Exercise walk-through

5.2 Poverty

IGCSE Economics

Poverty – types

- **absolute poverty**
  – people cannot afford even the basics: enough food, clean water, shelter, and clothing.
- **relative poverty**
  – people are poor *compared with others* in the same country. They can afford the basics but much less than most people around them.

Absolute poverty

cannot afford basic needs:
food, clean water, shelter, clothing

Relative poverty

can afford basics, but much less than most people in the same country

Exam: absolute = basic needs unmet; relative = far below typical

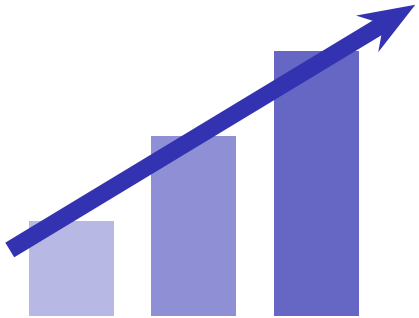
Why poverty persists, and who is affected

Subsistence farming	**Subsistence farming** feeds the family but earns almost no cash income – so there is nothing to save or invest.
Debt	National **debt** repayments take money that could have gone to schools and clinics.
Population structure	A young **population structure** means many dependants per worker; an ageing one shifts the burden to pensions and healthcare.
Unemployment and skills	No work, or no qualifications for the work available – the reason poverty passes from one generation to the next.

> Absolute poverty is not having the necessities; relative poverty is falling far behind the country's own standard. Policies for the two differ.

Check yourself

1. What three things make up the HDI?
2. What is absolute poverty?
3. When does a population grow?
4. What does an ageing population strain?



Answers **1.** income, education & health **2.** cannot afford basic needs **3.** when births exceed deaths **4.** pensions & health care

Exercises 2.1·2.3

2.1 Define the term *absolute poverty*. [2]

2.2 State the difference between absolute and relative poverty. [2]

2.3 State two causes of poverty. [2]

Exercises 2.1·2.3

2.1 Define the term *absolute poverty*. [2]

2.1

- **absolute poverty** is when people cannot afford even the **basic needs** of food, clean water, shelter and clothing (K)

2.2 State the difference between absolute and relative poverty. [2]

2.2

- **absolute** poverty means lacking basic needs; **relative** poverty means being poor **compared with most others** in the same country (K)

2.3 State two causes of poverty. [2]

2.3

- any **two** of: **low income/wages** / **unemployment** / **poor education or health** / **old age** / **large families** (K, K)

exercises.lol exercises.com.cn

Exercises 3.1·3.2

3.1 A person who can afford the basics but earns far less than most others in their country is in: [1]

- ☐ **A** absolute poverty
- **B** relative poverty
- **C** no poverty
- **D** unemployment

3.2 Explain two policies a government could use to reduce poverty. [4]

Exercises 3.1·3.2

3.1 A person who can afford the basics but earns far less than most others in their country is in: [1]

- ☐ **A** absolute poverty
- **B** relative poverty
- **C** no poverty
- **D** unemployment

3.1 B

- being poor compared with others in the same country is **relative poverty** (K)
- A is lacking basics; C and D are not this definition

3.2 Explain two policies a government could use to reduce poverty. [4]

3.2

- for **each** of two policies: K + An
- e.g. **benefits**: cash payments raise the income of the poorest → less absolute poverty
- e.g. **minimum wage**: a legal lowest wage raises the pay of low-paid workers → fewer of the working poor

Exercise 3.3

3.3 Discuss whether economic growth is the best way to reduce poverty. [8]

Exercise 3.3

3.3 Discuss whether economic growth is the best way to reduce poverty. [8]

3.3

- **for growth**: a growing economy creates jobs and incomes, and gives the government more tax to fund help for the poor (K + An)
- **against**: if the gains go mostly to the rich, the poor can be left behind; growth alone does not guarantee schools or benefits reach them (An)
- **judgement (Ev)**: growth helps when its gains are **shared**, but it works best with **redistribution** – it is not enough on its own