

# Income and Wealth Inequality

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# Difference between Income and Wealth

## Income

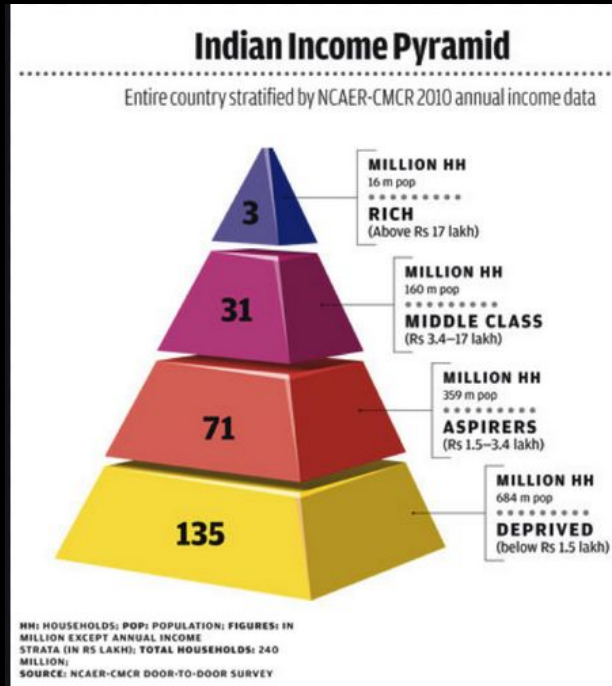
- ✓ Amount made in certain **period** of time.
- ✓ Money from sources such as **earnings**, unemployment compensation, interests, social security, and rental income.

## Wealth

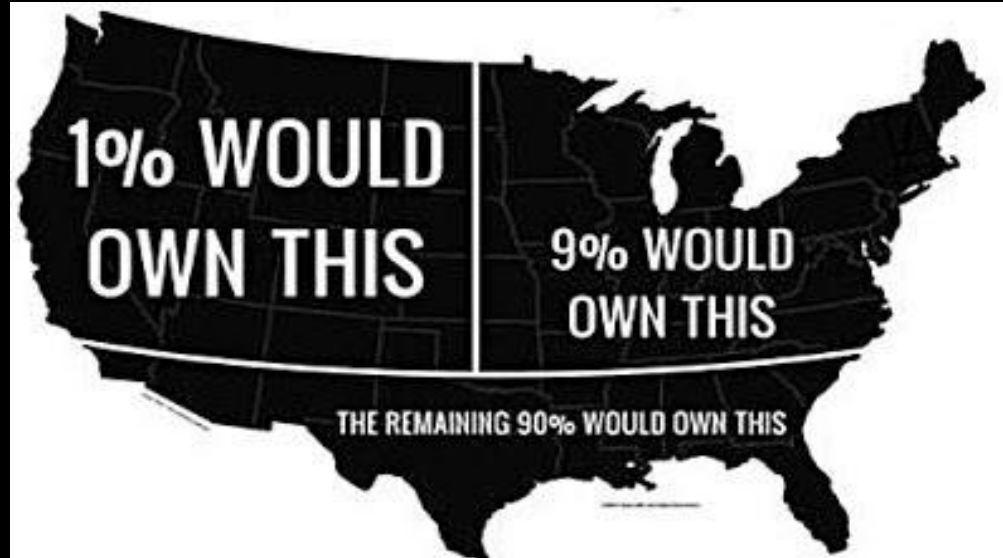
- ✓ Value of assets or capital owned by an Individual.

# What is Inequality?

- Economic inequality is the unequal distribution of income and opportunity between different groups in society.
- Disparity of income or wealth between top (rich) & bottom (poor) of the Income Pyramid



# Income Inequality in USA

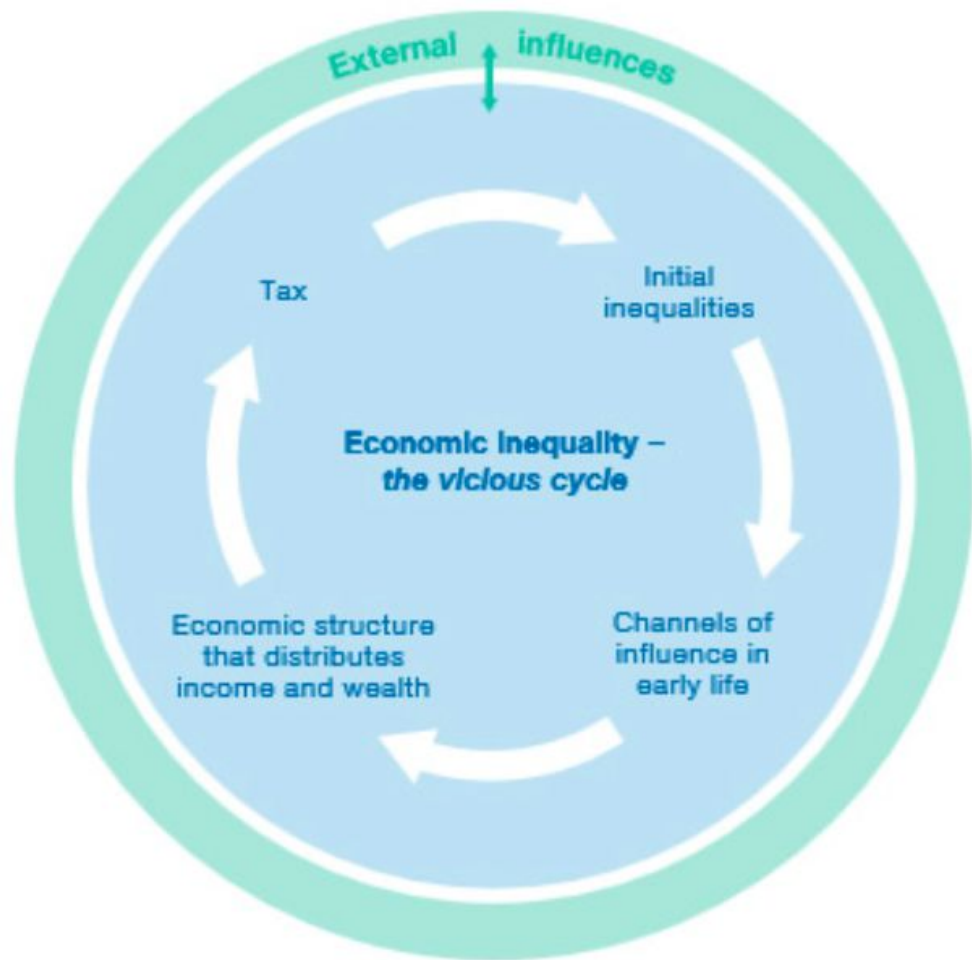


The richest 1% of the US population possessed about 40% of the nation's wealth in 2016 and this share is increasing at a rapid pace.

# Why is economic inequality prevalent in our society?

- ➡ Inequality is one of hazards of **capitalism**.
  - Kill people for personal gain
  - Thrust them into **unemployment**
  - Push them to **starve** even when food available for devour

# Vicious Cycle of economic Inequality



- The circumstances we are born into shapes our opportunities from the start – from where we are born, our race and nationality, the education of our parents, and so on.
- A poor start can lead to lower academic achievement throughout school, and lower wages over a lifetime.
- The tax system then completes the cycle by mandating how much of our salary we actually get to keep, and whether or not we get any support or tax credit.



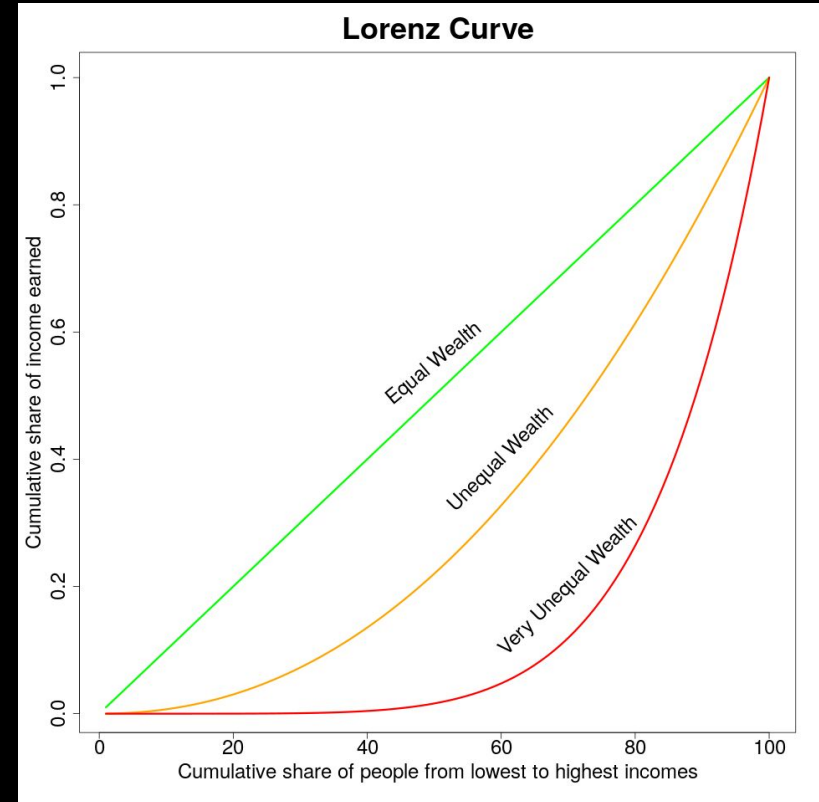
# Measurement of Inequality

- The Lorenz Curve
- Gini Coefficient
- Palma Ratio



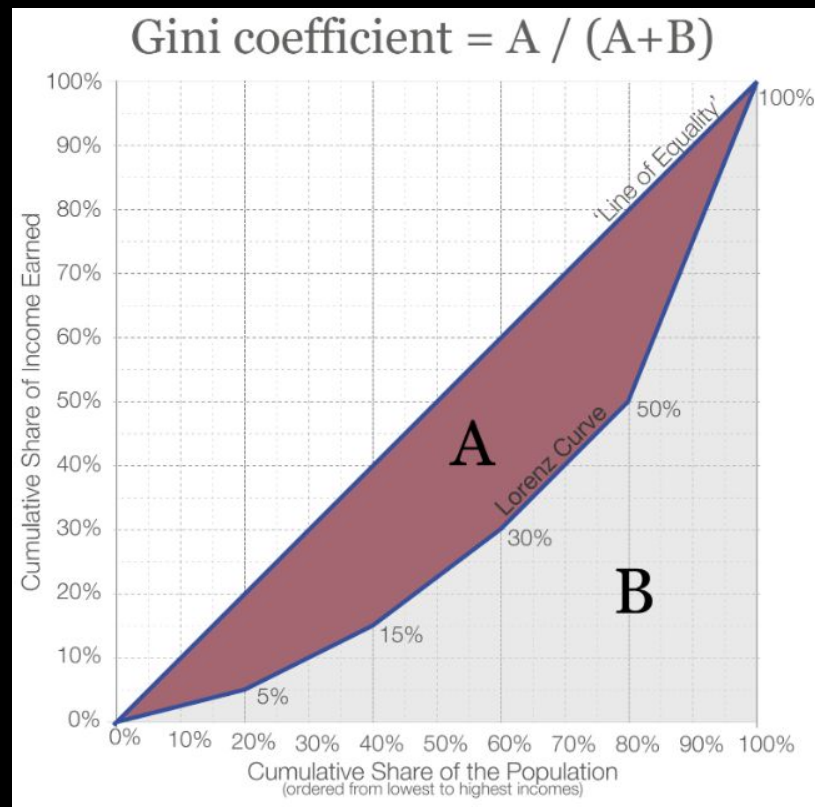
# Lorenz Curve

- Developed by Max O Lorenz in 1905
- A curve showing the proportion of national income earned by the given percentage of the population.

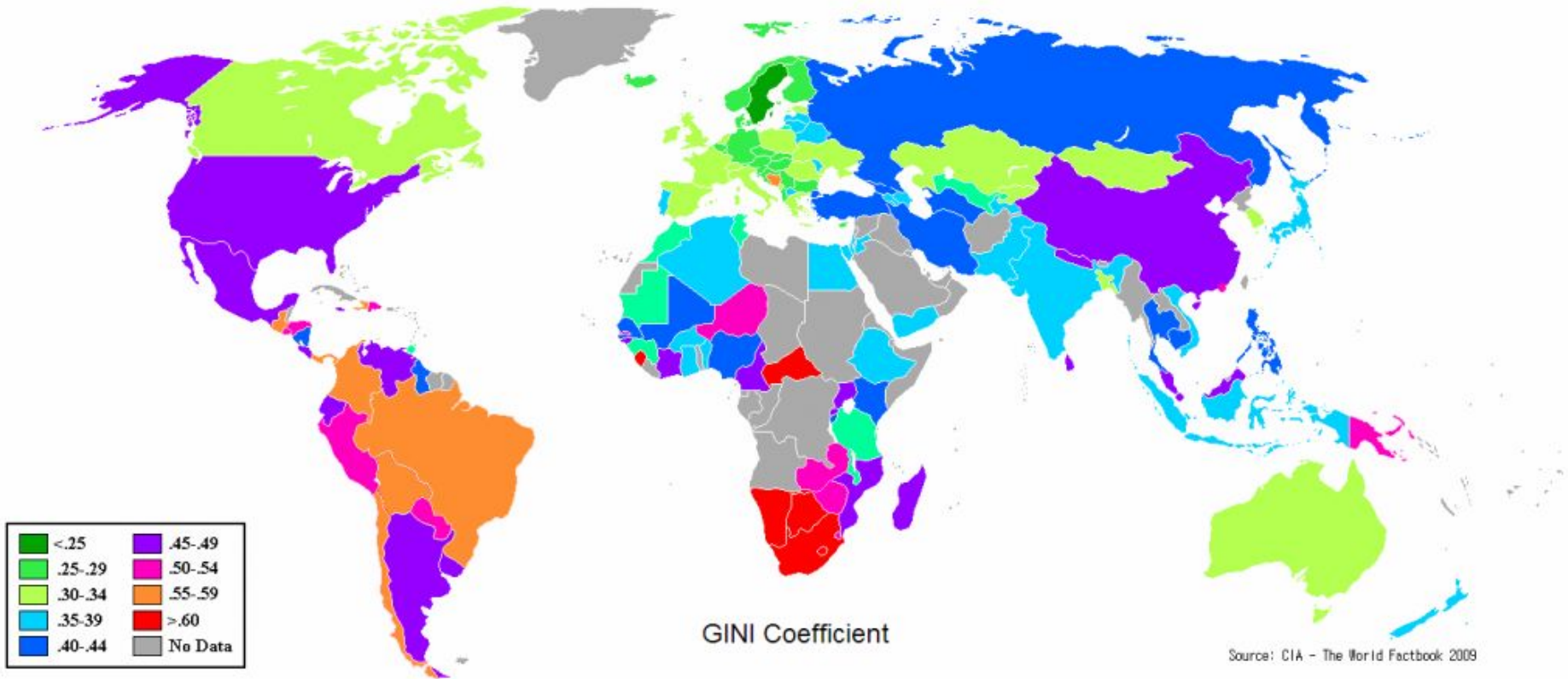


# Gini Coefficient

- The proportion of the area taken up by the Lorenz Curve in relation to the overall area under the line of equality.
- Given by Italian statistician Corrado Gini in 1912.
- Gini Coefficient of-
  - US 0.37 (by 2018)
  - India 0.47 (by 2018)
  - China 0.51 (by 2018)

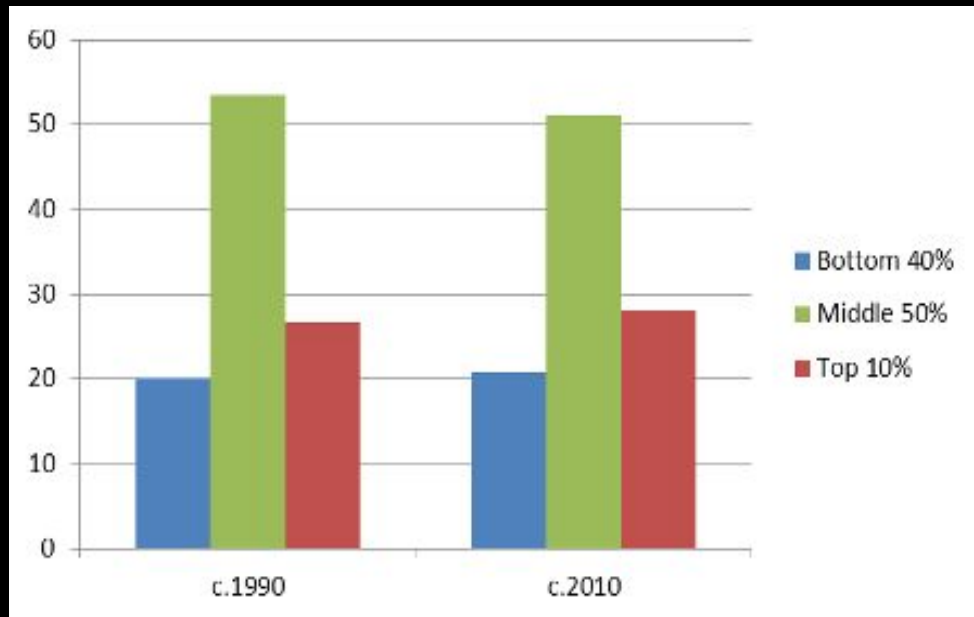


# Inequality in different countries



# Palma Ratio

- It is a ratio of income share of top 10% to that of the bottom 40%.
- Given by Gabriel Palma.
- Palma Ratio of
- US 1.9 (by 2015)
- India 4.5 (by 2015)
- China 2.4 (by 2015)



Palma Ratio = Income of Richest 10% / Income of Poorest 40 %

## Champagne-Glass Distribution

RICHEST

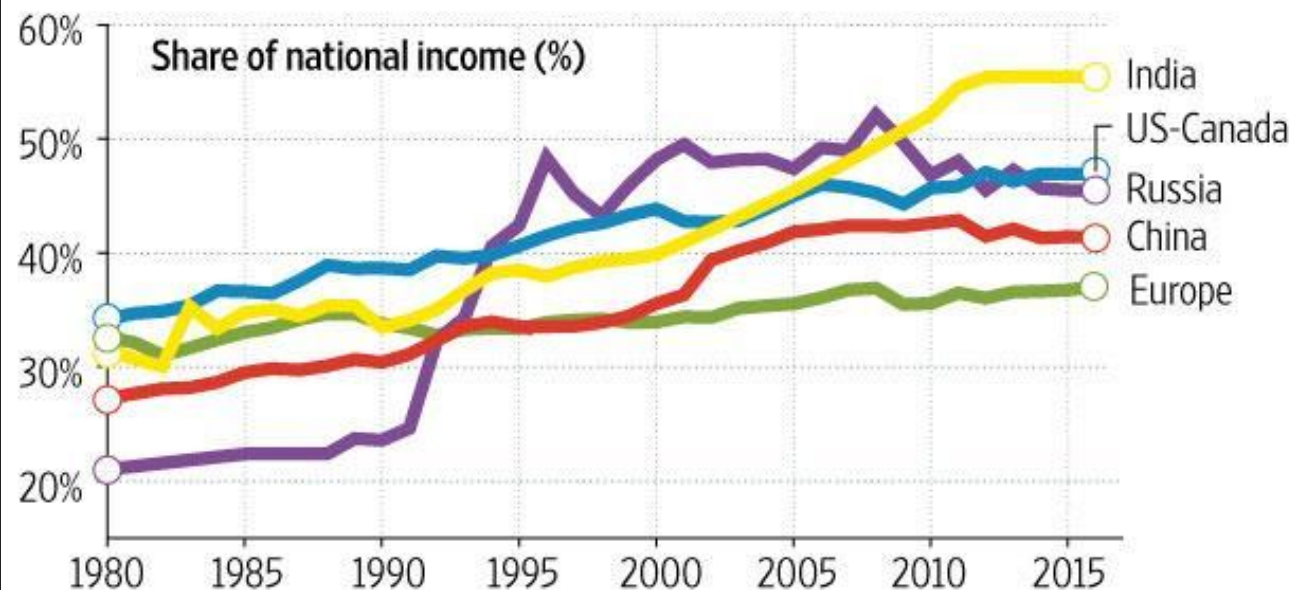
Each horizontal band  
represents an equal fifth  
of the world's people

POOREST

World population	World income
■ Richest 20%	82.7%
■ Second 20%	11.7%
■ Third 20%	2.3%
■ Fourth 20%	1.9%
■ Poorest 20%	1.4%

# WHAT THE TOP 10% OWNED IN 1980-2016

Rising inequality almost everywhere, but at different speeds



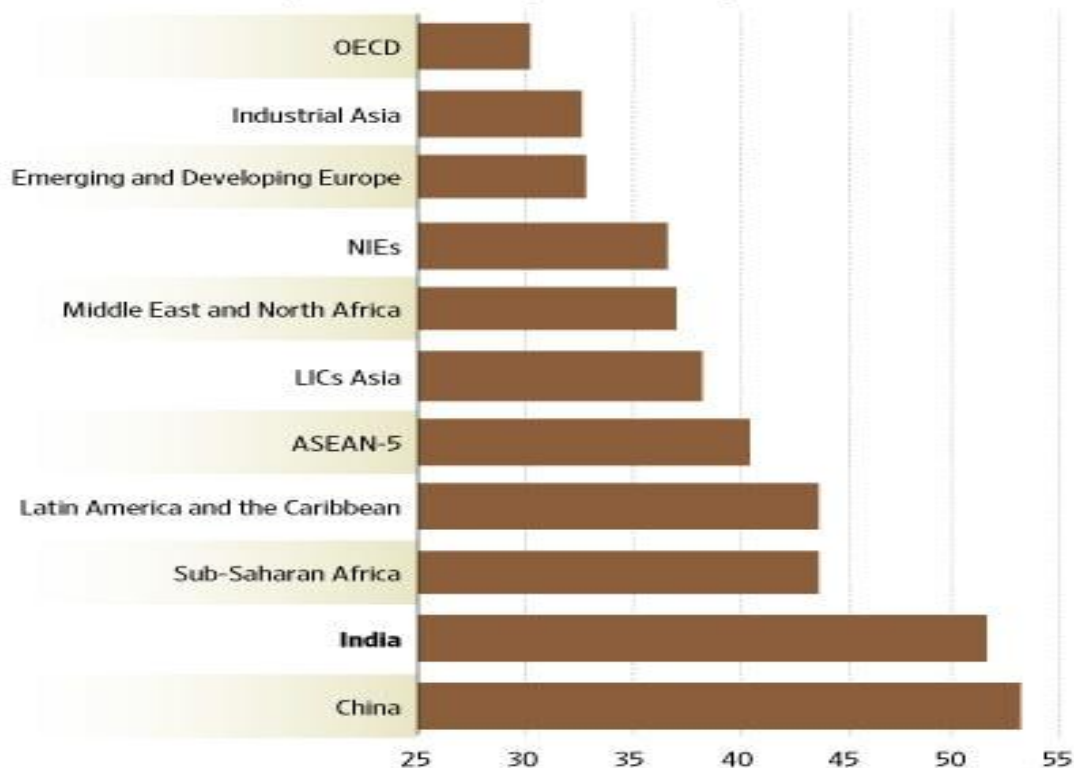
In 2016, 47% of national income was received by the top 10% in US-Canada, compared to 34% in 1980.

Source: World Inequality Report 2018



# INCOME INEQUALITY LEVEL: THE GLOBAL STORY

Net Gini Index; in Gini points; 2013; average across the region



ASEAN-5: Indonesia, Malaysia, the Philippines, Singapore, and Thailand;  
LIC: Low-Income Countries; NIEs: Newly Industrialized Economies;  
OECD: Organisation for Economic Co-operation and Development.

Source: IMF



# Risks of Inequality

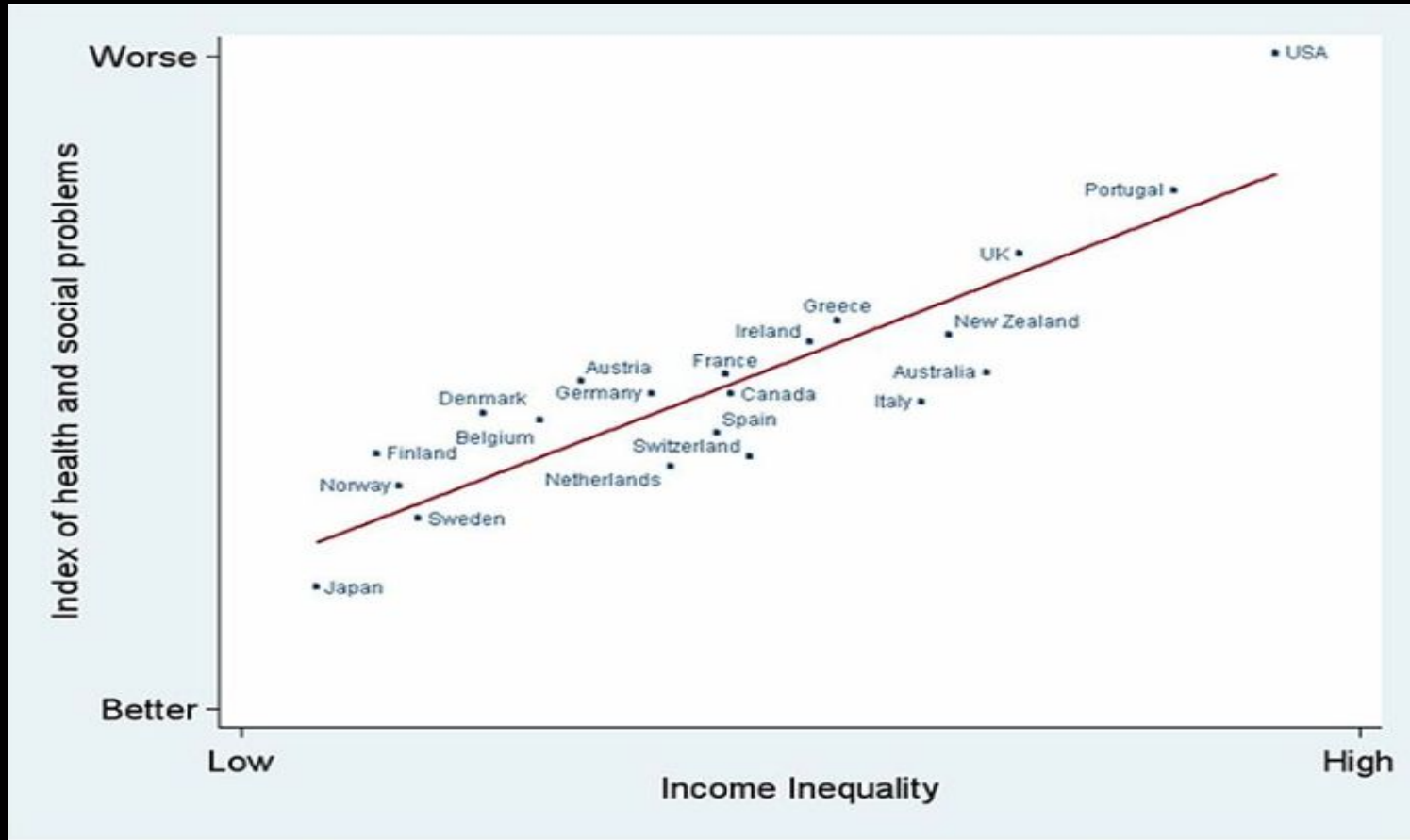
## Social Unrest

- Lack of trust makes lower class people reluctant to work for rich people and therefore, do not add any economic value

## Poor Health

- Health and social problems are worse in unequal societies
- Common health issues: Obesity, Mental Illness, Drug use, lower Life Expectancy, etc.

# Health & Social problems are **Worse** in Unequal Countries



# Income Inequality in India: An Overview

- India's top 1% of the population holds 73% of the wealth.
- 67 crore Indians, who comprise the poorest half of the population, saw just a 1% increase in their wealth.
- 941 years of min wage == 1 year of max wage
- 5% of population living < \$1.90 a day.

# IF INDIA'S LAND WERE DIVIDED LIKE INDIA'S WEALTH





**As Indian economy is getting richer and richer, the income gap in Indian society is getting wider year by year.**

# Companies are focusing on their **exclusive** market!

An Example -

**Apple Focusing on Premium and rich sector in India.**

# Consider both **Exclusive** and **Inclusive** Market.

An Example -

- **Google having its services in multiple languages.**



# What IT can do to equip the lower end of the society?





# Key Takeaways

- What is Income Inequality and its causes?
- Measures of Income Inequality
- Consequences of Inequality
- Income Inequality in India: An Overview
- How IT can equip the lower end to be more productive?

# References

## ✓ Sites to visit:

- <https://www.investopedia.com/terms/i/income-inequality.asp>
- <https://www.gfmag.com/global-data/economic-data/wealth-distribution-income-inequality>
- Wealth Inequality in America: <https://www.youtube.com/watch?v=QPKKQnijnsM>
- <https://www.slideshare.net/MANISH078/income-inequality-presentation-59859285>
- [https://en.wikipedia.org/wiki/Economic\\_inequality](https://en.wikipedia.org/wiki/Economic_inequality)

# Dedication

This presentation is dedicated to BHARAT comprising of lower income people in Rural India.

HEY, WE'LL DON'T  
EXPECT US TO  
BRIDGE THE GAP  
ANY TIME SOON!!

THANK  
YOU

99%

1%

Wall St.