

8 Equity and inequality – Part 1

Name: _____ Class: _____ Date: _____

Vocabulary

Write each word three times.

English	Write it 3 times (English)
equality	_____
equity	_____
income	_____
wealth	_____
Lorenz curve	_____
Gini coefficient	_____

Recall

Markets do not share income evenly. Governments care about fairness and about the gap between rich and poor.

New ideas

Read these first, then do the Practice.

■ 1 Equity vs equality

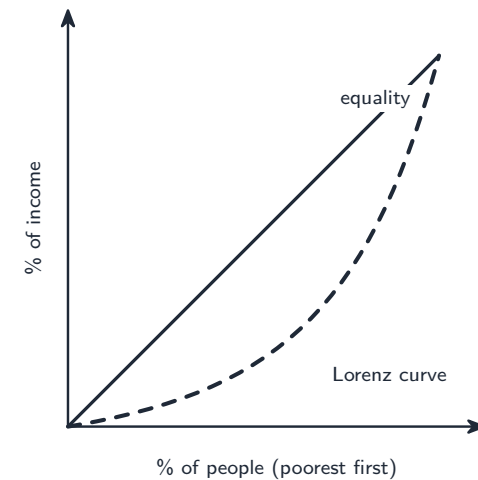
equality
everyone gets
the *same* share

equity
everyone gets a
fair share

- **equality** means everyone gets the *same*;
- **equity** means everyone gets a *fair* share – which may not be the same.

Also tell apart **income** (a flow of money over time, like wages) and **wealth** (a stock of assets owned, like houses).

■ 2 Measuring inequality



- the **Lorenz curve** plots the share of income against the share of people; the more it sags, the more unequal;
- the **Gini coefficient** turns this into one number from 0 (equal) to 1 (one person has everything).

Watch out: equality = same for everyone; equity = a *fair* share (not always equal). Income is a *flow* (wages); wealth is a *stock* (assets). A *higher* Gini (0→1) means *more* inequality, and a Lorenz curve that sags further is more unequal.

Practice

Try these in order.

8.1 What is the difference between *equity* and *equality*? [1]

8.2 Is a wage *income* or *wealth*? [1]

8.3 Is a house *income* or *wealth*? [1]

8.4 What does the *Lorenz curve* show? [1]

8.5 A country has a *Gini coefficient* of 0.6, another 0.3. Which is more unequal? [1]

8.6 Challenge. Country A has a Gini coefficient of 0.25; Country B has 0.55. Describe how each country's Lorenz curve would look, and state which country has the fairer income spread. [2]
