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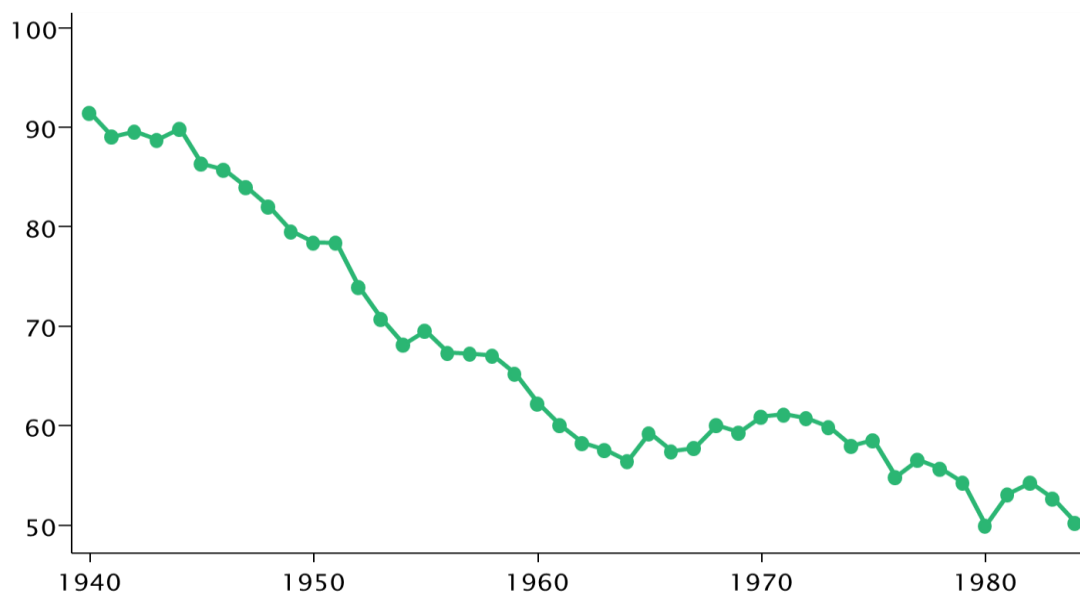
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**Upward Mobility in the United States**  
*Nathaniel Hendren*

I grew up inspired by the notion of The American Dream; I believe that every child should have the opportunity to climb the income ladder. In my research with a broad set of collaborators, we try to measure the extent to which we live up to this ideal. Unfortunately, our research shows that this dream is out of reach for too many children.

There are many ways of quantifying the American Dream, but one way is to measure the fraction of children who grow up to earn more than their parents. We find that that for children born in 1940, the American Dream was nearly a guarantee: 90% of children grew up to earn more than their parents. But today, only half of children grow up to earn more than their parents.

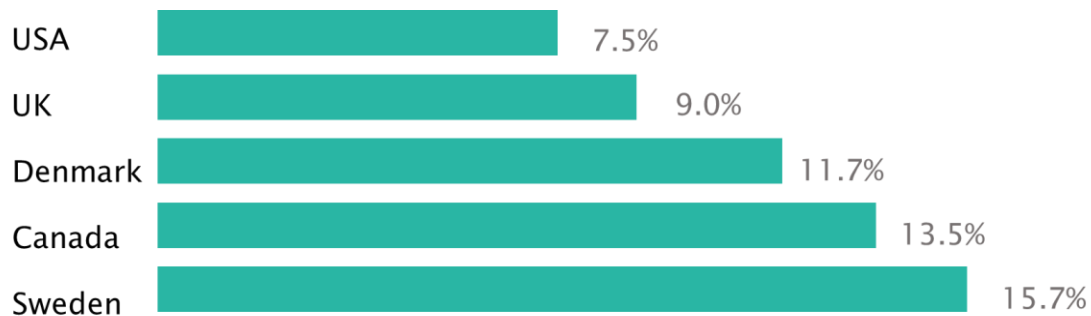
**Figure 1: Percent of Children Earning More Than Their Parents, by Child's Year of Birth**



Another measure of The American Dream is the likelihood that a child born in the bottom of the income distribution reaches the top of the income distribution in adulthood – the ability to go from “rags to riches”. If incomes in adulthood were independent of one’s background, we would expect 20% of those with low-income parents to grow up to reach the top fifth of the income distribution. But, in the US, only 7.5% of children whose parents are in the bottom fifth of the income distribution grow up to reach the top fifth of the income distribution as adults.

Perhaps perfect mobility is too high of a standard. Another benchmark is to compare across countries. Here again, the US lags behind. In Sweden, 16% of children from the bottom 20% of the income distribution reach the top 20% of the distribution in adulthood. In Canada 14% rise to the top; 13% in Denmark; and 9% in the U.K.. The US as a whole has lower rates of social mobility than nearly every developed country for which we can measure it.

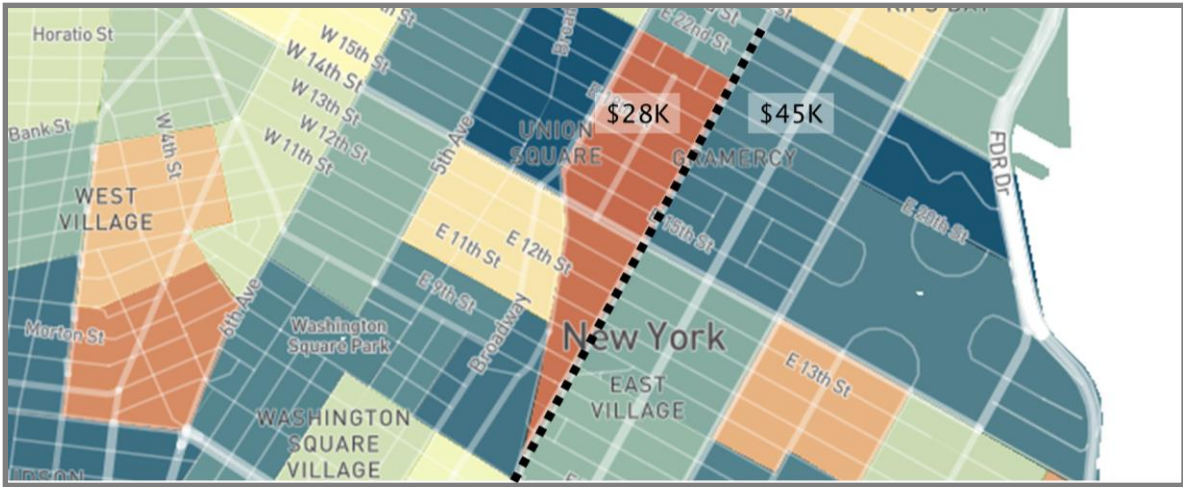
**Figure 2: Chance that a Child Born to Parents in the Bottom Fifth of the Income Distribution Reaches the Top Fifth, by Country**



This broad pattern masks the fact that there are places across the United States where the American Dream is alive and well. Rates of upward mobility vary dramatically across the country, and even within cities. In some neighborhoods in Provo, Utah, children from low-income families grow up to earn \$66,000 on average at age 35. Contrastingly, low income children who grow up in parts of inner Baltimore grow up to earn, on average, only \$16,000 in adulthood.

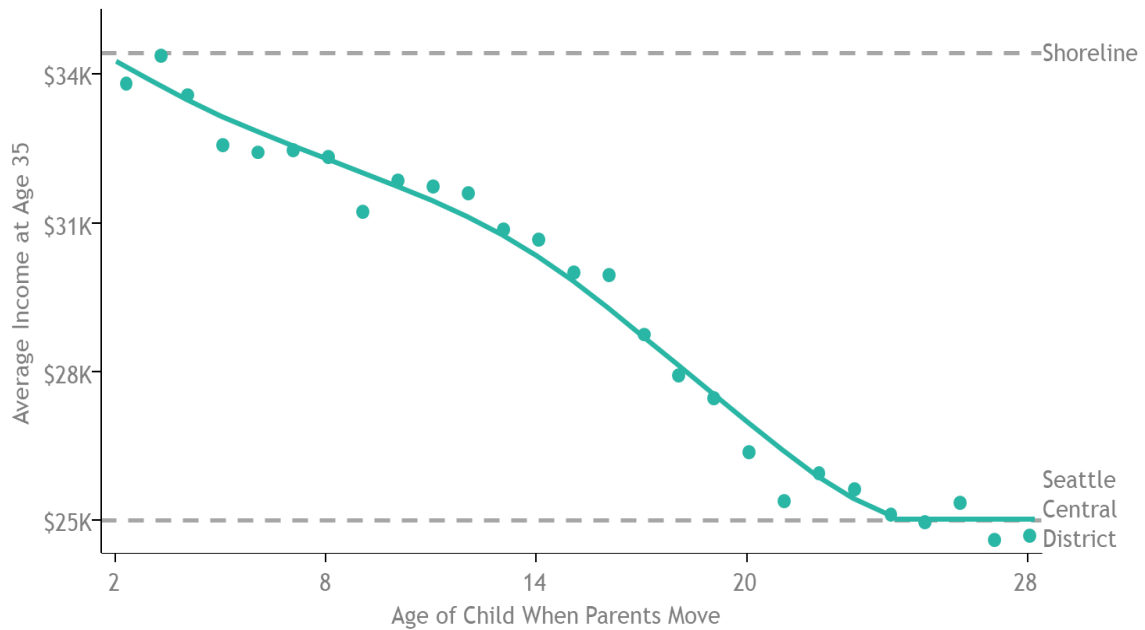
Upward mobility varies even more when we compare across neighborhoods within cities. As we’ve documented in the Opportunity Atlas, children who grow up a few miles apart in families with comparable incomes have very different life outcomes. Children who grow up in low income families in other areas in Provo earn \$30,000 in adulthood on average, less than half of the income of their neighbors. Or, to take another example in Midtown, Manhattan, where poor children growing up in neighboring tracts grow up to earn \$28,000 and \$45,000, depending on which side of 3rd Avenue they grew up on.

**Figure 3: Adult Incomes for Low-Income Children, by Childhood Tract**



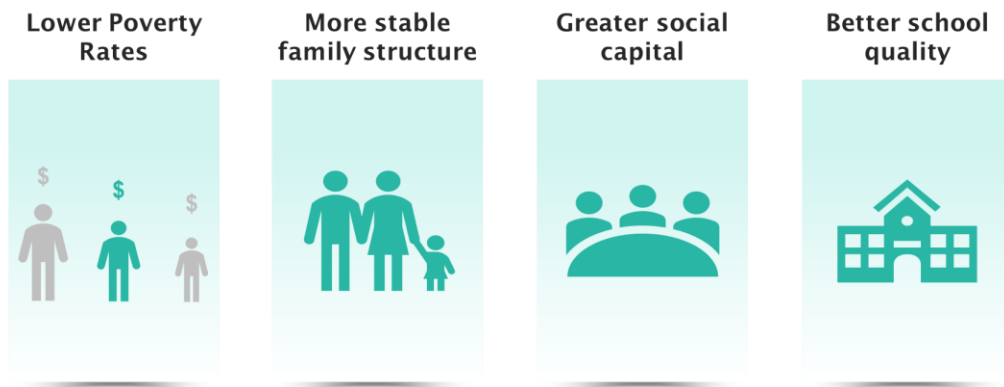
These striking disparities naturally raise the question: Why do outcomes differ so dramatically across places? Our results suggest that the economic outcomes we see today have their roots in the neighborhood environments in which we grew up. Every year a child spends growing up in a neighborhood with higher rates of upward mobility leads to higher incomes in adulthood.

**Figure 4: Income Gain from Moving to a Better Neighborhood, by Child's Age at Move**



The message is simple: neighborhoods matter. Where we grew up shapes our future outcomes. If we can improve these neighborhood environments for children, especially those who are most disadvantaged among us, we can increase upward mobility in the United States. The variation in the Atlas provides a learning opportunity that can inform such efforts; we can attempt to replicate the successes of high-mobility neighborhoods elsewhere. Across the US, we tend to see higher rates of upward mobility for children who grow up in places with lower poverty rates, better school quality, stronger family structures, and greater social capital.

**Figure 5: Characteristics of High-Mobility Neighborhoods**



I do want to be clear, however: While we can identify the characteristics of neighborhoods that tend to promote high rates of upward mobility, current data limitations prevent us from identifying the best policies for improving upward mobility. I am excited about our ongoing endeavors and collaborations with researchers at the Census Bureau and Treasury department to further understand these potential pathways to promoting upward mobility. Uncovering the “recipe for success” will not be easy, but thanks to the access to administrative data and support of government research, I believe we can make progress on this important question.

More generally, I am delighted to be here today to discuss how we might learn from evidence to inform policies that might improve upward mobility. While I know there is often considerable disagreement in politics, it is my hope that an evidence-based approach to improving economic opportunity for our children is a purpose that spans party lines and allows us to begin to restore the American Dream.