

The Process of Redistribution of Population Income: Economic Mechanisms, Factors and Results

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Abstract: This article provides an in-depth analysis of the process of redistribution of income of the population, its economic content, implementation mechanisms, and its role in the framework of the state's fiscal and social policy. The differences between the primary and secondary distribution of income, the role of market mechanisms, the progressive tax system, social transfers, state budget expenditures, and the socio-economic results of redistribution are explained on scientific grounds. Also, using the example of international experience, various models of income redistribution are considered and the impact of the process on social stability, economic growth, and poverty reduction is analyzed. Conclusions and proposals are presented at the end of the article.

Key words: income redistribution, social equality, fiscal policy, tax system, social transfers, market mechanism, state intervention, budget expenditures, poverty, economic growth.



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Redistribution of income is the process of redistribution of gross income generated in the national economy among the population through the state, market mechanisms and various social institutions after the initial market distribution. This process plays an important role in ensuring a fair, stable and sustainable development of the economy. Redistribution of income ensures not only a fair distribution of economic resources, but also the effectiveness of the social protection system, the development of human capital, and an increase in social equality and well-being. In this regard, redistribution mechanisms are one of the main components of the economic policy of each country.

In today's context of globalization and rapid economic integration, the unequal distribution of income has become a pressing issue for many countries. Analytical reports published by the World Bank, the International Monetary Fund (IMF), and the United Nations Economic and Social Council (ECOSOC) emphasize that the deepening of income inequality threatens not only economic growth, but also political stability and social health. Extremely sharp income

differences can exacerbate social conflicts in society, cause the transmission of poverty from generation to generation, and limit employment and entrepreneurial opportunities. Therefore, most countries aim to improve the redistribution system through effective tax policies, social transfers, employment programs, and the modernization of public services.

The scale and effectiveness of income redistribution directly depend on the country's economic development model, the degree of market development, the level of state intervention in the economy, and the effectiveness of social institutions. That is, if the role of the state is too strong, economic incentives may weaken, and if intervention is too low, social inequality will increase. Therefore, one of the main tasks of effective economic policy is to ensure the optimal balance between economic incentives and social justice. If the redistribution system works effectively, the share of the middle class in society will expand, social stability will be strengthened, human capital will develop, and economic growth will accelerate.

Primary and secondary distribution of income

The primary distribution is formed on the basis of the market mechanisms of the economic system, in which the owners of the factors of production receive income in proportion to their share. At this stage, income is formed in the following areas:

- Labor income - wages, bonuses, and other compensations of employees.
- Capital income - dividends, interest, bond income.
- Land rent - income from the use of land, real estate, and natural resources.
- Entrepreneurial income - net profit from entrepreneurial activity, investment income.

The formation of these incomes depends on the supply and demand in the labor market, the level of skills, technological development, the level of capital ownership, and the available economic opportunities. Typically, when the demand for skilled labor is high in the market, their incomes are also high. Conversely, the incomes of low-skilled workers remain limited.

In this regard, the initial distribution is the main source of unequal distribution of income. Since the market economy is inherently oriented not towards equal distribution of income, but towards economic efficiency, equality is not expected at the initial stage. Especially in the context of developed capital markets, high competition, and rapid technological innovation, income differences may widen further.

Secondary distribution is carried out through state economic intervention, fiscal policy and the activities of social institutions. This process is aimed at smoothing income inequality, creating equal access to economic resources, reducing poverty and strengthening social stability.

Secondary distribution is carried out through the following main mechanisms:

Tax policy

The state collects more taxes from the upper income group through progressive income tax, property and profit taxes and directs these resources to social programs. With the help of taxes:

- budget revenues are formed;
- the social protection system is financed;
- education, healthcare and infrastructure are developed;
- mechanisms for supporting small businesses are created.

Social transfers

Social transfers are payments made by the state to certain groups of the population, which include:

- pensions, benefits, compensations;
- unemployment benefits;
- material assistance to low-income families;
- child benefits;
- subsidies for housing and communal services.

Transfers serve to support the most vulnerable segments of the population, reduce poverty and reduce the risk of poverty.

Public spending

Spending on social sectors is an indirect form of redistribution. Funds spent on areas such as education, healthcare, transport and communications, and science increase the overall well-being of society and ensure sustainable economic growth.

Conclusion. The redistribution of income is an important factor ensuring the stable and fair functioning of the economic system. In a market economy, income inequality naturally arises. Therefore, state intervention is important, and income is fairly redistributed through tax policy, social transfers, and budget expenditures. The effectiveness of the redistribution system contributes to an increase in the well-being of the population and the level of economic equality.

The main economic benefits of redistribution are poverty reduction, social justice, a growing middle class, increased investment in human capital, and increased domestic demand. This stimulates economic growth and has a positive impact on the overall stability of society. However, if redistribution becomes too strong, economic incentives can weaken. Therefore, it is very important to maintain balance and establish regulatory and targeted interventions.

The final conclusion is that in order to improve the process of redistribution of income, it is necessary to consistently conduct the state's fiscal policy, make the tax system more fair, target social protection programs, and expand investments in human capital. Only then will economic growth and social well-being develop in harmony with each other.

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