Opportunity in Tucson

- Economic opportunity has declined.
- Poverty is high.
- Is Tucson doing enough?

Jim Kiser

ABSTRACT

Tucson lags behind the nation and its MAP Dashboard comparison cities in providing opportunity to its residents. And the opportunity that does exist is not equally available. This limits the ability of many young Tucsonans to realize their potential to grow, prosper and contribute to their community. It also costs the Tucson economy an estimated $2 billion per year.

Chance in Arizona of making more money than your parents
(By year of birth, adjusted for inflation)

<table>
<thead>
<tr>
<th>Year</th>
<th>Chance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1940</td>
<td>46.2%</td>
</tr>
<tr>
<td>1950</td>
<td>57.5%</td>
</tr>
<tr>
<td>1960</td>
<td>57.7%</td>
</tr>
<tr>
<td>1970</td>
<td>73.9%</td>
</tr>
<tr>
<td>1980</td>
<td>88.5%</td>
</tr>
</tbody>
</table>
op·por·tu·ni·ty: A set of circumstances that make it possible to do something.

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Executive Summary

This report is a call for a greater sense of urgency in solving Tucson’s problems of unequal economic opportunities and poverty.

A brief overview of the report:

- Tucson provides less economic opportunity to its children as they grow up than the rest of the nation and than most of the cities in the MAP Dashboard to which Tucson compares itself.
- What opportunities do exist are not equally available to all children, and the opportunity gap between the wealthy and the poor is great.
- Tucson is paying a high price for its failure to provide more-equal opportunity: Its economy foregoes roughly $2.2 billion per year.

Following is a summary of each of this report’s five parts and conclusion.

Part 1: In Tucson, economic opportunity is more myth than reality.

By gender: When compared to the rest of the nation, boys who grow up in Tucson pay a substantial price in future household income. They earn $3,000 to $4,000 less in adulthood than boys who grow up elsewhere. For girls, the situation is slightly worse, with their household incomes $3,000 to $5,000 less than the girls’ national average.

The lack of opportunity is emphasized when Tucson is compared to the 11 other cities used by the MAP Dashboard for comparison. Boys who grow up in Tucson have an average in adulthood of $3,000 to $4,000 less in household income than boys who grow up in the 11 other cities, depending on their parents’ income. The range for girls who grow up in Tucson is the same: $3,000 to $4,000 less in household income than girls who grow up in the other cities.

By race and ethnicity: Comparing household incomes by race and ethnicity in the comparison cities again reveals relatively poor performance by Tucson in providing opportunities – an average in adulthood of about $1,000 less in annual household incomes in Tucson for blacks, $4,000 less for whites, $3,000 less for Hispanics, $1,000 less for Asians and $11,000 less for Native Americans who grow up in Tucson in relation to those who grow up in the other cities.

Americans overwhelmingly support the idea that all people should have an equal opportunity to succeed. However, when family income as well as the neighborhood and city in which a person grows up are major determinants of his or her success – and overcoming that background is an extraordinary occurrence – then equal opportunity does not exist.
Part 2: Economic opportunity varies significantly within Tucson.

By income: Household incomes of kids who grow up in Tucson vary widely in adulthood, from a low of $16,000 to a high of $70,000.

By location: Such differences in household incomes reflect a wide range of opportunities for young people as they grow up. They also reveal an important Tucson characteristic: Tucson is economically segregated, with River Road generally being the dividing line between census tracts above or below the median household income.

Tucson’s economic segregation presents a serious problem in the city’s efforts to provide equality of economic opportunity. Increasingly people are living in poor or affluent neighborhoods, with fewer mixed-income neighborhoods. As a result, more and more kids are growing up with kids like them and much less understanding of kids not like them.

Not only is Tucson economically segregated, the data shows it provides vastly different opportunities to different racial groups, as revealed in the substantial differences in household income in adulthood among kids even when they grow up in households of the same income level.

Such ranges of opportunity within Tucson would suggest that poverty is high. And it is. When all households are considered, nearly one out of five Tucson households live in poverty. Of the 11 comparison cities, only El Paso has a higher rate of poverty.

Part 3: Lack of opportunity perpetuates poverty – and is costly.

There is a direct, causal link between the lack of economic opportunity and poverty. “Children from poor families are twice as likely as children from other families to wind up at the bottom of the income distribution. Equal opportunity this is not,” says a 2014 Brookings Institution paper aptly titled, “Poverty and Opportunity: Begin with Facts.”

While poverty’s toxic effects fall most heavily on the poor, the entire community also bears the cost of poverty.

To calculate the cost of poverty, seven Canadian provinces looked at what the effect would be if the bottom quintile of income earners were to have their incomes increased to the level of those in the second quintile. They looked at five different areas: Health care, law enforcement and criminal justice, the intergenerational cost resulting from poor children being unable to escape poverty in adulthood, opportunity costs to the individuals and to the government in foregone tax revenue, and direct costs rising from governmental aid to the poor.

The Canadian provinces found that the cost of poverty equaled four to seven percent of GDP, with the average being 5.62 percent. Applying that percentage to Tucson’s GDP of $39 billion results in a cost of poverty in Tucson of $2.2 billion per year.
By foregoing the economic benefits of reducing poverty, Tucson is paying a high price for its failure to provide opportunity to all its residents.

Part 4: Economic inequality limits opportunity.

During the phenomenal boom after World War II, the incomes of the poor, the middle class, and the wealthy all grew at a fast and roughly equal pace. Then, in the 1970s, as economic growth began slowing, incomes stagnated for the poor while incomes for the wealthy accelerated. As this inequality has grown, it has become increasingly clear that such a large extent of income inequality is creating a lack of opportunity.

“Too much inequality can stunt entire communities, crippling families and leaving children with inadequate access to education and health care,” writes Harvard Professor Rebecca Henderson in the Harvard Business Review’s 2017, “The Business of Inequality.” Henderson adds, “The result is that economic opportunity becomes not only a function of one’s talents, skills and efforts but also of who one’s parents are and where one was born.”

Harvard economist Raj Chetty and his colleagues even calculated the effect of inequality on opportunity in a 2016 report, “The Fading American Dream: Trends in Absolute Income Mobility Since 1940.” Noting that fewer children now earn more than their parents, the researchers calculated how much of that decline was the result of slower economic growth and how much was the result of greater inequality in the distribution of growth.

The researchers found that higher growth rates – expanding the size of the pie – would have closed only 29% of the decline in upward mobility between 1940 and 1980. However, keeping the pie the same size but sharing it more equally would have closed 71% of the gap.

“The key point is that reviving the ‘American Dream’ of high rates of absolute mobility would require more broadly shared economic growth than just higher GDP growth rates,” they wrote.

Part 5: Restoring opportunity requires community commitment.

Location matters. “Moving to a neighborhood that is just a mile or two away can change children’s average earnings by several thousand dollars a year and have significant effects on a spectrum of other outcomes ranging from incarceration to teenage birth rates,” write Chetty and coauthors from Harvard and Brown universities and the U.S. Census Bureau in a 2018 paper, “The Opportunity Atlas: Mapping the Childhood Roots of Social Mobility.”

They found five factors that are associated with economic success and upward mobility:

1. The lack of racial and economic segregation.
2. Lower levels of income inequality.
5. A larger percentage of two-parent households.

“The main lesson of our analysis,” the authors add, “is that intergenerational mobility is a local problem, one that could potentially be tackled using place-based policies.” (“Place-based policies” focus on areas, not individuals. Enterprise zones are one example.)

Relying on Chetty’s research, Charlotte, NC, has established a nonprofit Leading to Opportunity Council to improve the exceptionally low opportunities for its poor residents despite the city’s fast economic growth.

In Seattle, relying on Chetty’s research that moving to a better neighborhood can have a large impact on a young child’s life, the city has developed a program called Creating Moves to Opportunity. It works with recipients of federal housing vouchers to help them find and move into better but yet affordable neighborhoods.

**Conclusion**

The research in this paper offers several conclusions and four cautions:

1. **Tucson has a serious and costly opportunity problem.** It offers less economic opportunity to its children, and the opportunity that does exist varies greatly and is more available to the well-off.

2. **Look locally for solutions.** The great variety in economic opportunity among cities and within cities, Tucson included, suggest that each successful city has found its own way to improve opportunities for its children.

3. **To help kids, help their parents.** The evidence is strong that increasing the parents’ income helps their children succeed in adulthood.

4. **To help kids, improve their neighborhoods.** The evidence is strong also that neighborhoods make a large difference in a child’s prospects.

5. **To help kids, improve schools.** Chetty and the other researchers identified better schools as one of the five factors leading to economic success in adulthood. Preschools should be available for all children.

6. **Consider family structure.** The researchers found a larger share of two-parent households was the strongest factor leading to economic success in adulthood. Better family planning is a possible solution because 60 percent of births to single women under 30 years of age are unplanned. Family structure is especially important in Tucson, which is in the 84th percentile for single-parent households.
7. **Reduce inequality. At a minimum, don’t make it worse.** Low inequality was another of the factors identified by the researchers as leading to success in providing opportunities.

8. **Organize to tackle Tucson’s inequality of opportunity.** Both Charlotte and Seattle are benefiting from their efforts to offer more opportunity to the poor. Convening diverse groups to solve critical issues often has proven to be an effective way to solve problems.

Four final cautions:

1. **There is no single solution to the problems of opportunity, poverty and inequality.**

2. **Tucson cannot grow its way out of its poverty.** As Charlotte, NC, learned, high economic growth may benefit the already well-off and transplants from other cities but not help the poor.

3. **Education is an answer, but not the answer.** Improving schools requires more than improving the quality of teachers and administrators and the addition of resources. Schools are to a large extent the product of their surrounding neighborhoods.

4. **The growing opportunity gap among our kids is destructive,** not only to those with fewer opportunities, but also to our community.

**Goals:**

One goal of this report is that government officials, educators, business and nonprofit leaders will see and take actions to enhance opportunities within their spheres of control and influence.

A second goal is that the report will lead to convening of a task force, similar to the one formed in Charlotte, to conduct an in-depth study of economic opportunity in Tucson and to make recommendations for how opportunity can be increased. Then to engage the community in carrying out the recommendations.

The New York Times reported in 2013 that among the nation’s 2,478 counties, Pima County is “among the worst counties in the U.S. in helping poor children up the income ladder.” That is not acceptable. We can do better.
Notes on the research used in this report:

- Most of the economic statistics in this report are from the Opportunity Atlas, an online database that is a collaboration between the U.S. Census Bureau and Opportunity Insights, a non-partisan, not-for-profit organization based at Harvard University.
- The researchers gathered information on 20 million children born between 1978 and 1983 – ninety-four percent of all children born during those years – and followed them into adulthood. More than 25,000 of these children grew up in Tucson.
- The website allows cities and counties to determine the extent to which they offer economic opportunity to their children by measuring how well they have done when they have grown up. It is available at opportunityatlas.org.
- When Tucson is compared to other cities in this report, the data is from commuting zones, collections of counties that make up urban areas. The Tucson Commuting Zone includes Pima, Santa Cruz and Cochise counties. The difference from the Tucson MSA is minimal, when there’s any difference at all.
- Unless otherwise noted, the income numbers are from 2014-2015. Other statistics are the most recent available. Dates are given when they seem relevant.

Brief bio of Raj Chetty, the Harvard professor who directs the research:
Much of this report relies on published research by Harvard Professor Raj Chetty and his colleagues. Here is a brief biography from the Opportunity Insights website:

Raj Chetty is the William A. Ackman Professor of Economics at Harvard University and Director of Opportunity Insights. Chetty’s research combines empirical evidence and economic theory to help design more effective government policies. His work on tax policy, unemployment insurance, and education has been widely cited in media outlets and Congressional testimony. His current research focuses on equality of opportunity: how can we give children from disadvantaged backgrounds better chances of succeeding?

Chetty is a recipient of a MacArthur “Genius” Fellowship and the 2013 John Bates Clark medal, given by the American Economic Association to the best American economist under age 40. He received his Ph.D. from Harvard University in 2003 at the age of 23 and was a professor at University of California at Berkeley until 2009, when he returned to Harvard as one of the youngest tenured professors in Harvard’s history.

Chetty was a faculty member at Stanford from 2015 – 2018. In summer 2018, he returned to Harvard where he rejoined the Economic Department and launched Opportunity Insights.
Part 1: In Tucson, economic opportunity is more myth than reality

Little is more central to the American dream than the wish for our children to have a higher standard of living than we do. Unfortunately, in Tucson, that dream is not very realistic.

Tucson lags in economic opportunity compared to the nation and to the 11 other cities that researchers for the MAP Dashboard use for comparison. It falls short at enabling children who grow up here to move up the economic ladder as they become adults.

Historically, this is not surprising. The ability to have a more financially secure life than your parents – what researchers call intergenerational mobility – has been on a downward trend in America for decades. Ninety percent of children born in the 1940s and 1950s earned more as adults than their parents, after adjusting for inflation, according to Harvard economist Raj Chetty.

But for children born in the 1980s, only 50 percent are earning more than their parents. “It’s basically a coin flip as to whether you will do better than your parents for the current generation,” Chetty told NPR in 2016.

Perhaps the best way to measure whether a community offers economic opportunity to its children is to see how well the children have done when they become adults. Until recently, that sort of research was not possible.

However, in the past several years, Chetty, an economics professor now back at Harvard after stints at Berkeley and Stanford, and his colleagues have developed statistical techniques to process millions of non-identified income tax returns. Using upward mobility as a proxy for opportunity, they gathered information about 20 million children born between 1978 and 1983 and were able to follow them into adulthood. More than 25,000 of those children grew up in Tucson. The children’s incomes were gathered when they were in their mid-30s.

Their data is available online at the website opportunityatlas.org and allows cities and counties to see how well their children have done as they have grown up. The data is neither a survey nor anecdotal evidence, but rather a collection of statistical estimates based on a massive number of
facts. The data is so rich that it allows comparisons between counties and cities and within cities by census tracts, the parents’ income, and the child’s race, ethnicity or gender.

The Opportunity Atlas shows that when compared to the rest of the nation, kids who grow up in Tucson, whether or not they stay here, pay a substantial price in future income.

Figure 1-2 shows that when boys and girls who grow up in Tucson form households of their own, they tend to earn substantially less than the medians for households with similar parental incomes in the rest of the nation.

In short, they have less opportunity than boys and girls who grow up in the rest of America.

The percentile rankings in Figure 1-2 show an even more distressing picture. Tucson boys and girls rank near the bottom of the nation when compared with kids who grow up elsewhere in households with similar parental incomes.

Interestingly, Tucson kids with high-income parents do especially poorly in relation to kids who grow up elsewhere in high-income households.

Two related reasons for Tucson’s lower household incomes for boys and girls who grow up here are their low marriage rate – 42 percent in Tucson compared to the national median of 51 percent – and an exceptionally high proportion of single-parent households. In 2012-2016, Tucson was at the 84th percentile for single parents.

This is troubling not only for the well-being of the boys and girls who grow up here, but also for their children. These children will grow up in homes with fewer resources. Indeed, the researchers found that “the fraction of children living in single-parent households is the single strongest correlate of upward income mobility among all the variables we explored.” Of course, the correlation was negative, not positive.
Opportunity in Tucson

Part 1: More myth than reality

It is not clear why – maybe it is because of Tucson’s unique cultural and natural beauty – but 66 percent of boys and girls who grow up here stay in Southern Arizona in adulthood. That puts the region at the 85th percentile, meaning many more people who grow up here stay here than in the rest of the nation. And unfortunately, since the household income is lower for those who stay in Southern Arizona than for those who leave, their children will be growing up in lower income families than they themselves did and also than children who grow up in the rest of the nation.

Fewer marriages. More single parents. Lower household incomes. These are not good signs for Tucson’s future and lends urgency to efforts to provide more opportunity to Tucson’s children.

Tucson’s lack of opportunity is emphasized when the city is compared to the 11 other cities that MAP Dashboard researchers use for comparison.

Although kids who grow up in Albuquerque and Las Vegas have annual household incomes roughly similar to Tucson’s, the other nine cities see kids who grow up there with significantly higher household incomes in adulthood than kids who grow up in Tucson in similar-income households. In some cases, the differences are surprisingly large. Boys who grow up in Salt Lake City, for instance, have household incomes of $13,000 more per year in adulthood than boys who grow up in Tucson. On average, boys and girls who grow up in Tucson have household incomes $3,000 to $4,000 less than kids who grow up in the other cities, as revealed in Figure 1-3:

How 20 Years of Childhood in Tucson Affects Future Income
(Compared to 11 MAP Database Comparison Cities)

<table>
<thead>
<tr>
<th>City</th>
<th>All parental incomes</th>
<th>Low-income parents</th>
<th>Average-income parents</th>
<th>High-income parents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Boys</td>
<td>Girls</td>
<td>Boys</td>
<td>Girls</td>
</tr>
<tr>
<td>Albuquerque</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Austin</td>
<td>($5,000)</td>
<td>($5,000)</td>
<td>($2,000)</td>
<td>($2,000)</td>
</tr>
<tr>
<td>Colorado Springs</td>
<td>($6,000)</td>
<td>($5,000)</td>
<td>($3,000)</td>
<td>($3,000)</td>
</tr>
<tr>
<td>Denver</td>
<td>($9,000)</td>
<td>($9,000)</td>
<td>($4,000)</td>
<td>($4,000)</td>
</tr>
<tr>
<td>El Paso</td>
<td>$1,000</td>
<td>$3,000</td>
<td>($4,000)</td>
<td>($3,000)</td>
</tr>
<tr>
<td>Las Vegas</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$0</td>
<td>($1,000)</td>
</tr>
<tr>
<td>Phoenix</td>
<td>($3,000)</td>
<td>($3,000)</td>
<td>($1,000)</td>
<td>($2,000)</td>
</tr>
<tr>
<td>Portland</td>
<td>($7,000)</td>
<td>($6,000)</td>
<td>($4,000)</td>
<td>($3,000)</td>
</tr>
<tr>
<td>Salt Lake City</td>
<td>($13,000)</td>
<td>($11,000)</td>
<td>($8,000)</td>
<td>($7,000)</td>
</tr>
<tr>
<td>San Antonio</td>
<td>($1,000)</td>
<td>$0</td>
<td>($2,000)</td>
<td>($1,000)</td>
</tr>
<tr>
<td>San Diego</td>
<td>($4,000)</td>
<td>($5,000)</td>
<td>($4,000)</td>
<td>($5,000)</td>
</tr>
<tr>
<td>Average Difference From Tucson</td>
<td>($4,000)</td>
<td>($4,000)</td>
<td>($3,000)</td>
<td>($4,000)</td>
</tr>
</tbody>
</table>

Figure 1-3: Source: Household income differences calculated from data on pportunityatlas.org.
The reduced opportunity in Tucson also can be seen by looking at the percentage of kids who grow up in Tucson who are able to move into the top household income bracket – the 75th percentile and above. The results are equally disappointing. Only 13 percent of kids who grow up in Tucson in middle-income families are able to move into the top income bracket, compared to 24 to 26 percent in cities with vibrant economies such as San Francisco, Boston and New York. The gap is similar for kids who grow up in low-income families. Only 7.6 percent who grow up in Tucson move into the top bracket, while the three other cities see 19 to 21 percent of their kids who grow up in low-income families move into the top level.

Comparing incomes by race and ethnicity in the comparison cities again reveals relatively poor performance by Tucson in providing opportunities – an average of about $1,000 less in annual household incomes in Tucson for black kids, $4,000 less for white kids, $3,000 less for Hispanic kids, $1,000 less for Asian kids, and a troubling $11,000 less for Native American kids who grow up in Tucson in relation to those who grow up in the other cities. Among the different cities, the greatest variation in household incomes is among Native Americans. (Figure 1-4.)

<table>
<thead>
<tr>
<th>City</th>
<th>Black</th>
<th>White</th>
<th>Hispanic</th>
<th>Asian</th>
<th>Native American</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albuquerque</td>
<td>31,000</td>
<td>48,000</td>
<td>36,000</td>
<td>53,000</td>
<td>23,000</td>
</tr>
<tr>
<td>Austin</td>
<td>27,000</td>
<td>54,000</td>
<td>37,000</td>
<td>62,000</td>
<td>39,000</td>
</tr>
<tr>
<td>Colorado Springs</td>
<td>30,000</td>
<td>48,000</td>
<td>38,000</td>
<td>49,000</td>
<td>35,000</td>
</tr>
<tr>
<td>Denver</td>
<td>30,000</td>
<td>54,000</td>
<td>38,000</td>
<td>53,000</td>
<td>30,000</td>
</tr>
<tr>
<td>El Paso</td>
<td>31,000</td>
<td>48,000</td>
<td>38,000</td>
<td>51,000</td>
<td>35,000</td>
</tr>
<tr>
<td>Las Vegas</td>
<td>25,000</td>
<td>43,000</td>
<td>36,000</td>
<td>47,000</td>
<td>31,000</td>
</tr>
<tr>
<td>Phoenix</td>
<td>28,000</td>
<td>49,000</td>
<td>35,000</td>
<td>56,000</td>
<td>24,000</td>
</tr>
<tr>
<td>Portland</td>
<td>28,000</td>
<td>48,000</td>
<td>38,000</td>
<td>52,000</td>
<td>33,000</td>
</tr>
<tr>
<td>Salt Lake City</td>
<td>33,000</td>
<td>54,000</td>
<td>38,000</td>
<td>52,000</td>
<td>30,000</td>
</tr>
<tr>
<td>San Antonio</td>
<td>30,000</td>
<td>53,000</td>
<td>35,000</td>
<td>53,000</td>
<td>38,000</td>
</tr>
<tr>
<td>San Diego</td>
<td>30,000</td>
<td>52,000</td>
<td>39,000</td>
<td>54,000</td>
<td>38,000</td>
</tr>
<tr>
<td>Tucson</td>
<td>28,000</td>
<td>46,000</td>
<td>34,000</td>
<td>52,000</td>
<td>21,000</td>
</tr>
<tr>
<td>Average excluding Tucson</td>
<td>29,000</td>
<td>50,000</td>
<td>37,000</td>
<td>53,000</td>
<td>32,000</td>
</tr>
</tbody>
</table>

Two factors appear to at least partly explain the difference in Native American incomes: In Tucson, 68 percent of Native Americans kids who grow up here have high school educations, while the range is from 80 percent to 92 percent in Austin, Colorado Springs, El Paso and San Diego. (The differences in college graduation rates are much smaller.)
Physical mobility appears important, too. In Tucson, 41 percent of Native American kids continue to live in the census tract in which they grow up, while the other four cities see a low of 17 percent and a high of 27 percent.

The question could be asked whether estimates on the outcomes of children born between 1978 and 1983 are still relevant. The researchers say in the website’s FAQ that they tested their results and found historical outcome data to be much better at predicting outcomes than more recent data on poverty or test scores. The researchers also looked at cost-of-living differences among cities and found they had “minor impact” on their statistics.

Not surprisingly, the results in the Opportunity Atlas parallel results from similar studies by Chetty and his colleagues that were reported previously in the New York Times. In 2015, the Times published a database that used “extremely bad” and “very bad” to describe the income mobility of kids who grow up in Pima County. Boys did especially poorly. The county was about average for girls from poor families, but “very bad” for the prospects of girls from wealthy families. Pima County also was “very bad” for kids who grow up in poor families. It was better than only about 5 percent of the nation’s 2,478 counties.

Two years earlier, in 2013 using earlier work by Chetty, the Times published statistics that indicated that kids who grow up in Tucson in families on the top half of the income ladder probably would end up as adults on a lower rung. For instance, if the parents are in the 80th percentile, the probability is that their adult child will end up in the 55th percentile.

Such performance, ranging from bad to mediocre in relation to the nation and other cities, reveals that economic opportunity in Tucson is more myth than reality.

Americans overwhelmingly support the idea that all people should have an equal opportunity to succeed. However, when family income as well as the neighborhood and city in which a kid grows up are major determinants of his or her success – and overcoming that background is an extraordinary occurrence – then equal opportunity does not exist.

Moreover, such significant income differences as exist between kids who grow up in different cities – and as we will see in Part 2, between kids who grow up in different areas within Tucson – should dispel the notion that being poor primarily is the result of a lack of effort, ambition or capabilities. Location matters, as the researchers frequently observe.

Of course, financial success is not all that we want for our children. Yet nothing causes more concern in a mom or dad than the fear that they will not be able to provide the food, shelter, education, health care and other needs that will enable their child to live a productive and happy life. Economic success is the bedrock on which we build so many dreams and aspirations.

Tucson’s opportunity shortfall is a bad sign. We are not providing the opportunities that our kids need and deserve.
Part 2: Economic opportunity varies significantly within Tucson

Just as economic opportunity varies between cities, it also varies within cities. Tucson is no exception. Part 2 explores opportunity within the Tucson region, which we’ve treated as including Marana and Catalina on the north and Sahuarita on the south.

The color coding in Map 2-1 reveals the variation in household incomes in adulthood of kids who grow up in Tucson, regardless of where they live as adults. The blue and green tones in the top half of the map show areas where kids who grow up in Tucson earn household incomes higher in adulthood than the region’s median, while the red and orange tones in the map’s bottom half reveals areas where kids in adulthood earn incomes lower than the median.

The darker the blue, the higher the income, and the darker the red, the lower the income. The yellow tones are at the median.

The median household income for the area shown in Map 2-1 is $39,000. However, the range of kids’ household incomes in adulthood is large, ranging from $16,000 to $70,000.

Such differences in household incomes in adulthood result from very different opportunities for kids as they grow up in Tucson. For instance, the percent of kids earning in the top 20 percent of incomes in adulthood ranges from 3.3 percent to more than 40 percent, depending on their parental incomes and the neighborhoods in which they grow up.

Tucsonans may recognize that Map 2-1 resembles a map of current household incomes for all residents. That’s because higher income neighborhoods generally offer greater levels of opportunity to the kids growing up in them than lower-income neighborhoods offer their kids.
However, there are exceptions, which it can be useful to analyze. For instance, why do some neighborhoods with low parental income offer more opportunities than others to their kids?

The large swatches of blue tones and red tones in Map 2-1 suggest a second important Tucson characteristic: Tucson is economically segregated.

Economic segregation doesn’t mean that somebody cannot move to a different area within Tucson, or that somebody who grows up in a low-income household cannot become wealthy. What it means is that there is a strong tendency for people to live among other people who have the same socioeconomic background.

Map 2-1 shows that Tucson’s economic segregation has a clear dividing line: River Road. South of River Road, many low- and median-income neighborhoods offer less opportunity to their kids, who tend to earn lower incomes in adulthood, while higher-income neighborhoods concentrated in the Foothills north of River Road and in the northwest offer greater opportunity to their kids.

The effect is similar to that in many cities, with the wealthier residents moving out of the city into enclaves in which they and their children often have little contact with lower-income residents.

“More and more families live either in uniformly affluent neighborhoods or in uniformly poor neighborhoods” writes Robert D. Putnam in his 2015 book, Our Kids: The American Dream in Crisis, “and fewer and fewer of us live in mixed or moderate-income neighborhoods. This geographic polarization was made possible by the growth of suburbs and the expansion of the highway system, which allowed high-income families to move away from low-income neighbors in search of large lots, privacy, parks and shopping malls.”

Putnam describes this increasing separation as “a kind of incipient class apartheid.” “Whether we are rich or poor, our kids are increasingly growing up with kids like them who have parents like us,” he says. He adds, “Increasing class-based residential segregation has been translated into de facto class-based school segregation. … This educational segregation has consequences far beyond the classroom, in terms of friendship networks and other social resources.”

It is this trend toward more economic and social class separation that prompted Richard Reeves, a Brookings Institution expert on children and families, to reach the disturbing conclusion that America is divided more by class than even his native United Kingdom.

Significantly, the researchers agree economic segregation is harmful. They found a strong negative correlation between income segregation and upward mobility. They found upward mobility – and thus opportunity – tends to be higher in metropolitan areas in which poor families are more dispersed among mixed-income neighborhoods.

Neighborhoods, in fact, determine how kids experience crime, poverty, health care, networks, potential mentors, civic engagement and other factors that influence opportunity.
Not only is Tucson segregated by income, with the differences in opportunity that implies, but it also provides vastly different opportunities to different racial and ethnic groups. Opportunities are more available to whites and Asians than to blacks, Native Americans and Hispanics. This difference in opportunity is made clear by the differences in household income in adulthood among kids even when they grow up in households of the same income level. (Table 2-1.)

<table>
<thead>
<tr>
<th>Parental income</th>
<th>White</th>
<th>Hispanic</th>
<th>Black</th>
<th>Native American</th>
<th>Asian</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Low-income households</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>--</td>
<td>5,000</td>
<td>12,000</td>
<td>16,000</td>
<td>-10,000</td>
</tr>
<tr>
<td>Hispanic</td>
<td>-5,000</td>
<td>--</td>
<td>7,000</td>
<td>11,000</td>
<td>-15,000</td>
</tr>
<tr>
<td>Black</td>
<td>-12,000</td>
<td>-7,000</td>
<td>--</td>
<td>4,000</td>
<td>-22,000</td>
</tr>
<tr>
<td>Native American</td>
<td>-16,000</td>
<td>-11,000</td>
<td>-4,000</td>
<td>--</td>
<td>-26,000</td>
</tr>
<tr>
<td>Asian</td>
<td>10,000</td>
<td>15,000</td>
<td>22,000</td>
<td>26,000</td>
<td>--</td>
</tr>
<tr>
<td><strong>Middle-income households</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>--</td>
<td>6,000</td>
<td>14,000</td>
<td>18,000</td>
<td>-7,000</td>
</tr>
<tr>
<td>Hispanic</td>
<td>-6,000</td>
<td>--</td>
<td>8,000</td>
<td>12,000</td>
<td>-13,000</td>
</tr>
<tr>
<td>Black</td>
<td>-14,000</td>
<td>-8,000</td>
<td>--</td>
<td>4,000</td>
<td>-21,000</td>
</tr>
<tr>
<td>Native American</td>
<td>-18,000</td>
<td>-12,000</td>
<td>-4,000</td>
<td>--</td>
<td>-25,000</td>
</tr>
<tr>
<td>Asian</td>
<td>7,000</td>
<td>13,000</td>
<td>21,000</td>
<td>25,000</td>
<td>--</td>
</tr>
<tr>
<td><strong>High-income households</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>--</td>
<td>7,000</td>
<td>17,000</td>
<td>21,000</td>
<td>-6,000</td>
</tr>
<tr>
<td>Hispanic</td>
<td>-7,000</td>
<td>--</td>
<td>10,000</td>
<td>14,000</td>
<td>-13,000</td>
</tr>
<tr>
<td>Black</td>
<td>-17,000</td>
<td>-10,000</td>
<td>--</td>
<td>4,000</td>
<td>-23,000</td>
</tr>
<tr>
<td>Native American</td>
<td>-21,000</td>
<td>-24,000</td>
<td>-4,000</td>
<td>--</td>
<td>-27,000</td>
</tr>
<tr>
<td>Asian</td>
<td>6,000</td>
<td>13,000</td>
<td>23,000</td>
<td>27,000</td>
<td>--</td>
</tr>
</tbody>
</table>

Table 2-1: An example of how to interpret this table. Hispanic kids who grow up in low-income households make $5,000 less in household income in adulthood than whites, $7,000 more than blacks, $11,000 more than Native Americans, and $15,000 less than Asians. Source: Calculated from opportunityatlas.org.

If opportunities in Tucson were equal for the different racial and ethnic groups, then once parental income is controlled for, as is the case in Table 2-1, then the adulthood differences in income among kids who grow up in Tucson would be smaller than they are.

Shifting to individual income and looking at opportunities by gender yielded an expected result – girls who grow up in Tucson generally make less than boys in adulthood – and two intriguing results as revealed in Table 2-2:
• Black girls are an exception to the pattern of less opportunity for girls. In individual income, black girls make slightly more in adulthood than black boys who grow up in households with the same level of parental income.

• Black girls earn as much, or slightly more, in adulthood than white and Hispanic girls who grow up in households with the same level of parental income.

It is important to ask why black girls do better in Tucson than black boys. Educational achievement could be one explanation: High school graduation rates are higher for black girls (90%) in Tucson than for black boys (77%), and 31 percent of black girls graduate from college, compared to 20 percent of black boys.

Another possible explanation may be the difference in incarceration rates. In Tucson, fewer than 1 percent of black girls are incarcerated in adulthood, compared to 11 percent for black boys. (White boys have an incarceration rate of 1.9 percent and Hispanic boys 4.3 percent.) However, the employment rate doesn’t appear to be an indicator: It is 79 percent for black women and 71 percent for black men.

In addition to showing Hispanic and white girls doing equally well, Table 2-2 also shows only a $2,000 earnings differential between Hispanic and white boys. This could be an indication that Tucson has done a reasonably good job of integrating whites and Hispanics.

With such ranges of opportunity within Tucson by gender and race and ethnicity, one would expect poverty to be high. And it is.

The MAP Dashboard reveals poverty in Tucson has increased from 2000 to 2017. The poverty rate in 2017 for families with children under 5 was 20.5% in Tucson, compared to 17.8% for Arizona and 16.2% for the United States.

When all households are considered, then 18.3 percent of households — nearly one out of five — live in poverty. This is a greater level of poverty than in 10 of the other 11 cities to
Inequality also is high in Tucson. In 2015, the top 20 percent of Tucson households had average incomes 15.5 times as large as the bottom 20 percent, according to StatisticalAtlas.com.

Clearly, Tucson’s economic segregation presents a serious problem in the city’s efforts to provide equality of economic opportunity.
Part 3 – Lack of opportunity perpetuates poverty – and is costly

Poverty has many causes, and there is a direct, causal link between the lack of economic opportunity and poverty. “Children from poor families are twice as likely as children from other families to wind up at the bottom of the income distribution. Equal opportunity this is not,” says a 2014 Brookings Institution paper aptly titled, “Poverty and Opportunity: Begin with Facts.”

“Children whose parents were in the bottom 20 percent of the income distribution have more than a 40 percent chance of staying in the bottom themselves,” Brookings says. “For a nation that prides itself on the opportunities we offer to ‘the tired, the poor, the huddled masses,’ hardly anyone thinks we should be satisfied with the opportunities we offer to poor children.”

Poverty resulting from insufficient opportunity clearly has important costs other than economic costs to the individual and to the community, but this report focuses only on the economic costs to the community. To give a quick indication of our findings, our rough estimate is that poverty causes Tucson’s economy to forego nearly $2.2 billion per year.

“There is abundant evidence in research, and in front of our eyes every day, that poverty is linked with poor physical and mental health, joblessness, lack of education and skills, developmental difficulties in children, crime, homelessness, racial discrimination and other issues. Such problems are costly for societies,” says the Canadian National Council of Welfare Reports in “The Dollars and Sense of Solving Poverty.” (Emphasis added.)

Such problems result in indirect costs to society, such as for the high use of emergency wards and additional expenditures for law enforcement, the courts system, remedial education and other expensive services, the Canadian council notes. Poverty also has indirect costs to individuals and companies because of the increased need for insurance and security. These indirect costs are in addition to the direct costs of poverty through programs of governmental assistance to the poor.

In short, while poverty’s toxic effects fall most heavily on the poor, the entire community bears the cost of poverty.

As a way of better understanding poverty’s substantial economic impact, seven provinces in Canada used an ingenious way to calculate the cost of poverty: They estimated what the effect would be if the bottom quintile of income-earners were to have their incomes increased to the level of income-earners in the second quintile.

The provinces analyzed the effect this would have in five areas:

- **Additional health costs** resulting from those in the bottom quintile of income making more visits to family practitioners, spending more days in the hospital per 1,000
residents, having a larger share of acute hospital costs, and receiving a greater share of total public health expenditures.

- **Costs to law enforcement**, the judicial system, and the prison system resulting from the greater amount of crime committed and experienced by those at the bottom of the income ladder.

- **Intergenerational costs of poverty** resulting from children who grow up in poverty being unable to escape poverty. Increasing the earnings of the lowest percentile to those of the second quintile would result in income gains and tax revenue.

- **Opportunity costs** resulting from the lost private revenue as well as tax revenue from those who are unemployed or under-employed.

- **Direct costs** rising from governmental aid to those in the bottom quintile.

In the Canadian calculations, the costs average more than $6,100 per household. Helpful for our analysis, the provinces also calculated the costs as a percent of GDP, with the range being from 4 percent to 7 percent, and the average being 5.62%. *(Table 3-1.)*

### Canadian provinces’ calculation of the cost of poverty

*(In Millions of Canadian Dollars)*

<table>
<thead>
<tr>
<th>Province</th>
<th>Cost of Health Care</th>
<th>Cost of Crime</th>
<th>Cost of Intergenerational poverty</th>
<th>Opportunity cost -loss of productivity</th>
<th>Adjustment for benefits for the poor</th>
<th>Total cost</th>
<th>Cost of Poverty as a Percent of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alberta</td>
<td>1,200</td>
<td>560</td>
<td>532</td>
<td>6,000</td>
<td>na</td>
<td>8,292</td>
<td>4.00%</td>
</tr>
<tr>
<td>British Columbia</td>
<td>1,152</td>
<td>745</td>
<td>na</td>
<td>6,381</td>
<td>395</td>
<td>8,673</td>
<td>4.40%</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>422</td>
<td>85</td>
<td>150</td>
<td>1,740</td>
<td>1,450</td>
<td>3,847</td>
<td>5.81%</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>241</td>
<td>45</td>
<td>146</td>
<td>1,333</td>
<td>105</td>
<td>1,870</td>
<td>6.00%</td>
</tr>
<tr>
<td>Ontario</td>
<td>2,900</td>
<td>380</td>
<td>5,250</td>
<td>24,750</td>
<td>1,900</td>
<td>35,180</td>
<td>6.05%</td>
</tr>
<tr>
<td>Quebec</td>
<td>1,700</td>
<td>300</td>
<td>900</td>
<td>10,650</td>
<td>2,800</td>
<td>16,350</td>
<td>6.05%</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>196</td>
<td>88</td>
<td>na</td>
<td>1,308</td>
<td>81</td>
<td>1,673</td>
<td>7.00%</td>
</tr>
<tr>
<td>AVERAGE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>5.62%</strong></td>
</tr>
</tbody>
</table>

*Table 3-1: Note: The Canadian provinces often calculated a range for costs. The average of each range is used in this table.*

Using the Canadian provinces’ average of 5.62 percent of GDP to calculate the cost of poverty in Tucson results in the estimate that poverty costs Tucson’s economy $2.2 billion per year. For perspective on what $2.2 billion would mean to the economy, at the current average cost of $36,000 per car, that $2.2 billion would buy more than 60,000 cars. Or at an average cost of $180,000 per home, it would buy nearly 12,000 homes.
Of course, if that $2.2 billion were added to the Tucson economy, not all the expenditures would be for cars or homes. But those figures make clear the size of the benefit that would accrue to the Tucson economy if the city were able to substantially reduce poverty.

Estimates seldom are precisely accurate, and it generally is useful to calculate a range. The different costs of poverty calculated by the Canadian provinces provides a range of 4% to 7% of GDP. Table 3-2 applies that range to Tucson’s GDP of $39 billion. The results range from $1.5 billion to $2.7 billion.

Importantly, other research published in April 2018 by Washington University’s poverty expert Mark R. Rank estimated the economic cost of childhood poverty in the United States at 5.4 percent of GDP. He also estimated that for every dollar spent on reducing childhood poverty, the U.S. would save at least seven dollars. Rank’s estimate follows one in 2008 by Northwestern University’s Harry Holzer, who estimated the cost of childhood poverty in the United States at nearly 4 percent of GDP.

This consistency of researchers finding that poverty generally costs around 4% to 6% of GDP suggests that the actual number is somewhere in that range. Even so, there is no reason to consider the $2.2 billion cost to Tucson as anything more than a rough estimate. But the size of the estimate shows it clearly would be worthwhile to actually calculate the cost of poverty in the Tucson metro area.

When consumer spending constitutes 65 to 70 percent of the economy, as it is in America, any significant reduction in potential consumer spending is felt widely. By foregoing the economic benefits of significantly reducing poverty – which frequently have been calculated as being higher than the cost of reducing poverty – Tucson is paying a high price for its failure to provide opportunity to all its residents.
Part 4: Economic inequality limits opportunity

Part 1 started with a table that shows the chance of making more money than your parents has fallen dramatically. Nationally and in Arizona it has fallen from 90 percent in the 1940s to around 50% in the 1980s.

That fall in opportunity occurred at about the same time another trend was emerging – a sharp divergence in the growth of incomes.

Figure 4-1 shows that from the end of World War II until the mid-1970s, everyone’s income grew at a fast pace. The poor and the wealthy shared almost equally in the phenomenal economic growth that consolidated the United States’ position as the world’s richest country.

During this boom, the incomes of the 20th percentile and the 80th percentile grew at the same rate. The incomes of the middle class in the 60th percentile actually grew at a higher rate than the incomes of the wealthiest Americans in the 95th percentile.

Then, after the 1970s, as economic growth slowed substantially, the wealthy began reaping almost all the income increase. The extent of the change in incomes is revealed in Table 4-2, which was calculated using incomes for 1974 and 2014, adjusted for inflation using 2017 dollars. (Figure 4-2.)

<table>
<thead>
<tr>
<th>Percentile</th>
<th>20th Percentile</th>
<th>40th Percentile</th>
<th>60th Percentile</th>
<th>80th Percentile</th>
<th>95th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real 1974 income</td>
<td>12,510</td>
<td>31,094</td>
<td>50,115</td>
<td>72,375</td>
<td>194,910</td>
</tr>
<tr>
<td>Real 2014 income</td>
<td>12,102</td>
<td>32,220</td>
<td>56,012</td>
<td>91,037</td>
<td>344,465</td>
</tr>
</tbody>
</table>

The following row shows what 2014 income would have been if it had increased at the same rate as income after World War II, from 1947 to 1974.

| Projected 2014 real income | 24,732 | 62,250 | 101,834 | 143,158 | 368,965 |

Figure 4-2: Growth in real income 1974 to 2014. Calculated by using income from U.S. Census Bureau Historical Income Tables and applying the growth rates from Figure 4-1.

Between 1974 and 2014, the 20th percentile experienced a slight decrease in real income, while the 40th percentile showed only miniscule income growth. However, had the incomes for this 40
percent of Americans grown at the same rate as they grew after World War II, then by 2014 their incomes would have doubled. This would not have eliminated poverty, felt especially by the 20\textsuperscript{th} percentile, but it certainly would have reduced it.

The question raised in this part of the report is whether there is a relationship between this increase in inequality, as shown in Figures 4-1 and 4-2, and the decrease in opportunity that took place at about the same time.

Conventional wisdom would say that the lack of opportunity – or, perhaps, the failure to take advantage of opportunity when it is presented – creates economic inequality. Most likely, there’s truth to this. But the reverse also is true.

**Increasingly, experts and others are contending that economic inequality is creating inequality in the availability of opportunity.** “Do youth today coming from different social and economic backgrounds in fact have roughly equal life chances, and has that changed in recent decades?” Harvard Public Policy Professor Robert Putnam asks rhetorically in his book, *Our Kids: The American Dream in Crisis.*

Putnam’s answer to his question is spread over more than 200 pages in his book, but it can be summarized this way:

- We have witnessed an almost unprecedented growth in inequality over the past forty years, with a “steady deterioration of the economic circumstances of lower-class families, especially compared to the expanding resources available to upper-class parents.”
- This inequality has resulted in an America more sharply divided by class. This class differential is reflected in neighborhood segregation, educational segregation, and marriage segregation, with fewer and fewer people marrying somebody from a different social class.
- This “growing class segregation across neighborhoods, schools, marriages and probably also civic associations, workplaces, and friendship circles means that rich Americans and poor Americans are living, learning, and raising children in increasingly separate and unequal worlds. … Moreover, class segregation means that members of the upper middle class are less likely to have firsthand knowledge of the lives of poor kids and thus are unable even to recognize the growing opportunity gap.”
- This opportunity gap dividing America’s have and have-not kids is a complex problem, for which there is no simple, quick solution. However, Putnam argues, “There are many places to start.”

Other experts also agree that life chances are not equal.

- **“Too much inequality can stunt entire communities,** crippling families and leaving children with inadequate access to education and health care,” writes Harvard Professor Rebecca Henderson in the Harvard Business Review’s 2017 Big Idea Project, “The Business of Inequality.” Henderson adds, “The result is that economic opportunity becomes not only a function of one’s talents, skills and efforts but also of who one’s parents are and where one was born.”
Henderson says this inequality reduces the talent pool on which firms rely. “In many parts of the country, firms have increasing difficulty finding employees with even basic job skills, much less the advanced capabilities that more and more jobs require. … And inequality limits our pool of would-be innovators and entrepreneurs.”

- **“Stagnant education attainments** and growing inequality in educational outcomes call into question America’s vision of itself as a land of growth and opportunity,” professors Greg J. Duncan of the University of California and Richard J. Murnane of Harvard contend. In their book, *Restoring Opportunity: The Crisis of Inequality and the Challenge for American Education*. “The country’s future prosperity, and our ability to make the dream of upward mobility a reality, depend on reversing a trend toward increasingly diverging destinies in the lives of high- and low-income children.”

- **“Inequality of opportunity** is in many ways both a cause and a result of income and wealth inequality,” writes Harvard Professor Jason Furman in “Forms and Sources of Inequality in the United States,” on the VOX, CEPR Policy Portal, on March 17, 2016. “Unequally distributed opportunities entrench an unequal income distribution, and an unequal income distribution leads to many of the inequities faced by low-income and low-wealth children.”

  “Inequality is correlated with lower mobility, and one important transmission mechanism is the distribution of opportunity,” Furman says. “When disparities in education, training, social connection, and the criminal justice system are distributed as unequally as overall wealth, poorer families have a much harder time succeeding in the economy.”

- **“Bigger income differences** seem to solidify the social structure and decrease the chances of upward mobility,” Richard Wilkinson and Kate Pickett, summarize in their book, *The Spirit Level*. Where there are greater inequalities of outcome, equal opportunity is a more distant prospect.”

Raj Chetty and his colleagues even calculated the effect of inequality on opportunity in a 2016 report, “The Fading American Dream: Trends in Absolute Income Mobility Since 1940.”

The researchers started with the condition noted at the beginning of this report: The ability to earn more than your parents earned has declined sharply. America in 1940 went from a country with an almost certainty that children would earn more than their parents to the result in the 1980s and later being a flip of the coin.

Combining Census data, cross-sections from the Current Population Survey, and de-identified tax records, the researchers determined two trends were responsible for that decline in opportunity: Lower Gross Domestic Product growth rates and greater inequality in the distribution of growth. They then calculated the contribution of each trend to the decline in upward mobility.
The researchers found that higher growth rates – expanding the size of the pie – would have closed only 29% of the decline in upward mobility between 1940 and 1980. However, keeping the pie the same size but sharing it more equally would have closed 71% of the gap. They also found that increasing GDP has a larger effect at higher income levels, whereas sharing growth more broadly has larger effects on people at the bottom of the income distribution.

“The key point is that reviving the ‘American Dream’ of high rates of absolute mobility would require more broadly shared economic growth than just higher GDP growth rates,” they wrote. “A broader distribution of income growth is necessary to revive absolute mobility and can itself be sufficient to reverse much of the decline since 1940 even if growth were to remain at current levels.” (“Absolute mobility” refers to whether a child earns more or less at the same age than the child’s parents, adjusted for inflation.)

A core concept in this report is that upward mobility is a proxy for opportunity, and that changes in upward mobility reflect changes in opportunity. Moreover, while lack of opportunity, poverty and inequality are separate concepts, they converge when dealing with lower incomes. There, what improves one improves the others, and what worsens one worsens the others.

In addition to their substantial cost in money, all three – lack of opportunity, poverty and inequality – have important, negative effects on health, education, workforce development, civic engagement, and support for our capitalist and democratic society. To the degree poverty and inequality continue to exist, they are at odds with our nation’s ideal of equal opportunity.
Part 5: Restoring opportunity requires community commitment

Section 1: Lessons from researchers Chetty and others about opportunity

A well-known business saying is that there are three factors that matter in real estate: location, location, location. The same is true for where a child grows up, according to research by Raj Chetty and his colleagues.

In several studies they have documented that where a child grows up – the state, the city, the census tract, the neighborhood – plays an exceptionally important role in determining his or her future prospects.

“Moving to a neighborhood that is just a mile or two away can change children’s average earnings by several thousand dollars a year and have significant effects on a spectrum of other outcomes ranging from incarceration to teenage birth rates,” write Chetty and coauthors from Harvard and Brown universities and the U.S. Census Bureau in a 2018 paper, “The Opportunity Atlas: Mapping the Childhood Roots of Social Mobility.”

“Much of this variation in children’s outcomes is unrelated to traditional neighborhood-level proxies for economic success – such as rates of job and wage growth,” they add.

The factors that are associated with economic success and upward mobility have been at the center of Chetty’s research for several years. In various papers, he and his colleagues have identified five factors that are associated with upward mobility and doing better than your parents. These factors are:

1. The lack of racial and economic segregation.

Both racial segregation and income segregation have a negative association with upward mobility. The researchers note that segregation of blacks can also affect whites because racial segregation often is associated with income segregation. That helps explain why low-income white children fare more poorly in areas that have large black populations.

Interestingly, the segregation of poor people strongly reduces upward mobility, whereas segregation of the affluent does not. “These results suggest that the isolation of low-income families - rather than the isolation of the rich may be most detrimental for low income children’s prospects of moving up in the income distribution,” the researchers write.

Areas with less sprawl, meaning shorter commutes, also have significantly higher rates of upward mobility, causing the researchers to conclude that “the negative impacts of segregation may operate by making it more difficult to reach jobs or other resources that facilitate upward mobility.”
2. **Lower levels of income inequality.**

The average amount of household income in an area is not correlated with upward mobility. However, the more inequality in the bottom 99 percent of household incomes, the less upward mobility the households have.

*Moreover, the greater the inequality among adults, the less mobility their children will have. This negative correlation is “robust,” the researchers write.*

3. **Better schools.**

The researchers find a positive correlation between public school expenditures and upward mobility, but they note the correlation is not as strong or robust as with the measures of inequality and segregation.

“These results are consistent with the hypothesis that the quality of schools – as judged by outputs rather than inputs – plays a role in upward mobility. At a minimum, they strengthen the view that much of the difference in intergenerational income mobility across areas emerges while children are relatively young,” the researchers write.

4. **Strong social networks and community involvement.**

“Several studies have emphasized the importance of social capital – the strength of social networks and engagement in community organizations in local areas,” the researchers write. Accordingly, they used two proxies for social capital: the percentage of religious individuals and the rate of violent crime. “Religiosity is very strongly positively correlated with upward mobility, while crime rates are negatively correlated with mobility,” they add.

5. **A larger share of two-parent households.**

The researchers found the percentage of children living in single-parent households, the percentage of adults who are divorced, and the percentage of adults who are married are all “very highly correlated with upward mobility.”

The researchers add that “the percentage of children living in single-parent households is the single strongest correlate of upward mobility among all the variables we explored.”

*While there may be a tendency to conclude that reducing single-parent households would solve the problem of declining upward mobility, the authors would reject that conclusion. They note that the differences in upward mobility are better explained by a combination of factors rather than by any single factor.*

“The main lesson of our analysis,” the authors add, “is that intergenerational mobility is a local problem, one that could potentially be tackled using place-based policies.” (“Place-based
policies” are programs that target areas rather than individuals in the efforts to reduce poverty or strengthen economic growth.\textsuperscript{1}

In their writings the authors have included several intriguing and potentially useful comments:

- “A booming economy does not always lead to upward mobility. … Job growth is not sufficient by itself to guarantee upward mobility for local residents.”
- “Evidently, what predicts upward mobility is not proximity to jobs, but growing up around people who have jobs.”
- Stricter land-use regulations can make it harder for people to move to better neighborhoods and thus increase the cost of opportunity.
- Black children tend to live in neighborhoods with lower levels of upward mobility for blacks while white children tend to live in neighborhoods with higher levels of upward income mobility for whites.
- Cities are not necessarily better than rural areas for upward mobility.
- “Black men who grew up in high-income families have higher rates of downward mobility than white men.”
- The earlier a child moved to a neighborhood with better outcomes, the better the children’s long-run outcomes.
- Efforts to integrate disadvantaged families into mixed-income communities are likely to reduce the persistence of poverty across generations.
- Even if two areas have similar average incomes, their upward mobility rates often will differ sharply. Average incomes at a single point in time are not a good measure of opportunity.
- The researchers told the Washington Post that the rising concentration of income among the wealthiest Americans explains 70 percent of the steady decline in absolute mobility from the baby boom generation to millennials, while a slowdown in economic growth explains just 30 percent. “Reviving the ‘American Dream’ of high rates of absolute mobility,” they said elsewhere, “would require economic growth that is spread more broadly across the income distribution.”

\textsuperscript{1} All the quotes in the section about the five factors are from the paper, “Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States,” by Raj Chetty and coauthors Nathaniel Hendren of Harvard, and Patrick Kline and Emmanuel Saez of the University of California at Berkeley.
Section 2: What two cities are doing to increase economic opportunity

Opportunity Insights, the Harvard organization led by Chetty, has partnered with several cities in an effort to turn their research into action. Here are brief stories of two cities.

Charlotte, NC

In the 1970s the Charlotte/Mecklenburg County metro area was a modest-size city left behind as the textile industry moved overseas. But the city began lifting itself up and became a major transportation and distribution center. Now, the city is competing with San Francisco to be the nation’s second-largest banking center, after New York, according to the July 2019 Atlantic Monthly.

Between 2004 and 2013, jobs grew in Charlotte by 2.6% per year, making it one of the nation’s fastest growing economies. It became a magnet for talent. Then in 2014 Chetty released an analysis showing that even with its sparkling growth, Charlotte ranked last among the 50 largest metropolitan areas in the ability of poor children to move up the economic ladder and Mecklenburg County 99th out of 100 counties.

“It was shocking,” Brian Collier, an executive vice president of the Foundation for the Carolinas, told the Atlantic. Charlotte thought it was a city where people had every chance to succeed. Instead, it was a city of selective opportunity, with newcomers from the outside and the children of the well-to-do thriving in Charlotte’s jobs, but with the poor largely remaining poor.

In response, the following year, in 2015, Charlotte-Mecklenburg created a task force to study economic mobility challenges, and in 2017 created the Leading to Opportunity Council to implement the task force’s recommendations. Among the problems facing Charlotte has been the necessity to confront its past of both racial and economic segregation. Public-private efforts started after the release of the task force report have focused on affordable housing, economic mobility, and more educational and training opportunities.

“Charlotte-Mecklenburg stands at a crossroads,” said the task force report. “We must decide whether to remain distant from one another, or to join hands to build a better future for our city and county. This choice will determine the potential of generations to come.”

Seattle

The evidence is strong that moving from lower-opportunity neighborhoods to higher-opportunity neighborhoods improves later-life outcomes for young children from lower-income families. Consequently, partnering with the researchers, Seattle has created a program called Creating Moves to Opportunity to encourage housing voucher recipients to move into better, yet still affordable, neighborhoods. Researchers used the Opportunity Atlas to search for areas with median rents and high opportunity, which they call “opportunity bargains.” Then they combined the estimates with other neighborhood data to make suggestion to the families with vouchers.
Overwhelmingly, voucher recipients tend to live in low-opportunity neighborhoods, but Seattle’s program resulted in significantly increasing the number of families who moved to higher-opportunity areas. Fifty-four percent of the recipients chose to move to high-opportunity areas, compared to 14% in the control group. Chetty estimates that the program will increase each child’s lifetime earnings by $88,000, the Atlantic reported.

The Seattle program builds on the Moving to Opportunity Experiment conducted by the U.S. Department of Housing and Urban Development in the mid 1990s. In five cities – Baltimore, Boston, Chicago, Los Angeles and New York – families in the study were given experimental vouchers allowing them to move to a lower-poverty area.

The long-term results were strong: Children under 13 when their families moved had significantly improved college attendance rates and earnings. They also lived in better neighborhoods as adults and were less likely to become single parents. The cost was $3,783 per family, only a fraction of the $11,000-present discounted value in additional federal tax payments resulting from the lifetime earnings gains.
Conclusion

To an extent, this report has only documented and quantified what many Tucsonans have already known or sensed. Even so, the economic opportunity comparisons and experts’ opinions in this report suggest several conclusions. They are listed below, with a few suggestions for how they might be implemented.

1. Tucson has a serious and costly opportunity problem.
   - Tucson offers substantially less economic opportunity to its children than the national median and the MAP Dashboard comparison cities. This results in annual earnings ranging from a few thousand to several thousand dollars per year less than elsewhere. Projecting just a $3,000 per year shortfall over a worker’s career results in lessened earnings of about $100,000, or more.
   - The economic opportunity that does exist varies greatly within Tucson and is more available to the well-off.
   - Tucson’s economic segregation seriously aggravates the problem.
   - Absent significant additional intervention, the prospects for Tucson’s children are dim. When children who grow up earning less than their parents have children of their own, the question becomes, “Will these children earn less than their parents?” How do we keep that from becoming a downward cycle?
   - The lack of opportunity is costly. This report’s rough estimate is that poverty results in a $2.2 billion a year reduction in Tucson’s GDP.

2. Look locally for solutions.
   - The great variety in economic opportunity among the nation’s cities, and the great variety among census tracts and neighborhoods within cities – including Tucson and its comparison cities – suggests that each successful city has found its own way to improve opportunities for its kids. While national policies and trends influence what cities can do, local actions make the difference.
   - “The main lesson of our analysis,” Chetty and the other researchers wrote, “is that intergenerational mobility is a local problem, one that could potentially be tackled using place-based policies.” (Place-based policies emphasize helping an area, not individuals.)

3. To help kids, help their parents.
   - Tucson children who grow up in high-income households earn several thousand dollars more annually in adulthood than those who grow up in middle-income households. And children who grow up in middle-income households earn several thousand dollars more annually in adulthood than those who grow up in lower-income households.
   - This suggests the not-very-surprising conclusion that increasing the parents’ incomes would help their children. One way to increase parental incomes could be through following the lead of 28 other states and instituting an Arizona Earned Income Tax Credit to supplement the federal Earned Income Tax Credit that has reduced poverty for millions and improved children’s immediate and long-term well-being.
A few other ways to increase parental incomes include providing more opportunities for training and education for adults, less reliance on regressive taxes, protecting anti-poverty programs such as food stamps and childcare support, and in general providing a better safety net.

4. **To help kids, improve their neighborhoods.**
   - Neighborhoods make a large difference in a child’s prospects. Having contact with people who have better educations is important, as is contact with people who have jobs.
   - One obvious way to improve a child’s neighborhood is to help the parents move to a better neighborhood, as Seattle is doing. This has the additional advantage of lessening economic segregation at the same time that it reduces the persistence of poverty across generations.
   - The city and county could reexamine whether their land-use and zoning regulations make it harder to create mixed-income communities.
   - Consider what could be done with strong social networks and community involvement, which the researchers identified as being an important factor to leading to success. They found a high positive correlation with religiosity and a strong negative correlation with crime.
   - Since racial and economic segregation both have a negative association with upward mobility, find ways to reduce them.
   - Reduce incarceration for non-violent crimes and improve rehabilitation in order to increase prisoners’ chances of returning to society as productive citizens.

5. **To help kids, improve their schools.**
   - Better schools are one of the five factors that the researchers identified as leading to economic success in adulthood. The push in Tucson for preschool education for all children is an important step toward providing better schools.
   - Important, too, greater efforts could be made to encourage the best teachers and administrators to work in schools in lower-income neighborhoods.

6. **Consider family structure.**
   - The researchers identified a larger share of two-parent families as a key factor in children’s later success. However, several federal programs designed to enhance marriage and marriage stability did not work as hoped, making it seem less likely that the trend toward single-parent households can be reversed. However, better family planning is a possible solution to single-family households, albeit a politically controversial one.
   - An estimated 60 percent of births to single women under 30 years of age are unplanned. Notably, women from upper-class neighborhoods are much less likely to have unplanned pregnancies.
   - Increasing home visits from parent educators, social workers or nurses can help young parents better understand their responsibilities as parents and to learn how to more effectively raise their children.
• Employers can be encouraged to adopt family-friendly workplace practices, such as job sharing, working at home, flexible schedules, and more predictable work schedules.

• Family structure is especially important in Tucson, which is in the 84th percentile for single-parent households.

7. **Reduce inequality. At a minimum, don’t make it worse.**

- Low inequality was another of the factors identified by the researchers as leading to success in providing opportunity.
- When the City of Tucson and Pima County propose ways to raise revenues, their proposals should be analyzed for their effect on inequality.

8. **Organize to tackle Tucson’s inequality of opportunity.**

- Charlotte and Seattle are two examples of how organizing to provide more opportunity to residents can be done.
- Efforts to reduce poverty and economic inequality and to increase opportunity need to take place at every level – federal, state and local. However, progress can be much faster at the state and local levels. Consequently, cities and states are the source of some of the most meaningful and worthwhile work as businesspeople, educators, nonprofit leaders, local government officials and others come together in common purpose to collaborate on improving schools, providing training, building skills and restoring infrastructure.
- Studying what others have done can suggest solutions.

Four final cautions:

1. **There is no single solution to the problems of opportunity, poverty and inequality.**

- Different people, depending on their background and political views, may light upon what they think is the answer: More two-parent households. Better schools. Less inequality. Less racism. All are good. All are necessary. But none alone is sufficient.
- Solutions, to the extent we find them, most likely will be a series of relatively small steps in a number of different areas. When taken together, these small steps can constitute a significant improvement in opportunity for Tucson’s young people.

2. **Tucson cannot grow its way out of its poverty.**

- Producing growth in cities has routinely been viewed as a means to reducing poverty, and it helps. But as Charlotte learned, high economic growth may not be distributed equally, and it may help the already well-off and high-paid transplants from other cities much more than it helps the poor.
- In addition to the researchers, several experts noted that reducing poverty and reviving the American Dream requires that economic growth be spread more evenly across the income distribution.
- For their part, the researchers calculated that higher growth rates – expanding the size of the economic pie – would have closed only 29% of the decline in upward mobility between 1940 and 1980. However, keeping the pie the same size but sharing it more
equally would have closed 71% of the gap. “The key point is that reviving the ‘American Dream’ of high rates of absolute (upward) mobility would require more broadly shared economic growth than just higher GDP growth rates,” they wrote.

- It is important to seek economic growth that is spread more broadly across the income spectrum in Tucson. Possible solutions are to focus even more economic development efforts on helping local businesses and to provide financing for small business startups, especially in lower-income neighborhoods.

3. **Education is an answer, but not the answer**

   Improving schools requires more than improving the quality of teachers and administrators and the addition of resources, as important as these steps are. Schools are to a large extent the product of their neighborhoods.

   To better understand that, one thing to do is to compare the neighborhoods immediately around high-achieving schools with those around low-achieving schools. For example, Catalina Foothills High School, which earns an “A” grade from the Arizona Department of Education, is surrounded with household incomes in the 97th percentile in the nation. Just 13 miles south, Pueblo High School, which earns a “C” grade from the education department, is surrounded with household incomes in the nation’s 8th percentile.

   Neither Catalina Foothills High School nor Pueblo High School caused the difference in income in these neighborhoods. The neighborhoods created the difference in the schools. Thus, improving schools also will require finding ways to improve the neighborhoods around them with all that entails, including finding ways to increase the income and other resources available to families in the neighborhoods.

   “For all the genuine flaws of the American education system, the nation still has many high-achieving public-school districts. Nearly all of them are united by a thriving community of economically secure middle-class families with sufficient political power to demand great schools, the time and resources to participate in those schools, and the tax money to amply fund them. In short, great public schools are the product of a thriving middle class, not the other way around,” venture capitalist Nick Hanauer wrote in the July Atlantic Magazine.

   “If we really want to give every American child an honest and equal opportunity to succeed, we must do more than extend a ladder of opportunity – we must also narrow the distance between the ladder’s rungs. We must invest not only in our children, but in their families and their communities,” added Hanauer, who in 2007 sold a company he founded to Microsoft for $6.4 billion in cash.

4. **The growing opportunity gap among our kids is destructive**, not only to those with fewer opportunities, but also to our community. Kids who are less well-educated, or increasingly estranged from the political process, cannot fully contribute to our economy or to our democracy. If we want the city to become a great city and the county to become a great county, it is urgent that we narrow that opportunity gap by helping to ensure all Tucsonans have an equal chance to realize the American Dream for themselves and for their children.
The overall goal of this report is that Tucson government officials, educators, and business and nonprofit leaders will see and take actions to improve opportunities for people within their spheres of influence.

A second goal is that the report will lead to the convening of a task force, similar to the one formed in Charlotte, to conduct an in-depth study of opportunity in Tucson and to make recommendations for how opportunity can be increased. Then to engage the community in carrying out the recommendations.

There are many issues for such a task force to consider, including:

- The cost of poverty in Tucson.
- How to break the cycle of Tucson kids growing up to earn less than their parents.
- The reasons why growing up in Tucson is so costly to our children’s future incomes, compared both to the national medians and to the 11 MAP Dashboard comparison cities.
- How Tucson neighborhoods can be improved.
- Why Native Americans do so poorly in relation to the comparison cities.
- Why Tucson is economically segregated.
- Why black males do so poorly in relation to whites, Hispanics and Asian males.
- Other seemingly contradictory findings from the Opportunity Atlas, such as Tucson is in the 86th percentile for college graduates at the same time it is in the 72nd percentile for poverty.
- And, of course, what can be done to improve the situation in all the above issues and others and to therefore increase opportunity for the children who grow up here.

Finally, the New York Times reported in 2015, that among the nation’s 2,478 counties, Pima County is “among the worst counties in the U.S. in helping poor children up the income ladder.” That is not acceptable. We can do better.