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# WEALTH INEQUALITY IN A HETEROGENEOUS-AGENT STOCK-FLOW CONSISTENT MODEL

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We develop a stock-flow consistent (SFC) growth model with heterogeneous households to study the structural determinants of wealth inequality. Empirically, wealth distributions are substantially more skewed than income distributions and exhibit heavy right tails, with a large concentration of wealth at the top. Standard life-cycle models have struggled to reproduce these empirical features. Despite numerous extensions—including stochastic labour income, precautionary saving motives, bequest behaviour, and medical expenditure risk—these frameworks typically generate insufficient wealth concentration at the top of the distribution.

Empirical contributions have emphasised the importance of heterogeneity in returns to wealth as a key mechanism for explaining top wealth accumulation. In particular, private business wealth has been identified as a central component of top wealth portfolios. This type of wealth tends to yield higher and more volatile returns than financial assets held by the median household, and its ownership is highly concentrated. However, mainstream models typically abstract from institutional distinctions in asset ownership and therefore struggle

to incorporate the class-specific structure of wealth accumulation observed in capitalist economies.

We argue that Keynesian stock-flow consistent models provide a more appropriate framework for analysing wealth inequality because they focus on the dynamics of balance sheets across interlinked institutional sectors rather than intertemporal utility maximisation of atomistic agents. In doing so, they naturally accommodate class structure and the macroeconomic interactions between different types of agents. However, most existing SFC models remain highly aggregated and therefore do not generate meaningful wealth distributions across heterogeneous households.

To address this limitation, we construct an SFC growth model with a disaggregated household sector consisting of capitalist and worker households. Capitalist households own private business equity in addition to public equity and bank deposits, while worker households are restricted to holdings of public equity and deposits. This institutional asymmetry generates persistent differences in wealth accumulation opportunities across classes. All households are subject to idiosyncratic income shocks, which introduce further heterogeneity in saving behaviour and portfolio dynamics over time.

Within this framework, we examine four distinct mechanisms that contribute to wealth inequality: (i) heterogeneous marginal propensities to save that vary with wealth levels; (ii) heterogeneous returns on wealth driven by class-based access to private business equity; (iii) heterogeneity in returns to wealth arising from wealth-dependent risk aversion impacting portfolio choice; and (iv) heterogeneous borrowing costs generated by collateral constraints in consumer credit markets.

The model will be calibrated using UK household data, allowing us to assess the quantitative relevance of each mechanism in generating empirically observed wealth concentration. In particular, we evaluate how far class-based asset ownership structures, as opposed to purely behavioural heterogeneity, can account for the extreme upper tail of the wealth distribution.

Overall, the paper contributes to the literature on wealth inequality by integrating stock-flow consistent macroeconomic modelling with heterogeneous-agent dynamics, and by highlighting the role of institutional class structure in shaping wealth accumulation processes.

Palavras-chave: wealth inequality; wealth distribution; stock-flow consistent model; growth model;.