**Income Inequality**

E.50 Describe the growth of income inequality in the United States and worldwide using the Lorenz curve and analyze the reasons for this increasing disparity of income. (E)

One way to show the distribution of income within an economy is by using the Lorenz curve. The Lorenz curve plots total family income against the total number of families, arranged from poorest to richest. On a graph, if the Lorenz curve plots out to a perfect 45-degree line, then the nation’s income is perfectly distributed. The farther away from a 45-degree line the curve bends, the more a nation’s income is increasingly unequally distributed.

Based on the Lorenz curve above it is possible to see that income in the United States is not equally distributed among its population. This graph demonstrates that the poorest 20% of the U.S. population only makes 8% of the nations income while the richest 20% makes about 52% of the nations income. Some level of inequality is expected in economies that operate in the free market because people are rewarded based on the demand for their ideas or skills, and even though some economies such as socialist or communist economies try to minimize inequality with in their nation all economies have some inequality.

Use the following graphs to answer some questions about the distribution of income within several nations.

How has the distribution of income in the U.S. changed in the last five decades?

Which percentage of the population has seen the least amount of change and why do you believe this is so?

Which percentage of the population has seen the greatest amount of change and why do you believe has lead to this?

Based on the graph above how does the U.S. compare to the nations shown in terms of income equality?

Which nation in the graph demonstrates the greatest level of income inequality?

Please explain how you came to your answer.