HOW DO THE RICHEST 1% OWN 50% OF GLOBAL WEALTH IN AN INTEGRATED WALRASIN-GENERAL-EQUILIBRIUM AND ONIKI-UZAWA'S TRADE THEORY

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Abstract

This paper constructs a dynamic growth model with multi-country economies and heterogeneous households in each national economy. Our main interest is to explain economic mechanisms of how the richest 1% of the population own 50% of global wealth in a freely competitive environment. The main determinants of growth and inequality in our model are endogenous wealth and human capital accumulation under perfectly competitive conditions and free trade. The production technologies and economic structure follow the standard neoclassical growth theory. We show how wealth accumulation, human capital accumulation, division of labor, time distribution, international trade interact with each other under perfect competition. We simulate the model with three countries and three groups of the population in each country. We demonstrate that the rich 1% own more than half of the global wealth. We also demonstrate how changes in the rich's human capital utilization efficiency, the rich's efficiency of learning through consuming, and the rich's propensities to save, to consume, and to enjoy leisure, affect global and national growth and inequalities between the rich and the poor and between countries not only with regard to wealth and income, but also with regard to human capital, consumption, and leisure time.

Keywords: global growth and inequality; learning by consuming; multiple countries; heterogeneous households.
JEL Classification: O41.

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