

Wang & Lin: Intergenerational Mobility and Transition of Earnings in Taiwan

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March 25, 2018

WHAT IS THE QUESTION?

What is the intergenerational elasticity of earnings(IGE) in Taiwan? (To what degree does Taiwanese parents' income imply how much their children could earn?)

WHY SHOULD WE CARE ABOUT IT?

Higher IGE means less intergenerational mobility. Less intergenerational mobility, together with other forces of income distribution, might lead to higher level of inequality. The danger of inequality have been warned by many studies and books. For example, see Stiglitz(2012) and Atkinson(2015).

WHAT IS THE AUTHORS' ANSWER?

Utilizing data set from Panel Data of Family Dynamics(PSFD) and regression analysis, the authors estimated that in average, 1% increase in parents income would lead to only 0.05%-0.08% increase in children's income. However, the authors found that richest family tend to have richest offspring and it's hard for poorest family's children to get rid of poverty.

WHAT'S THE IMPLICATION OF THE ANSWER?

The authors observed a positive sloping The Great Gatsby curve from the data, which implies that intergenerational income immobility do lead to severer inequality. Thus the government should take action to ensure quality in opportunity.