

THE ASSOCIATION BETWEEN CHILDREN'S EARNINGS AND FATHERS' LIFETIME EARNINGS:
ESTIMATES USING ADMINISTRATIVE DATA*

Molly Dahl
Congressional Budget Office

Thomas DeLeire
Congressional Budget Office and
Michigan State University

September 2006

Abstract

A large and growing literature has examined the intergenerational elasticity (IGE) in earnings in the United States. Recent studies have sought to correct for attenuation bias and by doing so has found relatively large estimates of the IGE in earnings – as high as 0.6. Haider and Solon (2006) demonstrate that the association between lifetime earnings and current year earnings varies over the lifecycle, and, as a result, the ages at which earnings are measured will affect estimates of the IGE in earnings. By using a new dataset that contains nearly career-long earnings histories of fathers and of children's earnings around an age that likely is a good proxy for lifetime earnings, we provide an estimate of the IGE in earnings that corrects for both "life-cycle" biases and attenuation bias. We estimate the association between fathers' and sons' lifetime earnings to be between 0.3 and 0.4 and the association between fathers' and daughters' lifetime earnings to be between 0.2 and 0.3. These estimates imply that the United States is substantially more mobile than recent studies have indicated.

* The views expressed in this paper are those of the authors and should not be interpreted as those of the Congressional Budget Office.