## Review Questions

14.

How is the poverty rate calculated?

15.

What is the poverty line?

16.

What is the difference between poverty and income inequality?

17.

How does the poverty trap discourage people from working?

18.

How can the effect of the poverty trap be reduced?

19.

How does the U.S. government specifically support elderly people experiencing poverty?

20.

What is the safety net?

21.

Briefly explain the differences between TANF, the earned income tax credit, SNAP, and Medicaid.

22.

Who is included in the top income quintile?

23.

What is measured on the two axes of a Lorenz curve?

24.

If a country had perfect income equality what would the Lorenz curve look like?

25.

How has the inequality of income changed in the U.S. economy since the late 1970s?

26.

What are some reasons why a certain degree of inequality of income would be expected in a market economy?

27.

What are the main reasons economists give for the increase in inequality of incomes?

28.

Identify some public policies that can reduce the level of economic inequality.

29.

Describe how a push for economic equality might reduce incentives to work and produce output. Then describe how a push for economic inequality might not have such effects.