On the Specification and Estimation of a Microeconomic Recursive Model of Italian Human Capital, Income and Wealth Determination

Camillo Dagum, University of Bologna (Italy) and University of Ottawa (Canada)
Giorgio Vittadini, University of Milano Bicocca (Italy)

From the statistical point of view, the Human Capital (HC) can be defined as a Latent Variable (LV) measured by a set of observed mixed indicators in a Path Analysis Model. The HC estimate considers the definitions advanced for an LV in a path analysis with respect to formative and reflective indicators. Starting from the estimated standardized latent variable, and applying actuarial mathematics, the monetary value of HC is obtained. At this point by means of the Dagum recursive model (Dagum 1994 and Dagum et al. 2003) it is possible to explain the household human capital, income and wealth determination, and their distributions, and to derive from the model the short and long term multiplier matrices. The method has been utilized to estimate the 1983 U.S. household distribution of HC. Until now no estimate of European Household Human Capital and its distribution exists. In this paper the method applied to the U.S. is followed to estimate the Italian Household Human Capital distribution, in 2000, in monetary units and to explain the household human capital, income and wealth determination and their distributions.

References