

# Improving Equality of Opportunity in America

## New Evidence and Policy Lessons

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Photo Credit: Florida Atlantic University

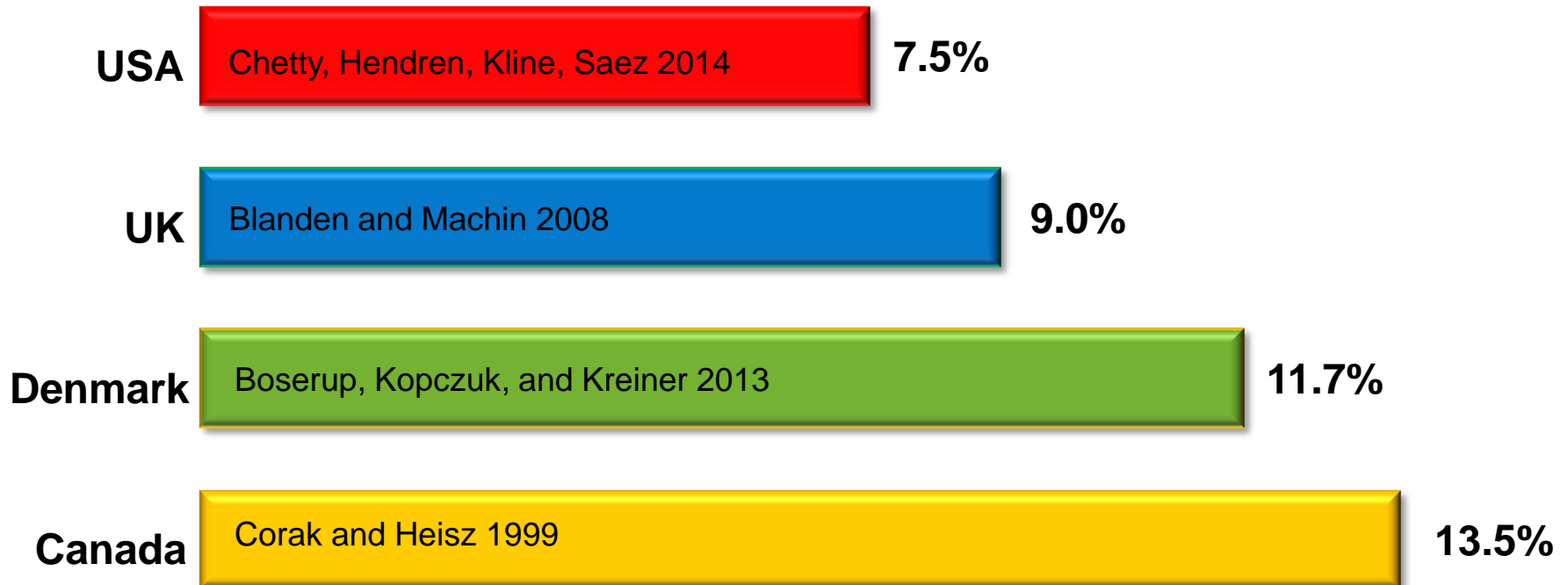


# The American Dream?

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

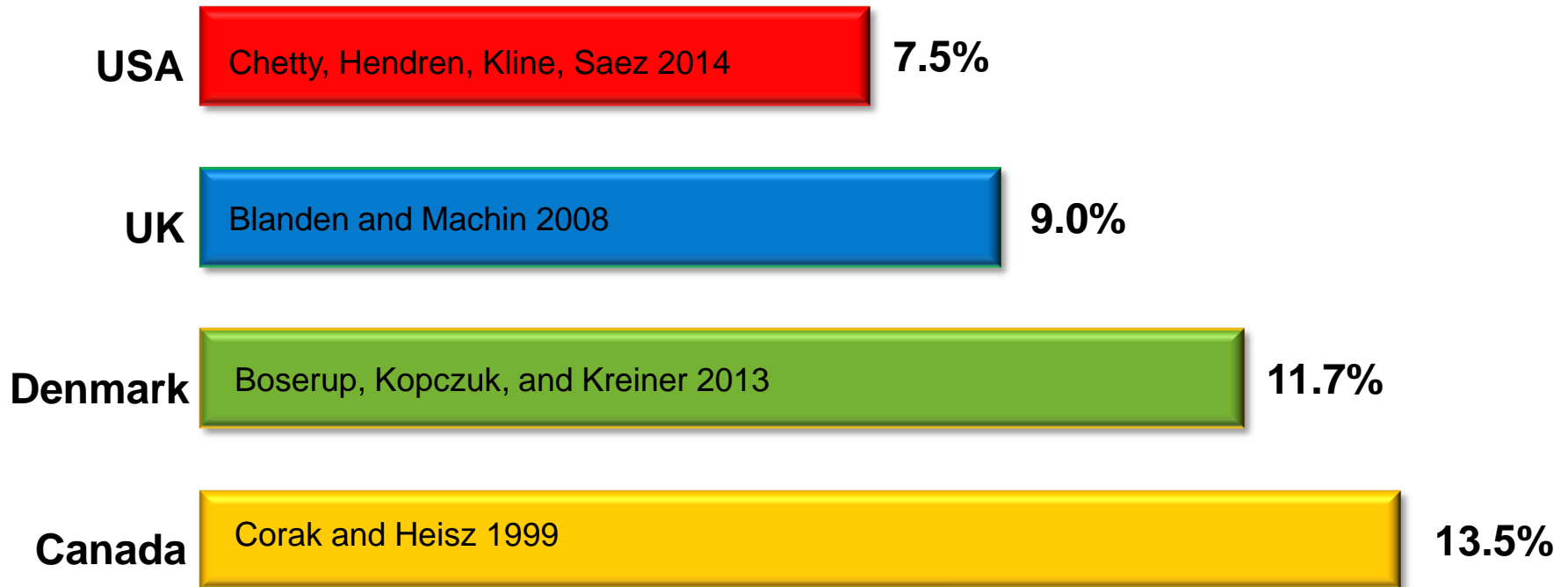
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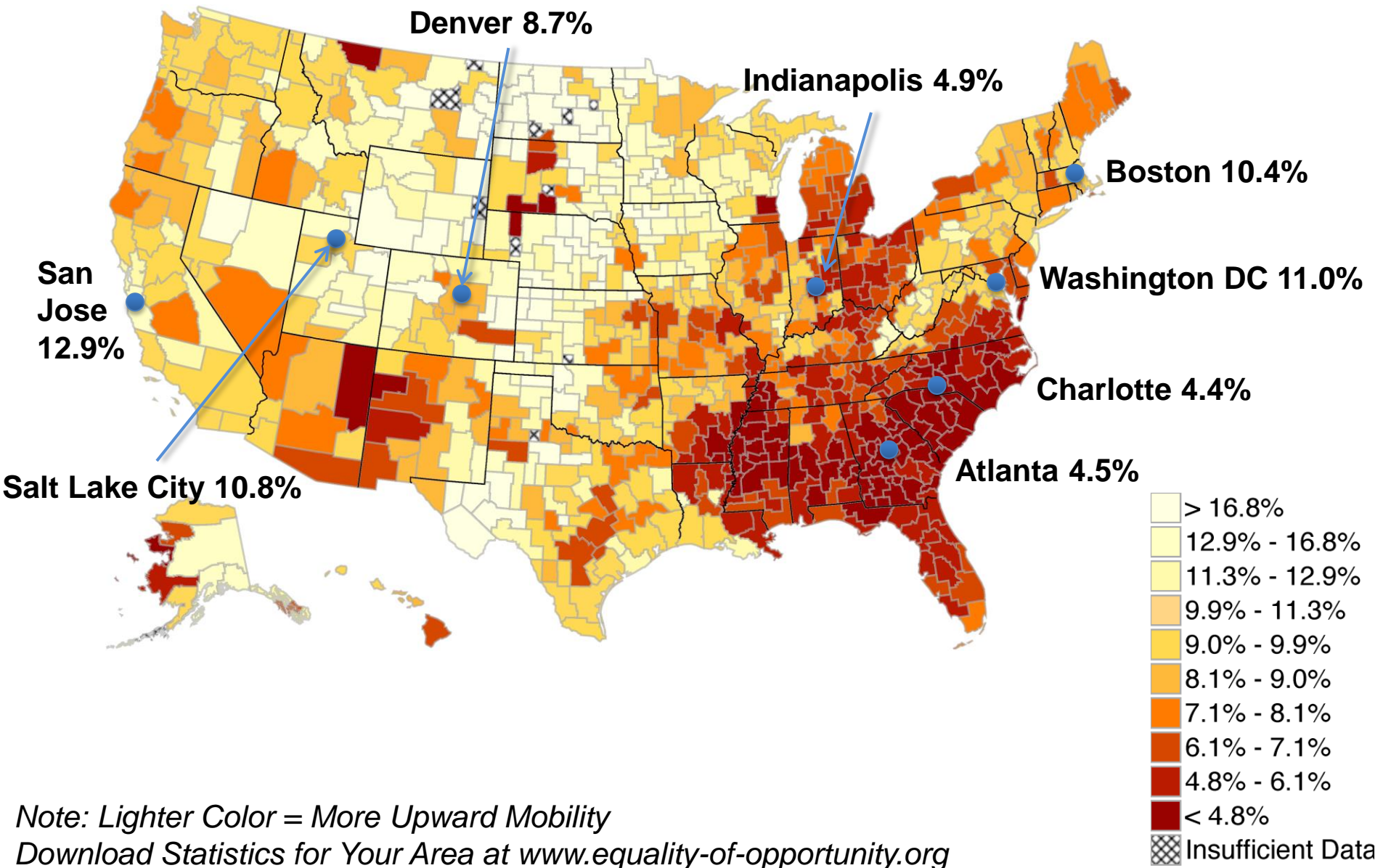
→ Chances of achieving the “American Dream” are almost two times higher in Canada than in the U.S.

# Differences in Opportunity Within the U.S.

- 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 anonymous earnings records on 40 million children born between 1980-1993
  - Classify children based on where they grew up, and track them no matter where they live as adults

# The Geography of Upward Mobility in the United States

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



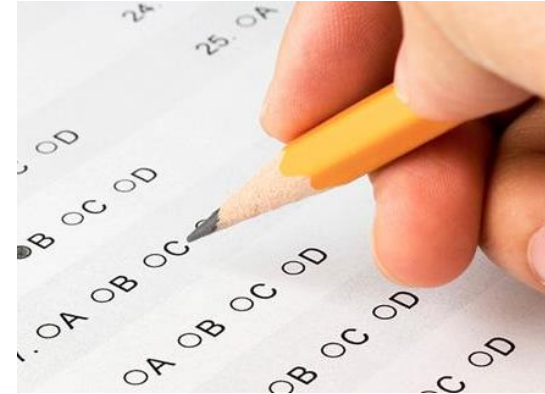
# What are the Characteristics of High-Mobility Areas?

## Five Strongest Correlates of Upward Mobility

1. Segregation: Concentrated Poverty
2. Income Inequality: Size of Middle Class
3. Family Structure: Two-Parent Families
4. Social Capital: “Bowling Alone”
5. School Quality

# Using Big Data to Study Teachers' Impacts

**School district records**  
2.5 million children  
18 million test scores



**Tax records**  
Earnings, College  
Attendance, Teen Birth





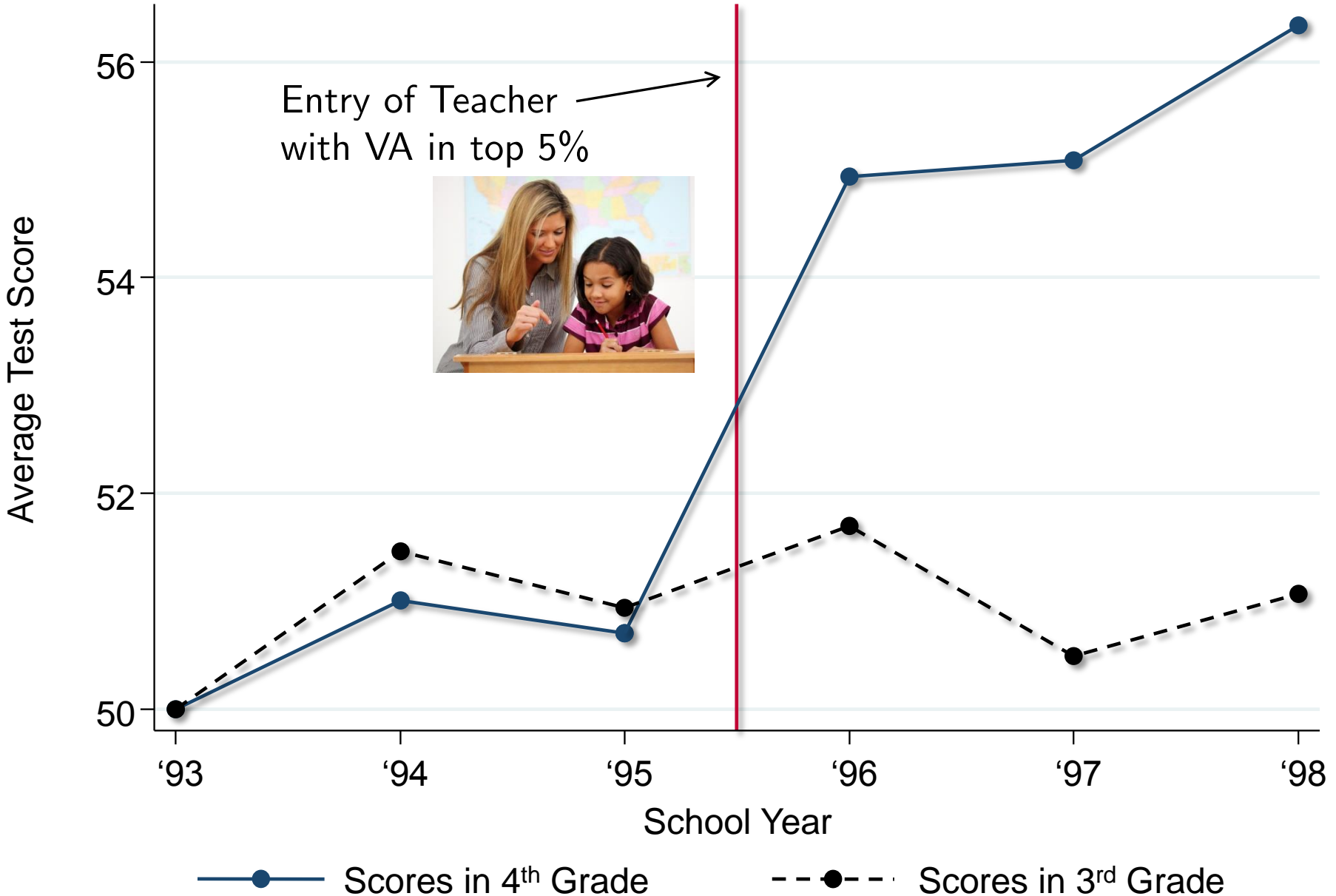
# Measuring Teacher Quality: Test-Score Based Metrics

One prominent measure of teacher quality:  
teacher *value-added*

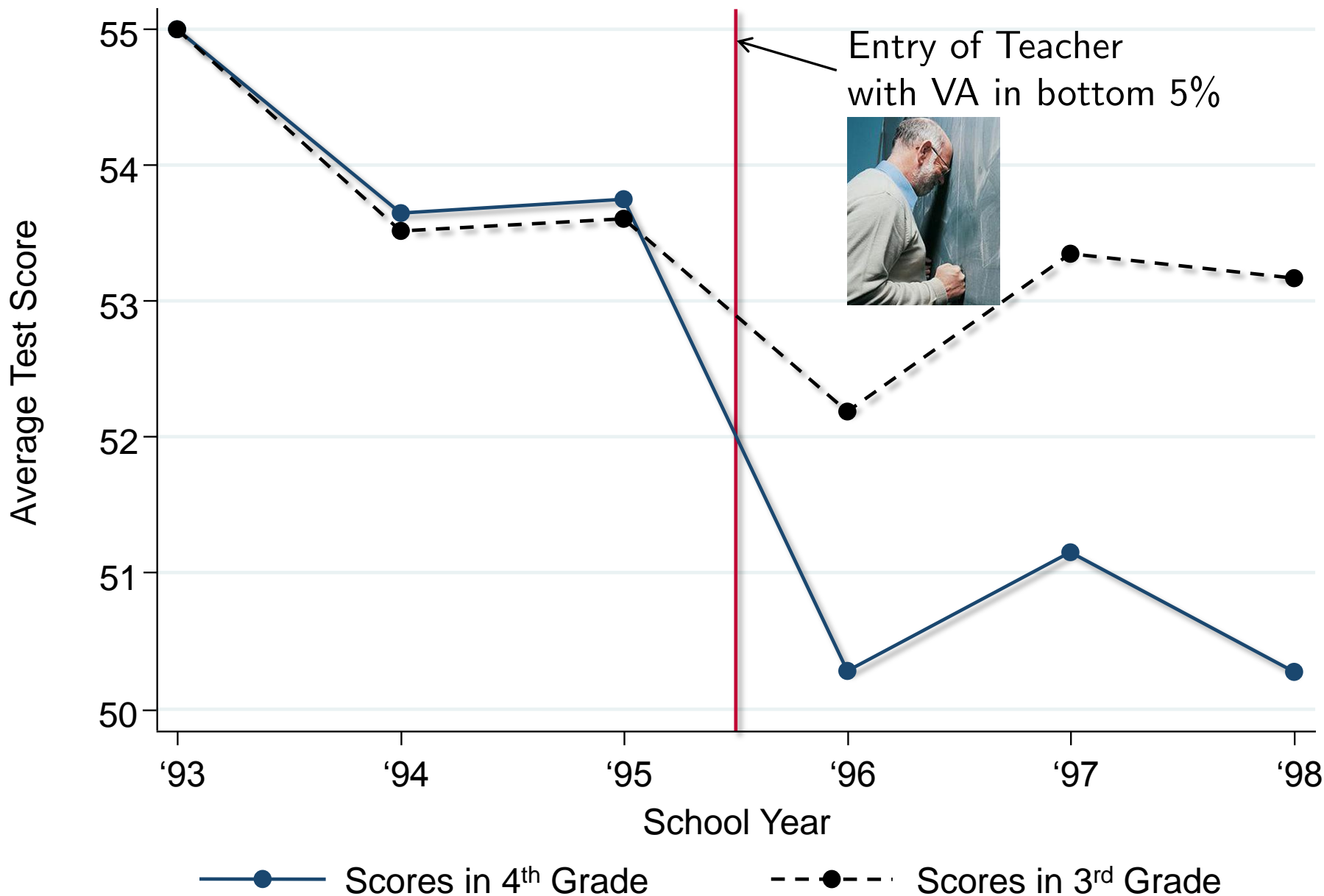
How much does a teacher raise her/his students' test scores on average?



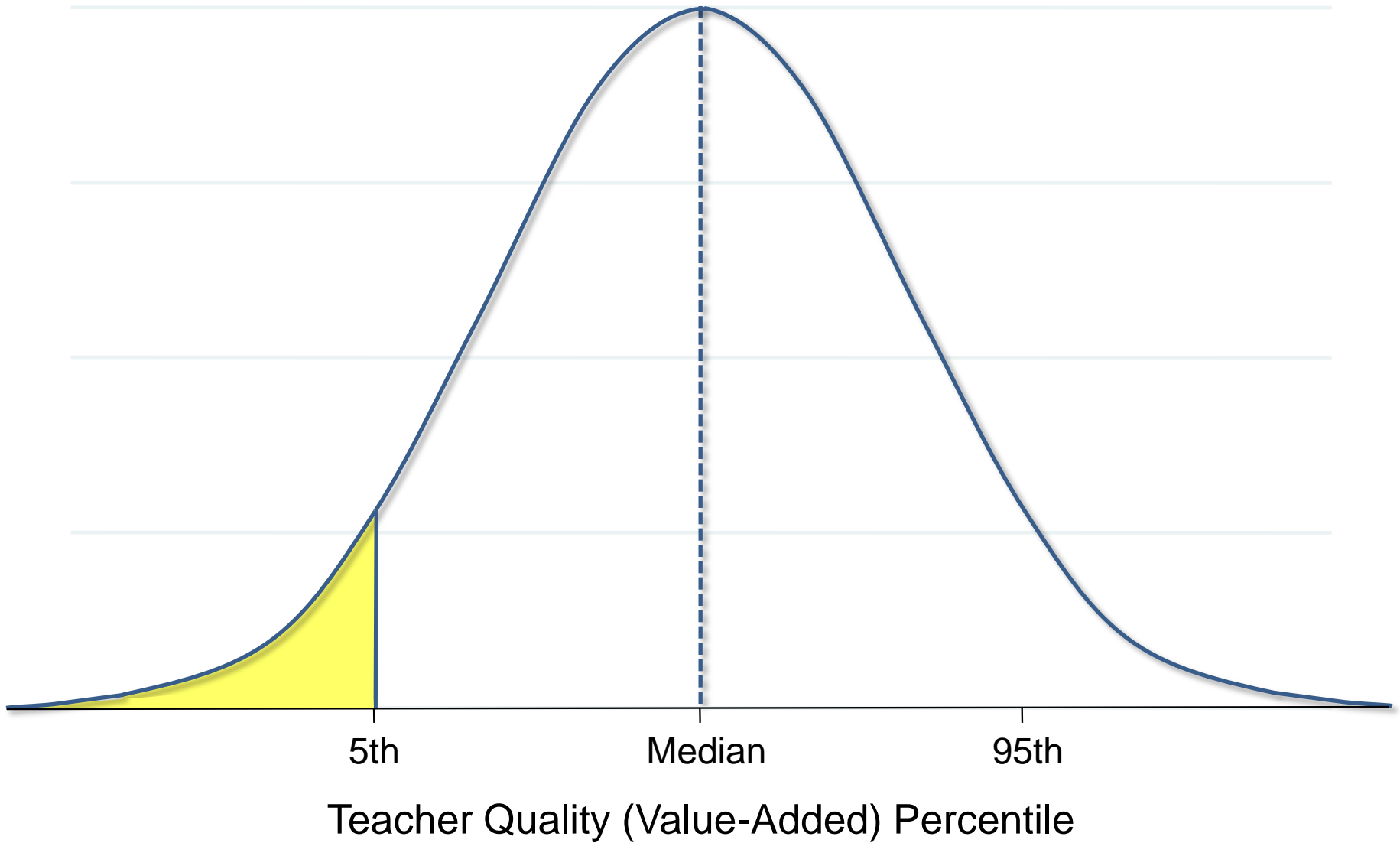
# A Quasi-Experiment: Entry of High Value-Added Teacher



# A Quasi-Experiment: Entry of Low Value-Added Teacher



# The Value of Improving Teacher Quality



# The Value of Improving Teacher Quality

**+\$50,000** lifetime earnings per child  
**= \$1.4 million** per classroom of 28 students  
**= \$250,000** in present value at 5% int. rate

5th

Median

95th

Teacher Quality (Value-Added) Percentile

# Policy Lessons

1. Improve childhood environments and primary education
  - Not just spending more money: US already spends more than other developed countries with better outcomes
  - Instead, focus on key inputs such as attracting and retaining talented teachers (e.g., Finland)
  - Childhood environment matters at all ages, not just the earliest years

# Policy Impacts



“We know a good teacher can increase the lifetime income of a classroom by over \$250,000.... Every person in this chamber can point to a teacher who changed the trajectory of their lives”

- Barack Obama, *State of the Union*, 2012



“A recent study by Harvard and Columbia economists found that students with effective teachers are less likely to become pregnant, more likely to go to college and more likely to get higher-paying jobs....Ineffective teachers are hurting our students’ futures – we can’t allow that.”

- Michael Bloomberg, *State of the City*, 2012

# Policy Lessons

1. Improve childhood environments and primary education
2. Tackle social mobility at a local, not national level
  - Focus on specific cities such as Charlotte or Indianapolis and on specific neighborhoods *within* cities like Boston
  - Target subsidized housing vouchers to families with young children to help them move to better neighborhoods



# Policy Lessons

1. Improve childhood environments and primary education
2. Tackle social mobility at a local, not national level
3. Harness “big data” to develop a scientific evidence base for economic and social policy
  - Identify which neighborhoods are in greatest need of improvement and which policies work
  - “Precision medicine” for economic and social problems