After the Fact | The American Dream: Does Your ZIP Code Determine Your Destiny?

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TRANSCRIPT

Dan LeDuc, host: As calendars turn to a new year, we're marking another milestone here at "After the Fact." It's been two years since our first episode. So we're revisiting our inaugural topic: the state of the American Dream.

For The Pew Charitable Trusts, I'm Dan LeDuc, and welcome to "After the Fact."

The American Dream—the idea that anyone can climb the economic ladder—is all about equal opportunity. But how much of that dream is predetermined by factors like where you live, or even who your kindergarten teacher was?

Our guest is John Friedman, who teaches economics at Brown University. Along with colleagues Raj Chetty and Nathaniel Hendren, John founded Opportunity Insights. The organization, based at Harvard, uses data to understand inequality and economic mobility in the U.S. with a mission to revive the American Dream.

One thing they've done toward this goal is to create something called the Opportunity Atlas: a map of what opportunity looks like for kids in neighborhoods across the country.

One of their findings is that only half of the nation's children today grow up to earn more than their parents. And that's our data point for this episode: 50 percent. For children born in the 1940s, that number was more than 90 percent. We asked John what that means for today's American Dream—and whether your ZIP code can determine your destiny.

Dan LeDuc: John Friedman, welcome.

John Friedman, co-director, Opportunity Insights: Thank you for having me. It's a pleasure to be here.

Dan LeDuc: It's good to be able to talk to you about this fascinating subject: the American Dream. It's something we've talked about before on this program. You know,

it can mean different things to different people. What does the American Dream mean to you?

John Friedman: I think the American Dream is the principle that children, no matter their background, have the opportunity to succeed—that children's opportunities are not limited by the circumstances of their birth and that fundamentally, we are a society where there is equality of opportunity. Many people may differ on whether we want a lot of inequality or not a lot of inequality at the end of the day. But I think there is no more broadly shared tenet in American political life than that all children, no matter their background, should have the same shot at success at the beginning.

Dan LeDuc: Well, let's talk about the state of the American Dream, because our data point for this episode is that 50 percent of kids will grow up to earn [more than] their parents did. Sounds pretty good, except when you compare it to the 1940s, when it was 90 percent. We're seeing a real decline. Those numbers come from your organization, Opportunity Insights. What do you make of them?

John Friedman: What's striking is that it's not just that society and the economy as a whole is growing slower. That's true. And it explains a little bit of that decline. What is the more important factor is that what growth we do have as a society is less equally distributed. If you look at economic growth in the U.S. over the first three decades after World War II—those decades that are really important for those children born in 1940— you saw that all different parts of society—from very high-income individuals to very low-income individuals—had incomes growing at roughly equal rates. But in the last three decades or so, what we've seen is that the rate of income growth among very wealthy individuals has accelerated. While for individuals really in the bottom half of the income distribution—in some cases, incomes have not grown at all in real terms over the past three decades. And it's that divide more than anything else that has caused the American Dream to fade in this way.

Dan LeDuc: You mention distribution. It's also a geographic distribution, isn't it?

John Friedman: That's right. We find that children born into poor families have in some parts of the country much, much higher chances of success than children in other parts of the country. So that even just thinking about this as a statistic about the entire United States really mixes together a bunch of different parts of the country that seem to be going in very different directions. For instance, we see that children born in the Upper Midwest—kind of Great Plains states—have very high rates of upward mobility. So that the chances of a child born in a poor family of reaching the top of income distribution themselves is almost the same as that for a child born in a rich family. Where in certain parts of the country—for instance, the Southeast—those numbers are extremely different between children in rich and poor families.

Dan LeDuc: So we might really be talking about, like, it's the "Minnesota Dream" anymore as opposed to maybe the "Georgia Dream" or somewhere.

John Friedman: Yeah, I think it would be fair to say that the American Dream is more alive now in places like Minnesota, Nebraska than it is in places like Georgia.

Dan LeDuc: I can remember back in the '90s, you know, the federal government had this experiment: Moving to Opportunity. Right? It was, what, seven cities or something where certain families in public housing were moved to neighborhoods where there were better-performing schools and everything else—basically saying, "Hey, if we can just relocate folks to where things are better, things will be better for them." Your organization has studied some of that and what happened and have some thoughts now looking forward, right?

John Friedman: So Moving to Opportunity is in some cases a great option. And in fact, we are working with housing authorities from around the country to help households using housing vouchers live in places which may be better suited to put their kids on a great trajectory. But taking a step back, I think that there are fundamental limits on the extent to which moving families from one neighborhood to another can be the broad-based solution for the lack of opportunity that we face in the United States. You're not going to be able to move everybody. And even if you could—just moving people out of some neighborhoods, other people will move back in.

And so I think in order to really improve opportunity in a very broad way, we can't just understand what neighborhoods offer opportunity and what neighborhoods don't. We need to understand how to learn from those neighborhoods that do offer opportunity so that we can improve opportunity in those neighborhoods that don't. And I think that is really the core of the policy challenge that we face today. And it's where Opportunity Insights is putting some of our greatest efforts to try to find ways to increase opportunity in neighborhoods that currently lack it in the United States.

Dan LeDuc: So for any individual—any family with kids—we're talking about opportunities varying literally could be by a few miles.

John Friedman: Yes. And I think it even varies within that. When you look at the extent to which different factors that correlate with upward mobility change across space, what we found is, in fact, the very important factors seem to all be within a half a mile …

Dan LeDuc: Wow.

John Friedman: … If perhaps even closer. And so that really, I think, changes one's focus. Where it's not necessarily about citywide efforts or regionwide efforts. It's really

thinking about how kids in each particular neighborhood are having opportunities or not.

Dan LeDuc: So you've created something called the Opportunity Atlas that the public and policymakers are starting to use. Explain a little bit about what that is.

John Friedman: The Opportunity Atlas is an online resource showing how opportunity varies for kids of all different types in every single neighborhood across America. So think of it like Google Maps, except for opportunity. You can look to see in your neighborhood not just how opportunity looks on average. That is, how do children from different backgrounds succeed or not in the long term? But you can look at it for different groups of children. So for instance, you can see how opportunity varies in a single neighborhood between children from very poor or somewhat more affluent families. You can see how opportunity varies between children of different races or children of different genders. You can see how opportunity may vary by the measure that's used to capture success. So some neighborhoods look particularly good on measures like child earnings but maybe don't look so good on the fraction of children who end up in jail.

What we can show you are in any given city, places where opportunity is present, and not just on average but for any given particular group of children.

So just to pick a particular example: Atlanta is a city with very low average rates of upward mobility, especially for poor black children. If the only data that you had came at the regional level or at the city level, then the best you could do to make policy recommendations to help poor black children in Atlanta would be to say, "Well, things seem to be better in Minneapolis. Maybe we can learn something from Minneapolis." And maybe we can learn something from Minneapolis. But Minneapolis is different in many, many ways than Atlanta. Economically, demographically.

What's I think much more relevant is to find places in Atlanta where there is opportunity. And maybe not just in general, but to find places in Atlanta—specific neighborhoods—where opportunity is present for children from poor black families. And there we know not just that opportunity can exist in these settings; we have a specific local example of maybe the types of policies or programs that help make it so. And I think that type of really targeted local analysis and local examples of opportunity can really be the start of a revolution in how we think about crafting policy to increase opportunity for those populations for whom it currently is somewhat missing.

Dan LeDuc: Let's dive a little bit more into some of the factors that your research is showing really matter. I mean, obviously, education has to play a huge role. Tell us what you've learned about sort of teachers and what role education is playing.

John Friedman: Education is a key factor that seems to explain differences in opportunity.

So as one example, if you have a classroom with a very high-quality teacher—like, a top 5 percent teacher—relative to that same classroom with an average teacher, from just a single year with that better teacher, the children in that classroom will earn nearly $1.5 million more collectively in their careers.

There's just an amazing impact of teachers. I think we all recognize that teachers can have important impacts on children. But even when I started this project, I'm not sure I had thought about numbers like $1.5 million. And so both in terms of broadly explaining differences across neighborhoods and in terms of pointing to specific policies that might be able to move the needle, education is a very important piece of the opportunity puzzle.

Dan LeDuc: Let's continue on the education thing. Moving on up the educational scale, colleges. What role do they play?

John Friedman: So we've looked at how upward mobility varies across colleges. And of course, there it's not just about how students from any given college do after they leave, but it's also about access. The extent to which any given college has students on campus from diverse economic backgrounds. And what we found was that in the same way that there's a tremendous amount of variation between neighborhoods, even in the same city, there are very large differences between colleges in the extent to which they help children from poor backgrounds climb the income ladder.

Now, on average, there is somewhat of a trade-off. So you have institutions like community colleges, which have a larger fraction of their student body of students from poor backgrounds but have lower outcomes after school. And then colleges like Brown, which have fewer students from poor backgrounds but better outcomes in the long run. So there is a little bit of this trade-off.

But what we found was that it was relatively easy to find colleges that seemed to break this trade-off. Colleges that both provide a large degree of access to children from poor families and seemed to put those children on a very strong trajectory. And so, studying—in the same way that we might look at neighborhoods—studying those colleges that seemed particularly effective at bringing children from poor backgrounds to their own economic success later in life, I think is a very important part of understanding how to provide pathways to help restore the American dream.

[Music plays.]

Dan LeDuc: Coming up: more with John Friedman on the relationship between role models and the power of invention.

You can search for your hometown, or any area of the country, with the Opportunity Atlas online. There's a link to it on our website at pewtrusts.org/afterthefact.

[To John Friedman] One of the areas your group has done some research in is what you call innovation clusters. What do you mean by that?

John Friedman: So, some of my colleagues have done similar studies looking at the long-run outcomes of children, but measuring those outcomes not just in whether you attended college or what your earnings are, but in whether you hold a patent. Which is a sign that one is involved in innovation and creating things and inventing things. What they find—similarly to the work on income or broader opportunity—is that the extent to which children go on to be successful creators and have these patents varies a tremendous amount across space, but also in a way that seems very divided. So just to give you a statistic, most patent holders are kids who did very well on their math test.

But even restricting to those kids at the very top of high school or elementary school math tests, children from rich families are significantly more likely to go on to become patent holders—more than twice as likely—than children getting those exact same scores on that math test but from poor families. And what that suggests is that there's something in the pathways that are more open to kids from those more affluent backgrounds. And I think that's not just concerning for those children who maybe lack that opportunity, but also as a society we want to be having as much innovation as possible. And so every child who might have been a great innovator but who can't get into that path is a potential great invention that we don't have as a society.

Dan LeDuc: Potentially, one of these kids has the cure for cancer and whether they'll ever get a chance to learn it …

John Friedman: That's right. I mean, that's you know, the lost Einsteins. You know, what if Einstein had, instead of being a white man, been anything else growing up at the time that he was? You know, maybe the history of science would have looked very different.

Now, I think from a policy perspective, the important thing to ask is not just how do these numbers vary across space, but what seems to explain that? And one of the very important predictors seems to be the extent to which children are exposed to adult role models or mentors who are inventors themselves. And I think a very nice way to see this is to look at the difference in patenting rates between men and women. Men patent at much higher rates than women.

But the places where that gap is the smallest are the counties where there are a very large number of female adult patent holders while the children are growing up.

Dan LeDuc: Hmm.

John Friedman: So that is, if you are a very high-achieving girl and you're growing up in a place where there are a lot of women who you can see who are patent holders, you are much more likely to become a patent holder yourself when you grow up than girls who look very similar to you but are growing up in places where there are no obvious local role models of women who are patent holders.

At one level, looking at children who grow up to innovate—to hold patents—is just another way of measuring success. But at another level, I think innovation is an incredibly important aspect of opportunity. Because it demonstrates how all of us can benefit when children from all backgrounds succeed. The more children that we have growing up to be part of creative and inventive jobs, the faster society will grow. And

the faster standards of living will grow for us all, whether or not we are directly benefiting from those programs or not.

In fact, one calculation would say that if only the rates with which really talented, high-test-score-achieving children from lots of different backgrounds—if all of those other children grew up to patent at the same rate that white boys from rich families did—so that is, if women are patenting more and if children from minority backgrounds are patenting more—that would quadruple the rate of innovation in America today. More innovation and higher patent rates is really a great example of a rising tide that can lift all boats.

Dan LeDuc: So all of this work assumes that the American Dream still matters. Does it?

John Friedman: I do think it matters. I think that it has been for some time, and will continue to be, a central part of what we aspire to in this country. A central foundation that people from all political parties agree is a goal that we should pursue. And I think in times of rising inequality, it's especially important to make sure that those—now really vast—spoils that are earned by successful people in society, that's a path that's open to children, no matter their background. And I think that even beyond the economic effects, giving people a sense of hope that there is broadly shared growth and that things are getting better from year to year is a very, very important part of our journey as a country.

[Music fades in.]

Dan LeDuc: John Friedman, thank you very much for being here today.

John Friedman: This has been a pleasure. Thank you so much.

Dan LeDuc: You can find more research related to the American Dream on our website pewtrusts.org/afterthefact.

As we enter our third year, we hope you'll join us regularly for more stories behind the data. Please subscribe wherever you get your podcasts, and leave us a rating. We want to know what you think.

Thanks for listening. For The Pew Charitable Trusts, I'm Dan LeDuc, and this is "After the Fact."

[Closing "After the Fact" theme music plays.]