

## Quick Answers

### Question 1

**Explain two ways a government could reduce relative poverty.**

- progressive taxation / higher direct taxes (1) which takes a higher proportion of the income of the rich (1)
- reduction of tax on basic foodstuffs / indirect taxes (1) benefiting mainly the poor (1)
- state benefits given to the poor (1) increasing their purchasing power / living standards (1)
- education and training of the poor (1) increasing their earning potential (1)
- provision of healthcare to the poor (1) increasing productivity/reducing cost of medication (1)
- provision of subsidies to firms (1) reducing unemployment / reducing prices (1)

### Guidance

- Reward but do not expect reference to minimum wage and price controls

### Question 2

**Calculate, using information from the extract, how many people in Zambia lived in poverty in 2017.**

- 9m (2).
- Correct working:  $15 \text{ m} \times 60\%$  (1).

### Question 3

**Identify, using information from the extract, two reasons why a person may have a low income.**

- old
- sick
- unemployed
- being on state benefits
- being in need of, but not receiving state benefits in their country

### **Guidance**

Difference between fourth and fifth bullet point is where a country is not able to fund state benefits, so people remain on low income.

### *Question 4*

#### **Analyse how long-term unemployment can cause relative poverty**

- Relative poverty is when household income is low compared to the average (median) income in that country, e.g. less than 60% of average income (1)
- Long-term unemployed have very low incomes (1) cannot afford items which average households are able to (1) e.g. adequate housing, healthcare (1) may depend on government benefits (1) may be unable to provide children with good education (1) children may not be able to take up good jobs (1) productivity may be lower (1) compared to those who are better educated (1)
- Savings will be used up (1) reducing the ability to escape poverty (1)
- Health deteriorates (1) reducing the ability to find work (1) depression may occur (1) reducing the motivation to find work (1)

### *Question 5*

#### **Analyse how economic growth can reduce absolute poverty.**

- Economic growth is likely to increase employment (1) this may increase the chances of the poor gaining jobs (1) raise income (1) allow them to buy basic necessities / definition of absolute poverty (1)

- Economic growth can increase tax revenue (1) this may enable the government to spend more to help the poor (1) e.g. improved education for the poor (1) higher state benefits (1)

### Question 6

#### Identify the difference between absolute and relative poverty.

- Relative poverty is where people have fewer goods and services / income than others in an economy / lower income than the average in the country (1)
- Absolute poverty is where people are unable to meet basic needs e.g. food and shelter / living on e.g. less than US \$1.25 a day / a given % of a country's average income (1)

### Question 7

#### Analyse two policy measures to alleviate poverty.

- Increasing benefits (1) increasing the incomes of the poor (1) e.g. housing benefits, disability benefits, unemployment benefits (1)
- Increased provision of merit goods such as healthcare (1) and education / improved literacy (1) improving the ability to earn an income through employment (1)
- Government employment creation schemes (1) creating new jobs and employing more people in the government (1) government providing help to search for employment (1)
- Encouraging economic growth (1) through fiscal or monetary policies (1) decreasing interest rates (1) increasing government spending (1)
- Provision of subsidies (1) example (1) keeping down the cost of living (1) leaving more for other essential items (1).  
Progressive taxation (1) to redistribute income towards the poor (1)
- The introduction of minimum wage legislation (1) so that everyone can at least afford basic necessities such as food and shelter (1)

#### Guidance

- Max 4 marks for analysis of only one policy measure

*Question 8*

**Explain, using information from the extract, two reasons why poverty may have increased in Nigeria in 2015–2016**

- Higher price of imported food (1) the poor spend a high proportion of their income on food (1)
- Current account deficit (1) results in lower demand and unemployment rises (1)
- Inflation (1) people can afford less (1)
- Spending on education and health care may have been cut (1) this may have reduced some people's ability to access these services/reduced employment in these sectors/unable to get jobs due to lack of skills/illness (1)
- Unemployment may have increased/high unemployment (1) reducing some people's income (1)
- Lower tax revenue (1) spending on welfare benefits may have fallen (1)
- Water pollution (1) clean drinking water is seen as a necessity (1)

*Question 9*

**Discuss whether or not an increase in the wages of low-paid workers will reduce poverty.**

**Up to 4 marks for why it might:**

- One cause of poverty is low pay (1) raising the pay of the poor can take them out of poverty/increase their income (1) their spending is likely to increase (1) enabling them to buy more basic necessities (1) reducing absolute poverty (1) stimulating higher output/demand (1) reducing unemployment (1)
- Enables low-income families to spend on education of children (1) raising skills and pay in long-run (1)

- Raising the pay of low-paid workers may increase their motivation (1) which may increase their productivity (1) increasing their chances of keeping their jobs/gaining promotion (1).

**Up to 4 marks for why it might not:**

- Increase may be very small (1) insufficient to take people out of poverty (1)  
Increase maybe less than inflation rate (1) leaves poor worse off (1)
- Poor may not have jobs (1) increase in pay has no affect for them (1)
- The rise in pay (1) may increase firms' costs of production (1) causing them to make some workers redundant (1) reducing their income (1)

**Guidance**

- Each point may be credited only once, on either side of an argument, but separate development as to how/why the outcome may differ is to be rewarded.

*Question 10*

**Analyse how a cut in the rate of interest could reduce poverty**

- A lower interest rate will increase the purchasing power of the poor who have borrowed before (1) will make it easier/cheaper to borrow (1) enabling them to buy more necessities (1) spend on education (1) enabling them to get a job / better paid job (1)
- A lower rate of interest may encourage a rise in consumer expenditure (1) encouraging firms to expand (1) providing cheaper finance for the expansion (1) increase output (1) raise employment (1) raise income (1)
- Higher output and spending may increase tax revenue (1) enabling the government to increase its spending to reduce poverty (1)

*Question 11*

**Explain, using information from the extract, how cash benefits given to the poor can reduce poverty**

- May enable them to send their children to school for longer (1) this may increase their children's skills (1) qualifications (1) increase their job opportunities / start a business (1) increase their earning potential / living standards (1) enable them to purchase more goods and services (1) including basic necessities (1)

#### **Guidance**

- Maximum of 1 mark for a way cash benefits may reduce poverty, if not linked to education
- Reward but do not expect reference to an implied multiplier effect resulting from the higher spending creating more jobs

#### *Question 12*

#### **Explain what is meant by absolute poverty.**

- Individuals cannot afford the necessities essential for survival (1) such as food, water, shelter, warmth and clothing (1)
- individuals living on less than a certain amount per day, e.g. \$1.25

#### *Question 13*

#### **Explain two reasons why a government may want to reduce poverty.**

- Reduce income inequality (1) raise living standards (1)
- To increase tax revenue (1) as average incomes / GDP will rise (1)
- To improve the country's HDI / develop the country (1)
- Reduce healthcare expenditure (1) as the poor will be fitter (1)
- Increase labour productivity (1) leading to more output / lower unemployment (1)