



DYNAMICS OF DISPARITY: CAUSES AND EFFECTS OF INCOME INEQUALITY ON ECONOMIC DEVELOPMENT

**BURAK DİKİCİ
MAY 2024**

1. Introduction



The purpose of this presentation is to explore the causes of income inequality and its impacts on economic development. By understanding these dynamics, we can identify potential solutions to promote more equitable economic growth.

Income inequality is a significant issue affecting economic development. It leads to unequal opportunities, social unrest, and hinders overall economic progress.



2. Definition of the problem

Income inequality is a major challenge impacting global economic development. It contributes to issues like limited social mobility, higher poverty rates, and social unrest. The widening gap between the rich and poor can stifle growth, as disadvantaged groups often lack access to education, healthcare, and opportunities. This presentation explores the causes and effects of income inequality, aiming to identify key factors that drive disparities and their broader impact on society and economic development.



3. Causes of the problem

Main Cause: Education disparities are the primary cause, directly impacting skills and earnings, and perpetuating poverty.

Technological Advancements: Automation and AI displace low-skill jobs, favoring those with advanced technical skills (Autor, 2014).

Globalization: Outsourcing and global trade benefit skilled workers in developed countries but reduce opportunities for lower-skilled workers (Krugman, 2008).

Education Disparities: Unequal access to quality education leads to differences in earning potential (OECD, 2019).

Policy Decisions: Tax policies and labor laws often favor the wealthy, worsening inequality (Piketty, 2014).

Market Concentration: Monopolies and oligopolies increase profits for top executives while limiting wages for average workers (Stiglitz, 2012).



4. Effects of the problem

Main Effect: The primary effect of income inequality is slower economic growth, impacting the stability and sustainability of development.

Widening Wealth Gap: Income inequality increases the wealth gap, where the rich get richer and the poor get poorer, leading to social and economic polarization (Piketty, 2014).

Reduced Economic Mobility: Higher inequality reduces opportunities for upward mobility, trapping lower-income individuals in poverty. Countries with higher inequality often have lower social mobility (Chetty et al., 2014).

Slower Economic Growth: Income inequality can stifle growth by limiting the purchasing power of the majority, leading to slower and less sustainable economic development (IMF, 2015).



5. Possible solutions to the problem

Successful Examples: Denmark & Sweden reduced income inequality through higher taxes on the wealthy, funding social services like education and healthcare.

Key Approach: Implement progressive taxation and expand social welfare programs to redistribute wealth and drive economic growth.

Steps:

- **Legislation:** Introduce progressive taxes.
- **Welfare:** Increase funding for education, healthcare, and social security.
- **Awareness:** Educate the public.
- **Evaluation:** Regularly assess and adjust policies.

Implementation Team: Government, Experts, Social Workers, NGOs

- **0-1 year:** Draft legislation and raise awareness.
- **1-3 years:** Expand programs and assess impact.
- **3-5 years:** Adjust policies and continue education.



6. Conclusion

In conclusion, "Dynamics of Disparity: Causes and Effects of Income Inequality on Economic Development" underscores that globalization, technological advancements, and disparities in education are pivotal factors contributing to income inequality. This inequality impedes economic growth by limiting investments in education and healthcare, fosters social and political instability, and restricts social mobility. Addressing these underlying causes is crucial for fostering sustainable and inclusive economic development.



References

- Autor, D. H. (2014). Polanyi's paradox and the shape of employment growth. National Bureau of Economic Research.
- Chetty, R., Hendren, N., Kline, P., Saez, E., & Turner, N. (2014). Is the United States still a land of opportunity? Recent trends in intergenerational mobility. *American Economic Review*, 104 (5), 141-147.
- Dabla-Norris, E., Kochhar, K., Suphaphiphat, N., Ricka, F., & Tsounta, E. (2015). Causes and consequences of income inequality: A global perspective. International Monetary Fund.
- Krugman, P. (2008). Trade and wages, reconsidered. *Brookings Papers on Economic Activity*.
- Marmot, M. (2005). The status syndrome: How social standing affects our health and longevity. Bloomsbury Press.
- OECD. (2019). Education at a glance 2019: OECD indicators. OECD Publishing.



References (continued)

- Piketty, T. (2014). Capital in the twenty-first century. Harvard University Press.
- Stiglitz, J. E. (2012). The price of inequality. W.W. Norton & Company.
- Wilkinson, R., & Pickett, K. (2009). The spirit level: Why greater equality makes societies stronger. Bloomsbury Press.



BURAK DİKİCİ

Undergraduate Student of Political Science and International Relations
Istanbul, Türkiye
www.burakdikici.com