

Comparing Income Polarization Overtime: A Case Study of Pakistan

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ABSTRACT

This paper deals with the empirical analysis of income polarization in Pakistan and its rural-urban segments in period from 1966-67 and 2005-06 on the aggregate data. The approach is based on the application of Bossert and Schworm (BS), Esteban, Gradin and Ray (EGR) measures. The results demonstrate that overall polarization has been augmented; indicating that the middle class is weakening overtime and the society are clustering on two extreme poles of income distribution.

Introduction

Distributional aspects of national income are of tremendous significance but at the same time it loses its substance if it merely focuses on the growth rates of GDP and nothing trickles down to the poor. Any development strategy that does not incorporate symmetrical income distribution may fail to develop welfare of all the divisions of society.

For welfare analysis of any society, growth of national income and symmetrical distributional of national income must be deciphered simultaneously otherwise the country is exposed to catastrophe. Broadly speaking, there are three distributional facets

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