# 1.18 Measuring Income and Wealth Inequality: The Lorenz Curve and Gini Coefficient: 10-minute Pack

AQA 7136 · Calculators not allowed · about 10 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

**Answer all questions. Write full sentences for questions worth 4 marks or more. Do not use a calculator; all percentages are rounded for ease. Time guidance: 10 minutes.**

**1** Interpret the following change in the Lorenz curve for the fictional country: over five years, the Lorenz curve becomes slightly less bowed (moves closer to the diagonal) and the computed Gini coefficient falls from 0.34 to 0.29. Explain what this shift indicates about income distribution, state two possible reasons why it might have happened (without discussing policy), and note one limitation of using only the Gini change to judge social progress.

**(Total for Question 1 is 8 marks)**


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## Question 1

| | |
|---|---|
| identifies that a Lorenz curve moving closer to the diagonal and a falling Gini indicate a reduction in measured income inequality | **M1** |
| explains that more of the national income is accruing to lower and middle segments of the population, e.g. the bottom 50% now receive a larger share than before | **A1** |
| gives two plausible non-policy reasons: for example, changes in labour market composition such as rising wages in lower-paid sectors, or demographic shifts like an increase in employment among prime-age workers | **M1** |
| develops each reason briefly, e.g. rising relative wages in formerly low-paid sectors increases incomes at the bottom; demographic shifts raise labour force participation and income shares for groups that previously had low income | **A1** |
| identifies a limitation of the Gini change, e.g. it does not show where in the distribution the change occurred or whether absolute incomes rose for the poorest | **M1** |
| develops limitation: a falling Gini could be driven by losses at the very top rather than substantial gains at the bottom, so social welfare judgments require additional information like poverty rates or median income | **A1** |
| links back with a concise judgement that the observed shift indicates an improvement in measured equality but that this alone is insufficient to conclude clear social progress | **B1** |
| uses numerical change in Gini (0.34 to 0.29) as supporting evidence for the interpretation | **B1** |

**Answer: The movement of the Lorenz curve toward the diagonal and Gini falling from 0.34 to 0.29 indicates measured income inequality has decreased; reasons could include rising wages in lower-paid sectors or demographic increases in employment; however, the Gini does not reveal which parts of the distribution changed or whether absolute incomes of the poorest rose, so further measures are needed to judge social progress.**


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