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Income Inequality and Poverty Correlation

Nikos Papadakis*

Department of Political Science, University of Crete, University Campus of Gallos, Rethymno, GR 1400, Greece

Introduction

Poverty reduction efforts are being made by national governments as well as their development partners. The world's poor are more likely to be malnourished, have less access to services like education, energy, sanitation, and healthcare, and are more susceptible to conflict and climate change, despite the fact that poverty is frequently conceived of as a lack of material resources. Thus, knowing poverty is essential to comprehending how societies might advance. The UN's Sustainable Development Goals (SDGs) and the World Bank Group's twin goals for 2030-ending extreme poverty and fostering shared prosperity in every nation-both place a strong emphasis on reducing poverty and inequality. Everywhere in the world, poverty is defined and assessed differently. According to the economic and social conditions of the nation, the national poverty line is often a financial threshold below which a person's most basic requirements cannot be satisfied. Richer countries often have higher poverty lines than poorer ones; poverty lines vary greatly per country and are frequently updated as countries grow. In order to track their progress toward development, governments keep tabs on the number of persons who make less than the federal poverty level. SDG 1's goal of eradicating poverty "in all its forms" includes the national poverty line as a key indicator [1].

Description

The topic of income disparity has been discussed by economists, politicians, and philosophers of all stripes. A significant portion of these conversations has focused on the ethical aspects of the subject, leading to debates over whether equality is desirable, if it is fair, and to what extent it should be pursued. However, there is another aspect of economic inequality that talks about how it affects the growth of the economy. The map below, taken from the UN Human Development Report 2007/2008, demonstrates that developing nations have the highest levels of income disparity. High levels of inequality affect not only Sub-Saharan Africa, China, and South East Asia, but also Latin America in particular. The term "globalisation" has evolved to mean developments in both the global political and economic systems. It is known as the unrestricted flow of capital, labour, goods, and services across national boundaries. Reduced costs of communication and transportation, lowered trade barriers, quicker communication, rising capital flows, increased competitiveness, standardisation, and migration are only a few examples of the major causes of globalisation. The approach has strengthened their connections and brought the developed economies closer together. As economies and cultures become more integrated, people and businesses are able to travel farther, faster, and more economically than ever before. By producing swift shifts in economic relations, financial flows, and labour mobility, this exposes states and individuals to more intense developed market pressures [2].

The degree of the globalisation process varies greatly over time, across countries and regions, as well as within countries across generations and skill sets. This disparity in development is a result of heterogeneity, and it emphasises the need to identify the causes of disparity as well as quantify its magnitude and effects on the living conditions of the global population. This disparity has both positive and negative effects, including rising inequality both within and between countries. Poverty standards that reflect the same real quality of living in each country are used to combine and compare poverty rates across nations. The extreme poverty line is frequently referred to as the $1.90 per day poverty line, which represents the value of national poverty lines in some of the poorest nations. For additional context, the World Bank has been tracking poverty at two different daily thresholds since 2017: $3.20 for lower-middle-income countries and $5.50 for upper-middle-income nations. The World Bank has set a target of reducing the proportion of people living in extreme poverty to less than 3 present by 2030. Poverty is assessed at the international poverty threshold of $1.90 per day [3-5].

Conclusion

Inequality can be measured in a variety of ways, just like poverty. A wide range of inequality measures, including the Gini index and the proportion of consumption or income owned by each quintile, are available in the World Development Indicators (WDI) databases. The measurements provide various methods for capturing and expressing elements of the income distribution. The World Bank tracks growth in the consumption or income of the bottom 40%-the poorest 40% of the population in each country-to track success toward its goal of boosting shared prosperity. Similar goals are set forth in SDG target 10.1, which calls for the income of the bottom 40 present to grow faster than the national average by 2030. The difference between growth in a country's income or consumption is used to gauge progress. The list below contains a number of pertinent indicators. The table displays annual time coverage for all nations for each decade since the 1960s for each included indicator as well as regional coverage for each World Bank area since 2010 for each indicator.

Conflict of Interest

None.

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***Address for Correspondence:** Nikos Papadakis, Department of Political Science, University of Crete, University Campus of Gallos, Rethymno, GR 1400, Greece; E-mail: papadakn222@uoc.gr*

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