

Intergenerational Wealth Effects

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Abstract:

Individuals driving utility of holding wealth has been long recognized in the literature. We propose a model of wealth externalities which extends wealth effects across generations, i.e. a infinitely lived representative household taking utility from the wealth of her past wealth levels. Stability and transitional dynamics has been laid out as well as the conditions under which the economy undergoes complex dynamics. Intergenerational wealth effects help explain a number of empirical facts which is otherwise unexplained under optimal growth framework.

Keywords: Wealth Effects, Distributed Delay, Complex Dynamics

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