

The distribution of income and wealth Cheat Sheet by nelaorav via cheatography.com/167833/cs/35073/

Wealth	
Wealth	anything owned by people with money value (house, machinery, financial assets, etc.)
Non- human wealth	materialistic things (house, assets, etc.)
Human wealth	education, skills, characteristics, training, etc. (it is difficult to calculate it because it is not a reliable factor)
Private wealth	goods owned by a person with money value (jewelry, land, etc.)
Social wealth	assets owned by government for the benefit of the general public
The national wealth	the total amount of wealth owned by general public and government

The national wealth

The national wealth = private wealth + social wealth

Income

Income is measured as a flow of earnings over time; can be measured only over time not at a specific point

Disposable income

Disposable income after taxation; person can choose how to dispose it higer income tax = lower disposable income higher disposable income = higher consumer expenditure

Sources of income

Human wealth better education = produces earned better income income

Sources of income (cont)

Non-human interest, rent, lottery,
wealth inheritance, etc.
produces
unearned
income

Earned income income gained from
employment (wages,

salaries, bonuses,
comissions, etc.)

Unearned not related to employincome ment; from another
(passive source
income)

The distribution of wealth

Reasons for differences

Inheritance creates large wealth gap

Savings and increases ones wealth

investments

Self-made invention/development of new products

prediction of the future ownership/discovery of natural resources

Today's trends

Women are working in high-paying jobs and own assetes

Increase in home ownership (high prices of real estate increases the wealth)

Both are reasons why distribution of wealth is not as unequal as in the past

Reducing wealth inequalities

Pre-distritraining, etc. (it is difficult to
ibution calculate it because it is not a
policies reliable factor)

Post-distribment, etc.
ution
policies

Taxes Inheritax disposed on wealth imposed tance at death; at time of death a certain percentage is taken tax away Slovakia's tax system doesn't include inheritance tax Wealth people with holdings of wealth tax are paying each year a special tax; this is one of the reasons rich people flee the country they live in Other better education, owning of real methods estate, owning of busnisses

The worlds distribution of income

richer (developed) and poorer (less developed) countries

Measuring the standard of living in a country

GDP the total money value of all Gs & Ss produced ina a country in a per capita year; also equal to the national income of the country Real measures an economy's total Gs **GPD** & Ss in a given year, taking into account changes in price levels **Nominal** measures an economy's total Gs **GDP** & Ss in a year given the current prices, without adjustments for

Calculations

inflation

Calculation Reminders

Nominal GDP = Units of Output X Price Per Unit

Real Base Year

Units of Output X Price Per Unit from Base Year

INFLATION RATE

Year 2 - Year 1 X 100

Year 1



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Why is GDP per capita sometimes incorrect

It doesn't take into account political or cultural freedom.

It doesn't categorize countries based on their education or healthcare.

It excludes unpaid work - charities, etc.

It ignores the impact of economical development.

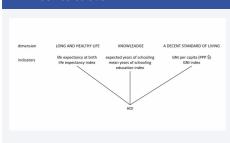
It takes into account little information about private wealth.

Development indicators

HDI provides wider measure of (human living standards and economic develowelfare than real GDP per pment capita index)

it combines 3 diffrenet measures

HDI index calculation





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