

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	
<i>The national wealth = private wealth + social wealth</i>	

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

Sources of income	
Human wealth produces earned income	better education = better income

Sources of income (cont)	
Non-human wealth produces unearned income	interest, rent, lottery, inheritance, etc.
Earned income	income gained from employment (wages, salaries, bonuses, commissions, etc.)
Unearned income (passive income)	not related to employment; from another source

The distribution of wealth	
Reasons for differences	
Inheritance	creates large wealth gap
Savings and investments	increases ones wealth
Self-made wealth	invention/development of new products
	prediction of the future
	ownership/discovery of natural resources
	luck

Today's trends	
Women are working in high-paying jobs and own assets	
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-distribution policies	education, skills, characteristics, training, etc. (it is difficult to calculate it because it is not a reliable factor)
Post-distribution policies	tax, benefits from the government, etc.

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

The worlds distribution of income	
richer (developed) and poorer (less developed) countries	

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

Calculations	
Calculation Reminders	
Nominal GDP	$\text{Units of Output} \times \text{Price Per Unit}$
Real GDP	$\text{Units of Output} \times \frac{\text{Price Per Unit from Base Year}}{\text{Price Per Unit}}$
% Change In Prices	$\frac{\text{INFLATION RATE}}{\text{Year 2 - Year 1}} \times 100$



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 (human development index) provides wider measure of living standards and economic welfare than real GDP per capita

it combines 3 different measures

HDI index calculation

