Free research paper on inequality

Sociology, Social Issues

GNI index is a measure of disparity which was developed by Italian statistician Corrado Gini in the year 1912 (Kachale, 5). It measures the extent of inequality among the values of frequency distribution like household income and consumption. The coefficient of zero represent a perfect equality, this shows that all citizens in a given country earn equal income, where as coefficient of 1 or 100 on a percentile scale represent complete inequality, it explains that the resources of a given country is controlled only by one person (Kachale 7). And in some unique cases the coefficient is more than one 100 which indicate that some households earn negative income.

Gini coefficient is a useful tool to the economist as it help them to measure the extent of inequality in a given country or region. The Level of Inequality is important because the economy might record increased growth whereas the wealth is concentrated into the hands of only few individuals while majority of the citizens are suffering in poverty, therefore a policy is required to be formulated that will ensure redistribution of wealth among the citizens which in turn leads to an economic development.

Economists have differing views about the impact of income inequality on economy. Some of the economists have argued that high inequality leads to an increased economic growth (Zhang, 43) . They argue that inequality ensures resources are concentrated in the hands of few individuals who are very aggressive in investing, and therefore earning huge returns from their investment which in turn hasten economic growth as compared to an economy with perfect equality, because in an economy with a perfect equality people will not have the incentive to work harder and compete with others thus leading to lower rate of growth (Kachale 34).

However in the recent past inequality has been a major concern to many leaders and economist around the globe. Inequality has grown to a point that is morally intolerable and there is evidence that social ills like corruption and dictatorship increases as inequality widens (Kachale, 34). And also high level of inequality is detrimental to the growth of the economy.

We have discussed in the earlier paragraph that perfect equality leads to slow economic growth because of lack incentive to get ahead of others, and we have also said that high inequality is detrimental to the growth of an economy, therefore the best level of inequality that leads to economic growth should be between these two extreme.

The living standard of the people also directly depends on the level of inequality in an economy, majority of the people who lives in unequal societies live below the poverty level as the resources are concentrated on the hands of few individuals and therefore this leads to lower living standard because many people does not even have access to the basic social amenities as few people enjoys a lot of wealth which leads to unfairness in the societies (Eicher, 57).

Income inequalities also lead to unequal distributions of opportunities in the society (Eicher, 57). Inequality leads to a high level of poverty which leads to low standard of living and also prevents the have-nots from achieving their goals and aspirations in life mainly because of lack of quality education which works to their disadvantage in the labor market. Wealthy people in the society will give to their children resources and thus opportunities that the less wealthy cannot, and this may make it difficult for the society to achieve equality in distribution of opportunities (Kachale, 34)

Inequality also affects power and politics in a country, even in democratic countries politics is been affected by the few wealthy people who influence the leadership of a country through financing them in their campaign thus having a lot of say in the day to day operation of the government, and therefore unless the inequality of resource is addressed the government might make policies that favors only these rich people (Eicher, 56).

Argentina’s Gini index was 45. 5 in the year 1992 which means that the level of inequality is high, the index increased during the late 1990s and early 2000 to reach as high as 54. 7 in the year 2003, but later slightly dropped year by year and the latest finding which was in 2010 shows that the Gini is 44. 5 which means that there is a slight decrease in the inequality as compared to 1992.

Brazil’s Gini index was 54 in 1992 and increases steadily in late 1990s to 60. 4 but later dropped as from year 2000 and by the year 2009 the Gini index is 54. 7 which indicates that there is no much change in the inequality level from 1992 to 2000.

Columbia’s Gini index was 51. 5 in 1992 and increased tremendously over the years to 55. 9 in the year 2010, and this indicates that the inequality level in Columbia is very high and the increase in the Gini index over the years demonstrate that the government of Columbia has not implemented enough policies to reduce the gap between the have and have-not in the country.

Mexico’s Gini index was 51. 1 in the year 1992 and has reduced over the years to 48. 3 in the year 2008 which can be attributed to government effort to reduce the income gap between the rich and poor by implementing policies that are meant to redistribute resources.

Peru's Index in 1994 was 44. 9 and dropped to as low as 34. 8 in 1997 it later shoot up in the following year to 56 which can be attributed to sudden increase in economic variables which greatly affected the income distribution in the country. The Gini index later reduced over the years and reached 48. 1 in 2010 which can be attributed the government effort to reduce the gap after its sudden increase in the year 1998.

In Venezuela the Gini index was 42. 1 in the year 1992 which was the lowest in the Latin America but later increased over the years and by 2006 the Gini index of Venezuela was 44. 8, this shows that the government has not put in place enough measures that will ensure income redistribution or they did it deliberately so as to boost economic growth in the country.

Venezuela has small inequality gap as compared to other countries and it can be attributed to the government effort to reduce the gap between the rich and the poor by formulating and implementing policies that will empower the poor thus reducing the gap between the have and have-nots.

In conclusion the Gini index of the Latin America is very high as compared to other regions in the world and the government of these countries should formulate and implement policies that will reduce the gap between the rich and the poor as this level of inequality is detrimental to the economic growth of these countries.

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