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THE PROBLEM OF INCOME DISTRIBUTION IN TERMS OF GLOBALIZATION

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INSTRUCTION

What is globalization? Globalization is a process of worldwide economic, political, social and cultural integration and unification. The main consequence of this is the world division of labor, the migration of capital, human and production resources throughout the planet, standardization of legislation, economic and technological processes, and the rapprochement of cultures of different countries. This is an objective process that is systemic in nature, that is, it covers all spheres of society. Globalization contributes to deepening of inequality, although it leads to an increase in the incomes of the population.

Poverty is one of those global challenges, an answer to which the world community has to search for more than one decade. It is the root cause or an attendant, aggravating factor of many other global problems, which naturally complicates their solution. At the same time, it is the product of a number of factors acting at the global level. There is an old abyss between the ‘golden’ and ‘hungry’ billions, they have contrasting levels, quality and style of life. The concern that the problem of world poverty raises is explained not only and not so much by the fact that it hinders world development, diverts funds from spheres of capital application more profitable from the point of view of economic efficiency. In its current form, globalization which gives the world the integrity unprecedented hitherto, does not destroy and does not smooth out its internal contradictions. On the contrary, it strengthens and sharpens them. As a result, the growing interdependence turns into increasing mutual vulnerability.

The main danger of dividing the world into zones of well-being and poverty lies in the fact that in the context of global transformations the link of poverty with other global threats and risks, illegal migration, terrorism, the growth of transnational crime, etc. deepens.

The social tensions generated by backwardness, misery and poverty push politicians and governments of the poorest countries to search for internal and external enemies, multiply conflicts in the developing world, and increase the danger of international terrorism. All states, regardless of their size, wealth or location, become vulnerable facing new and old threats in the era of globalization.

World poverty is a serious problem for developed countries in one more respect. Beggarly existence, unsanitary conditions, and health undermined by malnutrition make the population of the poorest countries an easy prey for various infectious and epidemic diseases that pose dangerous threats to rich countries as well (HIV, Ebola fever, SARS and other pandemics).

Poverty is a phenomenon of a societal order. It is projected onto the economy, social relations, politics, and culture; it directly affects such basic characteristics of the life of any person as the state of health and the level of education. Therefore, it is so important to understand what poverty represents in recent decades, what will happen to it in the short term. Will its scale change, and if so, where and how? Discussion of these very issues has formed the basis of this article.

The social and fiscal policy of the authorities aimed at redistributing additional revenues within the country can smooth out this process, but the opportunities for such levelling are limited.

However, the globalization of processes is not only their ubiquity, not only that they cover the entire globe. First of all, globalization is connected with the internationalization of all social activities on Earth. This internationalization means that in the modern era, all mankind is included in a single system of social, cultural, economic, political and other ties, interactions and relations.

Nevertheless, the globalization of social, cultural, economic and political processes in the modern world, along with the positive sides, has given rise to a number of serious problems that have been called "global problems of the present": environmental, demographic, political, etc. All these problems are very important for the present and future of mankind, the possibilities and prospects for the survival of mankind.

One of the most important long-term goals of the economic policy of the government of any country is to stimulate economic growth, maintain its pace at a stable and optimal level. It is necessary to have a clear idea of what economic growth is, what factors stimulate it, and which, on the contrary, restrain it. Economic theory develops dynamic models of economic growth that help to explore the conditions for achieving the optimal (equilibrium) rate of economic growth for each country and to formulate an effective long-term economic policy.

The new political economy literature, on the other hand, links greater inequality to lower future growth paths, and considers it an impediment to poverty-reducing growth, as the elasticity of poverty with respect to growth is found to decline when inequality increases. The research in this area has not, however, been able to identify the mechanisms through which this happens. One possible explanation is credit market failure, whereby the poor are unable to use growth-promoting investment opportunities (in physical and human capital). The higher the proportion of credit-constrained people, the lower the level of investment and the rate of growth are. High inequality, manifested in a large proportion of population having poor health, nutrition, and education, is also likely to impact on overall labour productivity and to cause slower economic growth. Raising income levels of the poor, on the other hand, stimulates demand for domestic products and increases employment and production. More equitable distribution of income may also act as a material and psychological incentive to widespread public participation in the development process, whereas inequality may cause political and economic instability. Even if there is no consensus on the proportion of the world's population living in absolute poverty, it is highly likely that the share of the poor in the global population has declined during the last two decades This is largely due to rapid economic growth in countries like China and India. Differences between regions are, however, remarkable in the developing world. Especially in Sub-Saharan Africa, the number of poor people significantly increased between 1981 and 2001 Inequality between countries seems to have increased (e.g. Wade, 2004) . Evidence on that is, however, somewhat controversial and depends e.g. on the methods used, countries included, timeframe and so on. To study the relationship between inequality and economic growth in Tunisia in the context of trade liberalization, we conducted two approaches. The first is graph and the second is econometric. In order to detect the role of openness to trade of the country we divided the total period into two subperiods according to the acceleration of trade liberalization of economy. Thus, through the graphical approach we were able to demonstrate the existence of a negative relationship between growth and openness to trade, on the one hand, and inequality on the other. This means that it's an obstacle to economic growth and that openness to trade has been a factor in the deterioration of the state of inequality in the country. The econometric analysis is based on two specifications. In the first we have chosen as the dependent variable GINI index measuring inequality while in the second dependent variable is the rate of economic growth. According to the first group of regressions that economic growth and openness to trade have had positive effects on inequality. Dividing the period into two sub-periods is accompanied by an increase in the values of coefficients for said variables suggesting that the growth led by exports has become more depleting. The other two variables, namely financial development and human capital have a positive effect on inequality. The results obtained in the second group of regressions, where the dependent variable is the rate of economic growth shows that openness to trade, financial development and human capital have positive effects on economic growth. Regarding inequality, the negative sign of the Gini coefficient reflects a negative effect of this variable on economic growth. Dividing the period into two subperiods is accompanied by a change in the sign of the coefficient in the first sub-period so that it becomes negative for the second sub-period corresponds with the acceleration of commercial economic liberalization process.

I THEORETICAL BACKGROUND OF INCOME DISTRIBUTION.

1.1.Main factors of income distribution.

Economic globalization, including legislative liberalization of transboundary flows of capital, goods and labour and increasing of their role in the structure of the economy leads to a significant increase in incomes. On the one hand, there is convergence between countries due to increased incomes in the poorest of them, on the other hand, additional incomes are disproportionately distributed in favour of the richest citizens within countries.

At the external level, globalization has a positive but weakening over time effect: it significantly increases the rate of economic growth in countries in the early or middle stage of integration. However, as countries continue to be included in the global market, this effect is reduced and gradually fades away.

Thus, most low- and middle-income states, which economies tend to be more closed, will benefit from further globalization (with unchanged domestic policy).

At the same time, further deepening of economic ties with the outside world does not lead to a significant increase in incomes for countries with high incomes. This is reflected in the dynamics of globalization too: the current ‘rich’ countries began the process of integration earlier than middle- and low-income countries, in the 1970s, and reached a peak level of integration into the world market in the late 2000s, and are now experiencing stagnation or even move in the opposite direction (we note that this process is most clearly illustrated by the growth of protectionism and disputes in the WTO, see, in particular, Kommersant of March 15). The IMF notes that middle-income countries began to lift economic restrictions on transboundary flows in the early 1990s, low-income countries in the middle of the same decade, and they continue this process to this day.

However, within the countries, property inequality as a result of globalization is growing, since most of the additional income is concentrated in the hands of the most affluent stratum and has virtually no effect on the incomes of the poorest part of the population. And, as it is believed in the IMF, these negative effects are more pronounced in the most integrated economies, while in developing countries globalization can reduce the overall poverty. Although over time internal inequality must increase, in practice this trend is partly offset in the globalized high-income countries by the fiscal and social policy of the authorities. It is noted in the IMF that both direct reallocation of income (taxes and social payments) and investments in education that increase the competitiveness of citizens in the labour market can ensure more inclusive growth, although these measures are not able to compensate completely the growing inequality. The Fund recommends that low-income and middle-income countries significantly increase its redistribution as globalization intensifies, especially as the associated economic growth creates additional resources for this.

The obtained results are consistent with one of the main trends of recent decades, it is also noted in the World Bank: global inequality is increasingly determined by property stratification within countries and decreasingly determined by intercountry stratification, and economic globalization is one of the reasons for this phenomenon.

The first way to measure economic growth is usually used in assessing the rate of expansion of the country's economic potential, the second one - in analyzing the dynamics of the well-being of the population or comparing living standards in different countries and regions. At present, the second method of measurement prevails in growth theories. Economic growth means the development of the national economy, in which the rate of increase in real national income exceeds the rate of population growth. This allows us to consider the problems of growth from the position of a resident of the country, and not an outsider.

When considering economic growth in terms of the rate of increase in real output, it is usually assumed (implicitly or implicitly) that the economy does not undergo deep structural and institutional changes. The structure of production and the institutional environment are considered to be established and unchanged. This type of development is typical for economic systems that have the property of integrity and balanced interaction with the external environment. As a long-term period, a period equal to the life cycle of fixed capital is usually considered.

Another approach is used in the theories of economic development, reproduction, industrial and post-industrial society. These theories analyze the problems of economic dynamics in the "superlong" period, when the main institutions of power, management, infrastructure objects, structural interrelations in the economy and in its interaction with the external environment are subjected to changes. It should be noted that the concepts of "long-term" and "extra-long" periods differ in the dynamics theory not so much by their temporal extension as by the conceptual orientation, since it is about economic time (the speed of occurrence of events). In the case of cases in its time, the very long period may be shorter than the long-term period in its traditional sense. In particular, this is typical for our country at the present stage of its development, when structural, institutional and functional changes occur faster than changes in direct factors of production that determine the growth of the natural level of real output Incomes make a kind of circuit in the economy: entering the family in exchange for the factors of production belonging to it (labor, land, capital, entrepreneurial activity), they turn into incomes of producers who created and offered goods and services to the family. Some of the funds are accumulated in the form of savings (households) and savings (enterprise). The state, the means it uses to support the economically weak and the poor, and the creation of better conditions for the functioning of the economy as a whole will receive their share of revenues through taxes.

It should be borne in mind that the formulation of the question of the goals of economic growth is normative, that is, it contains the wishes that it would be desirable to have a developing society.

A positive approach to the question of the goals of economic growth presupposes an analysis of the motives of the behavior of producers and consumers. The main incentive for firms to carry out investment expenditures is to obtain economic profit in the long term. The goal of households is to increase their well-being. In order to achieve this goal, they, first, save part of their income, and second, they invest part of the income in improving the quality of the factors of production at their disposal. This motive is typical, in particular, for workers, employees and entrepreneurs who invest private investments in human capital.

The efficiency of economic growth is understood as the improvement of all components of the multifaceted concept of "production efficiency". These include:

• improving the quality of goods and services, increasing their competitiveness in the domestic and world markets;

• mastering the production of new goods that allow satisfying previously unsatisfied needs or creating an opportunity to meet them in the best possible way;

• deepening of specialization and cooperation in production taking into account the territorial advantages of the country in the system of the international division of labor;

• Overcoming A - inefficiency by increasing management skills and using effective motivations to stimulate productivity growth within firms;

• Improving the dislocation of production resources by sectors and regions of the country;

• development of new technologies that allow to minimize the costs of limited production resources for the production of this volume of production.

The concept of "quality of economic growth" in economic theory is associated with the strengthening of its social orientation. The main components of the quality of economic growth are:

• Improvement of the material well-being of the population;

• increase in free time as the basis for harmonious development of the individual;

• Increasing the level of development of social infrastructure;

• Increased investment in human capital;

• ensuring the safety of working conditions and people's lives;

• social protection of the unemployed and disabled;

• maintaining full employment in the face of increasing supply in the labor market.

It should be noted that there is a certain contradiction between the rates of economic growth, on the one hand, and the increase in quality, on the other. High rates can be achieved due to deterioration in the quality of growth. For example, increasing the working day or increasing the intensity of labor, leading to increased labor costs and thus contributing to an increase in the rate of economic growth, will be adversely affected by the quality of economic growth due to a decrease in free time. On the contrary, low and even negative growth rates can be accompanied by an increase in consumer satisfaction as a result of the release of better products. Therefore, many economists believe that low (2-3% per year), but stable rates of economic growth are most preferable. Balance is one of the tools of socio-economic analysis, characterizing the standard of living of the population. With its help, the total volume and structure of monetary incomes and expenditures of the population are determined, real and nominal incomes and the purchasing power of the population are calculated, and the distribution of the population by the level of incomes and the share of the population living below the poverty level is calculated; other economic calculations are carried out both at the national and at the regional level. The balance provides an opportunity to analyze the main indicators of income and expenditure of the population in the group by sources of receipt of funds and the directions of their expenditure. In fact, the balance of money incomes and expenditures of the population is an intermediate stage for building a system of macroeconomic indicators. The degree of the state's influence on the process of income redistribution can be measured by the volume and dynamics of spending on social goals from the central and local budgets, as well as the size of income taxation. The state's ability to redistribute income is largely limited to budget revenues. Increasing the share of social expenditures in excess of tax revenues leads to their becoming a powerful factor in the growth of the budget deficit and inflation. The increase in social expenditures of the state budget, even within the limits of the revenues received, leads to excessive tax increases, which can undermine market incentives. At the present time among economists a theory of factors of production is adopted, according to which each factor used in production is productive, because only the combination of these factors in certain proportions allows production. Consequently, each of the factors of production participates in the creation of income.

Revenues are considered not only as the final point of action of each participant in the market economy, but also as a source of meeting social needs, the basis for expanded reproduction and social protection of the disabled and the poor.

In accordance with the theory of factors, the main production factors are:

1) land, including all natural resources (forests, mineral deposits, water resources, etc.);

2) capital, or investment resources (means of production, vehicles and the sales network);

3) labor, i.e. all the physical and mental abilities of people used in the production of goods and services;

4) entrepreneurial ability.

The income for each of these factors in accordance with the theory is equal to the marginal contribution of this factor to the income received by the enterprise (firm) after the sale of the product. This distribution of income could be considered fair in relation to both workers and owners of property resources (land, capital, etc.). In reality, however, the distribution of income based only on the theory of marginal productivity leads to significant inequalities, primarily because of inequalities in the distribution of productive resources. Therefore, in the conditions of a modern democratic society, a state income policy is needed, aimed at mitigating this inequality. Due to imperfect competition in the market, the amount of income (including wage rates) often does not reflect the contribution of production factors to output.

Since the cost of production rests on the shoulders of the owners of the production of factors of production, the revenues are initially concentrated in their hands. This is the functional distribution of income, in the process of which the wages of hired workers (the owners of the labor factor) are formed, the profits of large entrepreneurs, owners of companies (owners of capital), rent (income of landowners and homeowners), incomes of small owners (combination of salary, profit, interest , dividends and rents). These types of income are market-based, since their size depends to a large extent on the ratio of demand and supply to a particular production factor.

The functional distribution of income occurs between the owners of the factors of production. However, in real life, many of the factor incomes are intertwined (for example, the participation of wage earners in enterprise profits) and redistributed (as in the case of social transfers).

The main components of the monetary incomes of the population are remuneration of labor, income from entrepreneurial activity and property, as well as social transfers (pensions, scholarships, etc.).

In the transition to a market economy in Russia, there have been significant changes in the structure of the monetary incomes of the population. New forms of income are being formed and are developing intensively: from entrepreneurship and from property (interest, dividends, rent, proceeds from the sale of securities).

The ratio of the share of wages and social transfers in the monetary incomes of the population plays an important role in labor motivation. With the prevalence of wages in the formation of the total amount of income, enterprise, initiative is usually developed, whereas with the increase in the role of social transfers, the psychology of dependency is often strengthened. Differences in income levels per capita or per employed person are called income differentiation. Income inequality is characteristic of all economic systems. The largest gap in the level of income was noted in the traditional system. This gap was greater than in the era of capitalism of free competition. Then, in the transition to a modern market economy, the differences in the level of income (and property) are significantly reduced. When moving from an administrative-command to a market system, the growth of income differentiation is connected with the fact that a part of the population continues to live in the conditions of a disintegrating former system and at the same time a social stratum operating under the laws of a market economy appears. As more and more broad segments of the population are involved in market relations, the size of inequality is reduced.

The income of each interval group is determined on the basis of the population distribution curve by the size of the average per capita income by multiplying the middle of the income interval by the population size in this interval.

For the transitional economy of Russia in the first half of the 90s. was characterized by an increase in income differentiation indicators.

The functional distribution of income is very rigid. Differentiation of income depends in this case not only on the level of qualifications of participants in market relations, but also on what they inherited. These functional incomes can be completely unrelated to labor participation in production (for example, rent, interest on a deposit deposited in a bank, dividends from a securities belonging to a person, etc.). As a result of the functional distribution, some groups of the population (children, the elderly, the unemployed) who do not have access to disposition of production factors are doomed to starvation in market economies, but for the role of the state that redistributes the incomes of the direct participants in market relations. So the vertical distribution of income is formed. The main difference between the functional distribution of income and the vertical is that the former is due to ownership of the factors of production, the second is the result of state intervention in the distribution and redistribution of income. It is this that characterizes the actual distribution of income by groups and social strata of the population (this is called the "property hierarchy"), from which its name originated - "vertical distribution of incomes".The state directly interferes with the primary distribution of monetary incomes and often sets an upper limit on the increase in nominal wages. The economic importance of state regulation of wages is determined by the fact that its change affects aggregate demand and production costs. The revenue policy is used by the state to curb the growth of wages in order to reduce production costs, increase the competitiveness of national products, encourage investment, and restrain inflation. The state, pursuing an anti-inflationary policy, may temporarily centralize the long-term limit of wage growth, taking into account the general needs of economic and social development.It should be noted that recently economic aspects are gaining more and more weight in globalization. Therefore, some researchers, speaking of globalization, mean only its economic side. In principle, this is a one-sided view of a complex phenomenon. At the same time, an analysis of the development of global economic relations makes it possible to identify certain features of globalization as a whole.

Globalization has also affected the social sphere, although the intensity of these processes largely depends on the economic capabilities of the integrated components. Social rights, previously available to the population of only developed countries, are gradually being adopted for their citizens and developing countries. In an increasing number of countries, civil societies, the middle class, and to some extent the social standards of the quality of life are unified.A very significant phenomenon in the last 100 years has been the globalization of culture on the basis of the tremendous growth of cultural exchange between countries, the development of the mass culture industry, the leveling of the tastes and preferences of the public. This process is accompanied by the erasure of national features of literature and art, the integration of elements of national cultures in the emerging universal human cultural sphere. Globalization of culture was also a reflection of the cosmopolitanization of being, of linguistic assimilation, the spread of the English language around the world as a global means of communication and other processes.As with any complex phenomenon, globalization has both positive and negative sides. Its consequences are associated with obvious successes: the integration of the world economy contributes to the intensification and growth of production, the mastery of technological achievements by backward countries, the improvement of the economic condition of developing countries, and so on. Political integration helps prevent military conflicts, ensure relative stability in the world, and do many other things in the interests of international security. Globalization in the social sphere stimulates huge shifts in people's minds, the spread of democratic principles of human rights and freedoms. The list of achievements of globalization covers various interests from a personal character to the world community. However, there is a large number of negative consequences. They manifested themselves in the form of the so-called global problems of mankind. Global problems are understood as universal, having in scope, strength and intensity a planetary scale of difficulties and contradictions in the relationship between nature and man, society, the state, the world community. These problems implicitly existed in part earlier, but mainly arose at the present stage as a result of the negative course of people's activities, natural processes and, to a large extent, as the consequences of globalization. In fact, global problems are not just the consequences of globalization, but the self-expression of this most complex phenomenon, not controlled in its basic aspects.

The global problems of mankind or civilization are truly realized only in the second half of the twentieth century, when the interdependence of countries and peoples that aroused globalization has sharply increased, and the unresolved problems manifested itself particularly clearly and destructively. In addition, awareness of some problems came only when humanity accumulated a huge potential of knowledge that made these problems visible.

The presence of unsolved global problems characterizes the high risk of the existence of modern civilization, which was formed at the beginning of the XXI century.

Today, global attention is drawn to the universal attention of international organizations, states, public associations, scientists, ordinary citizens. In May 1998, the summit of the G8 leaders of states paid special attention to this issue. The heads of Great Britain, Germany, Italy, Canada, Russia, the United States, France and Japan, at a meeting in Birmingham, Great Britain, were searching for ways to solve global problems, which, they said, "largely determine people's lives in each of our countries."

Some researchers identify the most important of the global problems - the so-called imperatives - imperative, immutable, unconditional demands, in this case - the dictates of the time. In particular, they refer to the economic, demographic, ecological, military and technological imperatives, considering them to be the main ones, and most other problems are derived from them.

Currently, a number of global problems include a large number of problems of different nature. Classify them is difficult because of mutual influence and simultaneous belonging to several spheres of life. It is enough conditionally global problems can be divided into:

• Natural character - natural disasters and changes in the cyclic nature of natural phenomena; One of the key economic issues of our time facing both the developed and the developing countries is how globalization impacts their economies. In particular, it is of crucial interest to determine whether globalization promotes or harms economic growth in countries operating in global markets. Closely related to the question of the impact of globalization on economic growth is the issue of globalization’s effects on income distribution within all participating countries. In theory, globalization can either alleviate or worsen the income inequality. There is no clear consensus on how globalization affects income inequality. Some economists claim that a recent rise in income inequality in many regions has coincided with liberalized trade and capital flows. Liberalized trade and free capital flows are the primary parts of a policy regime known as the Washington Consensus. It is conceivable to argue that liberalized trade and capital flows (that are the main components of globalization) may be responsible for increasing within-country income inequality. It appears that some are making this connection, and there is a corresponding backlash against the Washington Consensus. The importance of this issue cannot be overstated. If globalization does indeed cause greater within-country inequality, then the Washington Consensus may be internally inconsistent. The goal of the Washington Consensus is accelerated economic growth in all countries. However, if globalization causes greater income inequality, it will have a negative impact on economic growth as income inequality retards growth. There is substantial interest in the effect of globalization on income inequality within a country.3 In this debate, some have concluded that trade is a contributing source of the rising inequality [Borjas and Ramey (1994), Wood (1995), Freeman (1995), and Richardson (1995)]. Others, however, have observed no significant relationship between some concept of openness and income distribution. There is also some empirical evidence indicating that greater participation in international trade reduces income inequality significantly. Clearly, empirical evidence to date on the impact of globalization on income inequality is controversial and inconclusive. Consequently, this issue remains unresolved. Only further empirical research can shed more light on this all-important issue facing countries that The second problem (i.e., arbitrarily selected weights) is solved by applying statistical methods to determine the weights from the nature of the data (i.e., Principal Component Analysis). PCA attempts to summarize a large number of variables with a smaller number of hidden principal components. It is a statistical method for grouping large numbers of variables in order to determine those that are characterized by a common underlying factor. PCA helps determine the weights to attach to each determinant variable, based on the characteristics of the data. The result is a less arbitrary measurement of globalization. PCA involves a mathematical procedure that transforms a number of correlated variables into a smaller number of uncorrelated variables called principal components. The first PC accounts for as much of the variability in the data as possible, and each succeeding component accounts for as much of the remaining variability as possible. Industrialization is often essential for economic growth, and for long-run poverty reduction. The pattern of industrialization, however, impacts remarkably on how the poor benefit from growth. Pro-poor economic and industrial policies focus on increasing the economic returns to the productive factors that the poor possess, e.g. raising returns to unskilled labour, whereas policies promoting higher returns to capital and land tend to increase inequality, unless they also include changes in existing patterns of concentration of physical and human capital and of land ownership. Use of capital-intensive methods instead of labour-intensive ones tends to increase income disparities, as does the employment of skill-biased technologies, especially where the level of education is low and human capital concentrated. Also, the location of industrial facilities has an impact on overall poverty reduction and inequality. As enterprises are often concentrated in urban areas – because of ready access to skilled labour force, better infrastructure, larger markets and technological spillovers , industrialization may increase inequality between urban and rural areas. Promoting development of rural non-agricultural activities, like production in small and medium-sized enterprises , may decrease this disparity. The degree of economic openness of a country can have an important influence on its pattern of specialization and industrialization. If countries are open to trade they should, according to Heckscher-Ohlin theory, specialize in the production of commodities in which they have a comparative advantage. In labour-abundant countries, trade liberalization would tend to shift production from capital-intensive import substitutes towards labourintensive exportables. Due to this change, domestic inequality in those countries is expected to decline because of the increased demand for labour, whereas inequality would increase in countries with an abundant endowment of capital. Liberalization of foreign direct investment can also decrease inequality in capital-importing countries, but that depends in part on the degree of skill-bias of technologies employed by foreign invested firms. In several countries, trade and investment liberalization has, indeed, decreased absolute poverty and sometimes also inequality.

1.2. Economic development and economic growth of income distribution.

The essence of economic growth consists in resolving and reproducing on a new level the basic contradiction of the economy: the contradiction between the limited production resources and the limitless growth of social needs. You can resolve this contradiction in two ways. First, by increasing production capacity. Secondly, due to the most effective use of existing production opportunities and the development of social needs. The desire of the main economic entities for economic growth always exists, regardless of the level of development achieved in society. However, production conditions do not always allow for the realization of the growth potential, and then there comes a depression or an economic recession.

There are six indicators of economic growth characteristic of almost all developed countries:

High growth rates of per capita income and population. In developed countries, the average growth rate of per capita income in the past 200 years was 2% per year with a population growth of 1% per year. With this ratio, the average real GDP growth rate is 3%, which ensures a doubling of per capita income every 35 years, the population every 70 years and real GDP every 24 years. Per capita income for two centuries grew almost 10 times faster than the pre-industrial era, the population - 4-5 times faster.

High growth rates of productivity of factors of production. According to various estimates, from 50% to 70% of per capita income growth in developed countries in the industrial era were the result of productivity growth factors. The main part of the increase in GNP per capita was achieved through technical progress, which includes both the improvement of physical quality and human capital.

High rates of structural transformation of the economy. It includes the movement of labor from agriculture to industry, and more recently from industry to services; the growth of the average size of enterprises from the family and individual production of transnational corporations; the development of the urbanization process and much more.High rates of social, political and ideological transformation. Serious restructuring is always accompanied by changes in public institutions, people's behavior and ideology. Examples are the general process of urbanization and a complex of institutional and spiritual changes.The international scale of economic growth, conditioned by the ability of developed countries, in the past and present to find markets abroad, sources of raw materials and cheap labor, leading to the political and economic enslavement of poor countries. With the collapse of the primitive clan community, the emergence of private property and the emergence of market relations, the former relatively equalized distribution of material goods was replaced by distribution in accordance with various criteria. As a result, the problem of differentiation of incomes of the population was formed, that is, inequality in income between individual population groups.

Economic Development

Economic Development versus Economic Growth comparison chart		
	Economic Development	Economic Growth
Implications	Economic development implies an upward movement of the entire social system in terms of income, savings and investment along with progressive changes in socioeconomic structure of country (institutional and technological changes).	Economic growth refers to an increase over time in a country`s real output of goods and services (GNP) or real output per capita income.
Factors	Development relates to growth of human capital indexes, a decrease in inequality figures, and structural changes that improve the general population's quality of life.	Growth relates to a gradual increase in one of the components of Gross Domestic Product: consumption, government spending, investment, net exports.
Measurement	Qualitative.HDI (Human Development Index), gender- related index (GDI), Human poverty index (HPI), infant mortality, literacy rate etc.	Quantitative. Increases in real GDP.
Effect	Brings qualitative and quantitativechanges in the economy	Brings quantitative changes in the economy
Relevance	Economic development is more relevant to measure progress and quality of life in developing nations.	Economic growth is a more relevant metric for progress in developed countries. But it's widely used in all countries because growth is a necessary condition for development.
Scope	Concerned with structural changes in the economy	Growth is concerned with increase in the economy's output

This problem generates social tension, and, more simply, the hostile attitude of the poor towards the rich. Therefore, economics has long and constantly engaged in the study of inequality and its negative consequences, as well as the development of measures to weaken them.Inequality of income and wealth can reach enormous proportions and threaten political and economic stability in the country. Economic growth is one of the main goals of society. In this capacity, he suggests raising the material welfare of the population and maintaining national security. At the same time, economic growth is a means to achieve these goals. The increase in material well-being as the main goal of economic growth is characterized by such indicators as:

- ✓ Increase in per capita income of the population.
- ✓ Increase in free time.
- ✓ Improving the distribution of national income among various segments of the population.
- ✓ Improvement of quality and growth in the variety of goods and services produced.
- ✓ Economic growth is a necessary but not sufficient condition of economic development.

Therefore practically all developed countries of the world constantly carry out measures on reduction of such inequality. This is done through social policy.Hence, economic growth as a process is characterized by a system of indicators, which are a comparison of the results of production in time.Limited distribution of the results of economic growth. Despite the huge increase in production in the world over the past 200 years, only a quarter of the world's population participated in this process. Unequal relations between rich and poor countries create a tendency to deepen the income gap. Growth in rich countries often occurs at the expense of poor countries.

1.3. Problems of inequality income distribution.

Even though the basic concept has entered the public consciousness, the effects of highly concentrated wealth are hotly debated and poorly understood by observers. Research attributes advantages and disadvantages to pronounced levels of economic inequality. Some on the right claim income inequality is socially beneficial in the main despite possible negative effects.

Global trends have led to an increasing concentration of wealth in an increasingly small number of hands. Although some methods of calculating global economic inequality show little change in wealth distribution, different methods of calculating income or wealth tend to come up with different results. The majority of analysts conclude inequality is increasing. In 2013, nearly half of all global wealth was owned by one percent of the global population. On current trends Oxfam says, in its latest research, it expects the wealthiest 1 percent to own more than 50 percent of the world's wealth by 2016. Intra-national inequality has captured the attention of political, business and academic leadership in wealthy nations such as the United States,Japan, and Europe.

The purported consequences of the rich-poor divide are exceedingly diverse. Some economists conclude inequality is beneficial overall for stimulating growth, improves the quality of life for all members of a society, or is merely a necessary part of social progress. Other economists claim wealth concentrations create perpetually oppressed minorities, exploit disadvantaged populations, hinder economic growth, and lead to numerous social problems.

Governments can intervene in the labour market by altering personal disposable income via the tax and benefits system. This means employing a progressive tax system. Progressive taxes take proportionately more tax at higher incomes and proportionately less tax at lower incomes.

If this is accompanied by welfare payments to those on lower incomes, any gap between high and low income earners can be reduced. Rising levels of economic inequality often correlate with economic growth. In 1979, the Chinese government introduced several new programs designed to stimulate the economy.Soon afterward, the Chinese GDP annual growth rate rapidly increased from 5.3% in 1979 to over 15% in 1984. The growth rate rose and fell in the years that followed, but China has generally maintained one of the highest rates of growth globally since the 1980's.During the same period of time that rapid Chinese economic growth took place, economic inequality in China also increased noticeably. Currently, China has one of the highest wealth disparities on the planet.

Another example that demonstrates the apparent correlation between economic growth and wealth disparity is the economic expansion the United States experienced in the years prior to 2008. This period coincided with increasing rates of income inequality. Inequality fell between 2007-2008, during the economic recession. Then, as the U.S. economy recovered from the recession, so did rates of income inequality.

Some observers claim the correlation provides evidence economic inequality drives growth in a variety of ways. First, incentives are greater for innovation and entrepreneurship when inequality is pronounced.Large salaried executive positions, for example, create an incentive for lower paid workers to win coveted labor positions. The less-wealthy members of a society work harder, create new businesses, or invent new products to become a member of the highest income group. On the other hand, when the gap between income levels is small, those in lower income groups have less of an incentive to move up in income.

Some economists argue therefore, that wealth disparities are an inevitable part of a successful economy. Kaldor maintains that long-term market patterns show pulls toward the concentration of wealth. He shows how, in the short term, where inequality is at a minimum, relatively low levels of investment result in lower profit margins, lower consumption levels, lower employment, and lower total income.Subsequently the market demands higher levels of investment and innovation. These increased levels of demand for investment and the trend of technological progress require deep pools of capital to develop innovations and inventions. The process of development and the demand for investment lead to increasing concentration of capital. The concentration of wealth thus results in increasing division between the poor or middle-classes and the wealthy investment class.Some argue a society with pronounced economic inequality is fairer than a society with a generally equal wealth distribution. Unconstrained markets tend to naturally develop pronounced economic inequalities, as discussed above. Economic equality then generally requires the utilization of redistributive state policies such as progressive taxes. In basic terms, economic equality requires taking from the "have's" and giving to the "have not's."

The idea that property rights should be relatively inviolate forms, in part, the basis for neoliberal economic theory. The state is viewed as a sort of necessary evil for facilitating a free and rationally operating market. Political interference with natural economic processes, such as economic inequality, should be kept to a minimum because substantial government involvement disrupts the moral rights of independence and individual freedom.

Redistribution does not appear fair to some, especially from the perspective of the wealthy. Taxes and other redistributive policies that aim to reduce income inequality involuntarily take assets from individuals without equivalent exchange. Although redistributive policies generally benefit all members of a society, the majority of the costs for those social benefits are borne by the wealthy segments of society.

A degree of inequality can act as a positive influence on economic growth in the short term.However, some economists find empirical evidence of a negative correlation of about 0.5-0.8 percentage points between long-term growth rates and sustained economic inequality.

A variety of explanations have been proposed to explain how inequality can work to stifle growth. A high level of economic inequality means a higher level of poverty. Poverty is associated with increased crime and poor public health, which places burdens on the economy. In the face of increasing food prices and lower incomes, support for pro-growth government policies declines. Wealthy citizens maintain disproportionate political power compared to poorer citizens,which encourages the development of inefficient tax structures skewed in favor of the wealthy. Unequal income distribution increases political instability, which threatens property rights, increases the risk of state repudiated contracts, and discourages capital accumulation.A widening rich-poor gap tends to increase the rate of rent-seeking and predatory market behaviors that hinder economic growth.

According to one theory, growth is suppressed in economically unequal societies, after a phase of increased growth, by the decreasing availability of investments for human capital. Physical capital becomes increasingly scarce, as fewer individuals have funds to invest in training and education.As a result, demands for human capital are difficult or impossible to meet, and economic growth stalls. As an additional consequence, market demands increase for risky unsecured loans, which increase lenders' risk exposure to the borrower's default. More risks in the markets increase market volatility and the possibility of cascading defaults such as the 2008 subprime mortgage crisis.

Studies establish a positive relationship between income inequality and crime. According to a survey of research conducted between 1968 and 2000, most researchers point to evidence economically unequal societies have higher crime rates. That survey concludes that inequality is "the single factor most closely and consistently related to crime."

Researchers propose several possible explanations for the inequality-crime correlation. First, disadvantaged members of a society may be more likely to suffer from resentment and hostility as a result of their economic position or competition over scarce jobs or resources, resulting in a higher propensity for criminal behavior.

Second, inequality increases the incentive to commit crimes. Fewer methods of lawfully obtaining resources are available for the increasing number of poor who live in an unequal society. Even when risks of punishments are taken into account, illegal methods of gaining assets may provide better returns than legal means of obtaining resources.

Third, a wide gap between rich and poor tends to increase crime by reducing law enforcement spending in low-income areas. Wealthy members of a society tend to concentrate in secluded communities, especially as the disparity between the rich and poor increase. Rich neighborhoods or countries have more funds for the police than their poorer counterparts, resulting in a less effective police force or a higher number of officers susceptible to bribes in an increasing number of poor areas. Increasingly concentrated wealth leads to higher crime rates in poor areas which are prevalent in economically unbalanced societies. In societies with a sufficiently high degree of economic inequality, state investments in reducing economic inequality is vastly more effective at reducing crime than increasing spending law enforcement. Distribution relations are of great importance for the development of the social economy, primarily because people who enter the production process and invest their labor or capital in it are hoping to receive certain revenues. Therefore, distributive relations are the basis for creating a system of incentives for participation in the production process, and the level of its development largely depends on them. In addition, the distribution, forming incomes, determines the possibility of achieving the social and economic goals of the development of society, allows to influence the level of satisfaction of needs and, consequently, the standard of living of the population in the country. In this regard, the problems of distribution and income generation have always been at the center of attention, both in economic science and in the governments of countries. The impoverished members of society are subject to disproportionate occurrence rates of certain kinds of illnesses. Access to quality health care and healthy food is sometimes limited or unavailable for poor individuals. The result of a substantial poor population, a defining feature of economic inequality, is a less effective lower-income work force, higher disease and mortality rates, higher health care costs, and progressively deepening poverty for afflicted groups.

II PROBLEMS OF GLOBAL DISBALANCE OF DEVELOPED AND DEVELOPING COUNTRIES.

2.1.Debt problems of developing countries.

Regardless of whether it satisfies the solvency condition, the country is considered illiquid if its liquid assets and available financial resources are insufficient to repay financial obligations in a timely manner. As a rule, countries with high short-term debt to reserves ratio, large financing needs with respect to incomes and loss of access to capital markets face the liquidity crises.

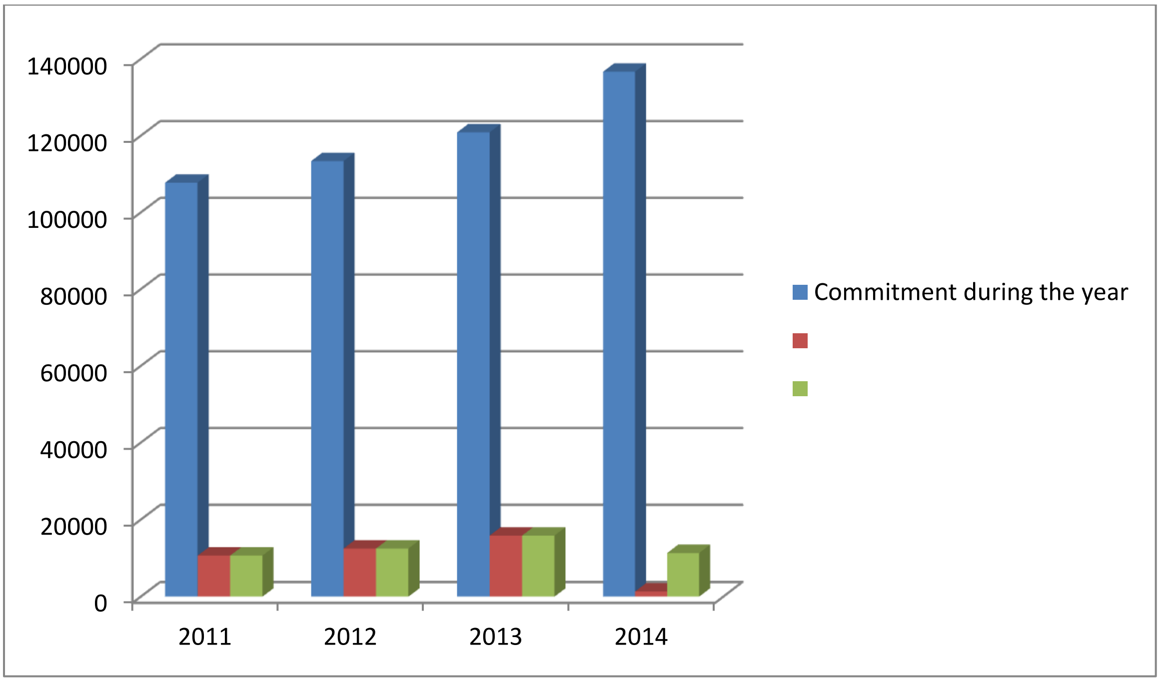
Under financial insolvency is understood such a situation, in which the country's total debt burden becomes unstable, i.e. when the future surplus of financial revenues is not large enough to pay off the debt.

The problems of illiquidity and financial insolvency are directly related to the exchange rates, which, in an open market, can significantly exacerbate the country's debt problems. This can take place as in the case when the exchange rate is fixed and inflated, which serves as an object for speculative attacks, and when the exchange rate is understated, i.e. its purchasing power is understated relative to the currencies used in international settlements. Nominal incomes of the population, as already noted, include, in addition to the net incomes of the population, and mandatory payments. Mandatory payments are made by the population through the financial system in the form of various kinds of taxes and fees. Through the accumulation of tax payments and fees, the state realizes its right to form part of its resources for the subsequent implementation of social policy through the redistribution of funds, assistance to low-income citizens. In order to protect the interests of poor citizens and prevent a decline in the level of well-being below the maximum allowable in these particular conditions, the state establishes a threshold minimum in incomes not subject to taxation. At the same time, for higher incomes, progressively higher tax rates are set.

Despite the variety of sources of income, the main components of the population's money income are wages, income from entrepreneurial activity and property, as well as social transfers.

Developing Countries: Capital Inflow, Service Payments, and Resource Transfer Analysis (6,11)

Year	Commitment during the year (Df) t	Debt Service			Net Flow	Net Transfer	In p.c. of (Df)t	
		Amortization Interest	Interest	Total			Net Transfer	Net Flow
2011	10,775.1	2,130.4	1,063.6	-	-	-	73	63
2012	11,339.2	3,867.1	1,249.7	-	-	-	69	74
2013	12,087.1	4,827.4	1,585.1	-	-	-	68	77
2014	13,677.3	5,627.9	1,131.7	-	-	-	67	81
2015	15,092.7	6,118.1	2,110.3	-	-	-	89	73
2016	18,869.2	7,828.6	2,180.0	-	-	-	70	56

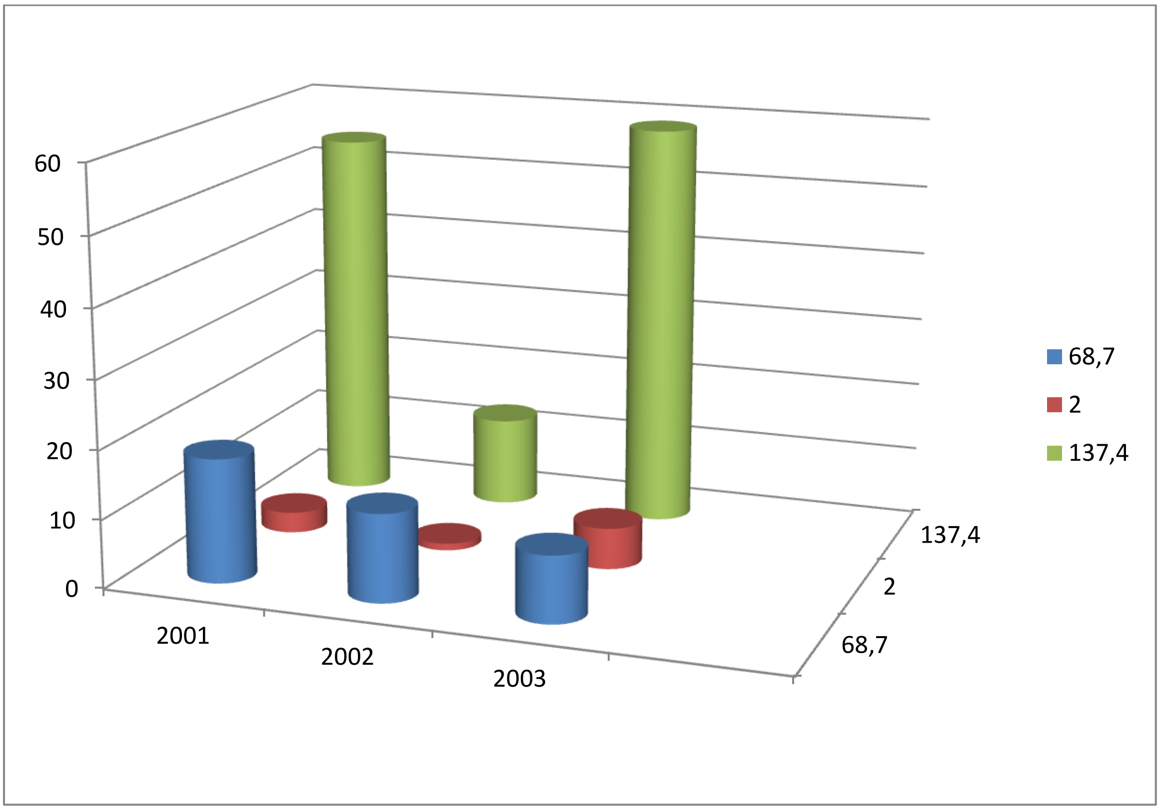


A country's ability to service debt is now measured in terms of its achieving the level of resource transfer from external capital to fill in the resource gap commensurating with the capital requirements for sustaining its development efforts.

The extent of resource transfer, as derived from above equations, can further be compared with the average level of resource transfer for a group of countries in a region. Based on the experience of individual countries, certain policy recommendations can be made in order to maintain an increasing level of resource transfer from external borrowings.

The resource transfer analysis provides a suitable mechanism to ascertain the extent of resource transfer that a country has realized over a period of time. Literature pertaining to the field of international capital movements generally discusses the concepts of resource flows. Three variations of capital flows are involved: gross capital inflow, net capital inflow, and resource transfer. The first two concepts are familiar from balance of payment accounting. It is the third concept - resource transfer - which is relatively new. Let us examine the definition of each of these concepts. Gross capital inflow is defined as all receipts on capital account, without any offsets. Net capital inflow is defined as gross inflow less amortization of loans in case of external debt. Resource transfer on account of external public debt is defined as net capital inflow less interest charges on such borrowings. The resource transfer concept essentially indicates how much of the gross capital inflow is left over to the borrowing country after it pays for the service items. The table provides the summary data for 86 developing countries regarding their most recent debt servicing experience. The data are being compiled by the World Bank based on the reporting made to it by individual countries. The calculations for the net capital flow and resource transfer per unit of external debt have been made by this author. The data cover the latest available statistics for a period of eight years beginning. As it stands now, it almost takes two dollars of fresh borrowings to materialize one dollar of net transfer of real resources. A situation like this leads to an important area of investigation requiring a better management of external debt by the authorities in developing countries. The scope of this article does not permit incorporating the various policy issues relating to international debt management. The income of each subject is understood as the share of the national income created in the society, which he receives, depending on the degree of participation in the national economy.

Distribution relations, like the whole system of production relations, depend on property relations. The distribution of income in the market is based on the fact that each owner of the factors of production (labor, capital, natural resources and entrepreneurial abilities) receives his income depending on the demand for them and their supply and on the marginal productivity of each factor - this is the functional distribution of income. [17, 18]. It shows that the predominant part of income is wages.



So in 2000, the share of wages in cash income was 68.7%, in 2001 - 37.9%, in 2002 - 65.1%, in 2003 - 56.3%, in 2004 66.9%, in 2005 - 66.8%. Thus, the share of wages in the monetary incomes of the population is reduced. But in turn, the share of income from entrepreneurial activity rises. It increased from 8.3% in 2000 to 12.0%

in 2006 at a rather rapid rate (in 2000 it was 8.3% of total monetary income, in 2000 - 10.3%, in 2001 - 18.1%, in 2002 - 12.9%, in 2004 - 14.6%).

The income from property also increased: from 6.3% in 20010 to 9.8% in 2004. we can conclude that people tend to organize their own business and receive from it their own income, independent of the employer (in contrast to wages). Nevertheless, the share of wages in the total composition of monetary incomes remains the leading one.From the point of view of the institutional approach, incomes are divided into primary and secondary.

The primary income of households is first of all wages of hired workers, mixed income of households from their own productive activities and income from property. All these incomes are paid to households from the surplus value created in the production process.

At the stage of secondary income distribution, the primary income of households is converted into disposable income through the receipt of transfers and payment of taxes.

The gross disposable income of each sector is equal to the sum of net primary and secondary incomes and makes up resources for final consumption and gross accumulation.

2.2.World crisis and income distribution.

Financial crises are one of the most topical, interesting but far from studied topics in modern economic theory and in applied economic research, since in the global economy and enterprises as a whole crises or the threat of crises are a constant phenomenon. To date, there is no consensus among economists on the causes and nature of the development of global financial crises. Different views have been expressed about the factors that determine the beginning and character of the development of crisis phenomena.Economic crises like earthquakes destroy the stable, well-adjusted life of people. Foresight and prevention of crises is one of the main tasks of economic policy. Economic science has long tried to understand the causes and nature of crises. There are many theories on this score. Among the possible causes of crises at different times were called fluctuations in crop yields, underconsumption of the poor stratum of the population, overaccumulation of investment capital, technical innovations, instability of entrepreneurs' expectations, cumulative economic changes, disparity in income versus consumption and accumulation, instability of money supply in the economy, etc. By now, not only descriptive theories have been developed, but also mathematical models of economic cycles. With the help of systems of algebraic and differential equations solved by a computer, imitative studies of the reasons for the ups and downs of the economic conjuncture are carried out. On this basis, attempts are being made to develop various versions of the state policy of economic stabilization. But until now there is not a single mathematical model that would be sufficiently adequate and which could be reliably applied in practice.Crises have a negative impact on the economic and political life of the country, which is the reason for fighting crises, but even in developed countries such as the United States, Britain, France, Germany and other countries of Western Europe, an effective "medicine" has not yet been found to treat economic crises . While, the financial crisis that has begun, the US real estate market is increasingly absorbing the financial sector of this country and the financial markets of other developed countries.The financial crisis that occurred in 2008 will for a long time remain a debatable problem not only for Ukrainian economists. An adequate understanding of the causes of the crisis, mechanisms for its transfer and strengthening is needed. The global crisis affected all transition economies, however, it affected countries with different state of public finances, the characteristics of the banking system, the foreign trade position, credit ratings, the level of development of the legal system, etc., in different ways. Understanding the mechanisms for strengthening financial crises will help develop directions for an effective anti-crisis policy and create conditions for the protection of Ukraine's financial system from external crisis shocks in the future. [1-2].

The reason was the massive bankruptcies of railway companies and the collapse of the stock market. The collapse in the stock market provoked the crisis of the American banking system. In the same year, the crisis spread to England, and then to the whole of Europe. There was a general decline in production in the developed countries of that time.If we talk about the real causes of the crisis, then, according to the leaders of the G20 (G-20), they are as follows:

firstly, during the economic growth, increasing capital flows and long-term stability, market participants tried to get the maximum profit, but at the same time they did not adequately assess the risks and could not provide the necessary technical audit;

Secondly, weak underwriting standards, inefficient methods and tools for risk management, the appearance of complex financial products, whose characteristics were difficult to understand, also contributed to the formation of systemic problems, resulting in excessive borrowings;

thirdly, politicians, regulatory and supervisory institutions in some developed countries failed to adequately assess and respond to the risks that have accumulated in the financial markets, timely and adequately monitor the emergence of financial innovations or fully assess the impact of regulation;

Fourthly, the inconsistency and ineffectiveness of macroeconomic policy coordination, inadequate structural reforms, which together led to serious disparities in the proportions and functioning of the market.

Thus, in the end, it is actually a complex combination of two groups of macro and microeconomic factors:

1) Among the causes of the micro level is the propensity of economic agents to excess risk, which was provoked by a long period of economic growth and macroeconomic stability;

2) among the causes of the macrolevel should be called ineffective regulation and supervision of the financial market, inconsistent macroeconomic policies, the lack of structural reforms.

But behind each of these statements are complex and controversial economic processes, the nature and mechanism of action of which requires a deep and impartial analysis. [2-7].

This is possible only if the economic growth is unchanged. But, as economists noted in the first half of the 19th century, this phenomenon is not uniform. If we trace the historical development of any country, we will see that the economic ups and downs were followed by recessions. Not one country can not stay forever at the peak of its development, it is inevitably followed by a recession, a crisis. The main explanation for the economic downturns is the cyclical nature of all economic phenomena in it. The economic cycle is a recurring process of alternating ups and downs in the economy of the country. These alternations occurred for various reasons. Countries waged wars, conquered new territories, acquired wealth, themselves became victims of other states. There were all kinds of inventions and improvements in craft and agriculture. The population of different countries experienced epidemics, famine. People went to other countries in search of better conditions for life. In a broad sense, cyclicity is understood as the universal norm of the movement of a market economy, reflecting its unevenness, the evolutionary and revolutionary forms of economic progress, the fluctuations in business activity and market conditions. The alternation of predominantly extensive or intensive economic growth is one of the determinants of economic dynamics and macroeconomic equilibrium and one of the ways of self-regulation of the market economy, including changes in its sectoral structure. In each cycle, it is possible to single out certain phases that characterize the various features of the country's economic development: , peak, recession, bottom (crisis). The rise comes after reaching the lowest point of the cycle (bottom). Characterized by a gradual increase in employment and production. Many economists believe that this stage is characterized by low inflation. There is an introduction of innovations in the economy with a short payback period. Demand deferred during the previous recession is realized. Almost all the material and labor resources available in the country are involved. Usually, although not always, during the peaks, inflation increases. Gradual saturation of markets strengthens competition, which reduces the rate of profit and increases the average payback period. There is a growing need for long-term lending with a gradual decline in the ability to repay loans.

Recession (recession) is characterized by a reduction in production volumes and a decline in business and investment activity. As a result of the downturn, the recession is usually accompanied by an increase in unemployment and a fall in capacity utilization. Officially, the phase of the economic recession, or recession, is considered a situation of falling business activity, which continues for more than three months in a row. The bottom (crisis) of the economic cycle is the "lowest point" of production and employment. It is believed that this phase of the cycle usually does not happen for a long time. However, history knows, and exceptions to this rule. The Great Depression of the 1930s, despite periodic fluctuations in business activity, lasted almost ten years.

Crisis is a turning point in development, when it becomes inevitable the transition of quantitative changes, accumulated goods at the previous stage, into their new quality. A serious problem is the significant interregional differentiation of the population in terms of income. At the same time, the factor of the region's economic development (prosperous or depressed region) is aggravated by the factors of territorial location (central or peripheral areas) and the type of settlement (urban or rural area). The lowest income differentiation is observed in depressed and crisis regions. This is due to the fact that there are much more poor in relative terms here, and the rich are much less than in the prosperous regions. In these regions, the entire population is equally poor. For example, in the Leningrad and Tver regions, the ratio of funds to 10% of the population in 2005 was 7.7% of the total. The highest differentiation of the population by income is observed in the most prosperous regions - in Moscow and Tyumen. This is explained by the concentration in these centers of the most well-off strata of the population and the oil and gas elite. Thus, at the end of 2005, the incomes of 10% of the richest Muscovites were almost 52 times higher than the incomes of 10% of the poorest residents of the capital.

2.3. Modern activities in order to solve problems of income distribution.

An assessment of indicators of the dynamics and structure of the income of the population is an important element in the development of integrated forecasts. The income and purchasing power of the population have not only social significance - as components of the standard of living, but also as factors that determine the duration of life itself. They are very significant, as an element of economic recovery, which determines the capacity of the domestic market. A capacious domestic market, secured by effective demand, is a powerful incentive to support the domestic producer.

Obviously, to revive the economy, it is necessary to form a solvent demand by increasing a part of the population's incomes in the total amount of the society's revenues-GDP. In general, for the resuscitation of the domestic market and the support of the domestic producer, it is strategically important to raise the incomes of the poorest and the middle part of the population. The increase and, of course, the timely payment of salaries, pensions, scholarships and other social payments, is necessary for economic recovery. This justifies the relevance of considering this topic.

The relevance allows you to determine the topic of research - income distribution.

Based on the topic, you can identify the purpose of the study - the distribution of income and the problem of equity in a market economy.

To achieve this goal, it is necessary to solve the following tasks:

To give the concept of the income of the population, its structure and indicators;

Disclose the principles of income distribution in society;

Identify the problems of income inequality in society;

Identify the problems of measuring income inequality, causes and factors of inequality;

In solving the problems posed, methods such as observation, generalization, comparison, induction, deduction were used.

The subject of the study is the equity of income distribution.

The object of research is the market economy.

This course work consists of an introduction, 1.2 sections, conclusion and a list of used literature.

The level of people's well-being is characterized, first of all, by the incomes they receive. It is incomes that determine our opportunities in nutrition and clothing, in obtaining education and medical services; opportunities to visit theaters and buy books, actively travel around the world, etc. The concept of income is broader than the concept of wages, since income can also contain other cash receipts.

Before turning to the problem of measuring inequality in income distribution, it must be said that disposable income is the income of an economic entity obtained after payment of transfers from the state and payment of taxes from its personal income. It is disposable income that gives a more accurate picture of the standard of living of the population than personal income.

Now, remembering the categories of personal and disposable income, one can address specific problems of inequality in the distribution of income: what is the gap between the rich and the poor? And is it possible to measure inequality in the distribution of income in general?

One of the most well-known ways of measuring this inequality is to construct the Lorentz curve. It's about personal, not functional, income distribution.

The income of the population is the material means available to the population to fulfill their needs.3 Revenues are treated at different levels using three main indicators.

Nominal income is the total amount of money received by individuals (or accrued to them) over a certain period. The structure of this income includes such elements as factor incomes, that is, those obtained from the use of own factors of production - wages, rent, interest, profit; payments and benefits under the state social programs (transfers); plus other income - interest on deposits in banks, dividends on shares, insurance amounts, lottery prizes and other.

Unlike nominal, disposable income represents only that part of the nominal that can be used directly for personal consumption of goods and services, as well as for savings. In other words, the disposable income is equal to the nominal minus taxes and other mandatory payments (deductions to the pension fund, social needs and others).

Real income - reflects the purchasing power of our monetary income. It is the quantity of goods and services (in value terms) that can be bought for disposable income for a certain period (that is, the possible change in prices is taken into account here). In other words, it is accessible to each person (according to the income that he has) an individual "consumer basket" .

The main articles of income of the majority of the population are wages and transfer payments. The relationship between them significantly affects the economic behavior of people. In particular, when earnings dominate in the structure of incomes, it stimulates the labor activity of a person, his diligence, initiative, and enterprise. When the role of transfers increases, people become more passive in relation to productive activities and become infected with the psychology of dependency. Therefore, the directions and sizes of state social assistance must be considered, weighed and strictly targeted. Individual income utility is exactly the same. If the public indifference curve is convex to the origin of the coordinate axes (variant b), then we see that the decrease in utility for x should be compensated by more than equal, increment in utility y, since only in this way the total utility of society as a whole remains unchanged. This means that members of society do not have the same function of individual utility. Thus, according to the utilitarian approach, society can consider both equal and unequal distribution of incomes to be fair, depending on the ideas about the nature of the individual functions of the utility of different members of society. It is easy to see that in case a) the utilitarian concept coincides with the egalitarian one: since all people have the absolutely identical ability to extract marginal utility from their income, then its equalizing distribution will be fair.

Conclusion and recommendations

In this work the following topics were considered:

- ✓ -Main factors of income distribution
- ✓ -Economic development and economic growth of income disturibution
- ✓ -Problems of eniquality income distrubition
- ✓ -Debt problems of developing countries
- ✓ -World crisis and income distribution

Economic development and economic growth of income distribution The role of developed countries in the economic growth of backward countries

Having considered all these topics, one can say that economic growth is a general economic category, which is filled with ambiguous content in various conditions of its manifestation. These or other phenomena in the economies of some countries may entail changes in the economic growth of other countries. We learned that in real life, extensive and intensive types do not exist in pure form. Therefore, when analyzing real economic growth, it is better to speak of a predominantly intensive or predominantly extensive type of economic growth. Studying this topic, I can draw the following conclusions about the fact that economic growth is characterized by an increase in the volume of production by involving additional resources in the economic circulation and improving them qualitatively. The economic growth achieved due to the quantitative growth of the same quality resources, has an extensive nature, and is provided with an exceptionally qualitative improvement of resources intensive. Revenues play a very important role in the life of each person, because they are the direct source of satisfaction of his unlimited needs. Wages are their main source. But often its magnitude is not sufficient to meet even the most necessary conditions for the existence of people. Therefore, there is a need for the state to regulate wages, and for the population to seek other sources of income. Often, the incomes of most of the population are very low in comparison with the incomes of a small part of the population. In this regard, there is a social tension in society, the overcoming of which also has to be taken care of by the state. The more revenues, the higher the demand for products and services produced by different industries, the higher the quality of products, because the motive for achieving better end results arises, its competitiveness, higher production efficiency, then the economic situation in the country is better. Therefore, the regulation of income, wages is part of the policy of any state. Thus, the incomes of the population and the sources of their formation deserve close attention, and all problems associated with them require an early resolution. That is why this topic is relevant at any time, in any country, under any economic system. Solving problems requires more government intervention than in developed countries.

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