Income Inequality

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Income Inequality: Proposed Solutions and Justifications

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**Introduction**

Income Inequality is termed the extreme disproportion of income distributions were a high chunk of income is usually in the hands of the small number of people, usually the ruling elite of a state. In the occurrence of income inequality, there is a large gap between the wealth of various population sections of a country. This concept is explained through several segmentation based on various markers. Some of these markers are Gender, Ethnicity, Geography, Occupation and Historic Income.

**Existence of Income Inequality**

There is a visible existence of Income Inequality in the United States as well, despite its status as an economic powerhouse. It has fluctuated a lot since the start of 1915, moving to its peak in the era of the roaring twenties. After that, there was a period of relatively lower income in the cold war period after which it again reached its peak in the 21st century. As of the second quarter of 2019, the statistics from the US federal reserve show that the top one percent of the population has almost one-third of the entire US income distributions (Governor, 2019). Therefore, it is no surprise that the topic of Income Inequality is one of the major points in the current election campaign in the US, as it is the most discussed topic after the Great Recession of 2008-09.

The evidence of the growth of income inequality has been growing for years now. There should be no doubt that it has grown more in the US than in any other democratic power in the world (Lepore, 2015). Therefore, it is widely debated and studied in the academic circles of the US ever since the Italian statistician Corrado Gini proposed ways of measuring it in 1912. But this concept has been present in the discussions of the intellectuals for almost a century. In the 1950s, the Nobel Laurate Simon Kuznets used the tax data to study the differences among different income groups. In 2014, Thomas Piketty translated the paper “Capital in the 21st century” that drew public attention to the dimensions of public inequality, but that is not new as economist Emmanuel Saez had already proposed the concept in his 2003 paper that he had published in the Quarterly Journal of Economics published by the Oxford University Press (Thomas Piketty, 2003). In that paper, Piketty and Saez used Kuznet's approach of using the tax data to collect what share of income goes to the top one percent. According to this method, the top one percent has moved from having a quarter of the total wealth in 1928 to owing almost one-third of the total wealth of the nation by 2012, with some brief periods of recessions in 1944 and 2008.

Many researchers and scholars think that income inequality is a significant social problem while many disagree as well. Some people even go as far as to refute the existence of this problem in their respective states. There should be no doubt among the general public that not only this problem exists, it also poses a series of problems for society. For those who deny the existence of this concept, they should look at the people that have billions of dollars while some are forced to live under the open sky. Some also relate poverty with the concept of economic inequality. While they have many things in common, there are still some basic differences that can help understand why income inequality may pose a bigger threat to a state’s economy than poverty. A poor person is the one who does not have enough resources to lead his life in a dignified way. Whereas the people affected by income inequality are those who have no chance of affording means of a decent living even with all the effort they put in making themselves a functioning part of society through their education and practical skills.

**Proposed Solutions for Income Inequality**

Now, that the existence of the problem of income inequality has been established, let us discuss the methods that are employed by the states to address this problem (Powell, 2019). First is the tried and testing method of increasing the minimum wage, with which the gap between the haves and have-nots is decreased substantially. There is also the role of the government as the employer of the last resort, but only when the private sector fails to accommodate the bulk of the unemployed workforce. The government can also play a number of roles like controlling the fiscal and monetary policies, just as China has done, to achieve an unusually high level of employment, provide oversight for financial markets, increasing the tariffs on imports to overcome trade deficit, maintain a strong taxing system in the state and providing incentive for the rich sector of the society to invest more in the state to generate employment, to name a few.

It is not only the duty of the government to counter this problem. We can play our part as well as individuals, and the private sector as a whole. We can individually fund programs to train people to generate employments in society. We can also help our generations by building assets like houses and stock investments so that our generations do not have to work from scratch to lift themselves out of income inequality.

**Justification for certain solutions**

In my opinion, the solution to increasing minimum wage, is by far, the safest opinion for any government. It is mainly since this step does not hurt the employment ratio in any state. Contrary to that, higher wages stabilize mental and physical health, reduces worker fatigue and boost the morale of the entire workforce as they believe that they are being paid well for their labors. Also, it helps to create greater demand for goods and services among the general public (Scott, 2019).

 The next best option to contain the problem of income inequality is the extensive role of the government in shaping the fiscal policies to contain this problem of income inequality. It can implement several measures such as placing price ceilings and price floors on the prices of products of daily need. It can also increase its spending on public education and propose the principle of progressive taxation to contain the excessive spending done by the rich portion of society. This option is favored among the academic circles since many think that the government of any state can easily solve issues due to the number of vast resources at their disposal.

**Conclusion**

In short, income inequality is a serious and complex problem that must be distinctly studied as it poses a serious threat to the economic stability of any country. Also, in the current era of globalization, there is a likely chance that another incident like the Great Depression of 1929 may occur if the leading economics do not control their respective income inequalities.

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