

8.2 Equity and redistribution of income and wealth

Name: _____ Class: _____ Date: _____ Total: 26 marks

KEY WORDS gini coefficient 基尼系数 • equality 平等 • equity 公平 • lorenz curve 洛伦兹曲线
• wealth 财富

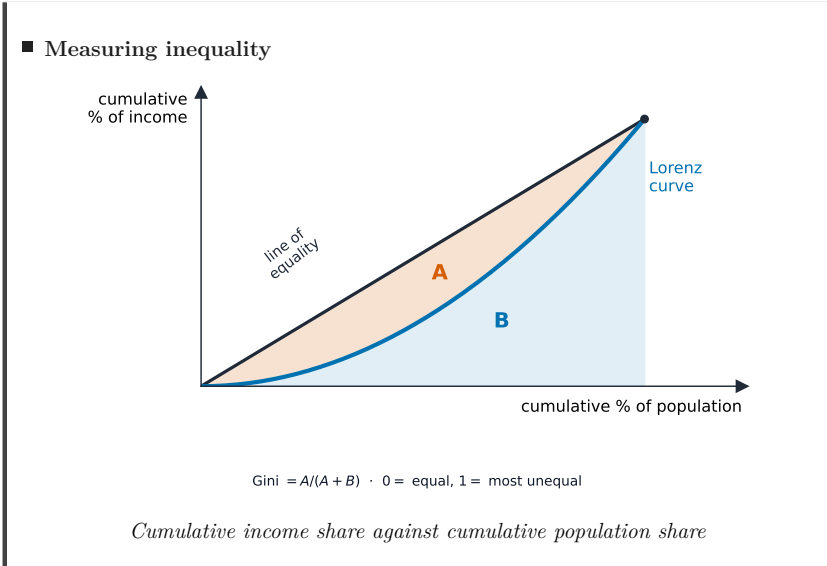
Objective

Build the skills to answer exam questions on **equity and the redistribution of income and wealth** 公平与收入财富再分配 — **equity versus equality** 公平与平等, the **Lorenz curve** 洛伦兹曲线 and **Gini coefficient** 基尼系数, 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 Worked examples



- **Equity** 公平 = fairness (not always equal); **equality** 平等 = the same for all.
- **Lorenz curve** 洛伦兹曲线: a sagging curve shows inequality; the diagonal = perfect equality.
- **Gini coefficient** 基尼系数: 0 (perfect equality) to 1 (one person has all) — higher = more unequal.
- **Policies:** **progressive tax** 累进税, **benefits/transfer payments** 转移支付, free state services.

a fair outcome is not always an equal one

equality
everyone gets the *same* share

equity
everyone gets a *fair* share
(not always the same)

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]

3.3 Discuss whether redistributing income from rich to poor always benefits an economy. [12]

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 equity means fairness (which may not be an equal share); equality means everyone getting the same (2 for a clear difference; 1 for a partial idea).

2.2 perfect equality — every person has the same income (1).

2.3 any two of: progressive taxation; benefits / transfer payments; free state services (1 + 1).

3.1 B. A curve further from the diagonal means more inequality and a higher Gini.

3.2 [8] AO1 1 + **AO3 diagram up to 4** (line of equality, sagging Lorenz curve, areas A and B) + AO2/AO3 up to 3 — the Lorenz curve plots cumulative income share against cumulative population share; the Gini is the area between the curve and the line of equality (A) divided by the whole area under the line (A + B) → the more the curve sags, the larger A, so the higher the Gini and the greater the inequality.

3.3 [12] AO1/AO2/AO3 up to 8 + AO4 up to 4. **For:** redistribution reduces poverty, can raise total consumption (the poor spend more of their income) and improves social outcomes. **Against:** high taxes and benefits can weaken the incentive to work and invest, and wealth is hard to tax (it can be hidden or moved abroad). Judgement: some redistribution helps, but going too far risks lower growth — the net benefit depends on how the policies are designed and the size of the incentive effects.