Income Inequality and Economic Growth: A Complex Relationship

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Abstract. This article examines the complex relationship between income inequality and economic growth, analyzing whether inequality hinders or promotes growth. Using cross-country data, the study explores various theoretical perspectives and empirical evidence. The results indicate that the relationship is context-dependent, with inequality sometimes spurring growth but often leading to economic instability. The paper calls for nuanced policy approaches to address the dual challenges of promoting growth and reducing inequality.

Keywords: Income Inequality, Economic Growth, Policy, Empirical Analysis, Theoretical Perspectives

Introduction

The relationship between income inequality and economic growth is a subject of intense debate among economists. This article explores this complex relationship by analyzing theoretical perspectives and empirical data from multiple countries. The research highlights that while some level of inequality can incentivize productivity and economic growth, excessive inequality often results in social unrest and economic instability. The findings suggest that policy interventions must be carefully crafted to balance growth incentives with measures to reduce inequality. The paper concludes with recommendations for policymakers to foster sustainable economic growth that is inclusive and equitable.

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