1.22 Government Policies to Reduce Poverty and Inequality: 10-minute Pack

AQA 7136 · Calculators not allowed · about 10 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Answer all questions. Write full sentences for extended questions and the final essay. No calculator is required. Show workings for any short calculations and justify evaluative points in the essay.

1 Explain the phrase 'cost to the exchequer' when applied to redistributive policies, and state one way governments might finance redistributive spending without increasing long-term taxation.

(Total for Question 1 is 3 marks)

2 Define a regressive tax in the context of distributional policy and give one example of a regressive tax relevant to the UK.

(Total for Question 2 is 2 marks)

3 Explain what is meant by the poverty trap (or benefit trap) and give one policy adjustment that could reduce its impact.

(Total for Question 3 is 3 marks)

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Mark scheme · 1.22 Government Policies to Reduce Poverty and Inequality: 10-minute Pack

Question 1

the cost to the exchequer refers to the direct fiscal cost to the government budget of funding benefits or public services used for redistribution	**M1**
this cost raises questions about affordability, opportunity cost and effects on fiscal deficits and debt	**A1**
one financing option: reallocate existing spending, borrow temporarily (increasing deficit), or use one-off asset sales; example answer: temporary borrowing or reprioritisation of spending	**B1**

Answer: Cost to the exchequer is the fiscal cost of redistributive measures; governments might finance them by reprioritising spending, temporary borrowing, or one-off asset sales rather than raising permanent taxes.

Question 2

a tax where lower-income households pay a higher proportion of their income than higher-income households	**B1**
example: indirect taxes such as VAT can be regressive because lower-income households spend a larger share of income on taxed consumption	**B1**

Answer: A tax that takes a larger proportion of income from poorer households than from richer ones; example: VAT on general goods.

Question 3

the poverty trap arises when people lose means-tested benefits or pay much higher taxes as they earn more, so the net gain from increased employment or higher pay is small	**M1**
this weakens work incentives and can trap people in low-income states or unemployment	**A1**
policy adjustment: tapering off benefits more gradually, increasing in-work benefits or introducing earned-income tax credits to ensure that net income rises with work	**B1**

Answer: The poverty trap is when benefit withdrawal and taxes reduce the net gain from working more, discouraging work; reducing the taper rate or offering in-work credits can lessen the trap.

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