Pending

Decory Edwards

Johns Hopkins University

Outline

Data on Household Wealth in the U.S.

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- ?

Question:

Figure:

Explaining Inequality in the Distribution of Wealth

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Modeling the Macroeconomy with Heterogeneous Agents

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Empirical Evidence of Heterogeneous Rates of Return to Assets

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Figure:

Possible Explanations for Differing Returns to Savings

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Description of the household consumption-saving problem

Rate of return and the evolution of market resources

Conditions for the existence of a target level of market resources

Estimation procedure

- No ex-ante heterogeneity: capital-to-output ratio
- Ex-ante heterogeneity in R: lorenz targets

Estimation procedure with heterogeneity

Describe the model

How well does the model distribution match the SCF wealth data?

PY Uniform dist assumption - r-point and R-dist models and lorenz data on one graph Aggregate MPC?

Revisiting the empirical evidence on heterogeneous rates of return

Table of moments from the 2020 Fagereng et al paper.

The estimated uniform distribution of returns for households

Graph Moments Both side by side with graph and moments from Fagereng
Too Restrictive?

Matching the SCF data with an ex-ante lognormal distirbution of returns

PY lognormal dist assumption - r-point and R-dist models and lorenz data on one graph Aggregate MPC?

The estimated lognormal distribution of returns for households

Graph Moments Both side by side with graph and moments from Fagereng

Why match the data on liquid wealth?

capital-to-output ratio for liquid wealth lorenz targets for liquid wealth - where do each come from?

How well does the model distribution match the liquid wealth data?

PY Uniform dist assumption - side by side r-point and R-dist models
Aggregate MPC?

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Work left to be done in this paper

- Robustness checks
  - Life cycle version of the model
  - More recent wealth data from the SCF

Future directions for this work

- Scale dependence of heterogeneous rates of return
    - Fagereng et al.
    - Other relevant literature
- Endogenizing differences in the rate of return
    - Trust
    - Financial knowledge/sophistication
    - Entrepreneurial talent
- Implications of wealth v.s. capital income taxation
    - cite Guvenen et al.