

3.3 Addressing income and wealth inequality

Name: _____ Class: _____ Date: _____

Total: 25 marks

KEY WORDS income • wealth • benefits • progressive tax
 • income and wealth inequality

Objective

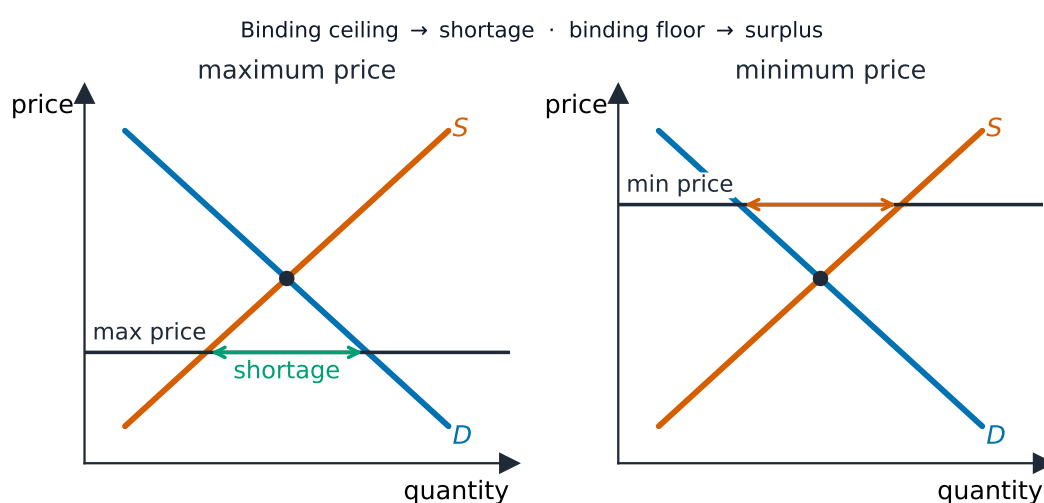
Build the skills to answer exam questions on **income and wealth inequality**
 – the difference between **income** (a flow) and **wealth** (a stock),
 the causes of inequality, and the **policies** to reduce it.

You must be able to:

- distinguish income from wealth
- explain the causes of inequality
- analyse policies (progressive tax, benefits, state provision) and the trade-off with incentives

1 Key knowledge and worked examples

■ Reducing inequality



A minimum wage is one policy that affects the income of low-paid workers

- **Income** = a **flow** (wages, rent, interest over a period); **wealth** = a **stock** (assets owned at a point in time).
- **Causes:** differences in skills/wages, ownership of wealth, inheritance, unemployment.
- **Policies:** **progressive tax** (higher % from higher incomes), **benefits/transfer payments**, **state provision** of free services → **redistribution**.
- **Trade-off:** very high taxes and benefits may weaken the **incentive** to work.

Answer shapes: AO1 + AO2 + AO3 (analysis) + AO4 (a supported judgement *in context*).

2 Practice

2.1 State the difference between *income* and *wealth*. [2]

2.2 Define the term *progressive tax*. [2]

2.3 State two policies a government can use to reduce inequality. [2]

3 Exam-style questions

3.1 A tax is **progressive** if, as income rises: [1]

- ☐ **A** the percentage paid in tax rises
☐ **B** the percentage paid in tax falls
☐ **C** the percentage paid in tax stays the same
☐ **D** the amount paid in tax falls

3.2 Explain two policies a government could use to reduce income inequality. [6]

3.3 Discuss whether reducing income inequality always benefits an economy. [12]
