, which are predominantly used to finance public schools, have higher rates of mobility.

Fourth, **social capital** indices (Putnam 1995) -- which are proxies for the strength of social networks and community involvement in an area -- are very strongly correlated with mobility. For instance, high upward mobility areas tend to have higher fractions of religious individuals and greater participation in local civic organizations.

Finally, the strongest predictors of upward mobility are measures of **family structure** such as the fraction of single parents in the area. As with race, parents' marital status does not matter purely through its effects at the individual level. Children of married parents also have higher rates of upward mobility if they live in communities with fewer single parents.

We find modest correlations between upward mobility and local tax and government expenditure policies and no systematic correlation between mobility and local labor market conditions, rates of migration, or access to higher education.

We caution that all of the findings in this study are correlational and cannot be interpreted as causal effects. For instance, areas with high rates of segregation may also have other characteristics that could be the root cause driving the differences in children's outcomes. What is clear from this research is that there is substantial variation in the United States in the prospects for escaping poverty. Understanding the properties of the highest mobility areas – and how we can improve mobility in areas that currently have lower rates of mobility – is an important question for future research that we and other social scientists are exploring. To facilitate this ongoing work, we have posted the mobility statistics by area and the other correlates used in the study on the project [website](#).

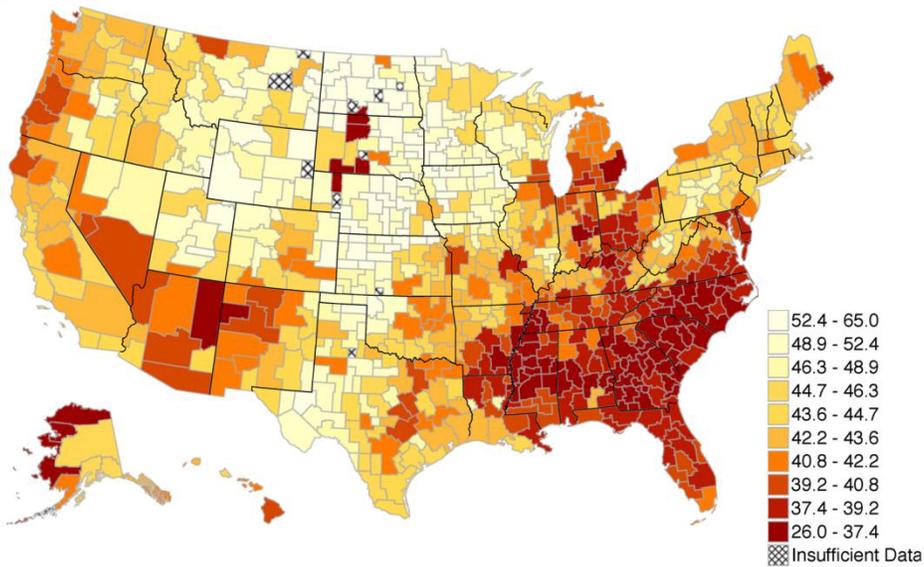


# WHERE IS THE LAND OF OPPORTUNITY? THE GEOGRAPHY OF INTERGENERATIONAL MOBILITY IN THE U.S.



Raj Chetty, Nathaniel Hendren, Patrick Kline, and Emmanuel Saez

Is America still the “land of opportunity”? We show that this question does not have a clear answer because the economic outcomes of children from low income families vary substantially within the U.S. Some cities have rates of upward income mobility comparable to the most mobile countries in the world, while others have lower rates of mobility than any developed country. These geographical differences in upward mobility are strongly correlated with five primary factors: segregation, income inequality, local school quality, social capital, and family structure. For further information, see the [non-technical summary](#) and the [complete paper](#).



Note: This map shows the average percentile rank of children who grow up in below-median income families across areas of the U.S. (absolute upward mobility). Lighter colors represent areas where children from low-income families are more likely to move up in the income distribution. To look up statistics for your own city, use the [interactive version of this map](#) created by the New York Times.

## Upward Mobility in the 50 Biggest Cities: The Top 10 and Bottom 10

Rank		Odds of Reaching Top Fifth Starting from Bottom Fifth	Rank		Odds of Reaching Top Fifth Starting from Bottom Fifth
1	San Jose, CA	12.9%	41	Cleveland, OH	5.1%
2	San Francisco, CA	12.2%	42	St. Louis, MO	5.1%
3	Washington DC, DC	11.0%	43	Raleigh, NC	5.0%
4	Seattle, WA	10.9%	44	Jacksonville, FL	4.9%
5	Salt Lake City, UT	10.8%	45	Columbus, OH	4.9%
6	New York, NY	10.5%	46	Indianapolis, IN	4.9%
7	Boston, MA	10.5%	47	Dayton, OH	4.9%
8	San Diego, CA	10.4%	48	Atlanta, GA	4.5%
9	Newark, NJ	10.2%	49	Milwaukee, WI	4.5%
10	Manchester, NH	10.0%	50	Charlotte, NC	4.4%

