

**INCOME INEQUALITY:
A POSITIVE PR NEGATIVE PHENOMENON**

Sharipov Shavkat,

*The pupil of the secondary school №11,
Navai*

***Annotation:** The issue of income inequality has been a topic of discussion in economic circles for a considerable period of time. It is important to understand whether or not income inequality, which exists in all countries at all times among certain groups of the population, can be considered good or bad for the development of an innovative economy. An analysis of the relevant socio-economic literature reveals that the phenomenon of income inequality necessitates considering various economic, social, and even psychological factors in order to fully comprehend it.*

***Keywords:** inequality, wealth distribution, income inequality, innovation, economic indicators, statistics, indices.*

In the current socio-economic discourse, economists continue to debate a significant issue: which of two competing models of economic development is most appropriate, considering the varying circumstances determined by a nation's specific characteristics and the historical context in which analysis is conducted. Furthermore, to simplify the issue, from a multitude of factors (and associated indicators) that should realistically be considered, this article will focus on addressing one particular factor, which appears to be significant in relation to the subject matter of this article.

As you are aware, indicators used in economic analysis can be classified into two categories. One category pertains to production, specifically the efficiency of resource utilization, and from this perspective, typically refers to purely economic measures. The other category relates to the distribution of output for consumption, and from this angle, typically encompasses social indicators.

Leaving aside economic indicators (which is the subject of another paper), let us focus on social indicators, and above all, the most commonly used measures of inequality in individuals' ability to improve their well-being through increased personal purchasing power.

In today's economy, it is common to distinguish between two factors of inequality: wealth, which determines an individual's purchasing power at any given moment, and income, which indicates how much purchasing power has grown over a specific period.

Thus, both income and wealth contribute to a person's purchasing power. While income indicates how much a person's purchasing power has grown over a specific period, wealth determines the level of purchasing power at any given point in time.

Among these two factors, income inequality is the main focus of this article.

Firstly, because this factor is relatively easier (compared to the "wealth" factor) to analyze and quantify. Secondly, it is more psychologically understandable and familiar to the average individual, who generally receives their income from various types of entrepreneurs.

In socio-economic statistics, various measures of income inequality among the population are employed, including:

- The coefficient of differentiation
- The fund ratio
- Income differentiation coefficient
- Decile coefficient of income inequality
- Lorentz coefficient
- Gini coefficient
- Atkinson index, and others.

All these meters differ in terms of their measurement scales (including the size of the scale and the characteristics of the units) and the values on those scales that are considered to be normal or, alternatively, extreme, for each scale, given the socio-economic and political context.

For example, I would like to provide some indicators that are used to measure the levels of extreme inequality in Russian socio-economic statistics. These include:

- Income deficit, which is the proportion of the total income of the population below the subsistence level, expressed as a percentage of the total monetary income.
- Extreme poverty, which refers to the number of households whose average per-capita income at the time of survey was no more than half the subsistence minimum.
- Persistent poverty, which represents the number of households with an average per-capita income below the subsistence threshold over the previous year.

There is often debate about whether a certain level of inequality is inherent in society.

From this perspective, the issue of reducing inequality is purportedly artificial and far-fetched. Meanwhile, it fails to take into account the significant fact that, even with a comparable level of inequality within one country, it may become a social issue in one context but not in another.

Inequality becomes a societal concern when the absolute and relative proportions of low-income segments of the population are significant, i.e., when a sizable proportion of impoverished individuals exist within society.

Furthermore, there was a period not too long ago when certain economic concepts emerged that suggested that a greater degree of income inequality might have a positive effect on economic growth through the redistribution of income to the wealthy, who would then save it, whereas the poor would not. This perspective was

based on the premise that higher economic growth could be attained at the expense of greater inequality.

Consequently, a paradoxical situation has emerged in our country, where economic growth is coupled with an increase in relative poverty.

The issue discussed in this article involves another paradox: Economists and sociologists, especially those who hold left-leaning views, are aware that the level of income inequality in our country, as discussed above, is unacceptable in other countries that adhere to democratic values. Any left-wing party should make combating excessive inequality a central part of its political platform.

Unfortunately, this is not the case for domestic left-wing parties. In recent years, it is difficult to recall instances where they have used this powerful tool in their election campaigns.

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