

# Intergenerational Mobility

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# The Fading American Dream

**FIGURE 1**

The Fading American Dream: Percent of Children Earning More than Their Parents, by Year of Birth



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?

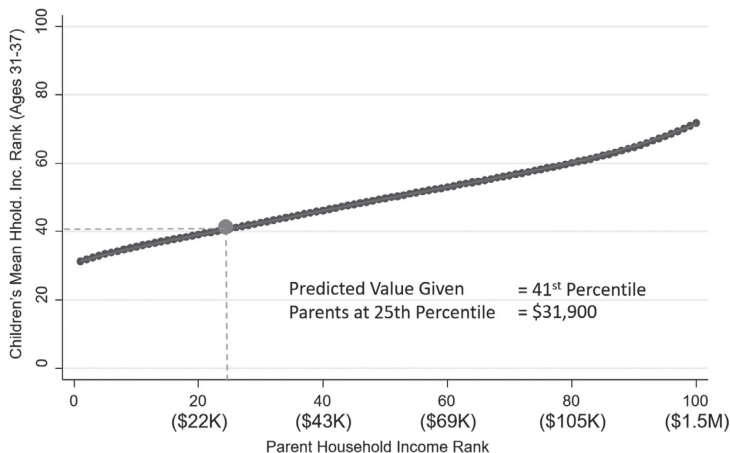
1. Slowing income growth – productivity slowdown.
2. Rising income inequality – the poor saw no income growth since the 1960s.
3. Falling mobility – only 7% of those in the bottom quintile have children in the top quintile.

Canada: 13%

# Intergenerational Mobility

**FIGURE 2**

Intergenerational Mobility in the United States: Mean Child Household Income Rank Versus Parent Household Income Rank

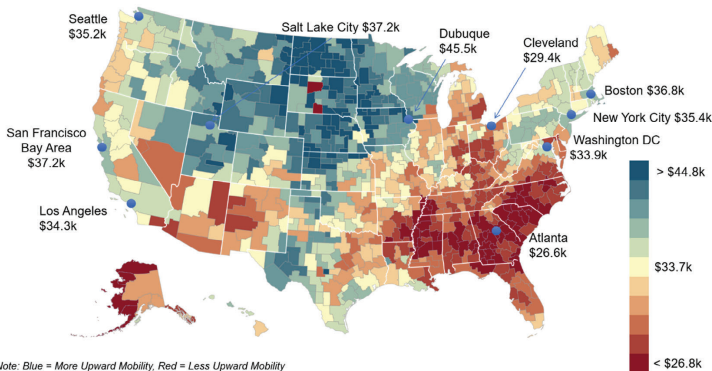


Source: The Opportunity Atlas: Chetty et al. (2018); [opportunityinsights.org/wp-content/uploads/2018/10/atlas\\_slides.pdf](https://opportunityinsights.org/wp-content/uploads/2018/10/atlas_slides.pdf)

# Massive Geographic Heterogeneity

**FIGURE 3**

The Geography of Upward Mobility in the United States: Average Household Income for Children with Parents Earning \$27,000 (25th percentile)

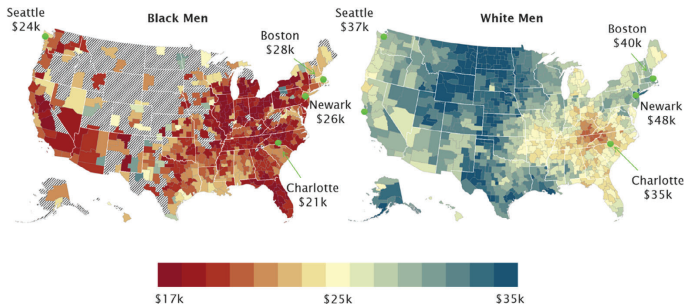


Source: The Opportunity Atlas: Chetty et al. (2018).

## 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

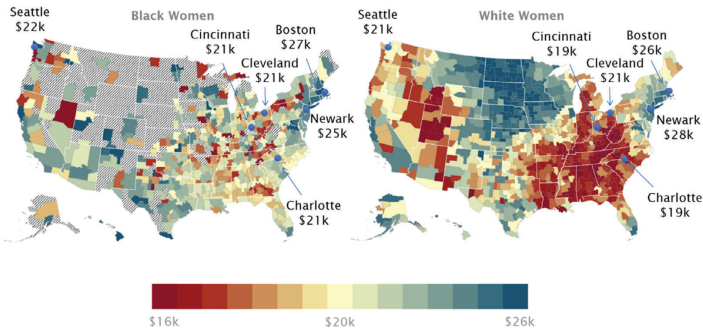
Source: Race and Economic Opportunity: Chetty et al. forthcoming.

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

## By Race: Women

FIGURE 3

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

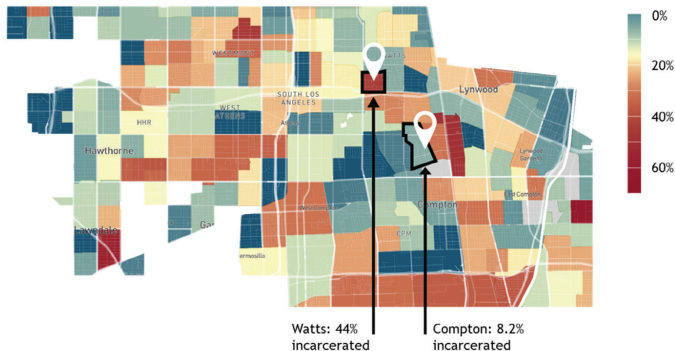
Source: Race and Economic Opportunity: Chetty et al. forthcoming.

Racial differences are much stronger for men than for women.

# Very Narrow Geographic Areas Matter

**FIGURE 6**

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



# 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 extremely 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.

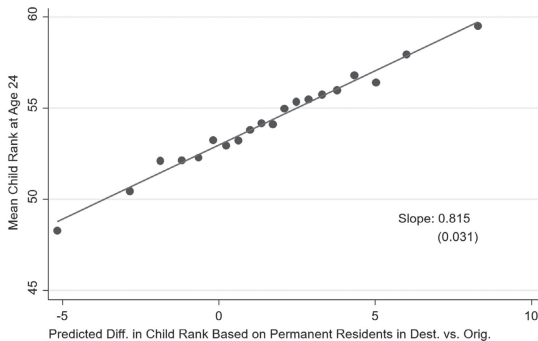
Establishes the causal effect of neighborhoods on adult outcomes.

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 Age 5



Source: The Opportunity Atlas: Chetty et al. (2018); [https://opportunityinsights.org/wp-content/uploads/2018/10/atlas\\_slides.pdf](https://opportunityinsights.org/wp-content/uploads/2018/10/atlas_slides.pdf)

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.

# Policy Interventions

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

# Reading

- ▶ Chetty (2021)

## References I

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](https://onlinelibrary.wiley.com/doi/pdf/10.1111/coep.12478).