

6.5 Inequality

Name: _____ Class: _____ Date: _____

Total: 10 marks

Objective

Build the skills to answer exam questions on **inequality**.

You must be able to:

- distinguish **income inequality** 收入不平等 from **wealth inequality** 财富不平等
- interpret a **Lorenz curve** 洛伦兹曲线
- calculate and interpret the **Gini coefficient** 基尼系数
- distinguish **progressive** 累进, **proportional** 比例, and **regressive** 累退 tax structures

1 Worked examples

Study these first. Each one shows the method for a question type used later.

■ Income vs wealth

Income is a flow (earnings over a period); **wealth** is a stock (accumulated assets). Wealth is usually more unequal.

■ Lorenz curve and Gini

The **Lorenz curve** plots the cumulative share of income against the cumulative share of the population; the further it bows from the 45-degree line, the more unequal. The **Gini coefficient** ranges from 0 (perfect equality) to 1 (perfect inequality).

■ Tax structures

Progressive —the rate rises with income; **proportional** —a flat rate; **regressive** —the rate falls as income rises. Progressive taxes reduce inequality.

2 Practice

2.1 State the difference between income and wealth inequality.

[2]

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

2.3 State the difference between a progressive and a regressive tax. [2]

3 Exam-style questions

3.1 A Lorenz curve plots the distribution of [1]

- A prices
- B income
- C output
- D interest rates

3.2 A progressive tax takes a _____ share of income as income rises. [1]

- A smaller
- B larger
- C constant
- D zero

3.3 A country's Gini coefficient rises from 0.30 to 0.45.

(a) State whether inequality rose or fell. [1]

(b) State what a Gini of 0 would mean. [1]

(c) Name a tax structure that reduces inequality. [1]

4 Go further

- work through the **6.5 Inequality** lesson on the **Learn** page;

- read the **Market Failure and the Role of Government** section of the AP Microeconomics handout on the **Know** page.

Solutions

2.1 income inequality is about the flow of earnings; wealth inequality is about the stock of accumulated assets.

2.2 perfect equality (everyone has the same income).

2.3 a progressive tax takes a larger share of income as income rises; a regressive tax takes a smaller share as income rises.

3.1 B.

3.2 B.

3.3 (a) it rose. (b) perfect income equality. (c) a progressive tax.