

## Unit 7

## Money, Poverty and the Government

### **Economic Terminology**

The poverty line

Absolute poverty

Extreme Poverty

Relative poverty

Social Indicators of Poverty

Income Distribution

Lorenz Curve

Gini index (ratio, coefficient)

Transfer Payments

Welfare Services

Direct taxation

Indirect Taxation

Progressive Taxation

Proportional Taxation

Regressive Taxation

Poverty trap or the Cycle of Poverty

Equity

Equality

Income Redistribution Policies

Cash Transfers

Unconditional Transfers

Conditional Transfers

Interest rates

Medium of Exchange

Store of value

Unit of measurement/unit of account

### **Objectives:**

1. Describe the causes and effects of poverty in general.
2. Describe the general trend of income distribution between nations and within a nation and how to measure it.
3. Explain the causes of unequal distribution in a market economy.
4. Describe the government programs which are used to alleviate poverty and promote equity.
5. Describe the relationship between equity, growth, efficiency and the allocation of resources in the macro economy.
6. Evaluate the influence that direct taxation policies can have on the distribution of income.
7. Describe the functions of money.
8. Describe the role of banks in the economy.

**Assignments –**

Block B Due Wed March 27 Block E/G Due Thursday March 28	<u>HW 7.1</u> Read Handout reading on Moodle on \$Money p. 294-299 and p. 306 And answer questions: 1. How are currency substitution and store of value related? 2. What is a financial intermediary? Give an example of how a bank performs this role. 3. Examine how money is more efficient than barter by considering transaction costs.
Block B Due Sunday March 31 Block E/G Monday April 1	<u>HW 7.2</u> Read Textbook: Ch 11 Equity and Distribution p. 301 – 304 and answer p. 305 # 3abc, 5, and 6a
Block B Due Tuesday April 2 Block E/G Wednesday April 3	<u>HW 7.3</u> Read Textbook: Ch 11 Poverty and Programs p. 305 – 311 and answer p. 309 # 4 and p. 311 # 2
Block B Due Monday April 8 Block E/G Due Tuesday April 9	<u>HW 7.4</u> Read Textbook: Ch 11 Taxation and Evaluation of Programs p. 311 – 314 and 317 -318 and answer p. 314 # 4a, 6 all and p. 319 # 4a and b
Block B Sunday April 14 Block E/G Monday April 15	<b>Test</b>

Review questions:

1. Why does the level of economic growth in an economy impact the number of people living in poverty? Briefly explain
2. What is the relationship between the gini coefficient the Lorenz curve? Include a diagram to explain your answer.
3. Why are equality and efficiency described as having a tradeoff? Briefly explain.
4. How can transfer programs decrease the number of people living in poverty? How do other's argue that it can increase the number?
5. How and what way does a regressive tax policy impact income distribution in a country?
6. Choose one cause of poverty and choose one specific type of government program that can help to alleviate this cause of poverty.