Intergenerational Mobility and Housing Wealth in the United States

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Abstract

A long literature has estimated the intergenerational mobility of income in the United States and its underlying mechanisms. Yet, housing is not reflected in income flows and is the most important capital asset for most U.S. households. Building a novel dataset linking administrative tax records, property ownership and valuation records, and the 2000 Census Long Form, we provide new evidence on the intergenerational relationship between parent and child housing assets, as well as the interplay between wealth and income transmission. Our data consist of 3.4 million families and cover children born between 1978 and 1986. We develop a simple extension to the statistical framework used in income-based analyses to account for asset non-ownership, and consider the margins of ownership and asset value conditional on ownership. We also develop a public-use dataset and data tool recording these various wealth mobility statistics at the county level, covering at least 3,100 counties for the full population and the White population, and 1,250 counties for the Black and Hispanic populations.

We find that housing wealth is substantially more persistent across generations than income, and that the distribution of child outcomes substantially narrows in the top 10% of the parent housing distribution. Further, we document large gaps in absolute and relative wealth mobility between Black and White families (the latter of which does not emerge in income-based analyses). That is, there is high intergenerational persistence for White families, while there is high mobility for Black families which is driven by extreme downward mobility toward the top of the parent asset distribution. Ownership-rate disparities account for much of the absolute mobility gap, while disparities in home value conditional on ownership are more important for the relative mobility gap—and, by extension, the gap in housing wealth outcomes between Black and White children born to the richest families.

Next, we use our unique link between asset and income information from the tax records to investigate the relationship between intergenerational mobility of income and wealth. While parental income and housing are highly correlated on average, in the middle of the distribution, there is substantial variation in parent housing conditional on their income. When controlling for parent housing wealth, the intergenerational persistence of income significantly decreases, and there is a substantial independent role of parental assets in explaining child outcomes. Building on these findings, we use a simple model of intergenerational capital accumulation to motivate a decomposition of intergenerational housing wealth persistence into child-income-based ("indirect") and residual ("direct") channels. We estimate that the direct effect is of a similar magnitude as the indirect effect and the direct effect is completely driven by non-labor capital wealth (as opposed to wealth generated by parental earnings). Related to this, we find that the indirect effect is driven almost entirely by the ownership margin. That is, the extra child income afforded by having a wealthier parent translates into a higher ownership probability but not a higher asset value. On the other hand, the direct effect is driven almost entirely by the asset value margin. Further, we find that the Black-White gap in relative housing mobility is driven almost entirely by direct effects.

Finally, we examine how asset prices shape wealth mobility. The oldest children in our sample experienced peak homebuying ages of 30-36 during 2008-2014, while the youngest experienced these ages during 2016-2022. According to the Federal Reserve Economic Database, the Case-Shiller national home price index rose by 48.1% between these two periods, while median personal income rose by only 30.6%. We leverage new estimates of housing supply elasticities in metro areas, published by Baum-Snow and Han (2024), combined with observed cohort variation in our dataset, to construct a shift-share difference-in-difference design at the county level. In an epoch of rapidly expanding demand for housing, our approach identifies differential price shocks plausibly stemming from differential supply constraints by interacting the national quantity change with the county-specific slope of the supply curve. Our difference-in-difference framework allows us to control for nonparametric cohort trends in mobility according to initial county characteristics that may be correlated with local demand shocks, such as geography, city size, and county-wide parental ownership rates and average valuations.

Relative to the cohort trend in housing wealth mobility experienced by children growing up in more elastic markets, we find a trend toward more *im*mobility—i.e. lower absolute mobility and a higher dependence of child wealth on parent wealth—among children growing up in more inelastic markets. We are in the process of scaling these effects into responses of mobility to asset price, as well as understanding how these responses are generated by movements in direct versus indirect effects. Our reduced-form estimates so far suggest that housing supply expansions can help stabilize housing price growth and promote intergenerational wealth mobility in the population at large, without much affecting Black-White mobility gaps.

Taken together, this study presents novel statistics on wealth accumulation in the United States and underscores the important role of housing markets—independently of and in interaction with labor markets—for understanding resource inequality and its persistence across generations.