Income distribution and market demand: The case of heterogeneous preferences

Ibragimov M., Tufetulov A.
Kazan Federal University, 420008, Kremlevskaya 18, Kazan, Russia

Abstract

© 2014, Mediterranean Journal of Social Sciences. All right reserved. In this note, we obtain sufficient conditions under which changes in income inequality lead to an increase or decrease in the market demand elasticities in the case of heterogeneous preferences among the consumers. In this paper, we applied majorization theory to study dependence of market demand elasticity on the inequality in income distribution among the consumers. In this note, we extend the results obtained to the case where consumers' preferences are heterogeneous and the condition on equality of individual demand functions does not necessarily hold. This case is more realistic because consumers' preferences are affected by a variety of different factors.

Keywords

Elasticity, Heterogeneous preferences, Income inequality, Market demand