

8.1 Poverty, the state and development

Name: _____ Class: _____ Date: _____

Total: 30 marks

KEY WORDS Gini coefficient • Human Development Index

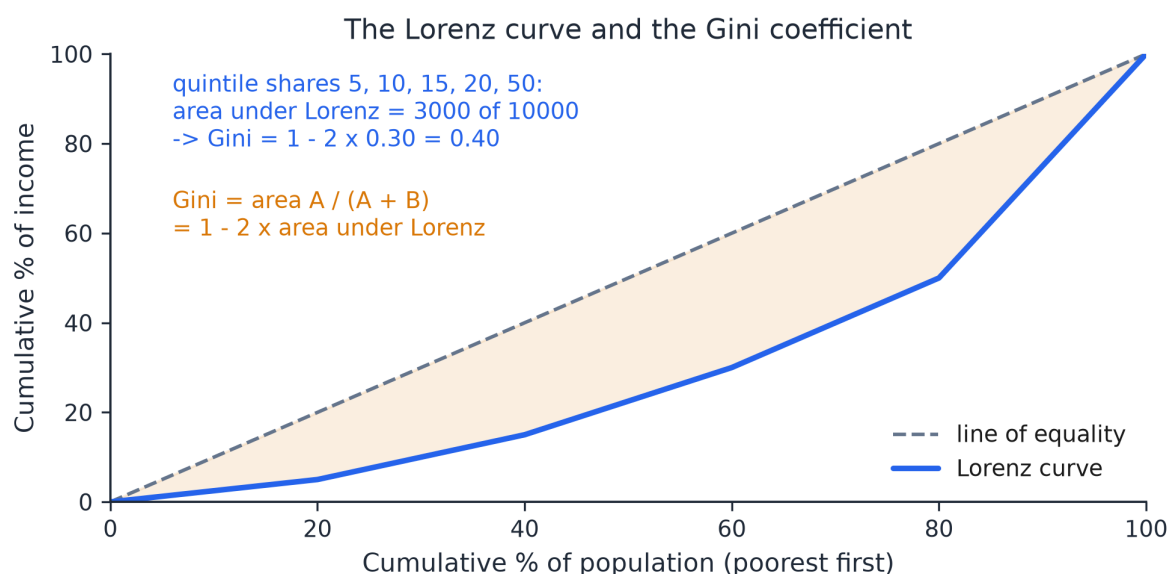
Poverty, the state and development

Objective

Distinguish and measure poverty and inequality (Lorenz curve, Gini), classify tax systems, explain deficits, debt and the HDI, and apply the development constraints and strategies (spec 4.3.4–4.3.6, rows shared with the essay-standard sheet 8.2).

1 Key knowledge and worked examples

Measuring the state and development. Quintile shares 5, 10, 15, 20, 50 give a Lorenz curve with $Gini = 1 - 2 \times 0.30 = 0.40$. Taxes 1k/8k/30k on incomes 10k/40k/100k are progressive (10/20/30 percent average rates). The Laffer curve $R = t(1 - t) \times 400$ peaks at 100 when $t = 50\%$. The HDI geometrically combines education, health and income indices. Deficit is a flow; national debt a stock.



Original data; the 0.40 calculation is worked in the solutions.

2 Practice

2.1 Distinguish absolute from relative poverty, with one measure of each. [2]

2.2 Wealth quintile shares are 5, 10, 15, 20 and 50 percent. State the Lorenz curve's cumulative points and compute the Gini coefficient. [4]

2.3 Taxes of 1k, 8k and 30k are paid on incomes of 10k, 40k and 100k. Compute the average rates and classify the system. [3]

2.4 State the three components of the HDI and how each is measured. [3]

2.5 Distinguish a fiscal deficit from the national debt. [2]

2.6 Distinguish structural from cyclical deficits. [2]

2.7 Name any four of the eleven economic constraints on development. [2]

3 Exam-style questions

3.1 (*Original.*) On the Laffer model $R = t(1 - t) \times 400$: calculate revenue at $t = 20\%$ and $t = 60\%$, find the revenue-maximising rate, and explain what the two equal answers imply for tax policy. [4]

3.2 (*Original.*) Explain the savings gap (Harrod–Domar) and primary product dependency (Prebisch–Singer) as constraints on development, with one policy response to each. [4]

3.3 (*Original.*) Compare one market-orientated and one interventionist development strategy, giving one strength and one weakness of each. [4]
