

PERSISTENT POVERTY VS. CONCENTRATED WEALTH

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A fundamental issue facing the global economy is the widening poverty gap between the developed and less developed world, and the widening distribution of income within countries and geographical regions.

The challenge of global poverty is more urgent than ever. More than half the world's population—nearly 3 billion people—lives on less than \$2 per day. Nearly 30,000 children die each day—about 11 million per year—because they're too poor to survive.

How can we analyze inequality in the world? Inequality is growing in most countries. This can be illustrated by examining what has been happening to countries' Gini coefficient. The Gini coefficient measures income inequality, where 0.00 represents perfect equality, with everyone in the country earning the same, and 1.00 represent perfect inequality, with one person earning all the country's income.

According to the Kuznets Hypothesis, after Nobel winning economist Simon Kuznets, the relationship between inequality and development can be illustrated as an inverse 'U' – the Kuznets curve.

There is an enormous difference in Russia between the 10 percent wealthiest and the 10 percent poorest people of the population. This difference, or the poverty gap, is about seventeen times.