Intergenerational Mobility Around the World

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The “American” Dream?

Chance that a child born to parents in the bottom half of the income distribution reaches the top quartile:

- Brazil: 9.4%
- Pakistan: 9.6%
- US: 13.1%
- Jordan: 14.7%
- Thailand: 16.4%
Increasing focus on equality of opportunity and increasing intergenerational mobility alongside economic growth

Much recent progress in understanding determinants using large-scale longitudinal administrative data (e.g., tax records)

- Study determinants of economic opportunity by disaggregating data across subgroups and using quasi-experimental methods to analyze mechanisms

Techniques pioneered in developed countries have been implemented around the world, have much promise to inform balanced development
The Geography of Upward Mobility in the United States
Average Household Income at Age 35 for Children whose Parents Earned $27k (25th pctile)

Charlotte $26.3k
Washington DC $33.9k
San Francisco Bay Area $37.2k
Los Angeles $34.3k
Seattle $35.2k
Salt Lake City $37.2k
Dubuque $45.5k
Cincinnati $28.3k
Cleveland $29.4k
Boston $36.8k
New York City $35.4k
Chicago $33.1k
Charlotte $26.3k

Note: Blue = More Upward Mobility, Red = Less Upward Mobility
Source: Chetty, Friedman, Hendren, Jones, and Porter (2019), Opportunity Atlas
The Geography of Upward Mobility in New York
Average Income at Age 35 for Children whose Parents Earned $27,000 (25th percentile)

Note: reliability of tract-level estimates (split-sample correlation) = 0.91;
See estimates for other cities at The Opportunity Atlas: www.opportunityatlas.org
The Geography of Economic Opportunity Around the World

**Sweden**
- **Annual Individual Income at Age 32-34 (2010)**
  - $> 255,000$ SEK
  - $< 235,000$ SEK

  **Source:** Heidrich 2017

**Spain**
- **Median Income at Age 31 for Children from Low-Income Households**
  - $> 23.692$ EUR
  - $< 13.001$ EUR

  **Source:** Atlas de Oportunidades 2020

**Netherlands**
- **Average Income at Age 30 for Children from Low-Income Households (Thousands Euro)**

  **Source:** Kansenkaart, 2022

**England**
- **Mean Income Rank at Age 28 for Men Born to Low-Income Families**

  **Source:** Carneiro, Cattan, Deardon, van der Erve, Krutikova, Macmillan (IFS Working Paper 2023)
The Geography of Economic Opportunity Around the World

Africa

Source: Asher, Novosad, and Rafkin 2020

India

Source: Alesina, Hohmann, Michalopoulos, Papaioannou 2021

Source: Asher, Novosad, and Rafkin 2020
The Geography of Upward Mobility in the United States
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Source: Chetty, Friedman, Hendren, Jones, and Porter (2019), Opportunity Atlas

Note: Blue = More Upward Mobility, Red = Less Upward Mobility
Two Americas: The Geography of Upward Mobility For Black vs. White Men

Average Income at Age 35 For Men Whose Parents Earned $27,000 (25th percentile)

Note: Blue = More Upward Mobility, Red = Less Upward Mobility
Source: Chetty, Hendren, Jones, Porter (QJE 2020)
Differences in Intergenerational Mobility in Africa

Fraction of Children from Illiterate Parents who are Literate

Source: Hohmann, Michalopoulos, Papaioannou and Alesina (Nature, 2023)
Causal Effects of Place

- To what extent is the geographic variation in children’s outcomes driven by causal effects of place vs. sorting?

- Identify causal effects by examining 5 million families that move across areas
  - Exploit variation in timing of moves between families who move between the same places, controlling for parental income and demographics [Chetty and Hendren QJE 2018a,b]
Income Gain from Moving to a Better Neighborhood
By Child’s Age at Move

Source: Chetty and Hendren (QJE 2018)
Income Gain from Moving to a Better Neighborhood
By Child’s Age at Move

- Move at age 2 from Van Dyke to the Nehemiah Houses → average earnings of $25,000

Source: Chetty and Hendren (QJE 2018)
Income Gain from Moving to a Better Neighborhood
By Child’s Age at Move

Source: Chetty and Hendren (QJE 2018)
Income Gain from Moving to a Better Neighborhood
By Child’s Age at Move

Source: Chetty and Hendren (QJE 2018)
Childhood Exposure Effects Around the World

**Denmark**

[Graph showing age at move and exposure effect with source: Faurschou (2018)]

**Australia**

[Graph showing age at move and exposure effect with source: Deutscher (AEJ Applied 2019)]

**Africa**

[Graph showing age at move and exposure effect with source: Alesina, Hohmann, Michalopoulos, Papaioannou (Econometrica 2020)]

**Brazil**

[Graph showing age at move and exposure effect with source: Britto, Fonseca, Pinotti, Sampaio, Warwar (2022)]

Hamidah put Australia and Denmark in the top row, Brazil and Africa in the bottom row, delete next slide
Why Does Mobility Vary Across Place?

- Now investigate correlates of mobility across place to inform potential drivers of mobility
  - Key factors do not necessarily depend only on average economic growth
Upward Mobility vs. Job Growth in the 30 Largest Metro Areas

Average Income at Age 35 of Children who Grew up in Low-Income Families

High mobility, low growth
- San Jose
- San Francisco
- Minneapolis
- Seattle
- Sacramento

Low mobility, low growth
- Pittsburgh
- Los Angeles
- New York
- Washington
- Portland

High mobility, high growth
- Detroit
- Chicago
- Kansas City
- Houston
- Riverside

Low mobility, high growth
- Philadelphia
- Cleveland
- Cincinnati
- Cincinnati
- St. Louis

Job Growth Rate (%) from 1990-2010

$26K
$30K
$34K
$38K

0 20 40 60
Characteristics of High-Mobility Neighborhoods

- Lower Poverty Rates
- More stable family structure
- Greater social capital
- Better school quality
Economic Connectedness of Low-SES Individuals, by County
Share of Above-Median-SES Friends Among Below-Median-SES People in Facebook Data

Source: Chetty, Jackson, Kuchler, Stroebel et al. (Nature 2022a,b)
Characteristics of High-Mobility Regions

Source: Alesina, Hohmann, Michalopoulos, and Papaioannou (ECMA, 2021)
Conclusions

1. Local childhood environment plays a central role in shaping prospects for upward mobility, through a dosage or exposure effect.

2. Large-scale observational data can inform decision makers about which interventions are most valuable and where.

3. Incorporating sociological forces into equilibrium models of economic inequality: may be valuable to provide social support and interactions beyond resources.