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Economic Inequality: a pressing global issue

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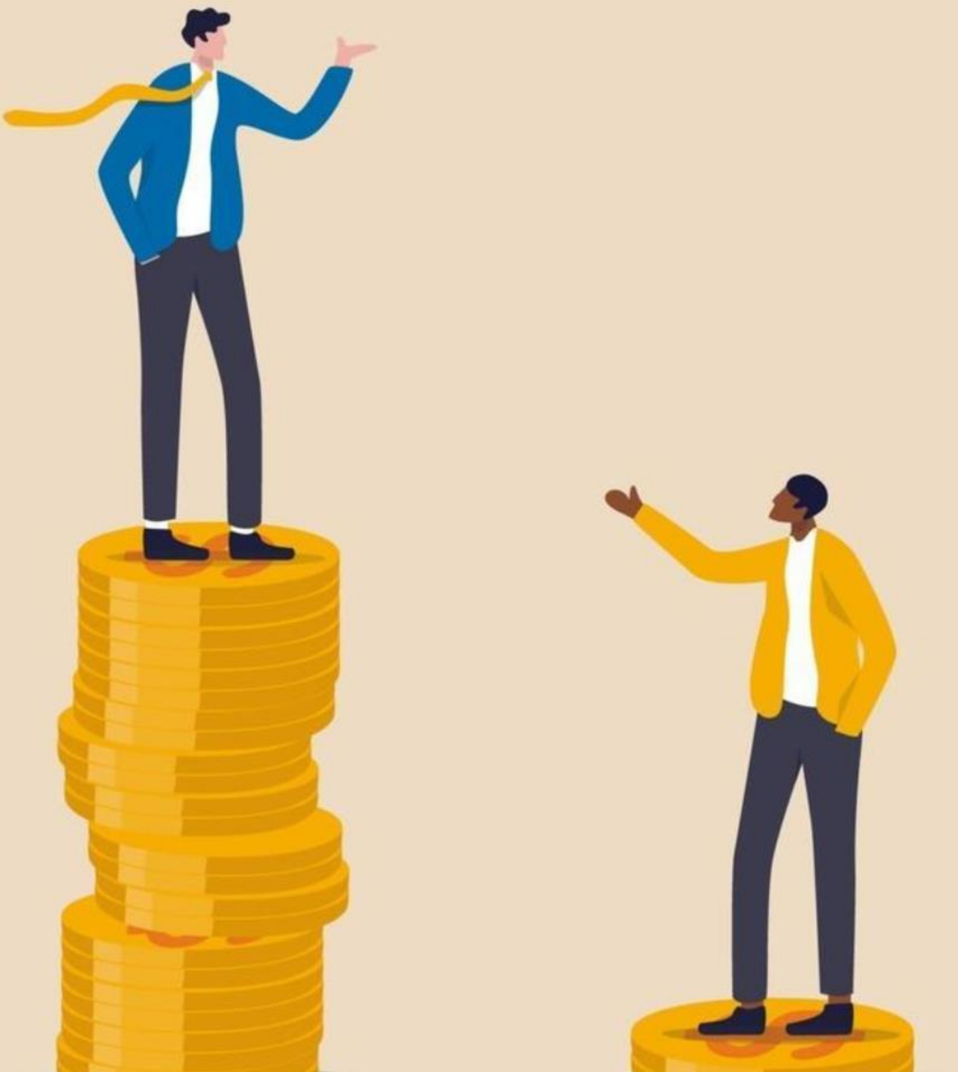
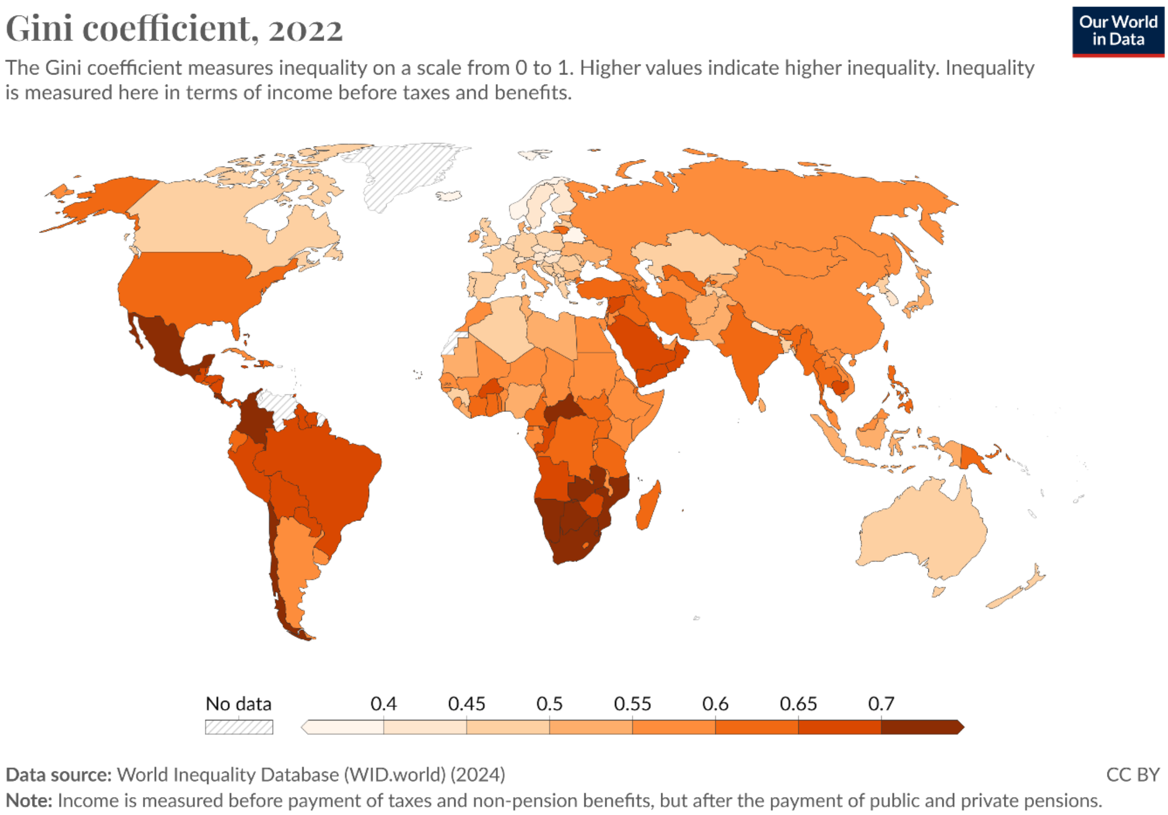


Economic Inequality – a pressing global issue

Economic inequality has emerged as one of the most pressing and pervasive global challenges of the 21st century, significantly shaping societal dynamics, influencing policy decisions, and impacting global stability. Defined as the unequal distribution of income, wealth, and opportunities among individuals and groups within and between societies, economic inequality transcends national boundaries and manifests in various forms, including disparities in access to education, healthcare, and social mobility. Its persistence threatens not only the foundational principles of equity and fairness but also the economic and social fabric of communities, exacerbating tensions and hindering progress toward sustainable development.

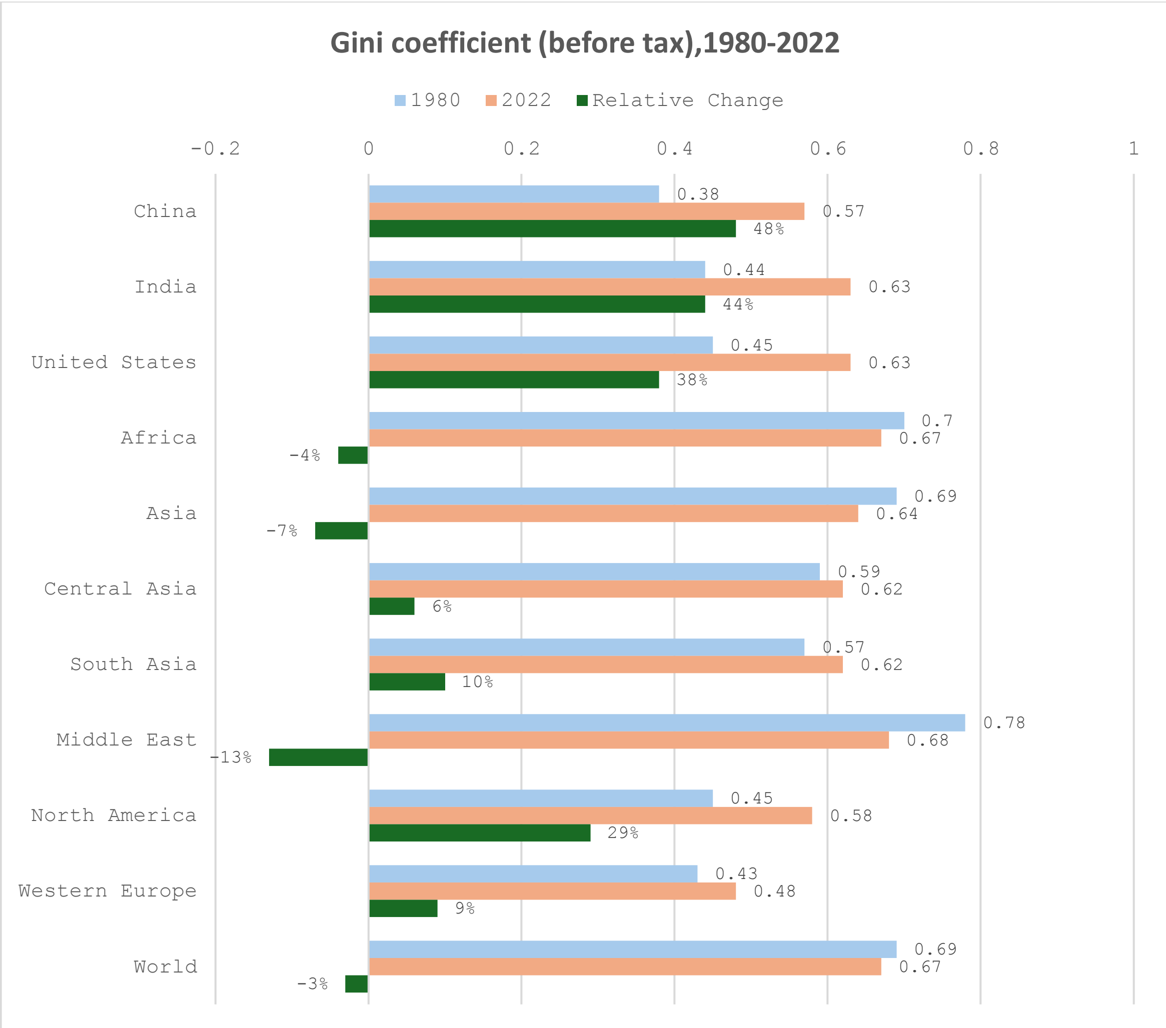
A key metric for understanding and quantifying economic inequality is the Gini coefficient. While it has its statistical and theoretical shortcomings, this statistical measure evaluates income distribution on a scale from 0 to 1, where 0 represents perfect equality—an ideal scenario in which all individuals receive an equal share of resources—and 1 denotes absolute inequality, where a single individual possesses all income. The Gini coefficient's utility lies in its ability to distil complex economic realities into a single, comparable figure, making it a critical tool for policymakers, economists, and researchers. High Gini coefficients are often indicative of systemic inequities that inhibit economic mobility, perpetuate cycles of poverty, and weaken the social contract.



(Fig. 1) Source: World Inequality Database (2024)

As of 2022, Southern Africa and South America recorded some of the highest Gini coefficients globally, highlighting acute levels of income disparity. Notable examples include South Africa (0.75), Mexico (0.75), Namibia (0.74), and Colombia (0.72). In contrast, Scandinavian countries such as Norway (0.33) and Belarus (0.39) exemplify regions with relatively low Gini coefficients, reflecting more equitable income distribution and robust social welfare systems.

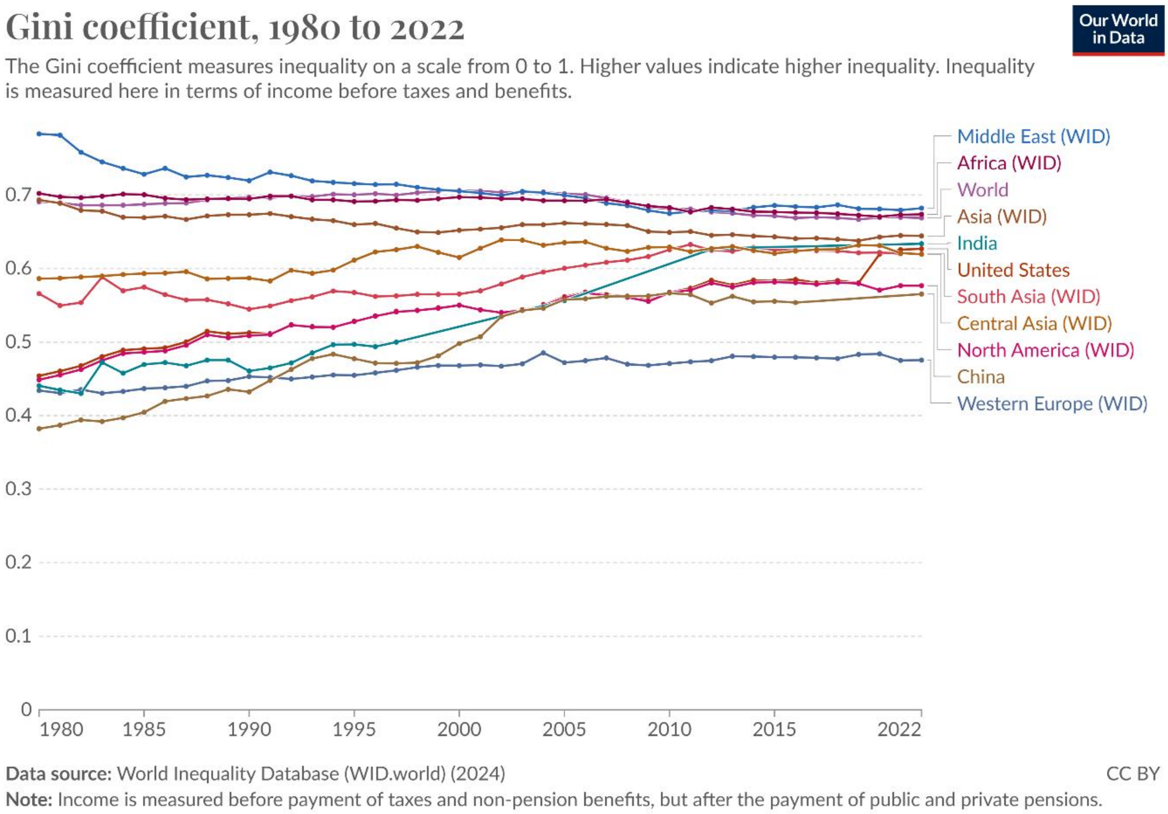
The global landscape underscores the urgency of addressing economic inequality. In many low- and middle-income countries, stark income disparities are closely tied to historical injustices, colonial legacies, and inadequate governance, leaving significant portions of the population excluded from the benefits of economic growth. Meanwhile, in high-income nations, the concentration of wealth among a small elite has intensified, fuelled by structural imbalances such as tax avoidance, wage stagnation, and the disproportionate accumulation of capital. These patterns not only amplify social divisions but also impede economic efficiency by limiting aggregate demand and reducing opportunities for widespread innovation.



(Fig 2.) Source: World Inequality Database (2024), visualization by author

The graph in Figure 2 illustrates changes in the Gini coefficient (before tax) between 1980 and 2022 across various countries and regions, highlighting shifts in income inequality over time. By comparing the values for 1980 and 2022 and calculating the relative percentage changes, insights into global and regional economic disparities can be derived.

In major economies such as China, India, and the United States, the data reveals substantial increases in income inequality over the observed period. China's Gini coefficient rose from 0.38 in 1980 to 0.57 in 2022, reflecting a 48% increase. Similarly, India experienced a 44% rise, and the United States saw an increase of 38%. These shifts suggest that while these economies have experienced significant growth, wealth distribution has become increasingly uneven, emphasizing the challenges of balancing rapid development with equitable resource allocation.



(Fig 3.) Source: World Inequality Database (2024)

Regional patterns indicate mixed trends. Asia and Africa demonstrated modest improvements in income equality, with their Gini coefficients declining by 7% and 4%, respectively. In South Asia, however, income inequality worsened, with a 10% increase in the Gini coefficient. The Middle East stood out for its notable progress, as its Gini coefficient decreased from 0.78 to 0.68, marking a relative reduction of 13%. Despite this improvement, the Middle East remains one of the most unequal regions in the world. These variations suggest differing regional dynamics and policy approaches to addressing income inequality.

Developed regions such as Western Europe and North America displayed relative stability, although inequality still increased to some extent. Western Europe's Gini coefficient rose from 0.43 to 0.48, a modest 9% increase, reflecting the region's strong social policies aimed at redistributing income. In North America, the coefficient increased by 29%, primarily driven by the United States. On a global scale, the Gini coefficient declined slightly from 0.69 to 0.67, representing a 3% reduction, suggesting that while certain regions and countries grapple with worsening inequality, others have made strides toward reducing disparities.

Economic inequality's repercussions are far-reaching, affecting both individuals and societies. At the individual level, unequal access to resources curtails life chances, leading to disparities in health outcomes, educational attainment, and overall quality of life. Communities burdened by inequality often experience higher levels of crime, weaker social cohesion, and diminished trust in institutions, fostering environments of instability and unrest. On a broader scale, economic disparities hinder national and global efforts to achieve inclusive growth and sustainable development, as enshrined in the United Nations Sustainable Development Goals (SDGs).

Addressing economic inequality is both a moral and practical imperative. The pathway to a more equitable world requires multifaceted solutions, including progressive taxation, investment in education and skill development, and the implementation of social protection systems that safeguard the most vulnerable. Furthermore, fostering international cooperation to tackle tax avoidance, regulate capital flows, and promote fair trade is essential to mitigating inequality on a global scale. By prioritizing equity, nations can not only enhance social harmony and political stability but also unlock the full economic potential of their populations, paving the way for sustainable and inclusive growth.

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