

Inequality

8.00 Inequality means unequal distributing of income and wealth among different persons or different sectors
9.00 There are following causes of inequality:

- 10.00 (i) Inflation
- (ii) Unequal job opportunities
- 11.00 (iii) Private ownership of property.
- (iv) Ownership of land and other assets.
- 12.00 (v) Inequalities in professional training.
- (vi) Dominance of rich classes.
- 1.00 (vii) Adopt the capital intensive technique
- (viii) Credit policy.
- 2.00 (ix) Unfavourable licencing policy.
- (x) Problem of unemployments.
- 3.00

* Suitable measures to check inequality of income:

- 5.00 (i) Existence of public sector
- (ii) More employment opportunities.
- 6.00 (iii) Minimum needs programme
- (iv) Introduction of social security schemes.
- 7.00 (v) Establishment of small scale industries.
- (vi) Land reform.
- Evening (vii) Redistribution of assets.
- (viii) Progressive Tax system
- (ix) Development of education and health facilities.

* Lorenz Curve :



Measurement of I & inequality

Appointments | Meetings

8.00

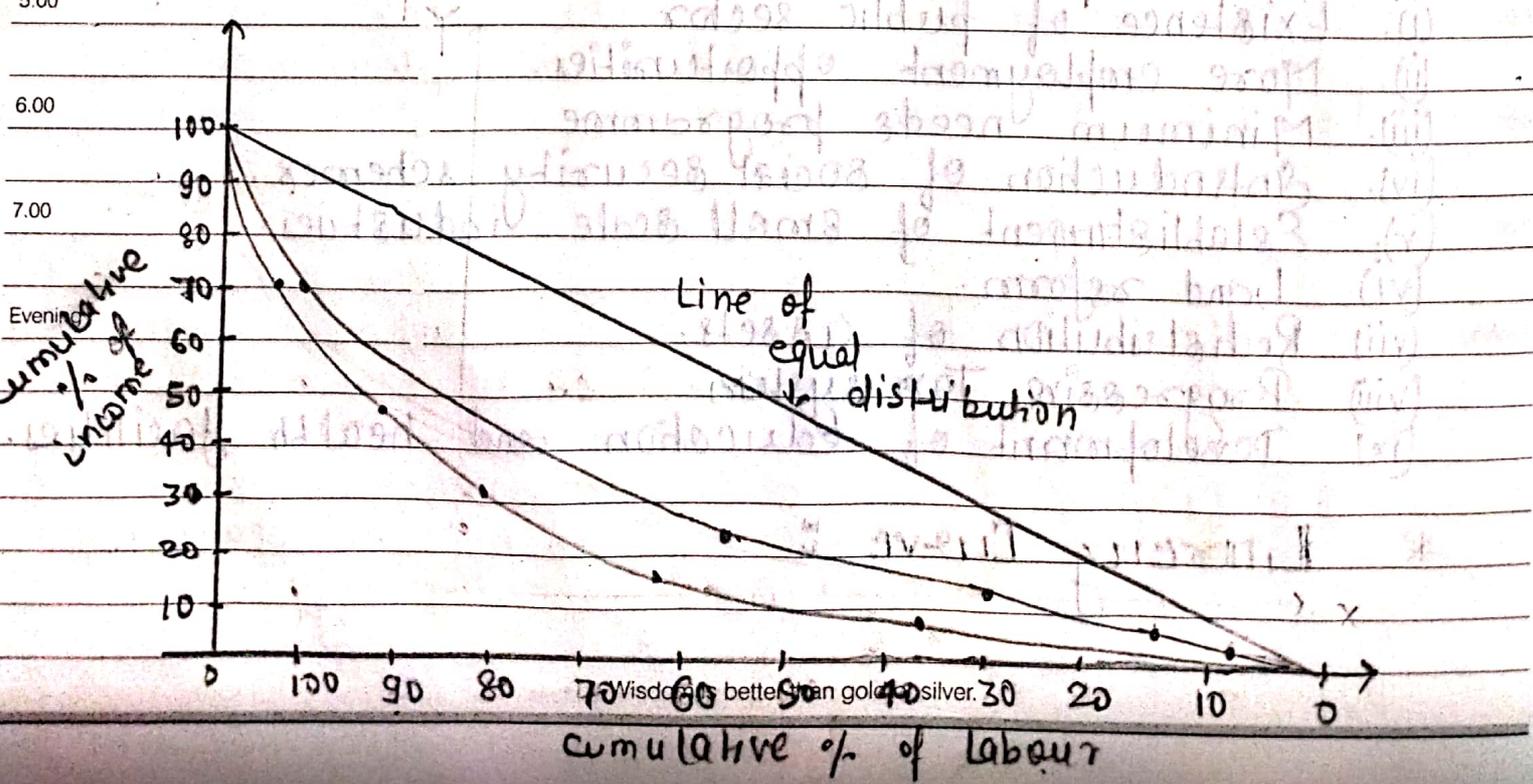
Lorenz curve given by Dr. Max O. Lorenz in 1905

Prof. Lorenz has given the concept of Lorenz curve which shows relationship b/w distribution of income and wealth in the economy. It is the measurement of the income inequality. It represents the relationship between income distribution and population.

10.00

11.00

Income	Cumulative Total	Factory - A				Factory - B		
		Cumulative %	No. of workers	Cumulative total	Cumulative %	No. of workers	Cumulative Total	Cumulative %
25	25	3	600	600	37	500	500	28
75	100	12	425	1025	64	450	950	53
150	250	30	360	1385	87	480	1430	79
250	500	58.8	150	1535	96	220	1650	92
350	850	100	65	1600	100	150	1800	100



21 22 23 24 25
28 29 30

26 27 28 29 30 31

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Evening

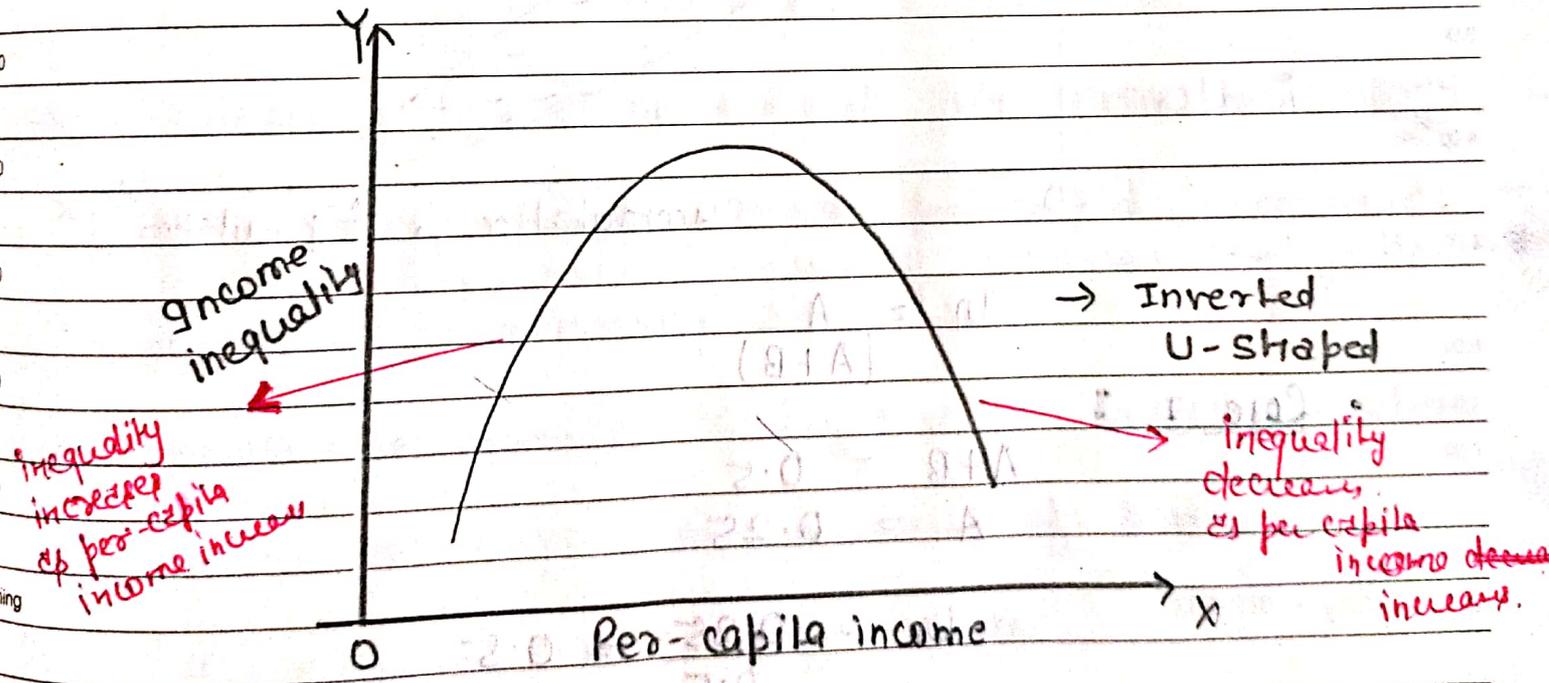
So, we can say there is less inequality in industry B than industry A.

→ Measurement of Inequality in Income :

“Simon Kuznet” introduced U-hypothesis in “1950-60”

Given by “Prof Simon Kuznet” in 1950 to 1960.

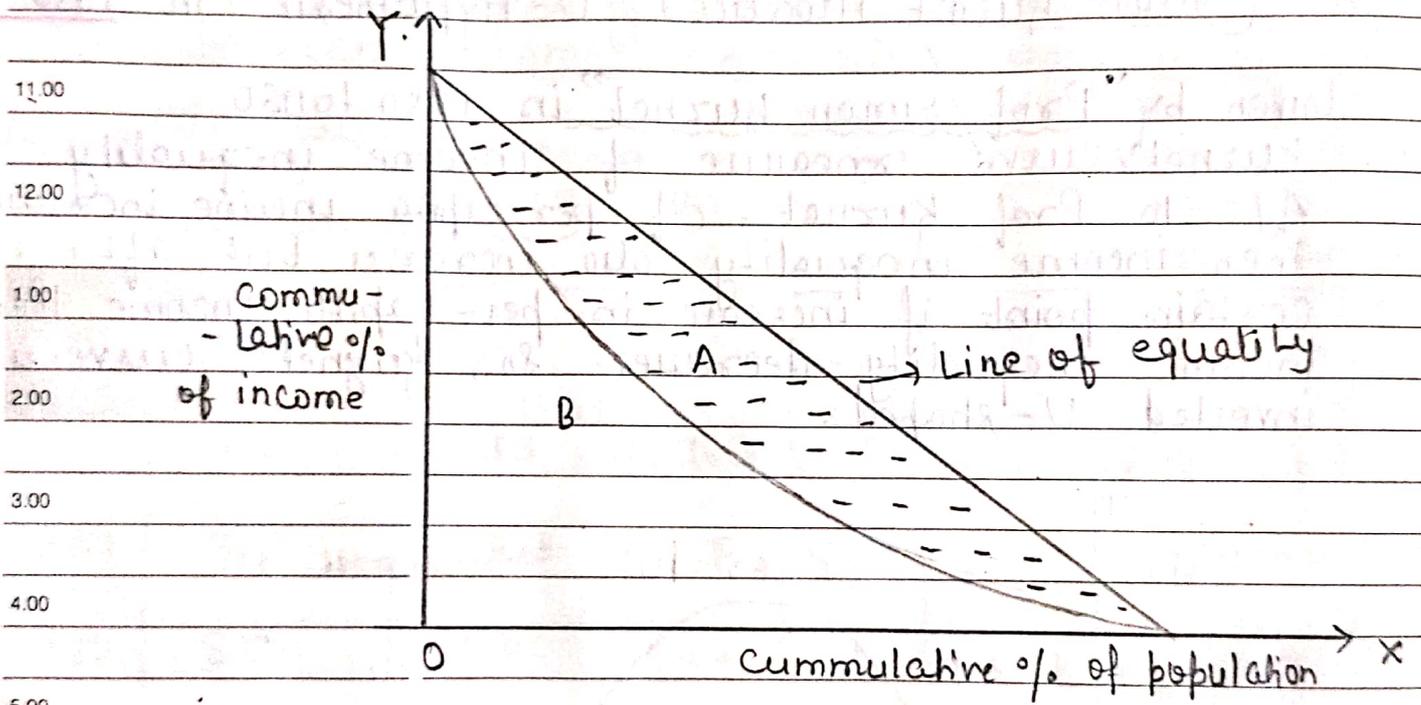
Kuznet's curve measure of income inequality A/c to Prof Kuznet, if per capita income increases then income inequality also increases but after a certain point if increase in per-capita income then income inequality decreases. So, Kuznet's curve is inverted U-shaped.



→ Gini Coefficient :
Given by “Prof. Corrado” Gini in 1912.
Gini coefficient measures income inequality.

Actions are mightier than boastings

Lini coefficient is the mathematical representation of Lorenz curve. Rate of Lini coefficient is from 0 to 1. The value of Lini coefficient 1, represents maximum inequality in the society and value of Lini coefficient 0, represents the perfect equality in the society.



$$L = \frac{A}{A+B}$$

• Case I :

$$A+B = 0.5$$

$$A = 0.25$$

$$L = \frac{0.25}{0.5} = 0.5$$

= 50% inequality

• Case II :

Now,

$$A+B = 0.5$$

$$A = 0$$

A bad temper is a sign of inferiority

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$L = \frac{0}{0.5} = 0$ "perfect equality"

In this condition, Lorenz curve will coincide with line of equality.

Case III :

$A + B = 0.5$

$A = 0.5$

$L = \frac{0.5}{0.5} = 1 = 100\% \text{ inequality}$

$\text{Gini coefficient} = \frac{\text{Area A}}{\text{Sum of Area A and Area B}}$

→ Inequality as constraint in growth :

Inequality is disturbance for rapid economic growth because inequality creates the following problems in economy:

- (i) Unbalanced growth of Regions or sector or states
- (ii) Problem of sufficient amount of saving
- (iii) Low rate of capital formation
- (iv) Lack of heavy investment (big push)
- (v) Underdeveloped technology

One flower does not make a garland

(VI) Underdeveloped infrastructure

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8.00 (VII) Problems of poverty and unemployment

9.00 (VIII) Low per capita income and standard of living

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