

# Essays on inter-generational dynamics in Economics

Fabien Petit

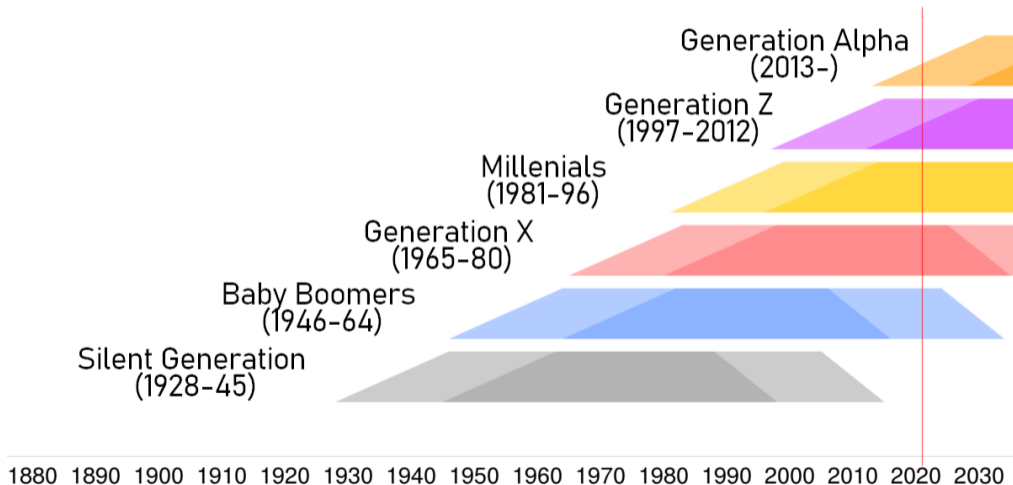
Aix-Marseille University, CNRS, AMSE

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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  
(evolving) perceptions of the world

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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

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# Main contribution

- Consequences of demographic changes for the allocation between capital and labor income  
(Schmidt and Vosen 2013, D'Albis et al. 2021, Acemoglu and Restrepo 2022)

I introduce a new mechanism based on endogenous labor market institutions



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# Motivation

- **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.)

We show that intra-generational mobility is essential to understand the link between family background and individuals' outcomes when mature

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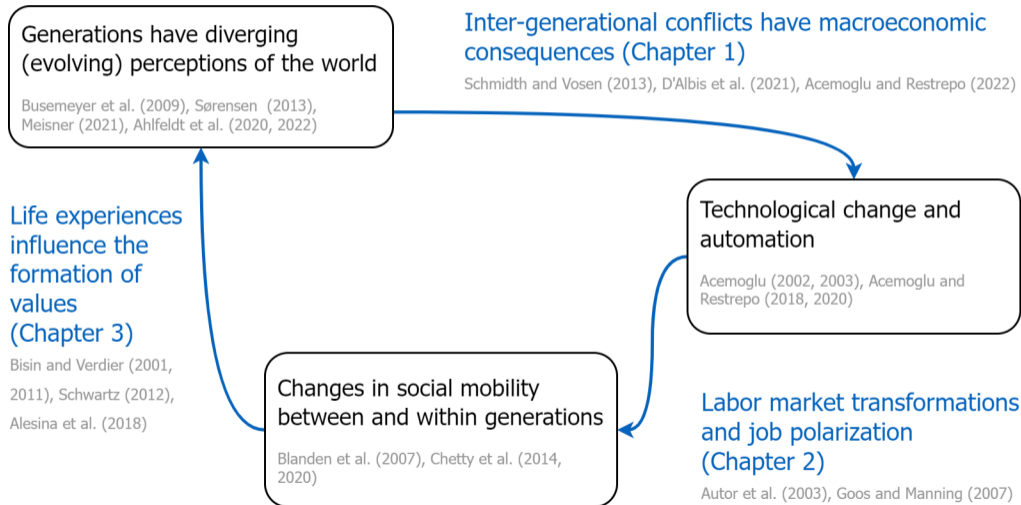
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# Motivation

- **Individuals' values** are personal beliefs about what is important in life
- Life experiences affect values (e.g. having a girl → more progressive)
- Values characterize preferences that themselves shape individuals' decisions explaining future gaps in economic outcomes (e.g. preference for leisure → effort → wage)
- Prior work has focused on one particular experience affecting a single value

What happens when there is more than one value?

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## This chapter

- **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

Life events change values throughout the lifecycle and spillover effects across values exist

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## Main contribution

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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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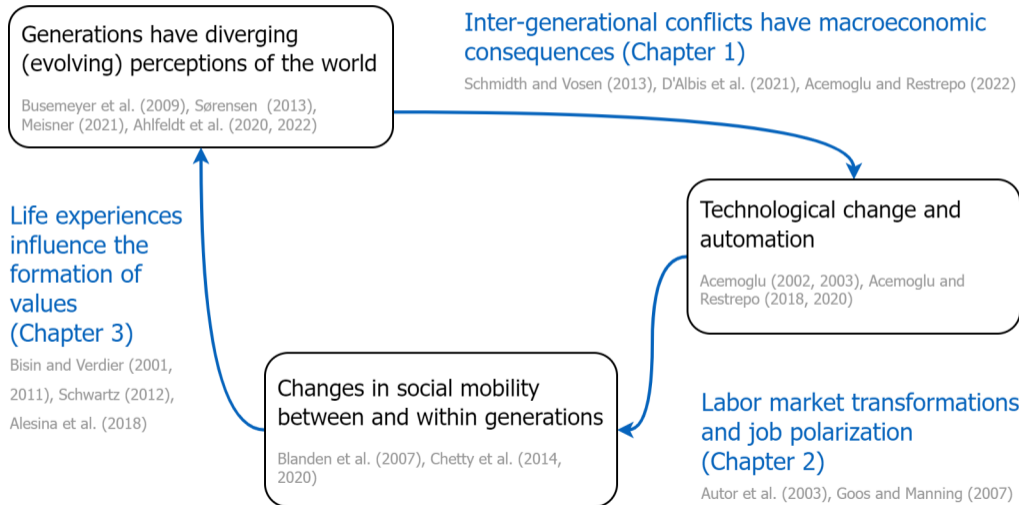
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