

8.2 Equity and redistribution of income and wealth

Name: _____ Class: _____ Date: _____

Total: 26 marks

KEY WORDS gini coefficient

• equality

• equity

• lorenz curve

• wealth

Objective

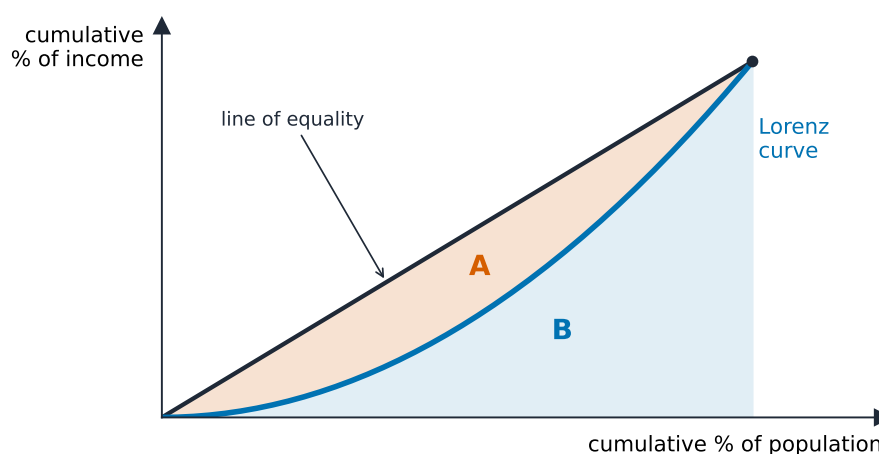
Build the skills to answer exam questions on **equity and the redistribution of income and wealth** – **equity versus equality**, the **Lorenz curve** and **Gini coefficient**, and redistribution policies.

You must be able to:

- distinguish equity from equality
- interpret the Lorenz curve and Gini coefficient
- analyse policies to redistribute income and wealth

1 Key knowledge and worked examples

■ Measuring inequality



$$\text{Gini} = A/(A + B) \cdot 0 = \text{equal}, 1 = \text{most unequal}$$

Cumulative income share against cumulative population share

- **Equity** = fairness (not always equal); **equality** = the same for all.
- **Lorenz curve** : a sagging curve shows inequality; the diagonal = perfect equality.
- **Gini coefficient** : 0 (perfect equality) to 1 (one person has all) – higher = more unequal.
- **Policies: progressive tax** , **benefits/transfer payments** , free state services.

a fair outcome is not always an equal one



Equity versus equality – the distinction a redistribution answer must draw

Answer shapes: an **Explain** [up to 8] answer may use a Lorenz diagram (AO3); **Discuss** [12] adds a judgement (AO4).

2 Practice

2.1 State the difference between *equity* and *equality*. [2]

2.2 State what a Gini coefficient of 0 means. [1]

2.3 State two policies that redistribute income. [2]

3 Exam-style questions

3.1 A Lorenz curve that lies **further** from the line of equality shows: [1]

- ☐ **A** lower inequality and a lower Gini coefficient
B higher inequality and a higher Gini coefficient
C perfect equality
D a fall in total income

3.2 Using a Lorenz-curve diagram, explain how the Gini coefficient measures income inequality. [8]

[12]