AQA - A Level Economics

Individuals, Firms, Markets & Market Failure

7.2 The distribution of income & wealth: poverty and inequality

Worked Examples

www.tutorpacks.com

@tutorpacks

Contents

Hey there! 👋

We're **Tutor Packs**, and our mission is simple: making learning easy, stress-free, and actually enjoyable! ✨📚

We've got FREE revision notes and worked examples for loads of subjects, perfect for smashing those exams! 💪

Want to see what we're all about and show support please visit our social media pages: https://www.tutorpacks.com/links

7. The distribution of income and wealth

Exam Style Question 1

According to the charity Oxfam, the combined wealth of the 62 richest people in the world is the same as the wealth of the poorest half of the world's population. The value of the combined wealth of the poorest half of the world's population has fallen by 38% between 2010 and 2016.

(Source: adapted from https://www.oxfam.org/en/pressroom/pressreleases/2016-01-18/62-people-own-same-half-world-reveals-oxfam-davos-report)

(a) Explain the distinction between income and wealth. **[2]**

(b) Explain **one** likely reason why global wealth inequality has increased. **[2]**

7. The distribution of income and wealth

Exam Style Question 1

Answer:

1(a) Explain the distinction between income and wealth. (2 marks)

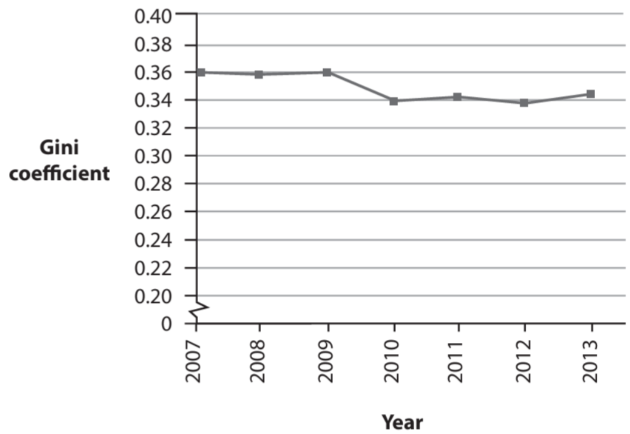
- **Income** is a flow of money received regularly, such as wages, salaries, or interest from savings. **[1]**
- **Wealth** is a stock of assets that someone owns, like property, shares, or savings. Income can help build wealth over time, and wealth can also generate income. **[1]**

1(b) Explain one likely reason why global wealth inequality has increased. (2 marks)

One reason is the **rise in asset prices**. People who already own assets like property or stocks have seen their value increase, which grows their wealth. Those without assets miss out, which widens the gap between rich and poor. **[2]**

Exam Style Question 2

The chart below shows the UK Gini coefficient of incomes, 2007 to 2013.



(Source: adapted from https://www.equalitytrust.org.uk/how-has-inequality-changed)

(a) Explain **one** likely reason for the change in UK income inequality since 2007. **[4]**

(b) Which **one** of the following values for the Gini coefficient is correct if there is perfect income equality? **[1]**

- ◯ **A** 0
- ◯ **B** 0.5
- ◯ **C** 1
- ◯ **D** 50:50

7. The distribution of income and wealth

Exam Style Question 2

Answer:

2(a) Explain one likely reason for the change in UK income inequality since 2007. (4 marks)

One likely reason is the **impact of the 2008 Global Financial Crisis. [1]**

The **Gini coefficient**, which measures income inequality, fell from **0.36 in 2007 to 0.34 in 2010**, showing that income became slightly more equal. **[1]**

During the crisis, **high-income earners**, especially in finance and business, saw big drops in their income (e.g. smaller bonuses or job losses), which reduced income at the top of the distribution. At the same time, the UK government increased **welfare benefits** for low-income households, helping those at the bottom. **[1]**

This combination of falling top incomes and rising support at the bottom helped to **reduce income inequality** during that period. **[1]**

2(b) Which one of the following values for the Gini coefficient is correct if there is perfect income equality? (1 mark)

✅ **A: 0**

A Gini coefficient of **0** means everyone earns exactly the same = total equality.
(Just for fun: a Gini of **1** would mean one person has all the income, and everyone else gets nothing.)

Please see the ‘7.1 The distribution of income and wealth: poverty and inequality Revision Notes’ pack for detailed notes.

For more revision notes, tutorials, worked examples and more help visit www.tutorpacks.com