

19th Annual Conference on Economic Growth and Development Indian Statistical Institute, Delhi

The Income Structure:
he are no onking with the following model.
we are working with the following model: yi = vit y + y T jit jit jit
And termanent Income Dynamics: ye = Pyp + Ea.
Egiz: Shock/ Innovation to permanent Income.
for simplicity (notational): y T = Vit
The DLS Regnession: y = B + B (age) + Eir (By Torotti, S) Statz that as la station of ALBY [The state of the Blundell too)
First, the call station of By, [The Autoregrassive Parameter].
The permanent component of income follows on AR(1) process:
As per Tonetti, finding the Variance of yie at time t=0.
Jie Jie-c Jie.
Taking Variance on Both Sides:
van (yit) = Van (Pyit) + Van (Epie)
Then,
vanlyite) = P Vanlyite-1) + 5 =

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And for the stationary variance of yie, following the stationarity condition, # 191<1, lim Var(yit) = (some constant). Then let, Var(yit) = var (yit-1) = Var(yi,0) = Var yp. varyp = 92 Varyp + 4 & Vanyp = $\frac{\hat{\sigma}^2}{1-\hat{s}^2}$ holds true at t=0. And for the calculation of the Autoregressive Parameter i.e. 'P', Again, having the AR(1) process, yie = Bo + B, yie -, + Ei, + .

$$\hat{y} = \frac{\text{Cov}(y_{i}, y_{i}, y_{i},$$

And from the data, the sample counterpart

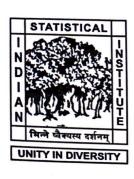
can be considered

$$\hat{S} = \sum_{i} (y_{ik}^{c} - \bar{y})(y_{ik}^{c} - \bar{y})$$
; $\bar{y} = Mean of$
 $\sum_{i} (y_{ik}^{c} - \bar{y})^{2}$
 y_{ik}^{c}

(the Analogous to

calculation of β ,).

IPIXI would ensure stationarity. And again,



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for the calculation of the value of the individual-specific component]
The model which we have:
T T
yie = xi+ yie T
In the data, Ki is not directly visible.
the boxe considered to a viene of little value to be indicative
Q in the second of the second
of the the variance of individual -specific component.
It has been taken from the regression of the lagy ~ age
Andlogy: En & länkoux / model
For the transitory component's variance,
yie = xi + yie + yie
The part of the
Vie.
Calculating
the vericine e.
The venicing &
* can be calculated using the residuals (vode available in
of can be calculated using the residuals (code available of the repository).