2.20 The Costs and Benefits of Economic Growth: 30-minute Pack

Total Marks

AQA 7136 · Calculators not allowed · about 30 minutes

Name: _____ Date: ____ / ____ / _____

Answer all questions. Write full sentences for the levels-marked essay question only. Time guidance: 30 minutes in total.

1 Define the Human Development Index (HDI) and explain briefly how it differs from GDP per capita as a measure of wellbeing.

(Total for Question 1 is 3 marks)

2 State three reasons why rapid economic growth might increase income and wealth inequality in a country.

(Total for Question 2 is 3 marks)

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3 Data for the fictional country Northmarch, 2015 to 2019: Table shows annual GDP growth rate (%) and the Gini coefficient (income inequality index, 0 to 1). Year: 2015 GDP growth 1.2 Gini 0.32; 2016 GDP growth 2.8 Gini 0.34; 2017 GDP growth 4.1 Gini 0.37; 2018 GDP growth 3.5 Gini 0.38; 2019 GDP growth 2.0 Gini 0.36. Using this table for Northmarch, explain how the data show a possible trade off between higher growth and rising inequality over this period.

(Total for Question 3 is 9 marks)

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Mark scheme · 2.20 The Costs and Benefits of Economic Growth: 30-minute Pack

Question 1

HDI is a composite index combining life expectancy, education (mean and expected years of schooling) and national income per person	**B1**
it differs from GDP per capita because it includes health and education outcomes as well as income	**M1**
therefore HDI captures broader aspects of wellbeing and human development, not just average income	**A1**

Answer: HDI is a composite index of life expectancy, education and income per person. Unlike GDP per capita, HDI includes health and education outcomes and so measures broader wellbeing, not just average income.

Question 2

growth concentrated in skill-intensive sectors benefits higher skilled workers more, increasing wage inequality	**B1**
asset price rises during growth (property, shares) increase wealth for those who own assets, widening wealth inequality	**B1**
returns to capital can rise faster than wages, so owners of capital gain disproportionately	**B1**

Answer: E.g. if growth is concentrated in skill-intensive sectors, higher skilled workers gain higher wages, increasing wage inequality. Also, asset price rises during growth benefit those who own property and shares, widening wealth inequality. Returns to capital can grow faster than wages, so capital owners gain disproportionately.

Question 3

identifies that GDP growth rose from 1.2% in 2015 to a peak of 4.1% in 2017 and remained above 2% in 2016 to 2018 before falling to 2.0% in 2019	**M1**
identifies that the Gini coefficient rose from 0.32 in 2015 to 0.38 in 2018, indicating increasing income inequality	**M1**
links the timing: the period of faster growth 2016 to 2018 coincides with a steady rise in the Gini, suggesting growth was associated with rising inequality	**A1**
notes that in 2017 growth peaked at 4.1% while Gini increased to 0.37, providing a specific data point showing high growth with higher inequality	**M1**
explains a plausible mechanism from the data: growth may have been concentrated in capital intensive or skill intensive sectors, benefiting higher income groups and raising inequality	**A1**
acknowledges counterevidence in the table: in 2019 growth fell to 2.0% and Gini fell slightly to 0.36, suggesting the relationship is not perfectly stable	**M1**
evaluative point: correlation does not prove causation and other factors such as policy, taxation or changes in labour market institutions could have driven inequality independently of growth	**A1**
concludes that the data are consistent with a trade off in this period, but the evidence is suggestive rather than definitive	**A1**
uses figures accurately from the table in support of arguments	**B1**

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