

Steven: Hello and welcome to the Inequality Podcast. I'm your host, Steven Durlauf, the Director of the Stone Center for Research on Wealth Inequality and Mobility. Thanks for joining us. I am very, very pleased to introduce Xi Song as today's guest. She is Professor of Sociology at the University of Pennsylvania and was previously on the faculty here at the University of Chicago. It is to my great regret that I am having this conversation with her in her current affiliation. By any measure, she is one of the great sociologists of her generation. She has done foundational work on the methodologies of intergenerational mobility, as well as exploring remarkable datasets spanning both the long run in the United States as well as China. She is the exemplar of the combination of methodological rigor with the sort of touch of creativity that's necessary to answer fundamental questions. So she is very much welcome to today's podcast.

Xi: Thanks, Steven, for having me. I'm very excited about this.

Steven: By way of background, I'll simply say that there is something of a distinction between the way sociologists study intergenerational mobility and the way economists study intergenerational mobility. So Xi, I think it would be particularly valuable if you could give us an overview of what you would say are the main contours of intergenerational occupational mobility in the United States. What sort of facts would you want somebody to take home?

Xi: There is a short answer and a long answer. The short answer is that overall intergenerational mobility in the United States has declined since around 1900. If we look at the 19th century into the 20th century, it was driven by industrialization and the decline of the agricultural sector. Many children of peasants and farmers moved to cities and became manufacturing workers. That promoted intergenerational mobility. But since around the 1940s, particularly after World War II, intergenerational occupational mobility has been surprisingly stable in the United States.

Steven: Are there particular contours of the 19th century that you would identify as especially interesting?

Xi: During that period, I would say there are a lot of changes. The Gilded Age, for example, many people believe that drove up inequality or inheritance of status, and the society became more unequal. But overall, there was also, as I mentioned, industrialization, which is more like a one-way direction that drove up intergenerational mobility. But there are also changes related to immigration, to racial composition, and to the Great Migration of Black Americans, and these things all add up to the overall trend we have seen in the United States.

Steven: And where is the role of the evolution of public education? How might we think about that as a driver of mobility?

Xi: Education plays a very important role in intergenerational mobility. This is related to something we talked about before about structural mobility and exchange mobility. The expansion of high school, what people call the High School Movement, and later the expansion of higher education: all these things opened up more opportunities for children from disadvantaged families to receive higher education and provided more opportunities for them to achieve upward mobility. We typically call this structural mobility: we just make the pie bigger. But on the other hand, excluding the structural changes, there is also exchange mobility, which you can think about as a zero-sum game: if one person moves up, another person will move down. Many sociological studies focus more on exchange mobility than structural mobility, because structural mobility may vary a lot across different periods or across countries, depending on their social context. But exchange mobility is the component of mobility that people think can measure social openness, the overall amount of social fluidity.

Steven: One of the areas where you've been a fundamental contributor is occupational mobility in China. Could you describe your work and what the major empirical messages might be?

Xi: Yeah. In one of our recent studies, we found that since the market transition in China, as China transitioned from state socialism to a more market-oriented economy, overall mobility has increased: there are more upward mobility opportunities. But if we control for the structural mobility and focus only on exchange mobility, it has declined. Many people in China now worry about the rigidity of the system: there are fewer opportunities for children born in rural areas or from poor families to attend college and then to enter high-status jobs. That concern is real, and it is similar to some findings by our former colleague Ted Gerber and Mike Hout, based on evidence from Russia. During Russia's market transition, they also observed the same trend of declining mobility. It's now harder for children to experience upward mobility, there is more downward mobility, and there is more continuity between parents and offspring in their social status. Many people believe that declining mobility is a result of economic growth: as we become richer, this is something we have to accept. But governments haven't really thought about all these negative consequences: the increasing rigidity or declining mobility. Overall, I would say things can be improved: it doesn't necessarily need to be what people observe now, where there are greater barriers between children born in rural and urban areas. I think it has become the agenda of the Chinese government more in recent years. I have seen those propaganda or slogans.

Steven: In our conversation so far, we've been talking about mobility for the entire population of a country. That, of course, leads to the question about groups within a country. Could you talk a bit about the

differences between Black and white occupational mobility and what is known currently, and what needs to be known?

Xi: Surprisingly, I would say the majority of our understanding of social mobility is drawn from white, particularly native-born white samples. Given that the Black sample is very small in social surveys, you often don't get a representative sample of the Black population. For some of our work, we use linked historical data based on certain names, and the Black population is underrepresented, and many of them cannot be linked. People have started to examine Black-white differences, and overall, I would say a lot of our conclusions developed based on the white native-born sample may not hold for the Black sample or for the immigrant population.

Steven: One phenomenon in the sociology literature, and correct me if I'm exaggerating, is the observation that there is greater downward occupational mobility among African-Americans than among whites. I bring that up because recent work by Raj Chetty looking at location-specific intergenerational mobility, found something parallel: the probability of downward income rank mobility is substantially higher among Black families than white families.

Xi: You mention a great point. Back in the 1960s and 1970s, Otis Dudley Duncan, one of the pioneers in social mobility studies in sociology, showed that Blacks have higher mobility than whites. Some people may think, oh, higher mobility means they have more opportunity or more chance to outperform their parents, but actually that's not the case. Higher mobility means that they are more likely to experience downward mobility, and their social status is less dependent on their family backgrounds. In many ways, the family influence on children is weaker among the Black sample than among the white sample, and even for Blacks who have luckily achieved high social status, it's more difficult for them to preserve those advantages.

Steven: You brought up the interesting question of immigrants and mobility. One of the messages that one would take from any study of immigrants is that mobility rates are extremely high. So when one does cross-country comparisons of the United States, you have to ask: for whom? If I looked at Black-white inequality, the answer would be profoundly disturbing; if you think about immigrants, you may get a very different answer. I actually wanted to know if you could say a bit about what sort of heterogeneities we see across immigrant groups, or to what extent we see uniformity of very substantial occupational mobility.

Xi: I think overall there is higher intergenerational mobility among immigrants than among natives, but not only because they are probably more motivated, probably also because they are highly selective; immigrants who migrated to the US tend to outperform their peers who

stayed in their home country. And there is a huge amount of heterogeneity. Leah Boustan has done some work documenting immigrants of European origins, but also of course for Asian Americans or immigrants from Africa. There is also a huge amount of heterogeneity there, though very little data so far for people to document it fully. I think those are being actively studied by sociologists who study race, ethnicity, and migration.

Steven: Another dimension, which is of course fundamental in thinking about groups and occupational mobility, is gender. With reference to the 20th century in the United States, for example, what sort of distinctions in terms of mobility between men and women might you identify?

Xi: Well, traditionally, people just studied men, particularly for occupational mobility, because female labor force participation was low in the early 20th century. Now, as women receive more education, and around 2000, women became more likely to enter college than men, women's mobility has also become a part of the research agenda. Overall, women's mobility is higher than men's, also because daughters are less likely to follow their parents' footsteps. They may choose other careers. It also depends on how we measure mobility: if we measure it based on occupations, we may not see the intergenerational linkage, but say, if your parent is a physician and their daughter becomes nurses, you may think it's intergenerational dissimilarity even though they still belong to the same industry.

Steven: In the study of gender and occupational mobility, labor force participation would seem to be a complexity that should be part of the process. Unfortunately, in the world I was born in, the status for men of having a non-working spouse was very high. So you could imagine that what you saw was a dynamic where working mothers had non-working daughters, and within that cultural milieu, that was perceived as upward mobility. Is that something that's been explicitly studied?

Xi: Not yet. Transitions in and out of the labor force as part of the mobility process itself: I think that's super important, but so far I haven't seen any studies that include being out of the labor force as part of the mobility analysis.

Steven: I would think that thinking about gender dynamics and inequality, there would be scope for some additional insights into how the overall mobility process works, because the world I was born into had one set of norms, and happily, my daughter is an adult in a world of different norms, and there may be some value to that as a research program. One of the areas where you've been a world leader is multigenerational mobility models and the empirical study of them: the idea that there are much more complicated patterns of dynamics within family dynasties than simply parent-child pairs. Could you tell us about your work there?

Xi: Well, we adopt using Markov chain models. In the earlier days, sociologists adapted this theory to explain social mobility. Some believe that multigenerational mobility, mobility across more than three generations, is like a Markov chain process: multigenerational relationships can be summarized by two-generation relationships like between parents and offspring. That means if we know how grandparents influence parents and how parents influence children, then we can understand how grandparents influence their grandchildren because all the influences have to pass through the parent generation. But now as we have more data and multigenerational relationships become more important because people live longer, overlapping lifetimes with their grandchildren, great-grandchildren, or other extended family members, people started to understand whether there are more covert types of influence that can skip generations and can directly pass from grandparents to grandchildren, or even for remote ancestors whom you have never met, whether they still can be your role models or if there is still some legacy influence, or if they set up trust funds for you that can influence your social achievement without depending on how well your parents are doing.

Steven: What's the state of evidence for the United States?

Xi: For the United States, in some earlier days, Andrew Cherlin has some work that shows American parents follow a Markovian influence, something like a non-interference rule: you should let your children educate your grandchildren and not try to interfere with this process. But as we know, because of the rise of single-parent families, many grandparents are now very involved in raising their grandchildren. More recent evidence has shown that grandparents play a very important influence on their grandchildren's educational performance, career development, and earnings, particularly for two-parent families. Children from two-parent families still are in touch with their grandparents, whereas for children from single-parent families sometimes, they lose contact with one set of their grandparents, particularly the paternal grandparents. So in many ways, grandparents have become more important, for both social reasons and demographic reasons.

Steven: The other thing I wanted to ask you about is heterogeneity across countries. My stereotype for the United States, compared to other countries, is that the ties between grandparents and grandchildren are attenuated. Anecdotally, my wife was born in the Soviet Union and lived much of her life there; her expectations, her view of her role as a grandparent, are completely different from the world I grew up in because they are simply much deeper and richer in terms of what she wants to do for the education of grandchildren and the roles she wants to play in raising them. Are there studies that try to compare the degrees of multigenerational mobility across countries in a way that might confirm the prediction I've referred to:

that the United States has thinner family ties and, in fact, you see more multigenerational dependence than in the American case?

Xi: So far, there is still mixed evidence about grandparents' influences, particularly because there are cultural differences. Stronger grandparents' influences are observed in East Asian societies and also Russia. When I was in graduate school, we lived in family housing, and you would see grandparents who lived with their grandchildren, either immigrants from China, India, or Russia, and they formed a community. There is weaker evidence from Scandinavian countries.

Steven: I've teased you on a number of occasions that one of the benefits of studying China is you have more data, because you have data for many generations. Could you talk about the work on multigenerational mobility in China and also say something about the nature of the data that are uniquely available?

Xi: The data I used were originally compiled by James Lee, who is a historian and demographer now at Hong Kong University of Science and Technology, and also Cameron Campbell, who was at UCLA before he moved to HKUST. They compiled a huge amount of data from Chinese genealogies and also administrative census records. The genealogy is called the Imperial Genealogy from the last Imperial dynasty of China, the Qing dynasty, which ran from about 1600 to the very early 20th century. The dynasty was founded by a very powerful man called Nurhaci. Once he became the emperor, he decided to create a genealogy not only for his children but also for the children and descendants of his male cousins and his brothers. There were four or five co-founders of the Qing dynasty. The government followed all their descendants, and they received allowances from the government. They followed them over more than 300 years; for some families, they reproduced faster, had more children, and the men had more wives or concubines. One of the lineages we found extended more than 16 generations, followed over 300 years. That's one set of the data. Another set is very similar to the US Census for tax purposes: some of the local governments in Liaoning province collected census forms, and for those who lived in the same region, you can follow them. These are collected every three years, so they can link those census records across time and follow a panel of households and lineages. This data provides invaluable information to follow families over more than 200 or even 300 years, which has been very rare in the US or in some other countries, because there is more immigration in the US and less stability over time.

Steven: I wanted to go back to the issue of occupational mobility and gender to ask about STEM occupations. When you were talking, a thing that struck me, against the background of the concerns about the lack of female participation in STEM, is that this would seem to be an ideal place where you would see the importance of role models. In other words, do mothers with STEM occupations qualitatively change the

probability of their daughters choosing STEM, beyond the usual immobility or persistence that you and many others have studied?

Xi: In terms of intergenerational transmission of STEM occupations, I think there is also this gender asymmetry. If the mother is in a STEM occupation, the mother may have a stronger influence on the daughter than on the son, and sons are typically more influenced by their fathers. So if we can promote more women to enter STEM occupations, that will not only affect their own generation, but I think there will be intergenerational implications.

Steven: Have the magnitudes been measured? Are there calculations that indicate the strength of the ability of STEM participation by mothers in producing it in their daughters?

Xi: Yes. There's a PNAS paper written by Ling Zhu and David Grusky; they analyze how this intergenerational transmission of STEM occupations, and particularly this gender asymmetry, contributes to occupational segregation and changes in segregation over time.

Steven: I wanted to finish our conversation with a focus on your work linking intergenerational and intragenerational mobility. Your paper with Xiwei Cheng was very influential in my own thinking, and as far as I know, it's really unique in trying to map the trajectories of parental incomes across generations. Could you tell us about that work and what the next steps might be?

Xi: I think overall economists have substantially studied life cycle bias: a person's earnings typically follow an S-shaped curve or quadratic form, where you typically start with lower income when you are young and then eventually reach a peak around your middle-to-late career. We were motivated by this human capital development framework to think about how parents and offspring resemble each other in their earnings, not only in terms of overall levels but also in the shapes of their earnings trajectories. We found that intergenerational mobility, or the amount of similarity between parents and offspring, depends on the ages and life stages at which we measure parents' and their offsprings' earnings. Overall, in our study, we found that the strongest association happens around parents' late career and children's early career, probably because parents have reached the prime of their career, typically the highest social status over their career, and they can help their children to launch their careers.

Steven: One of the things I wanted to say with reference to your work is that one of the complications of empirical work in social sciences is that it has to be done through the lens of a choice of statistical model, and we often don't have principled theories for choosing them. So I think when you have cases where very different lenses are chosen, but you see the same picture, that's an important confirmation.

Xi: That's great. I know we used some strong assumptions about the functional forms of earnings development, but one thing I personally found most interesting in our paper is about volatility: not really about the shape, but about the instability of a person's career. Say the parents change jobs many times or transition in and out of the labor force multiple times; you will see that parents have a very volatile career or earnings development. We found that this has intergenerational implications: children typically also have high volatility in their earnings when they have parents who had such high volatility.

Steven: It's fascinating for several reasons. One of them is that you might ask about how the dynamics of intergenerational transmission of risk aversion work. If you grow up in an environment in which parents do well but they assume a lot of risks, as one reason, you can have volatility, perhaps that creates the entrepreneurial spirit in the next generation. In contrast, if the source of the volatility were periods of disadvantage, you could imagine very risk-averse behavior in the next generation. The finding you and Xiwei produced opens up different questions, because ultimately one wants to have not just the measurements that are correct on mobility, but also thinks about the mechanisms. Part of the beauty of the work you've done there is that by identifying these salient empirical phenomena, we need to go back and think about how we formulate the theories of mobility. That's part of the inspiration in general.

Xi: I like your explanation of risk-taking or risk aversion: it may be related to parents' and children's personality or genetic characteristics, but it can also be related to their occupations. You mentioned entrepreneurship: if they are self-employed or own a business, or if they are in occupations like hedge fund trading, those occupations typically show more volatile earnings. So there are both genetic versus environmental factors, nature versus nurture, and different factors can operate.

Steven: And I should mention an argument that was made to me by Ross Stolzenberg about this phenomenon: he thought an important thing in thinking about mobility and volatility is that children with affluent families can take risks simply because they have an insurance policy, called their parents. So, in thinking about intergenerational mobility and the nonlinearities in it, something that's being missed perhaps in the focus on just average income things is that people are on trajectories, and trajectories involve exploration, learning what you're good at, taking risks. Understanding parental wealth and the capacity of parents to act as a de facto insurance mechanism may speak a lot to the risks that are taken, the willingness to be an entrepreneur, and so on. And that again is how your finding of volatility may force us to reconsider the mechanisms.

Steven: Well, Xi, thank you so much. As always, whenever I talk to

you, I learn a lot and I'm very grateful.

Xi: Oh, I really enjoy this conversation. I hope I can just sit here and talk for two more hours.

Steven: Well, we could, but I think the audience might have a different tolerance. Anyways, thank you so much.

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Eric: Thanks again to Dr. Song for her incredibly valuable insights. Early on in the conversation, Dr. Song described the interaction between China's efforts to spur economic growth and the effects those efforts had on mobility. There are plenty of examples of the Chinese government undertaking incredibly ambitious projects aimed at bringing up the country's economy and putting it on par with other, more industrialized nations. These projects include Mao Zedong's Great Leap Forward, Deng Xiaoping's Reform and Opening Up, and Xi Jinping's Belt and Road Initiative, to name just a few. Starting around the 1970s, though, Chinese officials' priority centered around something else: curbing overpopulation. These officials feared that overpopulation would harm the environment, deprive people of resources, and even stunt economic development. So at around the same time that Deng Xiaoping officially started the Reform and Opening Up movement in 1978, a movement that would indeed lead to unprecedented economic growth, his government also rolled out another unprecedented initiative: the One Child Policy. In what is perhaps the most severe and extensive family planning effort undertaken by any country, the One Child Policy has had staggering effects on China's economy, society, and its families. But the outcomes we're going to focus on for this segment are its impacts on intergenerational mobility. Does limiting the number of children in families lead to successive generations being more mobile or less mobile? Well, it's complicated. It turns out that when you're talking about large-scale complex national programs like the One Child Policy, the answers are never simple and straightforward. Fortunately, I was able to untangle all of this with the help of Dr. Lixing Li, professor at Peking University's China Center for Economic Research, an expert on the One Child Policy and an affiliate of the Stone Center.

First, let's revisit some of the details core to the policy. It was rolled out around the late 1970s and early 1980s, though sources differ slightly on a precise starting date. It was in response to fears of rampant overpopulation, many of which were exaggerated or unfounded. And perhaps contrary to popular belief, the One Child Policy was not uniformly enforced. Generally speaking, it was more strictly enforced in urban areas than it was in rural areas, a practice that was informally referred to as the 1.5 Child Policy.

Here's Dr. Li.

Dr. Li: If you are from the rural area and your first child is a girl, then you are allowed to have a second child, because this son preference in China is quite popular. So people prefer to have a son. So it was allowed to have a second child if the first one is a girl.

Eric: But while exceptions existed, there was less flexibility and steep penalties for non-compliance. Families that exceeded the policy were forced to pay a fine, something that was known as a social maintenance fee. According to Dr. Li, those fines could range anywhere from half of a family's annual income to more than five times their annual income. And people with official government jobs were forbidden from having a second child, even if they were willing to pay the fine. For them, a second child could get them fired.

There's no shortage of media reports and first-hand accounts detailing the impacts of the One Child Policy. But what about the effects it had on intergenerational mobility? There's been less focus on this topic, and academic studies seem to reach contradictory conclusions. First, let's do some level-setting as it relates to terminology.

Intergenerational mobility, for instance, does not necessarily mean higher incomes or higher levels of educational attainment across generations. Higher incomes in successive generations would represent high upward mobility. But it's possible, and much less fortunate, to have high levels of downward mobility: successive generations with lower incomes and lower educational attainment. Dr. Song actually touched on this briefly during the interview. This brings up two other key terms: intergenerational persistence and intergenerational elasticity. Let's look at elasticity first. Here's Dr. Li.

Dr. Li: Simply speaking, it is a correlation between children and parents. A higher intergenerational elasticity means a stronger link between parents' and children's status. The status could refer to either income or education or other social status indicators. We know that society is more mobile if the intergenerational mobility is high, which also means the so-called intergenerational elasticity is low. So there are two things: one is intergenerational mobility, the other is called IGE, or intergenerational elasticity.

Eric: And as for the other term, intergenerational persistence: this is essentially the same thing as elasticity. It's a measure of how statuses stay the same, or persist, across generations. If children and grandchildren live in similar neighborhoods with similar-paying jobs and similar levels of education compared to their parents, then there is a high degree of persistence and a high degree of elasticity. Just remember that elasticity and persistence move in opposite directions of mobility: when mobility is high, elasticity and persistence are low, and vice versa.

OK, so now the research. One study published by the IZA Institute of Labor Economics argues that by exacerbating trends in inequality across groups of people, the One Child Policy actually decreased intergenerational mobility. This study focused on the difference in policy enforcement between urban and rural groups. Recall the so-called 1.5 Child Policy that allowed rural families the opportunity to have more than one child under certain circumstances. With urban families being more restricted in the number of children they could have, one consequence is that they were able to spend more resources on their sole child compared to rural families. This is actually a real-world example of a theory of parental development that has its origins here at the University of Chicago.

Dr. Li: I think it traces back to the very famous theory by Gary Becker. So Becker's theory on human capital tells us that there is a real so-called quantity-quality trade-off, which means the more children you have, the fewer resources you can devote to each of them. So the average quality of children may be worse.

Eric: What this paper argues is that the difference in policy enforcement between these two groups of families led to a wider gap in the capital those groups could invest in each child, leading to an overall decrease in intergenerational income mobility. Thinking in terms of persistence, urban families experienced upward mobility while rural families experienced more persistence; their status did not change as much as the urban families. And what does Dr. Li think about the results?

Dr. Li: The starting point is quite rigorous, but this is only one channel. This paper focuses on this one channel, which is the differential fertility. There are other channels that are possibly affected by intergenerational mobility caused by the One Child Policy.

Eric: So what about those other channels? In a contrasting study published by the National Bureau of Economic Research, its authors argued that the One Child Policy actually increased intergenerational mobility, or more precisely, it decreased persistence. And it did so through three separate channels.

Through one channel, the One Child Policy weakened what are called elite family hierarchies. Before the policy had been enacted, rich families tended to have many children. And with many children, it was easier for those families to maintain their wealth by having their offspring marry the offspring of a different wealthy family. However, most of those families were also government officials. So when the One Child Policy went into effect, they were among the most scrutinized. With fewer wealthy children, it became less likely that those families could intermarry. This, in turn, led to a reduction in economic persistence. Ultimately, so the authors argue, a wealthy child would end up marrying a child of lower economic status, leading to increased

downward mobility for these families. What does Dr. Li think about this theory?

Dr. Li: I think that one makes sense. It's very interesting because it's a long-term determinant of social mobility. But specifically to China, I think there are different things that could affect the inheritance of elite family hierarchies. The Cultural Revolution could be more important because, in the Cultural Revolution, elite families were broken down; their children were totally deprived of equal opportunities. So it's kind of upside-down. In that kind of situation, society is so mobile.

Eric: Through another channel, the One Child Policy allowed poorer families to concentrate their resources more than wealthier families. The logic here goes that poor families would have been more likely to obey the policy because they were less able to pay the penalty, whereas rich families had more money, and that made them more likely to disregard the fee. Note that this theory seems to directly conflict with the one presented in the previous paper.

Dr. Li: As we have seen, poor families can have multiple children, especially in rural areas. So I think this also doesn't fully consider the so-called differential fertility risk balance.

Eric: Finally, the study posited that lower returns to education resulting from the policy also contributed to decreased persistence. Although this one is particularly confounding. With the decreased population came a decrease in the labor supply, especially for low-wage jobs. To maintain an adequate supply of workers, employers had to pay these workers more money, thus narrowing the gap between them and higher-skilled workers. So wages for low-skilled workers rose while wages for high-skilled workers remained the same, meaning that returns to education for those high-skilled workers, relatively speaking, actually dropped. Or so the theory goes. But Dr. Li is not convinced.

Dr. Li: I would say this one is totally wrong. The study has found that return to education increases throughout those years. The return of one additional year of education to wage increase is about 2% from the beginning of the One Child Policy, and it rises to almost 9% for this additional year of education. So that's a huge increase in return to education.

Eric: Taking this all in, it appears that the One Child Policy may have played a larger role in decreasing intergenerational mobility. But it's important to note that it's very possible it could have also played a role in increasing it. Again, these studies collectively looked at the impact of the policy through defined sets of channels. Given the wide implementation and huge influence on social and family development, it should come as little surprise that its impacts on mobility could be both positive and negative.

And while I had the opportunity, I also asked Dr. Li about something else, something I didn't come across in a research paper. It's called the 4-2-1 rule, and it's a relatively recent phenomenon in how modern Chinese families have become structured as a consequence of the One Child Policy. What it means is that one child is responsible, or will be responsible, for the care of two parents and four grandparents. Children will need to expend more resources on their parents and grandparents than ever before, leaving them with fewer resources to devote to themselves and their own children: a sort of inversion on that Gary Becker quantity-quality trade-off. And Dr. Li is feeling this firsthand.

Dr. Li: I am the only child of my parents. My wife is also the only child of her parents. And we have two children. We have a lot of burden in this one. So that reflects the society's imbalance. This generation, the one-child generation, will have a huge burden in terms of taking care of your parents and taking care of your children. And this will affect the saving rate and the consumption of Chinese people. I think the macroeconomic implication is quite important.

Eric: The One Child Policy was fully abandoned in 2016, with all couples being allowed to have two children. Later in 2021, the Chinese government went a step further: it is now allowed and even encouraged for families to have three children. But this change in policy doesn't change the economic situation for these families. Without very robust monetary incentives for having children, or equally robust national support for the elderly, Chinese parents will not be inclined to increase the size of their families. What was once law has now become a rigid social norm, and that could lead to greater intergenerational persistence and lowered economic mobility for generations to come.

Special thanks to Dr. Lixing Li for lending his expertise. More information about the One Child Policy, including links to the two papers discussed, can be found in the show notes.

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