

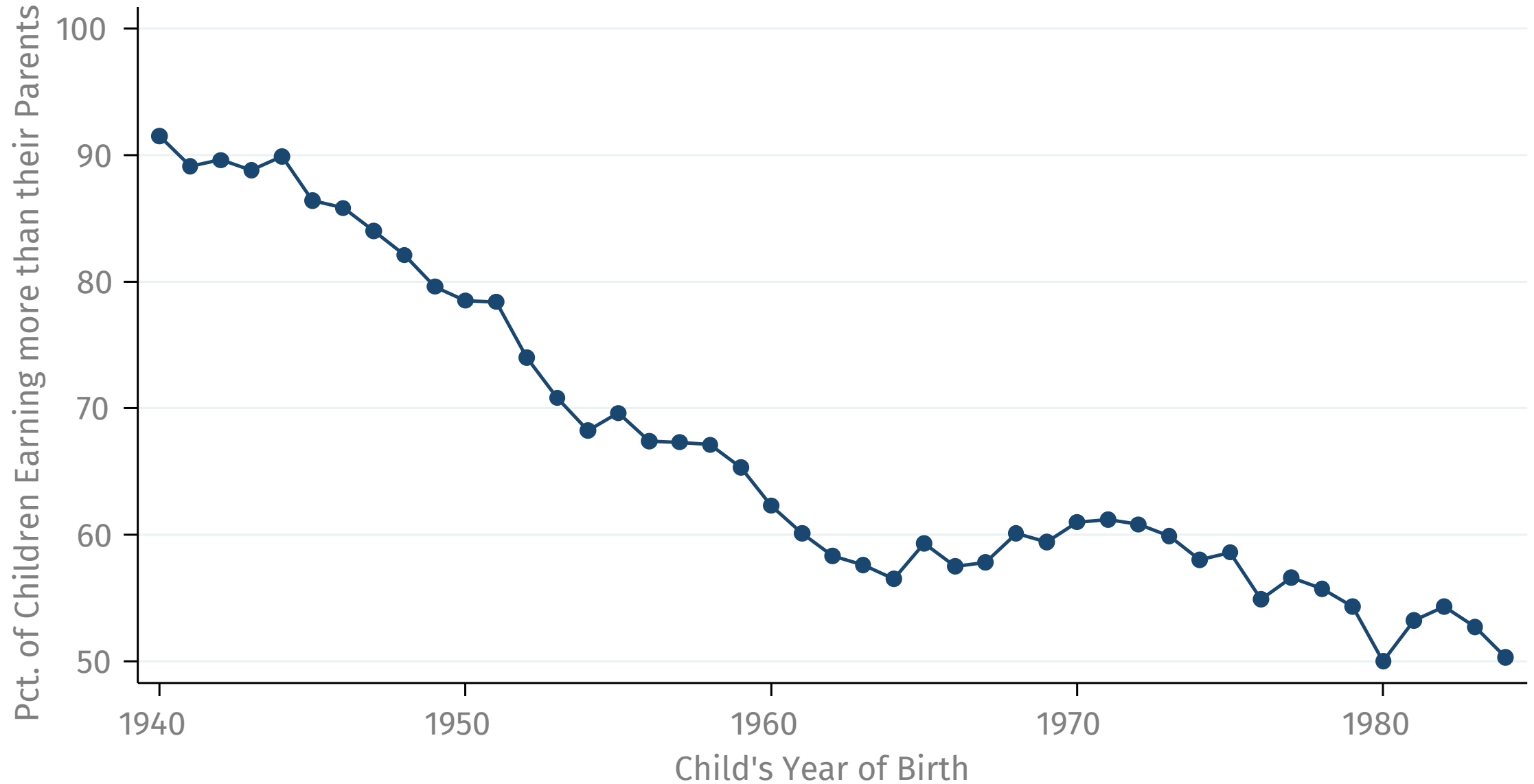
Neighborhoods and income mobility

EC137 {10-02}

08 April 2021

The Fading American Dream

Percent of Children Earning More than Their Parents, by Year of Birth



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?

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

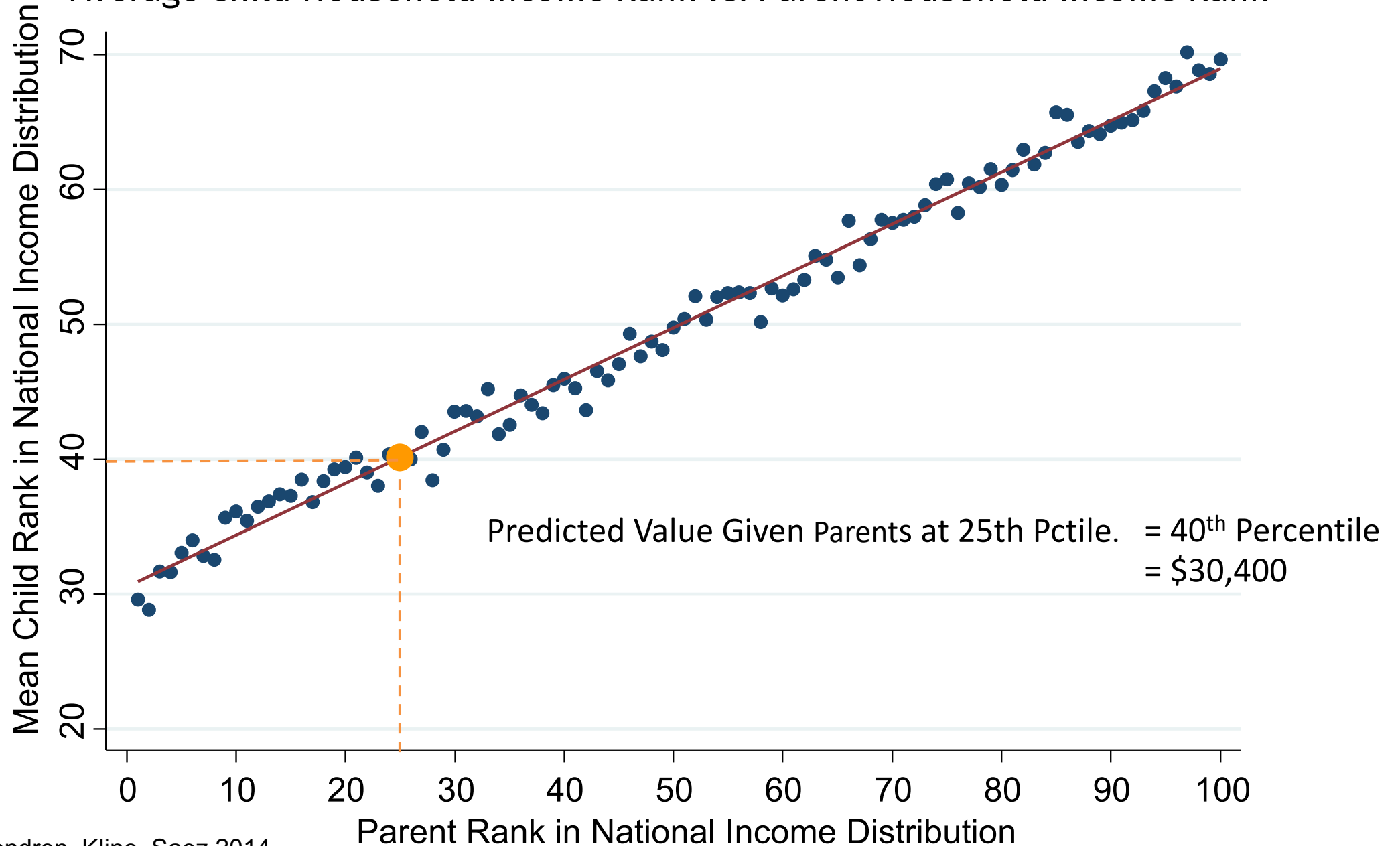
Children's incomes measured from tax returns in 2014-15 (ages 31-37)

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

Average Child Household Income Rank vs. Parent Household Income Rank



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

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

