

## 經濟史導讀

# Economic Development and Intergenerational Earnings Mobility: Evidence from Taiwan

What is the question?

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How economic development affects intergenerational earnings elasticity is not well documented and we want to know.

Why should we care about it?

The persistence of inequality is ubiquitous throughout human history. Nevertheless, economists tend to believe that economic development will eventually reduce inequality.

To estimate intergenerational earnings elasticities between fathers and sons in two periods

What is the author's answer?

1.

The estimates for intergenerational earnings elasticity from the proxy method are around 0.37 in both the early 1990s and the late 2000s.

2.

The estimates in both periods are similar even within each age group. True intergenerational earnings elasticity in Taiwan is likely of the same magnitude, around 0.4–0.5, for the entire period.

How did the author get there?

1.

apply the two-sample approach developed by Björklund and Jäntti (1997) and find that intergenerational earnings elasticity is around 0.4–0.5 in this period.

2.

mimic the Björklund-Jäntti two-sample approach and use average earnings by occupation as a proxy for fathers' earnings.

3.

apply the decomposition method from Lefgren, Lindquist, and Sims (2012) and find that intergenerational transmission of human capital can account for the majority of the intergenerational earnings elasticity in Taiwan in this period.