The current economic expansion is now the longest on record. Unemployment is near historic lows. Wage growth has at last picked up. Yet **the American Dream is out of reach or nonexistent for many**. The experience of Americans during the 2009-19 recovery & expansion has varied widely. **Geography and demography continue to increase as determinants of economic outcomes.**

Prosperity & Wealth

- 92% of Americans born in 1940 earned more than their parents. For those born in 1984, **only 50% made more than their parents.**
  - Among those born in the late 1980s, 44% are in jobs with higher socioeconomic status than their parents, while 49% are in jobs with *lower* socioeconomic status.
- **Income inequality is persistent.** In 2016, at the lowest quintile **average income is $21,000,** compared to, the highest at $291,000. Among **the top 1 percent, average income is $1.8 million.**

Percent of Children Earning More than Their Parents, by Year of Birth

- More worrying are **recent trends in financial distress**, or the inability to pay bills.
  - **Four in 10 American adults wouldn't be able to cover an unexpected $400 expense** with cash, savings or a credit-card charge that could be quickly paid off.
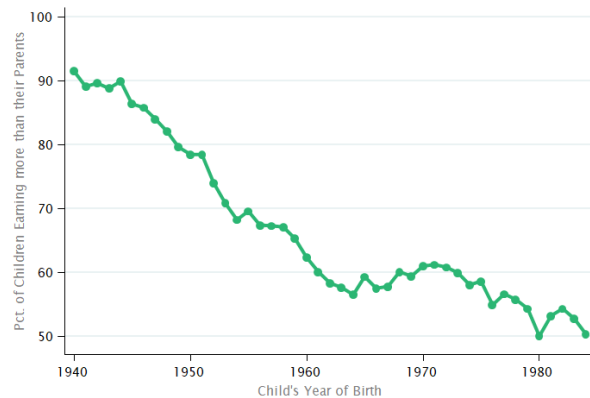 - And **29% of households have less than $1,000 in savings.**
- Despite macroeconomic strength, financial distress is rising and spreading. Aggregate growth in national net wealth hides variation across households.
  - From 2010 to 2015, two-thirds of American households lived in zip codes experiencing declines in financial distress. **Only 14% lived in zip codes with rising financial distress.**
  - This has changed dramatically: Just three years later, only 20% of households lived in zip codes with declining financial stress. By contrast, **58% lived in zip codes with rising financial distress.**

Person & Place

- Links between **geography and demographics, and economic outcomes remain strong**—and have grown stronger. For children, zip codes and individual neighborhoods are significant predictors of economic outcomes as adults. The **neighborhood has the largest effect**, independent of the economic performance of the surrounding region.

- Neighborhood characteristics with the largest effects are **residential segregation, income inequality, social capital, and school quality.**
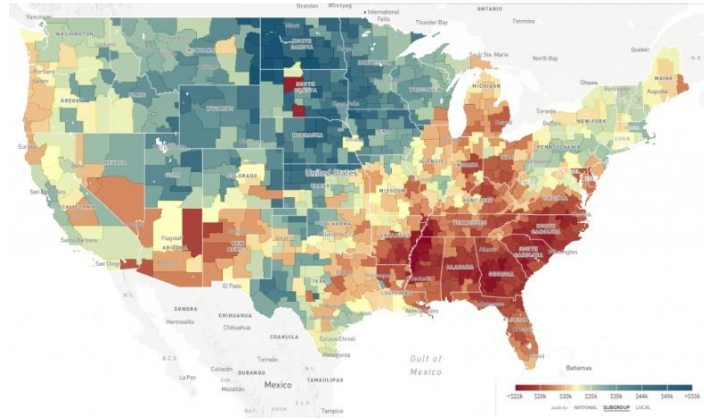
- Demographic characteristics are also significant. **Significant disparities persist across race** and ethnicity, especially between blacks and whites.

Children's Incomes vs. Parents' Incomes, by Race and Ethnicity
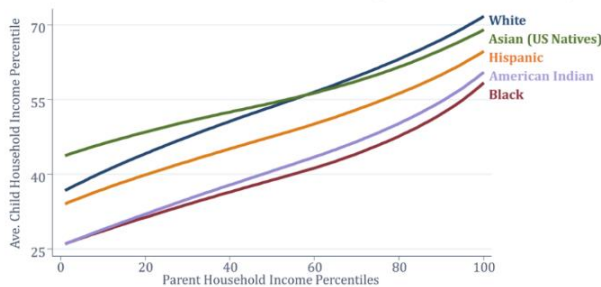
Across racial groups, on average, children born to parents at the 25th percentile reached the:
- Whites: 45th percentile;
- Latinxs: 43rd percentile;
- Asians: 56th percentile;
- Blacks: 33rd percentile.

Skills & Knowledge

- **Education and skilling are significant pathway to success**, especially for children and adults from disadvantaged backgrounds. But **large gaps remain across students** – in access, school quality, academic progression, and ultimately educational attainment.
  - **Better classrooms and high-quality teachers**, starting with early childhood education, have large impacts on college attendance and earnings.
  - **Access to college varies substantially across the income distribution**. Children with parents in the top 1% of the income distribution are **77 times more likely** to attend elite colleges and universities than children with parents in the bottom 20% of the income distribution.
    - BUT by comparing two students (one from the poorest families and one from the richest families) at the same college, **they will continue on to achieve similar income levels**.
- **Traditional education systems are not enough.** Removing barriers to employment and creating lifelong learning opportunities are necessary for mobility in a 21st century economy.
  - Work-based learning like apprenticeships and internships can help to develop and practice skills in real-life settings and gain exposure to a wide array of jobs and careers.
  - Specialized work skills development and placement for those with histories of incarceration, disability, displacement and poverty, as well as limited skills, including English language skills.
  - Continued opportunities for skills development enable advancement along career pathways.

Promising Approaches

The U.S. Partnership on Mobility from Poverty has identified five complementary strategies that can help improve mobility and opportunity.

1) **Change the narrative**—dispel myths about the causes of poverty and shine more light on the structural forces (like the effects of neighborhoods) that suppress mobility.

2) **Create access to good jobs**—improve training, address discrimination, and alter some of the more pernicious aspects of low-wage employment, such as erratic hours, just-in-time scheduling, and limited benefits.
   a) *Example*: **Hennepin County (MN), Career Pathways**. County government, in response to its own workforce challenges and the state of local skills, created a training curriculum with local colleges. This was offered for free, together with wraparound services, to county residents in the social service system. The county leveraged its own size as an employer to create internships and job opportunities to those who completed the training. The program has since expanded to private employers within the county.

3) **Ensure zip code is not destiny**—work to reduce the effect of factors such as residential segregation and low access to financial services.
   a) *Example*: **Moving to Opportunity**. This experimental program, in five cities, randomly assigned housing vouchers to families in high-poverty housing projects to move to lower-poverty neighborhoods. This led to large increases in adult earnings for children who moved at young ages. Spending just one additional year in a better neighborhood raises income at age 26 by 0.5%.

4) Provide support that empowers—take **"whole person" and "whole family" approaches** by expanding the focus on early childhood and increasing resources devoted to youth development for adolescents.

5) **Transform data use**—create standardized models for linking and sharing data across programs and levels of government.
   a) *Example*: **Multnomah County (OR), Marginalization Index**. County officials realized that every time they started a new project or convened a new group, they started from scratch in getting the necessary data together. To address this, leaders assembled a list of indicators and datasets that were commonly used across county projects and created large poster maps. They took these maps to community events to get input from residents. With this feedback, the county took the new index and maps to local partners to guide prioritization and projects.

Resources

- Watch Raj Chetty discuss the American Dream and big data here.
- Find your community on the Opportunity Atlas map and see which neighborhoods offfer children the best chance to rise out of poverty.
- Danny Yagan of Berkeley maintains a database of fact sheets on all U.S. counties on his website.
- EIG has an interactive map of its Distressed Communities Index that can be filtered by county, zip code, state, and so on.
- Compare two maps from the St. Louis Fed on the differential geographic experience of financial distress from 2010-15 and 2015-18.
- Download datasets on economic mobility, geography, and demographic groups from Opportunity Insights.
- Census Bureau's Opportunity Project is bringing together public and private partners to use public data to create digital tools to advance economic opportunity.
- The Congressional Budget Office (CBO) offers data and table-building on household income and distribution.

Further Reading

- David T. Ellwood and Nisha G. Patel, "Restoring the American Dream: What Would It Take to Dramatically Increase Mobility from Poverty?" U.S. Partnership on Mobility from Poverty, January 2018. Available here.
- Elisabeth Jacobs and Liz Hipple. "Are Today's Inequalities Limiting Tomorrow's Opportunities?" Washington Center for Equitable Growth, Oct. 2018. Available here.
- Florencia Torche, "Intergenerational Mobility," The Poverty and Inequality Report, Stanford Center on Poverty and Inequality (2017). Available here.
- George W. Bush Presidential Center: Home of the Bush Library and Museum and Bush Institute. *The Catalyst: Breaking Free of Poverty* (2019). Available here.
- Raj Chetty, David Grusky, Maximilian Hell, Nathaniel Hendren, Robert Manduca, and Jimmy Narang, "The Fading American Dream: Trends in Absolute Income Mobility Since 1940," National Bureau of Economic Research (NBER), Working Paper 22910, December 2016. Available here.
- Raj Chetty and Nathaniel Hendren, "The Impacts of Neighborhoods on Intergenerational Mobility II: County-Level Estimates," Opportunity Insights, December 2017. Available here.
- Ryan Mather and Juan M. Sanchez, "The Unequal Recovery: Measuring Financial Distress by Zip Code," Federal Reserve Bank of St. Louis, April 18, 2019. Available here.
- Stanford Center on Poverty and Inequality, "State of the Union: Millennial Dilemma," *Pathways: The Poverty and Inequality Report 2019*. Available here.