



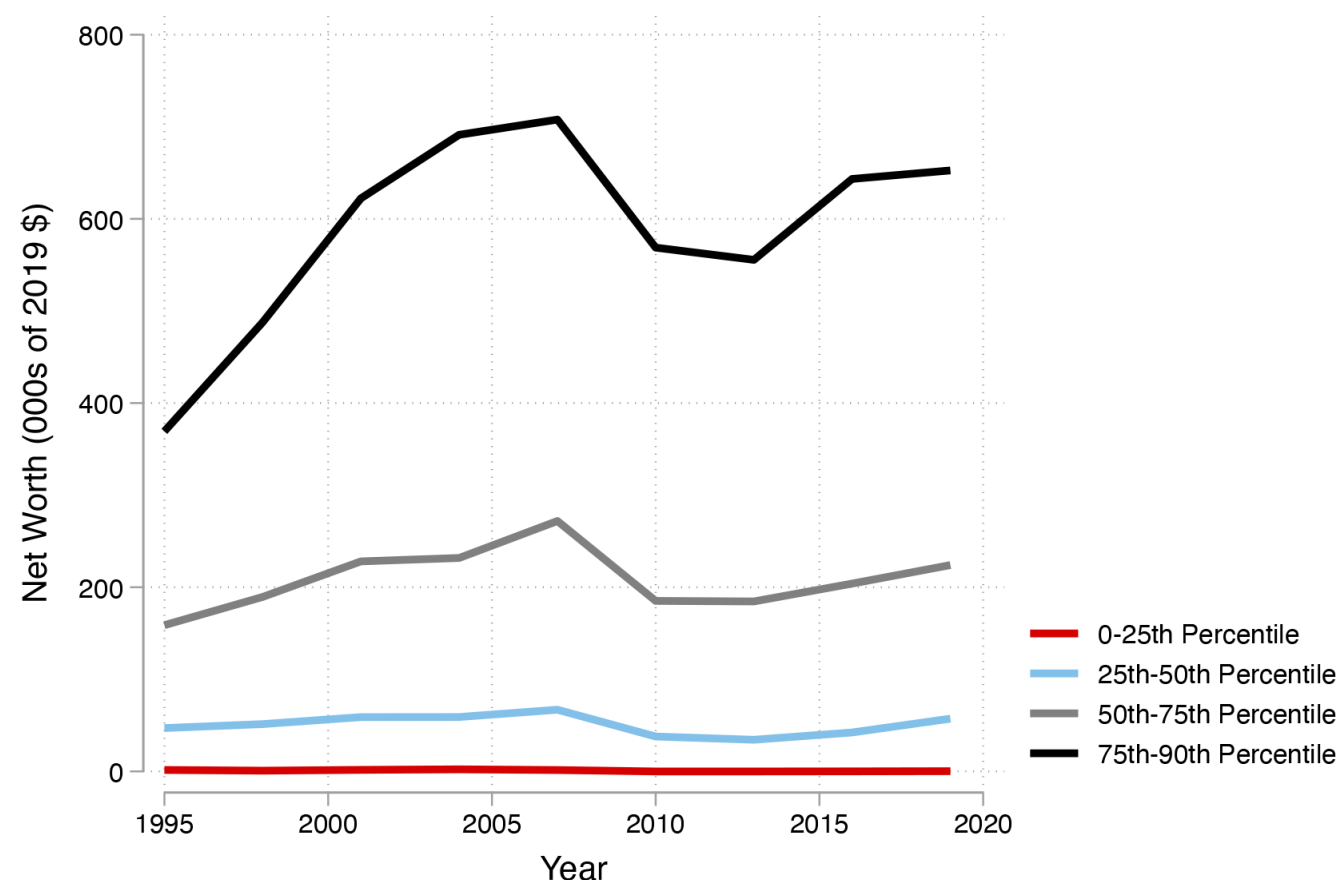
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The Intergenerational Wealth Effects of Local Labor Markets

Between 1999 and 2019, income and house prices have diverged across local areas in the U.S. as some cities have seen persistent growth in their labor markets while others have not. These divergent trends across labor and housing markets have an effect on wealth, especially housing wealth, which persists across generations. This paper asks how the local markets of parents shape their children's wealth and affect wealth inequality.



Title: Median Net Worth in the United States by Percentile Groups

Description: This figure plots the evolution of median net worth between 1995 and 2019. The numbers are calculated from the Survey of Consumer Finances (SCF). Median net worth is plotted according to four percentile groups: 0-25th percentile, 25th-50th percentile, 50th-75th percentile, and 75th-90th percentile. The trend suggests that the wealth of the top two percentile groups has been diverging away from the bottom two in this period.

How do the local labor market experiences of parents shape their children's wealth, and how does this affect wealth inequality?

- Children who grew up in better local labor markets have, on average, \$,000 higher net-worth as adults
 - This association is only true for the children of homeowner parents
- To measure the aggregate effect of this divergence on wealth inequality, I built a parsimonious, multi-region model, and
- Find that dispersion in local labor market growth accounts for 40% of the rise in wealth inequality amongst the bottom 90% of households

Next Steps

I am working on refining some of the empirical analysis, especially with regards to how parents are able to make transfers to their children. After this process, I plan on submitting it as a working paper to the Stone Center for Inequality Dynamics. I will also be presenting it at various conferences throughout the academic year. I hope to submit the paper to a journal by Summer 2023.



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