

Vous êtes invité à la prochaine réunion du

**SEMINAIRE ECONOMIQUE DE LOUVAIN**



**Joseph Zweimüller (University of Zurich)**

fera un exposé sur

**Mass consumption, exclusion, and unemployment**

*Abstract*

*We introduce non-homothetic preferences into a general equilibrium model of monopolistic competition and explore the impact of income inequality on the medium-run macroeconomic equilibrium.*

*We find that (i) a sufficiently high extent of inequality divides the economy into mass consumption sectors (where firms charge low prices and hire many workers) and exclusive sectors (where firms charge high prices and hire few workers).*

*(ii) High inequality may lead to a situation of underemployment and that underemployment could be "Keynesian" in the sense that it cannot be cured by downward-flexible real wages.*

*(iii) A redistribution of income from rich to poor (by means of progressive taxation) leads to higher employment and such a redistribution is Pareto-improving.*

*(iv) An exogenous increase in (minimum) real wages have a cost effect (that lets firms reduce their employment) and a purchasing power effect (that creates an incentive for mass production and raises aggregate employment) with ambiguous net effects.*

*(v) The economy may feature multiple equilibria where full-employment and unemployment equilibria co-exist.*

Le séminaire aura lieu le jeudi 6 décembre 2007 à 16h30,  
Bâtiment d'Economie  
Collège Dupriez  
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Renseignements : Hylke Vandenbussche