

Earnings dynamics in Europe

Citation for published version (APA):

Sologon, D. M. (2010). *Earnings dynamics in Europe*. [Doctoral Thesis, Maastricht University]. Boekenplan Maastricht. <https://doi.org/10.26481/dis.20100604ds>

Document status and date:

Published: 01/01/2010

DOI:

[10.26481/dis.20100604ds](https://doi.org/10.26481/dis.20100604ds)

Document Version:

Publisher's PDF, also known as Version of record

Please check the document version of this publication:

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Propositions for “Earnings dynamics in Europe” by Denisa Maria Sologon

- (1) Understanding earnings mobility is a prerequisite for understanding earnings inequality.
“A major problem in interpreting evidence on the distribution of income is the need to distinguish two basically different kinds of inequality: temporary, short-run differences in income, and differences in long-run income status. Consider two societies that have the same distribution of annual income. In one there is great mobility and change so that the position of particular families in the income hierarchy varies widely from year to year. In the other, there is great rigidity so that each family stays in the same position year after year. Clearly, in any meaningful sense, the second would be the more unequal society. The one kind of inequality is a sign of dynamic change, social mobility, equality of opportunity; the other of a status society.” (Milton Friedman, 1962)
- (2) Earnings mobility is perceived in the literature as a way out of poverty. In the absence of mobility the same individuals remain stuck at the bottom of the earnings distribution, hence annual earnings differentials are transformed into lifetime differentials.
- (3) Decomposing the growth in earnings inequality into permanent and transitory components is crucial for understanding the potential implications of increasing annual earnings differentials for long-term and lifetime earnings differentials.
- (4) The pattern of the three labour market outcomes - permanent earnings inequality, transitory earnings inequality and earnings immobility – is shaped by a highly complex framework, where the labour market policy and institutional factors interact significantly not only with each other and with the overall institutional setting, but also with the macroeconomic shocks.
- (5) Economic writing should dismiss “Miss’s Jones” rules. “Worst of all, Miss Jones fastened onto our impressionable minds the terrible, iterative rule of Jonesian arrangement: “Say what you’re going to say; say it; say that you’ve said it.” The Jonesian rule has nearly ruined economic prose. Papers in economics consist mostly of summary, outline, anticipation, announcement, redundancy, and review. They never get to the point.” (p.11, Deirdre McCloskey, *Economic Writing*, 2nd Edition)
- (6) “And it takes no time to fall in love
But it takes you years to know what love is
It takes some fears to make you trust
It takes those tears to make it rust
It takes the dust to have it polished”
(Jason Mraz Lyrics, *Life is Wonderful*)
- (7) Life is all about connecting the dots.
“Again, you can't connect the dots looking forward; you can only connect them looking backwards. So you have to trust that the dots will somehow connect in your future. You have to trust in something – your gut, destiny, life, karma, whatever. This approach has never let me down, and it has made all the difference in my life. ... You've got to find what you love. ... Stay Hungry. Stay Foolish.”
(Steve Jobs, CEO of Apple Computer and of Pixar Animation Studios)