CHAPTER 33
POVERTY

Macroeconomics - year11

IGCSE Economics Exam Crash Course by Knockout.Economics

Agenda

- Multiple choice
- Essay

RECAP

1. **Absolute poverty** occurs when individuals do not have enough income to meet basic needs such as food, clothing, shelter, and healthcare.
2. **Relative poverty** occurs when individuals have significantly lower income and resources compared to the average standard of living within their country.
3. **Policies for reducing poverty include:**
    1. Imposing direct taxes such as income tax and corporate tax to gain tax revenue to help poor people
    2. Promoting economic growth to create jobs
    3. A rise in minimum wage
    4. Encouraging multinational companies to invest in the country
    5. Providing benefits such as unemployment benefits

RECAP

4. **Policies for Income Redistribution include:**
    1. Imposing direct taxes such as income tax and corporate tax
    2. Providing state benefits, e.g., unemployment benefits
    3. Providing education and healthcare
    4. Implementing a rise in the minimum wage

Part1-Multiple choice

1. Which of the following best describes the difference between absolute and relative poverty?

a) Absolute poverty is when individuals cannot afford basic necessities, whereas relative poverty is when individuals earn significantly less than the average income in their society.

b) Relative poverty refers to extreme deprivation, while absolute poverty is based on income alone.

c) Absolute poverty is only measured in developing countries, while relative poverty exists only in developed economies.

d) Relative poverty is defined by GDP per capita, while absolute poverty is determined by inflation-adjusted income.

Part1-Multiple choice

1. Which of the following best describes the difference between absolute and relative poverty?

a) Absolute poverty is when individuals cannot afford basic necessities, whereas relative poverty is when individuals earn significantly less than the average income in their society.

b) Relative poverty refers to extreme deprivation, while absolute poverty is based on income alone.

c) Absolute poverty is only measured in developing countries, while relative poverty exists only in developed economies.

d) Relative poverty is defined by GDP per capita, while absolute poverty is determined by inflation-adjusted income.

Answer: A)

Part1-Multiple choice

2. What is one major disadvantage of using GDP per capita as a measure of poverty reduction?

a) It excludes the informal economy.

b) It does not reflect income distribution and inequality.

c) It adjusts for inflation over time.

d) It includes all economic transactions in a country

Part1-Multiple choice

2. What is one major disadvantage of using GDP per capita as a measure of poverty reduction?

a) It excludes the informal economy.

b) It does not reflect income distribution and inequality.

c) It adjusts for inflation over time.

d) It includes all economic transactions in a country

Answer: B)

Part1-Multiple choice

3. Which government policy would be least effective in reducing long-term poverty?

a) Investment in education and vocational training.

b) Expansion of microfinance opportunities.

c) food subsidies without structural reforms.

d) Improvements in healthcare access.

Part1-Multiple choice

3. Which government policy would be least effective in reducing long-term poverty?

a) Investment in education and vocational training.

b) Expansion of microfinance opportunities.

c) food subsidies without structural reforms.

d) Improvements in healthcare access.

Answer: C)

Part1-Multiple choice

4. How might globalization contribute to both poverty reduction and poverty persistence?

a) It creates new jobs and investment opportunities but can also lead to job losses in industries that cannot compete internationally.

b) It completely eliminates income inequality.

c) It increases wages uniformly across all sectors.

d) It causes economic growth without any negative consequences.

Part1-Multiple choice

4. How might globalization contribute to both poverty reduction and poverty persistence?

a) It creates new jobs and investment opportunities but can also lead to job losses in industries that cannot compete internationally.

b) It completely eliminates income inequality.

c) It increases wages uniformly across all sectors.

d) It causes economic growth without any negative consequences.

Answer: A)

Part1-Multiple choice

5. How does a regressive tax system impact poverty?

a) It redistributes wealth and reduces income inequality.

b) It ensures high-income earners pay a larger share of taxes.

c) It disproportionately burdens low-income individuals, increasing relative poverty.

d) It reduces government revenue, leading to more welfare programs.

Part1-Multiple choice

5. How does a regressive tax system impact poverty?

a) It redistributes wealth and reduces income inequality.

b) It ensures high-income earners pay a larger share of taxes.

c) It disproportionately burdens low-income individuals, increasing relative poverty.

d) It reduces government revenue, leading to more welfare programs.

Answer: C)

Part1-Multiple choice

6. One potential unintended consequence of a government increasing direct cash transfers to the poor is that:

a) It may discourage labor force participation if benefits exceed low-wage job earnings.

b) It automatically leads to higher employment rates.

c) It guarantees a decrease in inflation.

d) It eliminates all forms of poverty in an economy.

Part1-Multiple choice

6. One potential unintended consequence of a government increasing direct cash transfers to the poor is that:

a) It may discourage labor force participation if benefits exceed low-wage job earnings.

b) It automatically leads to higher employment rates.

c) It guarantees a decrease in inflation.

d) It eliminates all forms of poverty in an economy.

Answer: A)

Part2-Essay

1 (a) Define the term 'Absolute poverty'. [2]

2 (a) Define the term 'Relative poverty'. [2]

3 (b) Identify and explain two fiscal policy tools that can help alleviate poverty.[4]

5 Assess whether implementing a national minimum wage can effectively reduce poverty. [8]

Part2-Essay

3 (b) Identify and explain two fiscal policy tools that can help alleviate poverty.[4]

Part2-Essay

5 Assess whether implementing a national minimum wage can effectively reduce poverty. [8]

Part2-Essay

5 Assess whether implementing a national minimum wage can effectively reduce poverty. [8]

The End