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**INCOME AND EXPENDITURE DISTRIBUTION: A
COMPARATIVE ANALYSIS**

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There are empirical evidences regarding the Pareto tail of the income distribution and the expenditure distribution. We formulate a simple economic framework to study the relation between them. We explain the Pareto tails in both the distributions with a Cobb-Douglas felicity function to describe the preferences of agents. Moreover, the Indian data suggest a thicker Pareto tail for the expenditure distribution in comparison to the income distribution. With a uniform distribution of taste parameters for various goods, we identify a process that can give rise to this empirical phenomenon. We also verify our observation with appropriate simulation results.

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