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Growing Income Inequality due to Biased Technological Change

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Highlights

- This paper presents a model in which technological change increases the income share of reproducible factors at the expense of non-reproducible ones generating permanent growth.
- The utility function is one of the "keeping up with the Joneses" type, implying that non-reproducible factors (raw labor) are more equally distributed than reproducible ones.
- Technological change increases the share of less equally distributed factor (reproducible factor) at the expense of the more equally distributed factor (non-reproducible factor), generating inequality.
- Complementarities between learning by doing and technological adoption may generate permanent growth but also stagnation.

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