

Skill-Biased Technical Change and Income Distribution: The U.S. versus Europe

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Abstract

This paper analyzes the effect of the recent technical change on the labor market and explains the observed differences in income distribution among advanced countries. In particular, we focus on the difference between the income distribution in the U.S. and continental Europe. By introducing human capital investment into Acemoglu (1999)'s model, we show that *ex ante* homogeneous economies would have distinct *ex post* income distribution. In addition, we show that the differences in tax or education system can explain the difference in income distribution between the U.S. and Europe.

Keywords: *skill-biased technical change, income distribution, human capital investment, matching*

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