



Introduction

- Theoretical exploration of link between growth process and income distribution in the closed and open economies
- Focus on one mechanism:
  - **Sorting** of heterogeneous workers into idea-generating and idea-using activities
  - **Matching** of workers with heterogeneous firms/technologies/research projects
- Model designed to speak to inequality throughout wage distribution
- Many other mechanisms are absent; e.g.,
  - Differences in savings propensity between rich and poor (Kaldor)
  - Poor households face credit constraints (Galor and Zeira)
  - Greater inequality generates more redistribution via political process (Alesina and Wacziarg, Johnson and Tabellini)
- Here, growth and income distribution are **jointly** determined