



Theme 4 Sample Essays [Free Version]

19-25 Buckingham Road, Edgware, HA8 6LY

0207 060 4494

www.expert-tuition.co.uk

Expert Tuition Managing Director, Ahmed Alaskary, has put this revision pack together to help students with their A-Level Economics revision. Ahmed has over 10 years experience teaching A-Level Economics, with a particular expertise in the Edexcel examination board.

This pack is intended to supplement a students learning and **should not** be used as an alternative to thorough revision of the specification. The intention is to show students how they can apply their knowledge to exam-style questions. The essays are a combination of amended past papers (adjusted for the new specification) and other questions based on the specification.

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Marks Breakdown¹

5 Mark Question:

Knowledge 1, Application 1, Analysis 3

8 Mark Question:

Knowledge 2, Application 2, Analysis 2, Evaluation 2

10 Mark Question:

Knowledge 2, Application 2, Analysis 2, Evaluation 4

12 Mark Question:

Knowledge 2, Application 2, Analysis 4, Evaluation 4

15 Mark Question:

Knowledge 3, Application 3, Analysis 3, Evaluation 6

25 Mark Question:

Knowledge 4, Application 4, Analysis 8, Evaluation 9

¹ We strongly recommend that students familiarise themselves with the mark scheme and in particular, as part of their revision, read through Examiner Reports for questions they find difficult when studying.

Assess the causes of absolute poverty in a developing country of your choice. [25] [June 2011]

Absolute poverty is where an individual does not have access to basic necessities such as water, food and shelter. The World Bank defines it as living on less than \$1.85 per day. In 2016, one in nine people in the Democratic Republic of Congo were living in absolute poverty.

One cause of absolute poverty in the Democratic Republic of Congo is the savings gap. The Harrod-Domar model states that less economically developed countries (LEDC's) have a lower savings rate than more economically developed countries (MEDC's). Congo's low marginal propensity to save is because most people's incomes are spent on necessities and they do not have a sophisticated banking sector. Given this, banks lack the profit incentive to setup in these regions and thus, there is a low savings ratio in the economy. Savings are needed for investment, which is seen as essential to achieve long-term economic growth and development. As such, due to the savings gap, there is a lack of investment in public services and stagnant economic growth, leading to increased poverty and a fall in living standards. This is a particularly potent cause of poverty in countries such as Congo as it is often the case that the poor are caught in a cycle of problems as low incomes lead to low savings, low investment, inefficient tax revenues for the government and low capital accumulation. This vicious cycle is one of the main causes for countries such as the Democratic Republic of Congo having exceedingly high levels of absolute poverty. In the Democratic Republic of Congo, savings are only 6% of GDP, compared to 29% in Sweden.

However, many LEDCs such as the Democratic Republic of Congo have received substantial levels of aid. Between 2003 and 2011, the UK gave the country approximately £240 million in aid. This could help to reduce both absolute poverty and helps to fill the savings gap. Aid in the form of food and clothing would allow individuals to save more as less of their income would need to go towards these basic necessities. As such, the savings gap may not be as significant an issue as it once was².

Secondly, many LEDC's such as the Democratic Republic of Congo have had many years of devastating civil wars. Between 1994 and 2003, the country was afflicted by civil war. This causes poverty because it destroys the countries infrastructure and depletes the workforce as rather than working productively; adults have combat duties to fulfill. This reduces the countries productivity and will leave much of the country stripped of their basic human

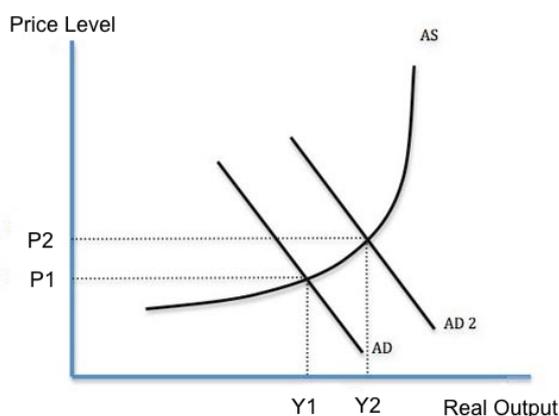
² You could double evaluate this by talking about how the high level of corruption may mean that the money gets diverted into the hands of corrupt officials. This itself is a cause of absolute poverty in the country.

needs. Furthermore, in times of war, as seen in Congo, state revenues are spent on defence equipment to fund the war. This results in less money being spent on public services such as education and healthcare. Therefore, civil wars are another reason for absolute poverty in Congo.

Thirdly, primary product dependency is a cause of absolute poverty. Congo relies on the export of ores, copper and precious stones. By relying on these primary products as their main source of income, absolute poverty is likely to continue, as there are fluctuations in producers' incomes and foreign exchange earnings. This is because primary products are vulnerable to external shocks such as adverse weather conditions. Also, since demand for primary products is price inelastic, a fall in price will cause total revenue to fall, and in turn, the foreign currency earnings and exports fall for Congo as a country. This means GDP per capita falls, lowering living standards.

However, economic theory states that a country should specialise in the production of goods that it has a comparative advantage in so that they can allocate resources in the most efficient way. Also, if the issue of primary product dependency was caused by a natural disaster, then this may only be a short-term problem.

Furthermore, Congo has strong trade links with China. Given that they export approximately 43% of their goods to China implies that China, the world's largest exporter by volume, has strong political links with Congo. As such, there is likely to be an influx of Chinese FDI into the Congo economy, which will help to reduce the level of absolute poverty. This is because investment is a component of AD and thus AD will shift outwards. Also, investment is an injection into the circular flow of income and thus, there will be a positive multiplier effect. Since Congo is likely to have a large marginal propensity to consume, the multiplier will be large.



Increased FDI can help to stimulate economic growth as real output rises from Y1 to Y2. Given this, living standards would be rising and absolute poverty would be falling.

To conclude, although it is difficult to isolate one factor as the most important cause of absolute poverty, it is perhaps more suitable to argue that it is a combination of all of the factors. A low savings ratio, high levels of corruption and primary product dependency have all played a part in creating absolute poverty in Congo.

Other essays and answers in the pack include:

- **Assess the economics effects of the growth of trading blocs on the global economy [25] [June 2011]**
- **Examine the causes on income and wealth inequality in the UK or any country of your choice. [25] [June 2010]**
- **In the 2009 budget the UK government announced that a new 50% rate of income tax would be introduced in 2010. This creates marginal tax rates of 20%, 40% and 50%³, instead of two. Evaluate the likely economic effects of this change in the tax structure. [25] [June 2010]**
- **Evaluate the case for cutting public expenditure rather than raising taxes as a means of reducing fiscal deficits. [25] [June 2011]**
- **Evaluate four ways in which economic growth and development might be promoted in developing countries [25] [June 2010]**
- **Evaluate strategies that countries can adopt to correct a trade deficit [25]**
- **In 2012, it was estimated that Japan's national debt was equal to 214.3% of its GDP, and Greece's national debt was equal to 161.3% of its GDP.**
- **Evaluate the likely impact of measures which a government could take to reduce the economy's national debt. Refer to a developed economy of your choice in your answer. [25] [Specimen Paper 2 Question 7]**

³ *Note: the top tax rate was cut to 45% in 2013*

Data Response Questions

June 2012 Question 5

- **With reference to Figure 1 and 2, explain the difference between a budget deficit and the national debt of a country. [5]**
- **With reference to Extract 1, explain why “weak growth and high unemployment could cause serious problems for countries that already have high levels of national debt” (Extract 1, lines 19-20). [8]**
- **Assess possible reasons why the GDP of European Union countries outside the Eurozone grew at a faster rate than the Eurozone average in the first nine months of 2010. [10]**
- **Examine policies which might improve the competitiveness of the goods and services produced by Greece, Italy and Portugal. [12]**
- **Discuss the view that governments of countries with large budget deficits should take measures to reduce them as quickly as possible. [15]**

June 2011 Question 5

- **With reference to Extract 1, explain the role of the World Trade Organisation (WTO) [5]**
- **With reference to Figures 1 and 2 and to Extract 2, analyse the effects of an undervaluation of the Chinese currency, the Renminbi, for the US economy. [8]**
- **To what extent might a higher level of savings in the USA be sufficient to eliminate trade imbalances between China and the USA? [10]**
- **To what extent are large trade imbalances a cause for concern? [12]**
- **With reference to Extract 1, assess the impact of tariffs, such as those imposed by Mexico and Brazil, on US consumers and producers. Illustrate your answer with an appropriate diagram. [15]**

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⁴ We offer block booking discounts for schools – please contact a member of our team for more detail