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# The Truth about Income Inequality

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Poster Presentation P16

## **THE TRUTH ABOUT INCOME INEQUALITY**

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Until recently, sustaining high economic growth was thought to be the ultimate goal of development. Unfortunately, economic growth does not necessarily imply an improvement in the standards of living of all of the country's citizens due to the unequal distribution of income. Income inequality is a problem for both developing and developed nations across the globe, but it is most evident in the great metropolis of the developing world. Since economists have failed to come to an agreement as to what is the true relationship between growth and income inequality, researchers have shifted their emphasis to try to ascertain exactly what social and economic determinants affect the level income inequality in a country. Besides the level of income, this paper focuses on determining the effects that structure of output, structure of employment, population growth and the level of human capital have on the unequal distribution of income. Based on Kuznets' U-hypothesis and the two sector labor surplus model, this study uses two different simple regression models in order to establish the relationship between income inequality and each of these determinants. The results for this research show some evidence on the existence on the U-hypothesis as well as determine that the most important factors affecting income inequality are the level of human capital and population growth. Based on the results policy implications are discussed in the last section.