

Absolute Income and Wealth Mobility in Postwar Germany

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Abstract:

We link various German microdata sources to analyze if children are economically better off than their parents. Combining the data yields detailed cross-sectional wealth and income distributions on a household level for both parents and children around age 30. Using panel data from the SOEP, we estimate intergenerational transition probabilities to obtain non-parametric copulas. These link the child wealth and income distributions to the distributions of parental wealth and income.

The combined data serves to identify intergenerational trends in wealth and income mobility for children born 1962 through 1984. In particular, we estimate the share of children with higher income and wealth than their parents. We measure both income and wealth in 2015 real values.

We find that income mobility declines for cohorts 1962 through 1984. The decline especially shows for children born after the 1970s. For the upper end of the distribution, intergenerational wealth transfers counteract the loss of income.