

# AQA Economics A-level

## Microeconomics

### Topic 7 - Distribution of Income and Wealth, Poverty and Inequality

#### Flashcards

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# Absolute poverty



# Absolute poverty

When a person doesn't have enough income to fulfil basic needs



# Distribution of income and wealth



# Distribution of income and wealth

The way in which total income and wealth are divided among the population of the economy.



# Earnings trap



# Earnings trap

Situations where the more an individual earns, the less they are entitled to, making it hard to escape poverty



# Equity





# Equity

Fairness, justness. Involves value judgements



# Fiscal drag



# Fiscal drag

As wages rise, a higher proportion of income is paid in tax



# Gini coefficient



# Gini coefficient

Measures income or wealth inequality;  
maximum inequality is 1



# Horizontal equity



# Horizontal equity

People in identical circumstances are treated equally



# Hysteresis





# Hysteresis

Effects that persist even after the initial causes giving rise to the effects are removed



# Kuznets hypothesis



# Kuznets hypothesis

Theory that as an economy grows, inequality is initially increased, then decreased



# Lorenz curve



# Lorenz curve

Can be used to illustrate and measure  
distributive inequalities



# Means tested benefits



# Means tested benefits

Entitlement to certain benefits depends on whether the income or wealth of an individual is below a certain level



# Poverty trap





# Poverty trap

Where a rise in income leads to a decrease in eligibility in benefits, forcing individuals deeper into poverty



# Vertical equity



# Vertical equity

People in different circumstances are treated unequally, yet fairly

