Schools Or Suitcases? Optimal Policy and Economic Opportunity in Greater Boston

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This paper considers when policy makers should prioritize providing opportunities for families to leave disadvantaged neighborhoods in Greater Boston and when they should prioritize investing resources in these disadvantaged neighborhoods and their schools. To do so, the paper develops a quantitative spatial general equilibrium model that is amenable to optimal policy analysis for a broad class of spillover functions and agents with heterogeneous preferences. Upon quantifying the model using administrative US Census data on the residential histories of most ACS respondents in Greater Boston, I argue that as the social planner prioritizes the upward mobility of children vis-á-vis parents' utility, optimal policy integrates low-income families into Greater Boston's suburbs. However, given calibrations implying substantial complementarity between school spending and peer composition, school spending in the inner city remains ineffective. Children of parents with strong attachments to the inner city thus stay economically immobile under the optimal welfarist policy. Alternative policies concentrating spending in initially disadvantaged neighborhoods ensure a minimum level of economic mobility for all children, including those of parents with strong attachments to the inner city.