

# Reviving the American Dream

## New Lessons from Big Data

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Stanford University

Photo Credit: Florida Atlantic University

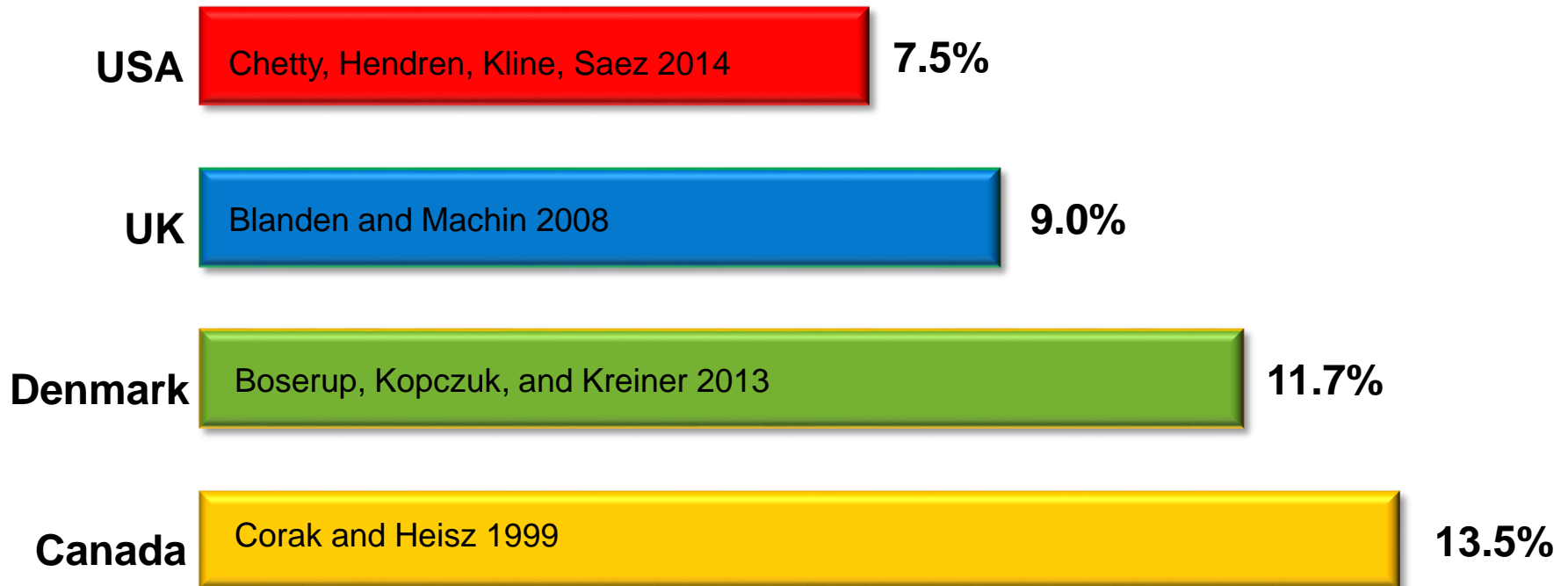


# The American Dream?

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

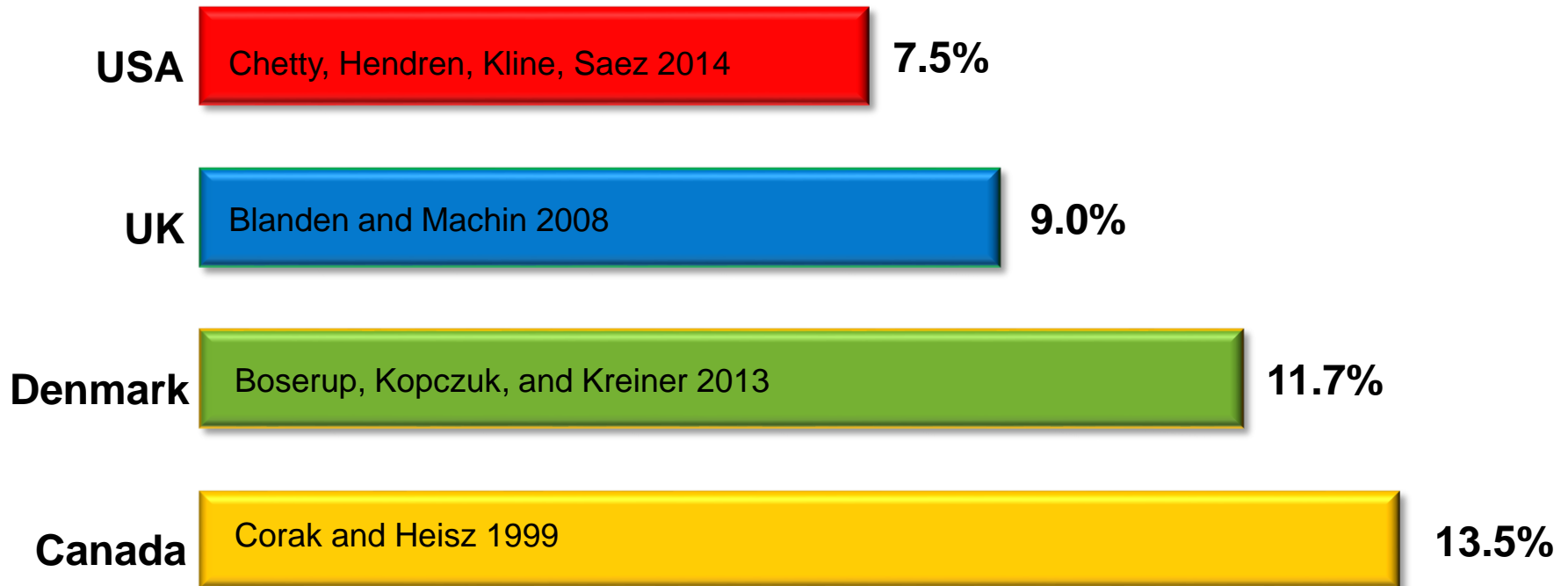
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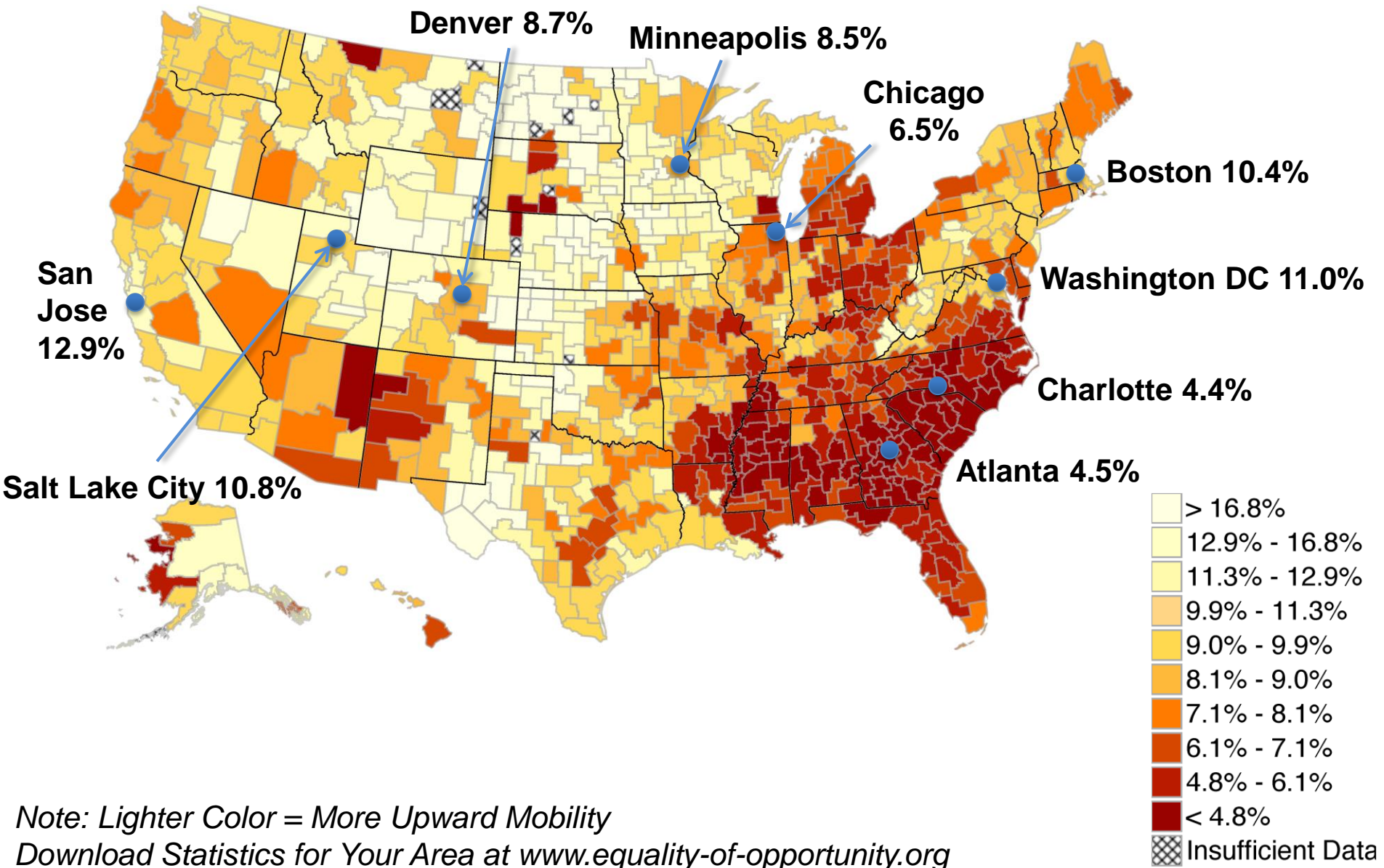
→ Chances of achieving the “American Dream” are almost two times higher in Canada than in the U.S.

# 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 10 million children born between 1980-1982

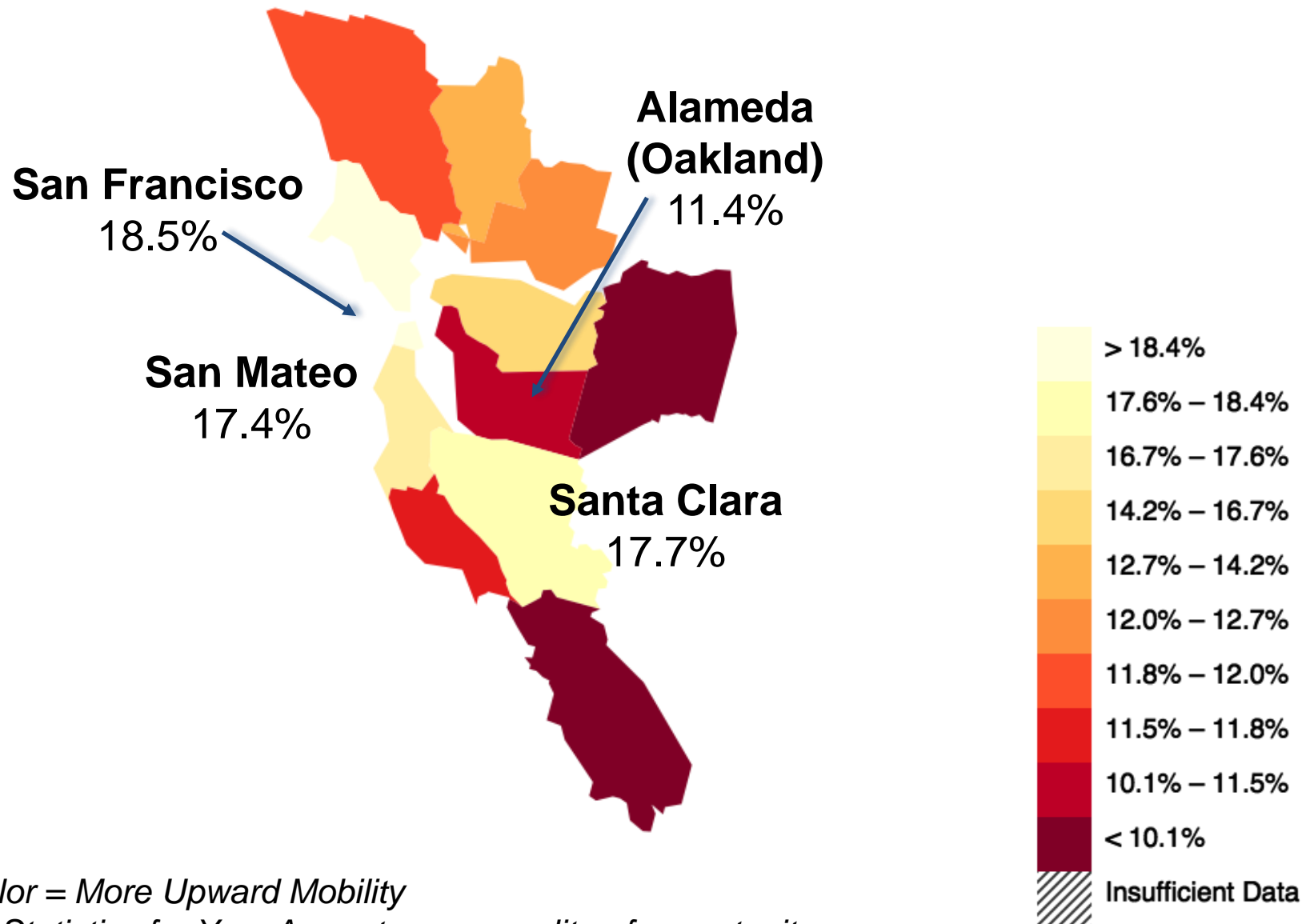
# The Geography of Upward Mobility in the United States

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



# The Geography of Upward Mobility in the Bay Area

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



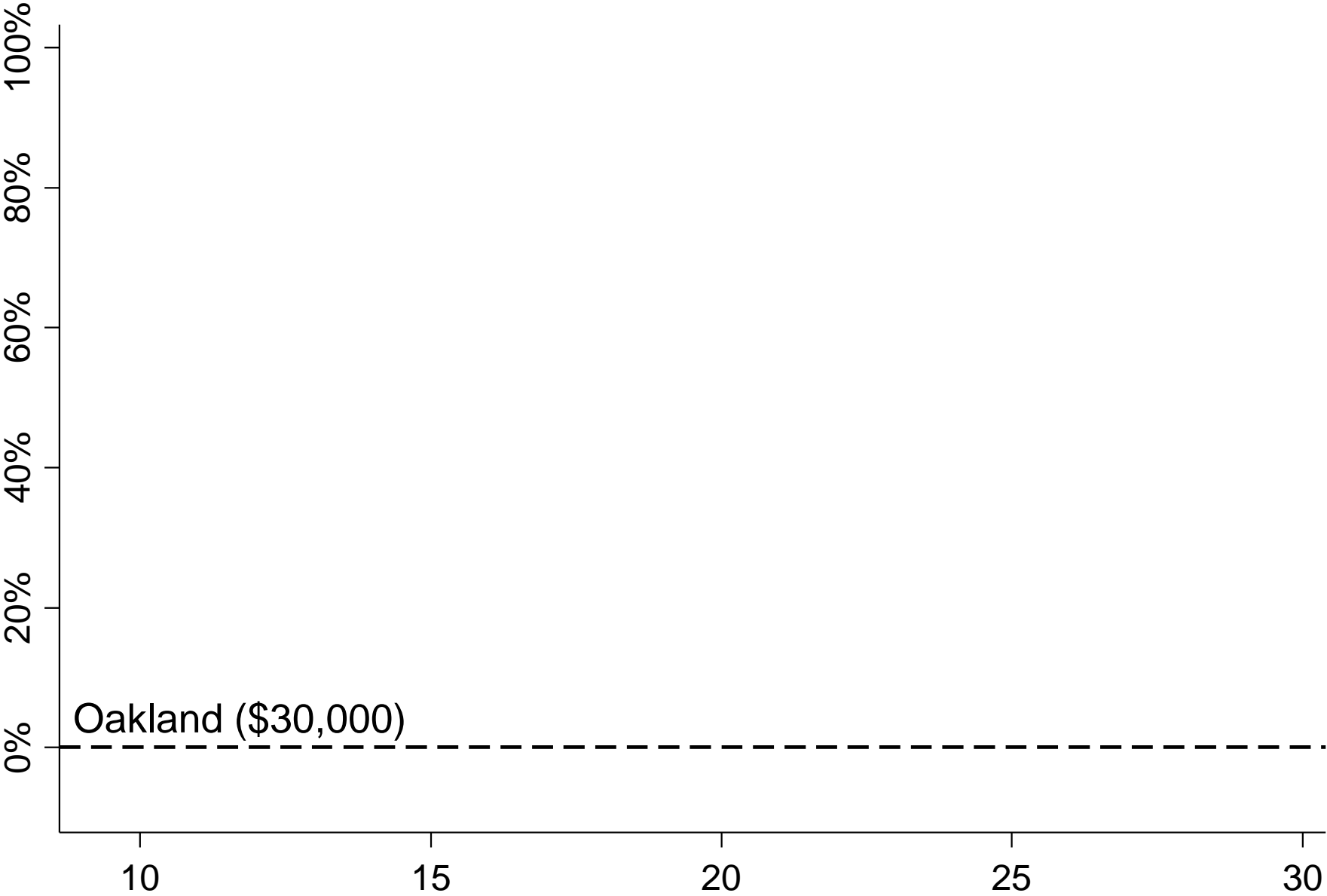
# Why Does Upward Mobility Differ Across Areas? The Importance of Childhood Environments

- 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 in the U.S.

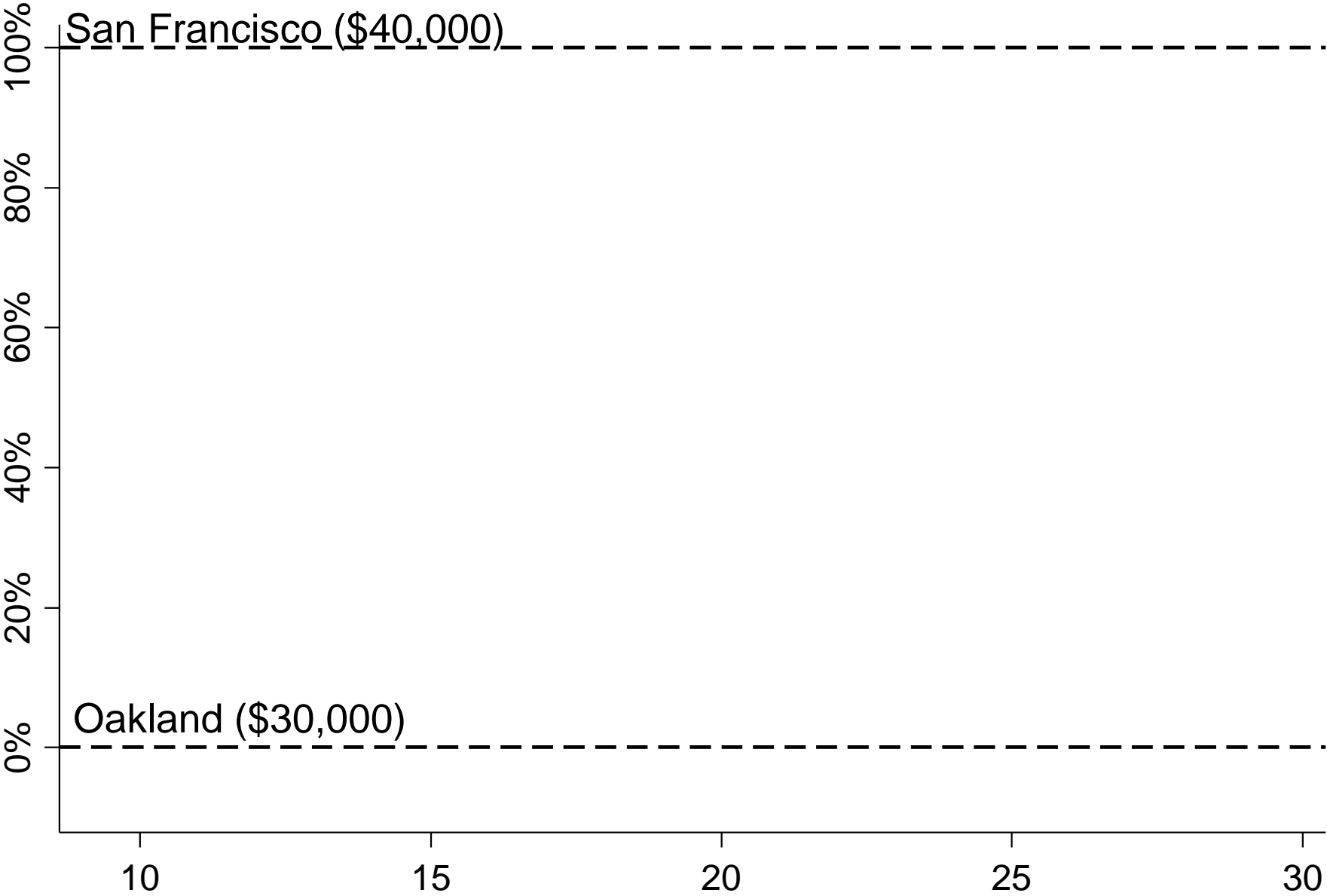




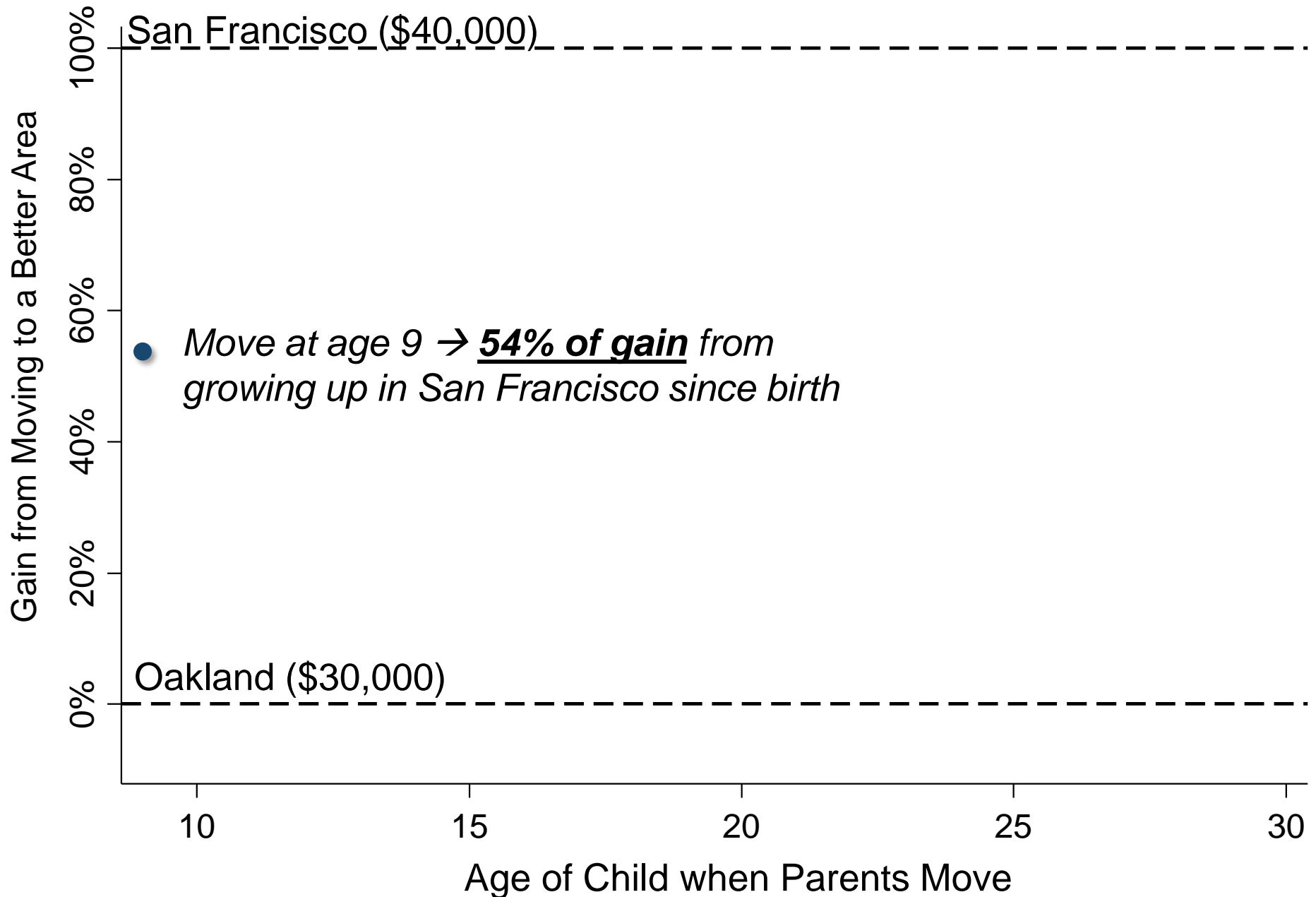
# Earnings Gain from Moving to a Better Neighborhood



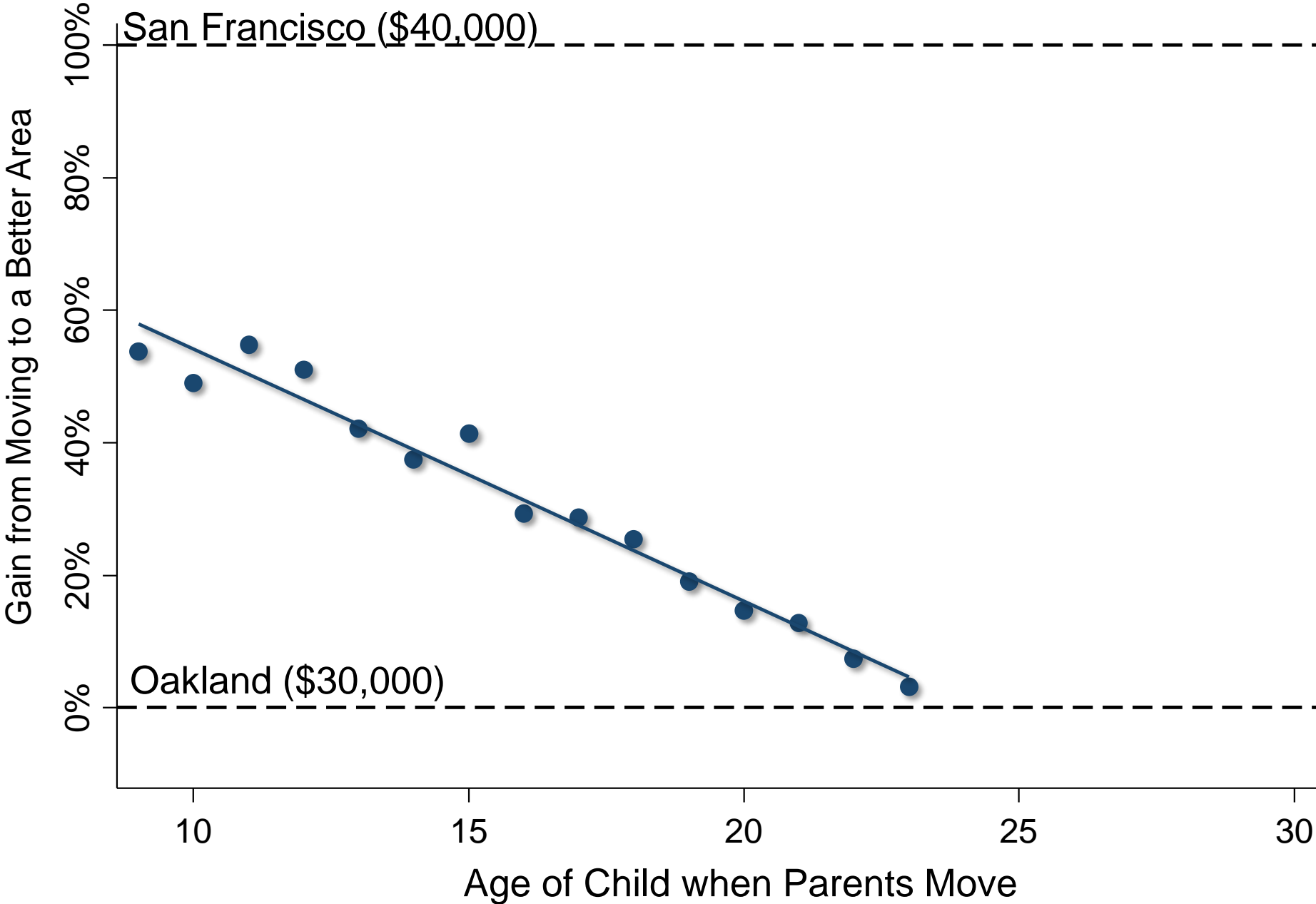
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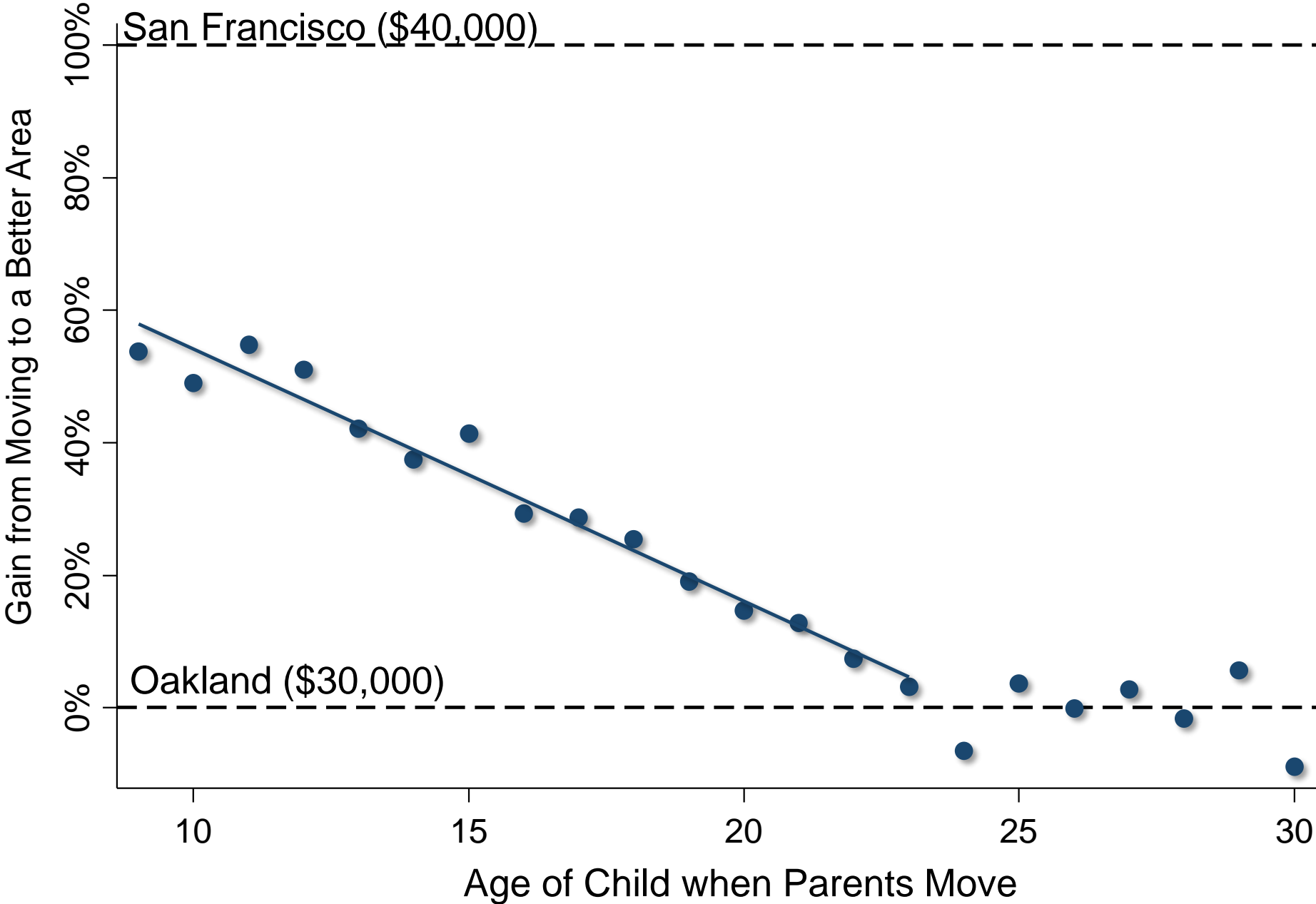
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# What are the Characteristics of High-Mobility Areas?

## Five Strongest Correlates of Upward Mobility

### 1. Segregation





# Racial Segregation in Atlanta

Whites (blue), Blacks (green), Asians (red), Hispanics (orange)

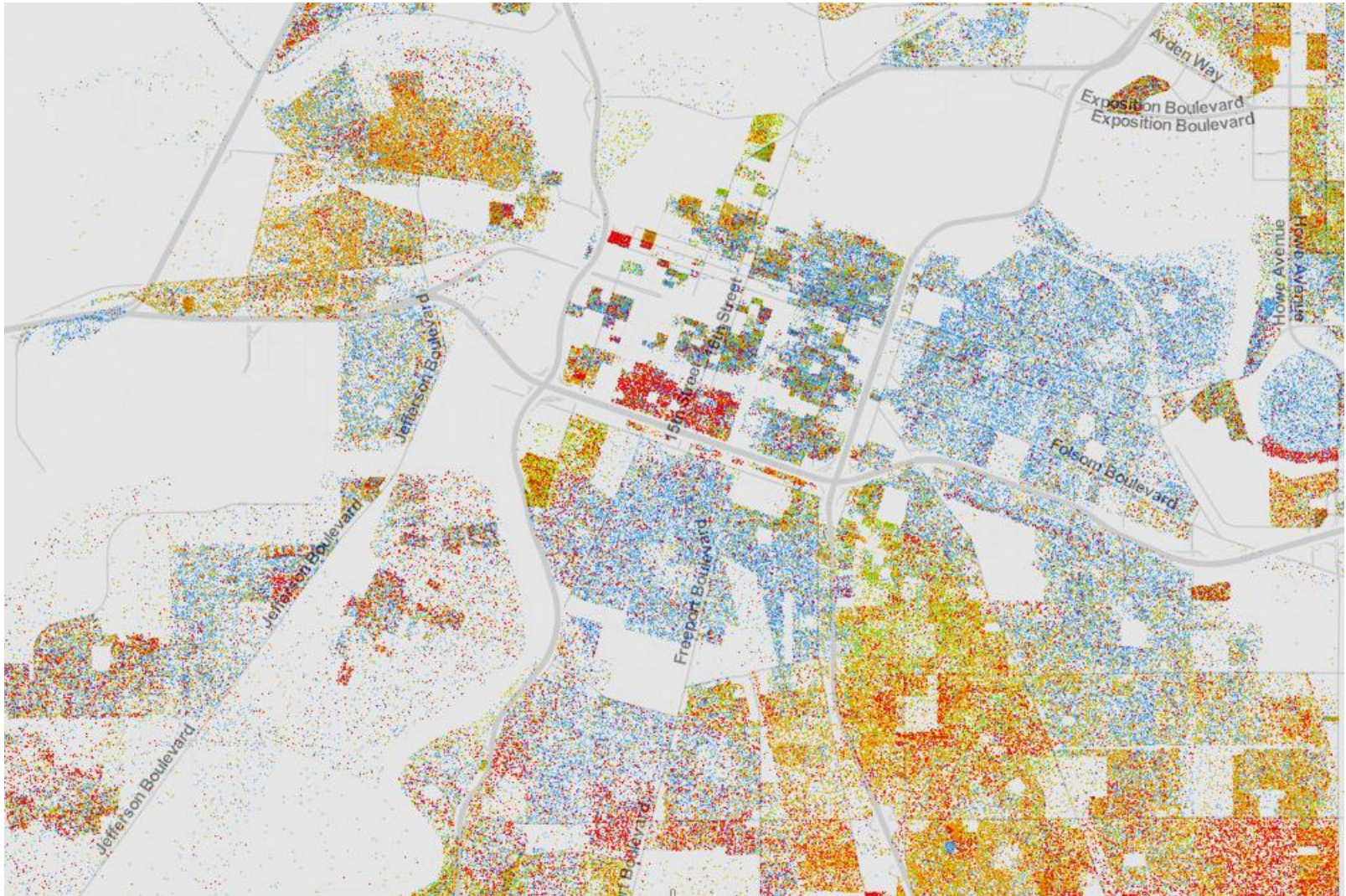


Source: Cable (2013) based on Census 2010 data



# Racial Segregation in Sacramento

Whites (blue), Blacks (green), Asians (red), Hispanics (orange)



Source: Cable (2013) based on Census 2010 data



# What are the Characteristics of High-Mobility Areas?

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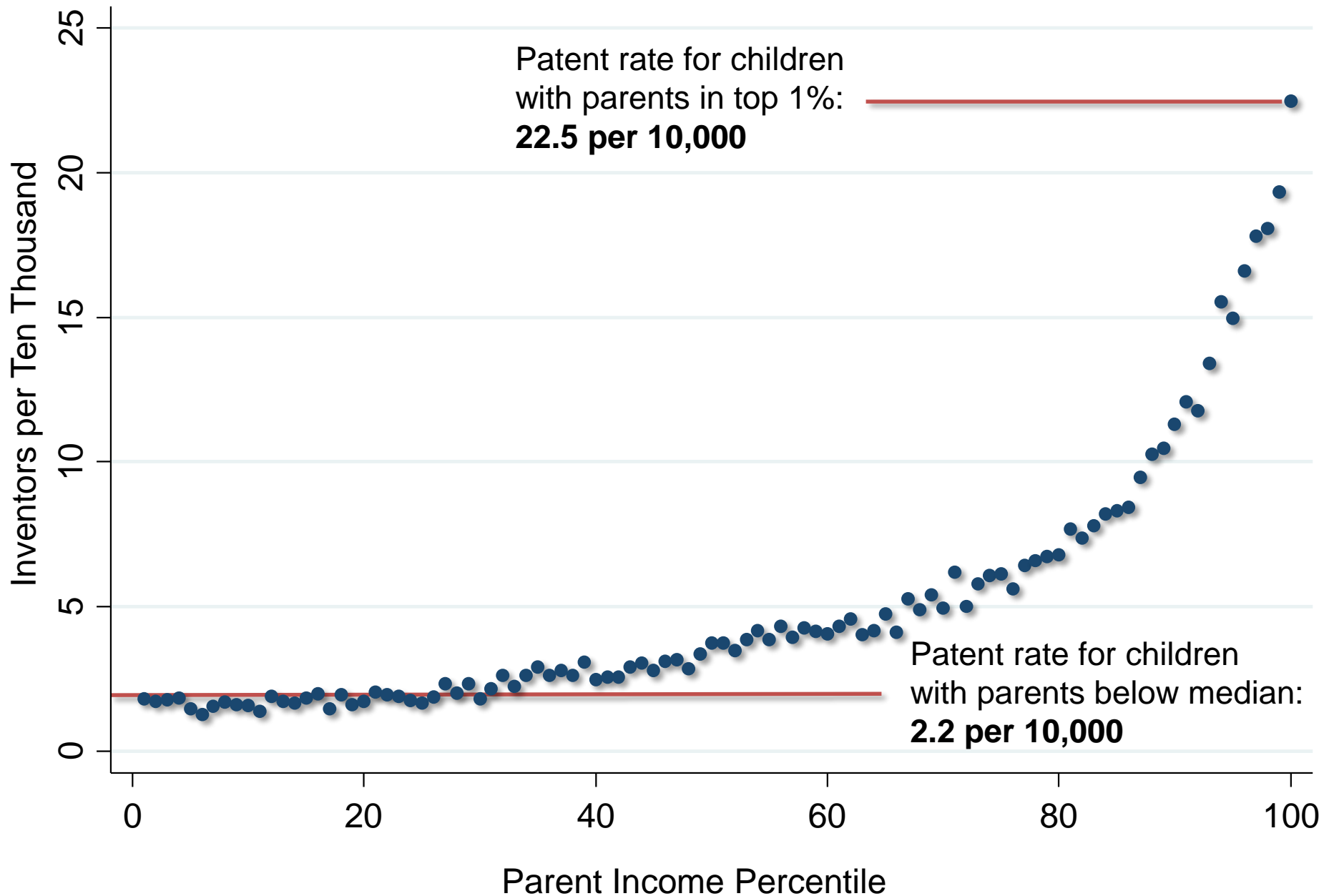
1. Segregation
2. Income Inequality
3. Family Structure
4. Social Capital
5. School Quality



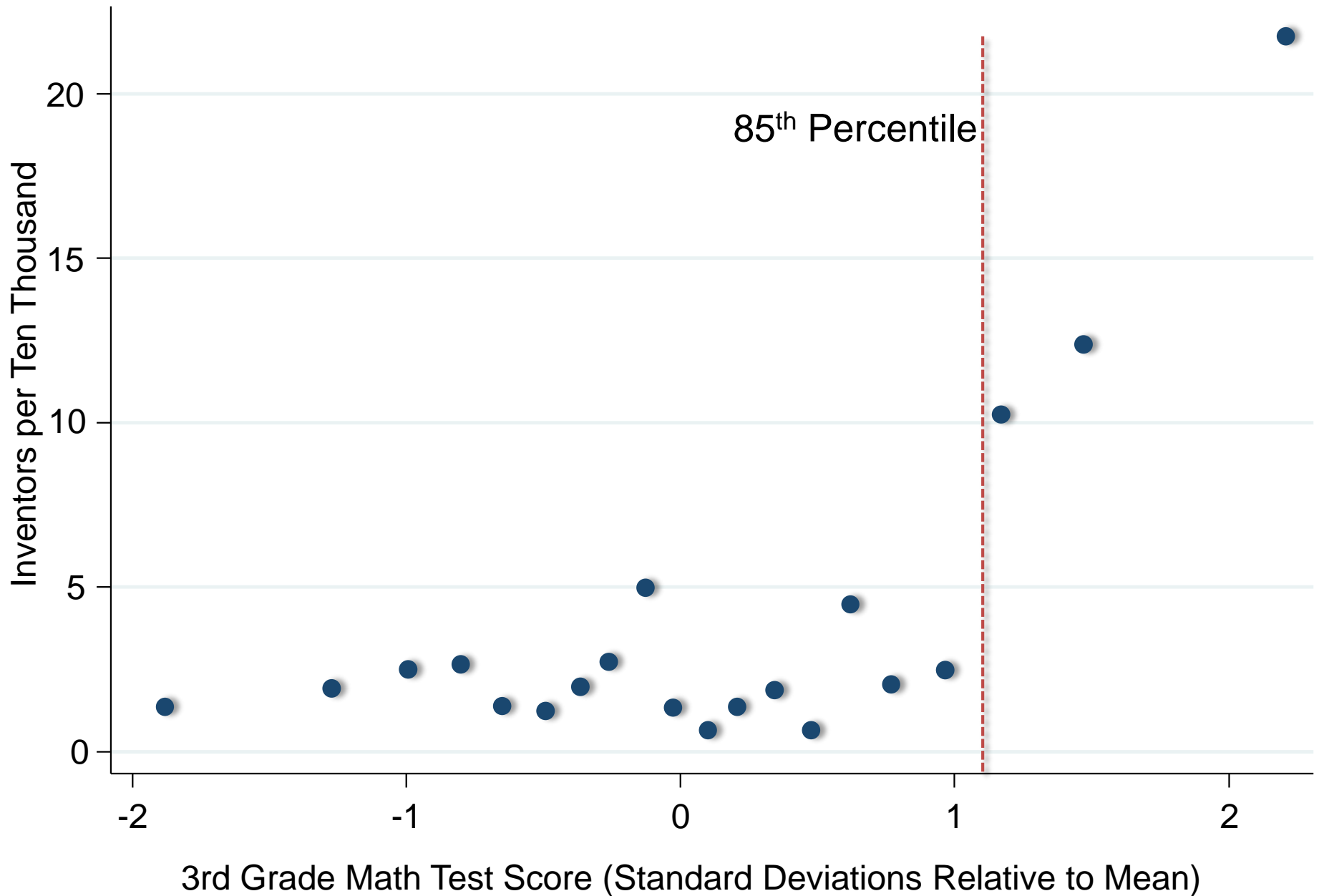
# Equality of Opportunity and Economic Growth

- Traditional argument for greater social mobility is based on principles of justice
- But improving opportunities for upward mobility can also increase size of the economic pie
- To illustrate, focus on innovation
  - Study the lives of 750,000 patent holders in the U.S.

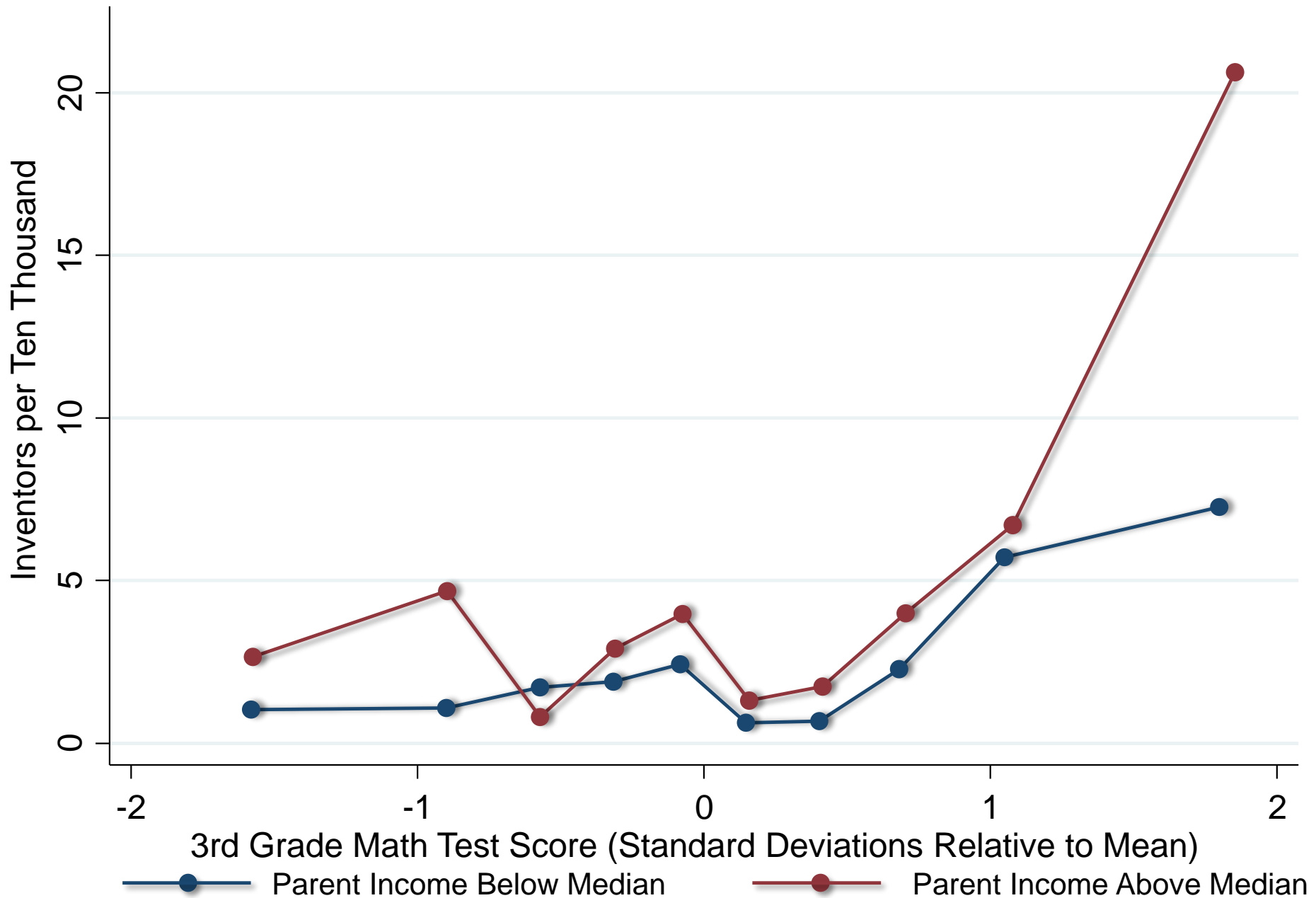
## Patent Rates vs. Parent Income Percentile



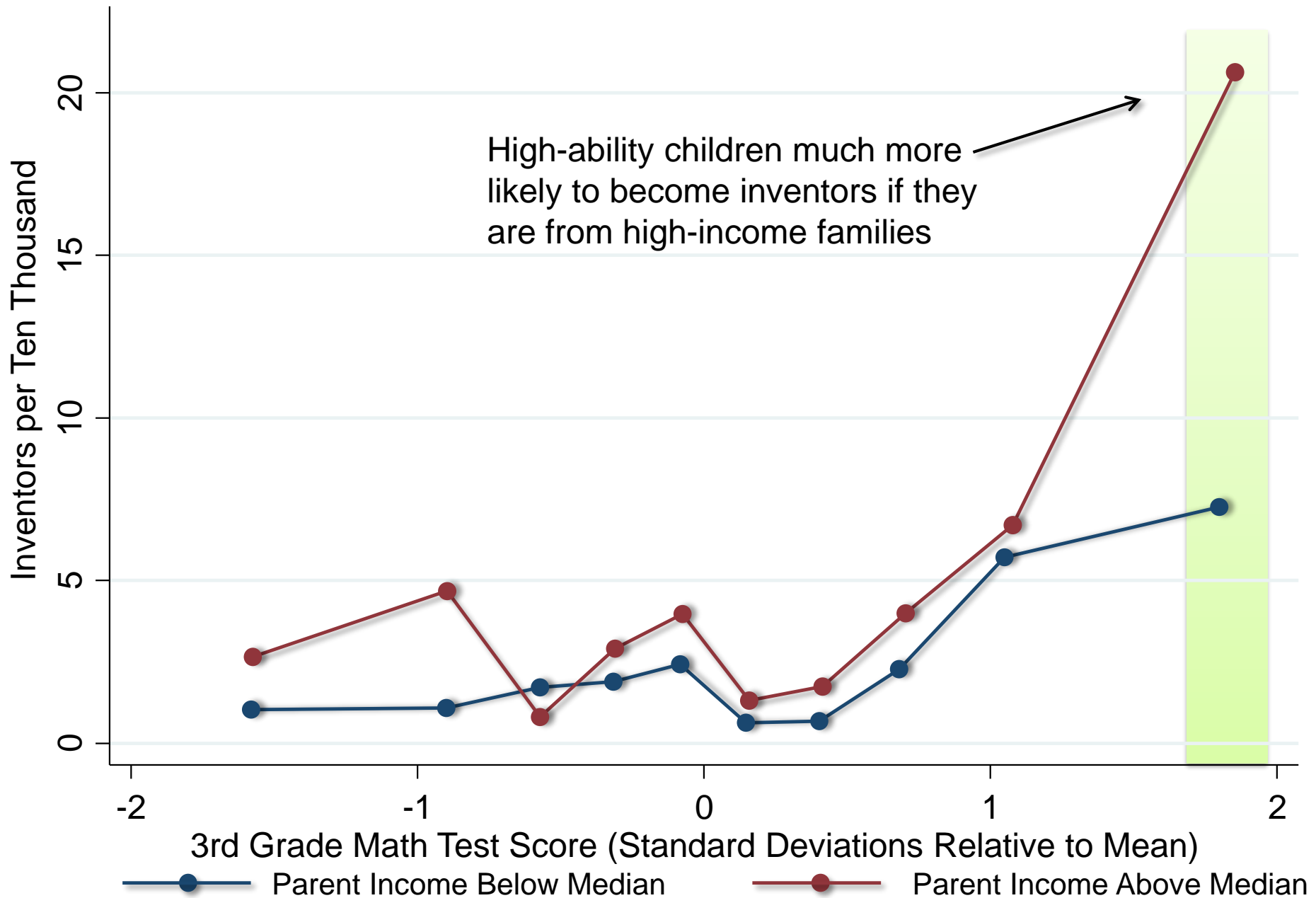
## Patent Rates vs. 3<sup>rd</sup> Grade Test Scores



# Patent Rates vs. 3<sup>rd</sup> Grade Test Scores for Children with Low vs. High Income Parents

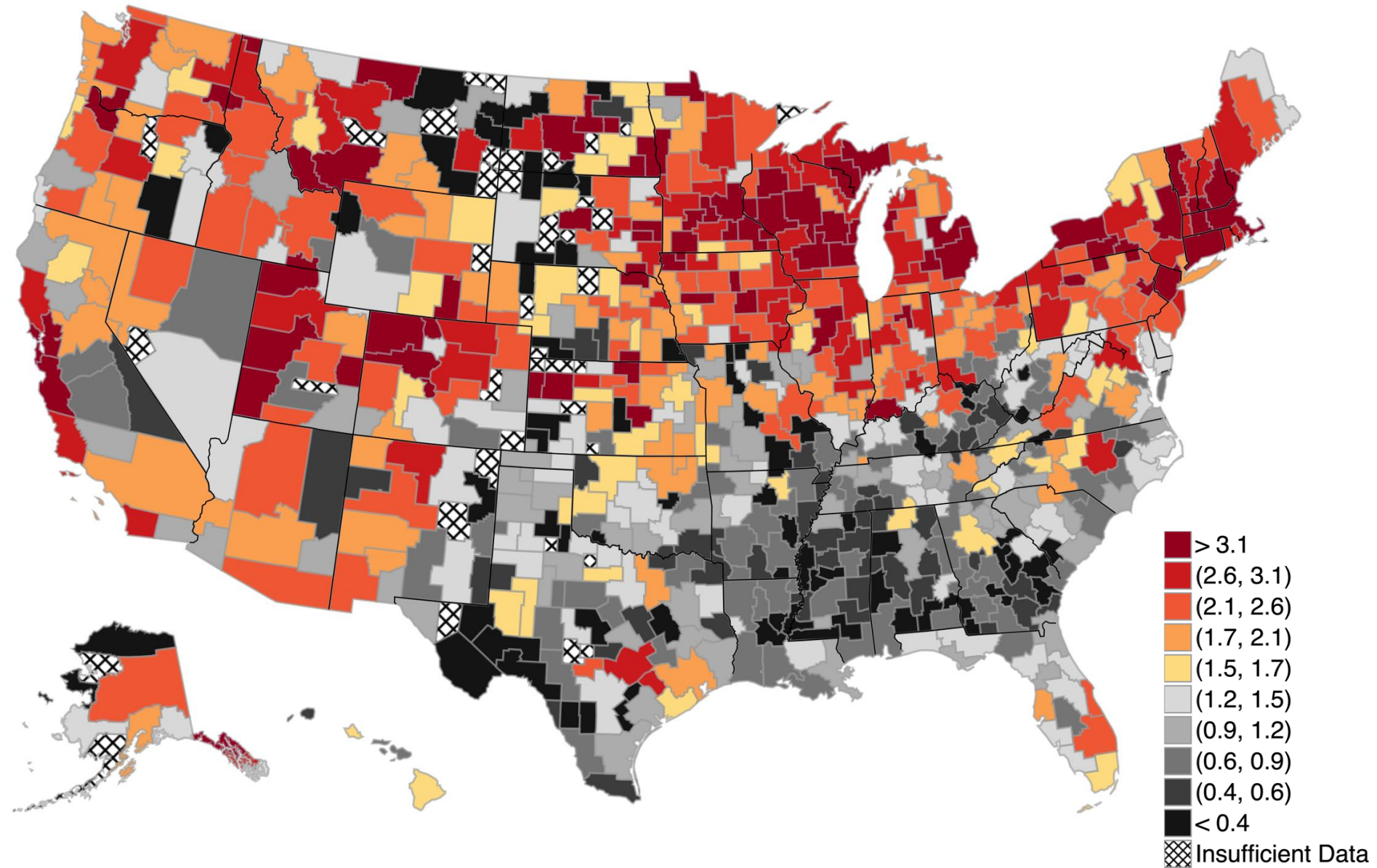


# Patent Rates vs. 3<sup>rd</sup> Grade Test Scores for Children with Low vs. High Income Parents



# The Origins of Inventors in America

## Patent Rates by Area where Child Grew Up





An aerial photograph of a suburban neighborhood in San Jose, California. The houses are mostly two-story with brown tiled roofs. In the foreground, a construction worker wearing a white shirt and a dark cap is working on a wooden frame structure. The background shows rolling hills and a clear blue sky.

*The Atlantic*

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# The Place Where the Poor Once Thrived

San Jose, in the heart of Silicon Valley, used to be the best place in the country for kids to experience a Horatio Alger, rags-to-riches life. Is it still?

*The Atlantic, Feb 24, 2016*