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The Upshot

Growing Up in a Bad Neighborhood Does More Harm Than We Thought

Economic View

By JUSTIN WOLFERS MARCH 25, 2016

The neighborhood in which you grow up is a major determinant of your economic success as an adult. That's been known for a while, but new research suggests that the effects may be much larger than social scientists previously understood.

These findings could fundamentally reshape national housing policy.

The new insight is that much of our best evidence about the effects of growing up in a bad neighborhood comes from examining children whose parents work particularly hard to protect them from the dangers around them. The negative effects of a bad neighborhood may be much larger for low-income families with less motivated parents.

A recent research paper by Eric Chyn, an economist completing his dissertation at the University of Michigan, explores this idea. Mr. Chyn's

findings have received close attention from economists around the country. (Full disclosure: I am one of Mr. Chyn's thesis advisers.)

It has long been clear that children from troubled neighborhoods have worse outcomes as adults. But it has been much harder to disentangle whether these neighborhoods cause the later disadvantage, or whether the hardships that lead families to bad neighborhoods are the problem.

The federal government's **Moving to Opportunity** experiment has provided the clearest evidence yet on the effects of leaving a bad neighborhood. From 1994 to 1998, this large-scale social experiment invited low-income families living in public housing to enter a lottery that could reshape their lives. Echoing the approach that medical researchers take to clinical trials, the lottery randomly assigned a kind of experimental treatment to winners, while the losers served as a control group. The winners received housing vouchers that helped them pay the rent if they moved out of public housing. The losers stayed in public housing for as long as they remained eligible.

Lottery winners and losers were both tracked over the ensuing years, and an important study last year by the Stanford economist Raj Chetty, with Nathaniel Hendren and Lawrence F. Katz of Harvard — a study I've previously written about — found that children who moved when they were young went on to enjoy substantially higher earnings than people of similar ages whose parents lost the lottery. (Another disclosure: Mr. Katz was my Ph.D. adviser.)

The random assignment of slots in this program means that we can be confident that these differences result from moving. But Mr. Chyn argues that this experiment substantially understates the importance of neighborhoods. The problem, he says, isn't in comparing those who win the lottery with those who lose.

Rather, he argues that both the treatment and control groups had already partly inoculated their children against the effects of bad neighborhoods. Only

a quarter of the families that were eligible for the lottery actually applied for it, and Mr. Chyn says the applicants were particularly motivated to protect their children from the negative effects of a bad neighborhood.

Indeed, qualitative and survey evidence from earlier research supports his conjecture. In-depth interviews by Jeffrey R. Kling, now with the Congressional Budget Office, and Jeffrey B. Liebman and Mr. Katz of Harvard revealed that these families “organized their entire lives around protecting their sons and daughters from the genuine dangers of ghetto life.” These mothers were “intensely focused on their children,” and as a result “younger children in particular were seldom allowed outside of the apartment, and never beyond the mother’s watchful gaze.”

The implication is that the housing experiment reveals the effect of moving from a bad neighborhood, for those least affected by the bad neighborhood.

In order to test his theory, Mr. Chyn would need to compare the results of a voluntary housing lottery with an experiment that essentially forces all families to enter the lottery.

Fortunately for Mr. Chyn, the demolition of many public housing projects in Chicago in the late 1990s effectively provides precisely this experiment. From 1995 to 1998, the Chicago Housing Authority demolished many high-rise public housing buildings, including the projects you might recognize from the 1970s sitcom “Good Times.”

These demolitions were effectively a lottery, because they led to the dislocation of some families — those whose buildings were demolished — but not those whose buildings were left standing. Thus those families that left did so for essentially random reasons. And just as in the Moving to Opportunity lottery, those families that “won” the lottery — that is, those families whose building was set for demolition — were offered a housing voucher to help them pay the rent if they moved out of the projects. Those families whose buildings

remained standing were effectively a control group, as they continued to live in public housing, undisturbed.

Importantly, this real-world natural experiment differs from the Moving to Opportunity experiment, because all families could be pushed to move, not just those who volunteered for a government relocation program.

Mr. Chyn finds that these demolitions had very large — and very positive — effects on the children who were forced to move out of the projects. The children forced out of public housing went on to have annual earnings that were 16 percent higher than those who remained, and they were 9 percent more likely to be employed. Over all, being kicked out of public housing might add about \$45,000 to each child's lifetime earnings. The effects may be even larger for those who moved while they were young.

Around the same time, the Chicago Housing Authority also ran a small-scale lottery that gave the winners the same housing vouchers. Much like the Moving to Opportunity lottery, this one was optional, so only motivated public housing residents applied. Mr. Chyn's analysis of this alternative experiment finds that it yielded much less impressive results, and the children whose families won the lottery went on to register roughly similar adult outcomes as those whose families lost.

The contrast is rather striking, suggesting that housing policies that also aim to help those who would not otherwise apply may yield a much larger bang for the buck.

Of course, there remain a number of open questions. Both the demolition study and the Chicago lottery study are hampered by their relatively small sample sizes. And there are many factors — including statistical chance — that might explain why the different experiments yield different effects.

But the underlying logic — that there's good reason to think that a lottery may understate the true effects of housing programs — strikes me as sound.

Moreover, Mr. Chyn has developed an elegant mathematical model to explore his logic, and it suggests that the effect of giving housing vouchers to a typical public housing resident may be many times larger than the effect on a lottery winner.

This important research also contains insights likely to extend beyond housing policy. For conservatives who are suspicious about the government's ability to enact useful social policy, the study highlights the difficulty in targeting government programs to those who are most likely to benefit, rather than those most likely to seek them out. And for liberals, the logic that Mr. Chyn applies to housing suggests that the experiments used to evaluate other social policy interventions may understate the effectiveness that these programs could have when rolled out to a broader population.

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