14 The unemployment rate in an economy may continue to rise even after the economy has recovered from a recession.

Which explanation for this trend is **not** correct?

A Many foreign businesses have moved out of the country.

B The government has abolished the national minimum wage.

C An increase in net migration of low-skilled workers.

D Workers lose skills, making them less employable.

A-Level Economics: **w25 33**

24 What is **not** a likely feature of a customs union?

A common external tariffs with non-member nations

B elimination of tariffs between member nations

C elimination of quotas between member nations

D shared common currency among member nations

A-Level Economics: **w25 34**

30 Which criticism of foreign direct investment (FDI) is **least** valid?

A It encourages competition, reduces prices and forces the less efficient domestic firms to leave the market.

B It brings workers from its own country and provides only low paying jobs to low skilled local workers.

C It is usually withdrawn quickly in case of a global crisis, making developing countries more vulnerable to global shocks.

D Its actions often result in environmental degradation, and over exploitation of natural resources.

1 Inequality and globalisation

A government commission published a report saying that global poverty and inequality were worsening and there was a risk that the gap between the rich and the poor would increase.

But, according to a newspaper, a lot of what is said about inequality is wrong. It overlooks the fact that the past 50 years saw a period of dramatic reduction in global inequality. The normal measurement of relative inequality is the Gini coefficient. The figure for global inequality in 1975 was 0.75, in 2020 it was 0.72 and in 2022 it was 0.67.

It is important to understand this trend rather than make the mistake of the commission.

The fall in global inequality should not come as a surprise. For about two hundred years the benefits of industrialisation went mainly to countries in Europe and North America. Income inequality between these countries and poorer countries worsened. The spread of globalisation in recent decades has meant this difference has lessened. Countries such as China and India have benefited from large increases in per capita (average) income, as shown in Table 1.1.

Table 1.1 Per capita (average) income and Gini coefficient for China and India 1990 and 2016

	Per capita (average) income (US$)		Gini coefficient	
	1990	2016	1990	2016
China	<1 000	>13 000	0.32	0.38
India	<1 200	>7 000	0.32	0.36

With such an increase in per capita incomes maybe some level of inequality does not matter. Indeed, it might be a necessary condition for economic growth. Instead of concentrating on eliminating inequality perhaps the focus should be on the absolute position of the poorest.

If the attention is on the relief of poverty rather than the wealth of the richest, improvements can be seen. Life expectancy has increased, most noticeably by ten years in the past two decades in the poorest region of sub-Saharan Africa. Literacy rates have also increased. Those in absolute poverty across the world have fallen from more than a third to under a tenth of the world's population. And all this while the world's population has increased.

Critics of globalisation and foreign direct investment (FDI) by multinational companies point to the possible negative environmental effects, the weakening of individual cultures and the reliance on international financial institutions that can fail. They also claim there can be exploitation of workers leading to greater wage inequality and possible increases in domestic unemployment as cheaper goods are imported.

Source: The Times*, 23 August 2021*

(a) The article refers to the Gini coefficient. With the help of a diagram explain the link between a Gini coefficient and a Lorenz curve. [5]

(b) **(i)** Distinguish between equity and equality. [2]

(ii) ‘But, according to a newspaper, a lot of what is said about inequality is wrong.’

Analyse whether there is a conflict between what the newspaper wrote about changes in equality and Table 1.1. [5]

(c) With reference to the article, explain the idea of globalisation and assess whether there is enough evidence to conclude that globalisation has a net benefit for everyone. [8]

Section B

Answer **one** question.

EITHER