

MEASURING WEALTH MOBILITY IN ITALY

Andrea Neri*

*Prepared for
IARIW 30th General Conference, Slovenia, August 24-30, 2008*

July 2007

Abstract

The aim of the paper is to measure the Italian households' mobility across the wealth distribution in the 1989-2004 period. Since estimates of mobility are highly sensitive to measurement errors and transitory shocks, the analysis aims at separating true change from noise. Once measurement issues are taken into account, a more static view of Italian society emerges. In the reference period, Italian households show a lower (than observed) level of mobility, especially among distant classes. Moreover, mobility declines from 1989 to 2004. This is mainly due to the dynamics of asset prices and household savings. On the opposite, socio-demographic characteristics account for only a small fraction of overall mobility.

JEL classification: C33, D3, P46

Keywords: household wealth, attrition, measurement error, mobility, latent class analysis

Contents

1. Introduction.....	2
2. Data.....	3
3. Issues in the measurement of household wealth mobility	5
4. Models for separating true and spurious change	7
5. Wealth mobility in Italy.....	10
5.1 Observed wealth mobility.....	10
5.2 Models for wealth mobility	12
5.3 Mobility within the distribution.....	15
5.4 Robustness checks	19
6. Concluding remarks.....	22
Appendix A	24
Sample attrition in the SHIW	24
Measurement errors in the SHIW	31
Appendix B: Statistical tables	33