Income inequality and economic growth

Literature, Russian Literature

Income Inequality and Economic Growth In indifference curve analysis, we get a combination of two goods or services that will give a rational consumer maximum satisfaction. However, once consumption is restricted by the level of disposable income, there is a budget line, which acts a constraint depending on the level of income. This creates a situation whereby one will have to abandon some goods or services in order to enjoy more of others. In cases of inequality that is brought about by unequal distribution of wealth and resources, the budget lines of the individual citizens are highly varied.

In an attempt to achieve income equality, there are various approaches that may be applicable. One is the redistribution of income through progressive tax regimes where the rich are heavily taxed and the poor are exempted from taxation, thus, increasing their disposable income. Another way may be to invest in activities that create employment and wealth for the poor such as infrastructural development and education (Alam 46). Another way to promote equality is by encouraging high-income earners to invest their excess incomes in projects that create employment for low-income earners. This can be achievable by making luxury items unattractive to buy and making investment opportunities very attractive.

It is imperative to assert that attainment of equality is never free. Therefore, the opportunity cost of enjoying luxurious items or investing in other sectors should not provide incentives for the low-income earners. Economies should aim to reduce the economic burden on the poor through income redistribution, which eventually leads to equality.

Work Cited

Alam, Dastgir. Impact of Economic Growth on Income Inequalities. München: GRIN Verlag GmbH, 2011. Print.