DOES IT MATTER THAT WE’RE RUNNING OUR POVERTY POLICY IN THE BLIND?

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PRESEPTION TO ...
PATHWAYS OUT OF POVERTY
NEIGHBORWORKS AMERICA
EVIDENCE-BASED POLICY: A LIP-SERVICE COMMITMENT?

THE OBAMA ADMINISTRATION: DEEP COMMITMENT TO EVIDENCE-BASED POLICY (AS AN ASPIRATION)

BUT IT’S LONG BEEN AN ASPIRATION ... WE STILL DON’T BASE ENOUGH OF OUR POVERTY POLICY ON EVIDENCE

NOT TYPICALLY UNDERSTOOD AS A KEY SOCIAL PROBLEM

BUT IT IS
AN EXAMPLE

THE AMERICAN DREAM
CHILDREN SHOULD HAVE A HIGHER STANDARD OF LIVING THAN THEIR PARENTS

WHY IT MATTERS
WE FREQUENTLY COMPARE WITH PARENTS TO ASSESS HOW WE’RE DOING

THE EVIDENCE DEFICIT
SURELY WE KNOW WHERE WE STAND ON THE AMERICAN DREAM?

DIRTY LITTLE SECRET
WE DON’T!
AN ILLUSTRATION

USE THIS AS AN ILLUSTRATIVE EXAMPLE OF THE STATE OF DISREPAIR – WHEN IT COMES TO EVIDENCE – IN WHICH THE COUNTRY FINDS ITSELF

CLAIM: THE U.S. IS A RENEGADE COUNTRY WHEN IT COMES TO EVIDENCE
WHY DON’T WE KNOW?

WE DON’T HAVE LARGE PANEL DATASETS LINKING PARENTS AND CHILDREN

OTHER COUNTRIES DO ... OTHER COUNTRIES MONITOR WHETHER THEY’RE LIVING UP TO AMERICAN DREAM
OBLIGED TO MAKE DO (“THE FADING AMERICAN DREAM,” CHETTY, GRUSKY, HELL, HENDREN, MANDUCA, NARANG)

THE INSIGHT: TRENDS IN ABSOLUTE MOBILITY CAN BE CALCULATED WITHOUT PANEL DATA OVER TIME

IT SUFFICES TO COMBINE THREE TYPES OF INFORMATION:

INCOME DISTRIBUTIONS FOR CHILDREN (WHEN CHILDREN ARE AROUND 30 YEARS OLD) … BASED ON 1970-2014 CURRENT POPULATION SURVEYS

INCOME DISTRIBUTIONS FOR PARENTS (WHEN PARENTS ARE AROUND 30 YEARS OLD) … BASED ON 1940-1990 DECENNIAL CENSUSES

TRANSITION MATRIX INDICATING THE PROBABILITY, FOR EACH ORIGIN PERCENTILE, OF ENDING UP IN EACH POSSIBLE OUTCOME PERCENTILE
THE TRANSITION MATRIX CLOSE UP

Population tax data for 1980-82 birth cohorts (10 million children) [Chetty, Hendren, Kline, Saez, Turner 2015]

Parent’s percentile

0.21% 0.21% 0.18% 0.19% 0.20% ... 3.70% 4.39% 4.97% 6.19% 9.65%

Probability of child born into 100th percentile ending up in 1st – 5th percentiles

Probability of child born into 100th percentile ending up in 96th – 100th percentiles

Child’s percentile
ABSOLUTE MOBILITY FOR 1940 BIRTH COHORT

1940 average: 92%

In 1940, a child born into the average American household had a 92 percent chance of making more money than his or her parents.

CHILD BORN INTO 20TH PERCENTILE: 93 PERCENT CHANCE OF ABSOLUTE MOBILITY

CHILD BORN INTO 95TH PERCENTILE: 84 PERCENT CHANCE OF ABSOLUTE MOBILITY

AVERAGE ACROSS ALL PERCENTILES: 92 PERCENT CHANCE OF ABSOLUTE MOBILITY

CONCLUSION: ALMOST EVERYONE WAS UPWARDLY MOBILE
ABSOLUTE MOBILITY FOR 1950 BIRTH COHORT

CHILD BORN INTO 20\textsuperscript{TH} PERCENTILE: 86 PERCENT CHANCE OF ABSOLUTE MOBILITY (DOWN FROM 93 PERCENT)

CHILD BORN INTO 95\textsuperscript{TH} PERCENTILE: 57 PERCENT CHANCE OF ABSOLUTE MOBILITY (DOWN FROM 84 PERCENT)

AVERAGE ACROSS ALL PERCENTILES: 79 PERCENT CHANCE OF ABSOLUTE MOBILITY (DOWN FROM 92 PERCENT)

CONCLUSION: DECLINE ESP. PROMINENT AT TOP

For children born in 1950, the likelihood of achieving the American Dream had begun to fall but remained very high.

NY TIMES, DEC, 8, 2016, THE FADING AMERICAN DREAM, DAVID LEONHARDT
ABSOLUTE MOBILITY FOR 1980 BIRTH COHORT

CHILD BORN INTO 20TH PERCENTILE: 57 PERCENT CHANCE OF ABSOLUTE MOBILITY

CHILD BORN INTO 95TH PERCENTILE: 27 PERCENT CHANCE OF ABSOLUTE MOBILITY

AVERAGE ACROSS ALL PERCENTILES: 50 PERCENT CHANCE OF ABSOLUTE MOBILITY

CONCLUSION: NO CONSOLATION PRIZE AT BOTTOM

NYTIMES, DEC, 8, 2016, THE FADINGAMERICAN DREAM, DAVID LEONHARDT
Why was there so much mobility in the past?

Children’s income distribution shifted to the right (higher mean).

Child born into 80th percentile can fall to 14th percentile ... and still beat parents.
IDENTIFYING UPPER AND LOWER BOUNDS UNDER ALL PLAUSIBLE COPULAS

COPULA DOESN’T MATTER IN THE PAST (BECAUSE THE MARGINAL DISTRIBUTIONS ARE DETERMINATIVE)

ALTHOUGH THE COPULA DOES MATTER IN THE PRESENT, THAT’S WHEN WE HAVE THE DATA

IMPLICATION: WE CAUGHT A BREAK
HOW MUCH GDP GROWTH DO WE NEED TO RESTORE 1940 LEVELS OF MOBILITY?
THE UPSHOT

A CRITICAL PIECE OF EVIDENCE – WHETHER WE’RE LIVING UP TO THE AMERICAN DREAM – HAS NOT BEEN AVAILABLE

WHY COULD WE SORT IT OUT NOW? WE CAUGHT A BREAK (I.E., COPULA NOT NEEDED IN THE PAST BECAUSE RESULTS HOLD UNDER ALL POSSIBLE COPULAS)

IT SHOULDN’T BE NECESSARY TO “CATCH A BREAK” TO FIGURE OUT WHETHER WE’RE LIVING UP TO ONE OF OUR MOST FUNDAMENTAL COMMITMENTS

OTHER COUNTRIES MONITOR THE “AMERICAN DREAM” REGULARLY ... BUT WE DON’T IN AMERICA
THE EVIDENCE PROBLEM

EXAMPLE: THE COST OF NOT BEING ABLE TO MONITOR KEY INDICATORS OF COUNTRY’S HEALTH

ANOTHER COST: NOT BEING TO EVALUATE WHICH PROGRAMS WORK AND WHICH DON’T

... A BIG COST
THE VISIBLE HAND OF EVIDENCE SUBSTITUTES FOR THE INVISIBLE HAND

Policy

Evidence

Program
THE VISIBLE HAND OF EVIDENCE SUBSTITUTES FOR THE INVISIBLE HAND

Policy

Evidence

Program

POLICY TRANSLATED INTO PROGRAMS
THE VISIBLE HAND OF EVIDENCE SUBSTITUTES FOR THE INVISIBLE HAND

Policy

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POLICY TRANSLATED INTO PROGRAMS

EVIDENCE BROUGHT TO BEAR
THE VISIBLE HAND OF EVIDENCE SUBSTITUTES FOR THE INVISIBLE HAND

Policy

POLICY & PROGRAMS REEVALUATED ON BASIS OF EVIDENCE

POLICY TRANSLATED INTO PROGRAMS

Evidence

EVIDENCE BROUGHT TO BEAR

Program

STANFORD CENTER ON POVERTY AND INEQUALITY
WHY HASN’T THE DREAM BEEN REALIZED?
CONVENTIONAL ACCOUNT #1

Policy

Evidence

Program

POOR TRANSLATION OF POLICY
CONVENTIONAL ACCOUNT #2

Policy

Evidence

Program

EVIDENCE IS IGNORED

POOR TRANSLATION OF POLICY
AN EVEN MORE FUNDAMENTAL REASON

Policy

Evidence

Program

EVIDENCE IS IGNORED

POOR TRANSLATION OF POLICY

EVIDENCE DEFICIT
AN EVEN MORE FUNDAMENTAL REASON

EVIDENCE IS IGNORED ... BECAUSE IT IS IGNORABLE

POOR TRANSLATION OF POLICY

EVIDENCE DEFICIT
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Policy

Evidence

Program

EVIDENCE IS IGNORED … BECAUSE IT IS IGNORABLE

POOR TRANSLATION OF POLICY … BECAUSE WE DON’T KNOW WHAT WORKS

EVIDENCE DEFICIT
HOW CAN THE EVIDENCE DEFICIT BE OVERCOME?

IT’S NOT FOR LACK OF DATA ... IT’S BECAUSE EXISTING ADMINISTRATIVE DATA (E.G., PROGRAM DATA, CENSUS DATA) AREN’T BEING FULLY EXPLOITED (E.G., LINKING THEM AND CONVERTING THEM TO PANEL DATA)

SOLUTION: EXPLOIT EXISTING DATA BY OVERCOMING BUREAUCRATIC AND LEGAL OBSTACLES

THE PEOPLE’S DATA COLLECTED WITH TAXPAYER DOLLARS ... IT’S SCANDALOUS THAT WE CAN’T USE OUR OWN DATA TO BUILD A POWERFUL PUBLIC SECTOR

NOTE: FOLLOW LEAD OF STATE OF WASHINGTON
PROGRAM EVALUATION WILL BE TRANSFORMED

IT’S NOT JUST ABOUT MONITORING THE HEALTH OF THE COUNTRY ON BASIC INDICATORS (E.G., MOBILITY)

ADMINISTRATIVE DATA WILL ALSO FUNDAMENTALLY CHANGE HOW WE EVALUATE EFFECTS OF POLICY, PROGRAMS, EVENTS, AND INSTITUTIONAL PARTICIPATION

A FEW EXAMPLES
EXAMPLE 1: LONG-RUN EFFECTS SEAMLESSLY TRACKED

THE NUMBER ONE LESSON FROM PROGRAM EVALUATION: DON’T IGNORE THE LONG RUN
• WORRIES ABOUT WASHOUT OF EFFECTS
• WORRIES ABOUT “SLEEPER EFFECTS” THAT SURFACE LATER

THE KEY SLEEPER EFFECT: INTERGENERATIONAL EFFECTS
EXAMPLE 2: WE’RE RUNNING HUNDREDS OF LOCAL EXPERIMENTS

LINKED PANEL DATA WILL ALLOW FOR EXPERIMENTAL AND QUASI-EXPERIMENTAL ASSESSMENTS OF PROGRAMS AND INTERVENTIONS
WHY WE MUST DO IT ... NOW

THERE’S TOO MUCH AT STAKE

MASSIVE PUBLIC SECTOR SAVINGS: AN EFFECTIVE LEAN GOVERNMENT MUST RUN VERY CLOSE TO THE EVIDENCE
• INVISIBLE HAND CREATES EFFICIENCIES IN PRIVATE SECTOR
• VISIBLE HAND (OF EVIDENCE) CREATES EFFICIENCIES IN PUBLIC SECTOR (E.G., PAY FOR SUCCESS)

THE U.S. CAN AND SHOULD LEAD ... WE’VE BEEN SLOW TO COME TO THE TABLE BUT WE CAN LEAPFROG OVER EARLIER INNOVATORS
SPARE SLIDES
MEAN RATE OF ABSOLUTE MOBILITY BY BIRTH COHORT
FAMILY INCOME DISTRIBUTIONS FOR 1980 BIRTH COHORT

- 80th percentile of parents distribution
- 74th percentile of children's distribution

Income (Measured in Real 2014$)

Parents

Children
CHILD RANK NEEDED TO BEAT PARENTS

- 1940
- 1980
- (80, 14)
- (80, 74)
HOW CAN WE RESTORE THE MOBILITY RATES OF THE PAST?

CAN HIGH MOBILITY RATES BE RESTORED BY RAMPING UP ECONOMIC GROWTH?

CAN THEY BE RESTORED BY SHARING GROWTH MORE BROADLY?
BROADLY SHARED GROWTH IS A VERY POWERFUL MOBILITY-INCREASING POLICY
ALTERNATIVE PRICE DEFLLATORS

Pct. of Children Earning more than their Parents

Child's Birth Cohort

Baseline: CPI-U-RS
CPI-U-RS minus 0.8%
PCEPI
PPI
INCOME MEASURED AT AGE 40

- Baseline: Children Age 30, Parents 25-35
- Children Age 40, Parents 35-45

Graph showing the percentage of children earning more than their parents by child's birth cohort from 1940 to 1980.
ADJUSTING FOR FAMILY SIZE

- Baseline - Family Income, All Children
- Divide by Sqrt(Family Size)
- Individual Income, Fathers-Sons

Pct. of Children Earning more than their Parents

Child's Birth Cohort

RESULTS WITH DIFFERENT DEFLATORS

Pct. of Children Earning more than their Parents

Child's Birth Cohort

Baseline: CPI-U-RS
CPI-U-RS Minus 2%
GDP Deflator
CPI-U
ALTERNATIVE ADJUSTMENTS FOR FAMILY SIZE
EFFECT OF INCREASING CHILD INCOME ON ABSOLUTE MOBILITY FOR 1984 COHORT

Pct. of Children Earning more than their Parents

Magnitude of Income Increase for Children in 2010
ALTERNATIVE INCOME THRESHOLDS

Pct. of Children Earning 20% More/Less than Parents

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Child's Birth Cohort
MEDIAN RATIO OF CHILDREN’S INCOME TO PARENTS’ INCOME
ALTERNATIVE INCOME DEFINITIONS
EFFECT OF INCLUDING IMMIGRANTS

Pct. of Children Earning more than their Parents

Baseline
Including Immigrants

Child's Birth Cohort

SENSITIVITY TO PARENT AGE AT CHILD BIRTH

- Baseline
- Parents Who Have Children Between Ages 25-35 Only
ALTERNATIVE DATA SOURCES FOR MARGINAL INCOME DISTRIBUTIONS

![Graph showing the percentage of children earning more than their parents across different birth cohorts. The graph compares Baseline, CPS Only, and Census Only data.](image)
HETEROGENEITY BY GENDER

The graph shows the percentage of children earning more than their parents over time, categorized by gender and income comparison. The x-axis represents the child's birth cohort, while the y-axis shows the percentage of children earning more than their parents. The graph includes lines for baseline, son vs. parents' family income, daughter vs. parents' family income, son vs. father individual income, and daughter vs. father individual income. The data trend indicates a decline in the percentage of children earning more than their parents, with variations observed between different categories.