

Sadiq Public School

Do the right, fear no man

**Subject: Economics Class: C3 Day: Saturday Date:16th Nov, 2024**

**Lesson: Unit No. 32 [living standards]**

**Inquiry:**

One of the key roles of an economist can be seen to be to raise people's living standards. By helping to improve the performance of firms and advising governments on increasing macroeconomic performance, economists can make a significant difference to the quality of people's lives. Do you think you enjoy a higher living standard than people living in your country fifty years ago? What would you look at in making this comparison?

**Information:**

**Comparing living standards and income distribution**

Income is unevenly distributed between households in every country, but to different extents. Wealth is even more unevenly distributed. Wealth is a stock of assets which have a financial value. Some of these assets, such as shares and government bonds, give rise to income. Some people have a considerable amount of wealth, whilst others have none.

**Measures of income and wealth inequality**

To assess the distribution of income and wealth in a country, economists calculate the percentages of income earned and wealth owned by given proportions of the population. Two common proportions used are deciles (tenths) and quintiles (fifths).

**The causes of differences in living standards and income and wealth inequality**

Living standards vary between countries and between regions within a country for a large number of reasons. These include, for example, differences in income, wealth, education and healthcare systems, levels of pollution and working hours.

Income may be unevenly distributed between households within and between countries due to uneven holdings of wealth, differences in the composition of households and differences in the opportunity and ability to earn an income.

Some wealthy households can live off the income their wealth generates. In more cases, the income from wealth adds to earned income.

Households with a number of workers are likely to have a higher income than those with one or no workers and a high number of dependents.

The wages received by workers are influenced by their skills, qualifications and the number of hours for which they work. High skilled workers with better qualifications are likely to be in high demand and hence are likely to receive high wages.

Full-time workers usually earn more than part-time workers. Some people may be dependent on state benefits or help from relatives and their income is likely to be relatively low.

Wealth is unevenly distributed because there are differences in the assets inherited by people, their savings and entrepreneurial skills. In fact, inheritance is a major reason for some people being wealthy.

The more a person can save, the wealthier they will become. Of course, in this sense wealth creates wealth. Wealthy people can afford to save more and this makes them wealthier. People with an entrepreneurial flair may be able to build up a business from scratch and become wealthy.

**Key terms:**

There are a number of possible indicators of living standards, including consumer goods per head, real GDP per head, HDI, and the Genuine Progress Indicator.

Real GDP per head gives an indication of material living standards, but a rise in average income does not translate into a benefit for everyone. The extra output may not add to the quality of people's lives. Official figures may not capture the total income and may fail to include other factors - like working conditions, working hours and environmental conditions, which affect living standards.

One country can have a higher real GDP per head than another, but its citizens may still have lower living standards, if they have less leisure time, worse working conditions, lower quality products, worse environmental conditions and a smaller informal economy.

**Read your textbook Page No. 295-296**

**Synthesizing information: (Personal notes)**

* Write in your own words about the causes of differences in living standards?
* What are the causes of differences in income and wealth inequality?

**Practice:**

**Activity**

More than half of the world's wealth is owned by 2% of adults, whilst the least wealthy 50% of the world's adults own only 1% of global wealth. Wealth is heavily concentrated in North America, Europe and affluent Asia-Pacific countries. People living in these countries, together hold almost 90% of total world wealth. Wealth is also unevenly distributed within countries. The USA has one of the highest levels of inequality and Japan one of the lowest.

* How much of the world's wealth is owned by the wealthiest 50% of adults?
* Explain what is meant by Japan having one of the lowest levels of wealth inequality.

**Feedback:**

If you have any question about this topic please send me an email, I will reply ASAP.

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| Class | Teacher’s Name | Teacher’s Abbreviation | Teacher’s Email Address | Instructions |
| C3GA | Bushra Bajwa | BB | Bushra\_BB\_Sadiq@protonmail.com | C3GA students will send their home assignments to their subject teacher (BB) for checking and getting feedback. |
| C3A | Muzammil naseer | SMN | Muzammilnaseer335@gmail.com | C3A students will send their home assignments to their subject teacher (SMN) for checking and getting feedback. |