Wage Indeterminacy in Occupational Choice

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Abstract

This paper analyzes an occupational choice model with credit market imperfections where the borrowing limit is endogenously determined. The paper shows the condition that the initial equilibrium wage is uniquely determined, and the wage from the next period becomes indeterminate. The model implicates that the polarization of the wealth might cause the volatile wage.

Keywords: Wealth Inequality, Occupational choice, Indeterminacy

JEL Classification: D31, D82, O11

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