

# **Princeling's Privilege: Intergenerational Transmission of Political Influence on Income<sup>1</sup>**

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## **Abstract**

This paper examines the impact of parental political influence on offspring's income. The identification strategy isolates the effect of political influence from other parental characteristics by exploiting an age-based mandatory retirement rule in China. After retirement, a bureaucrat's characteristics such as social network do not change immediately, but he or she is no longer in the position of power to exert political influence. Hence, the difference in offspring's income can be interpreted causally as the return to political influence. Using difference-in-difference that controls for income trends, it finds that the income premium associated with parental political influence is 15%, with the effect largely concentrated for offspring who are in the same industry sector with the parents.

**Keywords:** Intergenerational Persistence; Corruption

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