

Breaking the Link: Natural Resource Booms and Intergenerational Mobility

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Do large economic shocks increase intergenerational earnings mobility by creating new economic opportunities or do they instead reduce mobility by reinforcing the links between generations? In answering this question, we estimate how the Norwegian oil boom starting in the 1970s affected intergenerational mobility in those local labor markets most affected by the growing oil industry. We find that this resource shock increased intergenerational mobility for cohorts commencing their professional careers at the beginning of the oil boom. Importantly, these findings are not driven by preexisting local level differences in intergenerational mobility or regional differences in education, nor are they sensitive to selective migration or adverse health effects. Instead, the change in intergenerational mobility is mostly driven by bottom-up mobility and a decrease in the returns to academic education in oil-affected regions. The findings also persist across a third generation, with intergenerational mobility being significantly higher for boom-affected areas in both grandfather-son and father-son comparisons.