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PLACE AND OPPORTUNITY: WHAT NOW FOR POLICY?
A CONVERSATION WITH HARVARD'S RAJ CHETTY

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Keynote Address:

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Panel:

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P R O C E E D I N G S

MR. REEVES: Good afternoon. Thank you for joining us. My name is Richard Reeves. I'm the Policy Director of the Center on Children and Families here at Brookings. And on behalf of the Center at Brookings and the Economic Studies Program, I'd like to welcome you to this event on the highly topical theme of "Place and opportunity: What now for policy?"

This is a theme that's been very close to the heart of the Center on Children and Families since its inception. And, in fact, the leaders of the Center, Isabel Sawhill and Ron Haskins, wrote about this a few years ago in their call for what they dubbed an "opportunity society." And so you can imagine how excited we are to be running this event today.

In just a moment, I'm going to introduce our keynote speaker, Professor Raj Chetty. After his presentation of 25 to 30 minutes, we'll hear short contributions from an expert panel, who I will introduce at that moment. I'll then give Professor Chetty a chance to respond to any comments or questions that they have made. I'll then abuse my own position by asking a few questions of my own, and then we will open up to the floor for Q&A with roving microphones.

I should mention that we are streaming this event live. And for those who are tweeting, we are tweeting with the hashtag #FairPlaces.

And speaking of the live streaming, I've been given a list of the people who are watching online, and it is quite instructive. And I would like to thank the 30 people from HUD who are watching. Thank you. Trust me, this is the best possible use of your time. I mean that.

We have nine people from the Seattle Housing Authority, one of the best housing authorities in the country, I've just been told.

And we have one person, Ken McLeod, who is from the League of American Bicyclists. Ken, thank you for joining us.

So, for those watching online and here, thank you very much for coming to this event.

So, let me introduce our main speaker -- and no, that's not him. Who knows who this is? John Rawls - yeah, John Rawls, a fiscal philosopher. So, why have I got a picture of John Rawls up in front of you? What do John Rawls and Raj Chetty have in common?

Well, they're both Harvard professors -- or he was a Harvard professor. But John Rawls was a Professor of Philosophy, whereas, of course, Professor Chetty is one of Economics. I also discovered that Professor Rawls taught at Harvard for 40 years, which is longer than Professor Chetty has been alive -- which is a bit annoying and depressing in itself.

But they share, I think, an important intellectual badge of honor. In 1991, the philosopher Thomas Nagel put the following dedication in the front of his own book, *Equality and Partiality*. The dedication ran as follows: "To John Rawls, who changed the subject." I don't think that it's too much of an exaggeration to say that Raj Chetty has changed the subject, too -- in this case, not social justice, but the subject of intergenerational mobility and opportunity in the U.S. Thanks to him, we know that there is huge variation in rates of intergenerational mobility within the borders of the United States. And now, as you're here today, a little bit more about why that should be so.

Professor Chetty is a professor in the Economics Department at Harvard University, Co-Director of the Public Economics Group at the National Bureau of Economic Research, and Editor of *The Journal of Public Economics*.

He has been named one of the top economists in the world by *The New*

York Times and *The Economist Magazine*. He was awarded a MacArthur Genius Fellowship in 2012, and recently became one of the youngest recipients of the John Bates Clark Medal, which is given by the American Economic Association to economists under the age of 40. So, in short, this better be good.

In terms of improving our life chances, we've known for a very long time that it's important to choose the right parents. But as Raj Chetty's work increasingly shows, it is also -- and independently -- important, it seems, to choose the right zip code.

Here to tell us more, please welcome to the podium Professor Raj Chetty.

DR. CHETTY: Thanks very much for the warm introduction. It's really a pleasure to be here at Brookings, especially given the prominent role Brookings has played in issues of opportunity and mobility over the years.

So, I'm going to talk today about neighborhoods and economic opportunity, and I want to start by just talking about the American Dream, which is a complicated concept that means different things to different people. But I want to start by distilling it to a simple statistic that we can measure in the data -- which is the probability that a child born to parents in the bottom fifth of the income distribution makes the leap all the way to the top fifth of the income distribution -- so kind of the classic Horatio Alger story of going from rags to riches.

What does that probability look like in the U.S. and a few other developed countries around the world? In the U.S., your odds of reaching the top fifth if you start out in the bottom fifth are 7.5 percent. That is, 7.5 percent of kids who start out in the bottom quintile reach the top quintile. That compares with nine percent in the United Kingdom, 11.7 percent in Denmark, and 13.5 percent in Canada.

Now some people, when they look at these statistics, initially, they react

by saying, "Oh, that doesn't look like all that high of a chance of success even in Canada, right? Only a 13.5 percent chance of making it to the top." Now you have to remember, of course, that, no matter what you do, unfortunately, you can't have more than 20 percent of people in the top 20 percent. And so there's sort of a maximum on what this statistic can be. In a society where your parents' income plays no role at all, you'd end up with 20 percent of people moving from the bottom fifth to the top fifth.

So, these are actually quite large differences in rates of social mobility across areas. One way I think about it is that your chances of achieving the American Dream are almost two times higher, in a sense, if you're growing up in Canada, rather than in the United States.

Now these differences across countries have been the focus of much policy discussion and much interest. But what I'm going to focus on here today is the fact that upward mobility varies even more within the United States. And my view is that, in some ways, we can learn from that local variation within the United States, because there are lots of differences across countries, in many characteristics, including the degree of inequality and so forth that make cross-country comparisons quite challenging.

And so in recent work, my colleagues and I have calculated upward mobility for every metro and rural area in the U.S. And the way we do that is essentially - I think of it as an application of big data to public policy questions. I think that's one of the most important trends in economics and social science. And the work that I'm going to show you today is very much an illustration of that style of work.

So, in this case, we're going to use anonymous earnings records on 10 million children born between 1980 and 1982. So, the population of kids born in the early '80s in the United States -- and we're going to classify children based on where they grew up, and track them no matter where they live as adults.

Using that data, we construct this map here, which shows you the same statistic that I started out with -- your odds of moving from the bottom fifth of the national income distribution to the top fifth, based on where you grow up. So, the way we construct this map is by dividing the U.S. into 741 commuting zones. So, these are metro and rural areas that are aggregations of counties. And in each of those commuting zones, we calculate your odds of moving from the bottom fifth to the top fifth if you grew up in that area.

Now this is a heat map, so lighter-colored areas represent areas with higher levels of mobility. So, you can see that if you look at the lightest-colored areas on the map, your odds of moving from the bottom fifth to the top fifth exceeds 16 percent -- so higher than the statistics we were seeing for Denmark and Canada, for example.

At the other end of the spectrum, you look at places like Atlanta or Charlotte -- or places like Indianapolis. You have rates of mobility below five percent, lower than any developed country for which we currently have data. So, even within the United States, there's quite a large spectrum in terms of rates of mobility.

Now in our most recent work, we try to dig deeper into what is driving this variation in mobility across areas. And this is the focus of the work that was released a couple of weeks ago. So, there are two very different explanations for the variation in children's outcomes across areas.

One is that this is about differences in people. The people who live in Atlanta are obviously not the same as the people who live in Salt Lake City or the people who live in San Jose. And so even though we see these geographic differences, that doesn't necessarily mean directly that place matters; it could just be that the types of people who live in place A are different from the types of people who live in place B.

A different explanation -- one that sociologists and economists would call

neighborhood effects -- is that places have a causal effect on upward mobility for a given person. So, that is, if I take a given child and put that child in Atlanta, or in Charlotte, or in Salt Lake City, I'm going to see different outcomes for that particular child.

Now there's been a long literature in social science trying to distinguish between these two explanations, and it's been quite difficult to determine whether places really have a causal effect on economic outcomes or not. So, in our recent work, we try to make progress on that question. And the way we do that is by studying families that move across areas.

So, to explain what we do, let me first start by describing what one would ideally do if you were able to run sort of the ideal scientific experiment to answer the question of whether and how places matter.

So, what you'd like to do, if you look at it from a scientist's perspective, is that you'd randomly assign children to neighborhoods and compare their outcomes in adulthood. So, you'd like to basically randomly assign some families to Atlanta, some to Charlotte, some to every county in the United States, and compare children's earnings in adulthood, and thereby figure out to what extent place seems to matter.

Now, of course, that experiment is infeasible in practice. And so one of the great benefits of big data for public policy is that we can essentially find ways to approximate these types of experiments, using what I'll call quasi-experimental methods.

So, in the first study that I'm going to focus on today, we analyze data on 5 million families who move across areas with children of different ages, in order to identify the causal effects of place.

So, to understand how this works, let me describe the key idea with the following chart. So, let's take, as an example, two places -- Chicago, which has lower mean outcomes for kids who grew up there from birth -- we saw that in the initial map that

I put up -- and Boston, which seems to generate better outcomes on average for kids who grow up there from birth.

Let's denote by zero on the Y axis the mean earnings of kids who grew up in Chicago. So, for example, if the average earnings of kids who grew up in Chicago in low-income families is \$30,000, I'm going to denote by zero the level of income of \$30,000. And then we're going to denote by 100 percent the average level of earnings that kids who grow up in Boston from birth have. So, if that's \$40,000, for example, that would be 100 percent on this chart.

So, now I'm going to take a set of families that move between these two cities -- between Chicago and Boston -- and on the X axis, I'm going to vary the age of the child when the parents moved. So, I'm going to look at families that moved with children of different ages.

So, we'll start with this first point here, which shows you the data for children whose families moved when they were exactly nine years old. This turns out -- given the data we currently have, the earliest age we're able to look at is age nine, okay?

So, what we see in the data is that children whose families move from Chicago to Boston when they're exactly nine years old end up about halfway between the kids who grew up in Boston from birth and the kids who grew up in Chicago from birth. So, kind of half of that gain from growing up in Boston from birth seems to rub off if you move to Boston at age nine.

So, now let's replicate that analysis, looking at subsequent ages -- families that move when their kids are 10, 11, 12, 13, and so on. And what you see is this very clear pattern of childhood exposure effects -- this declining pattern where the later you move to the better area, the less of the gain you get. So, if you move at age 15, you get only something like 40 percent of the gain. If you move at age 20, or 22, or after

that, you essentially get none of the gain from growing up in the better area.

So, that's very consistent with the simple idea that every year of exposure to a better childhood environment improves children's long-term outcomes. The more time you spend growing up in a place where kids do well improves your own outcomes.

Now what does that finding imply in terms of causal effects of place? Because we're looking at families moving across areas, and you're looking at a given family, this suggests that it's not so much that the people who live in Atlanta are different from the people in Boston; rather, it seems like it's something about the place itself that's changing kid's outcomes, right? So, by looking at movers in this way, we're able to identify the causal effects of place.

An even more striking finding would really convince me that there seem to be causal effects at play here is looking at siblings within the same family. So, we'd replicate this analysis comparing brothers and sisters within the same family. And we find that if you take a family that moves with, say, a 10-year-old and a 14-year-old from Chicago to Boston, the 10-year-old does better than the 14-year-old on average, exactly in proportion to the gap in their ages -- which is really a remarkable, striking pattern that you find in the data, which really suggests that this is really about the places and not the types of families that are moving between these places.

Now building on this logic of exploiting the timing of when families move between areas -- that's really the fundamental idea of our approach. We're going to take families that move from place A to place B, but use variation in when they get there in order to identify the causal effects of places.

Building on that strategy, we're able to identify the causal effect of every county in the U.S. on a given child's earnings. So, that is, we're able to predict how much

a child would earn on average if he or she had grown up in a different county.

So, to give you an intuition for how this works -- one of the patterns we see in the data -- one of the results we find -- is that children who move from Washington, D.C. to Fairfax County at younger ages end up earning more as adults. And conversely, if you move from Fairfax County to Washington, D.C., the earlier you move to the city, the lower your earnings look, on average. So, that pattern, as you can see intuitively, implies that Fairfax has a positive effect, relative to D.C.

Now you can make similar comparisons across all counties in the United States, and we essentially aggregate that information using a statistical model to come up with an estimate using the data on the 5 million movers for each county's causal effect -- so quite an ambitious thing to try to do -- identify the causal effect of every county in the U.S. and how a given child would do -- but we think that using this large dataset in families that move across areas, we're actually able to accomplish that task.

And so here's some of the data that comes out of that. And some of you might have seen some of these results in the media. I'm focusing here on results on estimates for counties in the Washington, D.C. and Baltimore areas. And what you can see is that there's substantial variation across counties and impacts on kids' earnings.

So, just to be clear on what's being shown on this map, now we're showing impacts on average earnings in a percentage measure. So, for example, the 15.4 percent number means that if you're in the lightest-colored areas, like Fairfax County, you earn about 15 percent more on average than if a given child were to grow up in an average place. These data are for children growing up in low-income families, families at the 25th percentile of the income distribution.

Now in contrast, if you look at places like D.C. or Baltimore, you have much more negative outcomes relative to an average place in America. So, there's

substantial local area variation, as you can see.

Now this next table here shows you the data at a national level. This is for the 100 largest counties in the United States. We're showing the top 10 counties and the bottom 10 counties in terms of their causal effect on kids' chances of moving up in the income distribution.

And you can see that if you grow up in DuPage County, the western suburbs of Chicago like Naperville, from birth, we estimate that you'll earn about 15 percent more on average than if you grew up in an average place. Other places, like Seattle, Snohomish County, Bergen County, New Jersey, across from Manhattan, all generate very positive effects.

At the other end of the spectrum -- turns out at the very bottom of this list -- is the City of Baltimore, where we estimate that if you grow up in Baltimore from birth, you're earning 17 percent less than if you were to grow up in an average place. So, think about the difference between DuPage County and Baltimore. It's nearly a 30-percent difference in earnings. That's quite a substantial gap, in terms of outcomes for kids, right?

Now one interesting pattern is that places seem to matter more for boys than for girls. So, this now replicates the analysis looking at male children. And you can see that, in particular, Baltimore has extremely negative outcomes for boys growing up there, where you get an estimate of minus 28 percent. In contrast, for girls, the estimate for Baltimore is about minus eight percent. So, there's a really big difference in Baltimore in particular for boys. We think it's related to issues like crime, and drug violence, and concentrated poverty -- gangs and so forth.

So, for boys, you have this really striking lower tale of places that generate very negative outcomes. This now shows you the same analysis for girls --

where, again, there's quite a bit of variation, but you don't get the extreme negative outcomes, right? The lowest number you see there is minus 15 percent.

Okay, so we think that place seems to matter for mobility. What does that mean for policy? That's what I'm going to spend the rest of the talk on. And I think there are basically two types of policy approaches one should think about, given this evidence.

The first approach you might think about is, let's try to help people move to better areas.

The second is, let's invest in places with low levels of opportunity, to replicate the successes of the lighter-colored areas on the maps that I've been showing you.

So, I'll talk a little bit about both approaches. So, let me start with the first, which is essentially moving to opportunity. So, one way in which we might try to improve outcomes is to give low-income families incentives like subsidized housing vouchers to move to better areas.

Now this is not that farfetched of a policy, given that we already do something that has this type of flavor in the U.S. on quite a large scale. We spent about \$45 billion per year on affordable housing, and a large fraction of that goes to the Section 8 housing voucher program.

Now the HUD Moving to Opportunity experiment was designed to directly evaluate whether moving families to lower-poverty areas would have positive effects on social mobility. So, the next set of results I'm going to talk about come from a companion paper with Nathan Henger and Larry Katz that is a reevaluation of the Moving to Opportunity experiment.

And so as many of you might know, the Moving to Opportunity

experiment involved about 5,000 families in five large cities in the U.S. And these families were given subsidized housing vouchers to move to lower-poverty areas in the experimental group.

So, just to give you a concrete sense of what this looks like, here's what the typical residential locations look like in New York. So, people in the control group in New York -- many of them lived in the Martin Luther King Towers in Harlem. People who, through this random lottery, received an experimental voucher to move to a low-poverty census tract, many of them moved to a place called Wakefield in the North Bronx, which was just about 10 miles away from the Martin Luther King Towers.

So, the point I want to make here is that these are relatively local moves, relatively short distances, and it's not like the people who got these vouchers are moving to dramatically better areas, like Westchester or something like that. They're moving to places, mixed-income communities, that are better than where they started in terms of poverty rates, but, you know, not tremendously expensive, for instance.

So, essentially what we're doing to do is compare the outcomes of kids who grew up in the King Towers with the kids who grew up in Wakefield.

Now there's been a lot of research on the Moving to Opportunity experiment over the years. That research has focused -- and when it comes to economic outcomes -- primarily on kids who were older at the point of the move or on adults. What we do here is return to the MTO data, link it to tax returns and other information from government databases, in order to track the impacts on younger kids.

And what we find is some, I think, striking evidence that's very consistent with what I was showing you from the quasi-experimental analysis, which was, children who move to low-poverty areas when they were young -- for instance, below age 13 -- do much better as adults. So, they're earning 30 percent more, which is about \$100,000

gain in lifetime earnings in present value. They're 27 percent more likely to attend college. They're 30 percent less likely to be single parents. So, quite substantial improvements just from moving from, say, the King Towers to the North Bronx.

However, consistent with the earlier research, we find that moving had little effect on the outcomes of children who were already teenagers, and moving also had no effect on parents' earnings. So, this again -- if you think back to that graph that I was showing you at the beginning with the declining pattern of impacts -- it's exactly consistent with that, right? It reinforces the conclusion that childhood exposure is really a key determinant of upward mobility.

So, what are the implications for housing policy that come out of this MTO analysis? Well, I think it's fairly clear that encouraging families with young kids to move to lower-poverty areas can improve outcomes quite significantly for low-income children.

Now when thinking about a policy like this, you wonder, you know, what is the cost of that policy, relative to the benefits we saw -- like the \$100,000 increase in lifetime earnings? It turns out that we think that the cost of the MTO intervention is actually negative, in the sense that the government ends up saving money. And the reason for that is, we find that the increase in tax revenue from the kids who are now earning more money more than offsets the incremental cost of the voucher, relative to having people in public housing.

So, this really -- even if you were to just look at it from a very narrow investment point of view -- maybe like an economist would -- that, you know, what is the rate of return here and what are the costs -- the costs actually don't even seem to be positive. So, there's kind of a win/win opportunity here.

Now a common concern that people have with policies that encourage

low-income families to move to better areas is that maybe integration helps the poor; that's fine, but I don't really want that, because it might affect adversely the outcomes for children in more affluent families. So, maybe more integration, more mixed-income neighborhoods -- maybe this is like a zero-sum game where there are negative spillovers on the higher-income people.

That's a legitimate concern. It's difficult to answer that question directly, but one thing that I can say, going back to our quasi-experimental study, is that we find that mixed-income neighborhoods produce, if anything, slightly better outcomes for the rich. So, cities like Seattle, for example, or the Bay Area, or other parts of America that are more integrated than cities like Atlanta or Chicago not only produce better outcomes for low-income kids, but they don't seem to produce worse outcomes for the high-income kids. So, that at least suggests that there's no hardwired tradeoff between improving outcomes for the poor and having better outcomes for the rich -- which I think is quite encouraging for these types of policies.

So, let me, in the remaining time, talk about the second policy approach - - which is trying to improve neighborhoods directly. So, of course, at the end of the day, while moving people can be one useful policy tool, there are limits to the scalability of such a policy, right? You can't move everybody from Harlem to the Bronx, and expect to get the same types of outcomes. So, you also ultimately need to think about policies that can improve existing neighborhoods.

Now the key challenge -- and a very difficult challenge for research going forward -- is to identify exactly what matters. What's kind of the recipe that leads to success in some areas, and how can we replicate that in the other places?

And I can't say that we have the answers to that question yet, but what we are able to do at the moment is characterize the features of areas that generate good

outcomes. Like, what are the correlated characteristics of places that are producing better outcomes?

So, we've looked at a number of different factors that sociologists and economists have thought about over the years, and let me discuss here the five key factors that we identify that really seem to be quite relevant.

So, the first is segregation. We find that places that are more segregated, either by race or by income, have lower rates of mobility. Another way to look at this is that sprawling cities, cities with higher commute times -- car cities, like Atlanta and Chicago -- tend to have lower rates of mobility. Those cities also tend to be much more segregated.

Second, places with more income inequality -- that is, a smaller middle class -- tend to have lower rates of social mobility, as well. I think this is important, because it suggests that there might be a connection between inequality and opportunity. And so those who are concerned -- it's further reason to be concerned about widening inequality, potentially, because it might not only have a direct consequence in terms of how the economic rewards are shared, but, also, potentially affect opportunities to move up in the income distribution.

The third and fourth factors come more from the sociology literature. We find a very strong relationship between measures of family stability in an area and rates of social mobility. So, areas with more single parents have much lower rates of social mobility. Now one intuitive explanation for that is that maybe growing up in a one-parent family harms your chances relative to growing up in a two-parent family.

That's certainly part of what's going on, but I want to stress that that doesn't seem to be all of it -- because if you look at the subset of kids whose own parents are married, when they move to areas with more single parents, their own outcomes look

worse. So, this is not just literally about whether your own parents are married or not; it's, again, something about community characteristics that's being picked up.

Another factor in that vein is social capital. We find that places with more social capital -- so this is the idea of social cohesiveness -- participation in civic organizations or religious organizations. Salt Lake City, with the Mormon Church, fits that example well. These types of places tend to have higher rates of social mobility.

Now this idea of social capital was popularized by my colleague, Bob Putnam, in a well-known book that many of you will know called *Bowling Alone*. And the reason for the title of that book is that Bob used the number of bowling alleys in an area as a proxy for social capital.

So, I was amazed to find that in our own data, the number of bowling alleys is, in fact, very strongly correlated with rates of social mobility. So, he had some foresight in that.

But the reason I mention that here is that I think it illustrates well the difference between correlation and causation -- because I'm pretty sure the policy recommendation that comes out of this is not to build more bowling alleys to try to improve mobility, right? So, that's the challenge here. We know what the correlated factors are. It's harder to know what the causal mechanisms are.

The fifth factor is one where I do think, from other research, there's pretty good evidence of not just correlated effects but causal effects. So, we find that areas with better schools -- as measured by expenditure, class size, test scores -- tend to have higher rates of mobility, and here, from other research that we and many others have done, there's quite clear evidence that things like teachers, the quality of schools matter in quite significant ways.

Okay, so I'm going to skip this for the moment. I think we're going to

discuss in the panel the role of race, which I think is quite important here. And I'm happy to come back to that in more detail. And let me conclude by just talking about some of the policy lessons at the broadest level.

So, one message that I take away from this work is that I think we should be thinking about tackling social mobility at a local -- and not just a national -- level. So, we should think about focusing on specific cities like Baltimore -- and, most likely, neighborhoods within those cities -- something we're planning to explore in more detail going forward, zooming in below the county level.

A second important point is that it seems quite important to improve childhood environments. So, it's not just about the types of jobs in an area or local labor market conditions; it really seems like childhood environment is critical.

And here, I want to emphasize that childhood environment seems important at all ages, not just the earliest ages. I stress that because, as all of you know, here in D.C., there's a lot of focus at the moment on early childhood interventions, like prekindergarten and so forth. And while I think those are likely to be very valuable, these data and other recent results suggest that there's much to be gained from improving environments at later ages, as well.

You could see in the charts that I showed you that when kids move to better environments when they're 5, or when they're 10, or when they're 15, there are continued gains from that. Every year seems to matter. And so one shouldn't focus just on the earliest years, and then kind of give up after that point.

And then, finally, at the broadest level -- as I hope I've illustrated here -- I think harnessing big data to evaluate policies scientifically and measuring local progress and performance can be incredibly valuable. So, in this context, we can identify which neighborhoods are in the greatest need of improvement and which policies work.

And so in order to facilitate that, my coauthors and I have posted all of the data that I've been showing you here -- the county-level statistics on mobility -- publicly online. So, you can go to this website, equalityofopportunity.org, and look up statistics for your own area of interest -- or, more generally, researchers are currently downloading these data and linking them up with other measures like the amount of crime in an area, or maybe there was a local tax policy change, or school finance equalization -- various things like that.

And without having to go back to the raw data with tens of millions of observations, we're able to analyze the impacts of various local policy changes, which I think ultimately will help us get a better picture of what really matters for social mobility.

So, let me conclude by coming back to the statistics that I started out with on rates of upward mobility across areas. So, I think you can take two views about these differences in mobility across areas that we see quite clearly in the data.

One is, I think, somewhat of a pessimistic view, which is to say, you know, rates of social mobility, upward mobility in the U.S., don't look all that high overall. That's kind of frustrating. It doesn't seem like the American Dream is doing so well.

But I take a more optimistic view. I think there's an opportunity and a challenge here. The opportunity arises from the fact that, given that there's so much variation across relatively similar places in the U.S., I think these data actually show that it might be feasible within the United States to increase rates of opportunity in places like Memphis or Chicago to the levels that we see in places like San Jose, where rates of mobility are much higher. So, I think the differences across areas really are a reason for optimism in that respect.

The challenge for us as researchers is to figure out exactly what's driving these differences in mobility across areas. The challenge for policymakers is to try to

implement some of those solutions.

Thanks very much.

MR. REEVES: So, I thought I'd set the expectation sufficiently high that you wouldn't meet them, but I was wrong. Thank you so much for that summary of your work -- and the implications for policy.

Now we're going to switch to our expert panel, who are going to be speaking in order as you look at the panel from your left. So, I'm going to briefly introduce the panel, and then they're each going to speak for a few minutes before we open this up.

And so on your left, as you look at this -- if we've got this right; yes, we have -- on your left is Margery Austin Turner, who's Senior Vice President for Programming Planning and Management at the Urban Institute. More importantly, for the context of this discussion, she's an expert on urban policy, segregation, and housing, and the author of a book called *Public Housing and the Legacy of Segregation*. She's also a former Deputy Assistant Secretary for Research at the U.S. Department of Housing and Urban Development. So, many of her former colleagues are the ones watching us online. So, we're in your ballpark today, I think it's safe to say, Margery.

And then next, we're going to hear from Emily Badger, who's a Staff Writer at *The Washington Post*, covering national urban policy for Wonkblog. She's also written for *Atlantic Cities* in the past. She writes on inequality, segregation, and mobility. And she's also from the only truly American city, Chicago -- although I didn't ask you which county. Chicago City -- okay. I wondered if it was going to be DuPage.

And then Diane Bell McKoy, who is President and Chief Executive Officer of the Baltimore-based Associated Black Charities, which is focused on closing the health and wealth gaps for people of color in the State of Maryland. Her previous

roles include: Senior Fellow at the Annie E. Casey Foundation. She has been the leader of Baltimore's Empowerment Zone Corporation, School Board Commissioner for Baltimore City, the Deputy Chief of Staff to the Mayor of Washington, D.C., and President of the Job Opportunities Taskforce.

And then last but not least, our own Jonathan Rothwell, who is a Fellow at the Metropolitan Policy Program here at Brookings. And Jonathan and others are working on precisely these issues that Raj has just been talking about. His own research focuses on labor market, economics, social mobility, and access to education. He's recently written about skills, STEM knowledge, and the causes and consequences of school segregation.

Each of them is going to speak for about six minutes before we open it up. So, Margery, let's start with you.

Thank you.

MS. TURNER: Thank you. Thanks so much for the opportunity to be here for this great conversation today.

So, for at least the last 20 years, I've been starting many of my papers and many of my talks by saying, place matters. Also, I was the HUD political appointee responsible for the design and the launch of the Moving to Opportunity demonstration during the 1990s. So, you can imagine that I'm just tremendously excited about the huge contribution that Raj (inaudible) about place and opportunity.

So, we know that the connections between where people live and how they fare in life are really complicated. The causal arrows go both ways in this relationship. But I think the research case is extremely strong that living in a deeply poor, distressed, and isolated neighborhood undermines people's wellbeing and their long-term life chances, possibly even across generations.

And we're now starting to see more and more compelling evidence that a change in neighborhood environment can yield improvements in life outcomes, especially if the change happens relatively early, and especially if it can be sustained over time.

So, given what we know, what's the right policy response? So, I think that for far too long, scholars and policymakers have been bickering over the false choice of people versus place. Should we deliver assistance like the earned income tax credit or food stamps that help all poor families, regardless of where they live -- versus, should we be transforming these distressed places that do such terrible damage to the poor people who are clustered in them?

So, I really reject this choice all together. It seems so painfully obvious to me that if we care about boosting economic mobility, especially for kids starting out at the bottom, we have to do both. But that doesn't mean I'm a proponent of the interventions that focus myopically within the boundaries of distressed neighborhoods -- interventions that have historically been described as place-based.

Instead, I've been arguing for what I call place-conscious strategies. And by that, I mean strategies that explicitly address the neighborhood conditions that are most damaging to family wellbeing and kids' healthy development, but by pursuing four quite different kinds of work -- all of which add up to the goal of fundamentally changing the geography of opportunities in urban America.

So, these four lines of work include investing in the most urgent needs of poor neighborhoods. And reducing exposure to violence would probably be at the top of my list on that score.

Second, breaking the link between where a family lives and its ability to gain access to critical opportunities. And that can mean putting more of those opportunities in the neighborhood, but it can also mean letting you get access to those

opportunities, like great schools, regardless of where you live.

The third is eliminating the barriers that block poor families, especially families of color, from finding affordable places to live in neighborhoods that already have lots of opportunities. So, that means tackling exclusionary zoning and land use policies, as well as the subtle discrimination that persists in housing markets today.

And the fourth would be using federal housing subsidies, like the housing voucher program, to help poor families move from distressed neighborhoods to safe neighborhoods where the schools function effectively.

So, I want to be really explicit about this. I really see housing mobility assistance, school choice regimes, and neighborhood revitalization as complementary place-conscious strategies, not as competing ideologies.

Before I close, I also want to be explicit about the central role that racial inequality and injustice play in our conversation today. Neighborhoods of concentrated poverty and distress are not the products of some natural or normal housing market operations -- nor are they the products of unconstrained choices by families. They are the consequences of decades of discriminatory public policies at federal, state, and local levels, and by discriminatory practices by private-market institutions.

Today, high-poverty, severely-distressed neighborhoods are almost all predominantly black and/or Hispanic. Poor white people are much more dispersed geographically, essentially scattered throughout non-poor, non-distressed neighborhoods. In fact, of the roughly 4 million poor kids growing up in high-poverty urban neighborhoods today, 90 percent are kids of color.

Over many decades, our public policies have built segregated neighborhoods of poverty and distress by simultaneously excluding poor families, especially families of color, from neighborhoods that have opportunity-rich environments -

- and, at the same time, starving poor minority neighborhoods of essential investments that support opportunity.

So, reversing that legacy requires that today's public policies and tomorrow' public policies tackle both the disinvestment and distress that plagues poor neighborhoods and the barriers that exclude low-income people, especially people of color, from neighborhoods of opportunity.

Now that may sound like a really daunting policy prescription, but I think we actually know a lot about the tools necessary to implement it, and we're continuously refining those tools as we learn more about what works and what doesn't.

MR. REEVES: Thank you, Margery. As Raj Chetty said, we will come back to the issue of race -- and deliberately left that, because we knew it'd be a huge issue, for the panel.

I'm now going to move on to Emily. Before I do that, can I ask the panel if any of them have a spare pen? Because Raj and I have to share a pen at the moment.

Thank you very much. Emily (inaudible)?

MS. BADGER: So, Marge unknowingly teed up for me perfectly exactly what I wanted to talk about, which was that I wanted to dwell for my five or six minutes specifically on the issue of housing segregation.

And part of what has been so striking to me about this research -- both iterations of it over the last couple of years -- is that it makes very clear that there is some kind of very important link between economic mobility and spatial mobility -- between the ability of children to move up the income ladder and the ability of their families to literally sort of move around in space and geography within a given metropolitan area.

And when I think about spatial mobility, I'm thinking about sort of two things in particular. You know, one is residential spatial mobility -- you know, the ability of

poor families to move into the part of town where the rich families live that has good schools, that has good parks -- you know, the ability of poor families to sort of gain access to opportunity through moving into a better home.

But then there's this other sort of piece of spatial mobility, which is just quite literally the ability of people to transport themselves around a metropolitan area to the places that they need to get to. You know, the ability of people to drive to work and get there, you know, within a reasonable period of time, to be able to get to school. And, you know, when you think back to the map that Professor Chetty first showed us -- sort of the counties that are doing well, the metropolitan areas that are offering lots of opportunities, and those that aren't -- you know, the answer to both of these questions in a lot of the really low-performing places is, you know, no and no.

You know, there's not a lot of sort of opportunity for people to spatially move around as far as their commuting patterns. You know, the cities that don't do very well have the longest commutes. There also doesn't appear to be a lot of opportunity for families to be, you know, sort of crossing the borders from living in low-income parts of town to high-income parts of town -- you know, black families moving into, you know, areas of the city that are predominantly white.

So, a lot of these places that really sort of light up on that map for me -- you know, I'm thinking about Atlanta, Milwaukee, Charlotte, even Baltimore -- you know, these are places that are very racially-segregated and that are sprawling, to a certain degree. And to me, you know, those two things point towards, you know, two possible strands of solutions.

You know, one of them has to do with transportation, and one of them has to do with housing. And invariably, you know, transportation is something that's politically easier to talk about. You know, it's a lot easier for us to contemplate. You

know, if lower-income people are having a hard time getting to jobs across time, well, let's just give them a better bus route instead of giving them a chance to move into our neighborhood. So, you know, that's the simpler thing to do -- although it's still extremely difficult.

But the really hard thing to do is to start talking about changing housing patterns. And so, you know, when Richard asked us to sort of move the conversation towards thinking about policy solutions, you know, my very kind of modest policy solution that I want to throw out there is, let's talk about dismantling residential segregation patterns -- which is obviously a fairly big thing, but, you know, to me, this research is a really sort of great opportunity to begin talking about that.

And, you know, for me, and the media, and a lot of the rest of us who've been covering this research, you know, we've been using very sort of far-out-there outlier, hypothetical examples to try to illustrate the power of these relationships that Raj and his coworkers have shown. You know, showing, for instance, if you take a kid out of Baltimore City, and you move him to Fairfax County, and you do that, you know, shortly after he's born, and he lives there for most of his childhood, he'll make X amount more money when he's 26 years old. You know, I think that's a powerful way of explaining what the idea is here.

But, obviously, you know, the policy solution, particularly when we're talking about housing, is not to take all of the low-income kids out of Baltimore City and move them to Fairfax County, you know. And I'm thinking about policy solutions that don't involve kids moving metropolitan areas at all, but thinking about rearranging people within metropolitan areas.

So, you know, let's take that kid, and instead of moving him to Fairfax County, think about, you know, where is a high-opportunity community in the suburbs of

Baltimore? And then take another kid, and where's a high-opportunity community for him to move to in the suburbs of Baltimore? You know, where are communities in the suburbs of Baltimore that are not building low-income affordable housing where we could start doing that?

And then, you know, let's also think about where our distressed, disadvantaged communities where we haven't been investing in Baltimore City, and what can we do to invest in there more? So, you know, as part of this process of creating more integrated communities, we're also creating places where upper-income people want to come and move side-by-side with lower-income people.

So, this is an extremely difficult thing, as Marge suggested, for us to tackle. Obviously, you know, desegregating our cities is something we've done very little about for a very long time, even though we've known that it's a problem for a long time. So, I'm aware that I'm throwing out there a topic that's going to be extremely difficult for us to tackle, but I'm also -- you know, in conversations that I've been having a lot lately with people who work in the fair housing space, I keep hearing from them over and over again that they are optimistic for two reasons.

One is that Baltimore and Ferguson have created an opportunity where people in the public are talking about the role of segregated housing in a way that we haven't had a conversation like this since the 1960s.

And the other thing that they keep telling me is, there is this new research from these guys at Harvard. You should look at it -- you know, that sort of lends even more credibility to the argument for why we should really be focusing on what kinds of communities lower-income kids are living in.

So, you know, I'm not suggesting that this research, you know, tells us we should be desegregating our cities; I'm telling you, we already know we should be

desegregating our cities, and I think that this research helps add to our evidence for why we should be doing that.

MR. REEVES: As I listened, I wrote down reverse MTO at one point, as well as, you know, desegregating going both directions. It's not just about moving low-income people to high-income areas; it's about the other way around, as well. So, I think the kind of bi-directionality of desegregation someone might get onto -- but, Diane, over to you.

MS. McKOY: Okay. So, I smiled through the whole conversation for both of you, in terms of -- because as I sit here, I'm not sure that I can claim to be an expert. I will just be clear that I'm a practitioner here sitting on the panel. And I come from Baltimore -- which everyone knows where that is right now.

But I guess a couple things, in terms of I actually was so glad when I read the research on the outcome from the data, Raj, in terms of what that meant -- particularly because I was around in terms of when the Moving to Opportunity happened, as well as its continuation now, after the lawsuit that happened in Baltimore in terms of public housing that the ACLU took -- and we actually are still using that in terms of moving families, and families are doing better.

However -- and I would say that I'm a strong proponent of "we should do more of that where that's appropriate," but, clearly, from a standpoint of public policy and dollars -- and we're talking about public housing that only can go so far. And so it has some limitations.

But I do think the other part of the conversation -- we talk about investment (inaudible) even talking about housing and talking about transportation -- I think the other piece that's missing from the conversation -- even as you talk about the people, in terms of the neighborhoods -- it's critically missing -- is the very issue of

institutional structural racism, and this country, and how it plays out in both the policies -- whether we're talking about housing, or transportation, or even workforce opportunity.

We often describe and talk about even the persons inside the neighborhoods, as we have witnessed in terms of Baltimore, and talk about what some of the causations are, in terms of we'll talk about gangs; we'll talk of that. I will tell you that lots of strong proponent in terms of our work -- we describe the fact that you don't have broken people; you have broken systems that broke people. Understanding that means a difference of how you develop your policy.

But I will tell you that in particularly the community that's been lifted up for lots of America to see as example in terms of Sandtown-Winchester -- and I have to share a little bit of history -- is, the Sandtown-Winchester community -- lots of the media regarding the earlier \$130 million invested in Sandtown under Kurt Schmoke -- I chaired that effort for Sandtown-Winchester, in terms of the investment and Empowerment Zone. I was the President and CEO of the Empowerment Zone.

So, I have a little bit of intimate knowledge about the community we're talking about, in terms of lots of policies. If you take and look at the policies that are in place in that community, in that city, that were both local policies, state policies -- including public housing at that time, in terms of who could live in public policy -- if you take a look at what the policies were in place in terms of even talking about not just the police -- in terms of what policies were in place to control crime -- and who were we controlling crime for, in terms of cordoning off that community?

If you look at what the opportunities were in terms of policies that were in place, as it relates to in terms of education -- if you look at what the policies were in place, in terms of ex-offenders, in terms of regarding opportunity for employment -- if you look at the policies that were in place, you really don't have but a choice to recognize that

we broke people, and then we seemed to say, people, bad people, how do we fix you?

And (inaudible) is that, clearly, we've got to begin to look deeper, in terms of, what are those policies that we have in place? People will look at a Baltimore and see a mayor -- government that is largely African-American. And people go, but you've got power. When you look at a Baltimore City, you talk about the issue of neighborhood investment and what those factors are that you will look at, including mobility, including the economic opportunities in terms of a middle class. That is our core agenda around growing a greater African-American middle class, and I will tell you that there's very little African-American middle class in Baltimore City -- predominantly African-American, predominantly poor.

And I would say that that continues to be the challenge, in terms of whatever policies -- I would tell you that a number of the families that could come out of that community when there was opportunity made available for them over consistent years of making that opportunity policy available -- those families left. They left that neighborhoods.

In terms of, can you match the whole issue of investment and communities -- investment in the physical infrastructure and investment in human capital -- and I will tell you that we have not perfected the ability to do that, particularly in a community that's very deeply disinvested. And so you either move your people out -- in terms of moving them to opportunity -- and then focusing on the real estate, because you've got to make a choice.

And I think that's part of the challenge. We're not having very realistic conversations in the policy boardroom about, really, what will work on the ground, in terms of not understanding the people and not the issue -- in terms of, they're not broken here.

But how do we look at, what are the policies that we have allowed to be implemented? And as people talk about Baltimore, and talk about the history of -- how the segregation that got created in Baltimore, in terms of -- we're also famous for, I believe, was the redlining -- in terms of housing in this country. Baltimore's famous for that, too.

And so when you ask the question around how we ended up where we are right now, I can tell you that we can go down a list of policies -- both federal, state, and local -- and I can tell you how we ended up where we are. But often, that's not the conversation we're having. We're having a conversation as though the people in terms of that -- and so from much reality, I would also tell you that my reality, as an African-American, around the issues of institutional structural racism is, it plays out in a lack of social capital.

There's a part of -- movement for opportunity is not a reality often experienced by other people. And so part of the challenge, I think, is not just that race matters; it really is understanding that institutional and structural racism matters.

MR. REEVES: Can you just say -- just one minute -- you have one minute left of your time. When you say that the system broke people; they weren't broken first; it isn't broke -- what do you mean by that, when you say they have become broken? Is that about skills? Is that about capacity? Is it opportunity? So, just describe what you mean by somebody's been broken.

MS. McKOY: It's about all of it, in terms of, if you say to somebody that - in terms of ex-offender. I'll use somebody that's actually gone to jail or didn't have the opportunity but has gone to jail -- comes out and that up until recently, there is no opportunity for you in terms of employer willing to look at you, in terms of that -- or if I say, in fact, at one point I remember, in terms of public housing -- and I don't know what year

that policy went into effect -- that you couldn't live in public housing if you were convicted -- you have a child -- convicted of use of -- substance abuse, I believe it was -- in terms of that.

So, if you look at those policies incrementally by themselves, they don't look like much. When you take them collectively together and place them in a community, they have major impacts.

MR. REEVES: (inaudible) thank you.

Jonathan?

MR. ROTHWELL: Okay, thank you.

I want to start by congratulating Raj for an absolutely fantastic series of research papers -- not just his most recent work, but for anyone who's unfamiliar with his previous work he's demonstrated, very convincingly, that teachers have a great deal of importance on future economic outcomes. So, to me he provides the most clear and compelling statistical evidence at not only the neighborhood effects matter but there are other opportunities for social policy to make really big differences in people's lives.

I also agree very much with what's been said already on the panel. Let me offer a way of thinking -- the way that I think about neighborhood effects when it comes to public policy. There are really approaches that strike me. One is desegregation, and I think that is a way to make neighborhoods more equal. And then the second is really about making neighborhoods less important to economic life. And I think both approaches need to happen simultaneously.

So, on segregation as has already been mentioned by Margery and Emily and Diane, there's a sense that it's an overwhelmingly large topic almost impossible to take on, but I think it's important in that context to remember the role that government policy has played in creating segregation, a very important role. And it

follows from that that government policy can play a role in reducing segregation.

So, just to go through what that looks like, there were a number of policies put in place over the decades that basically created segregation as we know it today, even going back to the 1920s, a time of great income inequality in this country. There was very little segregation between race and class. Of course, African-Americans and other minority groups faced tremendous restrictions on many aspects of their lives, but housing segregation was not nearly as big a problem as it became in the 1970s and 1980s and remains today.

So, the reasons behind that were things like deed restrictions where it was illegal for whites to sell their homes to black people. In cities around the country but of course in Baltimore, too, there were zoning laws that made it illegal for blacks to live in white neighborhoods.

There was also a very significant set of municipal practices that contributed to segregation. White-dominated police forces in most major cities refused to protect the lives and property of black Americans who tried to integrate -- move into integrated housing during the great migration and were met by violence, Molotov cocktails being thrown into their homes. And the white police force did nothing to punish those who were responsible, so that's another sort of sin of omission that goes along with these sins of commission that contribute to segregation.

And of course, as Marge mentions or at least alluded to, there's the actual construction of public housing purposely in completely black neighborhoods instead of in the suburbs, and that was another federal policy that exasperated segregation.

Nowadays, those policies have largely been, thankfully, overturned by the civil rights movement and other factors, but there is still a set of policies that are very

pernicious in some ways of taking their place, and that's local density zoning laws and similar exclusionary zoning laws, as it's often called, as Marge mentioned. So, these laws make it illegal to develop a single-family home into a multi-family home or to build a multi-family home in an affluent neighborhood. In just about every metropolitan area in the United States, there's some variation across the country as you might expect. In general the variation follows the sort of patterns that Raj has on his map for the Northeast and the Midwest, which are particularly restrictive with respect to where local housing can be built.

So, one crucial policy intervention here is to stop doing bad policies and to allow housing to be built. Even going to a free-market housing policy would be tremendously better than what we have now. As the 1920s showed, when housing is relatively unregulated, there's no reason why you can't have a situation where poor people live near affluent people.

So, secondly, how do you make neighborhoods less important to economic life? The way to think about this is, is there a number of goods that neighborhoods provide, some of which you may think are a necessary part of the neighborhood, others that are not? Certainly things that come to mind that are important public goods that neighborhoods tend to provide are safety, access to the administration of justice, and, obviously, access to schools. The latter, of course, is very important in this country where local property taxes pay for local education.

But that's not even really so much the issue as that you are assigned to attend the school that's in your neighborhood for, really, all of recent history unless you have the means to afford a private education. Your family income completely dictated the quality of schooling that you went to, so the more affluent parents were able to get their children into the most effective schools.

So, there are a number of policies that could be put in place that would chip away at this relationship between income and school quality. Charter schools is obviously one of them. I think the major misconception here is people think that just because the average charter school may not be any better than the average regular school that they're not doing anything useful. But, really, they only need to be better than the worst school in the school district. And that's not very difficult, and most charters are able to do that.

A second set of policies is vouchers. There's absolutely no reason why a publicly provided service, like education, has to be provided by and operated by a government entity. Think of food stamps. We don't require that people buy food (inaudible) if they get food stamps, from a government-run grocery store. The Soviet Union tried that. It didn't work very well.

Another approach is school lotteries to give parents and other people an opportunity to move out of their assigned school, to enter a lottery, a chance to get into a better school.

And then, finally, teacher quality. We need to hold teachers to high standards but also just treat them as professionals like professionals are treated in every other sector of the economy where people are rewarded based on merit and not just seniority.

And so I think those policies -- not any single one of them but in their totality -- would go a long way in chipping away at the pernicious relationship between place and economic outcomes.

Thank you.

MR. REEVES: Thank you, Jonathan.

As promised, I think we'll go into the question of race. Do you want -- do

you need your slide back or --

MR. ROTHWELL: No.

MR. REEVES: Okay, fine. So, I'll just say a question first because I was going to ask anyway, but it's obviously come up but, more specifically, the differential experience of black Americans in terms of upward mobility. So, you'll --

You can't hear what I'm saying. Is that what that means? Okay.

A differential experience for black Americans in terms of upward mobility or early work showed that predominantly black areas had much lower upward mobility. When (inaudible) finds I think the fifth of the earnings gap between black and white Americans can be explained by place. It seems it's half sorting, half causal. You find some interesting things around the effect on above-median income folk from those areas as well. But you've obviously had a whole -- I don't want to restrict you to that, but let's start with that issue of what all of this means for the differential experience of black Americans in terms of mobility.

MR. ROTHWELL: Sure. So, I think race plays a very important role in these issues, and it's quite complex, and I think this has been one of the issues that hasn't been fully understood in the public discussion of the work, so let me try to clarify as best I can.

So, just to lay out the basic facts first. It is a fact, and you could see this, I think, in the maps immediately, that areas with larger African-American populations have lower rates of mobility. And when you look at families that move to such areas, you see that outcomes for those kids in our movers analysis, when they get there at younger ages, don't look as good.

The first thing to notice -- there's the strong correlation at the place level between racial shares and differences in mobility. Now that can, of course, be due to two

different reasons similar to what I discussed in the talk. It could be that there are differences in mobility for black individuals relative to white individuals, or it could be something about the places where African-Americans live relative to the places where white Americans live. So, we think there's some of both going on.

What makes this a little bit challenging is we don't directly observe race in our data. So, we can't literally reproduce the analysis separately for white Americans and black Americans and so forth. However, what we are able to say with the movers analysis is when a given family moves to an area with a larger African-American population, moves to those types of cities, their children's outcomes look worse in terms of average earnings, college attendance rates, teenage birth rates, and so forth the earlier their kids get there. So, since you're looking a given family there, that shows you that it has to be something about the place, and it can't simply be that African-Americans have different rates of mobility relative to whites, because if that were the explanation you wouldn't see that pattern when people move from one place to another, right? Okay, so we know that at least a significant chunk of this variation is driven by place effects and not just individual-level race effects.

Now, you might ask why is it that places with larger African-American populations seem to, on average, generate lower rates of upward mobility, and I think there are a number of explanations related to the five factors that I discussed that make a lot of sense. There's a history of lower levels of public investment in the U.S., for various historical reason, in places with larger African-American communities. We tend to think that the schools aren't as good. They tend to be areas that are much more segregated along various dimensions. You know, the transportation infrastructure is not as good. So, all of the various factors we talked about -- they sort of stack the odds against places with large African-American communities.

The consequence of that is that is that for both whites and blacks in those areas, you end up with lower rates of mobility. Now, coming back to one of the points Margery made, it turns out that the vast majority of the people living in these areas with very high rates of concentrated poverty, for example, are in fact African-American, and so the result of that is that these racial forces, which are playing out at the community, end up I think exacerbating racial inequality in the United States where the place effects basically amplify racial inequality.

So, this is the point Richard made. We estimate that something like 20 percent of the gap in earnings between black and whites is simply due to the counties in which black kids grow up relative to the counties in which white kids grow up. Black kids tend to grow up in place with less opportunity, and that ends up exacerbating the gap.

So, I think race matters but at a community level, as well as potentially at an individual level, and I think it relates to some of the institutional factors that Diane was pointing out as well.

MR. REEVES: Thank you.

Does anybody want to come back on the specific issue of race before -- I'm sure it will come up again, but Diane.

MS. McKOY: I do. Just two issues I want to raise, one to take it a little bit out of the context of poverty conversation. If you take a look at the disparities in this country for people of color versus white people across incomes, you will see significant disparities in terms of income, in terms of everything. So, I want to make that point, because too often when we have this conversation, we end it up around poverty and then correlate that in terms of African-American and Latino, and that's not the -- it's a deeper conversation in terms of institutional structural, because all the variables are in place that

impact neighborhoods even for poor people. That's critically important for the conversation, because if you can just do that to poverty you don't understand the correlation across the board in terms of that.

The second point I want to make is, in addition to the policies very specifically, there's a lot of energy in this country around developing kind of equitable policy questions. Policies -- we assume they're done at this universality, and they're not. They are not color blind. And unless we actually drill down and understand that and ask those questions as policies are designed, we will get what we continue to get.

MR. REEVES: I want to ask a question to the whole panel, so don't feel it's just for you, Raj, because listening to all of you talk about moving, many of you made the point that it's both. It's not moving out, it's the neighborhoods themselves as well. Jonathan talked about charter schools and so on. I think a question that sort of lies behind some people's anxiety about this is what happens to those who are left behind. What happens to those who are left behind in the neighborhoods once MTO takes some people out? What happens to those left in the schools when people take a lottery or the charters? What happens to those who don't get a job or someone else gets (inaudible)?

I don't know if it's articulated or if it's specific, but I do think that some of the resistance to some of these kinds of policies, particularly the ones which are about the moving element rather than the neighborhood element are about that legitimate anxiety, which is about those who are left behind -- the kids or the adults who are left behind.

Margery, I'd like if you could kick us off on that.

MS. TURNER: Sure. I've thought about this question a lot, and I do think sometimes that stated concern is actually hiding the concern that Raj mentioned, which is are they coming to my neighborhood. But let's treat it as a legitimate question,

and I guess I have two responses.

One is that I wouldn't argue, nor do I think has anybody on this panel has argued, to focus totally on a mobility strategy. You pursue a mobility strategy along with a reinvestment strategy, and you'd better make sure that your reinvestment strategy includes preservation and an anti-displacement element for people who would like to stay in that neighborhood as it begins to get better. So, you really work on both sides of the neighborhood equation at the same time.

The other point I think is something that I learned in conversations with families in the '90s who were thinking about whether to apply for the Moving to Opportunity demonstration or not. Poor families who live in troubled neighborhoods are not all the same. They don't all have the same preferences or sense of what's the best choice for them and their kids.

Some moms came and told me how much they wanted to escape and get to a safe place. At that time, people were putting their children to bed in bathtubs to keep them safe from gunfire. But other moms said they were committed to this neighborhood in which they had grown up, and they wanted to stay and fight for it to be a better place.

Now, both of those are highly motivated moms with gumption who care about their kids' future and understand the importance of a neighborhood. So, I just don't we should think the good people will all go. There are different kinds of great people if we give them the public policies to support their choices.

MR. REEVES: That is exactly the fear, isn't it, so treat it as a legitimate question. Those who are most motivated, those who aspire the most for their kids who have the capacities or whatever are the ones who are able to seize these opportunities that come their way and as those who are less motivated or less able to seize the

opportunities are left behind, which makes the investment harder. So, it's a legitimate fear in that sense; the second half is made harder by the success of the first.

MS. TURNER: So, let me put one other piece of evidence besides my conversations with moms. Xav Briggs did a huge amount of ethnographic work around the Moving to Opportunity families and found that those parents who chose to participate in Moving to Opportunity and move, they did not have rich, social, capital connections in their communities. They were the isolated lonely people. The people with the social capital in those communities, they stayed and kept working. So, different kinds of strengths.

MR. REEVES: Exactly my point for this event, so.

Emily, do you want to come in on this?

MS. BADGER: Sir, one point I want to make is that white families have been making this decision for decades: I'm going to what's best for my kid by putting my kid in a suburban school even though the collective result of tens of thousands of white families making that decision is that it was to the detriment of the children who were left behind. So, to some extent I'm a little uncomfortable with the idea that we didn't ask white families if that was a fair tradeoff but that we're going to ask black families that. You know, yeah, you moving is better for your kid but what about the kids who are left behind.

That's not to say that, you know, that's not a really difficult and important question and that we need to sort of balance what happens to the kids left behind with the opportunities available to the kids who move. But I think that we should be honest about the fact that, you know, it's sort of a tragedy of the commons where lots of people are doing what best for them winds up being sort of worse off for everyone. It's the dynamic that's been playing out for a very long time. It's not just been invented by

housing doctors that are giving black families a chance to move.

MS. McKOY: I think the other part of the equation around giving families an opportunity to move and families that want to move and the community that's left behind in that choice. I think the tough conversation that we're not having is what is it going to cost us, because it's great to have the conversation around the policy, but until we dive deep enough what is it going to cost us? What community are we going to invest in versus what community do we have to write off? And I think those are tough conversations we're not going to have. We still kind of buy into the American -- which I can now say truthfully "fantasy" -- is that opportunity there for all, and that's not. And so the question is, what are we really going to do and how long is this investment going to take and how much does it cost? And what are we investing in? As we talk about investing in neighborhoods, we tend to do this kind of, again, American fantasy, around let's invest in human capital and physical development. We can -- and those are not great neighborhoods in terms of economies. And so what's the reality here. And so I'm always pushing with these conversations to understand are they based upon some set of analysis of the dollars needed and analysis of the neighborhood in terms of what's a triage, what neighborhood will we not invest in and just help people move and blow it up?

MR. REEVES: John, is your hand up?

MR. ROTHWELL: Yes. Just real quickly. It seems to me that the question of what happens if you leave people behind has an assumption underneath it that neighborhoods will be permanently bad. Yet what we see is for places that are relatively prosperous, like Washington, D.C. metropolitan area, the opposite problem is really going on, and the biggest political issue in D.C. politics is that neighborhoods are becoming too good too quickly and attracting too many affluent people and driving out low-income people.

MR. REEVES: Raj (inaudible).

MR. CHETTY: Yes, I think this is definitely a serious concern. I agree with all the points that have been made, that you basically need to pair strategies that possibly help people move while investing in communities.

One point I'd make that we economists would traditionally think about this is that facilitating ability might actually be a good thing in terms of increasing competition among local areas so the old hypothesis of (inaudible) -- the idea that you can vote with your feet and put pressure on local policymakers to try to improve areas, and I think that actually is potentially relevant here. I've seen in some of the response we've gotten to putting out these studies -- some of the I think most meaningful responses have been from local policymakers who feel disappointed that there's a place just across the river from where they are that appears to generate much more opportunity, and they're motivated to figure out what they can do to replicate that success in their own area, and especially if people I think have the opportunity to move, that it's the classic idea of competition, you would expect to see some improvements in equilibrium. So, I think that's potentially a benefit one should think about.

MR. REEVES: Well, I can tell you that Charlotte Mecklenburg was very exercised by where they came in your ranking of certain task forces seem to be, because they see themselves as a successful city, and then suddenly they don't see themselves as quite as successful because of your data. And it really challenges them. But it really generally has shaken them, and so they are -- we'll see what happens, but they are trying to do something about it.

Raj, is there anything else that came up, any other comments you wanted to answer before I move on to a couple more questions from me and then open up?

MR CHETTY: No.

MR. REEVES: So, one question I want to ask is that there's a (inaudible) policy circles for what we call two-gen policies, and the idea is effectively to help kind of promote the opportunity of kids. You've actually got to help parents and kids together. And it's been two for two, and we just focused on one generation, and we need to do both with the whole family and so on.

I think you can interpret your research as quite a challenge to that, because your research seems to try -- even if there are no clear, tangible benefits to the parents -- which isn't to say there aren't any, we can't see them -- but there are clear and tangible benefits for the children, then maybe actually one-gen policies are just fine and we can focus on children and children's experience in the childhood exposure. And the parents in that sense are a means to an end. If moving the parents to a better neighborhood is just about getting the kids into that neighborhood, regardless of the effect on parents, that's just a one-gen policy that is operationalized through the parents. That's slightly against the current trend, I think, in policies towards two-gen. So, if everyone speaks, maybe Raj will -- is that a fair characterization, first?

MR. CHETTY: Yes, that's an interesting point. I mean, I think some of the data show that clearly you can improve children's outcomes, even if you don't change parents a lot. I would be a little bit cautious there, however, so one of the things that's critical here is everything we're showing in our data is conditional on the parents' income level. So, when we say, you know, moving to a different city really seems to improve a child's outcomes, that's holding fixed the parents' income. So, if what ends up happening in the process is -- you know, we see, for example, that rural Iowa produces much better outcomes so why don't we just recommend that you move to rural Iowa? Well, if you're not able to get a job in rural Iowa, that might actually have quite negative effects on your

child. So, in that sense, you know, I think that implicitly we're saying that the parents-family situation has to be -- we're holding that fixed, and that's relevant when thinking about this. But, on the hand, I think it's right that you can improve kids' outcomes by improving teachers, coming back to something John had said in the context of schools, by helping people move to different locations without directly also improving the parents' situation at the same time.

MR. REEVES: Margery, I saw you reacting. I wasn't quite sure what the nature of your reaction was, so let's find out.

MS. TURNER: So, I think it's consistent that in some circumstances, achieving that improvement in the child's circumstances, perhaps being able to move to a better place, requires that the parents are at least stable so that some two-gen strategies are really focusing on helping -- you know, if you think about moving to opportunity-type intervention but then the mom's circumstances aren't sufficiently stable to be able to stay in the new location, that's going to undermine the effects.

MR. REEVES: That stable -- not necessarily improving but stable, yes.

MS. TURNER: Yes. I also -- can I just add a wrinkle? I think Diane is raising a really important point, that we're happily sitting here talking about investing in mobility strategies and investing in revitalization strategies at the same time, and in fact we've done tiny dribs and drabs of both so far. So, I think it's really encouraging that Raj's results show that it's all the wrong pockets and all the wrong timing but it would pay for itself if we would get serious about this.

But the other is, I think there's a lot of room in what we've discussed today for changes in the policies and practices and exclusionary regulations that, as you have said, have broken people's circumstances and their opportunities. And fixing those policies and regulatory regimes. That's hard, but it's not expensive.

MR. REEVES: What would "getting serious about it" mean, Margery? Just give us top two or three things. Let's say we convinced everybody that matters we should get serious, what would you be saying we should be doing?

MS. TURNER: I'm going to put one very concrete "get serious" on the table, and that is I believe that any week now HUD will be issuing a new rule that's about affirmatively furthering fair housing. So, this sounds horribly bureaucratic, but I think it has the potential to be incredibly important. So, let me just say a few sentences.

MR. REEVES: Tell us more about that.

MS. TURNER: For decades, the state and local governments that get HUD funding have been obligated under the law to affirmatively further the purposes of the Fair Housing Act. But for all these decades, the enforcement of that -- maybe even the understanding of what it means -- has been pretty weak. And under this new rule, HUD is going to provide data and a template so that states and localities that get HUD funding -- and that's most states and localities -- they will have to identify the factors that are undermining fair housing outcomes, set goals for addressing those factors, and then show how they're going to use their various federal funds, like creative development, block grant, and other stuff to address those barriers. And the way HUD is -- the guidance HUD is defining about what they mean by barriers to fair housing and what it means to affirmatively further fair housing is overcome historic patterns of residential segregation, promote more integrated neighborhoods, reduce concentrations of poverty, but also the other thing we've been talking about narrow the disparities in access to community assets that are associated with neighborhoods.

So, if those regs are effectively implemented -- and this wouldn't happen overnight, we're talking decades -- but if these regs were effectively implemented over decades, I think that jurisdictions all over the country would have some real

accountability, some real incentives to start addressing the barriers that have excluded people from opportunity-rich places and denied opportunities to the places where poor people and people of color live. It sounds very obscure, but I think it could be hugely important.

MR. REEVES: Perhaps it's important to keep it sounding obscure in order to get it through. (Laughter) Sometimes obscurity is the best political strategy, particularly in this area. I'm going to ask one more question, then we'll open it up, which is essentially what's going on with boys?

So, Raj, you presented some data on that. I think you showed this -- the findings for Baltimore. If I remember this correctly, there are four times as big a downward effect on earnings for boys growing up in Baltimore City as for girls, which is consistent with (inaudible) National Patents, and you speculated a little bit why that might be. But could you say just a little bit more about why you think -- it looks like it's the downside risk that's greater on the other side of the equation for boys than for girls? Why do you think that is?

MR. CHETTY: So, what's going on with the boys we think -- and that's absolutely right, it's the downside risk -- that's a good way to look at it -- rather than the upside. There's more variation on the downside for boys. And we think what might be going on is that we include people who are in prison as people with zero income in our data. And obviously when you average in zero incomes, that really pulls down the mean a lot. Much fewer women are in prison than men, and so when you're in certain cities, particularly where crime is a serious problem and boys get involved in crime, you end up with very negative earnings outcomes that end up leading to these really long, lower tail effects. So, I think concentrated poverty, which seems to be highly correlated with high levels of crime and gang violence that's affecting boys in the way that it's not affecting

girls.

MR. REEVES: I've seen some evidence recently that coming into contact with the criminal justice system has a much bigger effect in America than other systems, so it's not only, you know, groups that differentially are likely to come into contact with the criminal justice system but that it has a much bigger effect here than, say, that's in comparison with the U.K., for example, where the effect on earnings is much, much less than it is in the U.S. It's a double whammy.

All right, so I'm going this up now, questions to the whole panel, individual members of the panel, or to Professor Chetty. I'm going to declare on moratorium on congratulating him on his work. (Laughter) Not because congratulations aren't deserved but because we'll lose 5 percent of our remaining time, but you can (inaudible). Unless you state otherwise, I will assume that you congratulated him and is team on their work. (Laughter) I see there are microphones. Are there microphones?

Okay, I'm going to start with Isabel Sawhill for the selfish reason that she's my boss. (Laughter) It will be career limiting maybe not to start with the panel I hope.

MS. SAWHILL: I'm really sorry I'm not allowed to congratulate Raj.

MR. REEVES: (Inaudible) work.

MS. SAWHILL: So, I just did.

So, you all talked about housing, transportation, desegregation, even education. But, you know, there's never much talk about labor markets and everything that's been discussed so far. And, you know, in the conventional discussions about opportunity in America, jobs are always a big part of it, not just what people bring to the job market in terms of human capital but what are employers demanding? And once, you know, manufacturing and other blue collar jobs dry up, what happens to neighborhoods

like the one that we're all familiar with in Baltimore now and that Diane talked about. So, I have this narrative in my head that says when someone moves it's probably for a better economic opportunity. I'm talking about the parents now. And that would have something to do with their children doing better quite apart from place.

And then you tell you me, Raj, this is all conditional on parents' income.

And I'm having problems now thinking about the argument that how well your parents are doing -- this goes to the two-gen question -- how well your parents are doing we thought had something to do with your own opportunities as a child. And so this is confusing me now. How do we get the labor market back into the picture, or don't we need to? I think we probably do.

Put in a little bit more academic frame, this would be the question of how does intergenerational mobility for a child relate to the intragenerational mobility of the parents, in other words, how well they do from the beginning of their career around age 20 or whatever to, say, age 60. So, particularly your comments on that.

MR. REEVES: It does speak to the MTO difference and the impact on parents' earnings and the children's future earnings, and then the labor market impacts on those two generations.

So, Raj, do you want to answer that one directly, and the I will go out and take two or three at a time.

MR. CHETTY: Thanks. Yes, that's a great question, so let me touch on a couple of different aspects of what you raised.

So, the first issue is, is the family environment changing when these families are moving between places? Are the effects we're seeing on the kids because the parents are getting better jobs, because they're living in higher-income households, and so on? So, a couple of ways to think about that. In the MTO experiment, we see

that the parents didn't have significant changes in their income, yet the children, the young children, seemed to be doing much better. So, that piece of evidence directly seems to suggest that there's some impact of place independent of the impact of that place on the adult's job or level of income, right?

Now, in the quasi-experimental study, we're controlling for parent income -- we control for it both before and after the move. So, we're measuring income throughout the sample. And so in that sense we're conditioning on parent income once again.

Our sense is -- you know, we think that household resources probably do matter certainly in the cross-section. Kids growing up in higher-income families do much better than kids who grow up in lower-income families. Whether intragenerational mobility seems to correlate -- you know, whether that has large effects on intergenerational mobility, I think that's a really interesting question. We haven't explored that directly. These data would allow researchers to do that I think. At the moment I don't want to speculate further on exactly what that would look like, but I agree that it's potentially quite important.

So, the first thing I want to say is it does seem like place matters, even holding fixed the parent situation.

The second question -- second aspect of the question is on labor markets and, you're right, I didn't talk a whole lot about labor markets. I focused much more on childhood environments, especially given this exposure pattern. But of course in order to have upward mobility, in order to have a higher level of income, there has to be a job that you can actually get that's going to give you a higher level of pay. So, labor markets clearly connect to this.

What we're finding, at least at the local level, however, there might be a

difference between the importance of labor markets in general versus spatially in terms of a place-based approach. So, what I mean by that is we don't find particularly strong correlations between these statistics on mobility and local labor market conditions. But I don't think you should interpret that as saying labor markets don't matter. What that's saying is if you're successful, you live in an area which was providing you a good childhood environment that's enabling you to move up. You go and find that job even if it's in a different county in your metro area, or maybe you even move to a different metro area.

So, the strength of the labor market in the nation as a whole matters a great deal. You could kind of see that also in the maps at a broad regional level where you saw that places like North Dakota and South Dakota look really good in terms of upward mobility, and that's driven by natural resources and fracking, right?, that, of course, if you have high GDP grown in an area, you're going to have higher levels of upward mobility.

So, I do think labor market conditions are very important but maybe not in a very micro-place-based way that we have worry about the condition of the labor market in this neighborhood versus that neighborhood that's 10 miles away.

MS. SAWHILL: (off mic) a lot more than a neighborhood. Can you clarify that?

MR. REEVES: Oh, much --

MR. CHETTY: Oh, yes, absolutely. So, what I mean is labor markets might matter -- it's difficult to figure out exactly which geographies they matter at, so I think what I'm saying is they matter at relatively broad geographies, but if you're thinking about the MTO level of neighborhoods, like, you know, moving from Harlem to the Bronx and that level of geography I think, thinking about bringing jobs to one particular place

with empowerment zones, for example, might not be the first thing I'd think of on the list of training for opportunity.

MR. REEVES: Go ahead, not that we have to bring you in on this.

(Laughter)

SPEAKER: Quickly, though, to say (inaudible) it's been many years since we've met. But I want to say that I think that's a very important conversation. When you look at Baltimore -- and we've already looked at the surrounding areas where many of those families -- there is definitely a labor market. The whole analysis -- there's a much greater opportunity in terms of availability of jobs for that population and even for upward mobility for those jobs. When you get inside of the city, there's limitations in terms of that. And so we actually begin to try to drill down in terms of either projection as what is that going to look like in terms of is there the whole issue of the spiral mismatch. And that's where transportation becomes such a challenge sitting inside of the city.

MR. REEVES: Okay, let's get some more questions. The lady right behind Belle. I'm going to take three now, I think, so -- and those two right at the back there. I will come here. There are two hands up right about there. Yup. So, the gentleman in the back row and then the lady who's -- two, front. Yes, very good.

SPEAKER: Thank you. While I'm happy that this recent research has led to the present discussion, my question is should we be basing any policy based on a study that shows mere associations without exploring the pathways from these associations to the actual outcomes, because I'm afraid that if we get into the habit of basing action based on association, findings from the study might actually justify all of the white flight that took place from places with a large number of African-Americans and the flight that is still taking place, which has exacerbated the problem of segregation.

So, I would -- this is very valuable research, but I would like to see this

as a starting point for exploring the pathways from (inaudible) to fight characteristics to mobility and opportunity, and that should probably be done at the local level, because I imagine the pathways might vary by localities.

MR. REEVES: Thank you. I think Raj would say that he's getting closer to causality if not knowing what the things that lie behind the causality are, but anyway.

Let's go down to the back. The gentleman right at the back.

SPEAKER: Yes. I'd like to suggest there's rather technocratic about a lot of this discussion.

MR. REEVES: It is Brookings. (Laughter)

SPEAKER: You said it, not me.

I'm wondering, Raj, if you took into consideration questions of wealth or power, things like union density or states where there's no income tax. Maybe that is an indication of the power of private capital. Because when we think about the uneven development of cities, I think about the power of private developers to satisfy the interest of growth machines, often at the extent of residents. And questions of wealth and power keep coming back to me, and I'd like to know how you -- if you have any suggestions for how you can look at this in your future research.

MR. REEVES: (Inaudible) that sort of thing. And the ladies in front, two rows in front.

MS. TODMAN: Good afternoon. I'm Adrienne Todman. I'm the director of the local housing authority, and we won both the public housing and the voucher program. And so a lot of my colleagues across the country were disheartened by the narrative around your research, because all we heard was how wonderful and powerful vouchers were and how useless the public housing program was. And so for those of us who actually operate both and see that it is very difficult for thousands of our families to

operate while in the private real estate market, it is was very heartening to come here today and see that you were suggesting that there's a two-prong approach, its mobility and also place-based. So, I would ask the entire panel to speak to how can we get this research to speak more effectively on how to apply the research findings in place-based models, because I can tell you, my 20,000 families who live in -- my 20,000 individuals who live in public housing are not going to move to Fairfax. And I can't build enough bowling alleys where they live. (Laughter) So, it would be really good to find out how we can actually move the narrative, the media narrative from just -- this is about how good vouchers are -- to how do we make stronger neighborhoods.

MR. REEVES: I think it was bowling leagues rather than bowling alleys in the original study actually, but anyway. Those are great questions.

Raj, I'm going to let you go first with these, then I'm going to invite the panel to pick up on any of them. I don't want you to feel you have to answer every question but just anyone jump in.

MR. CHETTY: Great questions, so let me briefly comment on each one. Association versus causation -- of course, I absolutely agree. So, to be totally clear, I think we can be confident that there are causal effects of place, and we think we've identified the causal effect of putting children in each of these different counties at the moment. So, that I think is not an association. I'd interpret that as actually a causal effect.

Where we see associations is with these five characteristics that we've been talking about, and whether there are causal pathways there or not I think is less clear. I would argue that there's decent evidence on segregation in schools from other research suggesting that there are actually important causal pathways there. But certainly we need to investigate more on the other dimensions. And I agree, going more

local. Something we're working on. Will be very valuable.

On the issue of union density and power, this is a good example of what I was describing at the end where we haven't done that analysis ourselves. There's another recent study that's come out that correlates the statistics we've put out with measures of union density and shows that places with higher union density seem to have higher rates of upward mobility. You can interpret that in various ways. It comes back to the question of association. Is that picking up something about power in areas, something about the dynamics, politics, and so forth, or is it picking up some other feature where unions arise. But certainly it's an intriguing correlation at least, and I agree that one wants to think in that vein as well.

And then finally on the question -- thank very much -- on the public housing and what the right approaches are. I completely agree with you. I think there's been a little bit of a conflation of the research methodology, which had to focus on movers in order to identify the causal effect of each place with what the implication is for policy, right? So, the technique we had to use was to look at movers in order to distinguish the causal effects of place from other factors. But doesn't mean that the only thing you want to do is move people around. And I think you're quite right about that.

In terms of what we can do in place-based approaches, I would say, you know, we've talked about some of the factors that matter. Coming back to one of the points Emily made earlier, I think you can also use these types of data, if you're going the route of providing public housing, in figuring out where to locate such developments. So, trying to locate them in areas with relatively high levels of opportunity or in more mixed-income neighborhoods, it might not be Fairfax County, but, you know, the marginal place that's being built or being maintained. Using these data, you can basically try to figure out what types of places promote more opportunity. So, it's not all about moving people

to different areas. I think it's also about where we build some of this affordable housing that I think is important.

MR. REEVES: I think the way you articulate that is using movers to show that place matters doesn't mean that you should move everybody. I just think it's incredibly important (inaudible).

I don't know if any of the panel wanted to jump in on this. Margery, I think you do briefly.

MS. TURNER: Yes, so obviously I agree that yet again the conversation too quickly went to places versus mobility instead of the logical learn from this research about what needs to happen in both. And I would just add the little, additional piece of nuance that it's not all about investing in the places where public housing is currently located but also looking at the larger policies in the city or the region that are cutting those places off from opportunities. So, in the District we already have a pretty robust set of school-of-choice options. How can we make sure that the families in the public housing developments are getting the benefit of those choices and getting access to the school that's best for them in this city?

MR. REEVES: Margery, can I ask you answer. I'm going to allow myself a naïve question, because I'm still a fairly recent immigrant. So, it seems quite clear that the more mixed-income neighborhoods would be good. They wouldn't be bad for the affluent up to, I guess, a certain point. It would be good for everybody else and good for society. It's not happening. If anything, it's increased economic segregation by area, and there's strong resistance. Where does the resistance come from? It speaks of it as a power point, I think, so why not if the evidence is so strong? So, what's stopping us or who is stopping us? Why can't we do it?

MS. TURNER: It's an incredibly complicated question.

MR. REEVES: Is it? I thought it was a very simple one. I was looking for the bad guys here.

MS. TURNER: So, I think there are still some bad guys. Some real estate agents and rental housing providers do still discriminate against people of color searching for housing. Some suburban jurisdictions do still put in place exclusionary zoning restrictions with the unstated intent of keeping the other out of our community. But I think inertia and fear are playing huge roles for both white people and people of color. And tackling inertia and fear takes more than fair housing enforcement.

ALL: Right.

MR. ROTHWELL: Structural change (inaudible).

MR. REEVES: Jonathan, did you want to jump in?

MR. ROTHWELL: Yes, a couple of comments on a few of these. I have looked at the union density issue through the lens of states that allow -- or state regulations on labor organization and didn't find any relationship there. But there could -- I guess more sophisticated research is going to be coming out, that we'll look at that in some detail.

On the issue of vouchers versus public housing, it seems to me that Raj's research does point to the fact that it's actually better for people to move out of public housing through a voucher program, although with the caveat that it really matters whether they are told to go a low-income neighborhood versus anywhere, and that's a real issue that the experimental group was explicitly told they had to go to a low-income neighborhood and that seemed to matter.

And then on --

MS. TURNER: Higher --

MR. REEVES: I'm sorry, higher-income level, low poverty.

MR. ROTHWELL: Yes, low poverty.

MR. REEVES: (Inaudible) of 20,000 people. That was the point.

MR. ROTHWELL: Yes, I think that's a very good point, although to me the question is, is building new public housing the only option or one of several options that are available? To me, the longer-term solutions improve, include improving the regulatory environments in metropolitan areas, which would allow more high-density housing to be built to meet market demand. And the fact that there are still going to be many low-income people that won't be able to afford market-rate housing could be met through voucher programs.

So, I'm not sure -- I mean, in the long run, I'm not sure we need to continue to build public housing, but that's my personal view.

And then on the social/cultural issues, there's still rapid racism and discrimination against poor people that's holding back a lot of good policies.

MR. REEVES: Emily, then I'm going back out.

MS. BADGER: So, I just wanted to address a little bit the question about why this is so difficult based on things that I have learned by reading my reader email. And two things -- one of them about the point that Margery mentioned about fear is that I think the fear is very specifically about two things. One of them is that if lower-income people or minorities move into my neighborhood, it will hurt my property value. And when people are worried about that, that means that, you know, they're not just concerned about who is my neighbor going to be, but they're concerned about what is my own wealth going to be as a family. You know, is this literally going to have detrimental effects on my wealth?

The other fear that I think people have is that this will drive up crime, and people's concerns about crime are incredibly visceral, and people have really strongly

held believes about, you know, what will happen to property values and what will happen to crime. Whether or not that's based on reality is a sort of separate question.

The other thing that I think happens is that there's very broad confusion about what it means to have an open housing market. I think most people think that the housing market that we have today is purely a product of people's choice, and people are sort of, you know, self-segregating into where they want to live. And when we talk about fair housing, they think what that means is, you know, applying regulation onto a market that is currently open, whereas in fact, you know, what we're really talking about is the exact opposite of that. But I don't think that a lot of people understand that, and I think if we did a better job of framing fair housing as actually opening up the market, removing sort of artificial restrictions that are built into it, I think that that would the conversation a little bit.

MR. REEVES: Thank you. We're going to back out. There are two gentlemen right here, just three rows behind you, Stephany. And I'd like to make it easy for the gentleman who's right here as well, so there are basically three.

SPEAKER: Former metro policy program intern. Question for Jonathan and Raj.

So, children of the baby boom generation that all got educated at the good schools in the suburbs who don't like the long commutes into Chicago and Atlanta to work now gentrification -- we talked about it at the Beyond Baltimore panel about a week and a half ago. So, it's unplanned community development. Is the private market doing what the private market is going to do, creating housing for young professionals who don't have children who aren't factoring schools into where they want to live. How does that play into all of us?

MR. REEVES: And then once they have children, they move

somewhere else.

SPEAKER: Back to the suburbs for school again.

MR. REEVES: Right, that's -- there's good evidence.

Can you the microphone to the gentleman -- that's it, behind there.

MR. ZILLON: Hi, Nick Zillon, dependent psychologist. I'd like to have Raj Chetty and Diane McKoy react to Belle Sawhill's recent book about the importance of planned pregnancies as opposed to unplanned, unwanted pregnancies particularly in light of the fact that the group at the highest mobility, upward mobility are Asian-Americans where very low rates of unmarried childbirth and a lot of two-parent families in the groups with the lowest social mobility are black Americans who have very high rates of unmarried childbearing.

MR. REEVES: Thank you.

Gentlemen.

MR. CHETTY: Yes, and actually my question was exactly the same about gentrification and the impacts of -- we always think about gentrification as being a bad thing, but in fact in this case couldn't it be thought of as, in some controlled sort of way, perhaps a good thing?

And then also the suburbanization of poverty that we see going on today that is a big change of what we had seen some years ago and very -- couldn't quite fly on its head.

MR. REEVES: I'm going to plug a recent two-part series on our blog by Stuart Butler on small gentrification and the circumstances in which gentrification can be good for the people who are there rather than displacing them.

Okay, three more questions. Let's shake it up. Diane, you want to go first, then Jonathan, then --

MS. McKOY: Not really, but --

MR. REEVES: There wasn't any choice.

MS. McKOY: I want to respond, though, although the question wasn't -- before I go to that -- wasn't to me in terms of I do think the gentrification for the baby boomers who had the kids. I think Baltimore is seeing a lot of that. Fortunately or unfortunately, it is largely white in terms of moving, and it's actually working in the sense of it's not just those that don't have kids. We're seeing that, but we're seeing those with kids and then gravitate towards charter schools. So, it really is a positive thing as well as the downtown area is one of the fastest growing downtown areas in terms of residential population, and it's largely that. But Baltimore is still so segregated it actually plays out the same way in terms of segregation, in terms of that.

The response it turns out around planned pregnancies and unplanned pregnancies -- what was the question about that?

MR. REEVES: So, Belle, can I try and reframe it? If I get it wrong, tell me.

Belle's new book, *Generation Unbound* is about the increased rate of nonmarital child bearing but in particular unintended child bearing and the very different outcomes for children who were born unintended to intended. So it seems that it is the intendedness as much as the institution that's kind of doing the work. There are then very, very different rates of access to and use of the most effective forms of contraception by income group and by race group. So, you end up with a very big income and raise gaps in rates of unintended pregnancy and unintended childbearing, which has potentially multigenerational effects. So, the question then is how far are all these gaps we're seeing partly explained by these gaps in family formation right at the beginning in terms of the circumstances of birth and the intendedness of the child.

MS. MCKOY: I'm not sure I'm going to answer that directly, but I would just tell you from just my sense of being on the street in terms of then both my history and this space in terms of that whole issue of unplanned pregnancy. Lots of policies -- and I can only speak, in this case, of Baltimore, Maryland -- lots of policies actually drove that rate down in terms of low-income African-Americans. But I would also tell you that contained a tic back up. What I hear -- and this is in absolutely no research at all -- is that it is much more related to the issue of belonging, much more related to a need to feel wanted. It's much more related to an emotional, psychological need than it is to really, like, I'm going to logically make this decision and not get pregnant. There is so much other sense of not being valued in terms of -- and that becomes a part of believing that that will give you some value. That's what I can tell you that I see in many low-income African-American communities that I see in terms of that space, even though the tools are there to make that difference.

MR. REEVES: Right, because (inaudible) runs both ways, a lack of opportunity seems to increase chance of unintended, or it's very ambiguous whether it was intended or unintended for all the reasons just said.

Jonathan, do you want to add anything?

MR. ROTHWELL: Yeah, just on gentrification. As you were saying, Richard -- and Diane was saying, too -- in some ways it creates an opportunity insofar as it's greater revenue for local government that in some ways could be redistributed to offset the harmful effects that could take place for low-income communities. And when that sort of policy, which could come through some kind of housing policy -- I know, D.C., for example, has different tax rates for elderly residents, so they've lowered the taxes for low-income elderly residents so they're not drive out of the homes that they own. But when that's pair with school reform policies, that can really keep and retain those young

professionals that are moving to the area and continue the momentum to improve the school system. And that's -- I think that's what we're seeing in D.C., increasingly young people are choosing to stay in the district, not move back out to the suburbs because there's a proliferation of high-quality charter schools and the traditional public schools are getting better as well.

MR. REEVES: Brief comments from the rest of the panel? Margery?
Emily?

MS. TURNER: So, I just want to say that to make that story a positive story, which I think it can be -- the gentrification story -- there needs to be preservation of affordable housing options. And there probably also has to be some intentional community building around a now more diverse community to overcome that inertia and fear.

MS. BADGER: I just want to say about gentrification that to me sometimes I think that that is a little bit of distraction and that, you know, the media loves to talk about gentrification. And when we do this in particular in Washington or New York or San Francisco and we write about it over and over again, you know, we make it sound like it is happening everywhere. In reality, you know, to me the much bigger contributor to these problematic housing patterns we've been talking about is the fact that, you know, whites who are well off have not been choosing to live in large numbers in diverse neighborhoods. You know, the problem is not that a small number of them have been choosing to do that in a way that's creating displacement. You know, that is true, but on the larger scale if you know what's really contributing to these patterns, you know, to me the big question is how do we convince whites that it's not going to hurt your property value and it's not going to, you know, cause you to be surrounded by crime at all times to live in a more diverse neighborhood. And I think, you know, we sort of get distracted

away from having that more important conversation when we're focused, you know, on the two or three neighborhoods in a given metropolitan area where the median income has changed over the last 20 years.

MR. REEVES: Right. Disproportionately where the reporters who are writing about these things live. (Laughter)

Okay, so, Raj, we're give the last word to you, and then I'm afraid we'll have to close, and I know there are a couple of questions out there in answer to the questions on both good gentrification and unintended pregnancy. But if I could ask also ask you just in the last couple -- in one minute to just hint at the next piece of work, which you briefly mentioned to me beforehand that you're going to be doing, that would be very helpful just in that last three minutes. Thanks.

MR. CHETTY: Sure, thanks very much.

So, let me briefly on the specific questions. I agree with everything that's been on gentrification. I think potentially there are some positive effects if there continues to be affordable housing, something that could be explored in future work. I think there are definitely links between teenage birth, out-of-wedlock birth, and social mobility. Certainly a pattern we find in the data is that places that generate more upward mobility also tend to generate future teenage births. And so, you know, those two things -- there is probably a little bit of cause and effect, things running in both directions. I think those types of mechanisms (inaudible) are certainly likely to be very important there.

So, let me just say a couple of other things to wrap up here. Before I get to the things that we're working on at the moment, one theme that has emerged for me from this conversation that I think is very important to keep in mind is often we think that we need to spend more money to tackle problems like the ones we've been discussing. But one thing that I've been struck by is that it seems that there are a lot of cases we're

must spending the money we're already spending in more efficient ways. It can have quite substantial impacts.

Let me give you a couple of small examples in the context of the housing vouchers and what public housing authorities are doing.

So, currently with housing vouchers families are sometimes are put on waitlists when they kids in order to be able to move to a different area. And if you think about the evidence that I was showing you on how, when you move at younger ages, you get bigger benefits. That's actually exactly the opposite of what you want to be doing, right? Because you want to get the families who have the youngest kids to be moving first so that they reap the gains of living in the better area for as long a time as possible. So, in principle, that wouldn't involve significant additional fiscal cost. It would be about restructuring the way in which vouchers are allotted.

Another example of this is if we target vouchers more precisely -- so, for instance, currently Section 8 housing vouchers -- the value varies based on broad metro areas. But if you were to try to encourage people to move specifically to lower poverty or high opportunity neighborhoods, I think you'd have much larger impact. So, one striking thing in the MTO experimental findings is that the experimental voucher, which restricted families to move to low-poverty census (inaudible) ended up having much larger impacts than the Section 8 voucher, which was the same cash value but allowed you to move anywhere you wanted.

Now, you would think that the voucher that gives you more options would end up having just as large of a positive impact, but that's not true. So, that's addressed that redesigning the program so that families are encouraged more explicitly, both through counseling but also maybe by getting larger subsidies, what HUD would call small area rent adjustments, to move lower-poverty areas could, I think, increase the

effectiveness of those programs.

So, I think there are lots of things to think about along those dimensions, and hopefully people here will have other such ideas.

Now, in terms of what we're doing going forward, one of the projects in the pipeline at the moment is thinking about these issues of social mobility from the perspective of aggregate, economic growth. So, sometimes, you know, I think a lot of people's interest in social mobility comes from the perspective of justice, that everybody should have an equal opportunity of achieving the American dream.

I think that's a very powerful narrative, but a different perspective on it, which I think is also quite important, is that improving opportunities for upper mobility can also benefit society as a whole in terms of economic growth. And the way we're trying to make that point in looking at that issue is by looking at the link between social mobility and innovation. So, we've linked data on patents to information from tax records and other sources, which allows us basically to analyze where inventors come from. And one of the facts we start from is that your probability of having a patent is ten times higher if you happen to be born to a family in the top one percent of the income distribution relative to if you're born to a family at the median of the income distribution, right? So, there's a tenfold innovation gap.

Now, there are various reasons that you might see such a gap. Maybe it's about differences in ability. Maybe it's about differences in opportunities. Maybe it's about differences in preferences. One interesting pattern that's starting from this research is if we condition on measures of ability, if we control for measures of ability using things like test scores early in childhood, we find that you basically need two things to have a high probability of becoming an inventor. You need to be really smart, so you need to have, say, high test scores early on when you're in school. That's one way to measure

ability. But also need to be from a rich family. So, if you take two kids who are at the top of their third-grade class, say, in math, and you compare the child who's from a very high-income family versus a child who's from a lower-income family, the kid from the high-income family is much more likely to become an inventor than the kid from a low-income family. And so we're exploring various things in that dimensions where I think that brings a whole different perspective to these issues of social mobility where basically we think we might have quite a bit of lost talent, where there are lots of kids who cannot only do well for themselves but they could also benefit everybody else by inventing the next iPhone or coming up with the next drug that's going to benefit all of us.

MR. REEVES: So, it sounds as if the rule is going to continue to be applied, the rule being just as I got my head around one piece of research from Raj Chetty, another one will appear. (Laughter) If you could slow down just a little bit for the sake of us who are trying to do it, that would be helpful. But thank you for that little promo for the upcoming work.

And please join me in thanking Raj Chetty and the panel. (Applause)

Watch this space.

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