

TABLE 1			
ASSESSING THE BIAS IN CALCULATED IGC's WHEN TRANSITORY INCOME MATTERS			
Dependent Variable: Childhood Income			
PARAMETER VALUES	$\Sigma\beta q=0.25;$ $\rho=0.3$	$\Sigma\beta q=0.4;$ $\rho=0.15$	$\Sigma\beta q=0.1;$ $\rho=0.45$
Single-year of non-childhood income	0.1740	0.0870	0.2609
Single year of childhood income	0.1872	0.1082	0.2662
Five-year average of non-childhood income	0.2322	0.1162	0.3483
Average of all non-childhood income	0.2801	0.1407	0.4196
Average of all parental income	0.2981	0.1599	0.4363

Notes:

1. All simulations have a sample size of 10,000 parent-child pairs, taking 10,000 iterations.
2. All parameters other than the correlation attributable to permanent and transitory income are fixed. See text for details.
3. The dependent and explanatory variables are in deviations form.

TABLE 2			
ALTERNATIVE METHODS OF CALCULATING THE IGC WHEN TRANSITORY INCOME MATTERS			
Dependent Variable: Childhood Income			
PARAMETER VALUES	$\Sigma\beta q=0.25;$ $\rho=0.3$	$\Sigma\beta q=0.4;$ $\rho=0.15$	$\Sigma\beta q=0.1;$ $\rho=0.45$
Average of all childhood income	0.2960	0.1700	0.4220
Multiple regression: all years of childhood income	0.2961	0.1698	0.4224
Multiple regression: all years of parental income	0.2981	0.1598	0.4364
Multiple regression: all years of childhood income+average of non-childhood income	0.2717	0.2902	0.2533
(Sum of both sets of coefficients)	0.2981	0.1598	0.2981
	0.5698	0.4500	0.5513
Wittenberg-Lubotsky estimator	0.3022	0.1814	0.4264

Notes:

1. All simulations have a sample size of 10,000 parent-child pairs, taking 10,000 iterations.
2. All parameters other than the correlation attributable to permanent and transitory income are fixed. See text for details.
3. The dependent and explanatory variables are in deviations form.
4. The Wittenberg-Lubotsky estimator is based on Lubotsky and Wittenberg (2006). See Section 4.4 for details.