

Social Capital and Economic Mobility

Raj Chetty*, Matthew Jackson*, Theresa Kuchler*, Johannes Stroebel*
Nathan Hendren, Robert Fluegge, Sara Gong, Federico González, Armelle Grondin
Matthew Jacob, Drew Johnston, Martin Koenen, Eduardo Laguna-Muggenburg
Florian Mudekereza, Tom Rutter, Nicolaj Thor, Wilbur Townsend, Ruby Zhang
Mike Bailey, Pablo Barberá, Monica Bhole & Nils Wernerfelt

Measurement of
Social Capital

Association
with Economic
Mobility

Determinants
of Economic
Connectedness

Targeting
Interventions

Determinants of Economic Connectedness

Why Do Low-Income People Have Fewer High-SES Friends?

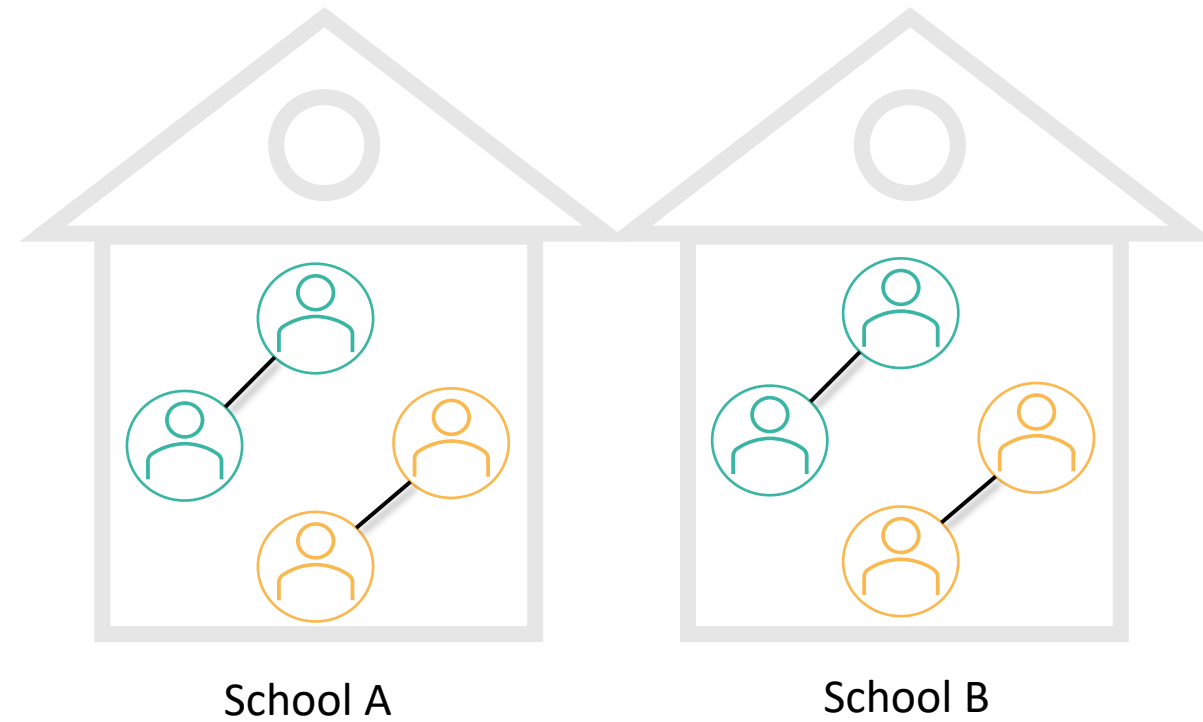
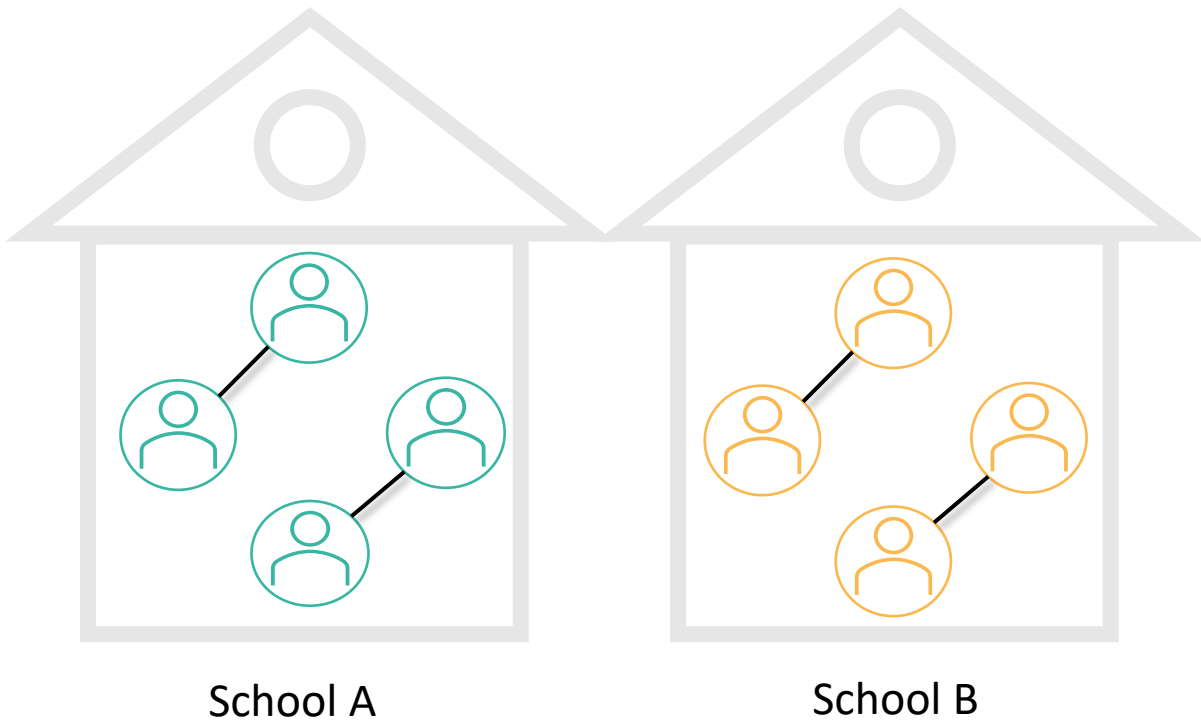
Exposure

*Segregation by
Income*

vs.

Friending Bias

*Interaction Conditional
on Exposure*



Exposure vs. Friending Bias

- Demarcation between exposure and friending bias depends on how we define the groups where people interact
 - Friending bias within schools may itself arise from differences in exposure (e.g., across classrooms)
- Distinction is **policy-dependent** rather than conceptual
- School-level grouping has policy relevance: many efforts to integrate schools, neighborhoods, etc.

Measuring the Importance of Exposure vs. Friending Bias

- We decompose economic connectedness (EC) for a given person into the sum of three components across the groups where she makes friends:

$$EC = \sum_{g \in G} \text{Friend Share}_g \times \text{Exposure}_g \times (1 - \text{Friending Bias}_g)$$

1. **Friend Share:** Share of friends made in group g
2. **Exposure:** Share of members of group g who are high-SES
3. **Friending Bias:** $1 - (\text{Share high-SES friends made in } g) / (\text{Share high-SES members of } g)$

Assign Friendships to One of Six Settings Where They are Formed

High Schools



Colleges



Workplaces



Recreational
Groups



Religious
Groups

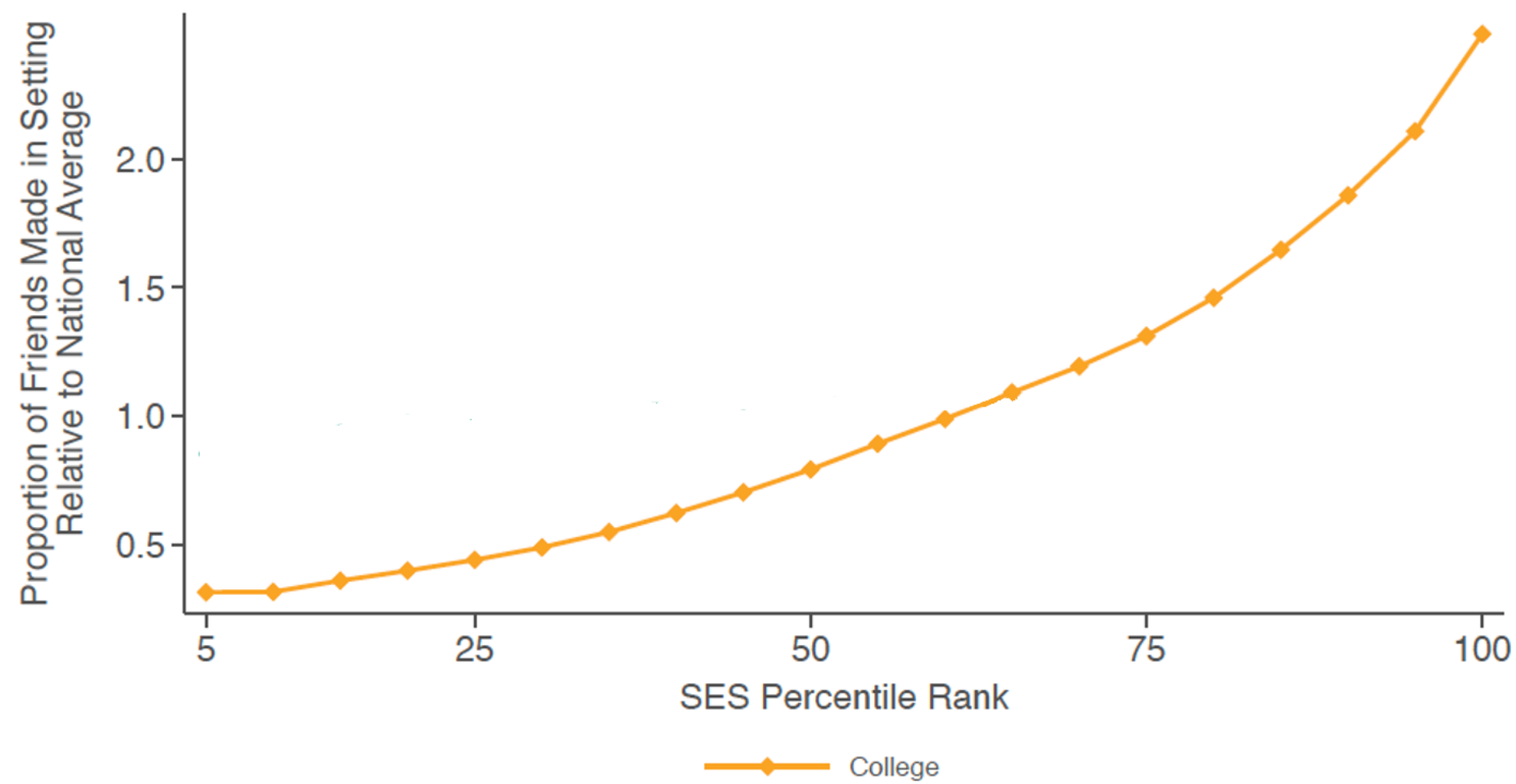


Neighborhoods



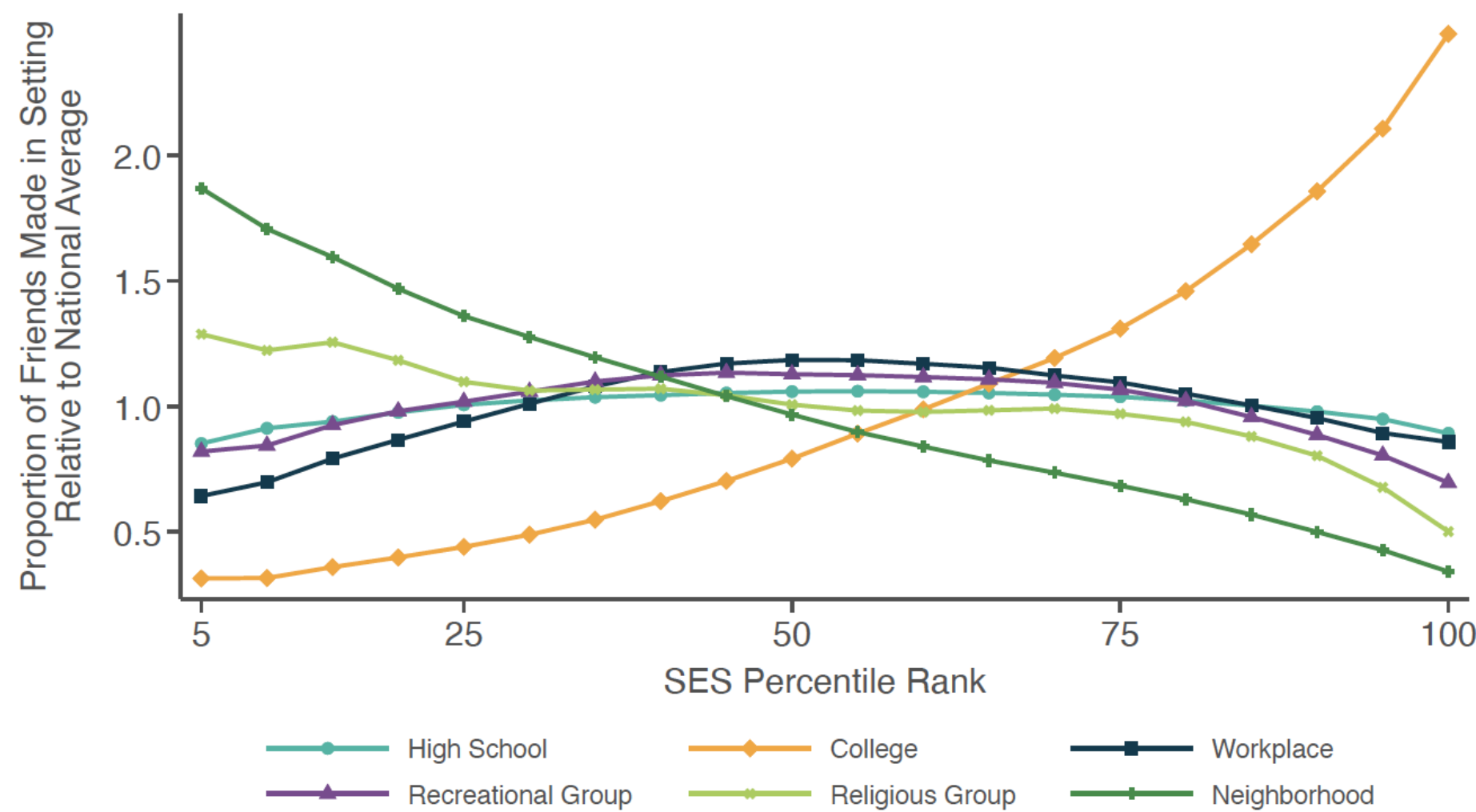
Friendship Shares by Setting vs. Socioeconomic Status

Colleges



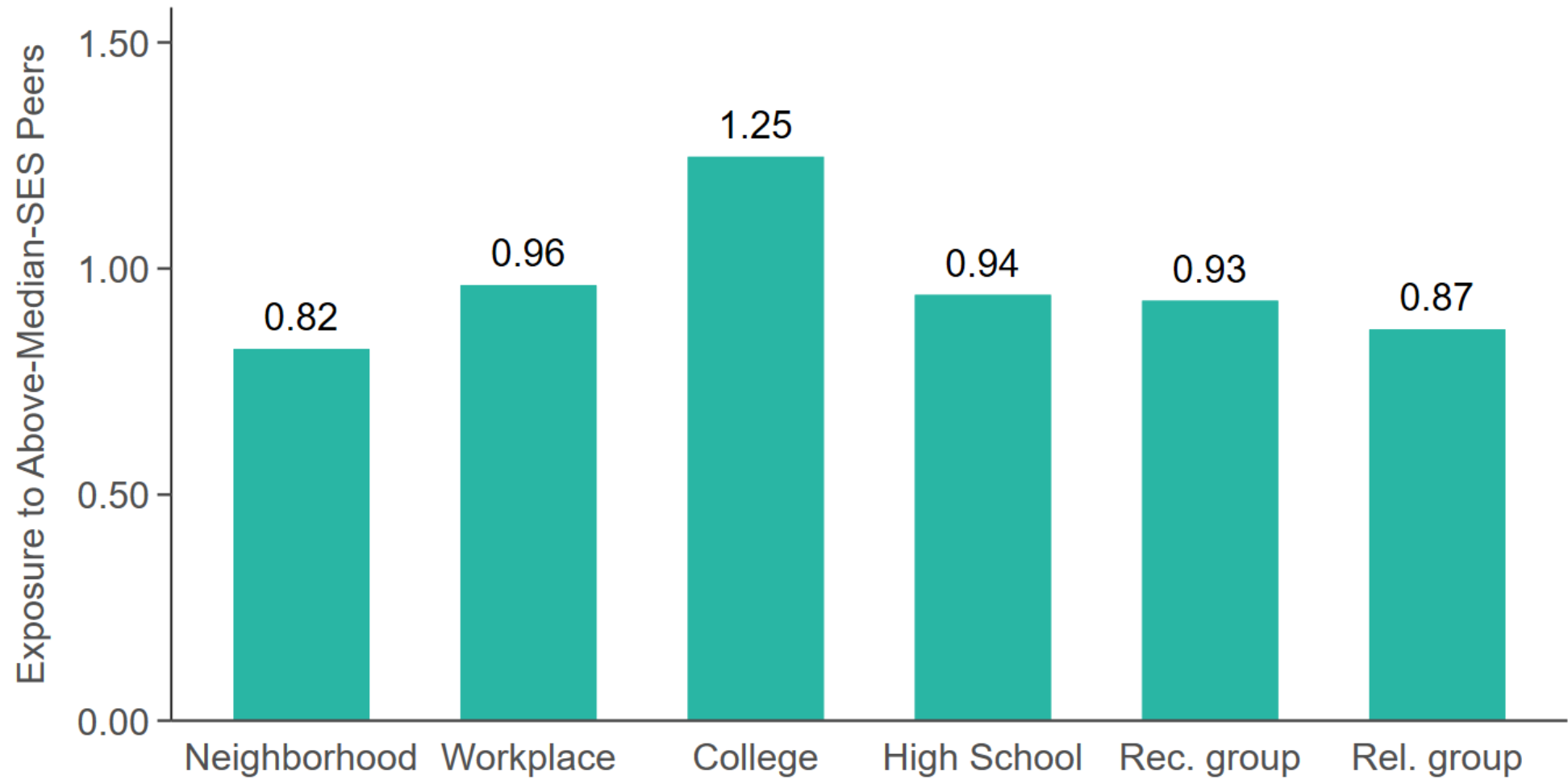
Friendship Shares by Setting vs. Socioeconomic Status

All Settings

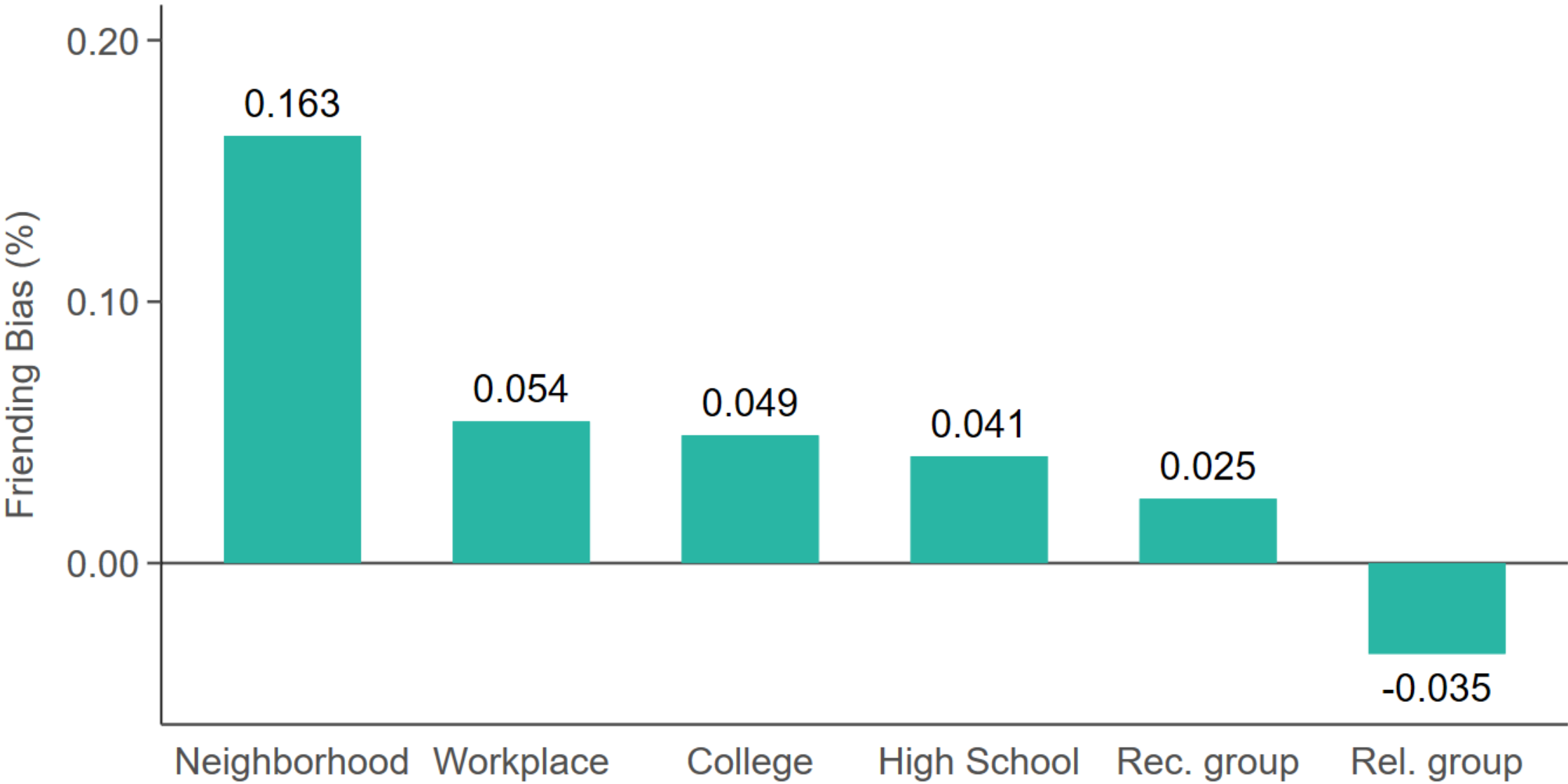


Exposure to Above-Median SES Peers By Setting

Low-SES People



Friending Bias for Low-SES People, By Setting



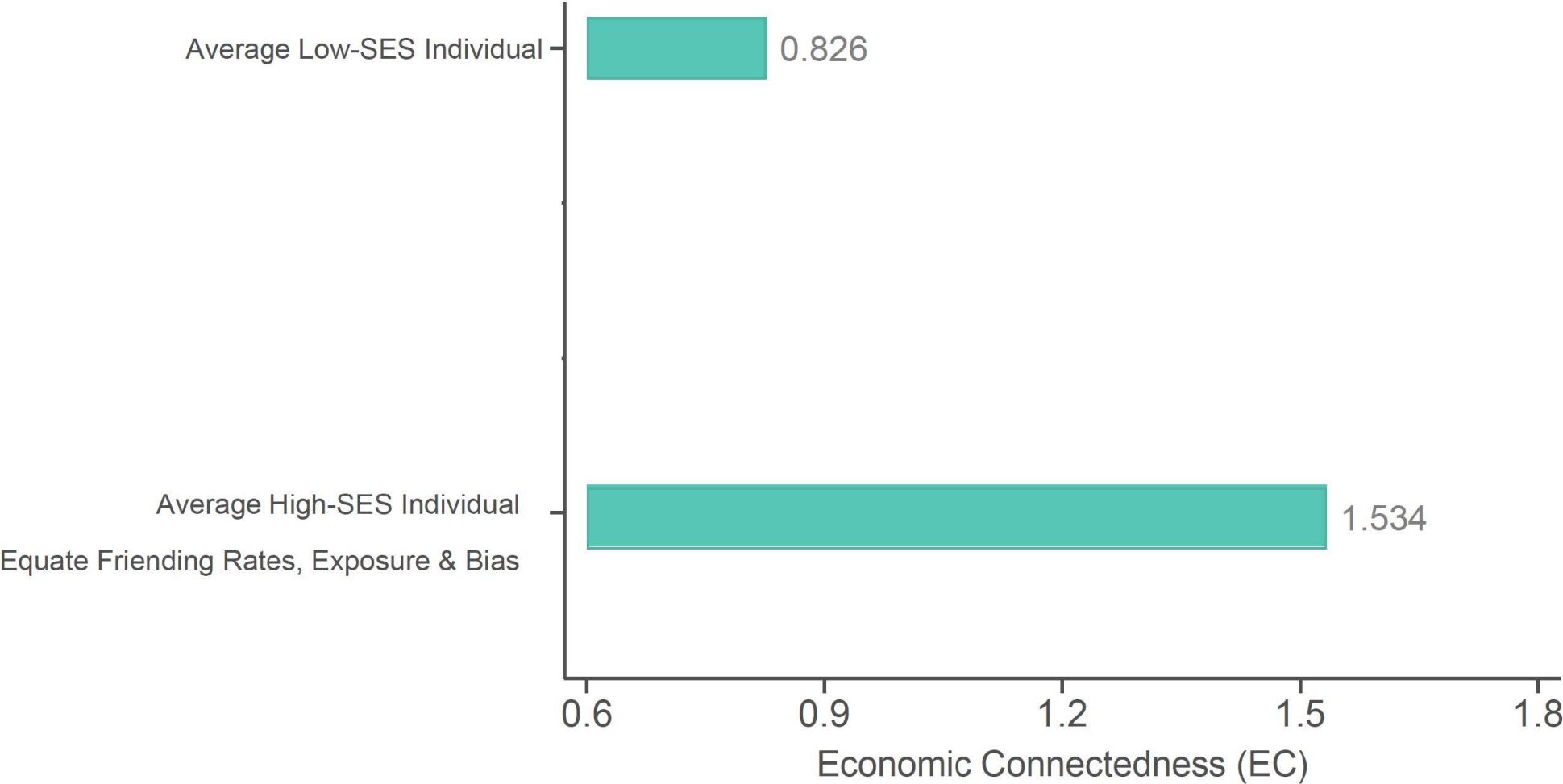
Measuring the Importance of Exposure vs. Friending Bias

- We just measured the mean values of three components that determine connectedness: friend shares, exposure, and friending bias by setting and SES
- Now use these parameters to quantify the contribution of each channel in explaining why low-SES people have fewer high-SES friends

Why do Low-SES People Have Fewer High-SES Friends than High-SES People?

Decomposition Analysis: Group Importance, Exposure, and Friending Bias

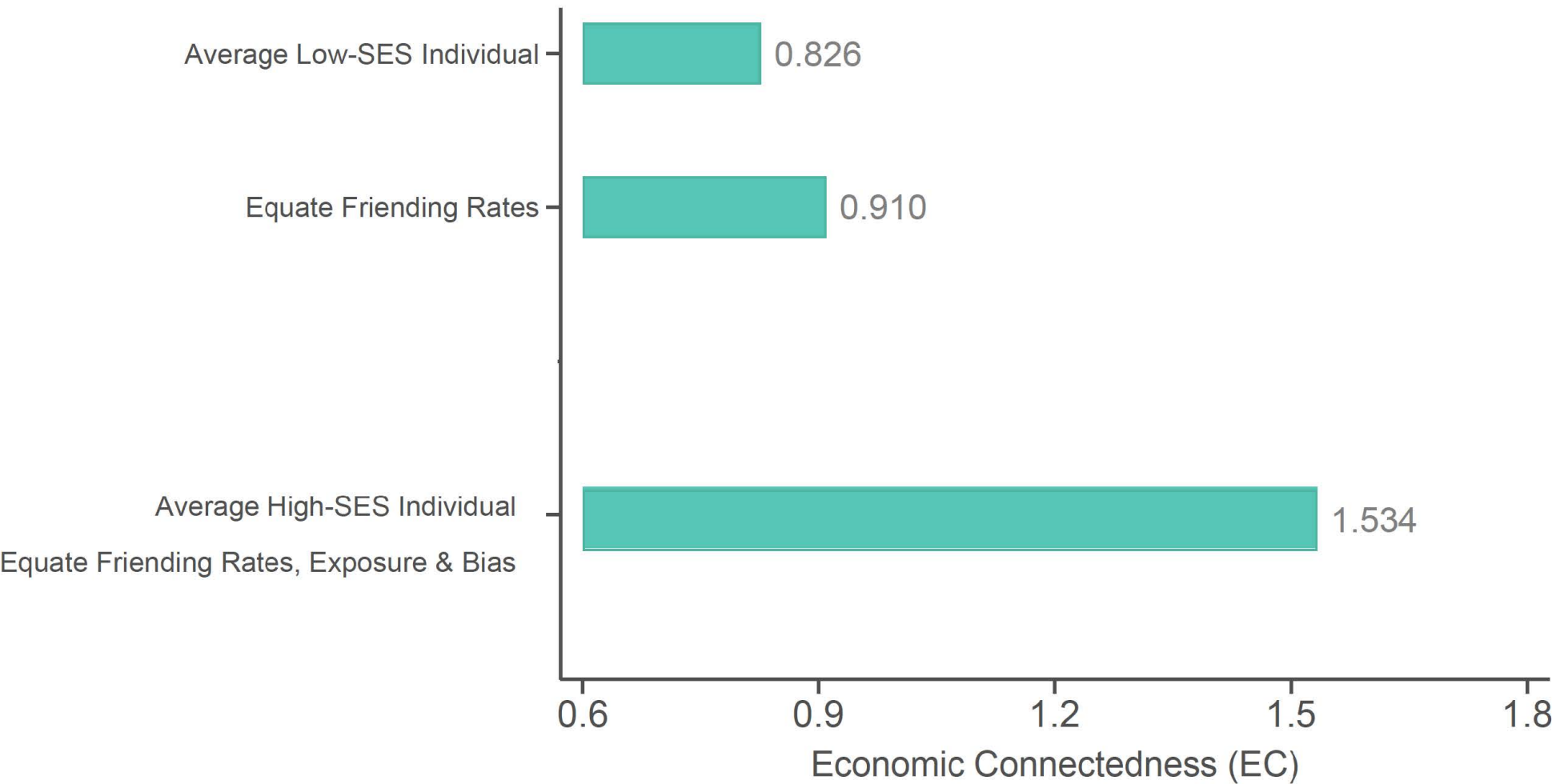
Low-SES vs. High-SES Individuals



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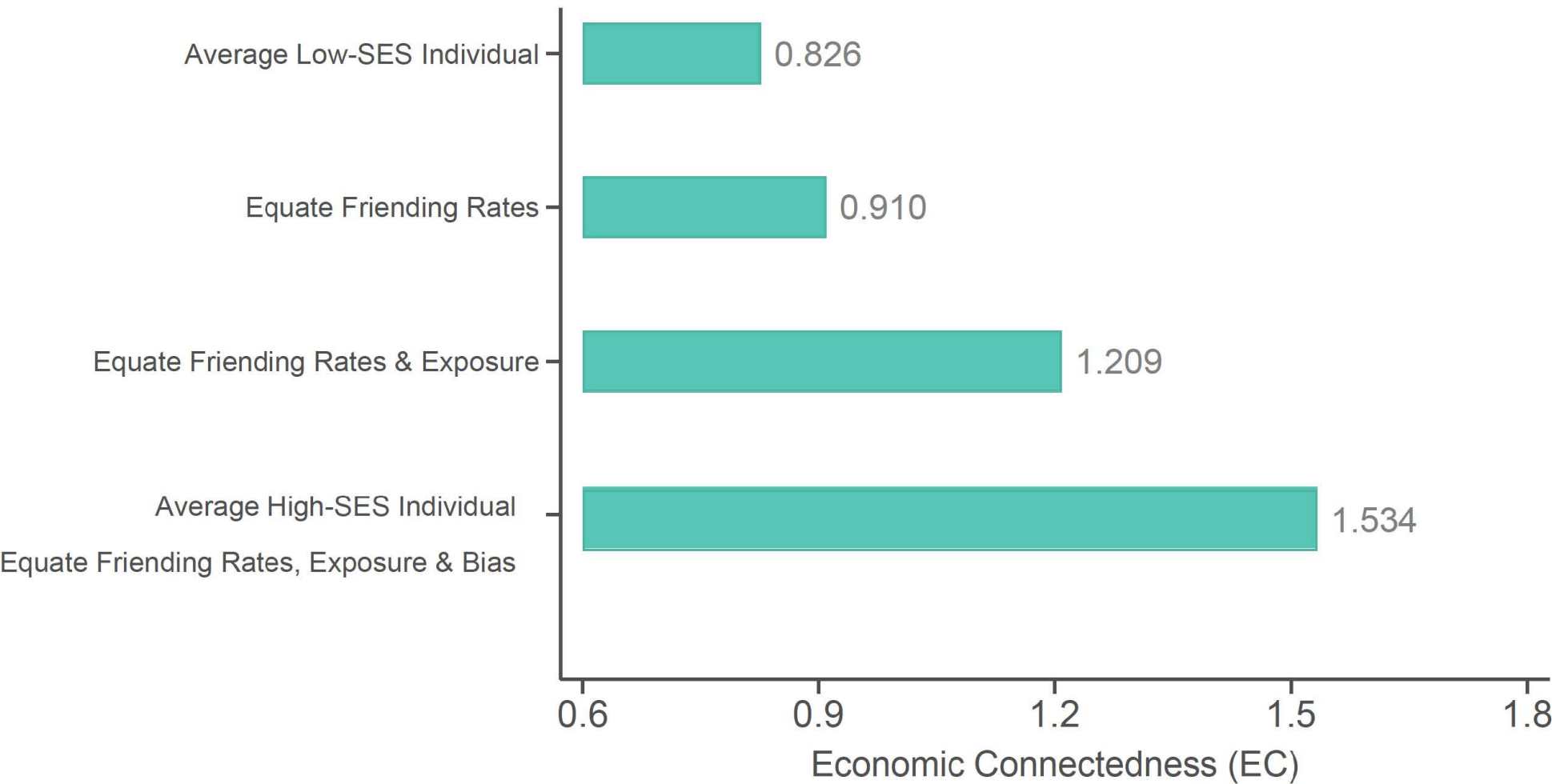
Low-SES vs. High-SES Individuals



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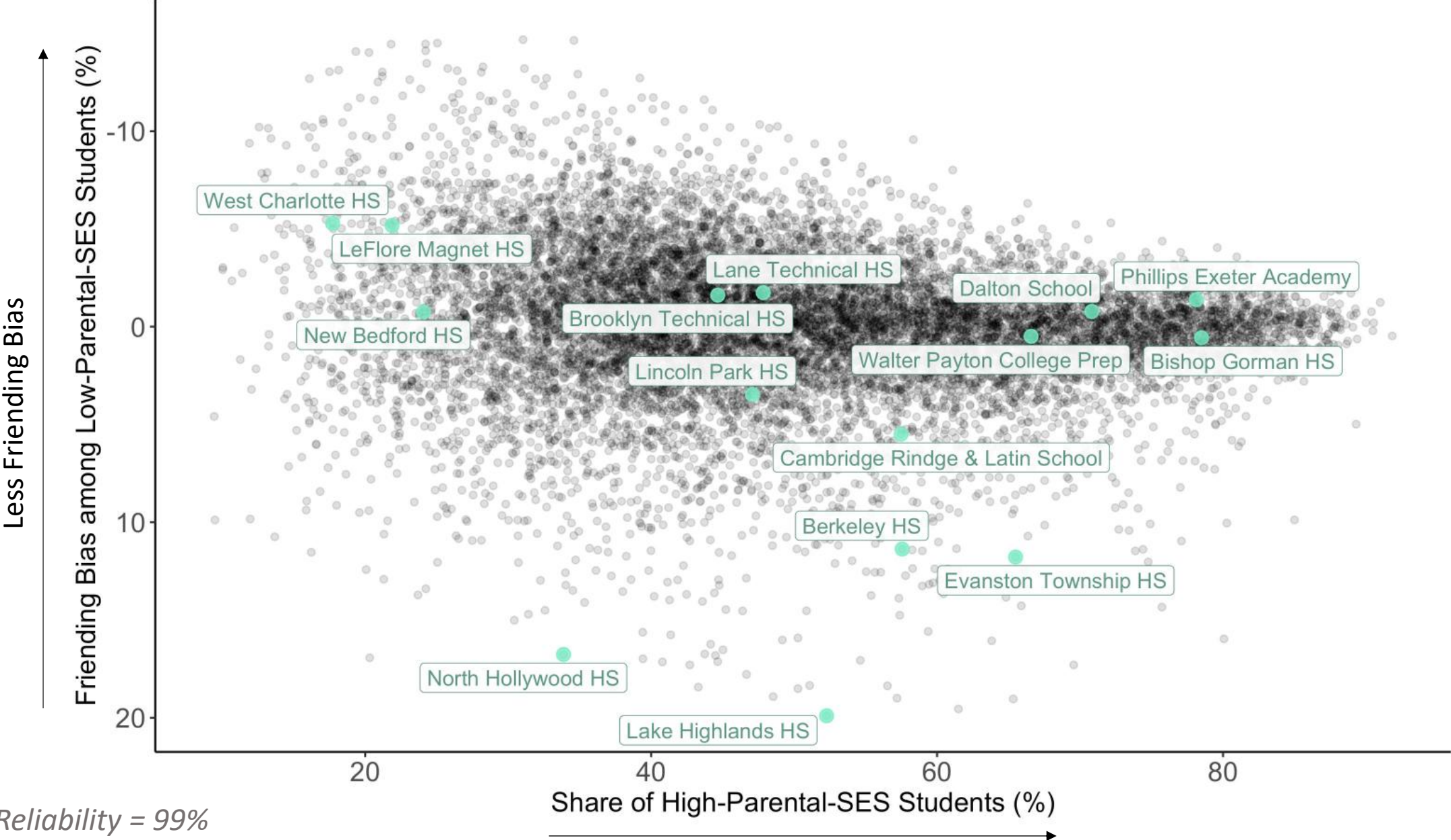
Determinants
of Economic
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Interventions to Increase Connectedness

Friending Bias vs. Exposure to High-SES Students, by High School

Among Low-SES Students in 1990-2000 Birth Cohorts



Exposure Reliability = 99%

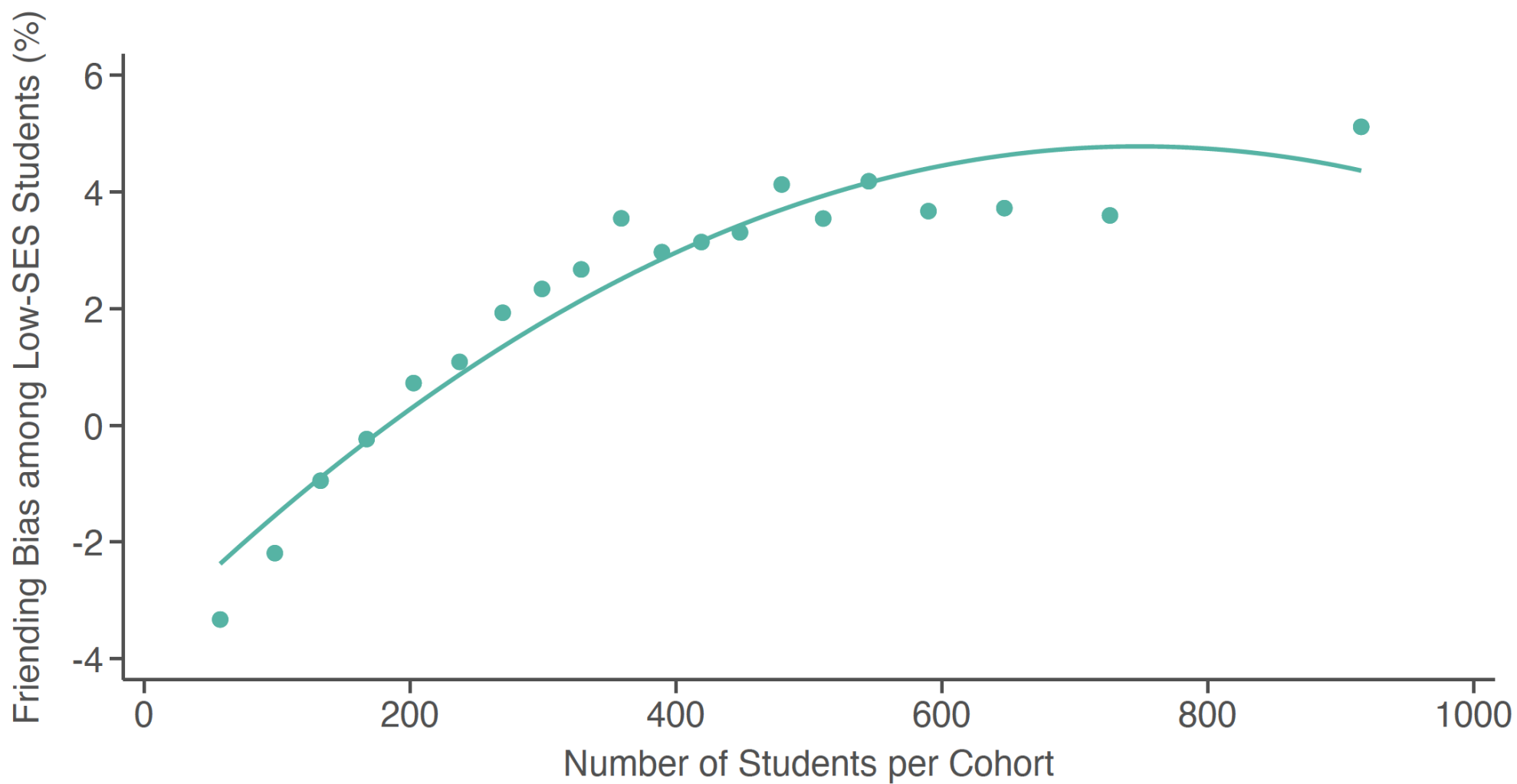
Friend Bias Reliability = 58%

More Exposure

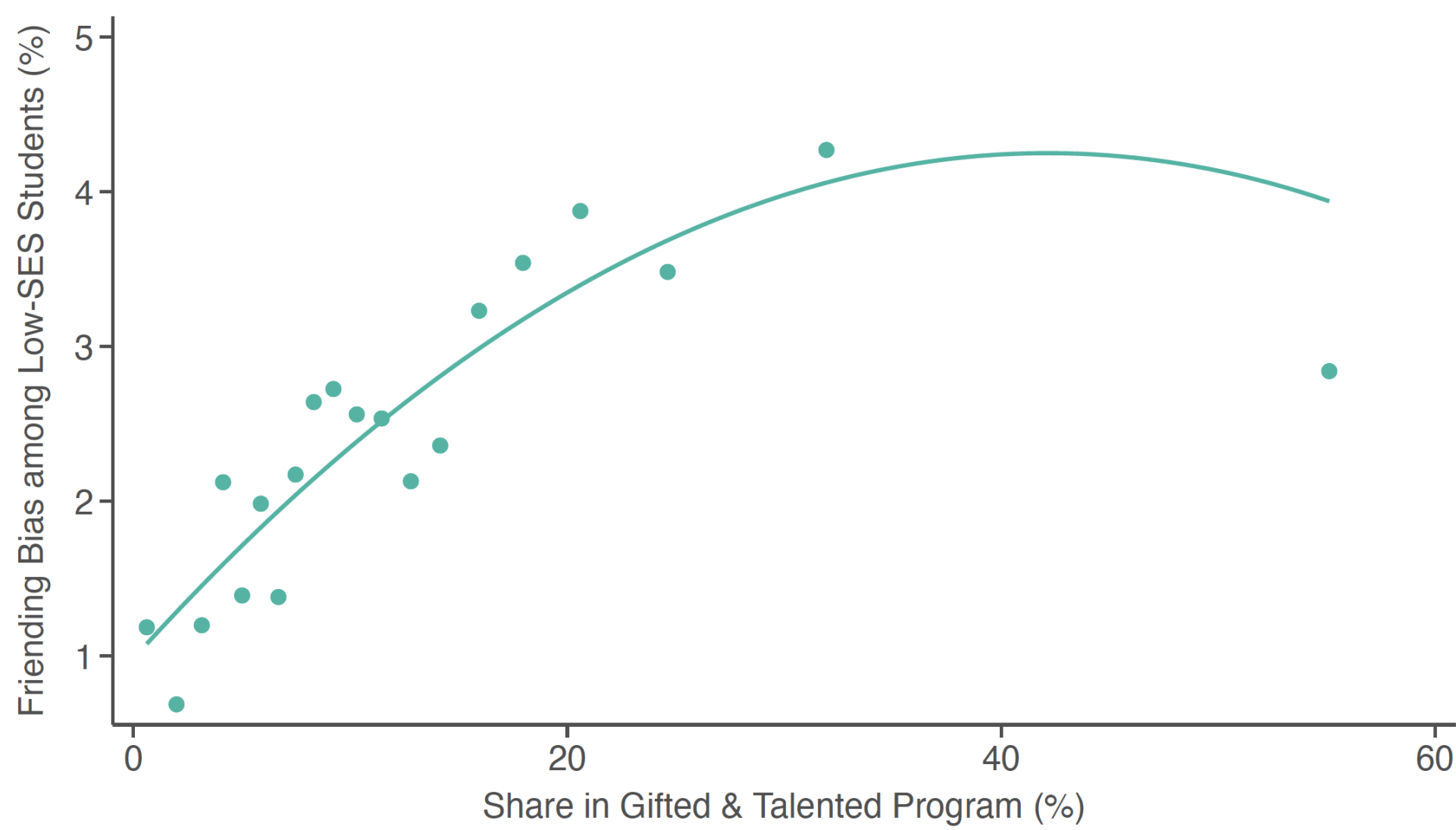
Determinants of Exposure and Friending Bias

- Well known that exposure is shaped by policies such as zoning laws and school boundaries
 - Extensive literatures on segregation in neighborhoods (zoning, tipping), school integration (busing, school choice), college access, ...
- Friending bias is also shaped by institutions and policy choices...

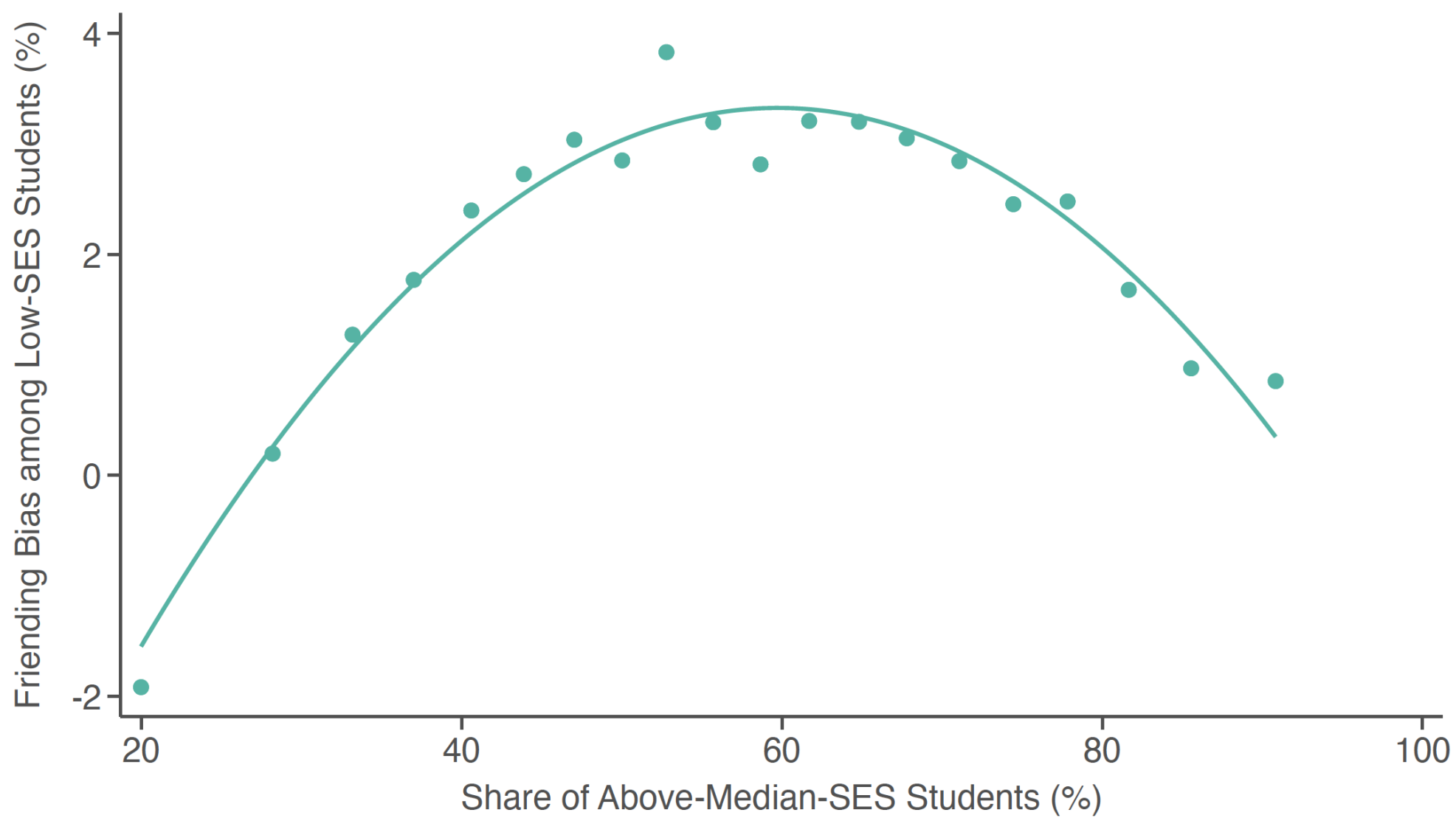
Friending Bias in High Schools vs. School Size



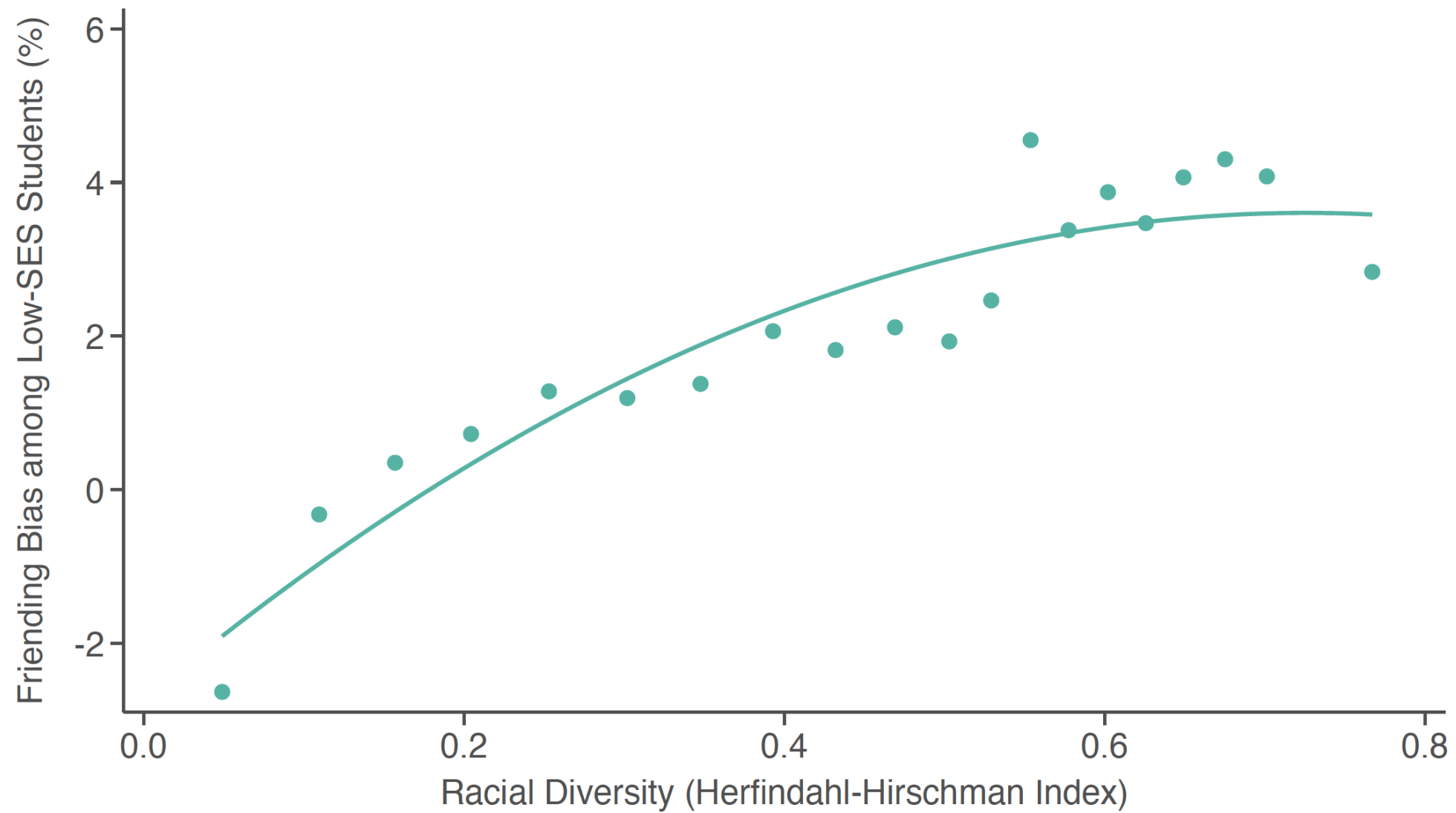
Friending Bias in High Schools vs. Gifted and Talented Program Share



Friendship Bias in High Schools vs. Share of High-SES Students



Friending Bias in High Schools vs. Racial Diversity



Conclusions

- Two broad takeaways:
 1. Social capital as measured by *economic connectedness* appears to be a key mediator of economic mobility
 2. Economic connectedness is shaped by segregation (exposure) and friending bias (interaction), both of which can be measured and shaped by policy

Broader Implications

- More generally, social connections appear central in many recent programs that have shown promise in increasing upward mobility
 - Ex: Creating Moves to Opportunity (neighborhoods) and YearUp (job training)
[Bergman, Chetty, DeLuca, Hendren, Katz, Palmer 2020; Katz, Roth, Hendra, Schaberg 2020]
- Designing policies going forward to provide not just economic resources but relevant socioeconomic connections may be valuable for expanding opportunity