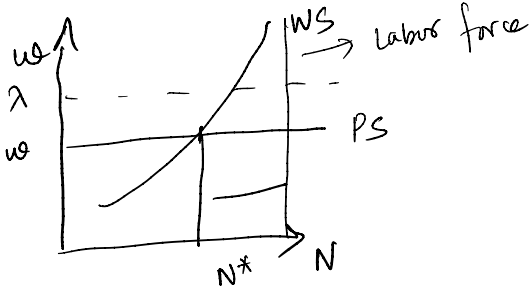


6 November 2024

INEQUALITY — Gini coefficient
— Lorenz curve

$$\lambda = \underbrace{\lambda\mu}_{\text{firms}} + \underbrace{\lambda(1-\mu)}_{\text{workers}}$$

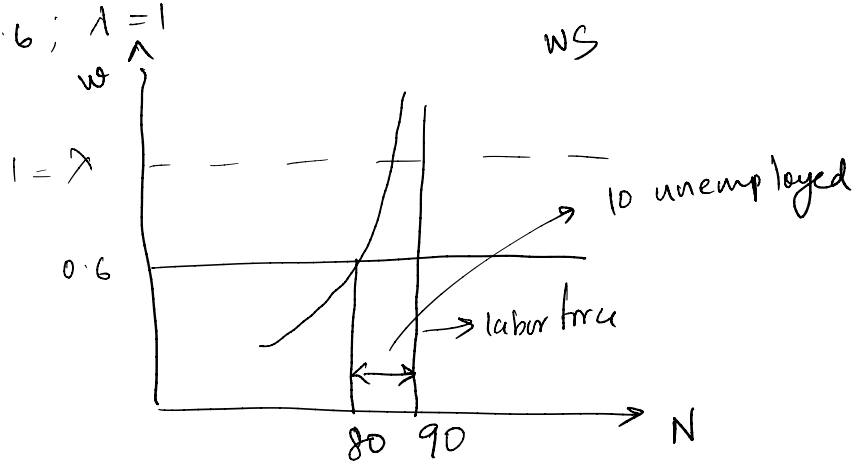
Assume an economy

No. of people employed = 80 → identical

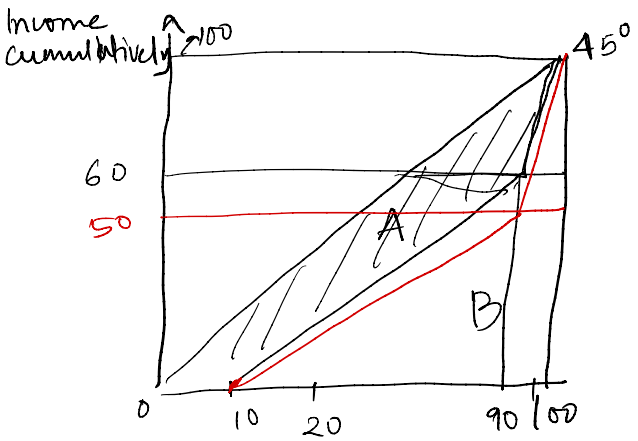
10 firms → identical

90 = labor force

$w = 0.6$; $\lambda = 1$



Plot Lorenz curve.



unempl.

$$\text{Gini coefficient} = \frac{A}{A+B}$$

$$\frac{0.5 - (0.24 + 0.08)}{0.5} = 0.36$$

No. of unemployed = 20 , 10 firm owners

no. of employers = 70

Lorenz curve ?

$$\mu = \frac{P - MC}{P}$$

$\lambda\mu \rightarrow$ firms

$w \Downarrow$

$\lambda(1-\mu) \rightarrow$ workers ↓d

Trade union

Bargaining only on real wages