Economics Questions By Topic:

Poverty & Inequality (4.2)
Mark Scheme

A-Level Edexcel Theme 4

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Question Number	Answer	Mark
1(a)	**Knowledge 2** **Knowledge** 1+1 mark e.g. Definition of income (1) and/or wealth (1) • Income is a flow (1) whereas wealth is a stock (1) • Income can create wealth (1) and/or wealth can create income (1) • Income comes from salaries/wages/dividends/profits/interest/rent (1) whereas wealth is the value of assets (1)	**(2)**

Question Number	Answer	Mark
1(b)	**Knowledge 1, Analysis 1** **Knowledge/understanding:** Identification of one reason (1), e.g. • Rise in asset prices • Lack of education • Lack of healthcare • Inheritance entrenches inequality • Rise of MNCs • Lack of government intervention to reduce inequality • Government policy e.g. regressive taxes, corruption • External shocks **Analysis:** Linked development relating to wealth (1), e.g. • Poor education means people lack the skills to take on higher-paying jobs which could lead to wealth creation	**(2)**

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Question Number	Answer	Mark

2(a)	**Application 3, Analysis 1**
	
	Application: 3 marks for: e.g.
	• Gini coefficient/inequality fell (1) from 0.36 in 2007 to 0.34 in 2010 (1)
	
	• Global Financial Crisis began in 2008 (1)
	
	• Changes in taxation and/or government policies (1)
	
	Analysis: 1 mark for inferences from data, e.g.
	
	    • Inequality fell due to falling incomes at top of the distribution (top quintiles) (1)
	
	    • Inequality fell due to increases in benefits at very bottom (quintile). (1)
	
	    • Inequality constant due to wage/benefit freezes (1).
		(4)

Question Number	Answer	Mark
2(b)	A	**(1)**

END OF SECTION A

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SECTION B

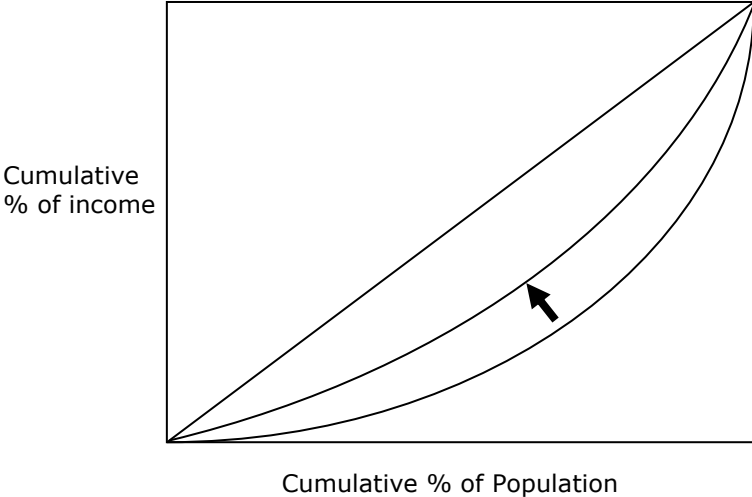| Question Number	Answer	Mark
3(a)	**Knowledge 2, Application 2, Analysis 1** **Knowledge/Understanding:** Up to 2 marks for e.g. • Absolute poverty: Lacking basic necessities to survive (1) • Relative poverty: Relatively poor compared to rest of your country (1) **Application:** Up to 2 marks for e.g. (1+1 OR 2) • Absolute poverty: World Bank definition: $1.90 a day (1) PPP values (1) • Relative poverty: 60%/50% (1) below median household income in your country (1) • Reference to Figure 1 or Extract A/B (1+1) **Analysis:** Up to 1 mark for e.g. • Absolute poverty can decline at the same time as relative poverty is increasing (1) • There may be relative poverty in a country but not necessarily absolute poverty (1)	**(5)**

Question Number	Answer	Mark

3(b)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2**
	
	Knowledge/Understanding:
	Relevant factors identified (1+1), e.g.
	   • Level of education
	   • Level of healthcare
	   • Level of infrastructure
	   • Level of trade
	   • Capital flows
	   • Civil war
	   • Drought
	   • Poor governance
	   • Liberalisation of trade/tariff cuts
	
	Analysis:
	Linked development of each factor (1+1), e.g. in Sub-Saharan Africa
	   • Relative lack of education means a less skilled and therefore less productive workforce (1)
	   • Relative lack of healthcare means people spend more time absent from work with illnesses and therefore reduces productivity (1)
	   • Relative lack of infrastructure makes it more difficult and therefore expensive to move goods around the country to markets (1)
	
	Application:
	2 marks (1+1) for reference to the data/candidates' own knowledge, e.g.
	   • Extract B: two thirds of 780 million illiterate adults are women
	   • Extract B: poor people- more malnutrition, lower odds of receiving health care
	   • Absolute poverty has declined far more rapidly in East Asia than Sub-Saharan Africa
	
	Evaluation: 2 marks for two evaluative comments OR 2 marks for identification and linked development of one comment
	Evaluative comments (1+1), e.g.
	   • Significance of different factors
	   • Improvements will only occur in the long term
		(8)

Question Number	Indicative Content	Mark
3(c)	**Knowledge 2, Application 2, Analysis 2,** • Incentive to work hard in order to receive higher reward will help increase economic growth which can result in reduced absolute poverty • More innovation due to the profit motive for firms and inventors leads to more competitive industry and faster economic growth • Lower taxes or less redistribution may encourage entrepreneurs to relocate to the country • Reference to rising living standards in a largely market based economy, e.g. UK, US **NB Arguments for or against the benefits of inequality can be taken as KAA or evaluation**	**(6)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no link between causes and consequences.
Level 2	3–4	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or the answer may lack balance.
Level 3	5–6	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are applied appropriately to the broad elements of the question.

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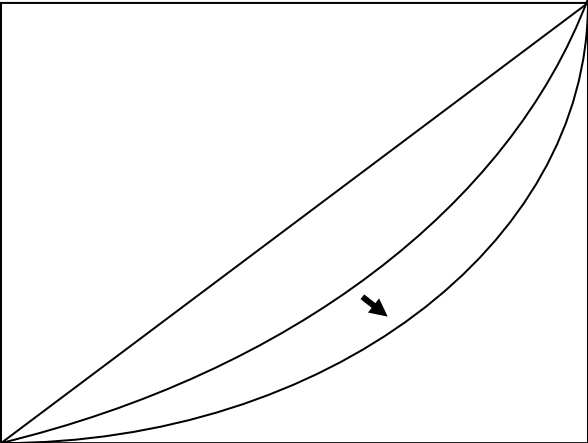| Question Number	Indicative Content	Mark
3(c) continued	**Evaluation 4** • Inequality reduces consumer confidence so less consumption, increase in saving. Aggregate demand may fall as a result. • Excessive inequality can lead to more crime, poorer healthcare, etc. • Low pay can act as a disincentive to seek employment and economic growth suffers as a result. **NB Arguments for or against the benefits of inequality can be taken as KAA or evaluation**	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

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Question Number	Answer	Mark
4	**Basic Lorenz curve diagram : 2 marks awarded as follows:** Axes correctly labelled 1 mark; Line of income equality (45º line) and initial Lorenz curve: 1 mark. Cumulative % of Population Analysis (4 marks) 2 marks for: Correctly indicating new Lorenz curve for closer to the original Lorenz curve And: 2 marks for any one of the following: • Measurement of Gini coefficient: Area A (between 45° line and Lorenz curve) ÷ Area A +B (whole area under 45° line) • Decrease in inequality reflected in decrease in Gini coefficient Application (2 marks): Data reference from Extract 1: decrease in Gini coefficient from 0.6 to 0.48 between 2005 and 2013	**(8)**

Level	Mark	Descriptor
Level 1	1-2	2 marks for identification of two points
Level 2	3-4	2 marks for identification; 2 for application – 2 data references
Level 3	5-8	2 marks for identification; 2 for application – 2 data references, and 4 for analysis of the 2 points identified.

Question Number	Answer:	Mark
5	Factors include (up to 5 marks; maximum 2 for identification only) and *5 marks for evaluation*: • Increased trade, especially between developing countries themselves resulting in export-led growth *But: developing countries may be exploited by monopsony power of TNCs in developed economies* • Investment in infrastructure *But: might have adverse consequences for public finances* • Investment in health *But: problem of insufficient numbers of trained doctors, nurses* • Investment in education *But: problem if households have to pay for schooling* • Improvements in financial infrastructure facilitating enterprise *But: people might lack assets as a form of collateral* • Welfare programmes *But: opportunity cost* Analysis **must** link to absolute poverty; otherwise no more than 1 analysis mark per point. *Other evaluative comments:* • *Although poverty has decreased, inequality has increased in many countries* • *Prioritisation of factors identified above with justification* Application (1+1 marks): 2 relevant references from extract 1 e.g. 'targeted education'/'investing in people'/'investing in infrastructure'/'investing in healthcare' (1); China reducing poverty by 500m people (1); or examples from own knowledge. Could include specific reference to the fall in poverty from extract 1.	**(12)**

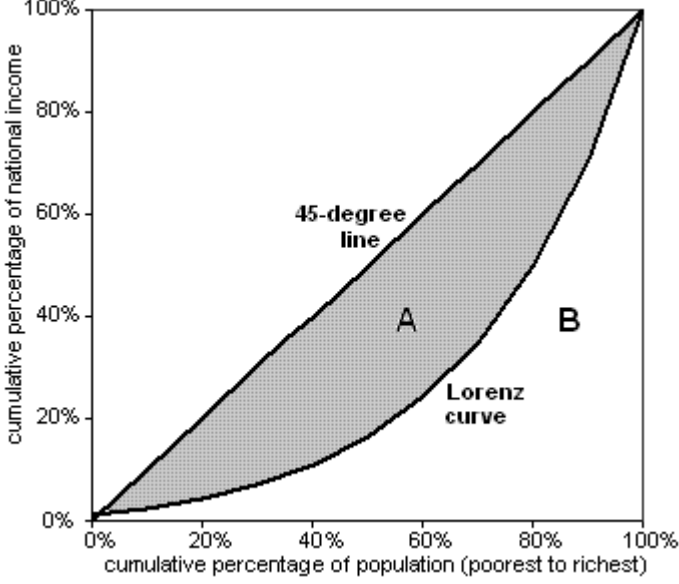| Level	Mark	Descriptor
Level 1	1-2	2 marks for identification of 2 factors;
Level 2	3-7	2 marks for identification of 2 factors; 2 for application as indicated above; 3 for analysis of 2 or more factors;
Level 3	8-12	2 marks for identification of 2 factors; 2 for application as indicated above; 3 for analysis of 2 or more factors; 5 marks for up to 3 evaluative points (2 + 3; or 3 + 2; or 2 + 2 + 1)

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Question No.	With reference to Figure 2, describe what has happened to income inequality in Russia. Illustrate you answer with a Lorenz curve diagram.	Mark
6(a)	Lorenz curve diagram : 4 marks awarded as follows: Axis correctly labelled: 1 mark for income and population/households; 1 mark for cumulative %; Line of income equality (45° line): 1 mark Lorenz curve: 1 mark. Cumulative % of Population 2 marks for any one of the following: • Measurement of Gini coefficient: Area A (between 45°line and Lorenz curve) ÷ Area A +B (whole area under 45°line) • Increase in inequality reflected in increase in Gini coefficient • Correctly indicating new Lorenz curve for 2011 further away from the original Lorenz curve Application (2 marks): Two specific data references from Figure 2: e.g. increase in Gini coefficient from 0.4 to 0.425 between 2000 and 2011	**(8)**

Level	Mark	Descriptor
Level 1	1-2	2 marks for diagram axes and 45° line
Level 2	3-4	2 marks for diagram as indicated above; 2 for application – data reference from Figure 2
Level 3	5-8	4 marks for diagram; 2 for application – data reference from Figure 2, and 2 for explanation

Question No.	With reference to the information provided, examine possible reasons why the proportion of the population in relative poverty in Russia has declined despite the Gini coefficient increasing over the same period.	Mark
6(b)	Reasons for lower relative poverty yet wider inequality include: (4 marks – 2 + 2 or 3 + 1) of which 1 mark for identification of 1 factor. - Increase in real GDP – higher tax revenues used to redistribute incomes - Increase in real incomes - Fall in unemployment - Increase in means-tested benefits - Increase in the proportion of income earned by the poorest citizens at the same time as a larger increase in the incomes of the highest earning groups of the population - Application: one reference to data on relative poverty from just over 28% to just over 12% or 'personal incomes doubled between 2000 and 2008'. (2 marks) *Evaluation (up to 4 marks: 2 + 2; 3 +1):* *Rapid economic growth could cause relative poverty to increase if welfare payments are not increased* *The decline in relative poverty is large in comparison with the increase in income inequality which is relatively small* *Data might be inaccurate and based on unreliable information* *Since 2007 inequality has started to decline*	**(10)**

Level	Mark	Descriptor
Level 1	1-3	1 mark for identification of one factor; 2 for application
Level 2	4-6	1 mark for identification of one factor; 2 for application 3 for analysis of 2 issues.
Level 3	7-10	1 mark for identification of one factor; 2 for application); 3 for analysis of 2 issues; 4 marks for any 2 evaluative points (2 + 2; 1 + 3; or 3 + 1)

Question Number	Answer	Mark
7	Meaning of poverty e.g. absolute poverty – inadequate resources to meet basic human needs of food, water, shelter, clothing or measurement: those living on less than $1.25 a day. (Allow: $1 / $1.50 / $2.00) (1 mark for either verbal description or monetary measure)

OR

Meaning of relative poverty – Relative poverty refers to those who fall below a certain threshold income or below the poverty line in a country. (Allow measurement of relative poverty: e.g. the % of the population living below 50% or 60% of the median household income. (1 mark)

Data references: e.g. astonishing growth in number of billionaires and millionaires; 100% increase in number of people spending $2.20 a day; or examples from own knowledge. (2 marks for 2 data references)

Possible impact (Analysis: up to 3 marks for any analysis of one point or 2 + 1 marks;):
- With higher real incomes, more people should be lifted out of poverty: "the wealth is trickling down" *But*: *differential impacts e.g. males/females; urban/rural communities.*
- Associated analysis of the trickle down effect *But: economic growth might be associated with increased inequality so may be limited impact*
- Increase in consumption *But Africa still one of the poorest continents on earth – most live off less than $1 a day*
- Increased tax revenues which could be used to redistribute incomes or to improve public services

   But: tax evasion and avoidance; inefficient tax collection systems

- Increased employment

   But depends on sources of growth

Other evaluative comments:
- *Poverty difficult to determine because of subsistence agriculture*
- *Economic growth rates vary between countries so impact will vary across Africa*
- *Corruption/military expenditure/interest payments on debt/expenditure on prestigious projects/droughts/civil wars ….might limit the impact of growth on poverty*
- *Could contast impacts on absolute and relative poverty*

Marks for evaluation (points in italics above): 2 + 2 or 3 + 1. | (10) |

Level	Mark	Descriptor
Level 1	1-3	1 mark for understanding of poverty; 2 for application (reference to 2 relevant examples from the extract/data)
Level 2	4-6	1 mark for understanding of poverty; 2 for application (reference to 2 relevant examples from the extract/data); 3 for analysis.
Level 3	7-10	1 mark for understanding of poverty; 2 for application (reference to 2 relevant from the extract/data); 3 for analysis; 4 marks for any 2 evaluative points (2 + 2; 1 + 3; or 3 + 1)

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Question No.	Answer	Mark
8(a)	Absolute poverty: insufficient resources to meet basic needs e.g. food, shelter, water, clothing OR measurement of absolute poverty: those living on less than $1.25 a day (accept $1 or $2 a day) Relative poverty: those living below a certain income threshold in a country OR measurement of relative poverty: e.g. the % of the population living below 60% (accept 50%) of the median income Application: Reference to example from Extract 1: e.g. China: fall in absolute poverty (1); rise in relative poverty (1) 3 marks for knowledge (2 + 1 or 1 + 2) for definitions) 2 for application/i.e. 2 data references	**(5)**

Level	Mark	Descriptor
Level 1	1-3	Up to 3 marks for knowledge – see above
Level 2	4-5	Up to 3 marks for knowledge and 2 marks for data references

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Question No.	Answer	

8(b)	**Lorenz curve diagram : 4 marks awarded as follows:**
	Axis correctly labelled: 1 mark for income and population/households; 1 mark for cumulative %
	Line of income equality (45° line): 1 mark
	Lorenz curve: 1 mark.
	
	Explanations: up to 2 marks for any one of the following:
	• Measurement of Gini coefficient:
	    Area A (between 45°line and Lorenz curve) ÷ Area A + B (whole
	     area under 45°line)
	• Further explanation of diagram (e.g. how a change in inequality would affect the Lorenz curve) and/or Gini coefficient
	• Explanation of other measures of inequality
	
	Application: Specific data reference from Figure 1 e.g. to a specific country and its Gini Coefficient (2)
		8

Level	Mark	Descriptor
Level 1	1-2	2 marks for knowledge
Level 2	3-4	2 marks for knowledge; 2 for application (i.e. data reference to a country and its Gini Coefficient in Figure 1)
Level 3	5-8	2 marks for knowledge; 2 for application (e.g. data reference to a country and its Gini Coefficient in Figure 1) and 4 for analysis (2 for explanation and other 2 marks for diagram)

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Question No.	Answer	Mark
8(c)	Understanding of capitalism - explicit or implicit e.g. private ownership of resources; free enterprise(1) Reasons why inequality is necessary (up to 3 marks for one good point or 2+1 marks): • Incentive for entrepreneurs • Profits necessary for investment, R & D • Private ownership of resources • Owners of resources will tend to become richer relative to those who own none • Wage determination through supply and demand for labour • Price mechanism ignores equality/inequality Application e.g. reference to 2 examples of countries e.g. USA & Sweden from the information provided or from own knowledge; or reference to one country including data (2 marks) *Evaluative comments (up to 4 marks: 2 + 2; 3 +1) could include:* • *Although inequality may be an essential ingredient, the degree of inequality may vary between different capitalist systems* • *Inequality might be reduced by government policy* • *Private ownership of resources is a key reason for inequality because these may be used to gain further income* • *Argument that capitalism is reducing global inequality*	**(10)**

Level	Mark	Descriptor
Level 1	1-3	1 mark for understanding of capitalism; 2 for application (e.g. reference to 2 examples of countries from the information provided or from own knowledge or reference to one country including data)
Level 2	4-6	1 mark for understanding of capitalism; 2 for application (e.g. reference to 2 examples of countries from the information provided or from own knowledge or reference to one country including data); 3 for analysis.
Level 3	7-10	1 mark for understanding of capitalism; 2 for application (e.g. reference to 2 examples of countries from the information provided or from own knowledge or reference to one country including data); 3 for analysis; 4 marks for any 2 evaluative points (2 + 2; 1 + 3; or 3 + 1)

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Question No.	Answer	Marks
8(d)	Reasons include (up to 5 marks; maximum 2 for identification only):	
	• Income gap between rural and urban areas increases as industrialisation takes hold – workers in more productive manufacturing industries earn more than those in less productive agriculture *But workers may be exploited and paid low wages i.e. owners of resources are getting richer at the expense of workers*	
	• Entrepreneurs and shareholders in these industries benefit from profits *But profits may be repatriated to shareholders of TNCs in developed economies*	
	• Increased capitalism in developing countries	
	• Corruption	
	• Increased rewards for those producing commodities in high demand	
	• Discrimination	
	• Falling demand for unskilled workers and those of low skills	
	• Differences in qualifications *But still possible to become very wealthy without formal qualifications*	
	• Increased incomes of the top 1% - bankers' bonuses *But now being subject to 50% tax and special taxes*	
	• Impact of public expenditure cuts e.g. cuts in benefits; job losses among low paid; benefits and pension increased in line with CPI rather than RPI *But more generous public sector pensions have contributed to increased inequality amongst the elderly*	
	• The increased inequality is part of a long term trend associated with declining trade union power *But: until recently state means-tested benefits have been increasing to reduce inequality*	
	• Shift from direct to indirect taxation	
	• Globalisation	
	Also for evaluation:	
	• *Changes in factors over time*	**12**
	• *Differences in causes of income and wealth inequality*	
	Marks for evaluation (points in italics above): (2 + 3; or 3 + 2; or 2 + 2 + 1)	
	Application e.g.reference to 2 relevant examples or use of Gini coefficients (2marks); (Synoptic element: wage determination from unit 1; concept of productivity from unit 2. Also, the use of the Economist's tool-kit in analysis and evaluation and in approach to question)	

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Level	Mark	Descriptor
Level 1	1-2	2 marks for identification of 2 reasons;
Level 2	3-7	2 marks for identification of 2 reasons; 2 for application (reference to 2 relevant examples or use of Gini coefficients); 3 for analysis of 2 reasons
Level 3	8-12	2 marks for identification of 2 reasons; 2 for application (reference to 2 relevant examples or use of Gini coefficients); 3 for analysis of 2 reasons; 5 marks for up to 3 evaluative points (2 + 3; or 3 + 2; or 2 + 2 + 1)

Question No.	Answer	Marks
8(e)	For knowledge, application and analysis: 3 x 3 marks or 4 + 5 marks) A range of policies may be considered including: • Education: improving access to education for all; government efforts directed especially to those who need it most *But: much depends on the quality of education; also considerable time lag* • Removal of subsidies- money saved might be used for job creation programmes • promotion of free trade *But could cause some domestic industries to close down if they are unable to compete* • Measures to eliminate monopolies *But could result in loss of economies of scale* • Measures to increase the geographical mobility of labour e.g. housing subsidies; increased provision of affordable houses *But cost of these scheme to the government; implications for taxes* N.B. Credit discussion of policies not in the extract e.g. • increase in means-tested benefits; • more progressive tax system on incomes • wealth taxes • Increased public expenditure • National Minimum Wage *Also for evaluation:* • *Differences in impact of policies on income and wealth inequality* *Marks for evaluation (points in italics above): (3 + 3; or 4 + 2; or 2 + 2 + 2)*	**(15)**

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		(Synoptic element: immobility of labour from Unit 1; education as a supply side policy from unit 2. Also, the use of the Economist's tool-kit in analysis and evaluation and in approach to question)	

Level	Mark	Descriptor
Level	Mark	Descriptor
Level 1	1-4	Identification of one or two arguments with superficial analysis
Level 2	5-9	Identification and analysis of at least two arguments
Level 3	10-15	At least two arguments analysed well with at least one convincing evaluative comment

END OF SECTION B

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Question Number	Indicative content	Mark
9	**Knowledge 4, Application 4, Analysis 8, Evaluation 9**	
	Likely causes include:	
	• High levels of corruption leading to government inefficiency/failure to act in best interests of general population	
	• Lack of redistributive fiscal policy	
	• High indirect taxes which tend to be regressive	
	• Inequality in access to or quality of education/healthcare for different people in a country	
	• Rural/urban divide with people in urban areas having a much greater variety of job opportunities and higher wages than in rural areas	
	• Weak trade unions reduce power of workers to insist on higher wages	
	• High levels of inheritance that is not significantly taxed being passed on to future generations	
	• Ownership of financial assets concentrated amongst the wealthy, with a lack of public share ownership	
	Evaluative comments may include e.g.:	
	• Significance/magnitude of specific causes	
	• Causes may be solved over time as the economy grows and income levels rise	
	• Significance of competing causes could be discussed	
	• Consider whether there is a link between the two types of inequality	
	N.B. For a level 4 response, candidates must make reference to causes of both income and wealth inequality	**(25)**

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	5–8	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	9–12	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	13–16	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

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Question Number	Indicative content	Mark
10	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** Understanding of income inequality. Likely causes include: • increased globalisation/trade liberalisation/off-shoring • automation of manufacturing/changing technology • development of the emerging economies, e.g. China/India • financial crisis of 2008/2009 • increased incomes of those already at the top of the income distribution (ownership of assets/wealth distribution/ economic growth) • de-regulation • increased returns to education/entrepreneurial risk taking. Possible evaluation points include: • different reasons have been the most important in different countries, or at different times • it depends on what the economy specialises in, e.g. those that specialised in manufacturing have been more affected by the development of emerging economies, those that specialise in tourism have been more affected by the financial crisis • financial crisis is only a relevant factor for a limited period of time • prioritisation of factors. **NB For a Level 4 response, candidates must refer to a developed country in their answer, and explain why income equality has increased, not simply why there is income inequality.**	**(25)**

EXPERT TUITION

Knowledge, application and analysis

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	5–8	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	9–12	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	13–16	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Evaluation

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches which is unbalanced, leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

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Question Number	Answer	Mark
11(a)	KAA: 14; *Ev: 6*	
	Possible causes include:	
	• Changes in wages of different groups including e.g. training and skills: wage differential between unskilled and skilled workers has been increasing; minimum wage increasing slower than average earnings	
	• Education: earnings of those with certain qualifications have increased more than others	
	• Pensions: ending of final salaries pension schemes	
	• Disproportionate increase in earnings of top 1% as a result of e.g. incomes of the asset-rich have increased relative to the asset-poor; exploitation of tax loopholes	
	• Macroeconomic policies e.g. privatisation contributing to a concentration of ownership of assets	
	• Power of trade unions – decline in union density	
	• Globalisation: demand for, and wages of, unskilled workers have decreased relative to those of highly skilled workers in developed economies	
	• Immigration e.g. of unskilled workers putting downward pressure on wages for those on low incomes	
	• Monopoly power of firms (especially TNCs)	
	• Monopsony power of firms e.g. supermarkets over suppliers	
	• Technological change	
	• Increasing levels of discrimination	
	• Tax rates e.g. increase in expenditure taxes such as VAT and/or decrease in taxes on incomes and wealth	
	• Reduction in out-of-work benefits	
	• Reduction of in-work benefits	
	NB Candidates could consider this question in a developing country context and may, therefore, consider other factors such as:	
	• Corruption	
	• Industrialisation	
	• Level of GDP per capita	
	Evaluative points:	
	• *Consideration of what is actually being measured e.g. gross incomes or personal disposable income*	
	• *Data might be inaccurate*	
	• *This takes no account of changes in distribution of wealth*	
	• *Unemployment rate may be more significant than*	

| | • *level of skills and education or than state benefits*
 • *Globalisation has helped to reduce inequality through greater economic integration across national borders*
 • *Prioritisation of the most significant factor(s) (with justification)*
 • *The significance of a cause will be different in different countries e.g. depending on policies to redistribute income*

 Reference should be made to at least one country; otherwise 16/20 maximum | **(20)** |

Level	Mark	Descriptor
Level 1	1-7	Identification of points which have limited relevance
Level 2	8-10	Typically, answers will consider 1 factor with 1 evaluative point or 2 points with no evaluation or list of several points with little analysis
Level 3	11-14	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation
Level 4	15-16	Typically, answers will consider 3 factors with 1 evaluative point
Level 5	17-20	Typically, answers will consider 3 factors with at least 2 evaluative points

Question Number	Answer	Mark
11(b)	KAA: 21; *Ev: 9* Policies/ways to reduce **income inequality** might include: • Increase in progressiveness of tax system e.g. by introducing more tax bands; increasing tax free allowance *But: Progressive tax increases may cause increase in number of tax exiles; increase in tax evasion and avoidance; fall in tax revenues (Laffer curve analysis); This does not address the underlying cause of income inequality* • Reduction in taxes on expenditure or other regressive taxes • Increase in taxes on unearned incomes e.g. rental and dividend income • Increasing means-tested benefits (not universal benefits) *But: Administrative costs associated with means-testing may be very high. Also inflation might mean that benefits might not increase in real terms* • Increasing the National Minimum Wage/ introduction of a Living Wage *But: Increase in NMW/introduction of a living wage might result in higher unemployment and a rise in inequality.* *Also, wages and unearned incomes of those in highest income brackets might increase at a faster rate* • Restrictions on immigration • Improvements in education and training for those without qualifications *But: much depends on quality and relevance of these improvements* • Measures to reduce unemployment e.g. reflationary fiscal policy *But: wages may still be below benefits* • Reduction in incentives to have large families e.g. reduction in child benefits *But could result in fall in working population in the long run* Other policies/factors include:	

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		• Measures which increase the power of trade unions • Improvements in health care Policies/ways to reduce **wealth inequality** might include: • increase in inheritance tax *But: Wealth inequality may not fall if asset prices are increasing rapidly* • A new mansion or wealth tax • Increase in stamp duty on house or share prices – which will reduce demand for these assets and so reduce their prices Must refer to a specific country, otherwise maximum of 24/30 Also, if only either wealth distribution or income distribution is consider then maximum of 21/30	**(30)**

Level	Mark	Descriptor
Level 1	1-11	Identification of points which have limited relevance
Level 2	12-15	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation or list of several points with little analysis
Level 3	16-21	Typically, answers will consider 3 factors with 1 evaluative point or 4 points with no evaluation
Level 4	22-25	Typically, answers will consider 4 factors with 2 evaluative points
Level 5	26-30	Typically, answers will consider 4 factors with 3 evaluative points

Question Number	Answer	Mark
12(a)	**KAA: 14 marks**; *Evaluation 6 marks*	
	Accept analysis of different types of inequality e.g. income and wealth.	
	Analysis that inequality between countries has decreased:	
	• Closer integration of countries e.g. through trade liberalisation has resulted in increased living standards in developing countries	
	But: monopsony power of TNCs in developed economies might keep people in developing countries relatively poor	
	• Increased trade has resulted in rapid growth rates in countries such as China and India which have lifted large numbers of people out of poverty	
	But: some countries left behind e.g. those with civil wars such as Mali or wars with neighbours Sudan/South Sudan	
	• Differences in levels of foreign direct investment	
	• Differences in the take up of technology/internet/broadband/mobile phones	
	• Increased demand for commodities has resulted in an increase in prices so leading to an improvement in the terms of trade and higher living standards of some developing countries.	
	But: problem that supplies of some non-renewable commodities will be exhausted in the future so the decrease in inequality might be temporary; fluctuating commodity prices so reduction in inequality might be	

temporary

Analysis that inequality within countries has increased: (these points may be used as evaluation)
- Unskilled workers in developed countries have been priced out of the market by outsourcing of work to low wage countries
  But: with rising transport and wage costs in developing countries, some companies are moving factories back to developed countries

- In developing countries, workers moving to industrialised areas likely to see their wages rise relative to those remaining in rural areas
- Evidence that earnings of top 1% of workers has increased relative to those on middle incomes – related to global market for top executives/footballers/entertainers
- Relative poverty within countries has increased e.g. because of fall in demand for unskilled labour in developed countries; industrialisation in developing countries
  But governments can take measures to redistribute incomes.

Further evaluative point:
- *Consideration of the difference between inequality of income and wealth*

If discussion relates to one country only or if there is no reference to the world economy, then award a maximum of 14/20

(20)

Level	Mark	Descriptor
Level 1	1-7	Identification of points which have limited relevance
Level 2	8-10	Typically, answers will consider 1 factor with 1 evaluative point or 2 points with no evaluation or list of several points with little analysis
Level 3	11-14	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation
Level 4	15-16	Typically, answers will consider 3 factors with 1 evaluative point
Level 5	17-20	Typically, answers will consider 3 factors with at least 2 evaluative points

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Question Number	Answer	Mark
12(b)	KAA: 21 marks; Evaluation 9 marks Policies include: • More progressive tax system *But a higher top rate of tax might have disincentive effects e.g. people and businesses relocating abroad* • Increase in benefits to those on low incomes *But this could act as a disincentive to work for the unemployed* • Increase in the National Minimum Wage *But those on NMW are not necessarily in the poorest households e.g. someone in household could be on a high salary* • Increased opportunities for women in the workforce *But positive discrimination might result in an overall loss in productivity* • Increased incentives for women to join the workforce e.g. better and cheaper childcare *But cost of childcare might have to be met by the taxpayer* • Improved training and education for the unemployed *But difficulty of knowing what type of training to provide; cost of training must be met by firms or the government; also: quality, relevance and time lags* • Measures to reduce the geographical immobility of labour e.g. housing subsidies *But cost associated with this and problem of targeting subsidies effectively* • Reduction in indirect taxes *But: loss of tax revenue for the government which could have been used more directly to reduce inequality* • Improvements in health care, so increasing longevity/productivity *But: cost to the government* • Job creation schemes *But issues with quality and relevance to the needs of the economy* *N.B. Award a maximum mark of 24/30 if there is no reference to a specific country*	(30)

Level	Mark	Descriptor
Level 1	1-11	Identification of points which have limited relevance
Level 2	12-15	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation or list of several points with little analysis
Level 3	16-21	Typically, answers will consider 3 factors with 1 evaluative point or 4 points with no evaluation
Level 4	22-25	Typically, answers will consider 4 factors with 2 evaluative points
Level 5	26-30	Typically, answers will consider 4 factors with 3 evaluative points

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Question Number	Answer	Mark
13(a)	Points could include: • Definition and measurement of absolute poverty: Inability to meet basic needs e.g. food, shelter, clothing, access to clean water. Measured by those living on less than $1.25 a day at 2005 PPP GDP or those living on less than $2 a day • Savings gap (Harrod- Domar model): link to low tax revenues; lack of government provision of public services and Lack of resources • No property rights • Civil wars/wars with neighbouring countries • Natural disasters • Population growing faster than GDP • Corruption • Debt • HIV/AIDs • Primary product dependency • Weak policies aimed at promoting growth resulting in low productivity; little FDI Evaluative points could include: • Problem of isolating most important factor • Absolute poverty may only be short term if caused by natural disaster • Problem of defining absolute poverty • Prioritisation of factors discussed. *If no reference to a specific country then maximum 14 marks.* (Synoptic element: reference to characteristics of development (unit 2) and to use of Economist's tool-kit in analysis and evaluation and in approach to question))	(20)

Level	Mark	Descriptor
Level 1	1-7	Identification of points which are largely irrelevant
Level 2	8-10	Typically, answers will consider 1 factor with 1 evaluative point or 2 points with no evaluation or list of several points with little analysis
Level 3	11-14	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation
Level 4	15-16	Typically, answers will consider 3 factors with 1 evaluative point
Level 5	17-20	Typically, answers will consider 3 factors with at least 2 evaluative points

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Question Number	Answer	Mark
13(b)	Meaning of economic development (improvement in welfare over time) – either implicit or explicit is necessary to access levels 4 and 5 i.e. a mark above 21. Could be considered in terms of how it may be measured e.g. HDI Candidates may take either side of the argument or they could analyse and evaluate 2 arguments on one side and 2 on the other Reducing absolute poverty is important in order to: • Improve life expectancy (costs of health) • Increase school enrolment and literacy rates (school fees) • Improve access to clean water Some may argue that development is also dependent on factors other than poverty reduction e.g.: • Improvements in education as evidenced by increased literacy rates/increases in primary school enrolment • Improvements in health (associated with higher immunization rates; more doctors per 1000 of population; better diet) as evidenced by increased life expectancy • Improved access to clean water • Improved infrastructure • Greater democracy (Amartya Sen) • If income and wealth are unevenly distributed then number of people in absolute poverty may remain constant but rest of population might have improvement in welfare • Absolute poverty would inhibit access to health and education • Micro-credit schemes • Access to technology e.g. mobile phones Evaluative points could include: • Argument that the proportion of population living in absolute poverty is more relevant than absolute number • Points listed above may only follow from a reduction in absolute poverty • Some may argue that development is impossible without a reduction in absolute poverty • Attempt to come to a conclusion on basis of evidence presented • Normative nature of development (Synoptic element: reference to measures of economic development (unit 2) and to use of the Economist's tool-kit in analysis and evaluation and in approach to question))	(30)

Level	Mark	Descriptor
Level 1	1-11	Identification of points which are largely irrelevant
Level 2	12-15	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation or list of several points with little analysis
Level 3	16-21	Typically, answers will consider 3 factors with 1 evaluative point or 4 points with no evaluation
Level 4	22-25	Typically, answers will consider 4 factors with 2 evaluative points
Level 5	26-30	Typically, answers will consider 4 factors with 3 evaluative points

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Question Number	Answer	Mark
14	Causes could include: • Education • Skills and training • Experience/age • Type of employment • Ownership of assets • Inheritance • Pension rights Evaluation: • Prioritisation of factors • Significance of each factor • Level and quality of education e.g. degree, subject, class • Pension rights e.g. final salary schemes • Conclusion (Synoptic element: reference to use of Economist's tool-kit in analysis and evaluation and in approach to question)	(20)

Level	Mark	Descriptor
Level 1	1-7	Identification of points which are largely irrelevant
Level 2	8-10	consideration of one factor with one evaluative point or 2 points with no evaluation
Level 3	11-14	consideration of 2 factors with one evaluative point or 3 points with no evaluation
Level 4	15-16	consideration of 3 factors with one evaluative point
Level 5	17-20	consideration of 3 factors with at least two evaluative points

END OF SECTION C

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