

Improving Economic Opportunity in America New Lessons from Administrative Data

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Photo Credit: Florida Atlantic University

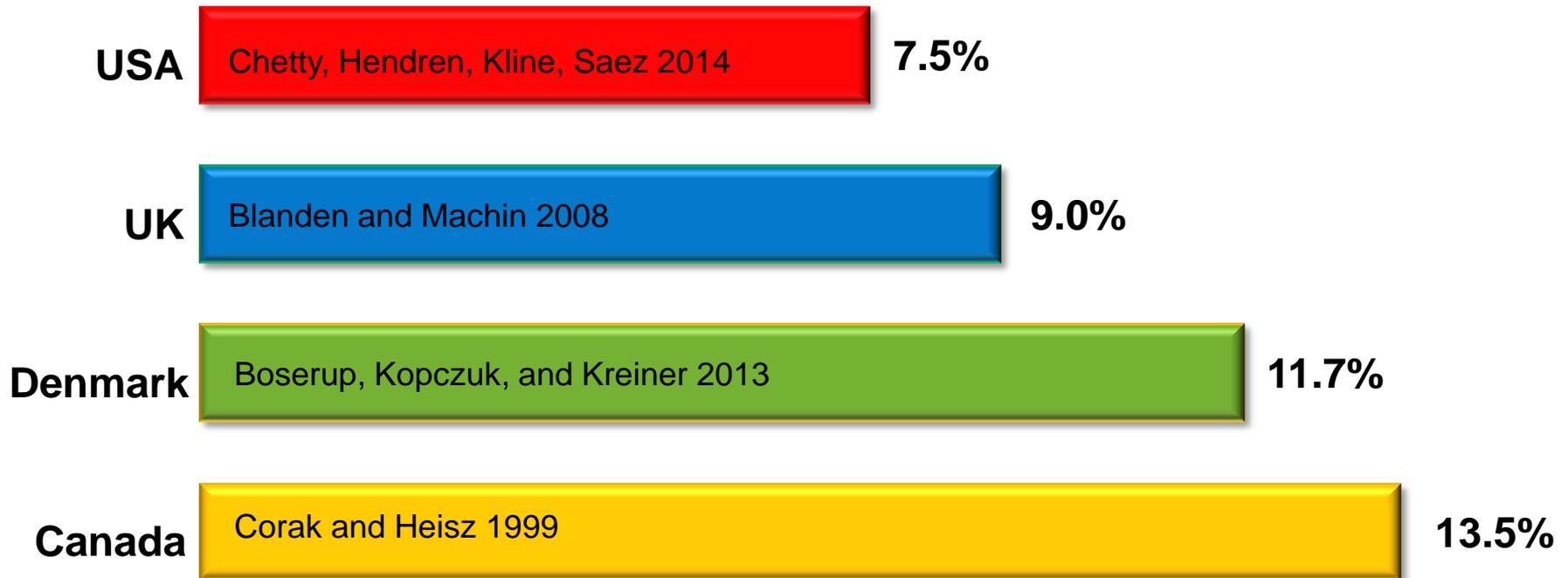


The American Dream?

- Probability that a child born to parents in the bottom fifth of the income distribution reaches the top fifth:

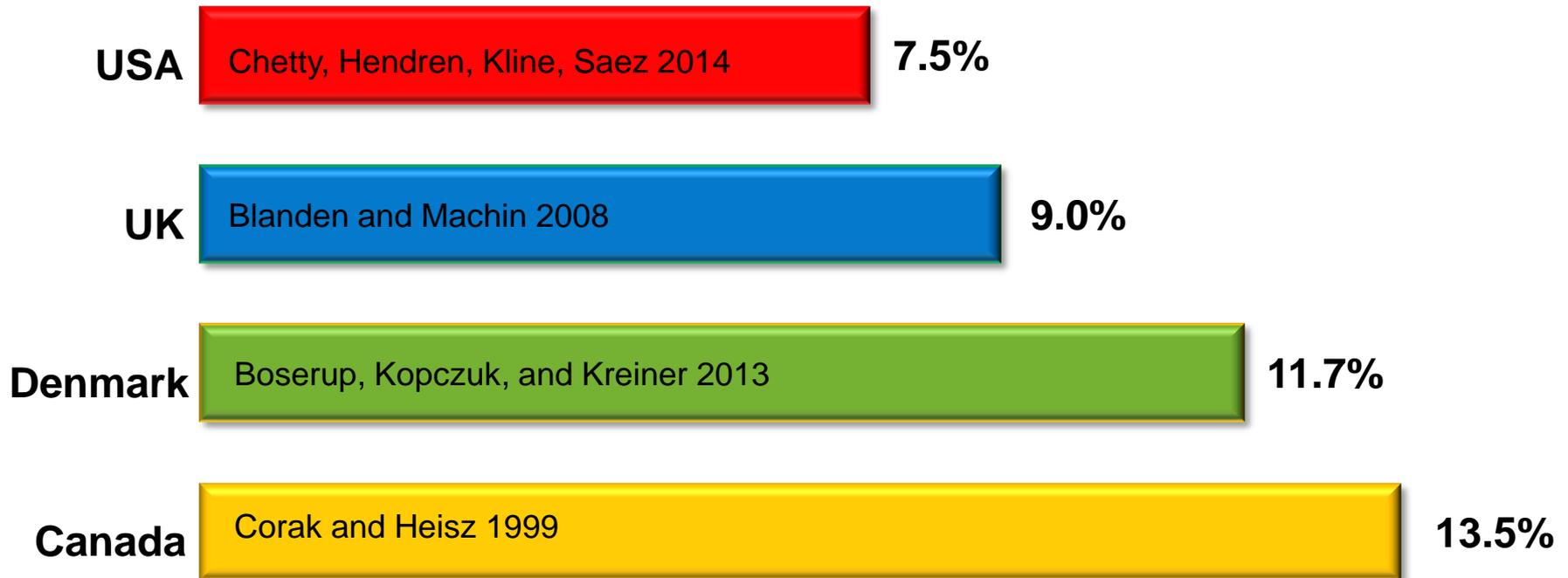
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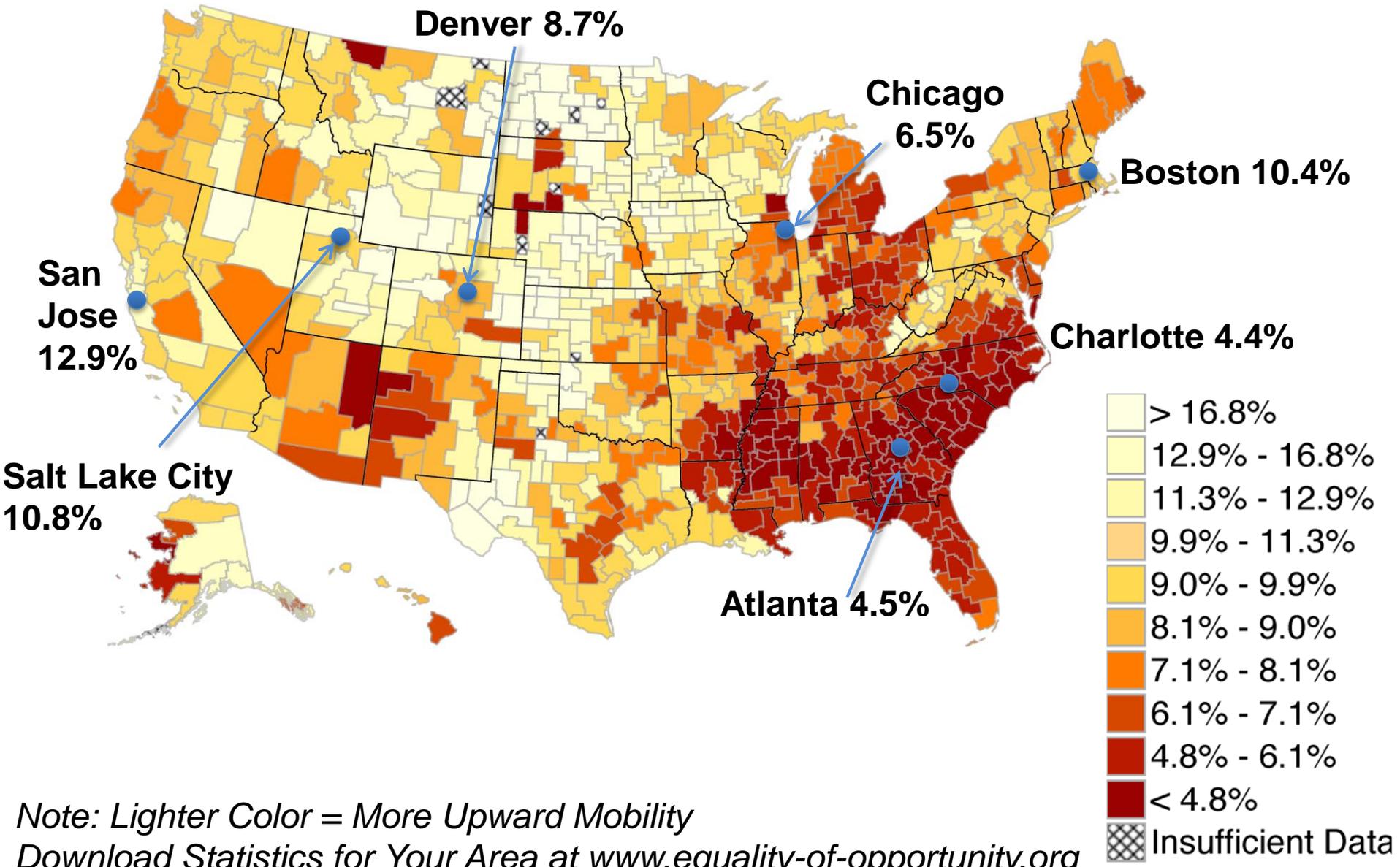
→ Chances of achieving the “American Dream” are almost two times higher in Canada than in the U.S.

Differences in Opportunity Within the United States

- Differences across countries have been the focus of policy discussion
- But upward mobility varies even more *within* the U.S.
- We calculate upward mobility for every metro and rural area in the U.S.
 - Use de-identified data from IRS tax records (part of a broader project on effects of tax expenditures)
 - 10 million children born between 1980-1982

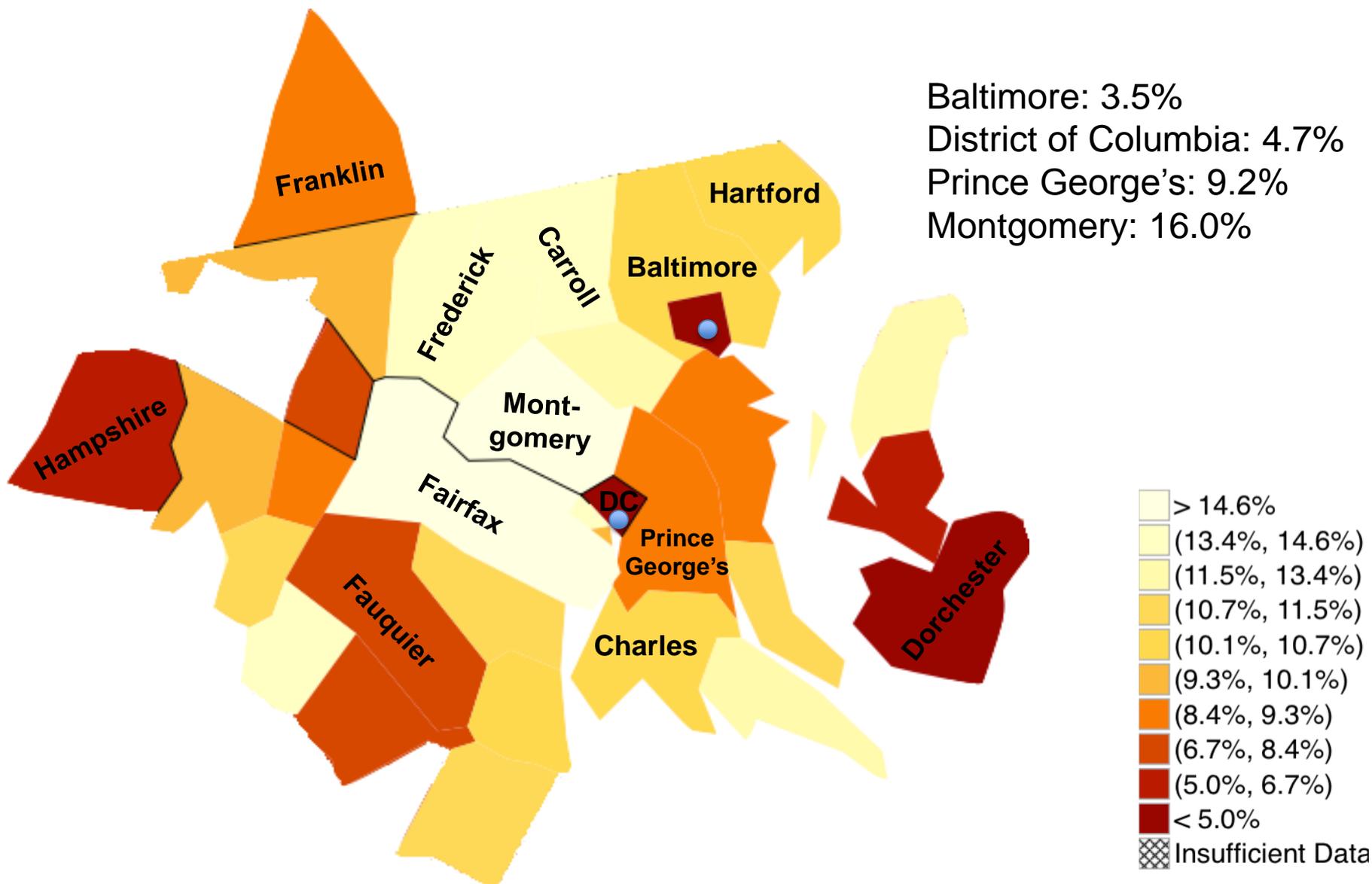
The Geography of Upward Mobility in the United States

Chances of Reaching the Top Fifth Starting from the Bottom Fifth by Metro Area



The Geography of Upward Mobility in the Washington Metro Area

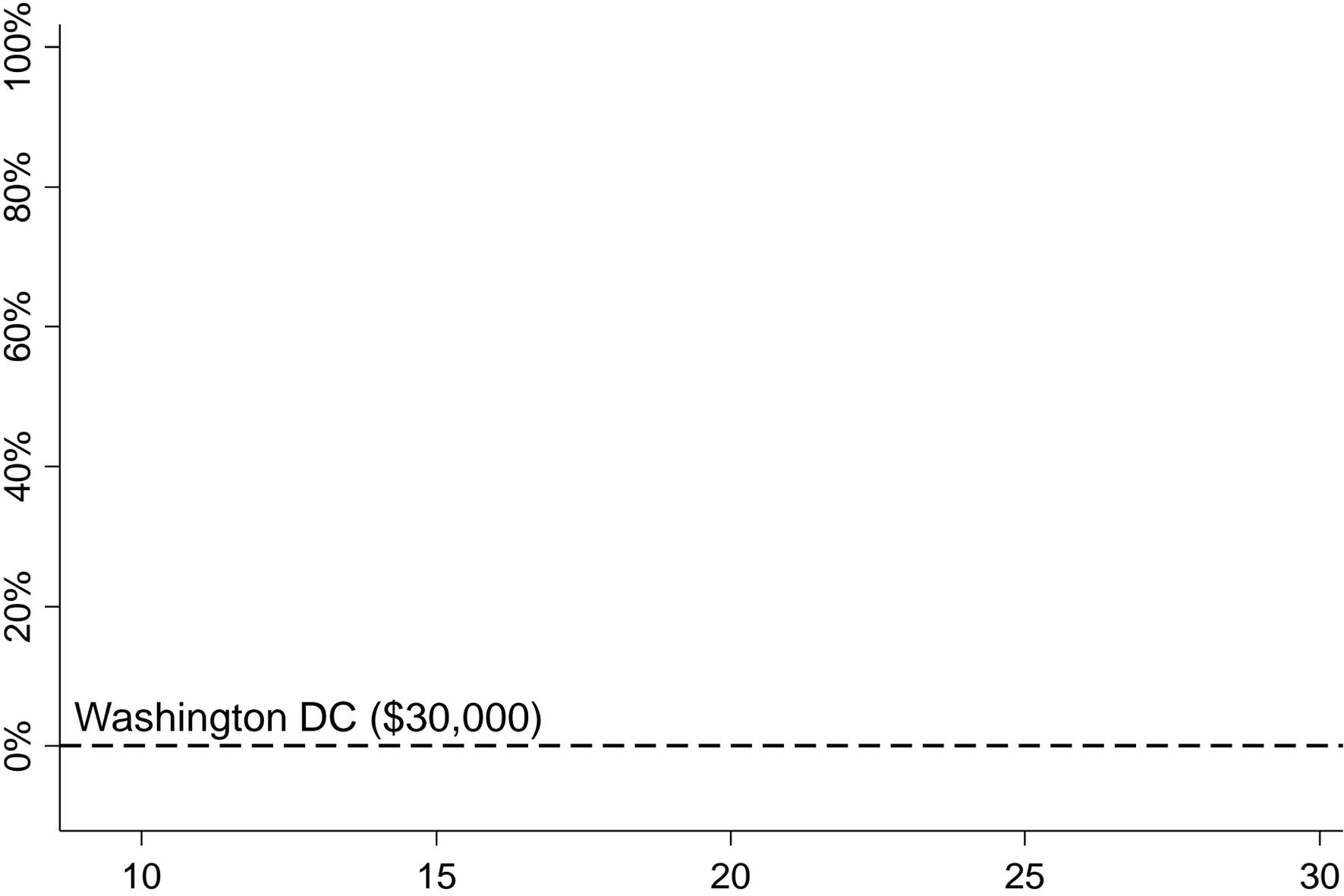
Chances of Reaching the Top Fifth Starting from the Bottom Fifth by County



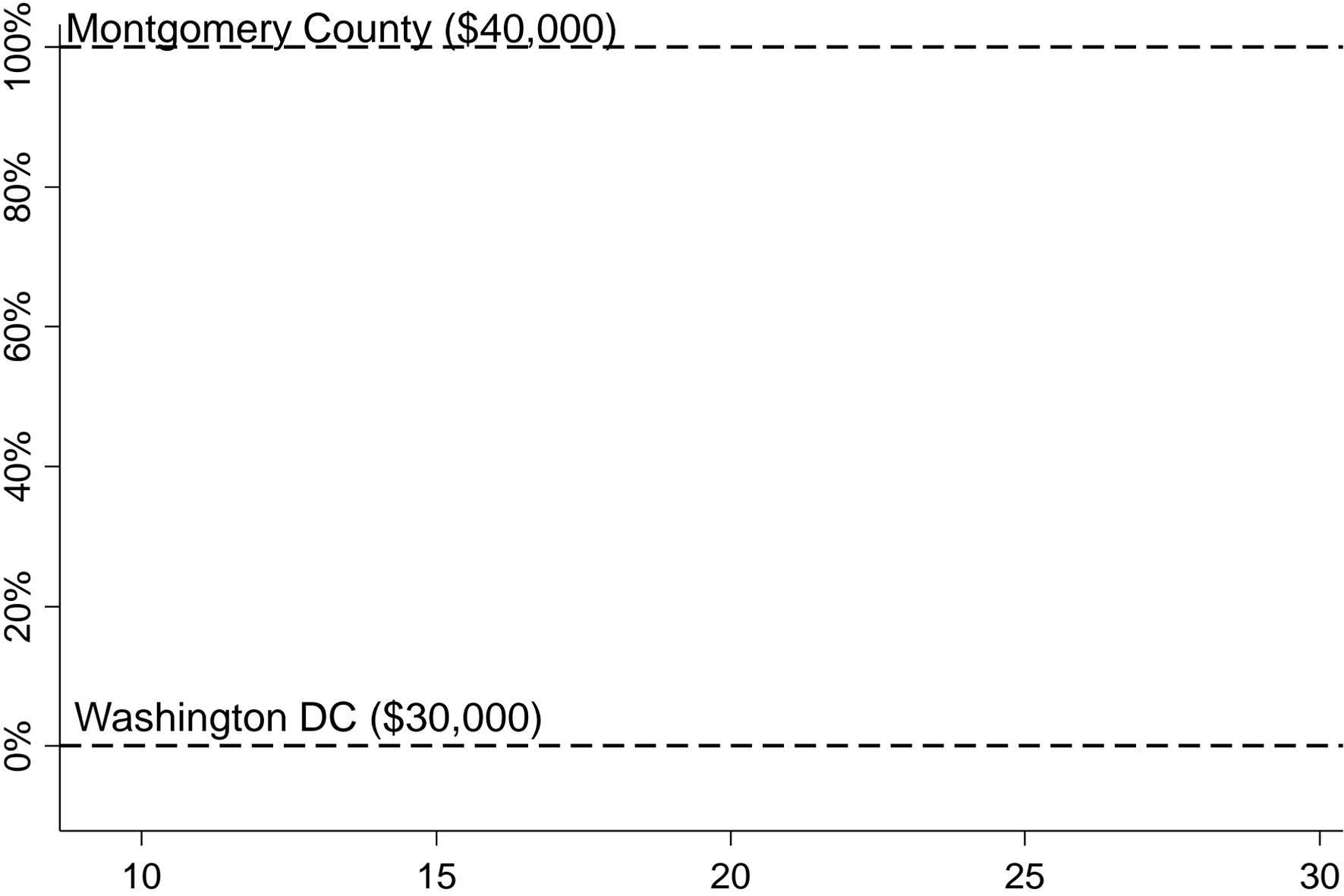
Why Does Upward Mobility Differ Across Areas? The Importance of Childhood Environments

- Most of the variation in upward mobility across areas is caused by differences in childhood environment
- Demonstrate this by studying 5 million families that move between areas using tax records

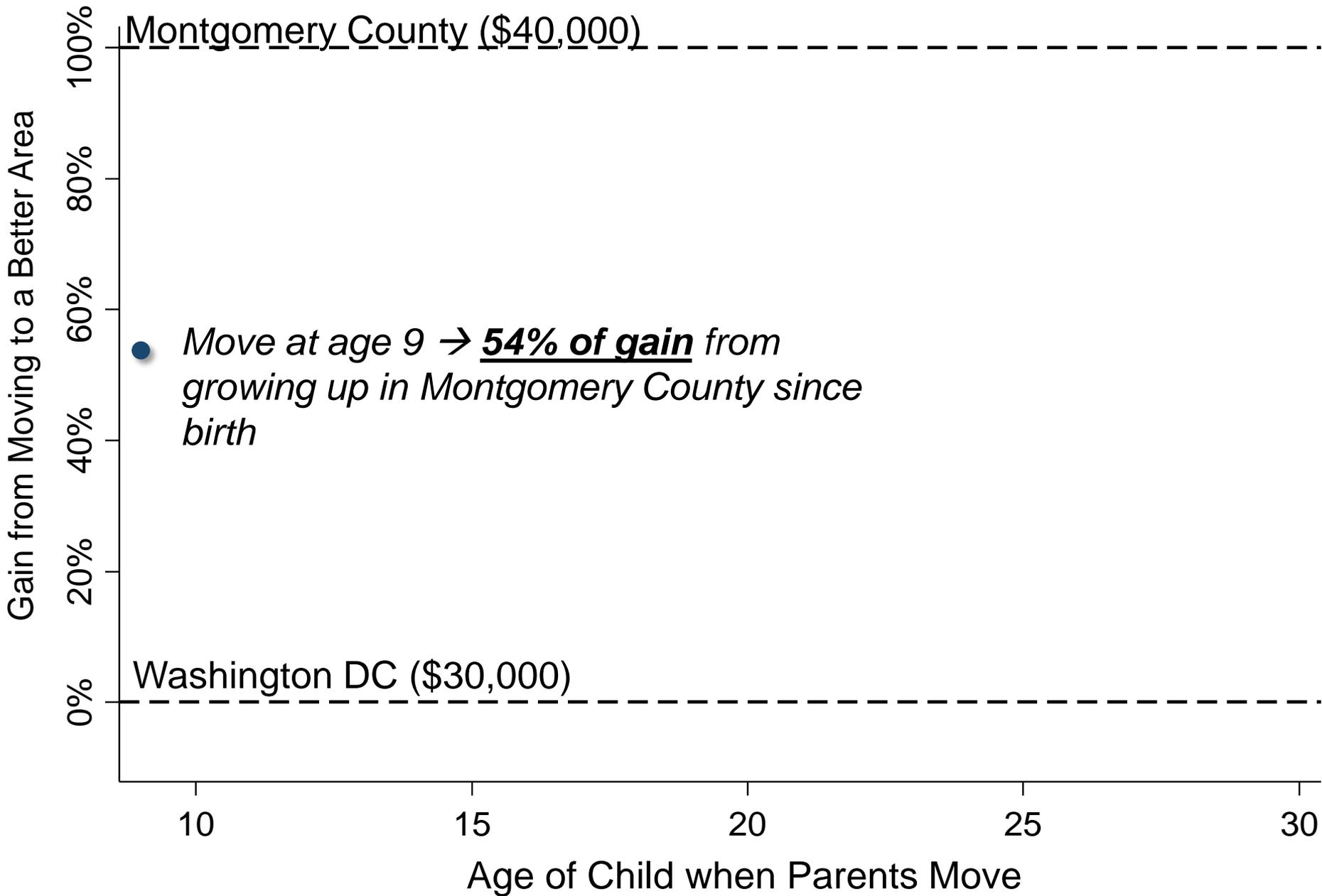
Earnings Gain from Moving to a Better Neighborhood



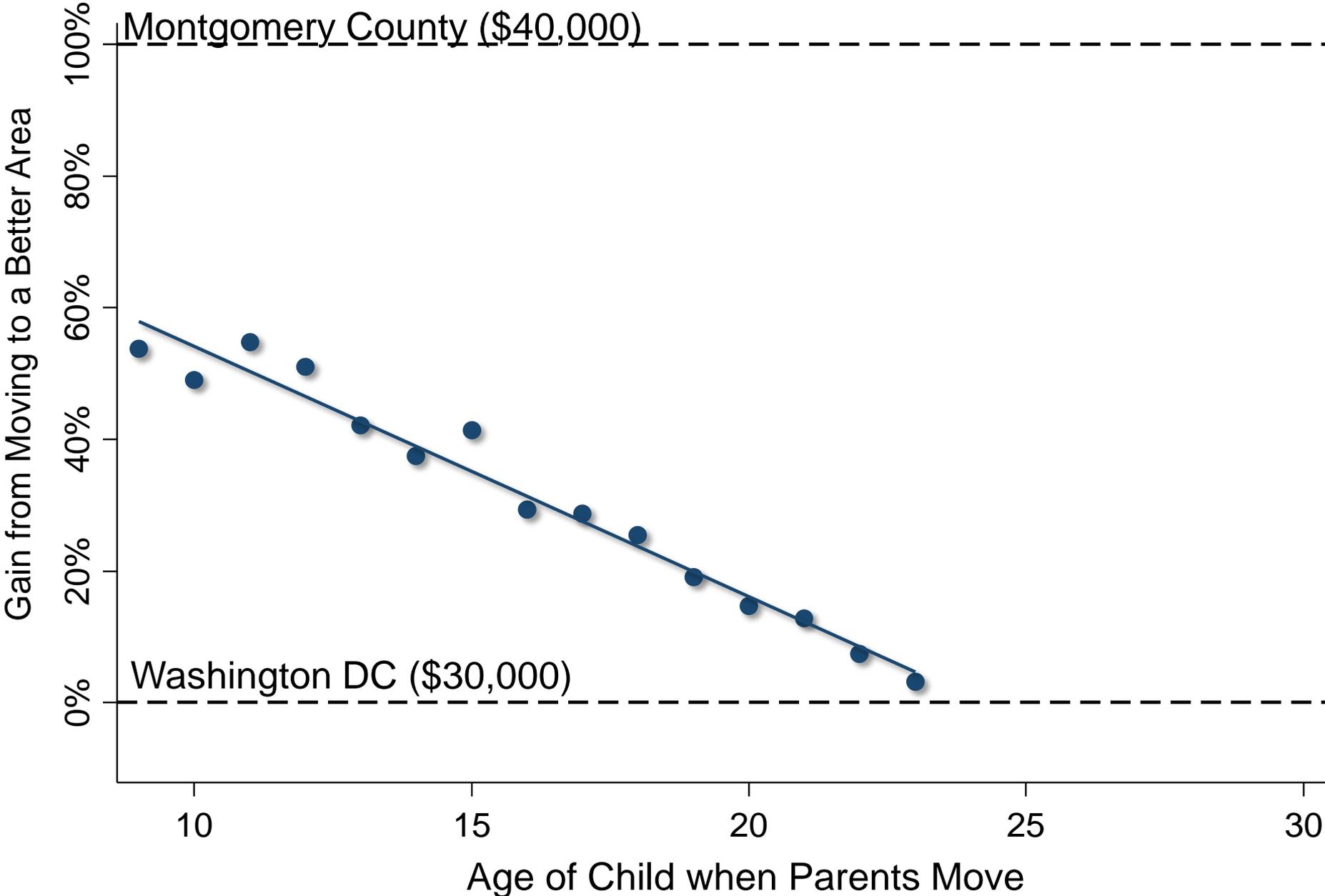
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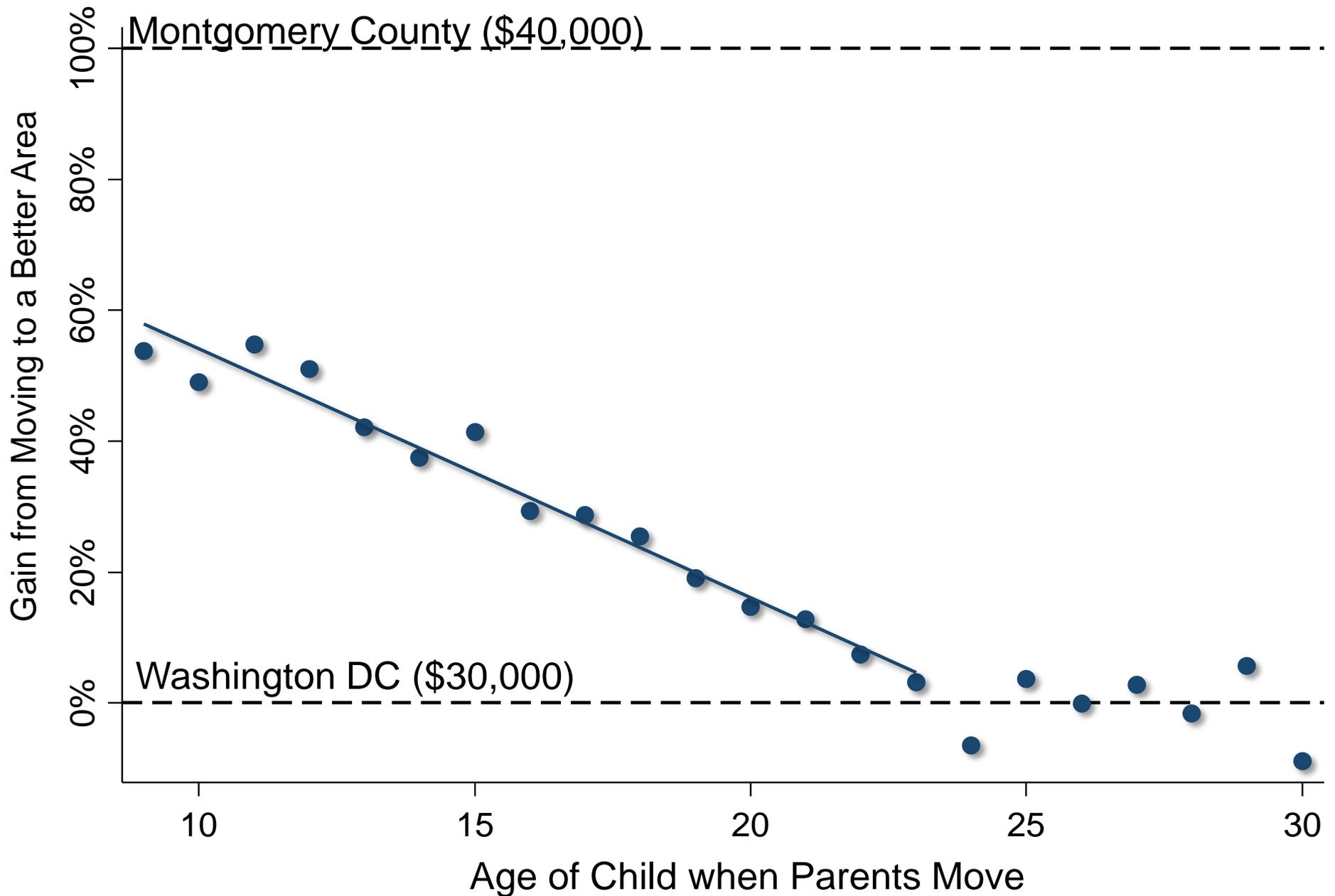
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What are the Characteristics of High-Mobility Areas? Five Strongest Correlates of Upward Mobility

1. Less residential segregation
2. Larger middle class
3. More stable family structure
4. Greater social capital
5. Better school quality



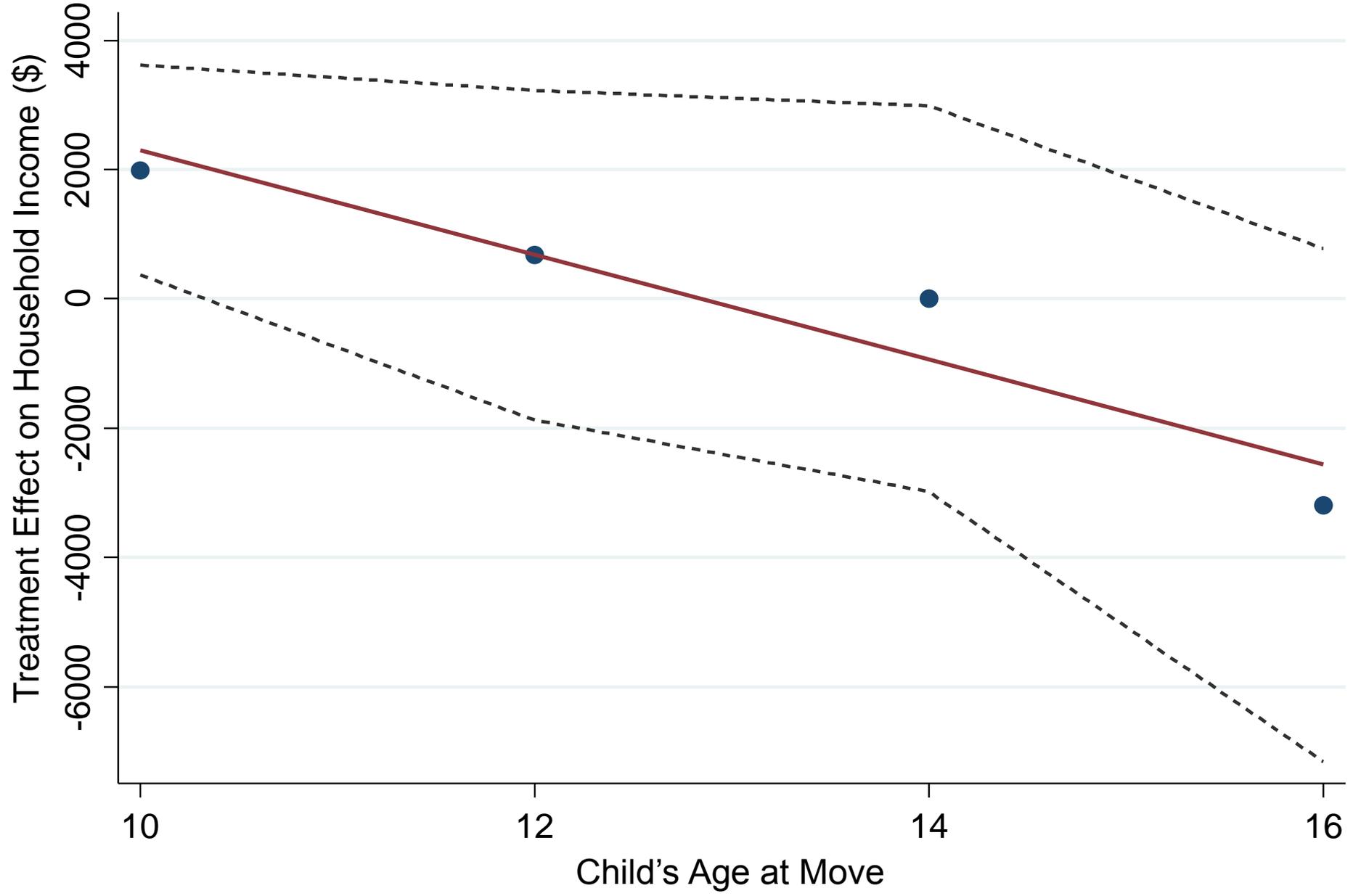
Housing Vouchers and the Moving to Opportunity Experiment

- Results suggest that giving low-income families housing vouchers to move to better areas can improve outcomes
- HUD Moving to Opportunity Experiment: gave vouchers to move to low-poverty areas using a randomized lottery
 - 4,600 families in Boston, New York, LA, Chicago, and Baltimore in mid 1990's
 - Prior work found little impact of MTO on economic outcomes
 - We linked MTO data to tax records to track long-term impacts on children who moved at younger ages

Moving to Opportunity Experiment Re-Analysis

- Children who moved to low-poverty areas when young (e.g., below age 13) do much better as adults:
 - 30% higher earnings = \$100,000 gain over life in present value
 - 27% more likely to attend college
 - 30% less likely to become single parents
- But moving had little effect on the outcomes of children who were already teenagers
- Moving also had no effect on parents' earnings
- Confirms that *duration of exposure* to better neighborhood matters, explaining why previous studies didn't find any effects

Impact of MTO Experimental Voucher on Earnings in Adulthood by Child's Age at Move



Key Barriers to Using Administrative Data for Research

1. Scarce bandwidth and limited access

- Ex: complex contracting process, few physical locations for IRS; inadequate space in Census RDC's

2. Outdated technology due to scarce resources

- Ex: very small investments (~\$100K) would greatly relax hard disk, RAM, and processor constraints at IRS

3. Very difficult to link datasets

- Ex: linking Census records to tax data would permit analysis of upward mobility by race

- Contrast with Danish statistical agency, gold standard for research

Improving Evidence-Based Policy in the U.S.

1. Create a centralized data warehouse that links datasets
 - IRS data provide an ideal spine for linking other data
 - Many existing surveys redundant; focus on collecting information not already in administrative data
2. Provide secure, direct access to data with simplified access protocols
 - Synthetic data do not work well for iterative analysis
 - Rapid retrieval of statistical results critical; current Census RDC approval often too slow

Improving Evidence-Based Policy in the U.S.

3. Start from randomized experiments, but support a broader range of methods
 - Experiments under-powered, especially for studying long-term effects
 - Quasi-experimental methods leverage big data most directly
 - Constructing descriptive statistics to monitor progress (e.g., in local areas) is itself very valuable

Cumulative Number of Researchers who have Written Papers Using IRS Population Tax Data

