# CAUSES OF INCOME INEQUALITY IN A MARKET ECONOMY

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***Abstract.*** *In this article, the factors driving the origin of income inequality in the conditions of the market economy, their causes and the research carried out for the purpose of prevention and its results are highlighted. Also, as a clear example of this problem, income inequality in certain sectors in the Republic of Uzbekistan is presented with statistical data.*

***Key words****: income inequality, market forces, social development, government policy, Lorenz curve, Gini coefficient, financial sector.*

As we all know, the problem of wealth and poverty has always worried people. The reason is that as a result of regulating social progress and equality in any country, the maximum level of economic progress and development can be achieved in the country. But at present, even in developed, that is, from the point of view of development, there is a problem of income inequality even in the TOP-10 countries in the world. Scientists and researchers have been researching and explaining their concepts for many years. However, a clear solution has not yet been found, although the results of this research are widely used to prevent the mentioned economic problem.

The growth of NSE is the outcome of multiple forces. It reflects changes in the world of work brought about by globalization and social change – such as the increased role of women in the world’s labour force – but also regulatory changes. At times, laws have encouraged the use of NSE – either purposefully or unwittingly – by creating incentives for its use by enterprises. In other cases, there are gaps or grey areas in the law that have provided fertile ground for the development of non-standard work arrangements. Some of these gaps have resulted from the decline of collective bargaining in countries where collective agreements had previously been the dominant form of regulation.

Differences in the slopes of tenure profiles have important implications both for measurement and for understanding job turnover. Since potential earnings and investment in human capital are not directly observable, one has to make inference about earnings capacity from the level and growth in observed wages. If workers of all education levels invest the same proportion of their earnings capacity into the production of human capital, then earnings profiles are parallel and the gap in observed log earnings between different education groups is equal to the unobserved gap in potential earnings. If, on the other hand, workers with low education invest less in human capital than workers with high education, then the gap in observed earnings understates the gap in earnings capacity, especially early in the life-cycle when the investment occurs.

In a market economy, income inequality refers to the unequal distribution of income among individuals or households within the economy. In a market economy, where goods and services are exchanged through market mechanisms such as supply and demand, income inequality can be caused by a variety of factors, such as differences in skill, education, opportunity, and luck.

The main causes of income inequality in a market economy are:

1. Wage disparity: Differences in skill and education levels lead to variation in wage rates between people. Those with in-demand skills or advanced degrees often earn higher wages than those with less qualifications or education.

2. Capital Ownership: In a market economy, individuals who own capital assets such as property, stocks, or businesses are able to accumulate wealth and earn passive income, leading to an income disparity between capital owners and non-owners.

3. Market forces: Market fluctuations, economic cycles, and technological advances can affect wages and job opportunities differently across industries and regions and contribute to income inequality.

4. Government policies: Tax policies, subsidies, and social assistance programs can exacerbate or mitigate income inequality in a market economy, depending on how they are designed and implemented.

Income inequality can have both positive and negative effects on society. While some level of income inequality can encourage people to work hard, innovate and invest, extreme income inequality can lead to social unrest, economic instability and barriers to social mobility.

Governments and politicians often use a variety of measures to encourage a more equitable distribution of income and opportunity, such as progressive taxation, minimum wage laws, education and training programs, social safety nets, and antitrust regulations seeks to address income inequality through

The growth of income stratification during the transition from the administrative-command system to the market system is related to the fact that part of the population continues to live in the conditions of the old, rotten system, and at the same time, the creation of a functioning social stratum. according to the laws of the market economy. As a result of the involvement of more layers of the population in market relations, the scale of inequality will decrease. Various indicators are used to quantify income inequality. The level of income inequality is reflected in the Lorenz curve, in the construction of which the shares of families with the appropriate percentage of income (% of their total number) are drawn along the abscissa axis and income. the shares of the considered families (in percent of total income) are drawn along the ordinate axis. The theoretical possibility of an absolutely equal distribution of income is represented by the bisector, which shows that any percentage of families will receive the corresponding percentage of income. This means that if 20, 40, 60 percent of families receive 20, 40, 60 percent of the total income, respectively, then the corresponding points will lie on the bisector. The Lorenz curve is a general distribution of population and related incomes. As a result, it shows the percentage of all income and the percentage of all recipients. If income is distributed equally, that is. 10% of the recipients will have one-tenth of the income, 50% - half, etc., then such a distribution will resemble the same distribution line. The uneven distribution is characterized by the Lorentz curve, i.e. the longer the actual distribution line is a straight line, the greater the variance.

The most widely used indicator (or coefficient) to express the level of income inequality in the country is the Gini coefficient. The Gini coefficient (Gini index, Gini coefficient) is used to measure the distribution of income among the population and is expressed by a number ranging from 0 (absolute equality) to 1 (absolute inequality). According to official statistics, the Gini coefficient, which began to be officially announced again in Uzbekistan in 2017, did not undergo any changes until 2020 and remained at the level of 0.26 (an indicator close to 1 is a high level of inequality, 0 and closely formed means a low level of inequality). The 2020 pandemic has led to an increase in inequality. However, after 2021, the Gini coefficient is decreasing. However, for some reasons, this trend does not mean that everything is fine with the distribution of income in Uzbekistan.

In recent years, income inequality has been evident across sectors. In particular, wages in the finance and insurance and information and communication industries are growing significantly faster than in other industries. For example, according to official statistics, in the first three quarters of 2017, the average salary in the finance and insurance sector was 1.8 times higher than the average salary in the republic, and by 2022, this difference will be 2, reached up to 6 times (in the information and communication sector, salary growth was relatively slower than in the finance and insurance sector).

On the other hand, in two important fields - education and medicine, the salary level was lower than the national average 5-6 years ago, and in recent years it has shown a further downward trend (in other words, wages in two sectors are growing slowly compared to the average wages in the country).

Thus, equality of economic opportunity is not always observed, at least for the reasons mentioned. Poor and rich exist even in the most prosperous highly developed countries. Differences in income per capita or per employed person are called income differentials. Income inequality is inherent in all economic systems. The biggest income gap was observed in the traditional system. This gap was greater than under free competition capitalism. Then, with the transition to a modern market economy, differences in income (and wealth) levels are significant decreases.

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