

PhD in Economics Reading Group
Modelling income dynamics, inequality and mobility
Lorenzo Cappellari

The course offers an overview of the literature on earnings dynamics with a focus on empirical work done in this area and practical estimation issues.

Wage and income distribution have been widening worldwide in the past 30 years, prompting a vast academic literature and spurring a hot policy debate on the necessity of remedies for levelling the economic playing field. Inequalities are all the more troublesome when they are transmitted across the generations, creating a polarized society in the long-run. The increasing availability of population based administrative data on income has allowed paramount progress in the econometric analysis of inequality, its dynamic aspects and its connections with individuals' socio-economic networks.

The module covers current applied econometrics research on inequality along two specific dimensions. The first will be on family background and intergenerational mobility. The second will be firm-driven wage inequality. The focus will be on the substantive contents and on the related applied econometric issues. Students will be exposed to recent papers from the literature and to ongoing research projects within the Università Cattolica Strategic Grant "Evidence Based Anti-Poverty Policies"

2. Contents

Lecture 1

- GMM estimation of the canonical Random Effect Model
- Dynamic specifications of the error components
- Including time and cohort effects

Lecture 2

- Applications to the joint earnings dynamics of groups of individuals
 - o Family members: Intergenerational transmission
 - o Community members: Community-based inequality
 - o Co-workers: Firm-based Inequality

3. Structure and evaluation method

Lectures 1 and 2 will provide students with an overview of state-of-the-art research on the two topics. (5 hours). These will be followed by a first workshop in which students will present papers (not necessarily published) from the literature covered in Lecture 1, and a second workshop on the topics of Lecture 2 (10 hours in total)

Afterwards, each student will write a referee report on an unpublished paper

Final evaluation will be based on workshop presentation (66%) and referee reports (34%)

References

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