

# Essays on inter-generational dynamics in Economics

Fabien Petit

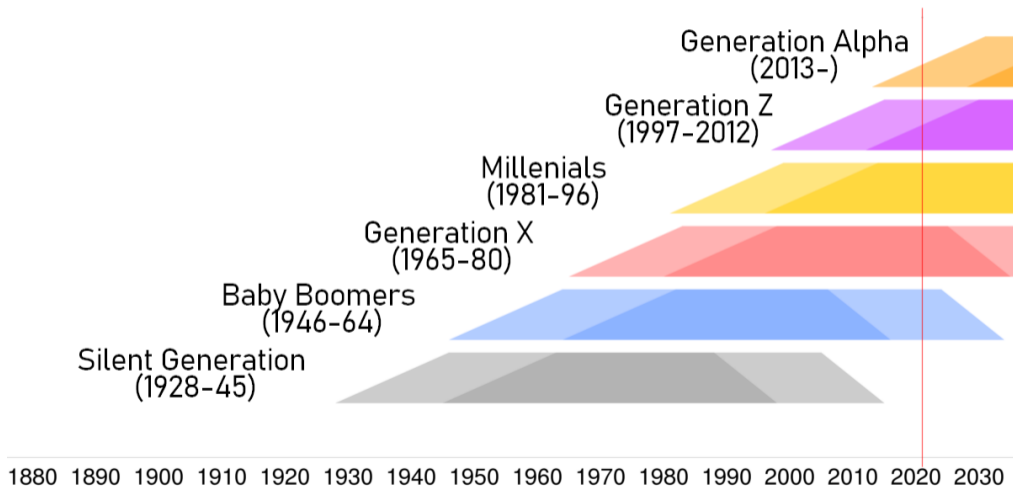
Aix-Marseille University, CNRS, AMSE

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[www.fabienpetit.com](http://www.fabienpetit.com) | [fabien.petit@univ-amu.fr](mailto:fabien.petit@univ-amu.fr)



# What generation are you?



## This thesis

Generations have diverging  
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# Outline

Introduction

1st Chapter – Inter-generational conflict and the declining labor share

2nd Chapter – Spreading the polarization disease: From the labor market to social mobility  
*(joint research with Cecilia García-Peñalosa and Tanguy van Ypersele)*

3rd Chapter – Spillover effects across values

Conclusion

# Motivation

- Generations vote differently (e.g. French presidential elections and Brexit)
  - Vote determines public policy which shapes labor market institutions
  - Change in the age structure of the population: Baby-boomer cohorts (1945-1965)
  - Decline of the labor share in many OECD countries since the beginning of the 1970s
- ⇒ Is there a coincidence in timing? To what extent the age structure can influence the institutions that play a role in the income allocation?

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## This chapter

- **THEORY.** I build an OLG model in which generations with diverging interests vote to determine labor market institutions that matter for wage bargaining
  - ⇒ Firms shifted away from labor toward capital to respond to young boomers' appropriation of the rents
  - ⇒ Expected reversal of the labor share is dampen by the extensive savings of the boomers (i.e. capital deepening)
- **CALIBRATION.** I calibrate the model for France and the US starting in 1950
  - ⇒ 1 pp. of the labor income share will shift to capital income every 20 years until 2100

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# Main contribution

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(Schmidt and Vosen 2013, D'Albis et al. 2021, Acemoglu and Restrepo 2022)

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- **Increase in job polarization** (Autor et al. 2003, Goos and Manning 2007, Goos et al. 2014, i.a.)
    - ▶ Share in total employment of low- and high-paying occupations has increased at the expense of that of middling occupations
  - **Decline in mobility in the last decades** (Blanden et al. 2007, Chetty et al. 2020, i.a.)
    - ▶ Strengthened the link between individuals' origins and their socio-economic outcomes
- ⇒ Can individuals from less well-off backgrounds still climb the social ladder as the middle rungs become scarce?

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## This chapter

- **THEORY.** We develop a model to illustrate how the availability of middling jobs is related to social mobility
  - **DATA.** We use data on two mature British cohorts born in 1958 and 1970 and exploit the fact that the younger cohort entered a much more polarized labor market
  - **EMPIRICS.** We disentangle changes in social mobility that are due to intra- (job-to-job transition) versus inter-generational component (family background)
- ⇒ Intra-generational mobility matters for the correlation between parent and child outcomes
- ⇒ Increased differences in intra-generational mobility according to family background



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## Main contribution

### ■ Determinants of inter-generational mobility

- ▶ Education (Blanden and Macmillan 2014, Blanden and Macmillan 2016, Crawford et al. 2016, i.a.)
- ▶ Individuals characteristics (Chadwick and Solon 2002, Chetty et al. 2020)
- ▶ Childhood outcomes linked to family background and the quality of neighborhood (Heckman et al. 2006, Blanden et al. 2007, Chetty et al. 2014, i.a.)

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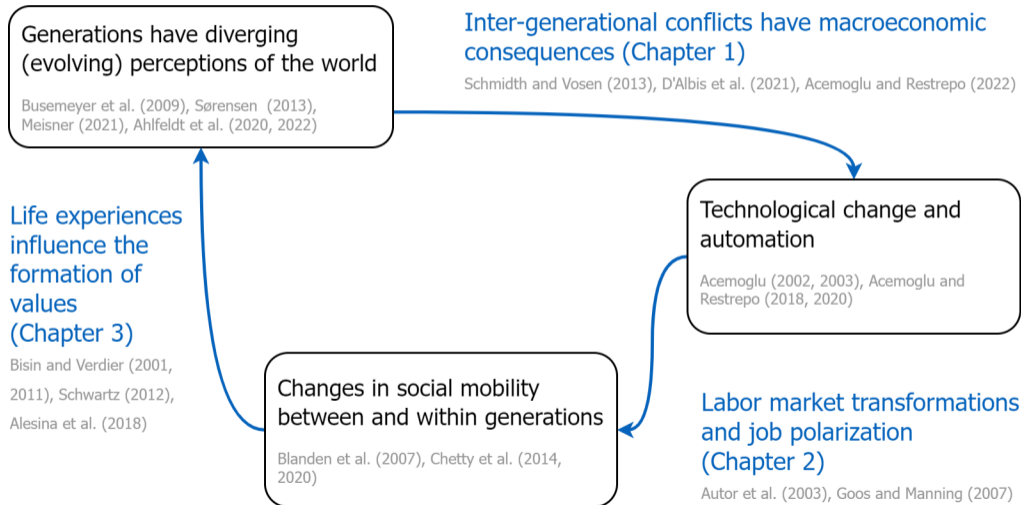
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- **Individuals' values** are personal beliefs about what is important in life
  - Life experiences affect values (e.g. having a girl  $\Rightarrow$  more progressive)
  - Values characterize preferences that themselves shape individuals' decisions explaining future gaps in economic outcomes (e.g. preference for leisure  $\Rightarrow$  effort  $\Rightarrow$  wage)
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- $\Rightarrow$  What happens when there is more than one value?

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- **THEORY.** I build a model to explain how an agent adjusts her values after a life event based on group identity and cognitive dissonance
  - ⇒ Shocks to one value that induce a change in group membership will lead to changes in other values (spillover effect)
- **DATA.** I use British cohort data in which I measure individuals' values at several ages
- **EMPIRICS.** I estimate the effect of several life events on values
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(Piketty 1995, Mayda 2006, Fernández 2007, Washington 2008, Alesina et al. 2018 i.a.)

⇒ I show that neglecting the inter-dependence between values underestimates to which extent life experiences affect individuals because this omits the spillover effects

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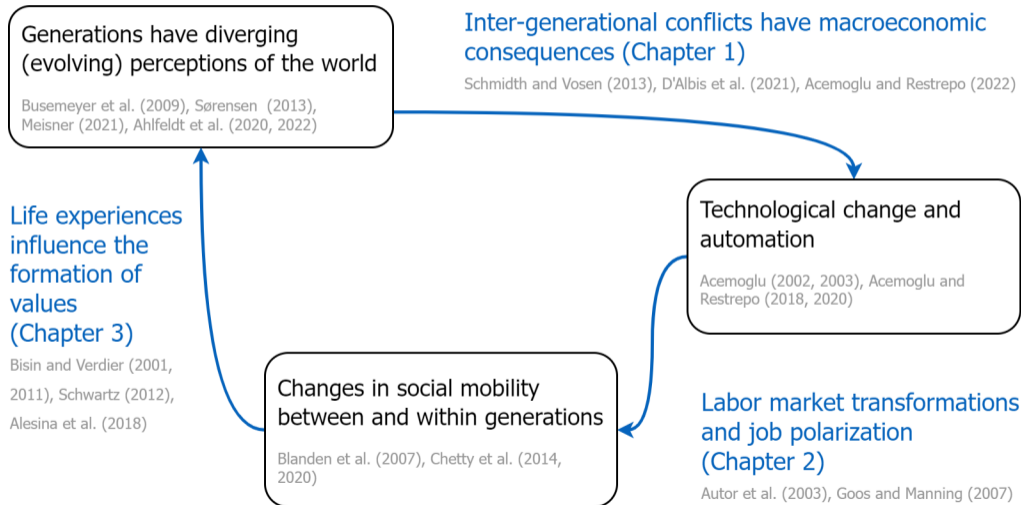
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