Inequality and Structural Change under Non-Linear Engels' Curve

Date: Thursday, 8 June 2017 – 2 pm

Venue: Seminar Room, Department of Economics and Management

Speaker: Giulia Felice – Politecnico di Milano

Abstract
We analyse the relationship between income inequality and structural change in the sectoral composition of tradable and non-tradable sectors. We build a small open economy – two sector model where preferences imply non-linear Engel curves and we show that the relationship between income inequality and structural change crucially depends on the nonlinearity of the Engel curves. We calibrate the model showing that it explains the observed patterns of structural change in terms of the sectoral composition of consumption and employment. Counterfactual exercises give some insights on how income inequality contributes to explain structural change and to reduce GDP in this framework.

JEL: O41, O47.

Keywords: Income inequality, structural change, Engel curves.