Opportunity in Tucson and Pima County

- Economic opportunity has declined.
- Poverty is high – and it is costly.
- Are Tucson and Pima County doing enough?

Jim Kiser

Updated January 2024

ABSTRACT

Tucson and Pima County lag behind the nation and their MAP Dashboard comparison cities in providing economic opportunity to their young people. 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 Tucson and Pima County an estimated $3.1 billion per year.

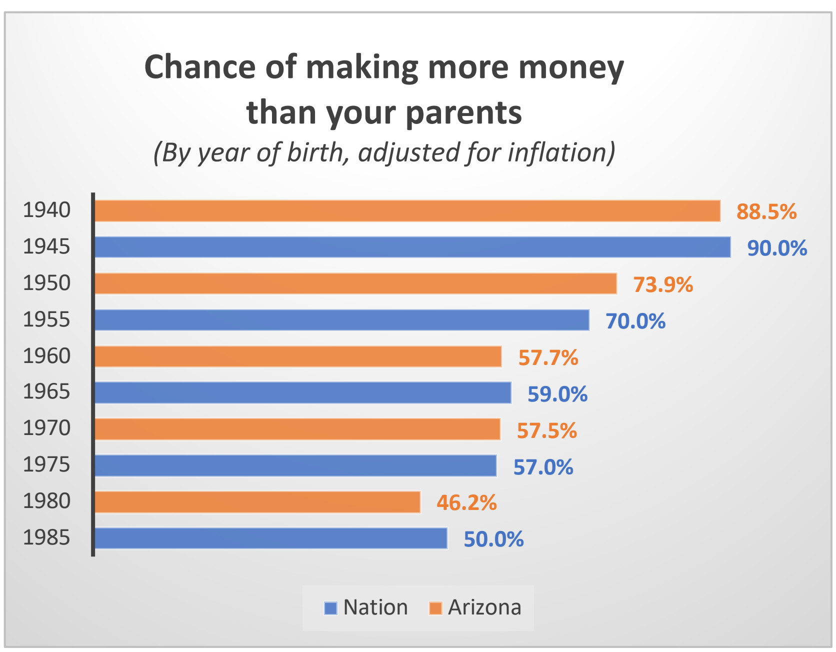


Table of Contents

About the Author

Jim Kiser is a retired editorial page editor and columnist for the Arizona Daily Star. After the Star, he worked for the Southern Arizona Leadership Council for 13 years, the first two as a vice president, and after that, on an as-needed basis.

His previous positions include:

- Vice President of Finance and Chief Financial Officer for the Des Moines Register and Tribune Company, which owned TV and radio stations in addition to newspapers.
- Founding editor and publisher of Arizona Trend, a statewide business magazine.
- Consultant to the Arizona Business Leadership for Education and author of their report, "Better Schools for Arizona."
- English teacher at Sunnyside High School.

He has a bachelor's degree and a master's degree in education from the University of Arizona and an MBA from Stanford University.

Jim can be contacted at jimkiser13@gmail.com or 520-235-6408.

Shirley Kiser was a full partner in the creation of this report. Bonnie Bazata provided excellent editing.

Executive Summary

This report is a call for a greater sense of urgency in solving Tucson's problems of inadequate, unequal economic opportunities and persistent poverty. While lack of opportunity and poverty are not the same thing, in Tucson they are highly related. 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," the New York Times reported in 2015. It isn't much better for kids from average-income or rich families, either, depressing their annual incomes at age 26 by more than $2,500, the Times reported.

A brief overview of the report:

- Tucson provides less economic opportunity to children who grow up here than the rest of the nation and most of the cities to which the MAP Dashboard compares Tucson.
- Though Americans support the idea that all people should have an equal opportunity to succeed, the opportunities that do exist in Tucson are not equally available to all children. The children of the well-to-do have many more opportunities than children of the poor.
- Tucson is paying a high price for its failure to provide more-equal opportunity. Poverty costs Tucson and Pima County an estimated $3.1 billion a year.

Part 1: Opportunity in Tucson? Not so much.

When compared to the rest of the nation or to the 11 other cities used for comparison by the MAP Dashboard, boys and girls who grow up in Tucson pay a substantial price in future household income. They earn $3,000 to $5,000 less per year in adulthood than the national median and a similar $3,000 to $4,000 less per year than boys and girls who grow up in the 11 other cities. Over a lifetime of work, these figures add up to a substantial amount.

If the comparison is made on ethnicity and race, rather than gender, the pattern is similar, with boys and girls who grow up in Tucson earning less than their counterparts in the comparison cities. However, one difference is glaring: Native Americans who grow up in Tucson earn a stunning $11,000 less per year in adulthood than Native Americans who grow up in the comparison cities.

Part 2: A tale of two Tucsons.

Median household incomes of kids who grow up in Tucson vary widely in adulthood, from a low of $16,000 annually to a high of $70,000, depending on the part of town in which the child grows up, the amount of money their parents earn, their gender, and their race or ethnicity.

These differences in income reveal an important Tucson characteristic: Tucson is economically segregated, with people who grow up north of River Road generally earning more than people who grow up south of River Road. This economic segregation presents a serious problem in Tucson's efforts to provide equality of economic opportunity.

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

The wide range of opportunity within Tucson would suggest that poverty is high. And it is. Nearly one out of seven Tucson households lives in poverty. Of the 11 comparison cities, only El Paso and Albuquerque have a higher rate of poverty.

While poverty's toxic effects fall most heavily on the poor, the entire community bears the cost of poverty. This report estimates poverty costs Tucson and Pima County $3.1 billion per year.

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 but roughly equal pace. Then, in the 1970s, as economic growth began slowing, inequality increased sharply as incomes stagnated for the poor while incomes for the wealthy accelerated.

"Too much inequality can stunt entire communities, crippling families and leaving children with inadequate access to education and health care," wrote Harvard Professor Rebecca Henderson in the Harvard Business Review's "The Business of Inequality."

Harvard economist Raj Chetty and his colleagues even calculated the effect of inequality on opportunity. They noted that fewer children now earn more than their parents – a decline in opportunity. They then calculated that higher growth rates – expanding the size of the pie – would have closed only 29% of that decline in opportunity. However, keeping the pie the same size but sharing it more equally would have closed 71% of the opportunity gap.

Part 5: Restoring opportunity requires community commitment.

In a 2018 paper Chetty and other authors from Harvard and Brown universities and the U.S. Census Bureau 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.
3. Better schools.
4. Social networks and community involvement.
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 geographical areas, not individuals.)

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 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. Family structure is especially important in Tucson because it is in the 84th percentile for single-parent households. Single-women-headed households have the most difficulty leaving poverty.

7. **Reduce racial and economic segregation.** The U.S. Department of Housing and Urban Development encourages regions to "proactively take meaningful actions to overcome patterns of segregation, promote fair housing choice, eliminate disparities in opportunities, and foster inclusive communities free from discrimination."

8. **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.

9. **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. **Obviously, there is no single solution to the problems of poverty, inequality, and lack of opportunity.**

2. **Tucson cannot grow its way out of its poverty.** Charlotte, NC, learned that high economic growth there was benefiting transplants and the already well-off *but not the city's poor.*

3. **Education is an answer, but not *the* answer.** Education can help some individuals move into higher-paying jobs, but it does not address the structural poverty that results from half of Tucson's jobs being low-paying.

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

Notes on the research used in this report

- Most of the economic statistics in this report are from either the Opportunity Atlas or the Social Capital Atlas.
- **The Opportunity Atlas:**
  - The Opportunity Atlas is 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.
  - It uses data from the 2000 and 2010 censuses linked to millions of de-identified federal income tax returns and the 2005-2015 American Community Surveys. The tax returns were coded to allow researchers to follow them over the years.
  - **The researchers gathered information on 20 million children born between 1978 and 1983 – 94% 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 financially when they have grown up. It is available at opportunityatlas.org.
  - 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.
- **The Social Capital Atlas:**
  - The Social Capital Atlas is an online database also produced by Opportunity Insights and available at socialcapital.org. It provides the report's data on economic connectiveness and upward mobility.
  - It uses data on the social networks of 72 million users of Facebook aged between 25 and 44 years to construct measures of social capital for each ZIP code in the U.S.
- Unless otherwise noted, 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 the Director of Opportunity Insights. It uses big data to study the science of economic opportunity: how we can give children from all backgrounds better chances of succeeding. Chetty's work has been widely cited in academia, media outlets, and policy discussions in the United States and beyond. Chetty received his Ph.D. from Harvard University in 2003 and is one of the youngest tenured professors in Harvard's history. He has received numerous awards for his research, including a MacArthur 'Genius' Fellowship and the John Bates Clark medal, given to the economist under 40 whose work is judged to have made the most significant contribution to the field."

Part 1: Opportunity in Tucson? Not so much

Note: The Opportunity Atlas defines cities by their commuting zones, collections of counties that make up urban areas. The Tucson commuting zone includes Pima, Santa Cruz, and Cochise counties. Because the income statistics in Part 1 are medians or averages, a doublecheck shows that the difference from the Tucson MSA is minimal – if there's any difference at all.

Children who grow up in Tucson have less opportunity in adulthood than kids who grow up elsewhere.

Moreover, Tucson provides more opportunity to young people who grow up in the northern portions of the city more than those who grow up in the southern portions, rewards young men more than young women, and rewards Whites and Asians more than Blacks, Hispanics, and Native Americans.

These disheartening facts were made possible by research conducted by Harvard economist Raj Chetty and his colleagues as they looked at America's downward trend in what researchers call intergenerational mobility – the ability for children to have a more financially secure life than their parents. (Figure 1-1)

It's only after 2009, when the IRS made millions of de-identified tax returns available to a handful of researchers, that this sort of long-term research has been possible.

Chetty and his colleagues 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.

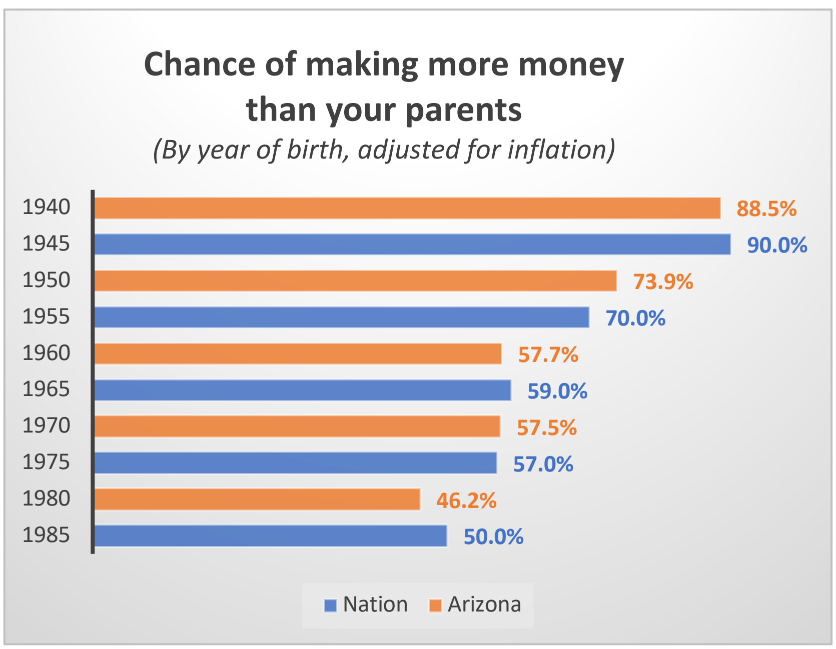


Figure 1-1: *Percent of adults earning more than their parents, by year of birth. Researchers say the pattern has stayed relatively consistent since the 1980s. Source: opportunityinsights.org and The Fading American Dream.*

Their data is available online at the website opportunityatlas.org. 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 gender, race, or ethnicity.

The research reveals that when boys and girls who grow up in Tucson reach adulthood and form households of their own, their childhoods in Tucson extract a substantial price in lifetime income. That's true regardless of their parents' income, and it's true no matter where the boys and girls live once they have grown up.

Indeed, kids who grow up in Tucson tend to have incomes at age 35 of several thousand dollars less annually than the average for boys and girls who grow up at the median in the United States, as shown in Figure 1-2.

When researchers deal with thousands of people, individual differences in ambition and talent are averaged out, and these differences in adulthood income reflect differences in opportunity.

The percentile rankings in Figure 1-2 show an even more distressing picture: Tucson boys and girls not only make less money, they rank near the bottom of the nation. Interestingly, Tucson kids with high-income parents do especially poorly in relation to kids who grow up elsewhere in high-income households.

A possible reason for Tucson's lower household incomes for boys and girls who grow up here is the region's exceptionally high proportion of single-parent households. In 2012-2016, Tucson was at the 84th percentile for single parents.

How 20 Years of Childhood in Tucson Affects Future Income

How much less than the national median for households with similar parental incomes

	Household income	National Percentiles
Boys who grow up in Tucson		
Low parental income	-$4,000	23
Average parental income	-$5,000	14
High parental income	-$7,000	7
Girls who grow up in Tucson		
Low parental income	-$3,000	26
Average parental income	-$4,000	18
High parental income	-$6,000	9

Figure 1-2: *The medians for household income are calculated separately for each income group and each gender. The percentiles are based on the national median of household income. Source: Calculated from opportunityatlas.org.*

The number of single-parent households is troubling because it means children in those households most likely will grow up in homes with fewer resources and with parents who don't have as much time or energy to spend with them.

Significantly, researchers at Harvard's Opportunity Insight Institute found that the percentage of children living in single-parent households reduces upward income mobility more than any other variable they explored.

Single parenthood is troubling, too, because of its effect on women: More than four out of five single parents are mothers, with more than a third nationally – and in Pima County – living in poverty.

Tucson's lack of opportunity is revealed also when the city is compared to the 11 other cities that MAP Dashboard researchers use for comparison. On average, boys and girls who grow up in Tucson have annual household incomes $3,000 to $4,000 less than kids who grow up in the other cities, as shown in Figure 1-3. Multiplying this average annual shortfall by a 30- or 40-year work life results in a lifetime shortfall of $90,000 to $160,000.

How 20 Years of Childhood in Tucson Affects Future Income

(Compared to 11 MAP Database Comparison Cities)

How much more or (less) kids who grow up in Tucson earn annually than those who grow up in the other cities

City	All parental incomes		Low-income parents		Average-income parents		High-income parents	
	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Albuquerque	$0	$0	$0	$0	($1,000)	($1,000)	($2,000)	($2,000)
Austin	($5,000)	($5,000)	($2,000)	($2,000)	($3,000)	($3,000)	($5,000)	($5,000)
Colorado Springs	($6,000)	($5,000)	($3,000)	($3,000)	($4,000)	($2,000)	($3,000)	($2,000)
Denver	($9,000)	($9,000)	($4,000)	($4,000)	($5,000)	($4,000)	($6,000)	($5,000)
El Paso	$1,000	$3,000	($4,000)	($3,000)	($4,000)	($2,000)	($3,000)	($2,000)
Las Vegas	$1,000	$1,000	$0	($1,000)	$0	$1,000	$1,000	$2,000
Phoenix	($3,000)	($3,000)	($1,000)	($2,000)	($2,000)	($2,000)	($2,000)	($2,000)
Portland	($7,000)	($6,000)	($4,000)	($3,000)	($4,000)	($3,000)	($4,000)	($3,000)
Salt Lake City	($13,000)	($11,000)	($8,000)	($7,000)	($9,000)	($7,000)	($9,000)	($7,000)
San Antonio	($1,000)	$0	($2,000)	($1,000)	($4,000)	($3,000)	($5,000)	($5,000)
San Diego	($4,000)	($5,000)	($4,000)	($5,000)	($4,000)	($5,000)	($3,000)	($5,000)
Tucson's difference from the average of the other cities	($4,000)	($4,000)	($3,000)	($4,000)	($3,000)	($3,000)	($3,000)	($3,000)

Figure 1-3: Source: Household income differences calculated from data on pportunityatlas.org.

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 on the next page.)

Household Incomes of Kids Who Grow Up in the Comparison Cities (Rounded to nearest 1,000 dollars)					
City	Black	White	Hispanic	Asian	Native American
Albuquerque	31,000	48,000	36,000	53,000	23,000
Austin	27,000	54,000	37,000	62,000	39,000
Colorado Springs	30,000	48,000	38,000	49,000	35,000
Denver	30,000	54,000	38,000	53,000	30,000
El Paso	31,000	48,000	38,000	51,000	35,000
Las Vegas	25,000	43,000	36,000	47,000	31,000
Phoenix	28,000	49,000	35,000	56,000	24,000
Portland	28,000	48,000	38,000	52,000	33,000
Salt Lake City	33,000	54,000	38,000	52,000	30,000
San Antonio	30,000	53,000	35,000	53,000	38,000
San Diego	30,000	52,000	39,000	54,000	38,000
Tucson	**28,000**	**46,000**	**34,000**	**52,000**	**21,000**
Average excluding Tucson	**29,000**	**50,000**	**37,000**	**53,000**	**32,000**

Figure 1-4: Annual household incomes in adulthood of kids who grow up in the comparison cities, by race and ethnicity. Source: Opportunityatlas.org.

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. On May 4, 2015, the Times published a database, "The Best and Worst Places to Grow Up," that used "extremely bad" and "very bad" to describe the income mobility of boys and girls who grow up in Pima County regardless of their parents' household income. Boys did especially poorly. The county was "among the worst counties in the U.S." for allowing children to move up the income ladder. For kids who grow up in poor families, Pima County was better than only about 5 percent of the nation's 2,478 counties.

> Pima County 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.

Significantly, other research continues to show the same problems. In January 2020, Brandeis University's Heller School for Social Policy and Management and divesitydatakids.org released a study concluding that Tucson is ninth from the bottom among the country's 100 largest metropolitan areas in providing opportunities for economic mobility for kids who grow up here.

Such performance, ranging from extremely bad to mediocre in relation to the nation and other cities, suggests that economic opportunity in Tucson is lacking, at least, and may be 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 Part 2 will show, 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 moms and dads work hard to ensure that when their children grow up, they in turn will be able to provide the food, shelter, education, health care and other needs that will enable their children to live productive and happy lives. Economic success is the bedrock on which we build so many dreams and aspirations.

Part 2: A tale of two Tucsons

Americans like to believe that all children have an equal opportunity to do well and to prosper when they grow up. However, that is not the case for the nation, and it is not the case for the Tucson metro area.

In Tucson, four factors other than a child's innate ability affect the opportunity available to him or her. These factors, which play a large role in determining a child's success in adulthood, are the part of town in which the child grows up, the amount of money their parents earn, their gender, and their race or ethnicity.

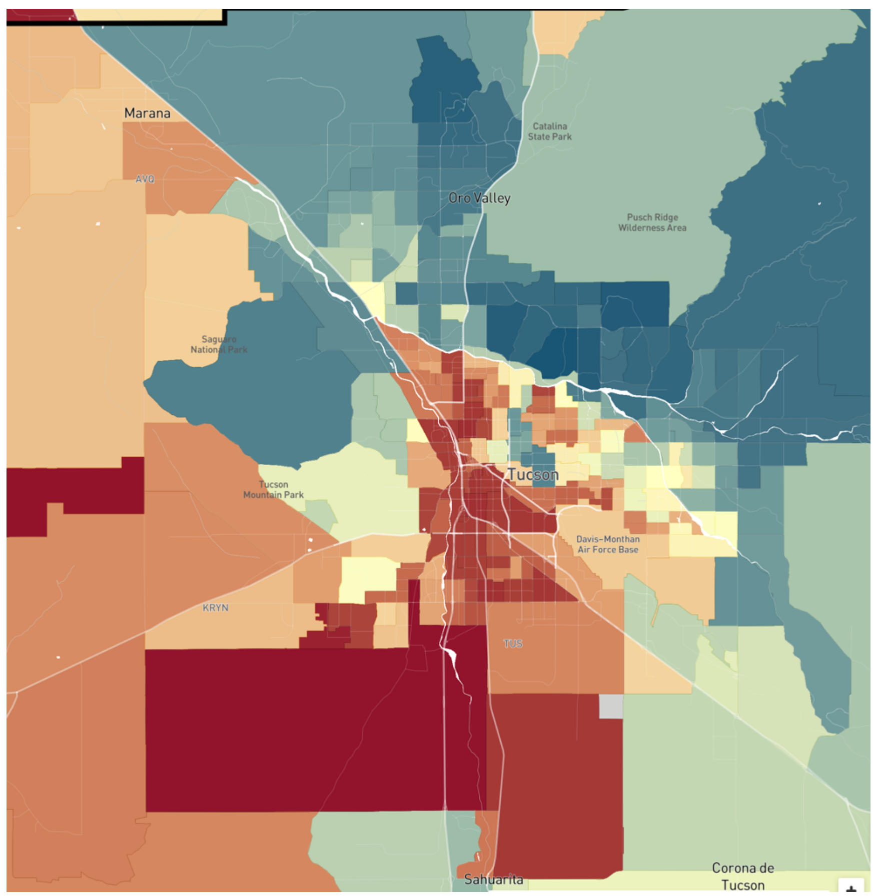
These differences in effect have created two Tucsons – one Tucson that empowers kids to grow up to be financially successful, and another Tucson that restricts kids who grow up there to having to struggle to provide for themselves and their families for their entire lives.

A map of incomes earned in adulthood by kids who grow up in Tucson, developed by the opportunityatlas.org website, reveals the sharp difference between the two Tucsons. (Map 2-1.)

The blue and green tones show where kids grow up and earn household incomes in adulthood higher than the region's median. The red and orange tones reveal where kids in adulthood earn incomes lower than the median. The darker the blue, the higher the income. The darker the red, the lower the income

The range of kids' annual household incomes in adulthood is great in Tucson, ranging from a median of $16,000 for those who grow up in the lowest income census tract to a median of $70,000 for those who grow up in the highest-income census tract.

Additionally, the percent of kids earning in the top 20 percent of incomes in



Map 2-1: Household incomes in adulthood of kids who grow up in Tucson. (Note: Map 2-1 shows where the kids grew up, not where they live as adults.) Source: opportunityatlas.org.

adulthood ranges from 3.3 percent to more than 40 percent, depending on their parental incomes and the neighborhoods in which they grow up.

Equally significant, the large swatches of blue tones and red tones in the map lay bare an important Tucson characteristic: Tucson is economically segregated.

Many Tucsonans will not be surprised that the map shows 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. Higher-income neighborhoods concentrated in the Foothills north of River Road and in the northwest offer greater opportunity to their kids, who tend to earn more in adulthood.

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.

And as in other cities, economic segregation is harmful, particularly to the poor. It means that kids increasingly grow up with other kids who come from similar economic backgrounds – and may fail to understand what life is like for kids from different backgrounds.

Moreover, this residential segregation, which is largely based on income and wealth, gives rise to school segregation that is largely based on income and wealth. This educational segregation not only affects the quality of schooling a kid may receive, but it also affects the friendships, other relationships, and social resources available to the kid.

Another negative effect of economic segregation is that it leads affluent adults to lack firsthand knowledge of the poor and makes it less likely that they recognize the growing and consequential opportunity gap. No wonder Harvard's Robert D. Putnam characterized this increasing separation as "a kind of incipient class apartheid" in his 2015 book, *Our Kids: The American Dream in Crisis*.

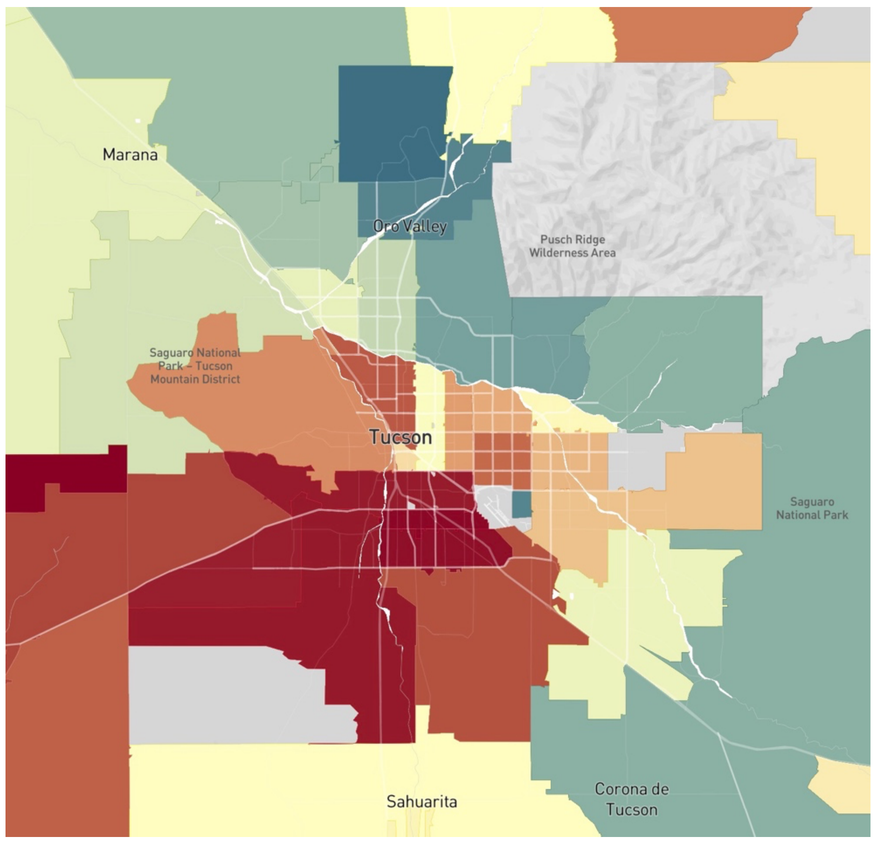
Significantly, Chetty and the other researchers found a strong negative correlation between income segregation and upward mobility. They found upward mobility – and thus opportunity – tends to be higher in metropolitan areas in which poor families are more dispersed among mixed-income neighborhoods.

In research published in August 2022, Chetty and other researchers analyzed 70 billion friendships on Facebook in an effort to better understand the sources of upward social mobility. In looking at social capital – the strength of our relationships and communities – they found that economic connectedness, the extent to which people with low (below median) incomes are friends with people with high (above median) incomes, proved to be among the strongest predictors of upward mobility.

Interestingly, neither social cohesion, which they defined as the extent of cliques in friendship networks, nor civic engagement, such as rates of volunteering, were highly coordinated with upward mobility.

As the researchers had provided a website that allowed analyses of economic opportunity, they created the Social Capital Atlas, which can be found at socialcapital.org, to allow analyses of social capital. The website breaks the data down by county, zip code, high school, and college.

Not surprisingly, Tucson is also segregated in economic connectedness, as shown in Map 2-2. While the two maps do not perfectly overlap, once again River Road is an important dividing line, with economic connectedness – having more friends with high incomes – much higher north of River Road and significantly lower south of River Road. This is another indication there is more opportunity in general for kids who grow up north of the river rather than south of it.



Map 2-2. Economic connectedness in Tucson divides along River Road, with greater connectedness north of River Road. Source: socialcapital.org.

The researchers looked also at why in some places lower-income people have many high-income friends, and in other places they don't. They found two things driving that variation.

The first they call "exposure," which "is just a simple idea that if low- and high-income folks go to different schools, attend different churches, live in different neighborhoods, they're not going to be friends with each other," Chetty told the Atlantic Monthly.

The second force, the researchers labeled, "friending bias." "That's the idea that even if you and I go to the same school, even if you and I live across the street from each other, we still might not interact with each other because we might go our own separate ways and hang out with people who look like us and spend time with people who have similar interests or similar backgrounds and so forth," Chetty said.

Distinguishing between the two forces is critical for trying to increase economic connectedness, the researchers argue. If exposure is most important in a situation, then efforts to bring lower-and higher-socioeconomic people together in neighborhoods or schools may be central. However, if friending bias is central, then the focus needs to be on how to increase social interactions across class lines within existing neighborhoods and schools.

Unfortunately, the Social Capital Atlas shows that in Tucson and Pima County both exposure and friending bias are problems. A low number of low-income people meet people with high incomes, and low-income people are less likely to friend high-income people they do meet.

Not only is Tucson segregated by income and economic connectedness, but Tucson also provides vastly different opportunities to different racial and ethnic groups. This difference in opportunity is made clear by the differences in average individual incomes in adulthood among kids even when they grow up in households of the same income level. *(Table 2-1.)*

Average Individual income in adulthood by gender and parental income

	Low-income households		Middle-income households		High-income households	
	Boys	Girls	Boys	Girls	Boys	Girls
White	27,000	21,000	32,000	24,000	37,000	28,000
Hispanic	25,000	21,000	30,000	24,000	35,000	28,000
Black	19,000	21,000	24,000	25,000	28,000	29,000
Native American	15,000	14,000	19,000	17,000	23,000	21,000
Asian	33,000	28,000	36,000	32,000	41,000	36,000

Table 2-1. Individual income in adulthood by gender and parent income of kids who grow up in Tucson. The income numbers are for the Tucson MSA, i.e., Pima County. Source: Opportunityatlas.org

Table 2-1 shows several results:

- Parental income tends to determine a child's income in adulthood.
- For boys, racial and ethnic differences are large. Opportunities for boys are more available to Whites and Asians than to Blacks, Native Americans, and Hispanics.
- However, for White, Hispanic, and Black girls racial and ethnic differences in opportunity essentially do not exist, though all three groups lag far behind Asian girls.
- At all three parental income levels, opportunities are more available to boys than to girls except in Black households.
- The gap between Native Americans and other boys and girls is great and reveals a major problem in Tucson.

Such findings lead to two broad conclusions: First, when parental income, race, ethnicity, gender, and the part of town in which a kid grows up all play a large part in determining a kid's opportunities for success in adulthood, then equal opportunity does not exist. This isn't to say that some kids can't overcome disadvantaged backgrounds and become highly successful. But when that happens, it is the exception. And public policy should not be based on those exceptions.

Second, with so many kids in the Tucson metro area suffering from a lack of opportunity, one might expect poverty to be high. And it is.

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

Note: The MAP Dashboard uses Metropolitan Statistical Areas rather than commuting zones to define cities, so in Part 3 the comparisons are among MSAs. The Tucson MSA is Pima County.

The poverty rate in the Tucson MSA was 14.9% in 2022, according to the MAP Dashboard maintained by the University of Arizona. That ranked Tucson 10th among the 12 western cities the dashboard compares. (Figure 3-1)

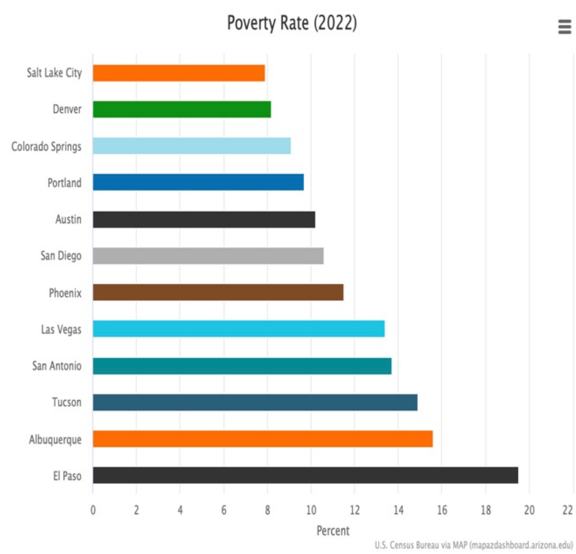


Figure 3-1 Source: This graph and the graph below are copied from the MAP Dashboard.

Salt Lake City had the lowest poverty rate at 7.9%, while El Paso had the highest rate at 19.5%. The good news, shown in Figure 3-2, is that while poverty had gone up for many years, in the past several years it has gone down throughout the nation, including Tucson and Arizona.

However, during those 20 years, Tucson's poverty rate has been about one percentage point higher than all of Arizona, and more than two percentage points higher than the nation.

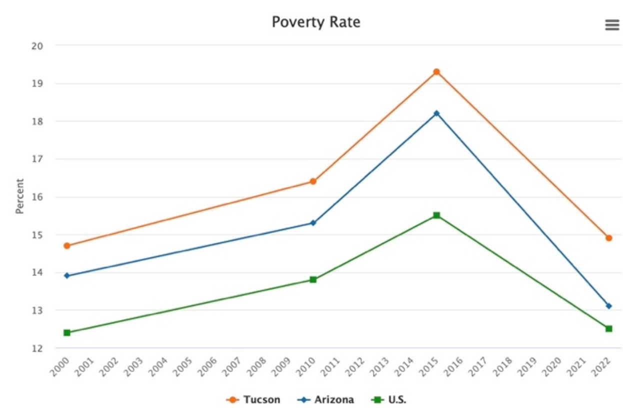


Figure 3-2. Poverty rates over two decades

The negative impact of the pandemic as well as the positive net effect of the infusion of federal funds through incentives, higher unemployment payments, and the increase in benefits such as food stamps and the child tax credit, skew the data on poverty from previous years. However, even with the decline, Tucson's poverty rate of 14.9% still is barely higher than the rate in 2000. It also means that nearly one out of seven Tucsonans continues to live in poverty.

The situation is even worse for children, especially for our youth. 19.8% of Tucson's young people live in poverty. (Figure 3-3 on the follow page.)

For children under five years of age who live in a single-parent household with their mothers, the poverty rate is an astonishing 34.6%, or more than one out of three.

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," 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."

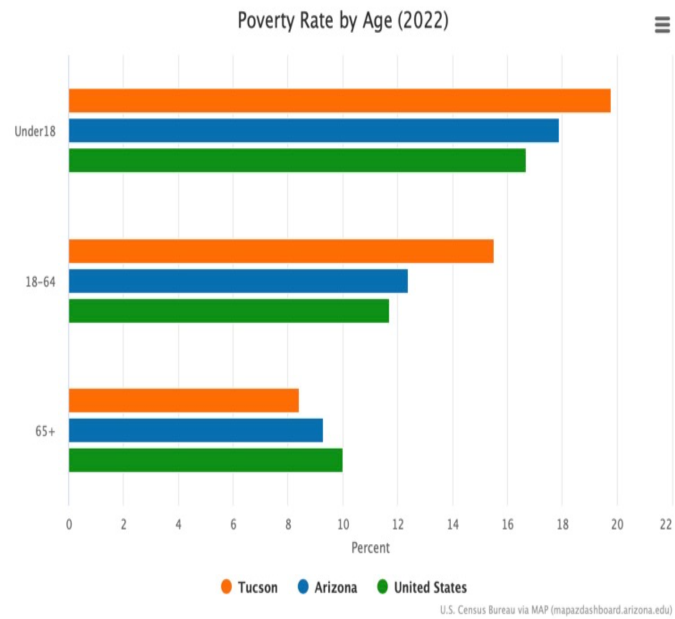


Figure 3-3. Poverty rate by age. This graph is copied from the MAP Dashboard.

Poverty resulting from insufficient opportunity clearly has important costs other than economic costs to the individual and to the community. However, this section of the report focuses on the economic costs to the community. To give a quick indication of our findings, our rough estimate is that poverty costs Tucson nearly $3.1 billion per year in direct costs and foregone income.

"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.)*

> Our rough estimate is that poverty costs Tucson nearly $3.1 billion per year.

Such problems result in indirect costs to society, such as for the high use of emergency wards, additional expenditures for law enforcement, the courts system, remedial education and other 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 raised to the level of the income-earners in the second quintile. They then calculated the expected savings as a way of providing an estimate of the yearly cost of poverty.

The provinces analyzed the additional cost 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 5.6 percent. *(Table 3-1.)*

Canadian provinces' calculation of the cost of poverty

(In Millions of Canadian Dollars)

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

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

Multiplying the Canadian provinces' average of 5.62 percent of GDP against Pima County's 2022 GDP of $55.8 billion results in a rough estimate that poverty costs Tucson $3.1 billion per year. That is larger than direct spending by visitors to Pima County in 2022.

That figure makes clear the size of the benefit that would accrue to the Tucson economy if the region were able to substantially reduce poverty. For comparison, $3.1 billion is even larger than direct spending in 2022 by visitors to Pima County. That was $2.8 billion.

Other research comes up with similar estimates of the cost of poverty.

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 $3.1 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.

By foregoing the economic benefits of significantly reducing poverty, Tucson is paying a high price for its failure to provide opportunity to all its residents.

Note: The 2020 Pima County report written by Karl Shaddock, "Overview on Cost of Poverty Studies," provides a thorough explanation of the methodology of the Canadian and U.S. calculations of poverty.

Part 4: Economic inequality limits opportunity

A number of ways exist to measure inequality. There is wage inequality, income inequality (wages plus other sources of income), wealth inequality, consumption inequality, and within these, there are a variety of data gathering and calculating methods.

However, in general, inequality is high in the nation and in Pima County. For instance, the U.S. Census American Community Survey shows that in Pima County in 2022 the highest 20 percent of households had a mean income 16.4 times greater than the mean income of the lowest 20 percent of households.

Moreover, the ratio between the highest and lowest quintiles was remarkably consistent from 2011 to 2022, with the highest quintile earning more than 15 times the lowest quintile in all but 2018, when the ratio was 14.9 times.

Another way of looking at inequality is to measure the share of income going to the different quintiles. In each of the 10 years between 2011 and 2021 the lowest 20 percent of households in Pima County earned less than 3.5 percent of the total household income, while the highest 20 percent of households earned more than 50 percent of the total household income. Again, nearly 15 times as much.

Since the 1970s economic inequality has increased dramatically throughout the nation. But the nation always wasn't so unequal.

Part 1 started with a table that shows the chance of making more money than your parents in the nation and in Arizona has fallen dramatically, 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

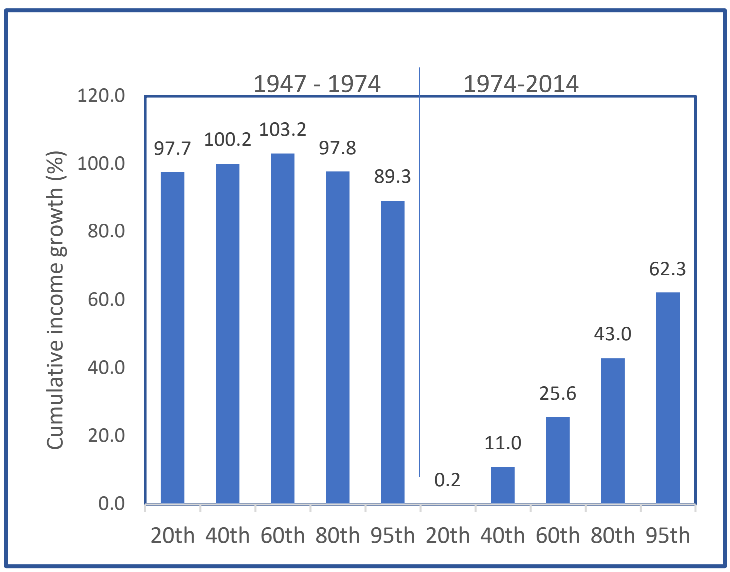


Figure 4-1: Cumulative income growth by income percentile, 1947 – 1974 and 1974 - 2014. Source: Unequal Democracy by Larry M. Bartels.

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 Figure 4-2, which is adjusted for inflation using 2022 dollars.

	20th Percentile	40th Percentile	60th Percentile	80th Percentile	95th Percentile	
Real 1974 income	14,080	34,990	56,390	81,440	219,300	
Real 2022 income	16,120	43,860	74,730	119,900	499,900	
Percent change	14%	25%	33%	47%	128%	

Figure 4-2: Growth in real household income 1974 to 2022, in 2022 dollars. Income from U.S. Census Bureau Historical Income Tables.

Between 1974 and 2022, the 20th percentile experienced a 14 percent increase in real income while the 60th percentile increased by 33 percent. However, the 95th percentile saw its income increase by 128 percent, more than nine times as fast as the 20th percentile.

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.

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," the authors write.

- **"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," 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 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 economic 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 growth is more beneficial to those 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," the researchers wrote. They contended a broader distribution of income growth could be sufficient to reverse much of the decline since 1940 even if growth were to remain at current levels.

A core concept in this report is that upward mobility is a proxy for opportunity, and that differences in upward mobility reflect differences in opportunity. These differences in opportunity 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 the researchers 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."

The researchers found that rates of job and wage growth, which often are used to determine whether neighborhoods are economically successful, were unrelated to the variation in children's outcomes.

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 economic 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.

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.

2. Lower levels of income inequality.

The mean level of household income in a commuting zone 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 upward 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.

Chetty's most recent studies on social capital, which were described in Part 2 of this report, show that economic connectedness – the extent to which people with low socioeconomic status are friends with those with high socioeconomic status – is "strongly associated with upward income mobility."

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." Of course, the percentage of children living in single-parent households is negatively correlated with upward mobility.

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.)[1]

---

[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.*

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 … 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.
- "Where you grow up matters," Harvard's Nathaniel Hendren told the New York Times. "There is tremendous variation across the U.S. in the extent to which kids can rise out of poverty."
- 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."

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 ranked 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, 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 suggestions 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 in additional federal tax payments resulting from the lifetime earnings gains, even after these tax payments have been discounted to the present value.

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. *Appendix B contains a more detailed list of possible actions.*

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 lifetime earnings of $90,000, 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 costs Tucson $3.1 billion a year.
   - Opportunity is restricted by the availability of good jobs. The Brookings Institution estimated that half the jobs in Tucson are low-paying jobs. What that means is half the workforce has no choice but to work in low-paying jobs, and unless these workers have other sources of income, they are going to live in poverty.

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 31 other states and instituting an Arizona Earned Income Tax Credit to supplement the federal EITC. The federal credit 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 and improving anti-poverty programs such as food stamps and childcare support, increasing wages, helping people apply for benefits to which they are entitled, 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 higher-opportunity 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 economic connectedness – friendships among people from different socioeconomic classes.
- 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 their neighborhoods 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 sometimes 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. This demonstrates the critical need for reproductive health services, particularly for women who cannot afford the services.

- Increasing home visits from parent educators, social workers or nurses has proven to be effective and can help young parents better understand their responsibilities as parents and to learn how to raise their children more effectively.
- 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.
- Reducing teen pregnancies has been proven to help reduce poverty in the past 50 years.

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, counties, 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 lack 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 may help. But as Charlotte learned, high economic growth often is not

distributed equally, and frequently helps middle- and upper-class workers as well as high-paid transplants from other cities rather than helping 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 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 this, 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.

The point is not that wealthier people care more about their children. It's that wealthier people often have more time, more political power, more trust in the educational system, and more resources to inject into their schools.

Neither Catalina Foothills High School nor Pueblo High School caused the difference in income in their neighborhoods. The neighborhoods created the difference in the schools. This is made clear by the extent of economic connectedness of the two schools' neighborhoods. People in the neighborhood around Pueblo have a low level of friends who are high-income as a result of not being exposed to high-income people, whereas the neighborhood around Catalina Foothills contains a high level of high-income people.

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 2019 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 may never have the chance to discover their gifts and talents, feel increasingly estranged from the political process, and therefore cannot fully contribute to our economy or 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 community-wide task force, consisting of representatives from government, education, business, non-profits, and other relevant sectors 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 here do so poorly in relation to those in 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.

Finally, the New York Times' 2015 report that among the nation's 2,478 counties, Pima County is among the worst counties in the U.S. in helping children up the income ladder, should be a call to action. We can do better.

Appendix A: Why inequality increased sharply and why it matters

Note: Neither appendix has been updated except for information on the EITC in Appendix B.

Beginning in the late 1970s, inequality increased dramatically in the United States, much faster than it increased in the rest of the developed world. Conventional wisdom says inequality is caused by globalization, automation, the failure of education to adapt to a changing world, and demographic shifts, including declining work rates among males. However, these changes also happened in countries in the rest of the developed world, and none of them experienced the same growth in inequality as the United States. This raises the question, "What happened in the U.S. that didn't happen elsewhere?"

The answer is American politics and American public policy. This appendix gives five examples of political and policy changes that increased inequality:

1. The collapse of progressive taxation.
2. The erosion of the minimum wage.
3. The decline of unions.
4. The extraordinary increase in CEO compensation.
5. The change in corporate purpose that focused primarily on shareholder value.

Part 4 in our report started with a graph showing that from the end of World War II until the mid-1970s, the poor and the wealthy shared almost equally in the United States' phenomenal economic growth. Then in the 1970s, as the nation's economic growth slowed substantially, inequality increased dramatically: Income stagnated for the poor while the wealthy began capturing a larger share of the nation's income growth. *(Figure A-1.)*

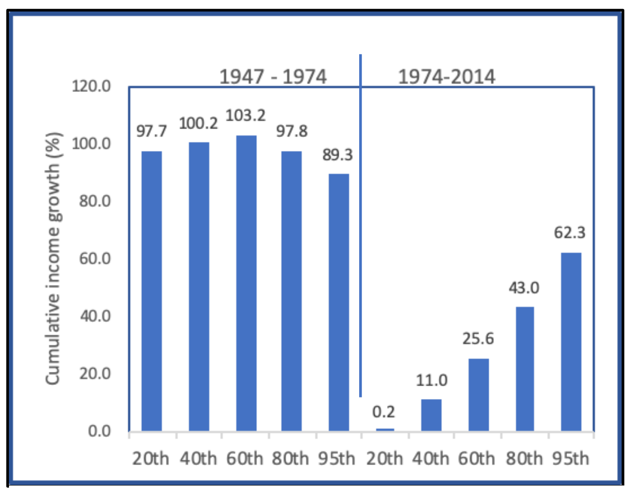


Figure A-1: Cumulative income growth by income percentile. Source: Unequal Democracy by Larry M. Bartels.

What caused the nation's extraordinary increase in income inequality? Common answers include globalization, automation, the increasing number of jobs that require more education and greater skills than in the past, the failure of the schools to close the educational gap between the wealthy and the poor, and demographic changes, including the dissolution of the traditional family and declining work rates among males.

But as important as these changes are to our country, they fail to explain the sharp increase in inequality for two reasons: First, they fail to explain why the exceptionally high-income gains experienced by the very top earners in the U.S. have eluded the many similarly highly educated, highly skilled people just below them in income percentiles.

To make this point, two University of California, Berkeley economics professors, Emmanuel Saez and Gabriel Zucman, developed a new income scale for the U.S.: The working class (people in the bottom half of the income distribution), the middle class (the next 40 percent), the upper middle class (the next 9 percent), and the rich (the top 1 percent). It is important to distinguish the upper middle class and the rich, the professors write in a new book, *The Triumph of Injustice*, "because these two groups are in entirely different leagues." Indeed, the rich one percent have average incomes nearly seven times as high as the nine percent right below them.[1] The conventional wisdom clearly doesn't explain that difference.

Second, and perhaps even more important, the same trends occurred in other developed nations without the same increase in inequality. Europe and the United States both are highly developed. Both have been affected by the same technological changes. And both have exposure to global markets. Yet inequality has increased much more in the U.S. than in Europe.

In 1980, inequality was roughly equal in the U.S. and Europe, but by 2017 that was no longer the case. "Income inequality is substantially higher in the US than in Europe," write researchers at the World Inequality Lab in a 2019 report. "Between 1980 and 2017 … while inequalities within European countries increased only moderately, they skyrocketed in most US states."[2]

Consequently, the United States now has one of the highest levels of inequality of any high-income nation, with the top one percent receiving more income than the bottom 40 percent and owning more wealth than the bottom 95 percent.[3]

What was happening in the United States that wasn't happening in Europe that would explain this dramatic increase in inequality? If the usual suspects – globalization, automation, educational failures, and demographic changes – don't explain the increase in inequality, then what does explain it?

The answer is American politics and public policy. Government, through what it did – and through what it chose not to do – became a major contributor to the increase in inequality. [4] This paper will consider five results of that government action or inaction: The collapse of progressive taxation, the erosion of the minimum wage, the decline of unions, the extraordinary increase in top management salaries, and the change in corporate purpose.

Policy One: The collapse of progressive taxation.

The shift in government policy that began in the late 1970s can best be illustrated by changes in the taxes paid by the wealthiest Americans.

An analysis of income tax payments by Berkeley economists Saez and Zucman shows that in 2018, the richest 400 households paid a combined federal, state, and local tax rate of 23 percent, reported New York Times columnist David Leonhardt in a column based on their new book. **This was the first time on record that the 400 wealthiest households paid a lower tax rate than any other income group, Leonhardt wrote.[5]**

This was a decrease from the 1950s and 1960s, when the wealthy paid vastly higher taxes than the middle class or poor, Leonhardt wrote. The overall tax rate was 70 percent in 1950 and 47 percent in 1980.

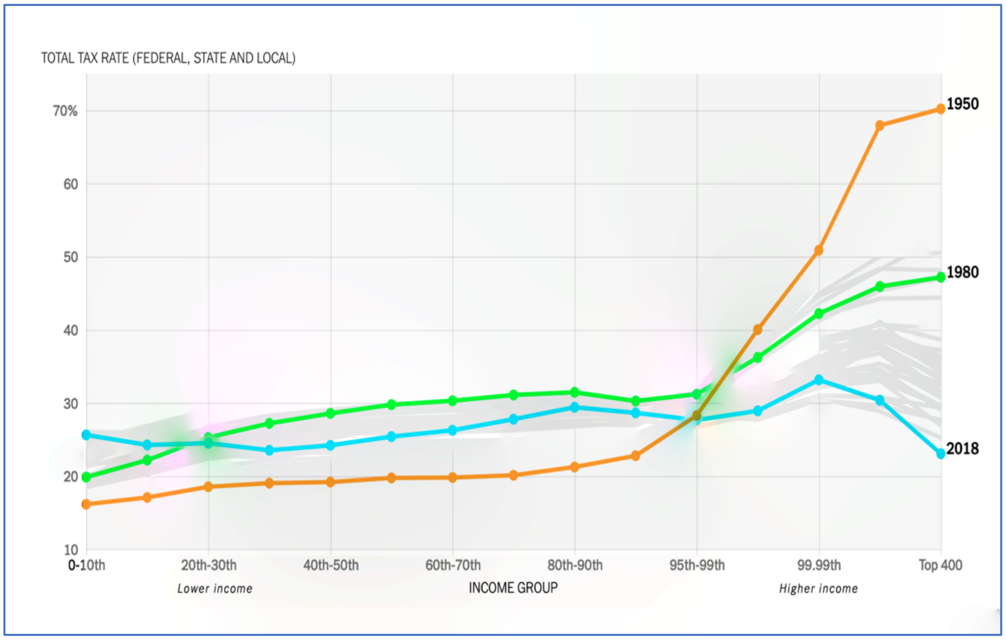


Figure A-2: Total taxes actually paid by income group, 1950 - 2018. Source: David Leonhardt, "The Rich Really Do Pay Lower Taxes Than You," The New York Times, October 6, 2019.

By the middle of the 20th century, the United States had perhaps the world's most progressive tax code.

But in the second half of the 20th century, **"Politicians cut every tax that fell heavily on the wealthy: high-end income taxes, investment taxes, the estate tax and the corporate tax," Leonhardt wrote. The result was a sharp reduction in tax rates paid by the highest-income earners.** *(Figure A-2.)*

In addition to showing this sharp decrease in tax rates that the wealthy paid, Figure A-2 shows that middle-class and poor families fared differently. Unlike the wealthy, their taxes now are somewhat higher than they were in 1950. Their federal income taxes have declined modestly, Leonhardt wrote, but they now pay more in payroll taxes, which finance Medicare and Social Security.

Thus, it turns out that the nation's tax system, which is widely believed to be highly progressive, in actuality hardly is progressive at all. And for the very highest earners, the overall tax system has become regressive.

This reduction in top tax rates has had a significant impact. "If the effects of taxation on income at the top had been frozen in place in 1970, a very big chunk of the growing distance between the superrich and everyone else would disappear," write political scientists Jacob S. Hacker and Paul Pierson in their book, *Winner-Take-All Politics*.[6]

Policy Two: The erosion of the minimum wage

While the federal government has chosen to be actively engaged in cutting taxes for the wealthy, it has chosen hands-off neglect when it comes to a policy that affects the other end of the income scale, the minimum wage. Interestingly, both actions go against what Americans have wanted. The public has strongly supported an increase in the minimum wage even as it has believed the wealthy should pay higher taxes.[7]

President Franklin D. Roosevelt signed America's first minimum wage law in 1938. It was 25 cents per hour, which, when adjusted for inflation using 2018 dollars, would be worth $4.45.[8]

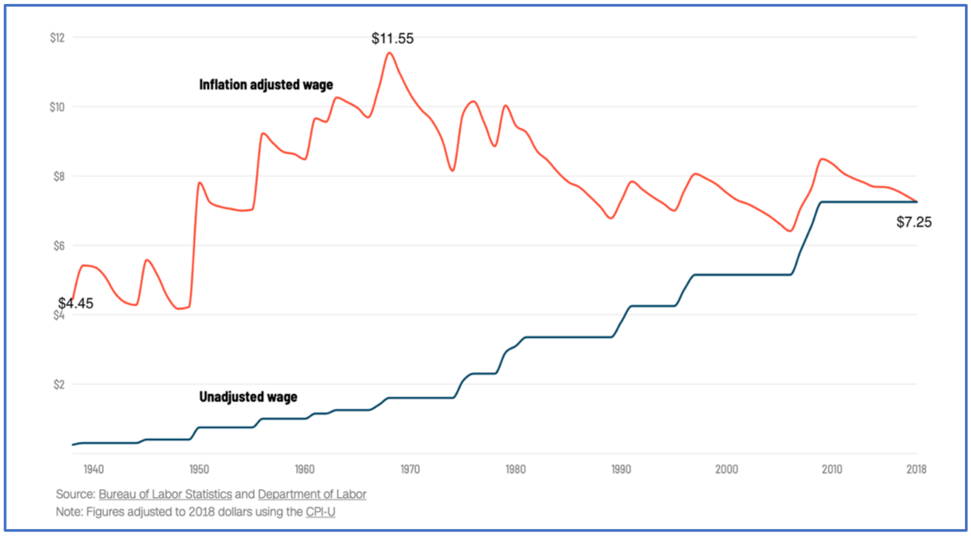


Figure A-3: Inflation-adjusted and unadjusted minimum wage from its inception in 1938 to the present. Source: This graph is from CNN.COM

At that time, the minimum wage covered about 20 percent of the U.S. labor force. Subsequent legislation has expanded the minimum wage to the point it now covers about 90 percent of all non-supervisory workers.[9]

Figure A-3 shows that the federal minimum wage peaked in 1968, at $11.55 in 2018 dollars. In the 49 years since then, it has gone down in value 37 percent to $7.25, where it remains today.

Though business has often argued that minimum wage increases will cause the elimination of numerous jobs, social scientist Larry M. Bartels disputes that. He writes in his book *Unequal Democracy* that recent research suggests that the negative effects of the minimum wage laws on employment are much less significant than often has been assumed.

At the same time, virtually every survey in the past 70 years has found majorities of the public favor increasing the minimum wage by margins of two-, three- or even four-to-one, Bartels writes.[10]

This "dramatic rise and fall of the minimum wage over the past 80 years is one of the most remarkable aspects of the political economy of inequality," writes Bartels. He adds that the declines in the real value of the minimum wage "have contributed substantially to increasing inequality in the bottom half of the income distributions."

It didn't have to be that way. While America was lowering the real value of the minimum wage even as it was increasing payroll taxes, at least one other country chose to follow the opposite route. In France, the minimum wage has grown faster than inflation, while the country's payroll taxes have been cut by 60 percent.[11]

Policy Three: The decline of unions

Unions expanded in the United States after World War II to the extent that by the mid-1950s, more than a third of private sector workers were union members. Since then, union membership has declined to the point that just around one-in-nine employees is represented by a union, with the private sector union membership falling to just over 7 percent.[12] (Public sector union membership has remained relatively steady at over 35 percent, about five times higher than that of private-sector workers.[13])

Given such a precipitous decline, it is easy to conclude that workers have turned against unions, or perhaps that the economy has changed so much that unions are no longer relevant. Research says both are wrong.

Political scientists Jacob Hacker and Paul Pierson report that since the mid-1980s, nonunionized workers have expressed an *increasing* desire to be unionized. In 2005 more than half of nonunionized, private-sector workers said they wanted to have a union in their workplace, up from about 30 percent in 1984.[14]

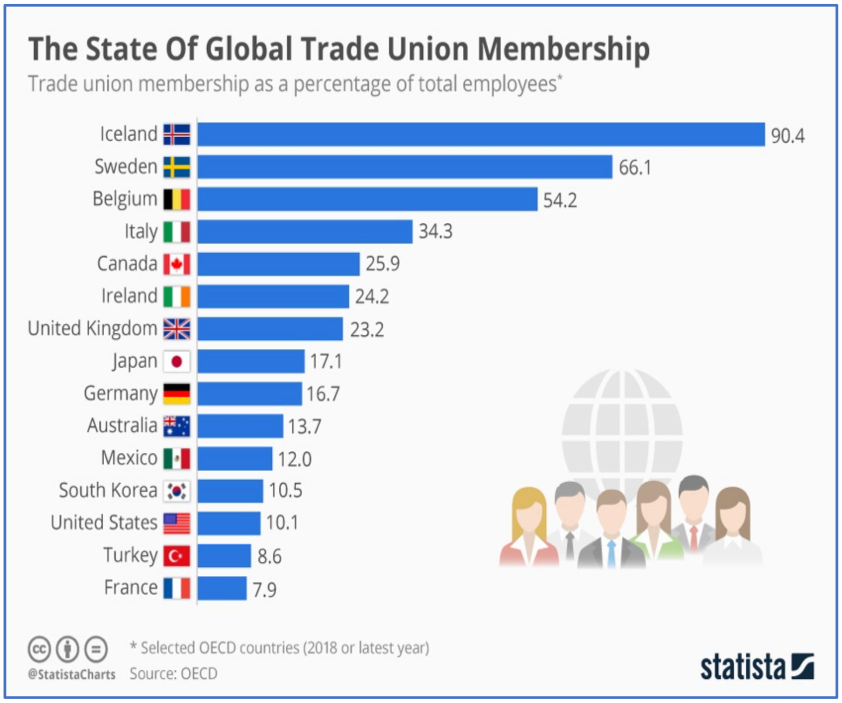


Figure A-4: Union share of workers in 15 developed countries. This graph is from statista.com, which aggregated data from the Organisation for Economic Co-operation and Development.

Moreover, many other developed nations have experienced the same economic trends as the United States, yet they have not experienced the same decline in union membership. Figure A-4 shows an Organisation for Economic Co-operation and Development tally of union membership in 15 countries. The U.S. is third from the bottom, higher only than Turkey and France. And even that is misleading: In France, even though it has a low rate of unionization, almost all workers are covered by collective bargaining agreements.[15]

So, what caused the weakening of the nation's labor unions? Again, the answer is politics, which is easily illustrated by comparing the United States to Canada, the country probably most similar to the U.S.

In 1960, unions represented more than 30 percent of the workers in both the United States and Canada. However, by 2018, Canada's unionization had fallen somewhat to 25.9 percent. But in the U.S., union membership had fallen to 10.1 percent.

"The difference was politics," wrote Nobel-prize winning economist Paul Krugman. "US policy turned hostile toward unions in the 1980s, while Canadian policy didn't follow suit. … The causes and consequences of union decline … are a very good illustration of the role of politics in increasing inequality."[16]

In the U.S., unions have faced decades of determined efforts to influence public and corporate policies against unions. Indeed, corporate-funded organizations have spent hundreds of millions of dollars lobbying against proposed laws that would have favored unions and supporting laws, such as the Taft-Hartley Act of 1947, that restricts the activities and power of labor unions.[17]

Business had adopted an aggressive posture against unions before Ronald Reagan became president, but his breaking of the air controllers strike, and his stacking of the National Labor Relations Board in favor of management, made it clear the government would not aid in resisting anti-union activities.[18] Since then, numerous court rulings have also weakened unions.

"The grand irony is that, because of lopsided federal laws and the Supreme Court's decision in *Citizens United*, corporate CEOs today have won *more* freedom to spend treasury money on politics than union leaders have," writes Jamie Raskin in a paper arguing that the Roberts court makes corporations strong and unions weak. Raskin notes that corporations can funnel political contributions through 501(c)(4) organizations without disclosing the contributions, whereas unions are required to report even contributions to 501(c)(4)s.

Raskin adds, **"While there are raging rivers of 'corporate dark money' across the land, there is no such thing as 'union dark money."**[19] *(Raskin was a professor of constitutional law at American University when he wrote the paper. He now is a congressman from Maryland.)*

A 2018 report by the OECD, (The Future of Work: Employment Outlook 2019), "shows the United States' unemployed and at-risk workers are getting very little support from the government, and their employed peers are set back by a particularly weak collective-bargaining system," according to a Washington Post blog by Andrew Van Dam. **"Those factors have contributed to the United States having a higher level of income inequality and a larger share of low-income residents than almost any other advanced nation," he adds.** [20]

Policy Four: Extraordinary increase in CEO compensation:

In the four decades after the New Deal to the mid-1970s, CEO compensation at large firms grew moderately. Then, around the 1980s, CEO pay began to shoot up, with the pace exploding between 1995 and 2000, as shown in Figure A-5. At the same time, the pay of the average workers grew slowly during the same period, according to the Economic Policy Institute.[21]

Figure A-5 also shows CEO compensation peaked in 2000, at the height of the late 1990s tech stock bubble. Then, once the bubble burst, CEO compensation fell, as it did again during the financial crisis of 2008-2009. Since then, CEO compensation has resumed climbing toward its 2000 height. In spite of the declines, CEO compensation was projected to be 940.3 percent higher in 2018 than it was 40 years earlier in 1978.

(CEO compensation in all these numbers includes salary, bonus, restricted stock awards, options realized and long-term incentive payouts for CEOs of the top 350 U.S. firms ranked by sales.)

Annual Compensation

	CEOs	Private sector non-supervisory workers
1965	$924,000	$41,900
1973	$1,206,000	$49,200
1978	$1,652,000	$50,300
1989	$3,077,000	$47,900
1995	$5,975,000	$47,900
2000	$21,549,000	$50,600
2007	$20,027,000	$52,700
2009	$11,255,000	$54,700
2016	$16,045,000	$55,800
2017	$17,270,000	$56,000
2018*	$17,180,000	$56,200

*Figure A-5: CEO and average worker annual compensation. The private sector non-supervisory workers constitute 80 percent of payroll employment. *2018 figures are projected. Source: Economic Policy Institute, August 14, 2019.*

The great increase in CEO compensation resulted in a dramatic increase in the ratio of CEO compensation to the average worker, as shown in Figure A-6.

In 2017, the average CEO of the 350 largest firms earned 280.8 times that of the average worker – numerous times higher than the ratio of 19.9 times in 1965.

There is ongoing debate whether such increases in CEO compensation are a result of talent and skills, or whether the increases result from a combination of luck and managerial power.

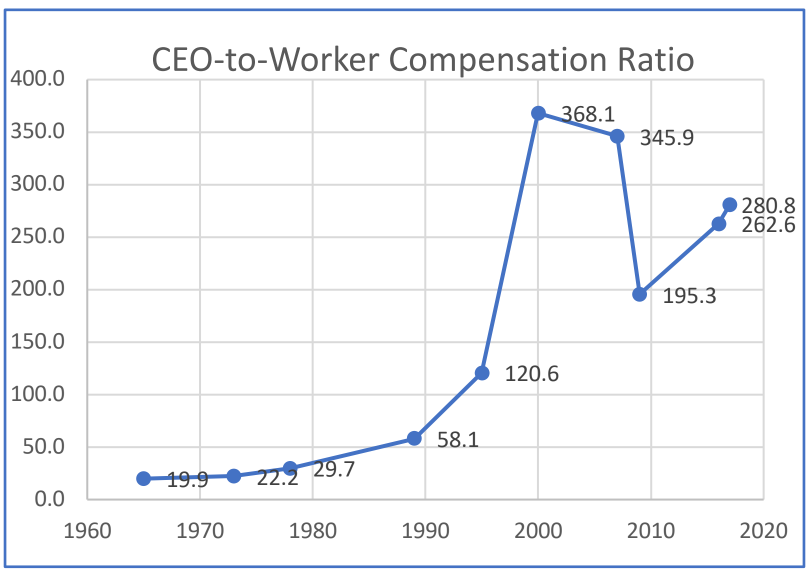


Figure A-6: CEO to worker compensation ratios. Source: Drawn from information from the Economic Policy Institute.

The argument for talent and skills depends on the contention that other groups with similar backgrounds also have seen such significant pay increases. Since other professionals such as lawyers, private company executives, hedge fund managers and others, have similar increases, then it is most likely that market forces are driving the increase in CEO pay, the argument goes.

The Economic Policy Institute disputes this conclusion, noting that its figures show that other similar professional groups did not have the same fast growth as

CEOs. Consequently, the institute contends the extraordinary compensation for CEOs results from their ability to negotiate the pay from their companies, not special talents or skills.

Hacker and Pierson agree: "Executive pay is set in a distorted market deeply shaped by public policy," they write. "CEOs have been able to take advantage of a corporate governance system that allows them to drive up their own pay, creates ripe conditions for imbalanced bidding wars in which executives hold the cards, and prevents all but the most privileged insiders from understanding what is actually going on."[22]

French economist Thomas Piketty also agrees. "Because it is objectively difficult to measure individual contributions to a firm's output," he wrote in his massive, unlikely bestseller, *Capital in the Twenty-First Century*, "top managers found it relatively easy to persuade boards and stockholders that they were worth the money, especially since the members of compensation committees were often chosen in a rather incestuous manner."[23]

As with the minimum wage and the decline of unions, America differs widely from other developed nations in its compensation of top executives, as shown in Figure A-7.

The average U.S. CEO earned nearly $6 million more in 2017 than the average CEO in Switzerland, the second highest paying country in the chart. This is another indication that there is nothing about the modern economy that makes high CEOs salaries inevitable.

Since CEOs make up such a small portion of the population, it may be asked whether their supersalaries really matter. The answer is that they do.

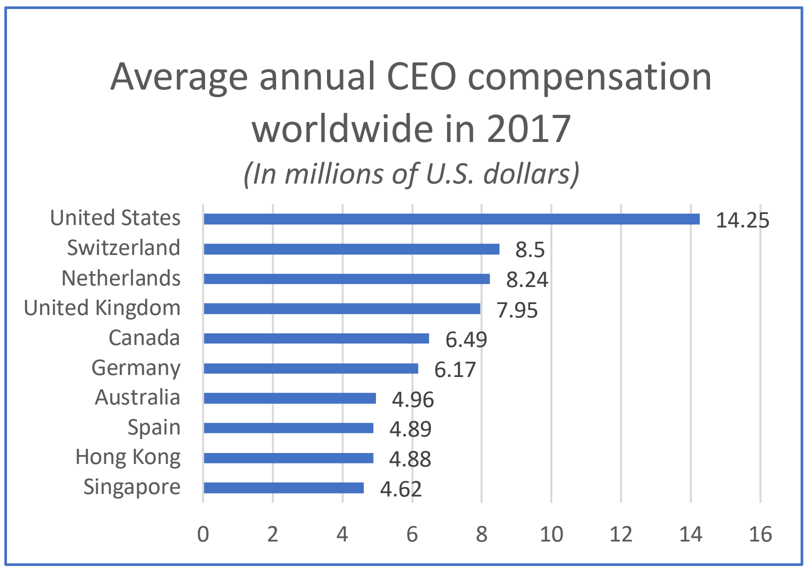


Figure A-7: Worldwide CEO compensation in U.S. dollars. Source: Statista.com.

First, increases in CEO pay tend to pull up the pay of other executives and managers, further contributing to inequality. Second, Mishel and Wolfe in their Economic Policy Institute analysis calculated that the wage growth for the bottom 90 percent of workers would have grown nearly twice as fast between 1979 and 2017 had wage inequality not grown. Wages for the bottom 90 percent would have grown 40.1 percent during that period, rather than the 22.2 percent they actually grew, Mishel and Wolfe estimate.[24]

Moreover, CEO compensation is a key contributor to the nation's inequality**. Piketty found that the increase in inequality in the United States "was largely the result of an unprecedented increase in wage inequality and in particular the emergence of extremely high**

remunerations at the summit of the wage hierarchy, particularly among top managers of large firms."[25]

Policy Five: Change in corporate purpose

The change in corporate purpose also is a key factor in the diverging growth of incomes as corporate leaders began to rethink their primary responsibilities in the late 1970s and 1980s.

Previously, corporate leaders were expected to balance the needs of multiple constituencies in their decision making: Customers, employees, suppliers, creditors, the community at large, and, of course, shareholders. However, partly the result of a very influential 1976 paper, (Michael Jensen, "Theory of the Firm") business leaders, including business school professors, widely came to believe that the primary goal of a company should be to maximize shareholder value. The theory was that this would cause executives to focus on the long-term performance of the firm.

However, there is a key problem. Measuring a complex process with a single metric often results in a distortion of the outcomes. In the case of corporations, the emphasis on shareholder value made it easier to justify lower wages for employees, reductions in the workforce, opposition to increases in the minimum wage, efforts to avoid taxes, higher dividends for shareholders, stock buybacks, and higher salaries for key executives. Moreover, as stock options became a larger portion of executive pay, incentives developed for executives to focus on short-term gains in value. **Significantly, corporate leaders were abetted in implementing such changes by increasing government efforts to deregulate the economy.**

Conclusion: Does this disparity in incomes actually matter?

It could be asked; does it really matter that inequality has increased so much and that such a relatively small group of people have so much more money than everybody else?

The answer is "absolutely." The divergence of lower and upper incomes matters a great deal. It has affected poverty, health, social wellbeing, education, economic growth, and opportunity.

At the most basic level, the capturing of most of the income gains by upper income and ultra-wealthy Americans has perpetuated poverty.

In 2006, Henry Paulson, treasury secretary under President George W. Bush, asserted that inequality "is simply an economic reality, and it is neither fair nor useful to blame any political party.[26]"

To the contrary, the five policy changes explained in this report demonstrate that politics and public policy are largely responsible for the increase in poverty and inequality over the past five decades.

Vanderbilt University Professor Larry M. Bartels contends: "Partisan politics and the ideological convictions of political elites have had a substantial impact on the American economy, especially on the economic fortunes of middle-class and poor people. Economic inequality is, in substantial part, a political phenomenon," he wrote in his book, *Unequal Democracy*.[27]

Similarly, Nobel prize-winning economist Joseph Stiglitz writes that the large gap between the incomes of the poor and the wealthy results from "distinctively American policies, ranging from tax systems that are less progressive, safety nets and social protection systems that are weaker, an education system where a child's educational, economic, and social attainments are more linked to that of his parents than in other countries, to a smaller role for unions and a larger role for banks.[28]"

Despite this depressing history, despite how politics and public policy have created such economic problems for so many people, it is important to remember this: Problems created by public policy can be solved by public policy. It would not be easy, but for the well-being of our country and almost all of its citizens, it is decidedly worth the effort.

Appendix B: How we can reduce poverty and increase opportunity

This report has documented that Tucson lags behind the nation and its MAP Dashboard comparison cities in providing opportunity to young people who grow up here. It also showed that the opportunity that does exist is not equally available.

The appendix is based on two beliefs:

1. Solutions most likely will be in a series of relatively small steps in several different areas. When combined, these small steps can constitute a significant improvement in reducing poverty and increasing opportunity for Tucson's young people.
2. Efforts to alleviate poverty, reduce economic inequality and increase opportunity need to take place at every level – federal, state, and local. However, cities, counties, and states are doing some of the most worthwhile and meaningful work by bringing together businesspeople, educators, nonprofit leaders, local government officials and others to collaborate on improving schools, building skills, restoring infrastructure, and reducing poverty.

This appendix suggests possible steps that education, government, and business could take to reduce poverty and increase opportunity, and it ends with a list of suggested priorities. This list of possible steps is more a laundry list than a list of recommendations. Some may have already been implemented. Some may not be feasible. The list is long (and relatively dense), which means it will be necessary to choose only a few as the initial priorities.

Section One: Education

Better schools are one of the five factors that researchers quoted in this report identified as leading to economic success in adulthood. Education provides especially productive avenues for reducing poverty and increasing opportunity on a local level.

Provide funding for preschools: "Equal access to High-Quality Early Childhood Education is essential for the future of our children, families, businesses, schools, law enforcement, and our overall community development," says The Preschool Promise.

"The Preschool Promise is a growing and diverse coalition of educators, business leaders, community organizations, parents, and concerned citizens who support the goal of making high-quality preschool available for all our children a reality," according to a September 8, 2019, column by Eric Schindler and Penelope Jacks in the Arizona Daily Star. "Together we seek to generate funding to ensure that more of our children . . . can attend a high-quality preschool."

Provide more funding for public schools: Arizona is slightly below the median of the other states in its funding of public schools, according to the Census Bureau summary of public-school finances for 2020.

Arizona's school funding comes from federal, state, and local sources, in these percentages:

- Federal 11.41%
- State 41.60%
- Local 46.99%

That pattern is different than in most other states. Arizona receives more education funding from the federal government than most states. Arizona relies less on state funding than other states and is slightly above the median among the states in its reliance on local governments.

Even more concerning is Arizona's spending on education in relation to its ability to pay for education. The Census Bureau says in 2020 Arizona spent $30.25 per $1,000 of its residents' total personal income on public elementary and secondary schools – an expenditure that ranks it third from the bottom. For comparison, the highest spending state is Vermont at $58.71 per $1,000 of personal income, and the national average is $41.90 per $1,000 of personal income. These comparisons make it appear that Arizona could afford to spend much more on public education.

Make greater effort to encourage highly competent teachers to teach in schools in low-income neighborhoods:

Research says less qualified teachers tend to be found in schools serving greater numbers of low-income and minority students. One reason: Veteran, more-experienced teachers prefer higher-income schools, leaving new, inexperienced teachers in the low-income schools. The result is higher teacher turnover and less qualified teachers in the classrooms. Training subsidies and bonus pay have been tried, as have more professional development and high-quality mentoring. However, they have had mixed results.

Make universities and colleges more affordable. A 2017 study reported in the New York Times found that Arizona's three universities draw their students heavily from the well-off and wealthy. The Arizona schools were 16th out of 377 public colleges in attracting students from the top one percent of income, while they were 264th out of 377 public colleges in attracting students from the bottom fifth of incomes. The median parent income at the Arizona universities in 2013 (in 2015 dollars) was $104,500.

Meanwhile, other schools help students move up in income. Three quarters of the students enrolling at City College of New York in the late 1990s from the bottom fifth of the income distribution have moved into the top 60% of the income distribution. They entered college poor, but they left on their way to the middle class and often the upper class. Similar success numbers are available at University of Texas at El Paso, California State University in Bakersfield, at Stony Book University on Long Island, and at Baruch College in Manhattan. These schools are among the best in the nation at improving their students' economic wellbeing.

Nationally, about 40 community colleges offer a form of free tuition. Three of these programs are:

- Tennessee Promise offers scholarships and mandatory individual mentoring. The program started in 2015, so it is still relatively new. But its results are encouraging. A total of 33,081 students have taken advantage of it. Results indicate the program has increased first-time enrollment by 13 percent. In addition, students are staying enrolled at higher rates.

- Minnesota implemented its Two-Year Occupational Grant Pilot Program in the 2016-2017 academic year. It provides financial aid to students enrolled in qualifying career and technical programs at the state's two-year colleges.
- South Dakota created a new scholarship program for the 2017-2018 school year called Build Dakota with a $50 million investment – $25 million from a private donor and $25 million from the state government's Future Fund, which invests in the state's workforce. The program awards scholarships to students entering high-need workforce programs at South Dakota technical institutes.

Ogden, Utah, has made especially good use of STEM programs, installing numerous programs in its schools and its local college, Weber State University. This emphasis on technical jobs is an important element in the city's remarkable turnaround.

In the 1990s, Ogden was mired in the typical problems facing many other cities: crumbling infrastructure, a lack of stable jobs with good wages and benefits, a shortage of affordable, quality housing and schools, and a frustrated population. Today, Ogden and its neighboring communities offer many residents higher wages and a lower cost of living than the national average along with some of the lowest unemployment and best job growth numbers in the country. The city's focus on technical jobs and vocational training has made it a hub for STEM jobs, according to the Brookings Institution.

- In addition to installing numerous STEM programs in its public schools and Weber State University, Ogden starts technical training as early as kindergarten.
- Ogden's STEM programs lead to higher-paying jobs for graduates without the need for a four-year university degree, which means lower debt for graduates and a better chance for them to accumulate wealth.
- A *key consequence of the city's improvement: Ogden and its neighboring communities have the narrowest wealth gap among America's largest metropolitan statistical areas, according to Newsweek magazine.*

Section Two: Government

"Politics and public policy are largely responsible for the increase in poverty and inequality over the past five decades," according to "Why inequality increased sharply – and why it matters," in Appendix A. By politics and public policy, that section is referring not only to actions that government takes, but also to what government chooses not to do.

(Note: The list below is not meant to imply that several of these things aren't being done in Tucson and Pima County. It is meant solely as a list of possible steps.)

Locally, government can take several steps:

- Resist implementing new taxes, or increasing current taxes, that would have a disproportionate effect on low-income Tucsonans. For instance, because sales taxes fall most heavily on those with low incomes, sales tax increases should be used only as a last resort.

- Evaluate proposed laws/ordinances to determine what effect they may have on inequality.
- Increase funding for programs such as KIDCO, which offers after-school and summer programs.
- Change land-use and zoning regulations to make it easier to create mixed-income communities.
- Use housing subsidies and other monies to help low-income parents of young children move to affordable neighborhoods that offer greater opportunity to the children.
- Increase the minimum wage in Tucson and adopt one in Pima County. Research increasingly shows that raising the minimum wage doesn't necessarily result in the loss of jobs.
- Reduce incarceration, strengthen re-entry programs, and remove barriers to economic security and mobility for the third of working age Americans with criminal records.
- Develop more apprenticeship programs for city departments and for companies doing business with the city.
- Increase funding for a range of human services such as homelessness prevention, and immigrant, youth, and senior programs.
- Strengthen youth training programs and examine the need for additional programs.
- Offer training programs for immigrants, teaching them the language, cultural and technical proficiencies needed to participate in the job market.
- Provide ID cards. New York City provides free, government-issued identification cards for all residents – including the homeless, undocumented immigrants, and former convicts – so they can make use of the city's resources. These resources include city services, libraries, official ID for police purposes, admission to museums and discounts at pharmacies and some fitness centers.
- Provide direct loans, utility subsidies, bonds for capital purchases, and other incentives to businesses that promote high wages and greater employee benefits.
- Work with businesses to adopt family friendly practices such as job sharing, working at home, flexible schedules, and more predictable work schedules.
- Seek income growth that is more broadly distributed across the economic spectrum by helping local businesses to expand by providing startup capital.
- Work with employers to stop the practice of asking about previous wages. While seemingly an unimportant practice, this often results in workers – especially women and minorities – earning much less than they would otherwise earn in a competitive market for employees.

Other actions local government could initiate or encourage:

- **Work scheduling and family leave** is a much larger issue than one might think, especially for lower-income workers who typically have little control over their schedules. Irregular or unpredictable schedules not only cause income to fluctuate, but they also make it harder to arrange for childcare, attend school or training, or search for a new job.

- Some states, cities and other localities have passed laws that aim to reduce unpredictable scheduling from employers and improve workers' access to paid sick and family leave. These include laws requiring employers to give advance notice of schedules, to compensate workers for time on call, to provide paid sick leave, and to guarantee paid family leave.
- Seven states and Washington, D.C. require employers to pay workers for a minimum number of hours if they are called in for a shift.
- Employers, obviously, could agree to take such steps or similar steps without laws requiring them to do so.

- **Housing and zoning policies** are valuable tools local officials often can use to address local needs.
    - Seattle residents have voted five times since 1981 in favor of a levy to help low-income residents afford housing. In August 2016, voters approved by more than 70% a new $290 million levy.
        - The median cost to Seattle homeowners for the 2016 levy was $122 per year, based on an assessed value of $480,000.
        - Seattle now has funded more than 13,000 affordable apartments for seniors, low- and moderate-wage workers, and homeless individuals and families.
    - Various cities have taken several other steps:
        - Imposed regulations requiring construction of lower-cost housing.
        - Rezoned areas for denser development and then required that a portion of the units be designated for low- or moderate-income families.
        - Provided targeted housing allowances to make access to housing fairer and to promote mixed-income neighborhoods.
        - Removed regulatory barriers to the development of affordable, quality housing.
        - Financed the preservation and construction of affordable apartments.
        - Coordinated investment for urban housing and access to transportation to ensure they meet the needs of different socio-economic groups.

- **Consider family structure**
    - The researchers behind the Opportunity Atlas identified a larger share of two-parent families as a key factor in children's later success. However, in the early years of this century, 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 deal with their responsibilities as parents and to learn how to raise their children more effectively.

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

Statewide, government also can take significant steps:

- **Provide state earned income tax credits:** Thirty-one states have state EITCs. Arizona does not. These credits give low-income workers an incentive to work even as they provide a stimulus to the economy. Most state tax credits are calculated as a percentage of the federal Earned Income Tax Credit, which is one of the nation's most effective anti-poverty programs. It lifts millions of adults and children out of poverty as it also provides a powerful economic boost to the nation's cities and towns. In Arizona, the federal EITC distributed about $1.3 billion in 2022 to 491,000 low-income taxpayers, an average of $2,585 each, thereby giving them greater ability to purchase needed goods and services.
  - Only the *working poor* – men and women who earn wages or salaries – are eligible for the EITC, thus the title, "earned income." It provides a tax credit based on income and the size of the family. As a family's income rises, the tax credit decreases until it is phased out.
  - Additionally, several cities have created programs to encourage residents to file for federal Earned Income Tax Credits. These cities are seeking to take advantage of the very significant economic stimulus they gain from the tax credits. Indeed, "many cities now recognize that more funds are invested in their cities annually through EITC than through many traditional 'urban' federal programs," reports the Brookings Institution.

- **Improve partial unemployment benefits.** These benefits are provided by all states to under-employed workers who have had a reduction in hours or who can only find part-time work after being laid off. However, the accessibility and generosity of these provisions vary widely by state. Six states – Connecticut, Delaware, Idaho, Michigan, Montana, and Vermont – are the most generous. Arizona, to the contrary, has one of the worst unemployment benefit programs in the nation.
  - Though unemployment insurance is an important tool for protecting workers, a critical problem is that though low-wage workers are twice as likely as other workers to be unemployed, they are half as likely to be covered by unemployment insurance.

Section Three: Business

Business can fight poverty and increase opportunity indirectly through its influence on local governments on such issues as tax policies, funding for workforce development, and helping ensure that schools teach students the necessary skills to succeed in the workforce.

Business can fight poverty and increase opportunity directly through a number of steps:

- Provide greater access to childcare, particularly to raise labor participation among women. This is an important issue because when high-quality, affordable childcare is not available, it creates stress and too often results in mothers, in particular, not being able to take advantage of job opportunities.

- Offer paid family leave.
- Reduce unpredictable scheduling.
- Adopt family friendly practices such as job sharing, working at home, flexible schedules, and more predictable work schedules.
- Implement or expand craft vocational and apprenticeship programs, especially in fast-growing industries such as health care. Apprenticeships have been shown to significantly boost workers' lifetime wages and create pathways to well-paying careers for unemployed young workers. Employers who sponsor apprentices gain skilled workers, reduce employee turnover, and improve productivity. However, apprenticeships are more common in other countries than they are in the United States.
- Offer a variety of opportunities for job training and learning new skills.
- Offer incentives for students to pursue fields of study, such as STEM, especially in needed industries.
- Research ways to offer healthcare and other benefits to part-time employees.
- Automatically enroll employees in savings plans through "opt-out" provisions. It has been shown that employees save substantially more when they are required to opt out of savings plans than they do if they have to opt into savings plans.
- Provide matches for retirement savings accounts.
- Help employees obtain higher education.
- Help employees refinance student debt at lower rates or help them to pay it off.
- Provide day care help, wellness centers, and time off for family emergencies.
- Use local suppliers of goods and services in order to keep the money and its multiplier effect in the local community. Several studies show that substantially more money stays in the market with local firms as opposed to large national chains.

Section Four: Suggested priorities

Tucson and Pima County need a coordinated campaign to educate community leaders and residents on the extent of poverty and the lack of opportunity in Tucson. This campaign should make Tucsonans aware of the problems' severity, create a consensus that the problems are important to solve, create a consensus as to the causes of the problems, and identify possible solutions.

Following are some suggested initial priorities:

- Increase public awareness of Tucson's poverty and lack of opportunity.
- Provide universal preschool.
- Provide more low-cost or free tuition and training at Pima Community College.
- Reduce economic segregation by creating more mixed-income neighborhoods and by helping low-income families with young children to move to better neighborhoods.
- Address the especially poor economic situations of Native Americans and black men, as described in this report.
- Enact a Pima County $15 minimum wage.

- Require employers to provide more predictable work scheduling.
- Reduce unplanned pregnancies among single women through family planning programs.

Finally, while there are many more steps in this report than it would be possible to undertake, the report does show, however, that there are many steps that can be taken locally to reduce poverty and increase opportunity. The challenge is to determine which steps would be most feasible and most helpful in Tucson and Pima County. To that end, we recommend the creation of a task force to develop an overall strategy to reduce poverty and increase opportunity, to determine priorities for the community and to recommend first steps.

Footnotes from Appendix A:

[1] Emmanuel Saez and Gabriel Zucman, The Triumph of Injustice: How the Rich Dodge Taxes and How to Make Them Pay, Norton, 2019, 4-5.
[2] Thomas Blanchet, Lucas Chancel and Amory Gethin, “How Unequal is Europe? Evidence from Distributional National Accounts, 1980-2017,” World Inequality Lab, April 2019. (The lab is a joint project of the Paris School of Economics and the University of California at Berkeley.)
[3] Ibid.
[4] This line of thought is suggested by several books, including:

- Jacob S. Hacker and Paul Pierson, *Winner-Take-All Politics*, Simon and Schuster, 2010.
- Larry M. Bartels*, Unequal Democracy: The Political Economy of the New Gilded Age*, Russell Sage Foundation, 2016.
- Joseph E. Stiglitz, *The Price of Inequality,* Norton, 2013.
- Donald L. Barlett and James B. Steele, *The Betrayal of the American Dream,* PubicAffairs, 2013.

[5] David Leonhardt, “The Rich Really Do Pay Lower Taxes Than You,” The New York Times, October 6, 2019.
[6] Hacker and Pierson,
[7] Bartels reports most surveys since the late 1940s showed supporters of an increase in the minimum wage outnumbering oponents by margins of two- or three-to-one. (Pages 205-206.) Hacker and Pierson write that sharp tax cuts occurred even as voters continued to strongly support higher taxes on the rich. (Page 50.)
[8] Annalyn Kurtz, Tal Yellin and will Houp, “The US minimum wage through the years,” CNN.Com, April 9, 2019.
[9] Bartels, 199.
[10] Ibid.
[11] Saez and Zucman, 16.
[12] Hacker and Pierson, 56.
[13] Megan Dunn and James Walker, “Union Membership in the United States,” U.S. Bureau of Labor Statistics, September 2016. Accessed at bls.gov.
[14] Hacker and Pierson, 58.
[15] Dwyer Gunn, “What Caused the Decline of Unions in America?”, Pacific Standard (psmag.com), April 24, 2018, 2.
[16] Paul Krugman, “Challenging the Oligarchy,” The New York Review of Books, Dec. 17, 2015.
[17] Two articles in particular explain the extent of the legal battle against unions by business and conservative groups:

- Jamie Raskin, “Corporations, Unions and Constitutional Democracy: When It Comes to Politics, the Roberts Court Makes Corporations Strong and Unions Weak,” People for the American Way (at pfaw.org,} January 2016.
- Moshe Z. Marvit, “For 60 Years, This Powerful Conservative Group Haw Worked To Crush Labor,” The Nation, July 5, 2018.

[18] Hacker and Pierson, 58-59.
[19] Raskin, 13
[20] Andrew Van Dam, “Is it great to be a worker in the U.S.? Not compare with the rest of the developed world.” The Washington Post, July 4, 2018.
[21] Lawrence Mishel and Julie Wolfe,” CEO compensation has grown 940% since 1978,” Economic Policy Institute, August 14, 2019.
[22] Hacker and Pierson, 62.
[23] Thomas Piketty, *Capital in the Twenty-First Century,* Belknap/Harvard, 2014, 510.
[24] Mishel and Wolfe.
[25] Piketty, 298.
[26] Hacker and Pierson, 42.
[27] Bartels, 3.
[28] Joseph E. Stiglitz, *The Price of Inequality*, Norton, 20123, xxxiii.