

Intergenerational top income mobility in Sweden: Capitalistic dynasties in the land of equal opportunity?*

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Abstract

This paper presents new evidence on intergenerational income and earnings mobility, focusing on the top of the distribution. Using a large dataset of matched father-son pairs in Sweden we are able to obtain results for fractions as small as 0.1 percent of the population. Overall, we find that intergenerational transmission is stronger in the top, much more so for income than for earnings. In the extreme top (top 0.1 percent) income transmission is remarkably strong with an IG elasticity above 0.9. When exploring potential transmission mechanisms, we find that son IQ, non-cognitive skills, education, as well as different measures of wealth are all positively related to father income when looking at the whole population. Interestingly, however, this pattern changes in the very top of the distribution. Within the top percentile, increases in fathers' income is, if anything, negatively associated with sons' IQ, non-cognitive skills and education and only wealth remains significantly positive. Our results suggest that Sweden, known for having relatively high intergenerational mobility in general, is a society where intergenerational transmission remains strong in the very top of the distribution and that wealth is the most likely channel.

Keywords: Intergenerational income mobility, top incomes, earnings inequality, income inequality, welfare state, non-linear regression, quantile regression

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