

ASK AN ECONOMIST



George-Levi Gayle is an economist at the Federal Reserve Bank of St. Louis, where he has worked since May. His research focuses on family and gender issues in labor markets, the effect of information friction on earnings and compensation, and the estimation of semi-parametric models. Originally from Jamaica, he enjoys music, sports and travel. For more on his research, see <https://research.stlouisfed.org/econ/gayle>.

Gayle sailing off the coast of France in 2010.

Q: *Why are the earnings of children so close to those of their parents? Is this relationship the same for blacks and whites?*

A: In a recent paper, my co-authors, Limor Golan and Mehmet Soytas, and I¹ wrote that the structure of the family and the division of labor within the household were the main sources of the correlation of earnings across generations. For a long time, the economics literature has included ample documentation on the strong correlation between the earnings of fathers and sons, namely between 35 to 50 percent. (Now that women make up at least half of the workforce, this literature needs updating to cover the changing roles of females—both mothers and daughters.) Besides income, other factors need to be considered: how parents accumulate human capital in the labor market, the availability and returns to part-time jobs versus full-time jobs and the return to parental time invested in children.

In another study, we looked at the difference between blacks and whites in the intergenerational transmission of human capital.² We focused on the roles of time and income spent in the early childhood years to see how they impacted educational outcomes, if at all. We found that the time that parents spend talking to and otherwise interacting with their children is the major reason for the disparity in educational outcomes between black and white children. For example, for black and white parents who spent the same amount of time interacting with their children, there is no black-white attainment gap.

¹ Gayle, George-Levi; Golan, Limor; and Soytas, Mehmet A. "What Is the Source of the Intergenerational Correlation in Earnings?" Working Paper 2015-019A, Federal Reserve Bank of St. Louis, August 2015. See <https://research.stlouisfed.org/wp/more/2015-019>.

² See Gayle, George-Levi; Golan, Limor; and Soytas, Mehmet A. "What Accounts for the Racial Gap in Time Allocation and Intergenerational Transmission of Human Capital?" Working Paper 2015-018A, Federal Reserve Bank of St. Louis, August 2015. See <https://research.stlouisfed.org/wp/more/2015-018>.

NEW VIDEOS FOCUS ON ECONOMISTS' RESEARCH

The St. Louis Fed has released three more short videos that show our economists talking about their research. The videos are part of the Timely Topics series.

Two of the latest videos feature B. Ravikumar and focus on the gap between rich and poor countries.

The first video, which is 3½ minutes long, shows how the gap has grown exponentially since the days of Adam Smith. The second video, about 4 minutes, examines how a reduction in trade barriers might help to close this gap.



The third video looks at the research being conducted by David Wiczer on Social Security's disability insurance program. Given the large number of people "on disability" these days and the resulting public debate over such, Wiczer sought out to see how far from ideal is the current program we have in the United States. In this video, a bit over 4 minutes, Wiczer also explains that most everyone gets something out of this program—even those who are not disabled—because the insurance encourages people to take on dangerous jobs that need to be done.



Earlier videos in this series looked at the gold standard and the regional structure of the Federal Reserve System. To watch any of these videos, go to <https://www.stlouisfed.org/timely-topics>.

SAVE THE DATE FOR COMMUNITY BANKING RESEARCH CONFERENCE

Community bankers, academics, policymakers and bank supervisors from around the country will meet Sept. 28-29, 2016, at the Federal Reserve Bank of St. Louis for Community Banking in the 21st Century, the annual community banking research and policy conference sponsored by the Federal Reserve System and the Conference of State Bank Supervisors.

The conference, which features the latest community banking research, will be available to view via live webcast throughout both days.

To view the proceedings and the research of the 2015 conference, visit the conference website at www.communitybanking.org. Details on the upcoming fourth annual conference will be available there later this year.



We welcome letters to the editor, as well as questions for "Ask an Economist." You can submit them online at www.stlouisfed.org/re/letter or mail them to Subhayu Bandyopadhyay, editor, *The Regional Economist*, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442.