

# Research Statement

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My research lies at the intersection of macroeconomics and finance. I investigate the distribution of wealth and savings in the economy and their impacts on macroeconomic outcomes. My work in this broad area of research is organized into three distinct strands: understanding the drivers of wealth inequality among households, clarifying the mapping between wealth and welfare, and studying the aggregate effect of the distribution of credit across firms.

## Wealth inequality

A large and growing body of research has documented an increasing concentration of income and wealth over the past 40 years (e.g., [17], [18], [16]). But what drives this rise in inequality? My research combines economic theory and empirical evidence to answer this question.

My work has led to two broad insights. First, the composition of households in top percentiles is not static but continuously shifting due to entry or exit. As a result, inequality dynamics are shaped not only by the dynamics of existing fortunes, but also by the emergence of new fortunes. Second, financial holdings and transactions vary across the wealth distribution, which means that asset returns generate large and persistent changes in inequality. Whether these asset returns reflect changes in asset cash flows or discount rates, however, has important implications for how wealth inequality translates into welfare inequality

In “**Wealth Inequality and Asset Prices**” [4] (Forthcoming at Review of Economic Studies), I document that, because wealthier individuals own more risky portfolios, shocks in equity returns generate large and persistent fluctuations in top wealth inequality. In turn, because wealthier households have a higher demand for risky assets, this rise in inequality tends to push up equilibrium asset prices. After calibrating a model on the U.S. data, I show that this feedback loop can explain a significant portion of the 20th-century fluctuations in asset prices and wealth inequality.

Although rising equity prices have played a role in the dynamics of inequality, they do not fully explain the rapid rise in inequality in the past four decades. What, then, accounts for this phenomenon? In “**Decomposing the Growth of Top Wealth Shares**” [3] (Econometrica, 2023), I

highlight the role of composition changes. Specifically, I develop an accounting framework that decomposes the growth of the average wealth in a top percentile into three components: (i) a *within* term, equal to the average wealth growth of individuals initially in the top percentile (i.e., Piketty’s “ $r - g$ ”); (ii) a *between* term, reflecting the impact of new fortunes entering the top percentile and displacing existing ones; and (iii) a *demography* term, accounting for the effects of mortality, inheritance, and population growth.

Using panel data from Forbes 400, I show that the *within* and *between* components have contributed equally to the recent rise in top wealth shares. In other words, the recent rise in wealth inequality is equally driven by the high growth rate of existing fortunes and the explosion of new ones — the former dominates from 2000 to 2020, while the latter dominates from 1980 to 2000. This accounting framework requires panel data, which is unfortunately very rare in the literature. To enable researchers to quantify the impact of compositional changes in other settings, I also use continuous-time methods to derive closed-form expressions for the between and demographic components in terms of a few key parameters (e.g., return volatility, death rate).

My ongoing work, “**Decomposing Distributional Indices**” [10], extends this decomposition beyond top wealth shares. I show that changes in *any* inequality index (e.g., the Gini index, Herfindahl index, or higher-order moments) can be decomposed into these same three components, capturing: (i) the dispersion in average wealth changes across percentile groups, (ii) the dispersion in wealth changes within percentile groups, and (iii) population changes. This result generalizes and unifies existing accounting frameworks in the literature (e.g., weighted averages [15], variance [14], top shares [3]), offering a systematic approach to decomposing inequality dynamics into their fundamental drivers.

What economic forces can explain the joint importance of the *within* and *between* terms in the rise in top wealth shares? In “**Wealth Inequality in a Low Rate Environment**” [5] (Econometrica, 2024), co-authored with Emilien Gouin-Bonenfant, we highlight the role of financial markets. More precisely, over the past four decades, a key macroeconomic trend has been the decline in interest rates (or, more broadly, discount rates) alongside stable profitability of capital—a pattern particularly evident in the rise of Tobin’s  $Q$ . We argue that this pattern can quantitatively account for the secular rise in top wealth shares since 1980. First, lower interest rates raise asset valuations, disproportionately increasing the market value of assets held by the wealthy (i.e., a rise in the *within* term). Second, lower rates reduce the cost of external financing, accelerating capital accumulation among young entrepreneurs and facilitating the emergence of new fortunes (i.e., a rise in the *between* term). Using new data on the trajectory of top U.S. entrepreneurs, we argue that the secular decline in asset discount rates explains approximately one-third of the rise in top U.S. wealth inequality.

In follow-up work, we investigate the economic forces driving this decoupling between the interest rate and the profitability of capital. While the neoclassical model predicts that investment should rise following a decline in interest rates —gradually reducing the marginal product of capital—investment rates have instead been declining. In the working paper “**Capital Income in an Intangible Economy**” [11], co-authored with Emilien Gouin-Bonenfant, we argue that, in intangible economies, capital formation does not simply require investment goods (e.g., machines, computers, plants); it also requires specialized labor (e.g., researchers, entrepreneurs, financiers, managers) and accumulated capital (e.g., building on past research or existing structures). These fixed factors limit the corporate sector’s capacity to absorb excess savings, leading to adjustments in prices rather than quantity both in the short run and in the long run. While, in the neoclassical model, the benefits of a decline in interest rates (or, say, a decline in corporate taxes) fall entirely on production workers, these benefits disproportionately accrue to capitalists and investment workers in intangible economies.

Quantifying the effect of different economic drivers on inequality requires calibrating and simulating models with heterogeneous agents. These computational methods can make it difficult to identify which assumptions drive specific outcomes in the model. In the working paper “**Counterfactual Wealth Distribution**” [8], I develop perturbation methods to analyze the response of top wealth shares to various counterfactual scenarios. This framework helps isolate the key forces and empirical moments that shape the dynamics of top wealth shares in a wide range of model — for instance, I show that the response of top wealth shares to changes in the average return on capital is determined solely by the joint distribution of age and wealth, a quantity that is directly observable from the micro-data. I use this unified framework to quantify the main theories of inequality proposed in the literature: higher returns to capital (technological factors), lower costs of capital (financial factors), and reduced taxation (fiscal factors).

## **Asset prices and welfare**

Declining interest rates—and the corresponding rise in asset prices—shape the distribution of wealth not only by affecting the *quantity* of capital held by each agent but also by altering its *market value*. A key question is how much these valuation changes matter for welfare at all.

I explore this question in “**Asset-Price Redistribution**” [2] (Forthcoming in the Journal of Political Economy) with Andreas Fagereng, Emilien Gouin-Bonenfant, Martin Holm, Benjamin Moll, and Gisle Natvik. We develop a sufficient statistic approach to measure the welfare effect of changes in asset valuations — specifically, deviations in asset prices holding cash-flows fixed. These welfare effects depend on the present value of an individual’s net asset sales rather than

asset holdings: higher asset valuations benefit prospective sellers and harm prospective buyers. Using microdata covering the universe of financial transactions in Norway, we document that only a fraction of revaluation gains are welfare relevant and the cross-sectional correlation between revaluation and welfare effects is nearly zero. Rising asset valuations generally benefit the old and the rich (who are net asset sellers) at the expense of the young and the poor (who are net buyers).

In light of these findings, a broader question arises: how should we measure individual income in a way that fully captures the welfare effects of asset price changes? In the working paper **“Macro Perspectives on Inequality”** [9] (prepared for the Journal of Economic Perspectives), I approach this question from a normative perspective. I examine key conceptual shortcomings in the income measures commonly used in empirical research — especially regarding their treatment of capital gains — and propose a more suitable, welfare-based alternative, Hicksian income, defined as the cash-equivalent increase in an individual’s welfare over a given period. Building on this framework, our ongoing work **“Welfare Inequality”** [12], co-authored with Emilien Gouin-Bonenfant, develops an empirical approach to measuring welfare-relevant income using microdata. A key preliminary finding is that inequality in Hicksian income is consistently lower than that measured by traditional income metrics. This reflects the fact that, in a growing economy like the United States, a significant portion of capital income must be continuously reinvested by business owners to keep pace with economic growth — implying that only a fraction of capital income ultimately translates into consumption and, therefore, welfare ([13]).

Finally, in the working paper **“Trade Protection, Stock-Market Returns, and Welfare”** [7], co-authored with Mary Amiti, Sang Hoon Kong, and David E. Weinstein, we develop a simple framework to translate observed changes in asset prices into changes in aggregate welfare. We apply this framework to estimate the (market-implied) welfare effect of tariff announcements during the U.S.–China trade war, which cumulatively led to an 11% decline in stock market values. After applying our framework — which accounts for changes in discount rates, firm leverage, private sector, and equilibrium wage adjustments — we estimate that this decline translates into an expected drop in GDP of approximately 2%. While this estimate exceeds predictions from static trade models, it aligns well with dynamic trade models that emphasize the impact of protectionism on innovation and technological growth.

## **Banking**

My last research strand studies the allocation of loans to the corporate sector. The key insight from this research agenda is that the distribution of bank shocks plays a crucial role in deter-

mining aggregate outcomes. In **“Bank Exposure to Interest-Rate Risk and the Transmission of Monetary Policy”** [6] (*Journal of Monetary Economics*, 2019) with Augustin Landier, David Sraer, and David Thesmar, we investigate how bank interest rate exposure affects lending supply. We document that banks with a larger income gap — i.e., greater interest rate sensitivity of assets relative to liabilities — contract their lending less than other banks when interest rates rise, which is consistent with funding frictions. This suggests that banks’ cash-flow exposure to interest rate risk is a significant factor in the transmission of monetary policy to real activity.

One open question in the literature is: what determines the sorting between banks and firms? In **“Sorting Out the Effect of Credit Supply”** [1] (*Journal of Financial Economics*, 2023) with Briana Chang and Harrison Hong, we make progress on this question by showing that banks that failed during the crisis were lending to riskier firms ex-ante. This empirical finding challenges the common assumption in banking literature that banks are randomly matched to firms. We then use an assignment model to structurally disentangle the effects of changes in firms’ riskiness and banks’ risk-taking capacity in explaining the decline in aggregate lending during the Great Recession.

## Published papers

- [1] Briana Chang, Matthieu Gomez, and Harrison Hong. “Sorting out the effect of credit supply”. *Journal of Financial Economics* 150.3 (2023). [[Link to latest version](#)], p. 103719.
- [2] Andreas Fagereng, Matthieu Gomez, Emilien Gouin-Bonenfant, Martin Holm, Benjamin Moll, and Gisle Natvik. “Asset-price redistribution”. *Journal of Political Economy* (Forthcoming). [[Link to latest version](#)].
- [3] Matthieu Gomez. “Decomposing the Growth of Top Wealth Shares”. *Econometrica* 91.3 (2023). [[Link to latest version](#)], pp. 979–1024.
- [4] Matthieu Gomez. “Wealth inequality and asset prices”. *Review of Economic Studies* (Forthcoming). [[Link to latest version](#)].
- [5] Matthieu Gomez and Émilien Gouin-Bonenfant. “Wealth Inequality in a Low Rate Environment”. *Econometrica* 92.1 (2024). [[Link to latest version](#)], pp. 201–246.
- [6] Matthieu Gomez, Augustin Landier, David Sraer, and David Thesmar. “Banks’ exposure to interest rate risk and the transmission of monetary policy”. *Journal of Monetary Economics* 117 (2021). [[Link to latest version](#)], pp. 543–570.

## Working papers

- [7] Mary Amiti, Sang Hoon Kong, and David Weinstein. *Trade protection, stock-market returns, and welfare*. [\[Link to latest version\]](#), 2024.
- [8] Matthieu Gomez. *Counterfactual Wealth Distribution*. [\[Link to latest version\]](#), 2024.
- [9] Matthieu Gomez. *Macro Perspectives on Inequality*. [\[Link to latest version\]](#), 2024.
- [10] Matthieu Gomez. *The Dynamics of Inequality Indices*. [\[Draft available upon request\]](#), 2024.
- [11] Matthieu Gomez and Émilien Gouin-Bonenfant. *Capital income in an intangible economy*. [\[Link to latest version\]](#), 2024.
- [12] Matthieu Gomez and Émilien Gouin-Bonenfant. *Welfare inequality*. 2024.

## References

- [13] Robert J Barro. “Double counting of investment”. *The Economic Journal* 131.638 (2021), pp. 2333–2356.
- [14] John Y Campbell, Tarun Ramadorai, and Benjamin Ranish. “Do the rich get richer in the stock market? Evidence from India”. *American Economic Review: Insights* 1.2 (2019), pp. 225–240.
- [15] Marc J. Melitz and Sašo Polanec. “Dynamic Olley-Pakes productivity decomposition with entry and exit”. *The Rand journal of economics* 46.2 (2015), pp. 362–375.
- [16] Thomas Piketty, Emmanuel Saez, and Gabriel Zucman. “Distributional national accounts: methods and estimates for the United States”. *The Quarterly Journal of Economics* 133.2 (2018), pp. 553–609.
- [17] Emmanuel Saez and Gabriel Zucman. “Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data”. *The Quarterly Journal of Economics* 131.2 (2016), pp. 519–578.
- [18] Matthew Smith, Owen Zidar, and Eric Zwick. “Top Wealth in America: New Estimates under Heterogeneous Returns”. *The Quarterly Journal of Economics* 138.1 (2023), pp. 515–573.