INEQUALITY, REDISTRIBUTION AND MOBILITY

Edited by Juan Gabriel Rodríguez and John A. Bishop

RESEARCH ON ECONOMIC INEQUALITY

VOLUME 28

INEQUALITY, REDISTRIBUTION AND MOBILITY

RESEARCH ON ECONOMIC INEQUALITY

Series Editors

John A. Bishop
East Carolina University, USA

and

Juan Gabriel Rodríguez
Universidad Complutense de Madrid, Spain

RESEARCH ON ECONOMIC INEQUALITY, VOL. 28

INEQUALITY, REDISTRIBUTION AND MOBILITY

EDITED BY

JUAN GABRIEL RODRÍGUEZ
Universidad Complutense de Madrid, Spain

and

JOHN A. BISHOP
East Carolina University, USA

United Kingdom – North America – Japan
India – Malaysia – China

Emerald Publishing Limited
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2021

British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

ISBN: 978-1-80043-040-2 (Print)
ISBN: 978-1-80043-039-6 (Online)
ISBN: 978-1-80043-041-9 (Epub)

ISSN: 1049-2585 (Series)

CONTENTS

This page intentionally left blank

LIST OF CONTRIBUTORS

Francesco Andreoli	Department of Economics, University of Verona, Italy and Luxembourg Institute of Socio-Economic Research (LISER), Luxembourg.
Rodrigo Aranda	Andrew Young School of Policy Studies, Georgia State University, USA
Orsetta Causa	OECD Economics Department, France
Satya R. Chakravarty	Economic Research Unit, Indian Statistical Institute, India
Nachiketa Chattopadhyay	Sampling and Official Statistics Unit, Indian Statistical Institute, India
Alessio Fusco	Luxembourg Institute of Socio-Economic Research (LISER), Luxembourg
Mikkel Hermansen	OECD Economics Department, France
Nizamul Islam	Luxembourg Institute of Socio-Economic Research (LISER), Luxembourg
Marek Kosny	Department of Econometrics and Operations Research, Faculty of Economics and Finance, Wroclaw University of Economics and Business, Poland
Arnaud Lefranc	IZA and CY Cergy Paris Université, CNRS, THEMA, France
Nora Lustig	Department of Economics, Tulane University, USA
Brian Nolan	INET, Department of Social Policy and Intervention, and Nuffield College, University of Oxford, UK
Vincenzo Prete	Department of Economics, University of Verona, Italy
Juan Prieto-Rodríguez	EQUALITAS and Departamento de Economía, University of Oviedo, Spain
Juan Gabriel Rodríguez	ICAE, EQUALITAS, CEDESOG and Departamento de Análisis Económico, Universidad Complutense de Madrid, Spain
Rafael Salas	ICAE, EQUALITAS and Departamento de Análisis Económico, Universidad Complutense de Madrid, Spain

Jacques Silber	Department of Economics, Bar-Ilan University, Israel
Oded Stark	University of Bonn, Germany; University of Warsaw, Poland
Stefan Thewissen	OECD Employment, Labour and Social Affairs Directorate, France
Gaston Yalonetzky	Leeds University Business School, Economics Division, University of Leeds, UK

INTRODUCTION

Research on Economic Inequality: Inequality, Redistribution and Mobility begins with an overview of rich countries' income growth and transfer programs. In the opening chapter, Nolan and Thewissen caution that the US experience cannot be generalized to all rich countries. While it is true that the vast majority of these countries experienced Gini type increase in inequality, income growth at the bottom and middle show that there is a diversity of experiences across these countries. They reject the "Grand Narrative" approach that suggests that all rich countries experienced extreme polarization.

In the second chapter, Causa and Hermansen investigate the changing role of tax and transfer policy in income leveling across OECD countries. Like Noland and Thewissen, they note that OECD averages "mask a great deal of heterogeneity." Also, like the previous chapter, they provide results for the important working-age population. One important finding is that the results vary by base year. Choosing the 1990s as the base shows consistent declines in redistribution; however, this conclusion is mitigated if they begin in the 1980s. The decline from the 1990s has many causes, although the decline in cash transfers is most noteworthy.

Chapters 3 and 4 ask us to reconsider our methodological approaches to mobility measurement. Chakravarty, Chattopadhyay, Lustig, and Aranda begin with the well-known Bartholomew mobility index, which in its current form "encompasses both downward and upward moments." The objective of their paper is to reinterpret the Bartholomew index in terms of directional mobility. They provide a partial ordering of intergenerational mobility "using the algebraic equivalent of generalized Lorenz curve." This methodological approach is employed to study directional mobility by race in the United States. The paper also includes an addendum applying a Bayesian approach to the Prais–Bibby index.

In Chapter 4, Kosny, Silber, and Yalonetzky use the absolute Lorenz curve to provide a partial ordering of intragenerational mobility. They begin by defining immobility as the case where for all individuals and time periods their observed income share is identical to their expected share. While this definition of immobility is identical to that of Shorrocks (1980), it allows them a unique way to derive new measures of multi-period mobility. To examine the usefulness of the new measures the authors study income mobility in Europe between 2005 and 2012. The focus on two interesting cases, mobility in "old EU" member versus "new EU" members, and secondly, on the effects of the financial crisis on income mobility.

Different circumstances in childhood such as family background lead to different levels of education and different occupational categories which, in turn, contribute to generate different levels of income during adulthood. In chapter 5, Andreoli, Lefranc, and Prete examine whether increasing educational attainment

allows equalizing opportunities for earnings acquisition. To this end, they evaluate the effect of rising compulsory schooling requirements in secondary education. Focusing on the French case they find that such education expansion equalizes opportunity among groups of students defined by family background circumstances, although it has a limited re-distributive effect on students' earnings distribution.

In Chapter 6, Fusco and Islam investigate the effect that the number of children of different age groups has on poverty. For this task, they apply static and dynamic probit models to control for endogeneity and to account for unobserved heterogeneity and state dependence. Using Luxembourg longitudinal data, they find that the number of children of different age groups significantly affects the probability of being poor. Moreover, they obtain strong evidence of poverty persistency due to past experience.

The purpose of Chapter 7 is to provide a link between the allocation advocated by Rawls in *A Theory of Justice* and a set of economic ground principles of welfarism and utilitarianism. Assume that the social stress of a population can be measured by the population's aggregate relative deprivation. Then, Oded Stark proves that a social planner who seeks to allocate a given sum in order to reduce efficiently the social stress of a population pursues a disbursement procedure that is identical to the procedure adhered to by a Rawlsian social planner who seeks to allocates the same sum in order to maximize the Rawlsian maximin-based social welfare function. Therefore, an economics-based rationale for the philosophy-based constrained maximization of the Rawlsian social welfare function is a constrained minimization of aggregate relative deprivation.

In the final chapter, Prieto, Rodríguez, and Salas analyze the measurement of wage discrimination when information is imperfect. Traditionally, wage discrimination studies assume a priori which workers are suffering from discrimination. However, when antidiscrimination laws mean that severe penalties can be imposed on discriminatory employers or when unobserved heterogeneity is significant, this may not be a good assumption. These authors develop a wage discrimination model in which workers are not classified a priori. It is a probabilistic generalization of the standard empirical framework, whereas the Oaxaca–Blinder model appears as an extreme case. To estimate the probabilities of being a discriminated or a non-discriminated worker, they propose a finite mixture model and illustrate their proposal with the estimation of wage discrimination in Germany and the United Kingdom.