



Economics Questions By Topic:

Poverty & Inequality (4.2)

A-Level Edexcel Theme 4

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SECTION A

Write your answers in the spaces provided.

1 According to the charity Oxfam, the combined wealth of the 62 richest people in the world is the same as the wealth of the poorest half of the world's population. The value of the combined wealth of the poorest half of the world's population has fallen by 38% between 2010 and 2016.

(Source: adapted from <https://www.oxfam.org/en/pressroom/pressreleases/2016-01-18/62-people-own-same-half-world-reveals-oxfam-davos-report>)

(a) Explain the distinction between income and wealth.

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(b) Explain **one** likely reason why global wealth inequality has increased.

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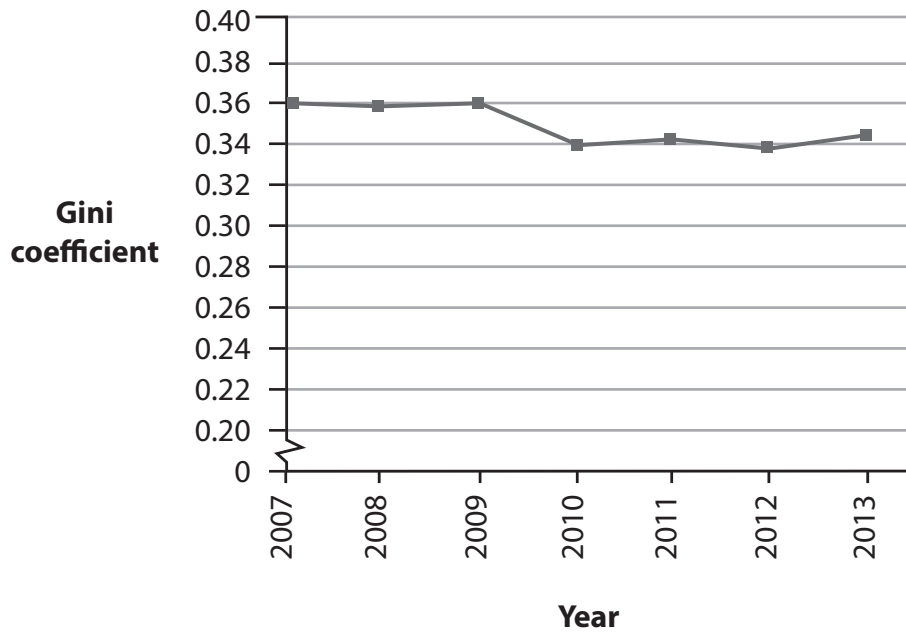
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(Total for Question 1 = 4 marks)

2 The chart below shows the UK Gini coefficient of incomes, 2007 to 2013.



(Source: adapted from <https://www.equalitytrust.org.uk/how-has-inequality-changed>)

(a) Explain **one** likely reason for the change in UK income inequality since 2007.

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(b) Which **one** of the following values for the Gini coefficient is correct if there is perfect income equality?

(1)

- A** 0
- B** 0.5
- C** 1
- D** 50:50

(Total for Question 2 = 5 marks)

END OF SECTION A

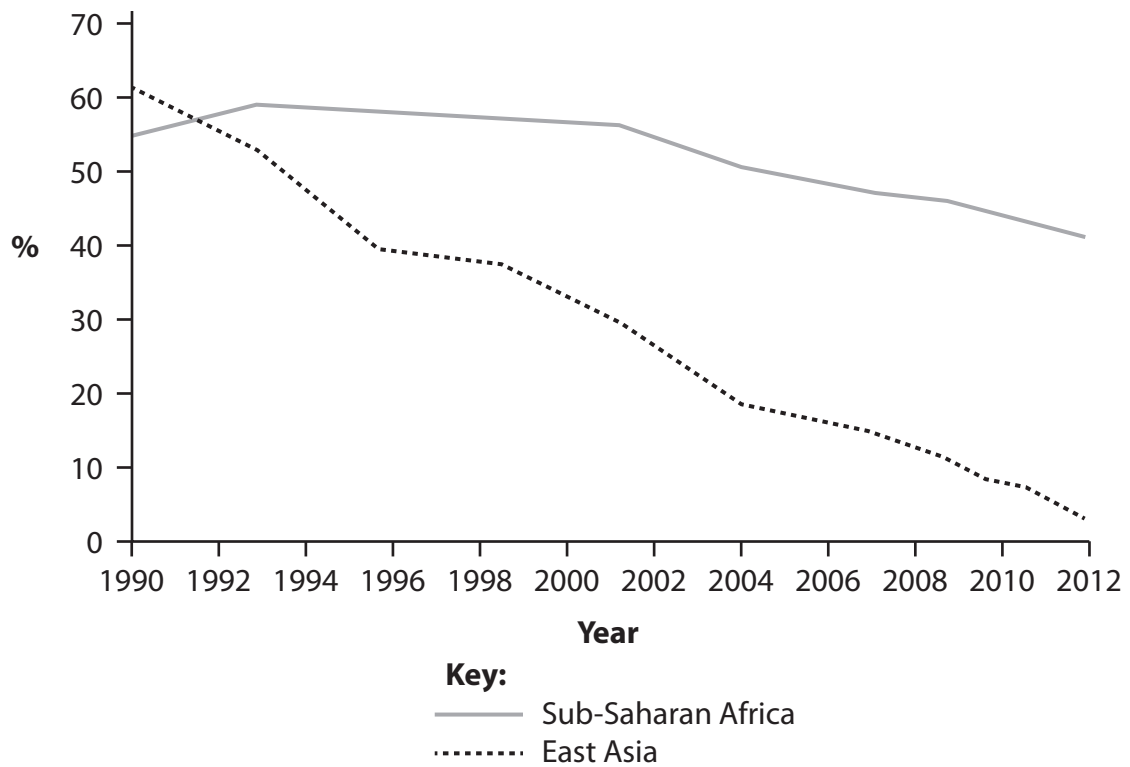
SECTION B

Read all extracts/figures before answering.
Write your answers in the spaces provided.

Question 3

Globalisation and Inequality

Figure 1: Proportion of population in absolute poverty (US\$1.90-a-day 2011 PPP)



(Source: <https://openknowledge.worldbank.org/bitstream/handle/10986/25078/9781464809583.pdf>)

Extract A

Lessons from globalisation

The past 25 years have seen a freeing up of trade. Capital has been free to move around the world. Formerly closed economies in Asia have been opened up and tariffs cut. In emerging economies, a billion people have been taken out of absolute poverty, but relative poverty remains a problem.

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In many advanced economies globalisation has come to mean, according to the Governor of the Bank of England, “low wages, insecure employment, stateless corporations and striking inequalities”. His solution to these problems is threefold: an acceptance by economists that not everybody has gained from trade and technology; a better mix of monetary policy, fiscal policy and structural reform to boost growth; and more inclusive growth. In essence, this is the same conclusion that was reached in the past when there was a fear that market forces had to be moderated to prevent capitalism from destroying itself.

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The good news is that this moderation of capitalism included real policy changes: an extension of the right to vote, the growth of trade unions, the creation of welfare states, a move to more progressive tax policies, nationalisation of key sectors of the economy, and more activist demand management.

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The bad news is that this process took about 100 years and was not completed until the end of the Second World War. What’s more, protectionism seems to be on the increase as countries seek to protect themselves from inequalities caused by rapid globalisation.

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(Source: adapted from <https://www.theguardian.com/business/2016/dec/05/mark-carney-globalisation-bank-of-england-capitalism>)

Extract B

Tackling inequality

Despite decades of substantial progress in boosting prosperity and reducing absolute poverty, the world continues to suffer from substantial inequalities. For example, the poorest children are four times less likely than the richest children to be enrolled in primary education across developing countries. Among the estimated 780 million illiterate adults worldwide, nearly two-thirds are women. Poor people face higher risks of malnutrition and death in childhood and lower chances of receiving key healthcare. Such inequalities result in high financial costs, limit economic growth, and generate social and political burdens and barriers. 5

These consequences highlight the importance of directing attention to the problem of inequality. There are other reasons to tackle inequality. Most economies are struggling to recover from the global financial crisis that started in 2008 and the subsequent slowdown in global growth. The goal of eliminating absolute poverty by 2030 might not be achieved without accelerated economic growth or reductions in inequalities within countries, especially in those with large numbers of poor. Generally speaking, poverty can be reduced through higher average growth, a narrowing in inequality, or a combination of the two. Achieving the same poverty reduction during a slowdown in growth therefore requires a more equal income distribution. 10 15

Some level of inequality is desirable to maintain an appropriate incentive structure in the economy or simply because inequality also reflects different levels of talent and effort among individuals. However, the substantial inequality observed in the world today offers great scope for reducing the gap between rich and poor. Policies to redistribute income from higher-income and wealthy households to those on lower incomes can be achieved without compromising growth, if done effectively. A trade-off between efficiency and fairness is not inevitable. 20 25

(Source: adapted from <https://openknowledge.worldbank.org/bitstream/handle/10986/25078/9781464809583.pdf>)

(a) With reference to the information provided, explain the distinction between absolute poverty and relative poverty.

(5)

A series of horizontal dotted lines for writing the answer.

(b) With reference to the information provided and your own knowledge, examine **two** factors that might explain the differing rates of decline in absolute poverty in East Asia and Sub-Saharan Africa.

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(c) Assess the view that 'some level of inequality is desirable to maintain an appropriate incentive structure in the economy' (Extract B, lines 19 and 20).

(10)

A series of horizontal dotted lines for writing the answer.

A large rectangular area with rounded corners, containing 25 horizontal dotted lines for writing.

Handwriting practice area with 20 horizontal dotted lines.

(Total for Question 3 = 23 marks)

4 Bolivia's economy

Figure 1 Selected economic variables, 2010–2014

Indicator	2010	2011	2012	2013	2014
Population (millions)	9.9	10.1	10.2	10.2	10.6
Real GDP growth (%)	4.1	5.2	5.2	6.8	5.4
Inflation rate (%)	2.5	9.9	4.5	5.7	5.8
Current account balance (% of GDP)	4.4	2.2	7.3	3.4	0.0

(Source: from <http://databank.worldbank.org/data/reports.aspx?source=2&country=BOL>)

Figure 2 Agriculture, value added, % of GDP

	2006	2014
Bolivia	13.9	13.0
Latin America and Caribbean (developing countries only)	5.1	5.0

(Source: adapted from <http://data.worldbank.org/indicator/NV.AGR.TOTL.ZS/countries/BO-XJ?display=graph>)

Extract 1 Economic prosperity

Absolute poverty used to be widespread in Bolivia but in recent years its people have become more prosperous. Since 2006, when Evo Morales became President, the economy – a big exporter of gas and minerals – has almost tripled in size. Mr Morales has benefited by being President during a time of high commodity prices, which have raised economic growth. He nationalised the energy sector by taking a greater stake in the companies that extract the nation’s gas and demanded a bigger share of the revenues. This has greatly increased the Government’s income, giving it the money to pay for social programmes such as cash payments to young mothers, improved pensions and infrastructure projects. Some \$500 million a year has been spent on cash-transfer schemes for elderly people, schoolchildren and pregnant women, for example. Populist actions such as these have contributed to a substantial increase in consumer spending. 5 10

Between 2005 and 2013, 2.6 million people joined the middle class, poverty rates halved and the Gini coefficient fell from 0.6 to 0.48. ‘When the money was concentrated in a few hands there was no consumption,’ explains Finance Minister Arce, observing that Bolivia’s national minimum wage has increased by 276% since 2006. 15

(Sources: adapted from <http://www.ft.com/reports/new-bolivia>, 26 Oct 2015 and http://www.nytimes.com/2014/02/17/world/americas/turnabout-in-bolivia-as-economy-rises-from-instability.html?_r=0)

Extract 2 Agriculture

The province of Santa Cruz is the powerhouse of Bolivian agriculture. It accounts for about 60% of national farming output, with soya contributing more than half of the province's production. The potential for expansion in Santa Cruz, where much land is underused, has led some to see it as South America's next agricultural frontier.

Such hopes have only been strengthened by the fall in global oil and gas prices, which has forced energy-producing countries such as Bolivia to seek alternative and more sustainable forms of income. With soya alone representing Bolivia's third-biggest source of foreign exchange after gas and mining, the Government has announced ambitious plans to boost the area of land under cultivation from 2.7 million hectares in 2014 to 4.5 million hectares by 2020.

Another key agricultural product is the original superfood, quinoa. Much of it is grown on Bolivia's high plains by Aymara and Quechua farmers. Quinoa has more nutrients per 100 calories than any other grain and people from New York to London pay roughly \$10 a pound for it. The USA imports 60% of Bolivia's quinoa production; the rest goes mostly to Europe. Exports rose from 4 900 tonnes in 2005 to 35 000 tonnes in 2013.

The price paid to Bolivian producers per kilo of organic royal quinoa also increased sharply, from under \$1 in 2007 to almost \$5 in 2014. However, in 2015, the price dropped to almost \$3.

Nevertheless, farmers identify a long list of challenges which include the need to improve technology, access to credit and the poor infrastructure of this landlocked country. The expansion of Bolivian agriculture has also led to some of the highest deforestation rates in the world.

(Sources: adapted from <http://www.ft.com/cms/s/0/d9b4953a-50d3-11e5-b029-b9d50a74fd14.html#ixzz3xKZ3clvK>, and <http://www.ft.com/cms/s/0/d9b4953a-50d3-11e5-b029-b9d50a74fd14.html#axzz3xFX7qKmt>)

Extract 3 Tourism

Despite the richness and diversity of natural resources and beautiful unspoiled scenery, Bolivia has not so far been able to attract as many US and European tourists as its neighbour Peru. Lack of accommodation and electricity supply has made many tourists reluctant to visit Bolivia.

However, a new tourism development strategy and investments (both Government and private sector) of \$800 million aim to attract 7.1 million visitors a year by 2020. A new ski resort is to be built on Mount Mururata, 35 kilometres east of the capital, La Paz. Improvements in transportation links between the Andes and the Amazon, upgrades of Santa Cruz de la Sierra airport and the opening of new boutique hotels are further projects that will make the country more appealing for visitors. 5
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(Source: adapted from <https://www.ft.com/reports/new-bolivia>
'Bolivia's tourism market wants to go upmarket' FT 26 October 2015)

4 With reference to Extract 1, describe what has happened to income inequality in Bolivia. Illustrate your answer with a Lorenz curve diagram.

(8)

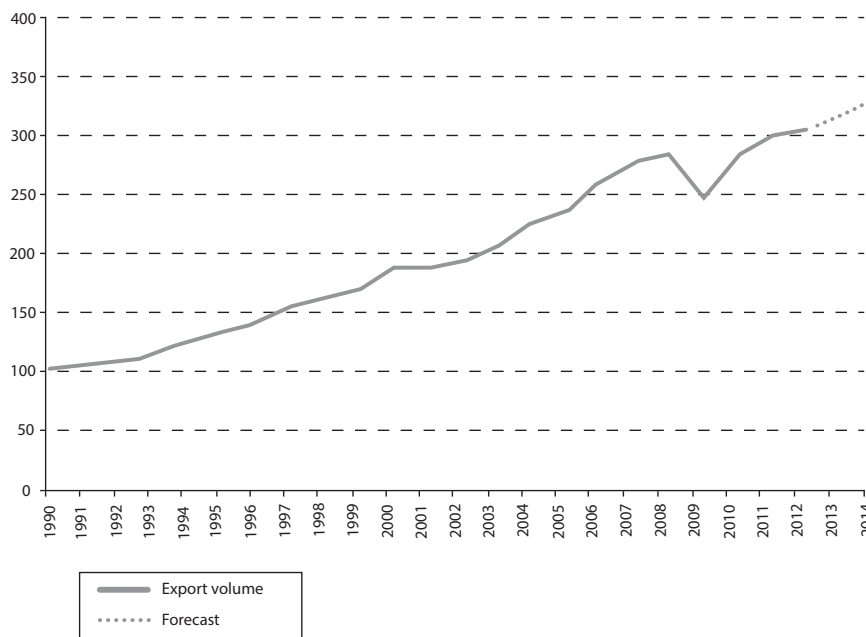
A large rectangular area containing numerous horizontal dotted lines, intended for writing the answer to the question.

Handwriting practice area with 25 horizontal dotted lines.

(Total for Question 4 = marks)

5 Globalisation

Figure 1 Volume of world exports of goods, 1990-2014. (Indices, 1990 =100)



(Source: WTO: 2013 PRESS RELEASES; PRESS/688; 10 April 2013 'Trade to remain subdued in 2013 after sluggish growth in 2012 as European economies continue to struggle' http://www.wto.org/english/news_e/pres13_e/pr688_e.htm)

Extract 1 Poverty decreases sharply in developing world

The United Nations Development Report published in 2013 says higher economic growth in at least 40 developing countries has helped lift hundreds of millions of people from absolute poverty, and pushed billions more into a new global middle class.

Helen Clark, a UN administrator, called such progress an "incredible success of emerging markets", praising governments for accompanying faster rates of economic growth with practical policies to help the poor. "These countries opened up to foreign direct investment and prioritised infrastructure but also invested in their people," she said. They targeted education and health, and put welfare programmes in place.

Underpinning the improvements in the Human Development Index (HDI) was rapid growth in countries such as China, India and Brazil, with China and India having doubled economic output per head in less than 20 years. But the report stressed that growth and improvements in HDI spread far beyond the four BRIC countries of Brazil, Russia, India and China, and included at least 40 countries that had accompanied greater economic dynamism with effective poverty-reduction policies.

Partly as a result, the report found that worldwide absolute poverty has plunged from 43% in 1990 to just 22% in 2008, including more than 500 million people being lifted out of poverty in China alone.

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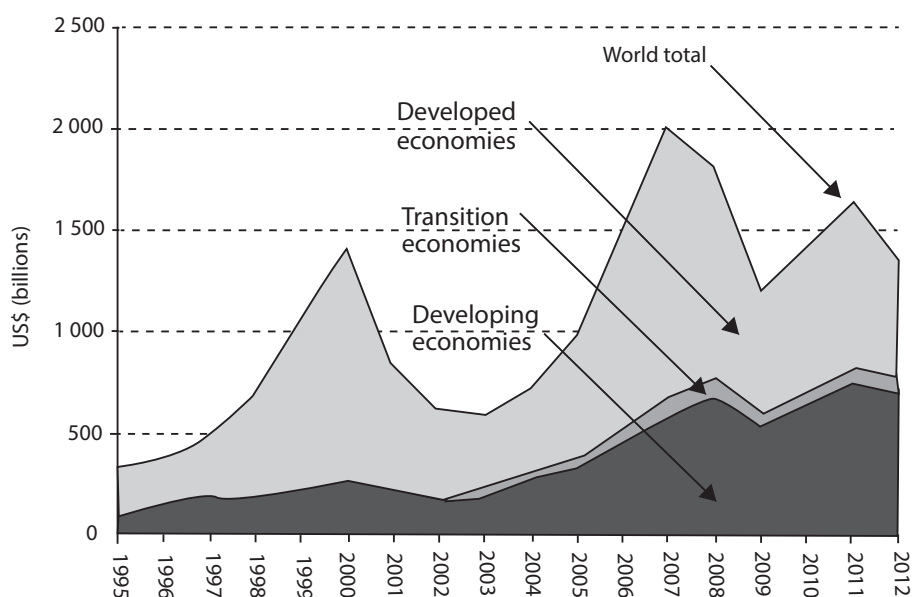
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Underpinning this poverty reduction was developing countries' increasing share of global trade, which grew from 25% to 47% between 1980 and 2010. The report found that trade between developing countries was the biggest factor in that expansion, increasing from less than 10% of total global trade to more than 30%.

By Adam Thomson in Mexico City, March 14, 2013

(Source: <http://www.ft.com/cms/s/0/6d7a1c52-8cc5-11e2-8ee0-00144feabdc0.html#axzz2l0iwqz1p>)

Figure 2 Foreign direct investment (FDI) inflows, global and by group of economies, 1995–2012 (billions of US dollars)



(Source: UNCTAD Global Investment Report 2013
http://unctad.org/en/PublicationsLibrary/wir2013_en.pdf)

Figure 3 Percentage share in world FDI flows 2010–2012

'Transition economies' refers to former centrally planned economies

	FDI inflows %			FDI outflows %		
	2010	2011	2012	2010	2011	2012
Developed economies	49.4	49.7	41.5	68.4	70.5	65.4
Developing economies	45.2	44.5	52.0	27.5	25.2	30.6
Transition economies	5.3	5.8	6.5	4.1	4.3	4.0

(Source: UNCTAD Global Investment Report 2013
http://unctad.org/en/PublicationsLibrary/wir2013_en.pdf)

Extract 2 Trends in FDI flows

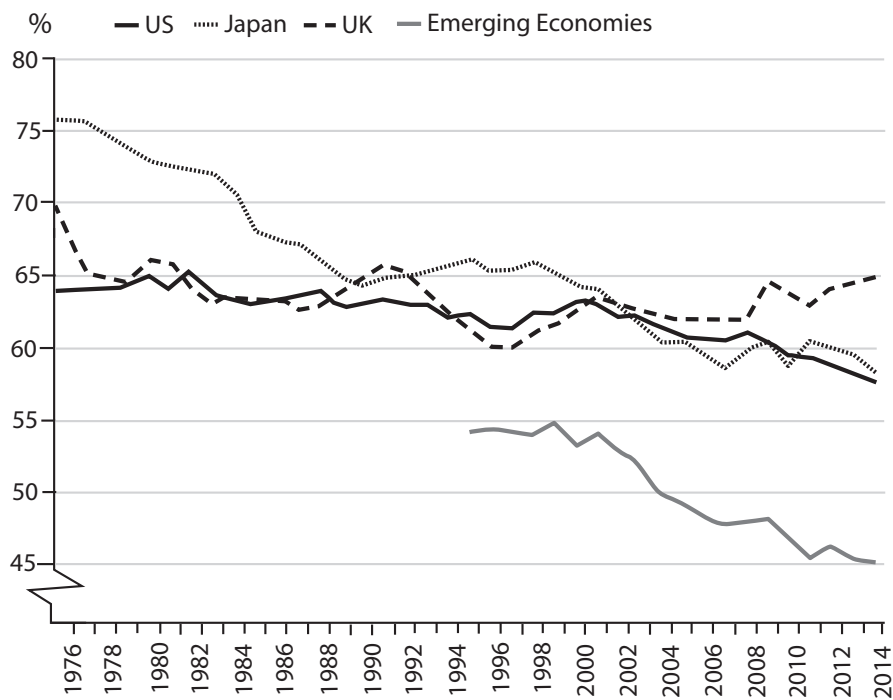
FDI flows to developing economies recorded their second highest level in 2012. They accounted for a record 52% of global FDI inflows, exceeding flows to developed economies for the first time ever. The global rankings of the largest recipients of FDI also reflect changing patterns of investment flows: nine of the twenty largest recipients were developing countries.

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FDI inflows to developed economies declined by 32% to \$561 billion – a level last seen in 2004. The European Union alone accounted for almost two thirds of the global FDI decline.

(Source: UNCTAD Global Investment Report 2013
http://unctad.org/en/PublicationsLibrary/wir2013_en.pdf)

Figure 4 Share of wages as a proportion of GDP 1976–2013



(Source: <http://blogs.rftdata.co.uk/gavyndavies/files/2013/06/ftblog478.png>)

Extract 3 Changes in the distribution of national income

Between 1999 and 2011 average labour productivity in developed economies increased more than twice as much as average wages. For example, in the USA, real hourly labour productivity in the non-farm business sector has increased by about 85% since 1980, while real hourly earnings increased by only around 35%.

The global trend has resulted in a change in the distribution of national income. In many countries, the share of wages as a proportion of GDP is falling and the share of profits is rising. Even in China, a country where wages roughly tripled over the last decade, GDP increased at a faster rate than the total wage bill causing the labour share to decrease. 5

The drop in the labour share is due to technological progress, trade globalisation, entry of labour-abundant economies into the global economy, decreasing trade union density (the proportion of paid workers who are trade union members) and an increased pressure on firms to increase profits enhanced by the rise of private equity funds, hedge funds and institutional investors. 10

(Source: Global wage report 2012–13 www.ilo.org/wage12http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_194843.pdf)

***5** Assess the factors, apart from FDI, which have contributed to a reduction in absolute poverty in developing countries. Refer to Extract 1 in your answer.

(12)

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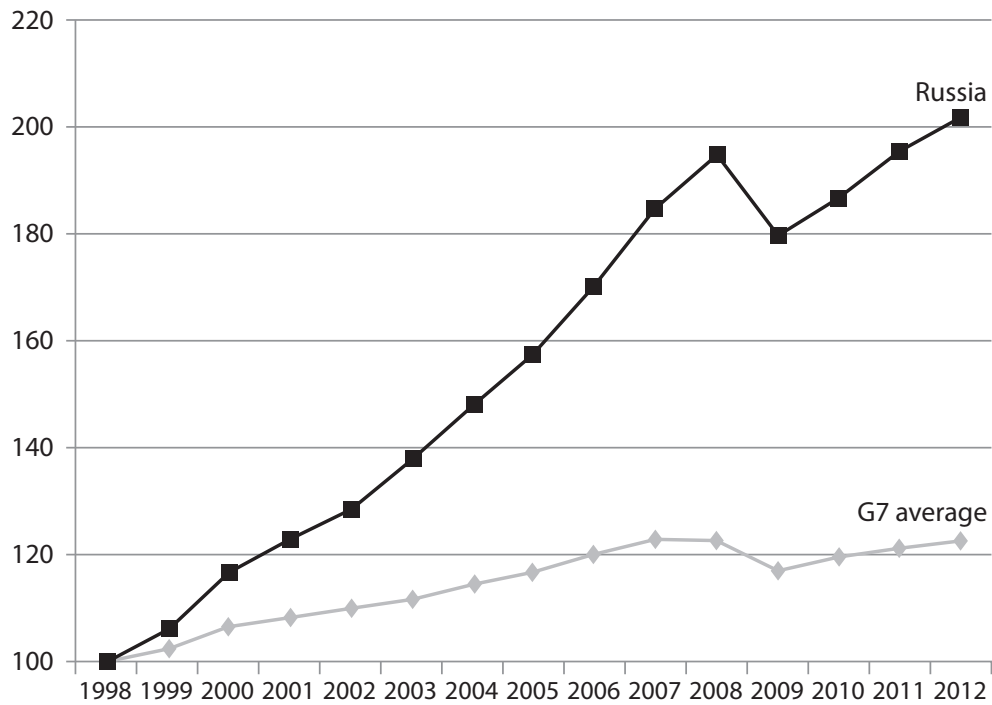
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(Total for Question 5 = 12 marks)

6 The Russian economy and membership of the World Trade Organisation (WTO)

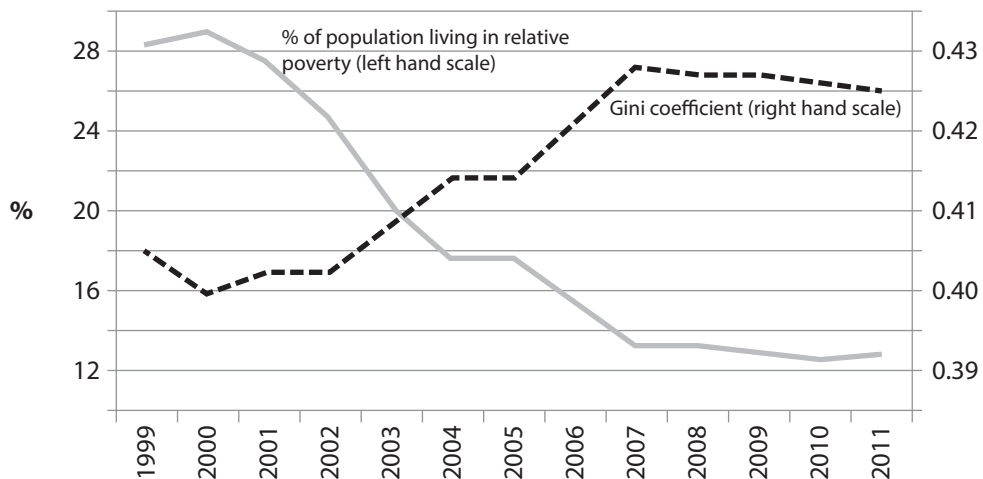
Figure 1 Index of real GDP in the G7* and Russia 1998-2012 (1998 = 100)



* the USA, UK, France, Germany, Italy, Canada, and Japan

(Source: © Forbes.com LLC)

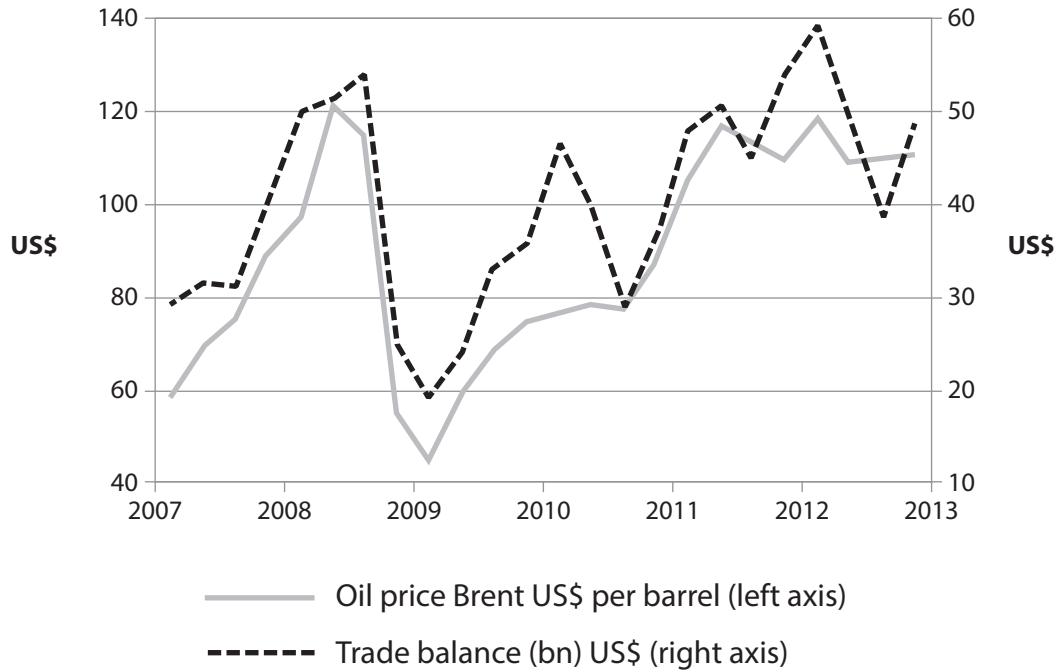
Figure 2 Relative poverty* and inequality in Russia



*a level of income set at 60% or less of median household income

(Source: © The World Bank Group, 2012)

Figure 3 Oil price and Russia's trade balance



(Source: © The World Bank Group, 2013)

Extract 1 Russia needs a plan for modernising its economy

Between 2000 and 2008 personal incomes in Russia doubled. The unemployment rate fell from around 12% to 7% in the same period. Russia acquired \$500 billion of foreign currency reserves and the decline in population was halted.

Russia's economy is still not performing badly. Thanks to the high oil price, economic growth is likely to stay at 4% or a little less for the next few years – respectable by West European standards. The problem is that Russia's rulers do not appear to have a plan for modernising the economy, which is alarmingly unbalanced. Oil and gas provide half the government's revenue and almost 70% of export earnings. Output of oil and gas is static and few new fields are coming on stream. Even if the oil price stays high, Russia is heading for current account and budget deficits in the years ahead.

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(Source: © Centre for European Reform)

Extract 2 Russia's entry to World Trade Organisation (WTO) ends 19 years of negotiations

Russia's entry into the WTO in August 2012 had been a long time in coming. Negotiations began soon after the breakup of the Soviet Union and the collapse of communism and have been rumbling on for the past 19 years.

Russia's membership of the WTO means that the last major economic power has joined the global trading system. The WTO will force Russia to lower its average tariffs from 9.5% to 6% by 2015. WTO membership will also make the government curb subsidies to some industries, including farming. Russia is hoping entry will provide the sort of boost enjoyed by China after it was admitted to the WTO in 2001. However, that looks unlikely for three reasons. The economic climate is much less favourable than it was in 2001, when the global economy was about to embark on its strongest period of growth since the late 1960s and early 1970s. China's economy was much better equipped to reap the benefits of WTO membership, with a strong manufacturing base contrasting with Russia's over-reliance on oil and gas. Finally, China gained from being the first former communist giant to join the WTO.

There are still, of course, potential benefits to Russia from WTO membership. The government is hoping for a surge in foreign direct investment that will help make Russian industry more efficient. Russia's exporters will gain approximately \$1.5 billion to \$2 billion (£950 million to £1.3 billion) a year from the dismantling of foreign trade barriers. Lower tariffs on imported goods should lead to cheaper goods in the shops, boosting the spending power of consumers.

But WTO membership comes at a price. Dismantling protective barriers means that large sections of Russian industry may struggle to compete. Already, there are doubts about the ability of the automobile sector to survive in a more open trading system.

(Source: © Guardian News and Media Ltd, 2012)

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(a) With reference to Figure 2, describe what has happened to income inequality in Russia. Illustrate your answer with a Lorenz curve diagram.

(8)

A large rectangular area with rounded corners, containing 25 horizontal dotted lines for writing the answer.

(b) 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.

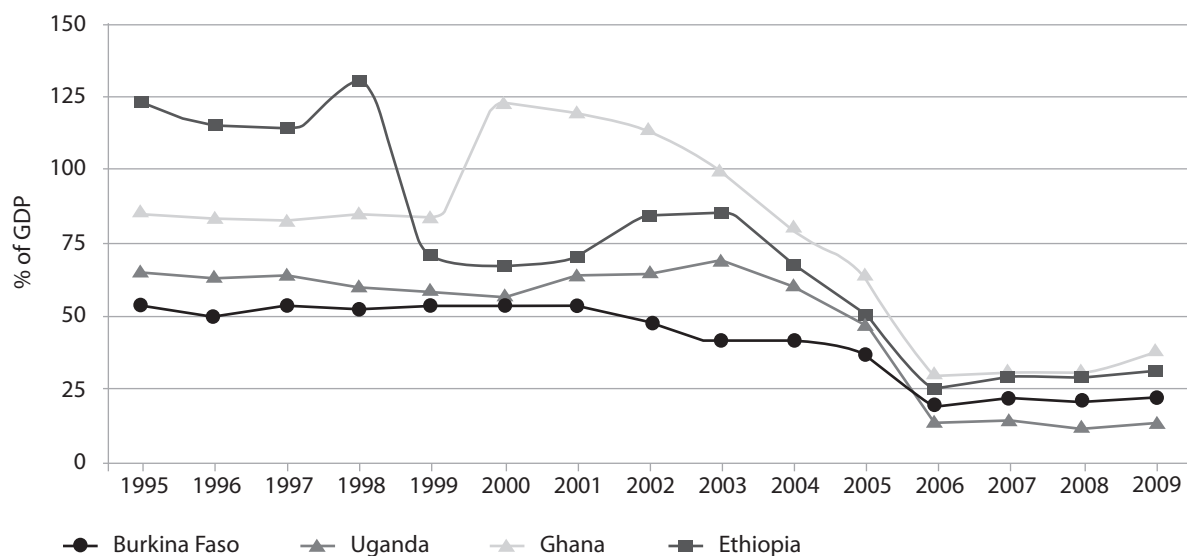
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A series of horizontal dotted lines providing space for the student's response.

(Total for Question 6 = 18 marks)

7 The Lion Kings

Figure 1 External debt of selected African countries as a % of Gross Domestic Product (GDP), 1995-2009



(Source: © 2012 African Economic Outlook)

Figure 2 The World's Fastest-Growing Economies 2001-2010: Annual Average GDP Growth (%)

Angola	11.1
China	10.5
Myanmar	10.3
Nigeria	8.9
Ethiopia	8.4
Kazakhstan	8.2
Chad	7.9
Mozambique	7.9
Cambodia	7.7
Rwanda	7.6

(African countries in bold italics)

Figure 3 Forecast Annual Average GDP Growth (%), 2011-2015

China	9.5
India	8.2
Ethiopia	8.1
Mozambique	7.7
Tanzania	7.2
Vietnam	7.2
Congo	7.0
Ghana	7.0
Zambia	6.9
Nigeria	6.8

(African countries in bold italics)

Extract 1 Africa on the point of take-off

The World Bank says Africa “could be on the brink of an economic takeoff much like China was thirty years ago”. Jeffrey Sachs, one of the leading experts on developing countries, says the continent could become “the surprise winner of the coming decade”. The scale and extent of Africa’s economic boom is unprecedented: from 2001 - 2010 six out of the ten fastest growing countries were African. In eight of the last ten years, Africa’s lion states have grown faster than Asia’s tigers. The fastest-growing economy in the world in 2011 was Ghana at 13%, compared with barely 1% in most European countries and just over 1% in America. Thanks to external debt relief in Africa and the massive increase in borrowing in Europe, many European countries are now more indebted than African nations.

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New African billionaires and multi-millionaires are being created at an astonishing rate and the wealth is trickling down. Some 313 million people, 34% of the continent’s population, spend \$2.20 a day, a 100% rise in less than 20 years, according to the African Development Bank Group (AfDB).

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Some African firms are now so big they are buying global rivals. South African Breweries has bought America’s Miller, to become SAB Miller, the world’s second largest brewer. The world’s leading multinationals are rushing to invest in Africa. For example, America’s Walmart, the world’s biggest retailer, recently spent \$2.4 billion acquiring a majority stake in South African firm Massmart. Overall foreign investment in Africa has grown more than 600% in the last decade.

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Why is Africa suddenly shaking off decades of decline? Traditional industries of mining and agriculture are now more valuable and more productive. Africa has about half of the world’s gold deposits, 10% of its oil reserves, and a third of its diamonds, copper, platinum and “rare earth” minerals used in smartphones, tablet computers and flat-screen TVs. Prices for these commodities are high, having risen significantly over the last decade. Furthermore, some of the old problems which have held Africa back are easing: the birth rate is falling and infrastructure is slowly improving, largely thanks to investment from China. Thousands of miles of roads and railways, oil and gas pipelines and new ports are being built in Kenya, Ghana, Nigeria and Mozambique.

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While many macro factors are creating the right conditions for growth, micro factors, such as technology, are also generating prosperity. Until as recently as 2005, Africa was almost isolated from a technological perspective with most countries only having a few ancient landline telephone systems. Today, thanks to vast new underground fibre-optic cables that run from the east and west coasts of Africa, and millions of mobile phone masts, the continent is plugged into the world. The 400 000 landline subscribers in Nigeria have become 60 million mobile phone subscribers. The continent is the world’s fastest-growing mobile phone market, expanding by 20% per year since 2006. Internet speeds have risen 100-fold in the last few years while connection costs have fallen 40-fold. Internet usage grew by 2 527% between 2000 and 2011. The real effects of the technological boom are felt beyond the high-tech companies themselves. These improvements in communication have created the one thing Africa lacked: a consumer society. In Kenya, for example, around 41% of the population use mobile phones to pay for goods by transferring credits from one handset to another in seconds. McKinsey & Company, a research consultancy, predicts that African consumer spending will rise from \$869 billion in 2008 to \$1.3 trillion by 2020.

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Nevertheless, Africa is still the poorest continent on earth. Most of its one billion population live on less than \$2 a day and average life expectancy in some countries

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is as low as 46. Education may have improved but is very weak by international standards. Deforestation and desertification are rising, causing conflicts over access to land and water. South Africa, which used to be a model for the continent, is tainted with corruption – a problem common in many other African countries. Despite all the advances in technology, only 12% of Africans are regular internet users, compared with a world average of 30%. All the new infrastructure has done little to overcome the problems of excessive bureaucracy, congested roads and over-crowded ports and airports. Basic services, such as power supplies, are inadequate with power cuts a common occurrence. Internal security is a major problem in countries such as Nigeria.

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(Source for Extract 1 and Figures 2 and 3: © The Sunday Times 26 February 2012)

7 Examine the possible impact on poverty of economic growth in Africa.

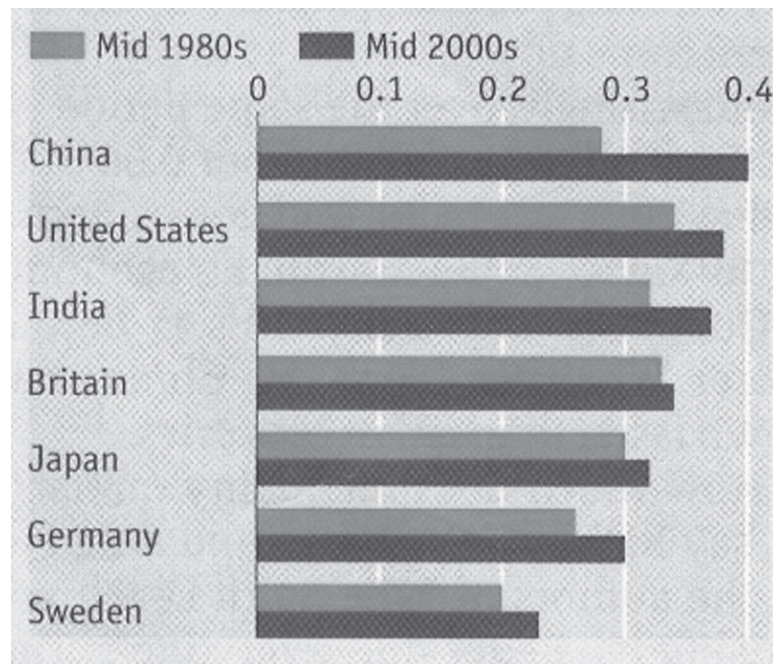
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(Total for Question 7 = 10 marks)

8 Inequality

Figure 1 Inequality within selected countries as measured by the Gini Coefficient



(Source: © *The Economist Newspaper* Special report on global leaders, 22 January 2011 page 8)

Extract 1 Changes in income inequality

Globally, the income gap *between* the rich and poor countries has been narrowing as some poorer countries are achieving faster rates of economic growth. However, the gap between the rich and the poor has increased *within* many emerging economies (notably India and China) as well as *within* many rich countries. This is true not only in the United States, but also in countries with a reputation for being more focused on equality, such as Sweden. 5

In China increased inequality has been associated with the drive towards capitalism, helping to enrich the growing entrepreneurial class. The continued industrialisation of regions bordering the sea has helped to increase incomes of urban workers. Consequently relative poverty is increasing. Poverty is becoming increasingly difficult to address, as the rural poor are now concentrated in remote regions with difficult natural conditions. 10

However, at the same time, China's rapid economic development in the past two decades has generated the most rapid decline in absolute poverty ever witnessed. It has already achieved the goal of halving the number of people in extreme poverty by 2015, set by the UN as one of eight Millennium Development Goals. 15

In the United States, income inequality began to widen in the 1980s largely because the poor fell behind those in the middle income group. More recently, the shift has been overwhelmingly due to a rise in the share of income going to the very top – the highest 1% of earners and above – particularly those working in the financial sector.

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Analysis by The Economist suggests that the gap between poorer and richer regions of a country increased during the recession of 2008–09 in some developed economies. In Britain, the income gap between richer and poorer regions is likely to widen further as government spending cuts fall disproportionately on less prosperous parts of the country. GDP per head in the poorest quarter of Britain’s regions is now lower than the richest region of China.

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Extract 2 Attempts to reduce inequality

The European Union’s “structural funds”, more than a third of the EU’s budget, are designed to shift cash from the richer to the poorer regions of the single market. The United States Government has invested federal dollars into deprived regions such as West Virginia.

Unfortunately, the regional development strategies have a poor record. Despite massive transfers, the gap in participation rates between Italy’s richer north and its poorer south is still huge: only 40% of people in Calabria have a job compared with 65–70% in Lombardy and Bolzano. Even policies that, in principle, should be helpful, such as improving infrastructure, provide no simple solutions. West Virginia now has an extensive road network, but is still poor.

5

The best ways to combat inequality are as follows. First, governments should invest in and remove barriers to education, and refocus government spending on those that need it most. Oddly, the urgency of these kinds of reform is greatest in rich countries, where prospects for the less-skilled are poor and falling. Second, governments should eliminate subsidies for uncompetitive industries. In the emerging economies the policies should be aimed at eliminating monopolies and reducing trade barriers. Third, governments should make it easier for people to move from declining regions to prospering regions.

10

15

(Source for Extract 1 and Extract 2: © *The Economist Newspaper*, 22 January 2011 page 11 and 12 March 2011 pages 14–15)

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(c) To what extent is income inequality an essential ingredient of capitalism?

(10)

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* (d) With reference to the information provided and your own knowledge, assess the likely reasons for the change in inequality *within* countries.

(12)

A series of horizontal dotted lines for writing the answer.

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* (e) Evaluate policies which a government could employ to reduce inequality within its country.

(15)

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(Total for Question 8 = 50 marks)

END OF SECTION B

SECTION C

Write your answers in the spaces provided.

- 9 In terms of income distribution and wealth distribution Brazil is one of the most unequal countries in the world. Its income Gini coefficient is 0.449 and it is ranked number 2 in the world for its wealth inequality.

Evaluate possible economic causes of income and wealth inequalities within a country such as Brazil.

(25)

(Source: <https://www.gfmag.com/>)

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(Total for Question 9 = 25 marks)

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(Total for Question 10 = 25 marks)

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(Total for Question 12 = 50 marks)

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Handwriting practice area with 25 horizontal dotted lines.

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A large rectangular area with rounded corners, containing numerous horizontal dotted lines for writing.

Handwriting practice area with 25 horizontal dotted lines.

(Total for Question 13 = 50 marks)

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A large rectangular area with rounded corners, containing 25 horizontal dotted lines for writing.

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A large rectangular area with rounded corners, containing 25 horizontal dotted lines for writing.

Handwriting practice area with 25 horizontal dotted lines.

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END OF SECTION C (Total for Question 14 = 20 marks)