

# **Evolution of the personal income distribution in the USA: High incomes**

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## **Abstract**

The personal income distribution (PID) above the Pareto threshold is studied and modeled. A microeconomic model is proposed to simulate the PID and its evolution below and above the Pareto income threshold. The model balances processes of income production and dissipation for any person above 15 years of age. The model accurately predicts the observed dependence of the number of people reaching the Pareto threshold on work experience and the functional dependence of the relationship on the per capita real GDP growth for the period from 1994 to 2002. Predictions of the income distribution depending on age are given for past and future. In future, relatively less rich people are observed in the younger age groups and the peak of the relative number shifts to older ages with time. The effect of the power law distribution extending itself to very high incomes is speculated to be the cause of low performance of socialist countries.

Key words: personal income distribution, Pareto distribution, microeconomic modeling, USA, real GDP, macroeconomics

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