

# Why Do the Rich Save So Much?

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# Difference In Perspective

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Conclusion:

- Try To Spend It All Before You Die!

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- < 5 percent of lifetime spending

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  - Response: Spending goes way up? Probably not

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# Specific Utility Function

$$u(c, z) = \left( \frac{c^{1-\rho}}{1-\rho} + \frac{(z + \lambda)^{1-\alpha}}{1-\alpha} \right) \quad (0)$$

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- Call this the “capitalist spirit” model if  $\lambda > 0$  and  $\alpha < \rho$

# Implications

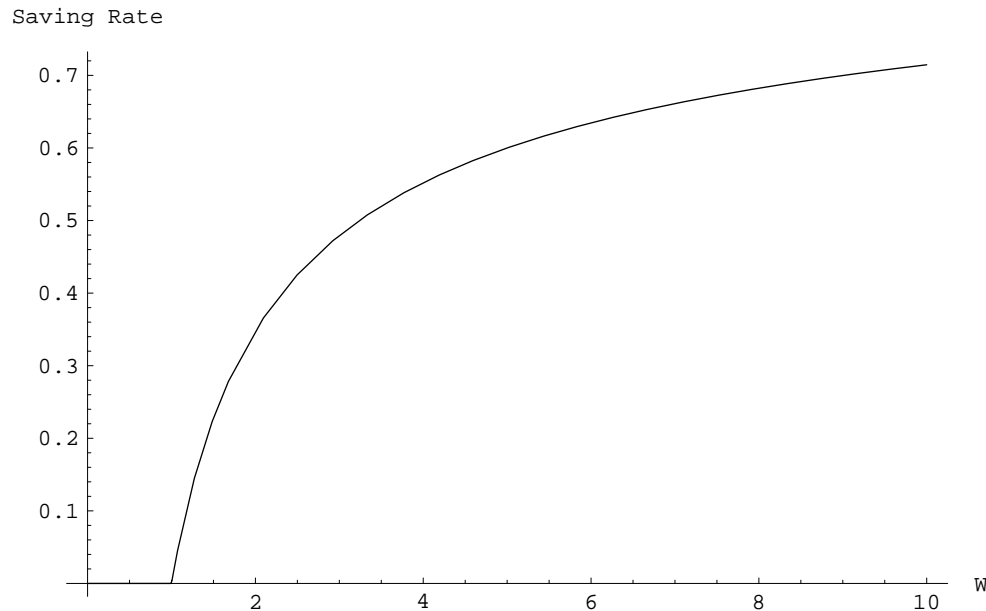


Figure 1: Saving vs Wealth in Capitalist Spirit Model

“Lifetime Saving Rate”: Ratio of  $z$  to lifetime resources  $w$

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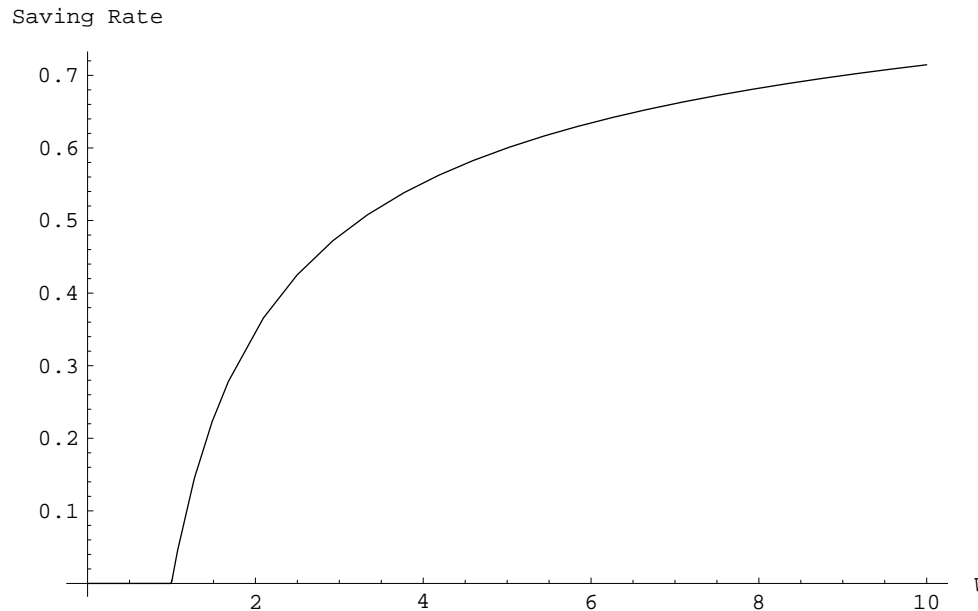


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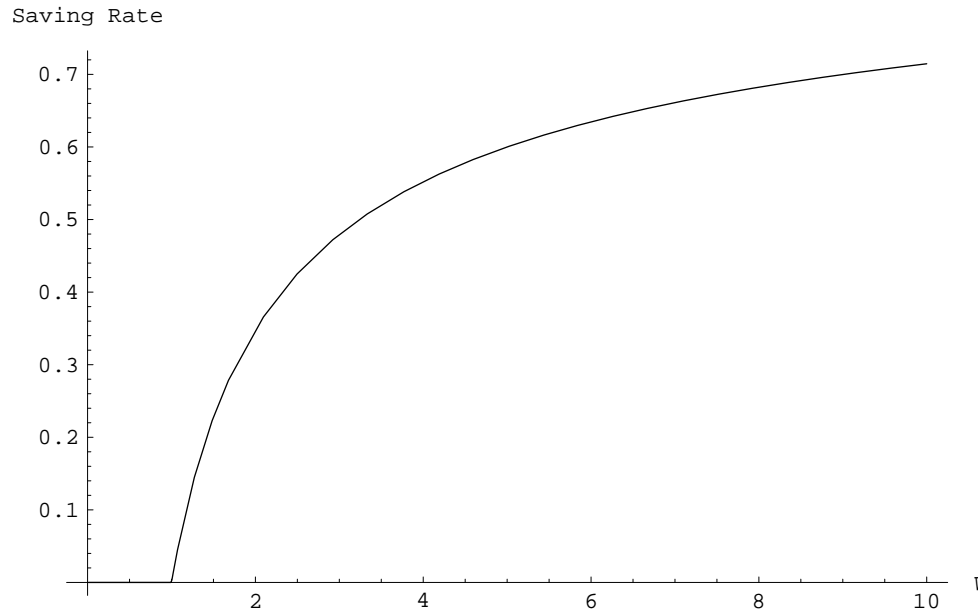


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  - “Public knowledge that you have assets that can be used to influence others.”

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- "The Rothschild Autobahn"

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