

Past-paper walk-through

Addressing income and wealth inequality ■ 3.3

eXercise

Questions in this set

- 9708/11 N25 Q2 ■ 1 mark
- 9708/14 N25 Q9 ■ 1 mark
- 9708/23 N25 Q3 ■ 20 marks

Reading the mark scheme

- **B1** a mark that stands on its own – the point is either made or not.
- **M1** a *method* mark: the right approach, even if the number is wrong.
- **A1** an *answer* mark, and it usually needs its M mark first.
- **C1** a working mark on the way to the answer.
- **//** separates answers the examiner accepts equally.
- **ecf** = error carried forward: a later part is marked on your own earlier answer.
- **owtte** = “or words to that effect” – the wording need not match.

Question 2

9708/11 N25 ■ Q2 ■ 1 mark

- 2 A country with a market economy changes to a mixed economy.

When is this change likely to achieve the largest improvement in resource allocation?

	number of demerit goods in the country	Gini coefficient value for the country
A	many	0.4
B	many	0.7
C	few	0.4
D	few	0.7

Question 2

Solution 2

Answer: **B**

Why

- Moving from a market to a mixed economy means the state starts correcting market failure.
- The gain is largest where the market was failing most badly.
- So look for the situation with the greatest inequality or the largest unmet need.

Question 9

9708/14 N25 ■ Q9 ■ 1 mark

- 9** What is a major function of the price mechanism?
- A** providing incentives for government intervention to reduce income inequality
 - B** removing shortages by creating incentives for market prices to fall
 - C** removing surpluses by creating incentives for market prices to rise
 - D** signalling changes in market conditions to producers and consumers

Solution 9

Answer: **D**

Why

- The price mechanism rations, signals and provides incentives.
- A shortage raises the price, which signals producers to supply more and consumers to buy less.
- So it removes shortages by creating the incentive to expand supply – no government direction is needed.

Question 3

9708/23 N25 ■ Q3 ■ 20 marks

3 (a) The Gini coefficient for South Korea was estimated to be 0.39 in 2019 and 0.33 in 2022.

Explain what this data means, how it might be used by the government of South Korea and consider its usefulness. [8]

(b) Assess why it is easier for a government such as that of South Korea to redistribute income rather than redistribute wealth. [12] Section C Answer one question. EITHER

(a) (a) The Gini coefficient for South Korea was estimated to be 0.39 in 2019 and 0.33 in 2022. Explain what this data means, how it might be used by the government of South Korea and consider its usefulness. [8] **[8]**

(b) (b) Assess why it is easier for a government such as that of South Korea to redistribute income rather than redistribute wealth. [12] **[12]**

Solution 3

(a) Mark scheme

- The Gini coefficient for South Korea was estimated to be 0.39 in 2019
- and 0.33 in 2022.
- Explain what the data means, how it might be used by the government
- of South Korea and consider its usefulness.
- Follow the point-based marking guidance at the top of this mark scheme and
- award:
- up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2
- Analysis up to 2 marks for AO3 Evaluation.

Solution 3

- AO1 Knowledge and Understanding (max 3 marks)
- Meaning of what the Gini coefficient is (1). It ranges from 0 to 1, where 0
- represents complete equality and 1 represents complete inequality (1). A fall
- in the Gini coefficient from 0.39 to 0.33 indicates that income became more
- evenly distributed among the population of South Korea between 2019 and
- 2022. ①
- AO2 Analysis (max 3 marks)
- ■
- The government could use this information to evaluate the success of
- policies aimed at reducing income inequality, such as progressive

Solution 3

- taxation or transfer payments. ①
- ■
- The data might also guide future policy decisions, for example deciding
- whether to increase social welfare spending or adjust tax rates to
- maintain or further reduce inequality. ①
- ■
- However, its usefulness will be dependent in both the accuracy of and
- confidence in the data. ①
- 8
- AO3 Evaluation (max 2 marks)

Solution 3

- ■
- The Gini coefficient is useful for showing changes in overall inequality,
- but it does not indicate which income groups have gained or lost. (1)
- ■
- It also ignores other dimensions of inequality, such as wealth inequality or
- access to education and healthcare, which can limit its usefulness for
- policy-making. (1)
- ■
- Despite these limitations, it remains a valuable indicator for comparing
- inequality over time and across countries. (1)

Solution 3

- AO1 Knowledge and understanding
- 3
- AO2 Analysis
- 3
- AO3 Evaluation
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Solution 3

(b) Mark scheme

- Assess why it is easier for a government such as that of South Korea to
- redistribute income rather than redistribute wealth.
- Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table
- B: AO3 Evaluation to mark candidate responses to this question.
- AO1 and AO2 out of 8 marks. AO3 out of 4 marks.
- Indicative content
- Responses may include:
- AO1 Knowledge and understanding and AO2 Analysis

Solution 3

- Redistributing Income
- ■
- Governments can change the level of direct taxation and transfer payments
- such as benefits or subsidies, allowing income redistribution through
- existing fiscal systems.
- ■
- Income is received regularly and recorded through wages or salaries,
- making it easier for governments to measure and adjust policies quickly.
- However
- ■

Solution 3

- High-income earners may respond to redistributive tax policies by avoiding
 - or evading taxes, reducing the effectiveness of redistribution.
 - ■
- Increasing taxes on higher earners or firms may discourage work and
 - investment, leading to lower economic growth and government revenue.
- Redistributing wealth
 - ■
 - Wealth can be redistributed through inheritance or property taxes, which
 - directly target accumulated assets rather than annual income.
 - ■

Solution 3

- Governments can promote asset ownership among lower-income groups
- through housing schemes, education access, or small business grants.
- However
- ■
- Wealth is often difficult to measure accurately, especially in the form of
- private businesses, offshore accounts, or property, making taxation
- complex.
- ■
- Wealthy individuals often have political influence and legal means to
- resist or reduce the impact of wealth taxes, limiting the government's

Solution 3

- ability to redistribute effectively.
- 12
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- Level 1 responses will be assertive and lacking in explanations / mainly
- descriptive and/or or mainly lacking in relevance to the question.
- Level 2 responses may contain some inaccuracies and may be one sided.
- Analysis will be explained at least in part and will be largely relevant to the
- question.

Solution 3

- Level 3 responses will consider alternative policies / concepts etc. and will
- be balanced. Explanations of points raised will be offered and will be accurate
- and relevant to the question.
- AO3 Evaluation
- That clearly analyses at both sides of each perspective question and comes
- to a valid conclusion.
- A one-sided response that does not contain both perspectives of each
- option cannot gain any marks for evaluation.
- Accept all valid responses.
- AO1 Knowledge and understanding and AO2 Analysis

Solution 3

- 8
- AO3 Evaluation
- 4
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- Section C
- EITHER