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The Upshot

IMPORTANCE OF PLACE

Why the New Research on Mobility Matters: An Economist's View

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Hundreds of studies have demonstrated that the odds of economic success vary across neighborhoods. The far more difficult question is whether that's because neighborhoods nurture success (or failure), or whether they just attract those who would succeed (or fail) anyway.

A new study by the Harvard economists Raj Chetty and Nathaniel Hendren, when read in combination with an important study they wrote with Lawrence Katz, makes the most compelling case to date that good neighborhoods nurture success. (The Upshot has just published a package of articles and interactives on the study.)

Let me be upfront about my own reading: These two new studies are the most powerful demonstration yet that neighborhoods — their schools, community, neighbors, local amenities, economic opportunities and social norms — are a critical factor shaping your children's outcomes. It's an intuitive idea, although the earlier evidence for it had been surprisingly thin. As Sean Reardon, a professor of education and sociology at Stanford, said of the study, "I think it will change some of the discussion around how where children

grows up matters.”

Why is the new research so important?

I will start with the smaller of their two studies, which is the very rare case in which the federal government ran an experiment to test whether a policy idea actually worked. In the Moving to Opportunity experiment in the mid-to-late 1990s, 4,600 families living in public housing entered a lottery in which the winners were offered a voucher that enabled them to move to better neighborhoods.

Because any differences between lottery winners and losers are random, many social scientists view experiments like this as the gold standard for evidence. Consequently, the results from this experiment have been closely watched. Early findings had been disappointing, with no effect on the employment and earnings of parents, some positive effects seen on their physical and mental health, and few notable effects on their children. But the new studies provide a far more optimistic lens for interpreting this evidence.

Those earlier analyses grouped children who moved to a neighborhood as toddlers with those who moved in their late teens. So comparing all of the children whose parents won the lottery with all of those whose parents lost showed small effects. Yet if what matters are years of exposure to a good neighborhood — a hypothesis strongly suggested by the second of these two studies — then the effects might be very different, as those who moved as toddlers enjoyed most of their childhood in better neighborhoods, while those who moved as teens received few such benefits yet still had to deal with the disruption of moving.

Armed with this hypothesis and also newer data on the longer-run outcomes of these children, Mr. Chetty, Mr. Hendren and Mr. Katz reanalyzed the outcomes of the same families. (Full disclosure: Lawrence Katz was my Ph.D. adviser.)

And the findings are remarkable. In particular, the previous results actually hide two quite distinct findings, one positive and one negative. The children who moved when they were young enjoyed much greater economic success than similarly aged children who had not won the lottery. And the

children who moved when they were older experienced no gains or perhaps worse outcomes, probably the result of a disruptive move, paired with few benefits from spending only a short time in a better neighborhood.

The sharpest test comes from those who won an experimental housing voucher that could be used only if they moved to low-poverty areas. Here the findings are striking, as those who moved as a result of winning this voucher before their teens went on to earn 31 percent more than those who did not win the lottery. They are also more likely to attend college. Other families were awarded Section 8 housing vouchers, which subsidize renting a house or apartment. But because they did not require the winners to move to better parts of the city, people typically moved to neighborhoods that were better but perhaps by only half as much. As a result, the eventual income gains to the preteen children who won this the lottery were about half as large.

But those who were teens when their families won the lottery — the typical child was 15 — saw few years in their better neighborhoods and also had to deal with the disruption of moving. A result is that their incomes were 13 to 15 percent lower, although there is sufficient uncertainty around this estimate that this decline might merely be due to chance. It is a cruel fact that the waiting lists for public housing vouchers can mean that the families wanting to move when their children are young enough to benefit will get that opportunity only several years later when the benefits are small or nonexistent.

The girls raised in better neighborhoods are also more likely to grow up to marry, and when they have children, are more likely to maintain a relationship with the father. They are also more likely to live in better neighborhoods as adults. This suggests that the next generation — the grandchildren of the winners of this lottery — are more likely to be raised by two parents, to enjoy higher family incomes and to spend their entire childhood in better neighborhoods. That is, the gains from this policy experiment are likely to persist over several generations.

All told, this re-analysis transforms what was previously seen as influential evidence that neighborhoods are unimportant into the more nuanced finding that moving while young can be tremendously beneficial.

Indeed, the net present value of the extra earnings that will eventually accrue to a child who moved at age 8 is \$99,000, meaning that for a family with two children, the program yields \$198,000 in extra earnings.

The extra tax that these two children will eventually pay is probably \$22,000, more than enough to offset the extra cost of the voucher program, relative to the alternative of public housing.

It is rare to see social science overturn old beliefs so drastically. It happened because these scholars returned to an old experiment with a fresh perspective, based on the idea that what matters is how long children are exposed to good or bad neighborhoods. But is this the right perspective?

Here's where the second study is critical. While the conclusions of the Moving to Opportunity project are based on following only a few thousand families, Mr. Chetty and Mr. Hendren use earnings records to effectively track the careers and neighborhoods of five million people over 17 years.

Instead of contrasting the outcomes of families in different areas — which may simply reflect different families choosing to live in different areas — they can track what happens to families when they move. In fact, their analysis is based on more fine-grained comparisons. In particular, they can track families that moved from, say, Cincinnati to Pittsburgh when their children were young and compare them with families that made the same move, but when their children were a few years older.

Their findings are clear: The earlier a family moved to a good neighborhood, the better the children's long-run outcomes. The effects are symmetric, too, with each extra year in a worse neighborhood leading to worse long-run outcomes. Most important, they find that each extra year of childhood exposure yields roughly the same change in longer-run outcomes, but that beyond age 23, further exposure has no effect. That is, what matters is not just the quality of your neighborhood, but also the number of childhood years that you are exposed to it.

A crucial advantage of this analysis is that it follows the children through to early adulthood. This matters because a number of recent studies have shown that interventions have effects that might be hard to discern in test

scores or behavioral problems, but that become evident in adulthood. The same pattern of years of exposure to good neighborhoods shaping outcomes is also apparent for college attendance, teenage births, teenage employment and marriage.

These findings replicate many of the key insights from the Moving to Opportunity experiment with far greater statistical resolution, which means there is effectively no chance that are simply due to luck.

Mr. Chetty and Mr. Hendren also subject their analyses to more demanding tests. For instance, rather than making comparisons between families that move at different times, they can also make comparisons within the same family, comparing the results for older and younger siblings after a move. And indeed, when a family moves to a better city, the younger sibling — who will experience more years of exposure to a good neighborhood than an older brother or sister — enjoys better long-run outcomes. Again, the younger sibling enjoys a better future in proportion to the extra years of exposure he or she has.

Similar effects are also seen when they analyze what happens when whole communities are displaced after a shock like Hurricane Katrina or the closing of a large plant. If those communities tend to move to better areas, their children's futures tend to improve.

They also pay special attention to cities that are improving (or declining), and their findings reflect the state of the neighborhood in the years in which the children are actually present, rather than the previous years when parents may have been deciding where to move.

They also explore what happens in those cities where boys tend to do particularly poorly — typically those with more crime, inequality and segregation. When families with a son and a daughter move to these cities, the son's outcomes worsen relative to his sister. This gap is larger the longer they both spend in that neighborhood.

Each of these analyses is quite persuasive, but none, taken alone, is a slam dunk. It's a virtual truism that for any interesting empirical finding, there's some way for an imaginative social scientist to explain it away. But while you

may doubt one piece or other of it, it is virtually impossible to dismiss it all.

Sociologists have typically been quicker than economists to embrace the idea that neighborhoods are important. But the relentless accumulation of evidence is now so compelling that I believe it will sustain a new consensus. That consensus, simply stated, is that place matters. This puts the issue of fixing our failing neighborhoods squarely on the political agenda.

In addition to Mr. Chetty and Mr. Hendren, Augustin Bergeron, Nikolaus Hildebrand, Jamie Fogel and Benjamin Scuderi also helped conduct the research.

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