PEARSON EDEXCEL IAL ECONOMICS · YEC11

ECONOMICS



MARK SCHEME

UNIT 4: POVERTY AND INEQUALITY

SCORE	PERCENTAGE
/93	%

STEMUP

These questions belong to Pearson Edexcel, not to us.

The examination questions, mark schemes and examiner comments in this pack were written and published by Pearson Edexcel. They are past assessment materials, reproduced here so that students can revise from them.

What we do not own

STEMUP is not affiliated with Pearson Edexcel and does not own, and makes no claim to own, any of the question, mark scheme or examiner report material in this pack. Pearson Edexcel has not endorsed, approved or been involved in the production of it. Pearson Edexcel and the qualification titles used here belong to their respective owners and appear for identification only.

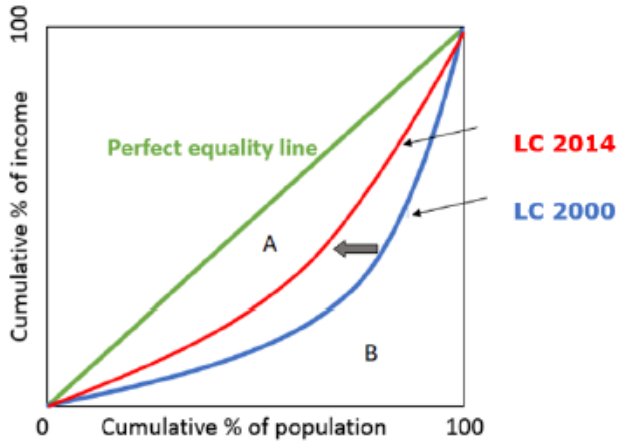
Where to find the originals

Pearson Edexcel publishes its past papers, mark schemes and examiner reports free of charge. Always check the current specification at qualifications.pearson.com before you revise, because content and wording can change between series.

If you hold the rights to any material in this pack and would like it amended or removed, contact admin@stemup.co.uk and we will act on it.

Mark Scheme

Q1.

Question Number	Answer	Mark
	Knowledge 2, Application 2, Analysis 2 Quantitative skills assessed: **QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** Up to 2 marks for knowledge of the Lorenz curve: • Correctly-labelled axes **(1)** • Correctly-labelled original Lorenz curve **(1)** **Application** Up to 2 marks for application: • Gini coefficient fell from 0.44 in 2000 **(1)** to 0.36 in 2014 **(1)** 	

	Analysis Up to 2 marks for explanation of impact of a fall in Gini coefficient on income inequality: • Correct drawing of the new Lorenz curve **(1)** • Decrease in income inequality/more equal income distribution **(1)** • The new Lorenz curve shows a higher proportion of total income is earned by a given percentage of the population at the lower income levels **(1)** / **or** a lower proportion of total income is earned by a given percentage of the population at higher income level **(1)**	**(6)**

Q2.

Question Number	Answer	Mark
	Application 2 Quantitative skills assessed: **QS2** Calculate, use and understand percentages, percentage changes and percentage point changes. 1 mark for calculation of high-income: High-income advanced countries: 80% (71% + nine percentage points) **(1)** 1 mark for calculation of middle-income: Middle-income developing countries: 14% (22% - eight percentage points) **(1)** **N.B. Award 1 mark for each correct answer regardless of working** **N.B. Award 1 mark for correct answers without the percentage sign**	**(2)**

Q3.

Question Number	Quantitative skills assessed	Answer	Mark
	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. **QS4:** Construct and interpret a range of standard graphical forms. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** ***B*** *is not correct because the distribution of income became more equal* ***C*** *is not correct because there was a reduction in income inequality* ***D*** *is not correct because income inequality decreased by approximately 1.1 percentage points*	**(1)**

Q4.

Question	Between 2007 and 2022 income inequality increased in both Sweden and the USA. Evaluate possible causes of an increase in income inequality within a developed country of your choice. **Indicative content**
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.

	Knowledge, Application and Analysis (12 marks) – indicative content • Understanding of income inequality Possible causes include: • Changes in wages of different groups including e.g. training and skills: wage differentials between the unskilled and skilled workers have been increasing; minimum wage increasing slower than average earnings/discrimination • Education: the earnings of those with certain qualifications have increased at a much faster rate than others • Disproportionate increase in earnings of top 1% as a result of e.g. incomes of the asset-rich have increased relative to those who are asset-poor; could be due to exploitation of tax loopholes • Pensions: especially amongst the elderly and ending of final salaries pension schemes; inflation for pensioners has been higher than the CPI rate as they spend a higher percentage of income on goods like council tax, fuel and food • Tax rates, e.g. such as increases in indirect taxes (regressive taxes) / cuts in taxes on incomes and wealth (progressive taxes) • Globalisation: the demand for, and wages of, unskilled workers have fallen 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 – appears to be a growing number of the low-paid immigrant workers, who work for cash and are paid much less than the NMW • Trade union power has been eroded: an increasingly flexible labour market, with more workers being employed on part-time or zero-hour contracts, as opposed to full-time – they are not largely protected by the trade unions • Macroeconomic policies, e.g. deregulation and privatisation that contributes to the concentration of ownership of assets • Reduction in out-of-work benefits and/or the reduction of in-work benefits. Increase in inter-generational inequality in some countries where state pensions have been increased • Increase in the rate/level of unemployment/decrease in the employment rate • Global health crisis of 2020-2022 affecting younger workers more than older workers • Monopoly power of firms (especially TNCs) / the monopsony power of firms **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed country in their answer**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident, but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

Evaluation (8 marks) – indicative content

- Prioritisation and significance of the causes discussed
- A combination of factors is likely to have a larger impact on income inequality
- Changes in inequality over time, e.g. discussion if the rise is significant over 10 years – different factors affect a country during different times
- Consideration of what is actually being measured, e.g. gross incomes or personal disposable incomes
- This takes no account of the changes in the distribution of wealth, which might be more significant than income inequality
- Unemployment rate may be more significant than level of skills and education or state benefits
- Differences may be explained by lifestyle rather than the causes above
- Globalisation has helped to reduce inequality through greater economic integration across national borders
- The significance of a cause will be different in different countries, e.g. depending on policies to redistribute income
- Data might be either inaccurate or unreliable as it is difficult to collect

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Q5.

Question	Between 2003 and 2019, income inequality, as measured by the Gini coefficient, increased from 0.25 to 0.29 in Sweden and from 0.32 to 0.37 in Indonesia. Evaluate possible causes of an increase in income inequality within a country of your choice. **Indicative content**
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.

	Knowledge, Application, Analysis (12 marks) – indicative content • Understanding of income inequality • Understanding of Gini coefficient Possible causes include: • Changes in wages of different groups including e.g. training and skills: wage differentials between the unskilled and skilled workers have been increasing; minimum wage increasing slower than average earnings • Education: the earnings of those with certain qualifications have increased at a much faster rate than others • Disproportionate increase in earnings of top 1% due to e.g. incomes of the asset-rich have risen relative to the asset-poor; exploitation of tax loopholes • Pensions: especially amongst the elderly and ending of final salaries pension schemes; inflation for pensioners has been higher than the CPI rate as they spend a higher percentage of income on goods like council tax, fuel and food • Changes in tax rates: e.g. rise in indirect taxes, cut in wealth/income taxes • Globalisation: the demand for, and wages of, the unskilled workers have fallen 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 – there appears to be a growing number of low-paid immigrant workers, who work for cash and are paid less than the NMW • Trade union power has been eroded: an increasingly flexible labour market, with more workers being employed part-time, as opposed to full-time – they are not largely protected by trade unions • Macroeconomic policies, e.g. deregulation and privatisation that contributes to concentration of ownership of assets • Reduction in out-of-work benefits and/or the reduction of in-work benefits • Monopoly power of firms (especially TNCs)/the monopsony power of firms • Increase in wealth inequality is likely to cause increase in income inequality **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a country of their choice in their answer**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content • Prioritisation and significance of the causes discussed • It is likely that there has been more than one factor that has caused an increase in income inequality within a country • Changes in inequality over time, e.g. the rise is significant over 16 years – different factors affect a country during different times • Consideration of what is actually being measured, e.g. gross incomes or personal disposable incomes • Gini coefficient takes no account of changes in the distribution of wealth, which might be more significant than income inequality • 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 • The significance of a cause will be different in different countries, e.g. depending on policies to redistribute income • Differences may be explained by lifestyle rather than the causes above • Data might be either inaccurate or unreliable as it is difficult to collect

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Q6.

Question Number	Answer	Mark
	Knowledge 2, Application 2, Analysis 2, Evaluation 2 Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** Up to 2 marks for knowledge of two causes, e.g.: • Discrimination - gender **(1)** • Discrimination - age **(1)** • Place of residence **(1)** • Wage differentials **(1)** • Household debt **(1)** • Globalisation **(1)** • Automation **(1)**	

	Analysis 1 mark for linked explanation of any two of the above causes, e.g.: • Discrimination on gender/age could lead to a lack of opportunities and may result in lower wages for certain groups of the society **(1)** • Residents of urban areas are usually associated with having greater incomes and hence can access higher quality educational institutions than those in rural areas **(1)** • Wage differentials between unskilled and skilled workers have been increasing/minimum wage rising slower than average earnings **(1)** • Household debt reallocates money from the highly indebted middle-income households to the financial sector, where it is circulated to the highest-earning employees/managers/shareholders **(1)** • Globalisation has led to a fall in demand for unskilled workers relative to those of highly skilled workers in advanced economies **(1)** • Automation/technological change has made the skills of workers in certain industries obsolete leading to structural unemployment **(1)**	

	Application Up to 2 marks for application to sources, e.g.: • The top 1% of income earners almost doubled its share of total pre-tax income from 6% in 1980 to 11% in 2014 **(1)** • Women still earn only $0.84 for every $1 men earn **(1)** • Young people have lower earnings and wealth than older people **(1)** • Urban residents are more likely to have higher level of education than rural residents **(1)** • Since 2005 real disposable incomes have fallen / costs of housing, healthcare and education have risen faster than the average price level **(1)** • Household debt has also risen from 87% of disposable income in 1995 to 123% in 2017 **(1)** • Slow growth of real wages and the increased use of automation **(1)** **Evaluation** Up to 2 marks for evaluative comments (1+1 or 2+0), e.g.: • Significance will be different in different advanced economies **(1)**, but wages appear to be the most significant factor **(1)** • Data might be inaccurate/unreliable **(1)** as level of income inequality changes quickly over time **(1)** • Positive discrimination **(1)** increases the financial returns for certain groups through more employment, such as women **(1)** • Despite higher levels of education they still suffer lower earnings – women and younger people **(1)**	**(8)**

Q7.

Question Number	Explain what is meant by 'quantitative easing' (Extract A, lines 8-9). Answer	Mark
	Knowledge 2, Application 2 Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** Up to 2 marks for understanding of quantitative easing (1+1), e.g.: • Asset purchases by central bank **(1)** • Increases the money supply **(1)** • The central bank buys government bonds **(1)** **Application** Up to 2 marks for application to quantitative easing (1+1), e.g.: • €2.5 trillion quantitative easing programme **(1)** • Gave firms greater access to credit **(1)** • ECB has also indicated that it could extend this programme **(1)** • This would reduce fears of economic uncertainty **(1)**	**(4)**

Q8.

Question Number	Answer	Mark
	Knowledge 2, Application 2 Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** Up to 2 marks for understanding of relative poverty, e.g.: • When an individual earns less than 60% (accept 50%) **(1)** of the median income of the country they live in **(1)** • Situation where individuals lack minimum amount of income needed in order to maintain the average standard of living **(1)** in the country in which they live **(1)** **Application** Up to 2 marks for application to relative poverty, e.g.: • 23% of the population in 1985 to 30% in 2016 **(1)** • One in seven people living in advanced economies remains in relative poverty after taxes and transfer payments **(1)**	**(4)**

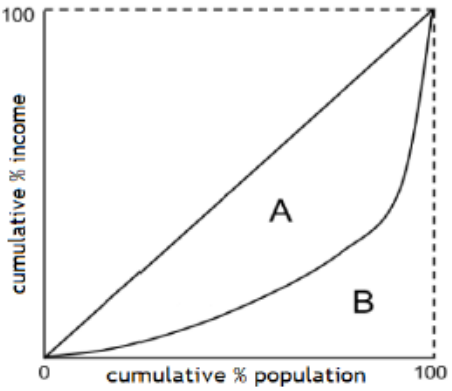
Q9.

Question Number	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** ***B*** *is not correct because this is likely to decrease income inequality* ***C*** *is not correct because this will shift the Lorenz curve closer to the line of perfect equality* ***D*** *is not correct because this will shift the Lorenz curve closer to the line of perfect equality*	**(1)**

Q10.

Question Number	Quantitative skills assessed	Answer	Mark
		The only correct answer is C ***A*** *is not correct because a reduction in spending on infrastructure will increase transport costs and therefore, reduce international competitiveness* ***B*** *is not correct because stricter regulation of labour markets will increase costs of employing labour and therefore, reduce international competitiveness* ***D*** *is not correct because more restrictions on free trade will add to costs of importing and exporting and therefore, reducing international competitiveness*	**(1)**

Q11.

Question	With reference to the fourth paragraph of Extract A, explain what is meant by 'The Gini coefficient'. **Answer**	Mark
	Knowledge 2, Application 2 Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** Up to 2 marks for understanding of Gini coefficient, e.g.: • A numerical representation / statistical measure / index **(1)** to measure income inequality/distribution in a country **(1)** • Area A / Area (A + B) **(1)** with an accurately labelled and drawn Lorenz curve **(1)** • Value close to 0 represents greater income equality **(1)** and value close to 1 represents greater income inequality **(1)**  **Application** Up to 2 marks for application to Gini coefficient, e.g.: • Income inequality is very high **(1)** by international standards • The Gini coefficient in 2018 was 0.50 **(1)**	**(4)**

Q12.

Question Number	Quantitative skills assessed	Answer	Mark
	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is D** ***A*** *is not correct because the distribution of income became more equal* ***B*** *is not correct because there was a fall in income inequality* ***C*** *is not correct because income inequality fell by 3.4 percentage points*	**(1)**

Q13.

Question	Evaluate government policies, **apart from** changes in income tax rates, that could be used to reduce income inequality in a developed country of your choice. **Indicative content**
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application, Analysis (12 marks) – indicative content** Understanding of income inequality • Increasing means-tested benefits (not universal benefits), for e.g. food stamps, unemployment benefit and housing benefit – provides income support to only those households that need it the most • Improvements in education and training for those without qualifications: increases human capital, productivity and therefore incomes • Introduction of/increasing the National Minimum Wage: higher incomes; wage differentials between the unskilled and skilled workers will decrease • Measures to reduce unemployment, e.g. a government can implement reflationary fiscal policy or supply-side policies to create more jobs • Impose restrictions on immigration of unskilled workers as this will reduce downward pressure on wages for those on low incomes • Reduction in taxes on expenditure and/or other regressive taxes: will take lower percentage of disposable income of the low-income households • Improvements in government provision of public services such as social housing, healthcare, education; provision of pension schemes • Measures that increase power of trade unions: more workers are likely to be employed permanently/full-time rather than part-time or on zero-hour contracts – stable incomes; can reduce monopsony power of employers • Cuts in incentives to have large families e.g. reduction in child benefits • Price caps/subsidies on essential goods and services e.g. energy, food • Measures to reduce discrimination e.g. age and gender **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed country in their answer**

Level	Mark	Descriptor
	0	No rewardable material.

Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident, but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content • Administrative costs of means-testing may be high; inflation means that the benefits may not rise in real terms; can act as a disincentive to work • Depends on quality and relevance of improvements in education/training – what courses have been promoted: time lags before reduction in inequality • Introduction/increase in the NMW might result in higher unemployment and an increase in inequality; wages/unearned incomes of those in the highest income brackets might increase at a faster rate; this has no impact on the unemployed, students, pensioners, etc. • Even after reducing unemployment, wages may still be below benefits thus not creating an incentive to work; could have inflationary consequences • Restrictions on immigration can result in a decline in the working population and therefore productive potential could decrease in the long-run • Reduction in the rate of expenditure taxes might lead to a reduction in government revenues and hence less spending on measures that could reduce inequality • Increasing the trade union power will lead to inflexible and inefficient labour markets; unlikely to attract FDI and hence fewer jobs may be created • Different factors more or less important for different countries; prioritisation • One policy on its own is unlikely to be effective but a combination of policies needs to be implemented to reduce income inequality

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Q14.

Question Number	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** ***B*** *is not correct because the Marshall-Lerner condition is associated with changes in the exchange rate* ***C*** *is not correct because this would cause the Lorenz curve to shift away from the line of perfect equality* ***D*** *is not correct because this would cause the Lorenz curve to shift away from the line of perfect equality*	**(1)**