

Pareto Distributions in Economic Growth Models

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論文要旨

This paper analytically demonstrates that the tails of income and wealth distributions converge to a Pareto distribution in a variation of the Solow or Ramsey growth model where households bear idiosyncratic investment shocks. The stationary Pareto distribution is generated by multiplicative investment shocks on wealth accumulation and borrowing constraints. The Pareto exponent is shown to be decreasing in the shock variance and increased by redistribution policies by income or bequest tax. I argue that the Pareto exponent is determined by the balance between the savings from labor income and the asset income contributed by risk-taking behavior.

キーワード： Income distribution; wealth distribution; Pareto exponent;
idiosyncratic investment risk; borrowing constraint; redistribution

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