Does parental wealth inequality impact next generation labor income inequality? And does a tax on parental wealth affect the labor income distribution of the next generation? We tackle both questions empirically using detailed intergenerational data from Norway and the design of the Norwegian wealth tax. Results suggest that a higher parental net wealth of NOK 1 million increases labor income of the children by between NOK 10,000 and 16,000 per year. Children of wealthy parents also have a higher intergenerational labor income mobility, and our results imply that the causal effect of parental wealth explains between 19 and 30 percent of the intergenerational elasticity of wages with respect to parental wealth. Moreover, our evidence indicates that educational choices is an important mechanism, and that higher parental wealth is associated with higher labor income risk.

Kristoffer Berg is a Research Fellow at the Oxford University Centre for Business Taxation and Corpus Christi College, Oxford. He recently received his PhD from the University of Oslo, and has previously studied at the LSE, visited UC Berkeley, and interned at the IMF. His research focuses on public and welfare economics, typically applied to tax policy.