

The distribution of income and wealth

Wealth - is a stock of valuable assets. It can be divided into marketable wealth and non - marketable wealth. Marketable wealth is that which can be transferred between individuals, for example property, whilst non marketable wealth cannot be transferred between individuals, for example life assurance.

Income - whilst income is unevenly distributed in the UK, it is nevertheless more equally distributed than wealth. We can analyse the distribution of income by factor of production (also known as the functional distribution of income), between households and between regions.

The functional distribution of income - Income is a flow of money generated and received over a period of time. We can analyse the distribution between labour, capital, land and entrepreneurs. We could also consider the distribution of income within a factor category, for example, wage differentials for labour. Household income includes income from wages, salaries, investment income, pensions and transfer payments such as welfare benefits

A method of measuring and illustrating the degree of inequality in the distribution of income and wealth is the Lorenz curve.