

Opportunity meets economics

Economic growth in the US has been slow since 2000, and there are many reasons to believe it will remain slow in the foreseeable future (Gordon 2016). At the same time, real median income has barely increased in the past thirty years, and income inequality has been on the rise (Piketty and Saez 2006). Only Americans at the top of the income distribution significantly benefit from the fruits of the limited economic growth we do have (Congressional Budget Office 2016). Furthermore, trade (Autor, Dorn, and Hanson 2016) and technology have adversely affected the labor market, resulting in a loss of many middle class jobs (Autor and Dorn 2013).

In this context, economists have been thinking more and more about the opportunities afforded to people. An emerging strand of literature has focused on the opportunities afforded to low income children. The opportunity project analyses differences in social mobility across regions in the US using tax data, and finds there are significant disparities across the territory, which are linked to factors such as lower income inequality and better primary schools (Chetty et al. 2014).

The results from this descriptive analysis are reinforced by experimental results from Moving to Opportunity. This experiment allowed low income families in high poverty neighborhoods to move to low poverty neighborhoods. The experiment shows positive impacts on labor market outcomes and education for adults who moved when very young (Chetty, Hendren, and Katz 2015). These results are consistent with the emerging consensus in labor economics about the importance of early investment in human capital (Heckman et al. 2010; Cunha et al. 2006)

There is growing awareness that not all educational institutions are created equal and that low-income children do not know how to take advantage of the best opportunities they have (Hoxby and Turner 2016). Furthermore, even within an institution, different degrees have vastly different returns (Jepsen, Troske, and Coomes 2014), so that choosing the right degree can make a substantive difference to students' future earnings and to labor productivity. Yet, college students are not very well informed about the labor market outcomes of different degrees (Baker et al. 2016), so it is hard for them to make an informed career choice.

Exploiting the increasing availability of data from many sources including administrative, survey data, and data from online activities can allow us to show what paths from education to jobs lead to increased opportunities and well-being for people, greater productivity for firms, and more growth for the economy.

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