

Table 1: Empirical estimates of intergenerational earnings persistence

Source	Data source	$\rho_1$	$\rho_2$	$\rho_3$	$\rho_4$	$\rho_5$	Avg age Fathers	Avg age Sons	Sample selection
Mulligan (1997)	PSID				0.320		40	>30	Earnings > 0
Solon (1992)	PSID	0.353	0.384	0.403	0.409	0.413	44	29	Earnings > 0
Couch and Lillard (1998)	PSID	0.432	0.502	0.534	0.524	0.531	42	29	Earnings > 0
	PSID	-0.019	-0.018	-0.017	-0.018	-0.019	42	29	All individuals included
	NLS	0.295	0.325	0.348	0.372		49	32	As Zimmerman (1992)
	NLS	0.096	0.102	0.112	0.117		49	32	All individuals included
Peters (1992)	NLS					0.140	47	30	Earnings > 0 in at least 1 year
Zimmerman (1992)	NLS	0.294			0.346		52	36	Earnings > \$3000 in 1984 dollars. At least 30 hours / week. At least 30 weeks / year
Mazumder (2001)	SIPP, SER		0.253		0.349		46	31	Earnings > 0

Notes: The data sources are: Panel Study of Income Dynamics (PSID), National Longitudinal Survey (NLS), Survey of Income and Program Participation (SIPP), Social Security Administration Summary Earnings Records (SER).

Table 2: Empirical estimates of earnings processes

Source	$\text{Var}(h)$	$\alpha$	$\text{Var}(\zeta)$	$\text{Var}(z(a_1))$	$\text{Var}(\varepsilon)$
Storesletten et al. (1998)					
Exactly identified	0.242	0.984	0.022	0.000	0.057
Overidentified	0.244	0.977	0.024	0.000	0.063
Huggett (1996)		0.960	0.071	0.380	
Huggett and Ventura (2000)		0.985	0.020	0.240	0.010
Hubbard, Skinner, Zeldes (1995)					
Less than high school		0.955	0.033		0.040
At least high school		0.946	0.025		0.021
At least college degree		0.955	0.016		0.014
Gourinchas and Parker (2002)		1.000	0.021	0.021	0.044

Notes:  $\text{Var}(z(a_1))$  is not reported by Hubbard, Skinner, and Zeldes (1995).

Table 3: Baseline parameters

Demographics:  $a_1 = 23$ ;  $a_R = 65$ ;  $a_B = 35$

$h$  process:  $\beta = 0.9$ ;  $\sigma_\eta = 0.214$

$z$  process:  $\alpha = 0.977$ ;  $\sigma_\zeta = 0.155$

$z_1$  process:  $\varphi = 0$ ;  $\sigma_\omega = 0$

iid shocks:  $\sigma_\varepsilon = 0.251$

Other:  $r = 0.04$

Table 4: Simulation results

	$\beta$	$V_h$ (%)	$\varphi$	$\rho_F$	$\rho_P$	Zeros deleted $\rho_1$	Zeros deleted $\rho_5$	Zeros retained $\rho_1$	Zeros retained $\rho_5$
Data						0.32	0.37	0.04	0.05
Baseline	0.90	80.7	0.00	0.54	0.54	0.33	0.37	0.05	0.15
Huggett (1996)	n/a	n/a	0.73	0.40	0.39	0.29	0.26	0.06	0.12
Gourinchas and Parker (2002)	n/a	n/a	0.28	0.23	0.22	0.14	0.14	0.02	0.05

Notes: The table shows the means over 100 samples, each containing 400 parent/child pairs.  $V_h$  denotes the fraction of  $\text{Var}(y(a_1))$  that is due to  $h$ .

Table 5: Sensitivity analysis

	$\beta$	$V_h$ (%)	$\varphi$	$\rho_F$	$\rho_P$	Zeros deleted $\rho_1$	Zeros deleted $\rho_5$	Zeros retained $\rho_1$	Zeros retained $\rho_5$
$\alpha = 0.977$	0.9	75	0.21	0.54	0.54	0.34	0.37	0.06	0.15
	0.9	50	0.50	0.54	0.53	0.35	0.37	0.06	0.15
	0.9	25	0.62	0.50	0.50	0.33	0.34	0.06	0.14
	0.7	75	0.21	0.43	0.43	0.27	0.30	0.05	0.12
	0.7	50	0.50	0.46	0.46	0.30	0.32	0.05	0.13
	0.7	25	0.62	0.46	0.46	0.31	0.32	0.05	0.13
$\alpha = 0.900$	0.9	75	0.16	0.56	0.56	0.28	0.34	0.05	0.14
	0.9	50	0.41	0.47	0.47	0.21	0.25	0.04	0.10
	0.9	25	0.53	0.35	0.35	0.14	0.16	0.03	0.06
	0.7	75	0.16	0.43	0.44	0.22	0.26	0.04	0.11
	0.7	50	0.41	0.38	0.38	0.17	0.20	0.03	0.08
	0.7	25	0.53	0.30	0.29	0.12	0.14	0.02	0.05

Notes:  $V_h$  denotes the fraction of  $\text{Var}(y(a_1))$  that is due to  $h$ .