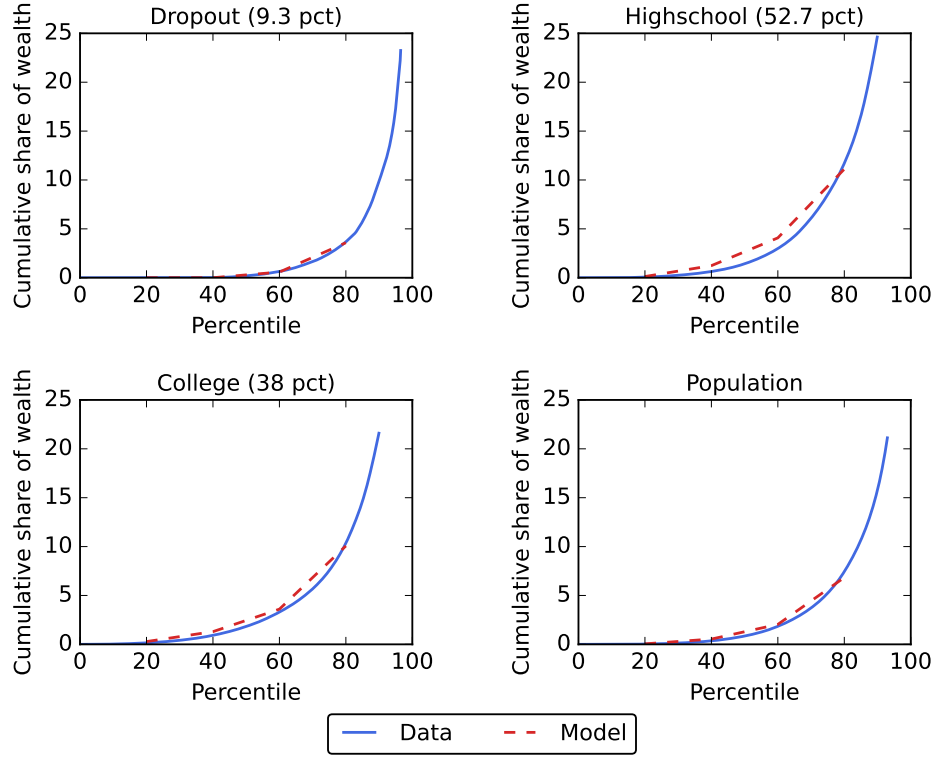


Figure 1 Wealth distribution fit by education group



Note: This figure validates the discount factor estimation methodology (Section ??). Separate discount factor distributions $\beta_e \pm \nabla_e$ are estimated for each education group to match the median liquid-wealth-to-permanent-income ratio and the 20th, 40th, 60th, and 80th percentile points of the Lorenz curve for liquid wealth. The model successfully avoids the “missing middle” problem identified by Kaplan and Violante (2022), where insufficient wealth accumulation occurs in the middle of the distribution. The “Population” panel demonstrates that pooling the three calibrated education groups produces a realistic aggregate liquid wealth distribution.

References

KAPLAN, GREG, AND GIOVANNI L VIOLANTE (2022): “The Marginal Propensity to Consume in Heterogeneous Agent Models,” Working Paper 30013, National Bureau of Economic Research.