

Past-paper walk-through

Poverty ■ 5.2

eXercise

Questions in this set

- 0455/12 N25 Q1 ■ 1 mark
- 0455/21 N25 Q4 ■ 20 marks
- 0455/23 N25 Q4 ■ 20 marks
- 0455/12 J25 Q21 ■ 1 mark
- 0455/21 J25 Q2 ■ 20 marks
- 0455/12 M25 Q25 ■ 1 mark
- 0455/11 N24 Q24 ■ 1 mark

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 1

0455/12 N25 ■ Q1 ■ 1 mark

- 1** A government wants to build a new hospital.

What is most likely to prevent the government from doing this?

- A** People in the country cannot afford healthcare.
- B** People in the country would go abroad for healthcare.
- C** The government cannot agree how big the hospital should be.
- D** The government does not have enough money.

Solution 1

Answer: **D**

Why

- The fundamental economic problem is scarcity of resources.
- A government cannot build everything it wants because resources are limited.
- So the constraint is a shortage of the resources needed, not a lack of demand for the hospital.

Question 4

0455/21 N25 ■ Q4 ■ 20 marks

4 Lanzarote, a Spanish island, was once an area with very high rates of poverty. However, the rise of tourism has greatly reduced unemployment. The government is trying to attract more workers to the island by using non-wage factors. Lanzarote's low taxes also attract workers to the island. Mobility of labour in the island's economy has also increased.

- (a) Identify two non-wage factors that may influence a worker's job choice. [2]
 - (b) Explain how unemployment can lead to poverty. [4]
 - (c) Analyse the influences on the mobility of labour. [6]
 - (d) Discuss whether or not low taxes are beneficial for an economy. [8]
- (a)** (a) Identify two non-wage factors that may influence a worker's job choice. [2] **[2]**
- (b)** (b) Explain how unemployment can lead to poverty. [4] **[4]**
- (c)** (c) Analyse the influences on the mobility of labour. [6] **[6]**

Question 4

(d) (d) Discuss whether or not low taxes are beneficial for an economy. [8]

[8]

Solution 4

(a) Mark scheme

- Identify two non-wage factors that may influence a
- worker's job choice.
- Two from:
 - ■
 - job security
 - ■
 - fringe benefits
 - ■

Solution 4

- recognition at work
- ■
- company car
- ■
- holidays
- ■
- working hours
- ■
- flexibility / ability to work from home
- ■

Solution 4

- location of workplace
- ■
- available transport
- ■
- nearness to family
- 2 Accept any relevant non-wage factors.
- If more than two non-wage factors are given, consider the
- first three.
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Solution 4

- Guidance

Solution 4

(b) Mark scheme

- Explain how unemployment can lead to poverty.
- Logical explanation which might include:
 - ■
 - unemployment may lead to a loss of a source of income
 - (1) unable to afford basic necessities (1) leading to
 - absolute poverty (1) may reduce ability to provide a
 - good standard of living for family (1) poor education (1)
 - health problems (1) child poverty (1)

Solution 4

- ■
- long term unemployment (1) loss of skills (1) cannot re-
- enter the job market (1) unable to earn a living (1)
- ■
- the unemployed may claim unemployment benefits (1)
- with lower income than those working (1) leading to
- relative poverty (1).
- ■
- unemployment will lead reduced (income) tax revenue
- (1) less available to spend on public services that

Solution 4

- reduce poverty (1).
- 4
- 0455/21
- October/November 2025
- Guidance

Solution 4

(c) Mark scheme

- Analyse the influences on the mobility of labour.
- Coherent analysis which might include:
 - ■
 - labour could be occupationally mobile (1) influenced by
 - skills / qualification / knowledge (1) if they are
 - transferable (1) then labour is more occupationally
 - mobile (1)
 - ■

Solution 4

- labour could be geographically mobile (1) influenced by
- government regulations (1) e.g. visa requirements ①
- cost of living in another area / country (1) access to
- transport (1) access to public transport / proximity to
- railway / ports (1) family ties may make workers
- immobile (1) access to working online / ability to work
- from home ①
- ■
- house prices in different areas / access to housing in
- different areas (1) low house prices make it easier to

Solution 4

- move for work (1)
- ■
- incomes / tax systems in other countries (1) proficiency
- in another language (1) influencing workers to move
- abroad (1).
- 6
- 0455/21
- October/November 2025
- Guidance

Solution 4

(d) Mark scheme

- Discuss whether or not low taxes are beneficial for an
- economy.
- In assessing each answer, use the table opposite.
- Why they might be:
 - ■
 - low income taxes increase disposable income,
 - increasing total (aggregate) demand
 - ■

Solution 4

- low corporate income (corporation) taxes increase
- profits after tax
- ■
- low indirect taxes, e.g. VAT, reduce prices of goods and
- services
- ■
- low taxes on imports reduce prices of imports
- ■
- low taxes on firms encourage competition
- ■

Solution 4

- low taxes on demerit goods increase external costs
- ■
- low income taxes prevent a 'brain drain' / attract foreign
- workers
- ■
- low corporate taxes attract overseas companies e.g.
- MNCs.
- 8
- Level
- Description

Solution 4

- 3
- A reasoned discussion which
- accurately examines both sides of
- the economic argument, making
- use of economic information and
- clear and logical analysis to
- evaluate economic issues and
- situations. One side of the
- argument may have more depth
- than the other, but overall, both

Solution 4

- sides of the argument are
- considered and developed. There
- is thoughtful evaluation of
- economic concepts, terminology,
- information and/or data appropriate
- to the question. The discussion
- may also point out the possible
- uncertainties of alternative
- decisions and outcomes.
- 6–8

Solution 4

- 2
- A reasoned discussion which
- makes use of economic information
- and clear analysis to evaluate
- economic issues and situations.
- The answer may lack some depth
- and development may be one-
- sided. There is relevant use of
- economic concepts, terminology,
- information and data appropriate to

Solution 4

- the question.
- 3–5
- 0455/21
- October/November 2025
- Guidance
- Why they might not be:
 - ■
 - government revenue will be low – budget deficit / debt
 - ■
- not enough revenue to provide for public / merit goods

Solution 4

- e.g. education / healthcare
- ■
- higher inequality if progressive taxes are low
- ■
- higher inflation if direct taxes are low
- ■
- low taxes on merit goods improve external benefits.
- Level
- Description
- 1

Solution 4

- There is a simple attempt at using
- economic definitions and
- terminology. Some reference may
- be made to economic theory, with
- occasional understanding.
- 1–2
- 0
- A mark of zero should be awarded
- for no creditable content.
- 0

Solution 4

- Guidance

Question 4

0455/23 N25 ■ Q4 ■ 20 marks

4 The Central African country Chad has a triangle-shaped population pyramid and a high level of poverty. It regularly has an overall deficit on the current account of its balance of payments. Chad usually has a surplus on its secondary income. However, its trade in goods, trade in services and primary income are all usually in deficit. Some economists suggest that the Chadian Government should impose import quotas to reduce its trade in goods deficit.

- (a) Define primary income. [2]
 - (b) Explain two influences on the shape of a country's population pyramid. [4]
 - (c) Analyse the causes of poverty. [6]
 - (d) Discuss whether or not imposing import quotas will reduce a trade in goods deficit. [8]
- (a)** (a) Define primary income. [2] [2]

Question 4

- (b)** (b) Explain two influences on the shape of a country's population pyramid. [4] **[4]**
- (c)** (c) Analyse the causes of poverty. [6] **[6]**
- (d)** (d) Discuss whether or not imposing import quotas will reduce a trade in goods deficit. [8] **[8]**

Solution 4

(a) Mark scheme

- Define primary income.
- Component of the current account of the balance of
- payments (1).
- Example of an item: profit / interest / dividends / wages
- earned abroad (1).
- 2 Very few candidates understand this term.
- Award one mark if there is any understanding that it relates
- to the balance of payments with other countries.

Solution 4

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- October/November 2025
- Guidance

Solution 4

(b) Mark scheme

- Explain two influences on the shape of a country's
- population pyramid.
- Logical explanation which might include:
 - ■
 - birth rate / fertility rate (1) a high birth rate / fertility rate
 - will result in a wide base for the pyramid (1)
 - ■
 - life expectancy / death rate / aging population (1) high

Solution 4

- death rate / low life expectancy will result in a narrow
- top for the pyramid (1)
- ■
- migration (1) high immigration of people of working age
- would result in a wide middle in the pyramid (1)
- ■
- gender balance (1) example of imbalance in overall
- shape of pyramid (1).
- 4 One mark each for two influences identified and one mark
- each for two explanations.

Solution 4

- If more than two influences are given, consider the first
- three.
- Note: accept low birth rate, high life expectancy, emigration
- with reverse explanation.
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- Guidance

Solution 4

(c) Mark scheme

- Analyse the causes of poverty.
- Coherent analysis which might include the following.
 - ■
 - Low quantity / quality of education (1) can reduce job
 - opportunities (1) low skilled jobs (1) low paid jobs (1).
 - ■
 - Unemployment (1) lower income (1) reliant on welfare
 - benefits (1).

Solution 4

- ■
- Illness / disability (1) poor healthcare (1) reduce ability
- to earn an income (1).
- ■
- Old age (1) may have low or no state benefits (1)
- absolute poverty (1).
- ■
- Uneven distribution of income / wealth (1) resulting in
- relative poverty (1).
- ■

Solution 4

- Corruption (1) reducing tax revenue available to spend
- on reducing poverty (1).
- ■
- Large families (1) many children (1) trapped in / child
- poverty (1).
- ■
- Single parent families (1) parent unable to work (1)
- reliant on state benefits (1).
- ■
- Poor housing (1) harms health (1) limited access to

Solution 4

- employment (1) high cost of living (1).
- ■
- Natural disaster / conflict (1) causes loss of ability to
- work / earn income (1).
- ■
- Geographical immobility (1) prevents access to paid
- jobs (1).
- ■
- Work in agriculture (1) where wages are low / not
- regular income (1).

Solution 4

- ■
- High inflation (1) cannot afford to buy basic necessities
- (1).
- 6 Answer requires more than one cause of poverty to get full
- marks.
- Reference to absolute and relative poverty may be relevant
- to more than one bullet point but only reward each once.
- Maximum of three causes can be given a mark.
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- October/November 2025

Solution 4

- Guidance

Solution 4

(d) Mark scheme

- Discuss whether or not imposing import quotas will
- reduce a trade in goods deficit.
- In assessing each answer, use the table opposite.
- Why it might:
 - ■
 - restrict imports
 - ■
 - lower supply may drive up price

Solution 4

- ■
- consumers and firms may switch to domestic goods
- ■
- could reduce gap between import expenditure and
- export revenue.
- ■
- consumers and firms may switch to domestic
- substitutes
- ■
- could reduce gap between import expenditure and

Solution 4

- export revenue.
- Why it might not:
 - ■
- import quotas may be higher than demand
 - ■
- depends on the breadth of goods affected – fewer
- goods, less effective
 - ■
- may not be domestic substitutes
 - ■

Solution 4

- may be retaliation which could reduce export revenue
- ■
- smuggling may occur
- ■
- reduction in import spending may appreciate currency
- value, reducing exports.
- 8
- Level
- Description
- 3

Solution 4

- A reasoned discussion which accurately
- examines both sides of the economic
- argument, making use of economic
- information and clear and logical analysis
- to evaluate economic issues and
- situations. One side of the argument may
- have more depth than the other, but
- overall, both sides of the argument are
- considered and developed.
- There is thoughtful evaluation of

Solution 4

- economic concepts, terminology,
- information and/or data appropriate to
- the question. The discussion may also
- point out the possible uncertainties of
- alternative decisions and outcomes.
- 6–8
- 2
- A reasoned discussion which makes use
- of economic information and clear
- analysis to evaluate economic issues

Solution 4

- and situations. The answer may lack
- some depth and development may be
- one-sided. There is relevant use of
- economic concepts, terminology,
- information and data appropriate to the
- question.
- 3–5
- 0455/23
- October/November 2025
- Guidance

Solution 4

- Level
- Description
- 1
- There is a simple attempt at using
- economic definitions and terminology.
- Some reference may be made to
- economic theory, with occasional
- understanding.
- 1–2
- 0

Solution 4

- A mark of zero should be awarded for no
- creditable content.
- 0
- L1 and up to 2 marks for an understanding of import quotas.
- Guidance

Question 21

0455/12 J25 ■ Q21 ■ 1 mark

21 An economy that is fully employed is forecast to have an increase in total demand.

What is most likely to increase?

- A** the rate of absolute poverty
- B** the government budget deficit
- C** the level of unemployment
- D** the rate of inflation

Solution 21

Answer: **D**

Why

- At full employment there is no spare capacity.
- So extra demand cannot raise output – it bids up prices instead.
- The result is demand-pull inflation.

Question 2

0455/21 J25 ■ Q2 ■ 20 marks

2 The shape of Colombia's population pyramid is changing. The income distribution of this South American country, however, is not changing significantly. The country has one of the most unequal income distributions in the world. Some Colombians work in its footwear industry which produces shoes, sandals and boots. Although footwear is produced in the private sector, Colombia has a mixed economic system.

- (a) Define population pyramid. [2]
- (b) Explain two reasons why income may become more unevenly distributed. [4]
- (c) Analyse the influences on whether demand for shoes is elastic or inelastic. [6]
- (d) Discuss whether or not a mixed economic system will benefit the people who live in that economy. [8]

(a) (a) Define population pyramid. [2] **[2]**

(b) (b) Explain two reasons why income may become more unevenly distributed. [4]**[4]**

Question 2

- (c)** (c) Analyse the influences on whether demand for shoes is elastic or inelastic. [6]**[6]**
- (d)** (d) Discuss whether or not a mixed economic system will benefit the people who live in that economy. [8]**[8]**

Solution 2

(a)

Mark scheme

- Define population pyramid.
- age (1) gender (1)
- 2 If more than two factors given, consider the first three.

Solution 2

(b) Mark scheme

- Explain two reasons why income may become more
- unevenly distributed.
- Logical explanation which might include:
- A rise in:
 - ■
 - Unemployment (1) those who lose their jobs are likely to
 - experience a fall in their income (1).
 - ■

Solution 2

- Illness (1) the sick may not be able to earn an income
- (1).
- ■
- Profits (1) benefitting entrepreneurs (1).
- ■
- Interest rates (1) benefitting those with a high value of
- savings (1).
- ■
- Wealth (1) with rich people gaining more interest/profit
- (1).

Solution 2

- ■
- Regressive taxation (1) reducing the income of the
- poor/placing greater burden on poor (1).
- ■
- Discrimination of workers (1) example e.g. reducing
- income of women
- ■
- Education provision / attainment (1) but only for some
- (1).
- A fall in:

Solution 2

- ■
- National minimum wage (1) the low-paid experience a
- fall in income (1).
- ■
- Progressive taxation (1) increases the income of the
- rich (1).
- ■
- Welfare / state benefits (1) reduce the income of the
- poor (1).
- 4 One mark each for each of two reasons identified and one

Solution 2

- mark each for each of two explanations.
- If more than two reasons given, consider the first three.
- MAX of two marks if not identifying what changes.
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- May/June 2025
- Guidance
- Growth:
 - ■
- Economic growth (1) benefits go more to skilled than to
- unskilled workers (1).

Solution 2

- ■
- Changes in growth rate of different industries (1).
- workers in expanding industries may earn more in
- wages than workers in declining industries (1).
- ■
- Changes in growth rate of different regions (1) workers
- in high growth areas may earn higher wages than in low
- growth / declining regions (1).
- ■
- Changes in growth rate of private and public sector 1

Solution 2

- private sector earn higher increase in wages (1).
- 4
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Solution 2

(c) Mark scheme

- Analyse the influences on whether demand for shoes is
- elastic or inelastic.
- Coherent analysis which might include:
 - ■
- Shoes have substitutes in the form of sandals and boots
- (1) may make demand (price) elastic (1) as a change in
- price will cause consumers to switch between different
- forms of footwear (1) especially if the types are close

Solution 2

- substitutes / close in price (1).
- ■
- PED of particular brands of shoes will be more elastic
- than demand for shoes as a whole (1)
- ■
- Proportion of income spent on the shoes (1) the lower
- the proportion, the more inelastic the demand (1) as a
- change in price will not have such a significant impact
- on demand (1).
- ■

Solution 2

- Whether shoes are considered to be a necessity or a
- luxury (1) shoes are likely to be considered a necessity
- (1) and therefore inelastic (1).
- ■
- It may not be possible to delay the purchase of shoes
- (1) making demand inelastic (1).
- ■
- Durability of shoes (1) the more durable the more
- inelastic (1).
- ■

Solution 2

- Demand for some shoe may be addictive (1) making
- demand inelastic (1).
- 6
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- May/June 2025
- Guidance

Solution 2

(d) Mark scheme

- Discuss whether or not a mixed economic system will
- benefit the people who live in that economy.
- In assessing each answer, use the table opposite.
- Why it might:
 - ■
 - public goods may be provided
 - ■
 - production of demerit goods may be discouraged

Solution 2

- ■
- production of merit goods may be encouraged
- ■
- state benefits may be provided
- ■
- income may be redistributed to help the poor
- ■
- unemployment may be kept low by government policies
- ■
- private sector benefits e.g. generate high incomes /

Solution 2

- lower prices
- Why it might not:
 - ■
- may be market failure in the private sector
 - ■
- rich may lose if there is high progressive taxation
 - ■
- high taxation may discourage enterprise
 - ■
- state-owned enterprises may be inefficient

Solution 2

- ■
- may be less choice in the public sector.
- 8
- Level
- Description
- 3
- A reasoned discussion which
- accurately examines both sides of the
- economic argument, making use of
- economic information and clear and

Solution 2

- logical analysis to evaluate economic
- issues and situations. One side of the
- argument may have more depth than
- the other, but overall both sides of the
- argument are considered and
- developed. There is thoughtful
- evaluation of economic concepts,
- terminology, information and/or data
- appropriate to the question. The
- discussion may also point out the

Solution 2

- possible uncertainties of alternative
- decisions and outcomes.
- 6–8
- 2
- A reasoned discussion which makes
- use of economic information and clear
- analysis to evaluate economic issues
- and situations. The answer may lack
- some depth and development may be
- one-sided. There is relevant use of

Solution 2

- economic concepts, terminology,
- information and data appropriate to the
- question.
- 3–5
- 0455/21
- May/June 2025
- Guidance
- 8
- Level
- Description

Solution 2

- 1
 - There is a simple attempt at using
 - economic definitions and terminology.
 - Some reference may be made to
 - economic theory, with occasional
 - understanding.
- 1–2
- 0
 - A mark of zero should be awarded for
 - no creditable content.

Solution 2

- 0
- 0455/21
- May/June 2025
- Guidance

Question 25

0455/12 M25 ■ Q25 ■ 1 mark

25 Wealthy countries have people who live in relative poverty.

What is the most likely cause of this?

- A** generous state pensions
- B** low national minimum wage
- C** progressive taxation

D subsidised healthcare

Solution 25

Answer: **B**

Why

- Relative poverty means having much less than the average in that society.
- It persists in rich countries wherever some incomes lag far behind the rest.
- Low pay, unemployment or weak benefits all cause it – generous pensions would reduce it.

Question 24

0455/11 N24 ■ Q24 ■ 1 mark

- 24** The table shows the distribution of income as measured by GDP for three countries in a year.

	percentage of GDP received by each 20% of households				
	highest 20%	second highest 20%	middle 20%	second lowest 20%	lowest 20%
Belgium	36.4	22.4	18.0	14.3	8.9
Mexico	51.7	20.0	13.5	9.4	5.4
US	46.9	22.4	15.3	10.3	5.1

What can be concluded from the table?

Question 24

- A** The lowest 20% of households in the US have lower incomes than the lowest 20% of households in Mexico.
- B** The lowest 40% of households in Belgium receive a larger share of the country's income than the highest 20% of households.
- C** The distribution of income is most equal in Belgium.
- D** The highest 20% of households in the US receive half of the country's income.

Solution 24

Answer: **C**

Why

- The distribution is more equal when the poorest fifth receives a larger share.
- So compare the percentage going to the lowest 20% in each country.
- The country with the biggest gap between top and bottom shares is the least equal.