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ECONOMIC INEQUALITY: CONSEQUENCES AND MANAGEMENT

The main purpose of the research is to demonstrate the harmful influence of social inequality on the level of nation's life. Despite the fact that income differentiation is the main prerequisite for economic development, socio-economic differentiation can be a mechanism to stimulate individuals' success in economic activity. When crossing the permissible boundary of differentiation, inequality brings numerous negative consequences.

The idea of economic inequalities' harmful influence on quality standards of life has been around for decades. In 2011, Richard Wilkinson, social epidemiology professor, on his set of Ted-Talks podcast, presented the consequences of income gaps and unequal societies on wellbeing of different segments. As a basis of drawing the comparison between societies, Wilkinson chose widely accepted parameters of quality of life, namely: life expectancy, infant mortality, teenage births, imprisonment, obesity rate, mental illness rate, social mobility, homicide, literacy. However, professor's research was aimed at the developed countries [1].

Other researchers of the past have revealed a similar tendency in developing and impoverished economies. In November 2013, UNDP has released its report called "Humanity Divided: Confronting inequality in Developing Countries" which stated the definition of inequality, its significance in national well being, income, gender, as well as a policy framework for addressing inequality in developing countries. UNDP, based on the research, has developed the ways of dethroning the gap in different spheres of developing countries' citizens living [2].

As an answer to the central research question — how economic inequality harms society — the interaction of factors previously thought to be independent emerges. For example, poor countries with apparently unequal income distributions face political instability, high taxation, and less property rights protection. UNDP studies have shown that the citizens of such countries have low confidence in government policies. UNDP stated that the fastest growth is in developing countries, when economic growth is accompanied by increasing income differentiation. It necessitates restructuring economic growth to ensure that low-income households' income growth rates exceed those of middle- and high-income households — so-called inclusive growth of economy. Moreover, this path to inclusive growth is beneficial for economic growth. Now, the main examples of inclusive economic growth are China and India, which are gradually implementing these policies [3].

The result of the study is the demonstration of the negative effect of the impact of unacceptable income differentiation and the consideration of the main method aimed at reducing this gap.

References

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