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Long-Run Drivers of Disability Insurance Rates

JOHN FRIEDMAN, ITHAI LURIE, MAGNE MOGSTAD, AND RAJ CHETTY,

Key Findings and Policy Implications

This paper explores the long-run drivers of disability insurance rates, focusing specifically on childhood background, family income and local area effects. It uses IRS administrative tax data from 1996 to 2014, and includes geographic identifiers, as well as information on disability insurance receipt from IRS Form 1099-SSA. The paper finds that:

- The circumstances of an individual's childhood, and not simply their current situation, play an important role in determining who receives disability insurance.
- The probability of DI receipt is strongly linked to the income of the recipient's parents, with enrollment rates for young adults from the poorest families roughly six times higher than those from the richest families.
- Children from low income families display sharply varying probabilities of receiving DI depending on the place where they grew up, while those from rich families show no similar differences. Suggestive evidence indicates that roughly 50% of these place-based differences are causal.
- Surprisingly, places where poor children grow up to have the highest rates of DI receipt tend to be "good" areas based on many standard characteristics, including lower inequality, lower segregation, higher school quality, and higher social capital.

The findings are highly relevant to policy, because they shed light on the longer-term factors that shift an individual's chances of DI enrollment, beginning in childhood.

JOHN FRIEDMAN is Associate Professor of Economics and International and Public Affairs at Brown University.
ITHAI LURIE is a Financial Economist with the Office of Tax Analysis at the US Department of the Treasury.

MAGNE MOGSTAD is a Professor at the Department of Economics at the University of Chicago.
RAJ CHETTY is Professor of Economics at Harvard University and an NBER Research Associate.

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