

The Role of ICT for Income Inequality: The Model and the Simulations

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Abstract : This paper is to clarify the relationship between ICT and income inequality. To do so, we develop the general equilibrium model with ICT investment, obtain the equilibrium solutions, and then simulate the model with these solutions for some OECD countries. As a result, generally, during the corresponding periods we confirm that the relationship between ICT investment and income inequality is positive. In this mode, the increment of the ratio of ICT investment to the aggregated investment in stock enhances the capital's share of income, and finally leads to income inequality such as the increase of the share of the top decile income. Although we confirm the positive relationship between ICT investment and income inequality, the upward trend for that relationship depends on the values of parameters for the making use of the simulations and these parameters are not deterministic in the magnitudes on the calculated results for the simulations.

Keywords : ICT, inequality, capital accumulation, technology

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