Chapter 8
Income Inequalities in Developing Countries: A Performance Analysis

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ABSTRACT

The welfare of a country is related to how equitably its national income is distributed, rather than its wealth. The increase in income inequalities between individuals or social classes causes the deterioration of social peace and stability and a slowdown in economic development and growth. In this study, the effect of more than one socio-economic factor on income inequalities was examined in 35 developing countries. The 2019 data compiled for the selected countries were analyzed with the ARAS method. From the findings of the ARAS method, which was carried out using the aforementioned weighting method, it was determined that the countries with the best performance in terms of income justice were Chechia, Estonia, Slovakia, Thailand, and Hungary. The results of the analysis showed that Colombia, Brazil, Mexico, Bolivia, and Bangladesh were the countries with the highest income inequality. The ARAS findings used in the study are theoretically and expectedly satisfactory.

INTRODUCTION

Income inequality is a multifaceted problem with deep roots. It is not possible to say that the inequalities in income distribution in the world show a regular tendency. The history of inequality is shaped by strong social changes as well as economic events. Income and wealth differences between different income groups in the society can be the cause or result of the changes. Economies with high income inequalities become unstable and unsustainable in the long run. The deepening of income differences between individuals or social groups causes an increase in social conflicts and deterioration of social

DOI: 10.4018/978-1-6684-8903-1.ch008

peace and stability (Stiglitz, 2015: 146). Despite the increasing material wealth around the world, the gap between the rich and the poor is increasing day by day. The richest 10% earn 40% of global income, while the poorest 10% have share between 2-7% of global income. Rising income inequality threatens social cohesion, slows economic growth and frustrates efforts to eradicate poverty (EU, 2017: 197). Global income among individuals have two basic features: inequality among different nations and regions and inequality within the particular country itself. In the contemporary global economy, these two constituents of disparity are considerable. Inequality between different nations of the world is very striking today although the emerging economies have been catching up to developed world over the past four decades. If all countries in the world have a rapid rise in income inequality like the USA since 1980, the richest 1% of the world will have a 28% share of the global income in 2050, while the poorest 50% of the global will receive a 6% share of the global income. In cases where income inequality is relatively low, as in European countries, it is estimated that the share of the richest 1% in global income will decrease to 19% in 2050, and the share of the poorest 50% in global income will rise to 13% (Alvaredo et.al, 2018: 250). Recent studies show that inequalities are increasing rapidly around the world during the Covid 19 pandemic. Between 2021 and 2019, the wealth of the top grew by 0.001%, while average global wealth is estimated to have risen by just 1%. On top of that, global billionaire wealth increased by more than 50% between 2019 and 2021 (Chancel et.al, 2022: 46). Decreasing inequalities and ensuring no one is left behind are crucial steps to be taken toward achieving the Sustainable Development Goals. The effects of the COVID-19 pandemic seem to overturn any positive evolution of narrowing income inequality. The pandemic has also thicken the structural and systematic discrimination up and eventually emerging markets and developing economies have experienced slow recoveries against disparities in income. The number of refugees and migrant deaths worldwide reached at the highest level in 2021. Meanwhile, the war in Ukraine has turned nasty, forcing millions of people away from their homes and creating one of the largest refugee crises in recent history.

The factors affecting income inequalities have been the subject of many studies in the literature. However, studies generally focus on the relationship between a single factor and income inequalities. In a small number of studies, the effect of more than one factor on income inequalities has been examined for various country groups.

In this study, the performance of developing countries on income justice using multiple economic and social variables are analyzed. In this context, first, the related literature is reviewed in the background section and the focal point of our investigation is presented. In the the chapter of income inequalities in the world and developing countries, the information about the general view of income inequalities in the world and especially in developing economies is given from past to present. In the data and methodology section, the data employed in the analysis and methodology is elaborated in a detailed form. There commendations for future studies are provided in the part of the future directions for research. After the analytical findings are presented in the empirical findings section, the conclusion section includes comments and evaluations related to our case study.

BACKGROUND

Distribution of personal income is based on neo-classical theory and is revealed by the application of income tax. (Karacan, 2014: 40). What is important in personal income distribution is the amount of income, not solely its source and component. The differences (degree of inequality) between the highest

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