

Equality of Opportunity

Economics of Public and Social Issues

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Outline

1. Geographical Variation in Upward Mobility in America
2. Causal Effects of Places vs. Sorting

Lecture based primarily on the following paper:

Chetty, Friedman, Hendren, Jones, Porter. "The Opportunity Atlas: Mapping the Childhood Roots of Social Mobility" NBER WP, 2018

Geographical Variation in Upward Mobility

Differences in Opportunity Across Local Areas

- ▶ How do children's chances of moving up vary across areas in America?
 - ▶ Are there some areas where kids do better than others? If so, what lessons can we learn from them?
- ▶ Recent studies have used big data to measure how upward mobility varies based on where children grow up

The Opportunity Atlas: Data Sources and Sample Definitions

- ▶ Data sources: Anonymized Census data (2000, 2010, ACS) covering U.S. population linked to federal income tax returns from 1989-2015
- ▶ Link children to parents based on dependent claiming on tax returns
- ▶ Target sample: Children in 1978-83 birth cohorts who were born in the U.S. or are authorized immigrants who came to the U.S. in childhood
- ▶ Analysis sample: 20.5 million children, 96% coverage rate of target sample

Measuring Parents' and Children's Incomes in Tax Data

- ▶ Parents' household incomes: average income reported on Form 1040 tax return from 1994-2000
- ▶ Children's incomes measured from tax returns in 2014-15 (ages 31-37)
- ▶ Focus on percentile ranks in national distribution:
- ▶ Rank children relative to others born in the same year and parents relative to other parents

Intergenerational Income Mobility for Children Raised in Chicago

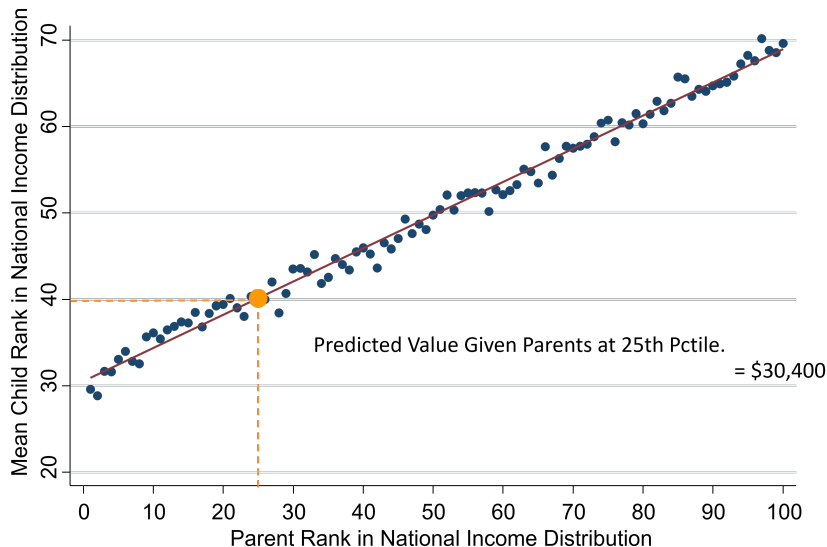


Figure 1: Source: Chetty, Hendren, Kline, Saez 2014

Intergen. Mobility for Children Raised in Hypothetical Census Tract

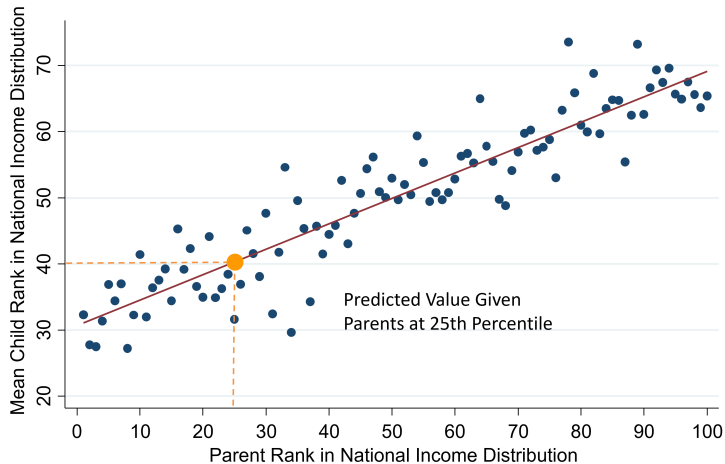


Figure 2: Source: Chetty, Hendren, Kline, Saez 2014

Estimating Children's Average Outcomes by Census Tract

- ▶ Run a separate regression using data for children who grow up in each Census tract in America
- ▶ In practice, many children move across areas in childhood
- ▶ Weight children by fraction of childhood (up to age 23) spent in a given area

The Geography of Upward Mobility in the United States

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Average Household Income for Children with Parents Earning \$27,000 (25th percentile)

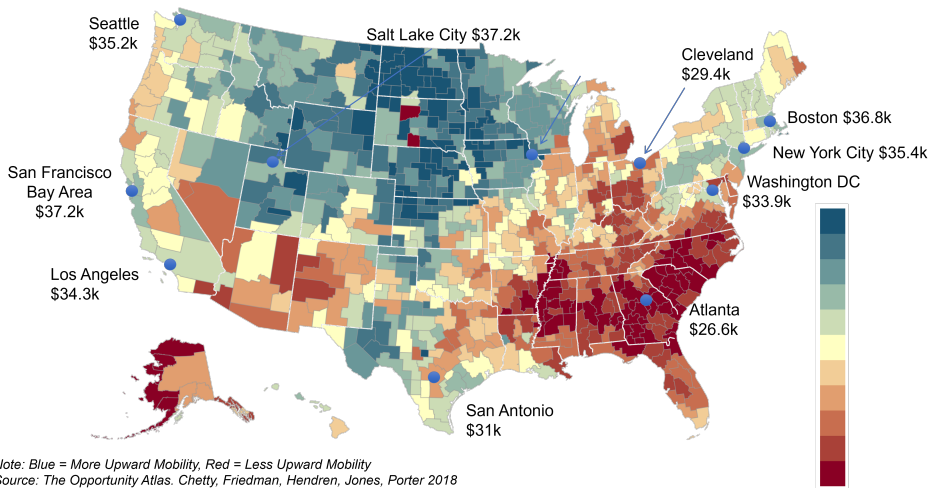


Figure 3: Source: Chetty, Friedman, Hendren, Jones and Porter (2018)

Jump to Opportunity Atlas website

- ▶ <https://www.opportunityatlas.org/>
- ▶ Explore Durham and San Antonio briefly