

higher density of consumers in the upper tail of the distribution is immaterial, as it results only in a higher consumers' surplus. On the other hand, given the number of firms, demand becomes more elastic, due to a higher density of consumers whose reservation price is closer to the initial price. Accordingly, firms are subject to both a decrease in demand and a higher competitive pressure dictated by the new demand conditions. This results in lower profits which leads to a decrease in the number of firms able to survive, i.e., to higher market concentration.

## 4 Final comments

The endogenisation of market structure has always been a key topic in economic research. This paper contributes to this issue, suggesting a role for personal income distribution — a role which, to our knowledge, has not yet been investigated in detail. In particular, in this paper we have shown that the degree of income dispersion may affect the number of firms, *via* the market demand size and its elasticity.

This theoretical point can also shed light on some recent observed phenomena: specifically, polarisation in income distribution and increasing market concentration are two facts, that have characterised the last twenty years, both in the United States and in the EU countries. In a partial equilibrium perspective, these facts may be brought together along the lines suggested by our theoretical model – where the general framework is that of discrete-choice, unimodal income density and oligopoly behaviour *à la* Cournot on the firms' part. In this context, we envisage a causal link running from income polarization to market concentration.

Clearly, having consumers choosing discretely, and working in partial equilibrium proved to be quite helpful in two ways. The former assumption allowed us to establish a link between income and consumption, which does away with the issue of preference homotheticity; the latter allows to neglect possible feedback effects from market structure (and hence functional distribution) to personal income distribution. While both aspects are obviously relevant, our results are nevertheless robust with respect to two important features: they hold for any unimodal distribution, and can be applied to any market structure covered by the Cournot model.

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