Abstract

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The first chapter is a descriptive analysis of the relationship between child financial resources in adulthood and various parental characteristics within the framework of *inequality of opportunity*. We draw on a new data set using estimated housing wealth for Norwegian households, and use a simple non-parametric model of inequality of opportunity to estimate the extent of inequality of opportunity in the distribution of wealth *and* permanent income for individuals around retirement age in 2015. We find that the inequality of opportunity of wealth *level* is more than twice as high as for permanent income, and that the parents' wealth rather than their permanent income or education is the strongest predictor of child wealth. While the inequality of opportunity level is much larger for wealth than for permanent income, the inequality of opportunity *ratio* (inequality of opportunity as a share of overall inequality) is comparable across the two outcomes.

In the second chapter we decompose the strong positive association between the permanent incomes of fathers and children into a causal component and a component due to selection. By exploiting variation across neighborhoods and education groups in a partial identification framework, we obtain bounds around the causal effect of father's income on children's income. We use long time series of income based on rich Norwegian register data and perform analyses separately for sons and daughters. We find that increasing father's income from the bottom 5 percent to the top 1 percent is associated with an increase in children's income on average by 252 percent. The estimated bounds show that the causal effect can account for an increase of at most 107 percent. We further find that both the intergenerational associations and the bounds around the causal component differ substantially between sons and daughters. This is however only the case if we use children's individual permanent income as outcome variable. If we instead use the joint income for children and their partners as outcome variable, we find very similar intergenerational associations and bounds around the causal component for sons and daughters, indicating that assortative matching is an important mechanism in the intergenerational transmission of income, especially for daughters.

In the third chapter, we explore the overall relationship that is observed between child and parental wealth and ask how much is driven by a causal effect of parental wealth on child wealth. We employ a partial identification framework, relying on relatively weak mean monotonicity assumptions for identification and estimate the causal effect non-parametrically. The results show that between 2 and 47 percent of the intergenerational association in wealth can be attributed to an average causal effect of parental wealth on child wealth. In addition, we find that there is important heterogeneity in the causal effect of parental wealth. Increasing the wealth of parents has a large and statistically significant effect on child wealth in families that belong to the top 1 percent of the wealth distribution. The average causal effect of the same increase in parental wealth is much smaller for children that grew up in a family in the bottom 99 percent of the wealth distribution. Administrative data on gifts and inheritances show that the large causal effect in families at the top of the wealth distribution can only partly be explained by direct gifts and inheritances from parents to their children.