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ECONOMIC IMPACT OF INCOME INEQUALITY IN GEORGIA

Annotation

Inequality in income distribution is an acute problem for the population in both developed and developing countries, since it is a prerequisite for sustainable socio-economic development of the country. However, the world does not have a completely equal society with income distribution, which is neither desirable nor achievable. Proportion is important here so that there are no extremely poor and extremely rich. It is the state that is obliged to ensure the creation and improvement of living conditions for its citizens. Unequal income distribution is complex and particularly includes unemployment, the main cause of which is an unstable political environment and an unskilled labor force.

Society in Georgia faces the critical issue of socio-economic inequality. Economically, a significant part of the population is unemployed and has low purchasing power, which makes possible the risk of confrontation and internal collapse of society, since people should be able to obtain more utility and prosperity from their own labor for their existence, and when there is an uneven distribution of income and they cannot even receive a living wage, of course the political hype manifests itself in the literal sense,

Therefore, the elimination path requires government intervention as it must implement fiscal policies that will reduce inequality in income distribution in the long run and lead to equality. Such a country will be rich, stable and united.

Key words: inequality, poverty, stability, fiscal policy, low purchasing power, unskilled labor.

Income stability plays an important role in achieving the level of socio-economic development of the country's population. However, its final equal distribution is equally important. Uneven distribution is the result of social tension, as it leads to hopelessness and poverty, and the main problem is the sharp differentiation of incomes of the population. Because most of the income is a resource of wealth for individuals and there is excess accumulation resulting from an already inequitable distribution. According to World Bank research: "If the income share of the rich class increases by 1%, then over the next 5 years the growth rate of gross domestic product (GDP) will actually decrease by 0.08%, and if the income share of the rich poor 20% also increases, then 0.38% more GDP is created" [Sott Database, 2012]. According to a 2015 study by the International Monetary Fund, inequality in income distribution cannot be solved with a single approach as each country has its own characteristics. In particular, there is a large difference in the salaries of people with different education levels.

Scientist Amartea Sen calls globalization the cause of inequality in income distribution [Amartea sen, 2001]. J. of the same opinion. Spero and Laura Tyson, who write: "As a result of increased globalization, the average income gap of poor countries has become relatively large" [Joan Spero and Laure D'Andrea Tayson, 2000: 80-98]. According to Paul Krugman, unequal distribution of income is harmful to both the economic and social health of a nation (Paul Krugman, derived from the growing gap.) and suggests the following ways to eliminate it:

- a) fair market outcomes and government intervention;
- b) implementation of long-term budget policy
will lead to equality in the period.

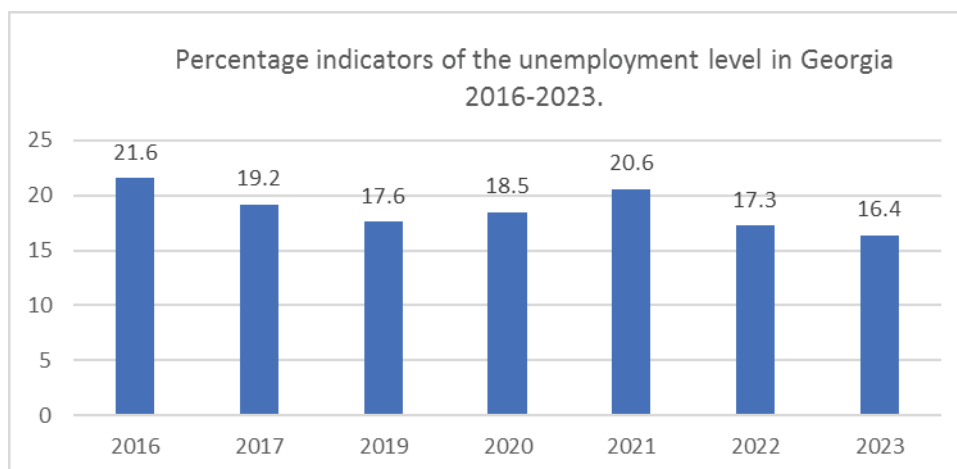
Despite different opinions, the fact remains that the cause of inequality is the different abilities of people and their initial implementation. Income distribution has its purpose, in particular, it becomes clear if:

- How does its spread affect the formation and well-being of society and social groups,
- How does its distribution change when moving from one formation of households and consumers to another.

Even for countries at the same level of development, priorities and trends in income distribution are different, since society is heterogeneous in socio-economic status. Around the world, millions of people are forced to live for their daily existence. This problem has been significant in Georgia, and in recent years the study of the welfare of the population has become insignificant, since incomes are less stable, most of the employed are self-employed, and it is difficult to determine both incomes. and their distribution with such income. Based on the above, it will be important to implement a long-term policy of unequal income distribution that will promote the employment of socially vulnerable groups in the labor market.

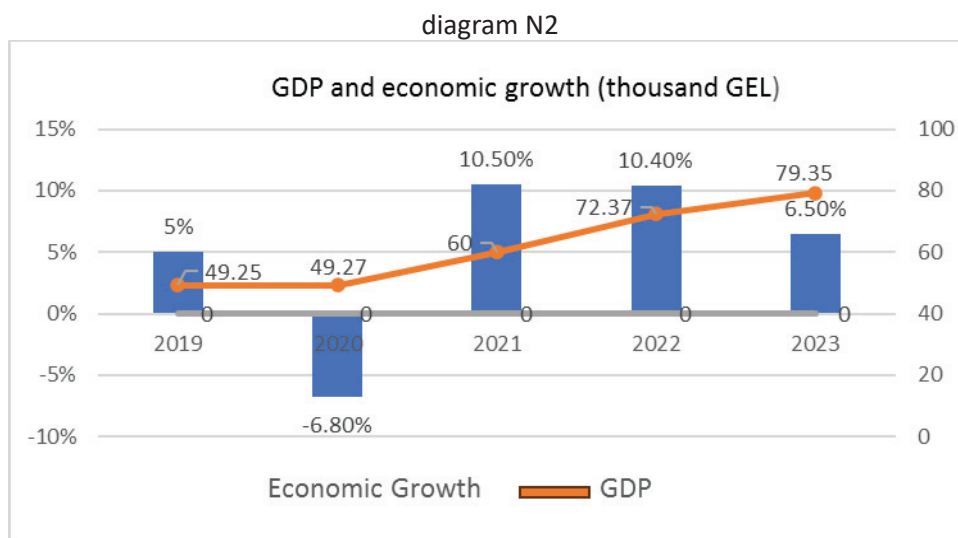
Modern society faces many problems, the most important of which are socio-economic inequality and poverty. However, each country has its own specifics, and inequality cannot be solved using a single approach, which, of course, is inherently bad, since poverty is complex and covers almost all spheres of society, especially unemployment. In this regard, the main reasons in Georgia are considered to be the unstable political situation and unskilled labor force. According to the National Statistical Service of Georgia, the average unemployment rate in 2023 was 16.4%, which is an improved result compared to the previous years 2016-2022. However, it would be more correct if we consider the result of the analysis of each year, because in 2021-2023 the large-scale change of 4.2% is quite remarkable. What specifically caused or influenced the indicated result. (see diagram N1) as far as is known in the indicated years there was no

diagram N1



Comprehensive household survey. At the same time, according to the same service, the high rate below 60% of median consumption is fixed at 19.7%, and the proportion of the population below the poverty line is 20.6% in urban areas, 12.3% in rural areas. regions, and only 32.9%. I wonder if unemployment in a country is low, why there is an imbalance between median consumption, unemployment and the proportion of the population below the poverty line. Unfortunately, based on the data presented, we can conclude that Georgia is in a leading position with a low standard of living and well-being of the population. Because unemployment is much higher than Saxstat data suggests.

The main indicator for assessing the standard of living of a country's population is economic growth and gross domestic product. No less important is the distribution of these incomes per capita. In this regard, according to the Ministry of Finance of Georgia (see diagram N2), the situation is as follows:



This chart is an analysis of the relationship between GDP and economic growth. Although the main source of increasing the standard of living of the population is its income, this is economic growth, but the economy grows if goods and services are produced in the country, in this case there is no increase in income from production and unemployment. the level in the country reaches 32%. In particular, GDP in 2023 will be 79.35, and in 2021 – 60.0. Accordingly, economic growth in 2023 will be 6.5%, and in 2021 the same figure will be 10.5%. Based on the data provided, GDP is low and economic growth is high. that is, It was inversely proportional, but GDP growth in an economy is the only reliable and sustainable path of economic growth. Thus, we can conclude that economic growth is not caused by the production of goods and services, but by rising prices.

The Asian Development Bank's (ADB) priorities in Georgia are multifaceted, including poverty reduction, regional development, and improving public service delivery. A new 2023 report says that "after double-digit economic growth last year, Georgia must look for ways to develop more sustainably" [www.adb.org]. Instead of growth, the Georgian economy experienced a contraction of 3.9%, inflation of 12% and a budget deficit of 2.7%.

Based on the above, it is logical to ask why we should worry about income inequality? There is only one answer: people should be able to receive more benefit and prosperity from their work. Because it is a living organism and in order to exist it needs food, household items, education, healthcare and other social services. As long as there is an uneven distribution of income and it is impossible to get even a living wage, of course there is political agitation in the literal sense, which is a prerequisite for low economic growth and instability in the country in the future.

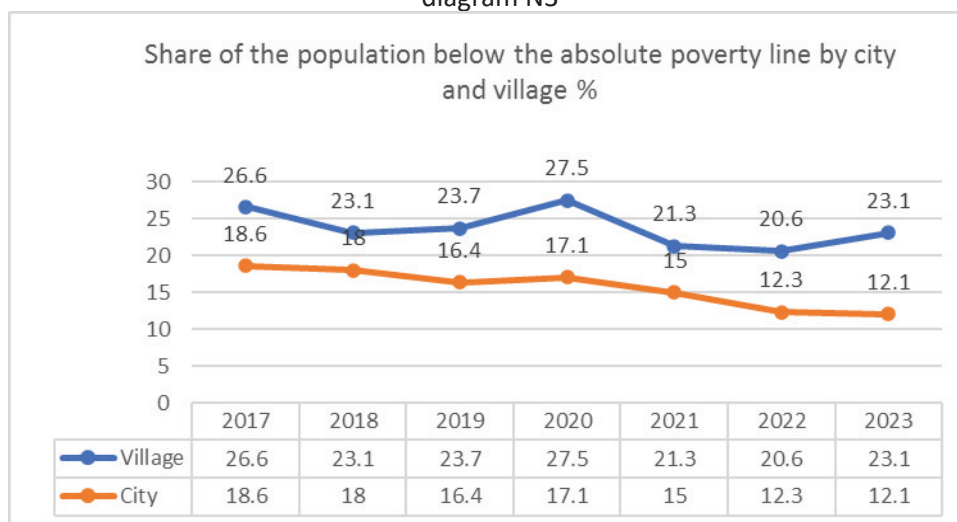
In recent times, most countries have experienced unequal income distribution. Georgia is no exception; the problem affects hundreds of thousands of people because their incomes are below a certain level, which reflects the real state of poverty. Despite the negative growth trend of the country's economy, the gross domestic product per capita in 2023 amounted to 21574.9 thousand lari, which is 1949.3 times higher than the previous year in 2022 -19625.6. The main problem remains the uneven distribution of income, as the Gini coefficient fluctuates between 0.41-0.58 according to the Georgian National Bureau of Statistics. This corresponds to countries such as Angola and Haiti. The result of inequality is the separation

of poor and rich people in society. In particular, income distribution policies should be implemented not only to improve social outcomes, but also to support economic growth. Poverty rates and unequal income distribution are related to each other for two main reasons:

1. Income does not mean consumption, and poverty is measured by income,
2. Uneven income distribution includes the income of households above and below the poverty line.

It should be noted that at the present stage, Georgian poverty and uneven distribution of income are quite acute problems. There are different reasons. In particular, the challenge is as follows: low wages and high taxes, inflation and the main problem – unemployment. From a customer support perspective there are a lot of downsides here. The volume of targeted social protection and services for the population living in rural areas is especially low. (see diagram N3) In 2023, 12.1% of the population will live below the absolute poverty line in cities, and 23.1% in rural areas. Compared to the previous year, this figure decreased by a paltry 0.02% in urban areas and increased by 1%. 2.5% in rural areas.

diagram N3



Poverty is a state where a person experiences both financial, material and social lack. To eliminate it, many fruitless reforms were carried out in Georgia and significant sums were spent. However, in terms of severity, the overall picture has not changed. The government has used social transfers to reduce poverty, but 23 percent of the population in urban areas and 12 percent in rural areas live below the poverty line. Extreme poverty is measured by people whose daily income is less than 5 lari (1.9 US dollars). With the aforementioned monetary assistance, he cannot be content with only minimal living conditions. The situation of families with a disabled member is more noteworthy as they have to pay more expenses and are actually at risk of poverty. It is also important that the social function of pensions changes to an economic one.

The main indicator of income inequality in an economy is the Gini coefficient, which ranges from 0 to 1, with a higher index indicating greater inequality. Inequality is especially high in countries with unstable economies. According to the Georgian National Bureau of Statistics, the income received by the richest 10% of the population of Georgia is 18 times higher than the income received by the population in the bottom strata. Although in some European countries 50% of income distribution is controlled by the state, the population is still satisfied with the high standard of living.

The UN No Poverty Resolution states that by 2030, all people living in poverty will have equal rights to economic resources.

Based on the above, we can conclude that the uneven distribution of income is determined not only by one indicator. It is complex and from an economic point of view includes: a low level of social development, when part of the population is unfulfilled and has low purchasing power. which could become the basis for the risk of internal unrest and confrontations in society. Consequently, uneven distribution of income harms the socio-economic condition of the country and the population. Remedies require government intervention to implement fiscal policies that will reduce inequality in the long term and lead to equality. Such a country will be rich, stable and united.

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